agta record ltd

annual report 2017

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Management report

Noteworthy events

- In June 2016 the British Pound started to decline and continued to do so in 2017.
- In the second half of 2017 the Swiss Franc fell by 7% against the Euro.
- Group management focused on achieving the implementation of the restructuring measures launched in France, USA, the Netherlands and the United Kingdom in 2016. As a consequence, potential acquisitions were postponed.

Market and Competition

We estimate that all markets (North America, Europe and Asia) were slightly growing last year at rates of 1-2%.

So far the relevant market segment in the United Kingdom was not affected by Brexit, and in Asia, Malaysia was showing signs of growth investments.

In France, two specific segments where the Group is active, industrial doors and modernisation of lifts, continued to slowly improve.

No introduction of new competitive products in the world of automatic doors could be acknowledged which would have challenged the offering of the agta record Group.

Commercial performance

agta record increased its market share, booking orders for close to 90,900 doors and kits (up from 85,500 in 2016) representing growth of 6.4% despite flat performances in France and in the US branches.

Value wise growth stood at +6.8% at constant exchange rates i.e. higher than our forecast of growth of 4%-5%.

The group recorded exceptional growth rates in Austria, Spain, Australia, with US dealers, KOS, PACA and Export from Switzerland to dealers worldwide.

Maintenance was up 4.1% (+5.0% at constant exchange rates) impacted by difficulties in Germany and France to find the required number of technicians.

Total orders (products and maintenance) amounted to EUR 373.3 million (+4.8%) and EUR 377.9 million at constant exchange rates (+6.1%).

Financial performance

Revenue grew by 4.3% (5.5% at constant exchange rates). Sales of high value products like revolving doors or US Flip Flows were subdued, but most subsidiaries produced satisfying results.

Gross margin went up again (73.4% versus 72.5% in 2016 and 72.3% in 2015). This was mainly due to:

- France regaining efficiency after the 2016 restructuring
- agtatec, KOS, record Switzerland and PACA posting exceptional results
- Sourcing bringing an additional 20 bps margin improvement
- Favourable mix with more sliding doors (higher profitability)

The increase of personnel cost was limited to 3.6% despite exceptional cost at record UK and record Netherlands. At the same time, record France improved largely with most restructuring measures finally coming to an end.

Growth of structure cost of 5.8% was higher than revenue growth. Provisions on receivables returned to normal levels compared to 2016 while transport cost remained higher than expected in France.

EBITDA grew 12.8% to EUR 54.5 million.

As there was no goodwill impairment like in 2016, EBIT increased by 38% to EUR 40.9 million (EUR 29.7 million in 2016), representing a margin of 11.2% of revenue.

Driven by foreign exchange movements, the financial result showed a profit of EUR 1.7 million after a loss of EUR 1.4 million in the previous year.

Net profit ended at EUR 32.9 million versus EUR 21.8 million in 2016, i.e. a rise of more than 51%.

Balance Sheet

Net cash (i.e. cash after the deduction of financial debt) was EUR 62.1 million as of 31 December 2017 compared to EUR 50.1 million at the end of 2016. The most important cash outflows during the year were the dividend of EUR 12 million and capital expenditure of EUR 12 million.

Risk factors

Market risk

The business of the Group is relatively diversified in terms of value added: design, engineering, manufacturing, installation, service and maintenance of automatic doors and industrial doors plus maintenance and modernisation of lifts. These activities are offered and sold to different customer segments that are not directly linked to each other: supermarkets, hypermarkets, retail outlets, banks, government offices, industrial and logistics units, railway stations, airports, hospitals, retirement homes, hotels, restaurants, etc. Specific segments may be temporarily affected by a slowdown in investment, but all of them will rarely be simultaneously affected.

The Group is directly present on four continents (Europe, North America, Asia and Australia). It operates directly in 17 countries through 100%-owned subsidiaries and in all other countries through distributors. Geographical risk is highly diversified. However, one country (France) accounts for 36% of Group sales. A significant slowdown in the French market would have a material impact on Group results.

Risks related to product regulation

Safety standards and regulation governing the use of automatic and industrial doors are extremely strict. They vary between markets, but in all markets, with the exception of China, they impose stringent guidelines on product design. The risk that even stricter standards will be introduced is considered low. If the impact of changed standards on selling prices was very high, the market potential could be negatively affected. However, a slight tightening could even have a beneficial effect on prices and hence on sales.

Product liability risk

Very few physical injuries have occurred related to the use of the products sold by group companies. Technological developments in door systems and safety equipment (sensor barriers, radar, opening pressure, obstacle recognition, etc.) are continually making the doors safer.

The potentially most exposed product is the automatic revolving door, which the Group has been manufacturing following acquisitions in Germany (BLASI) and Australia. To increase the safety of BLASI products, the research and development teams have been focused on the transfer of record technology to revolving doors and on making improvements in the processes at BLASI.

The exposure of all Group companies to product related third-party liabilities is covered via a global umbrella insurance policy.

Financial risks

Interest rate risk: Interest rate risk is negligible due to the very low level of interest bearing debt (EUR 0.1 million). Available funds are kept in cash or invested in low-risk short-term money market instruments.

Credit risk: Credit risk exists related to certain customers, either in terms of defaults on receivables or the impact on profits if a large customer was lost. The risk is limited as no single customer accounts for more than 1% of consolidated sales.

Liquidity risk: Liquidity risk is minimal, given the amount of available cash, the relatively low levels of capital expenditure compared to free cash flow, and the amount of bank facilities not drawn.

Foreign exchange risk: The cost base in Switzerland exposes the Group to movements in the EUR/CHF rate. The growth of the business in the US (12% of Group sales) and the United Kingdom (11% of Group sales) increased the exposure to movements of the USD/EUR and GBP/EUR rates. Part of the USD exposure is offset by higher levels of Group purchases denominated in USD (for instance in China). The effects of currency fluctuations are described further in Note 26 to the financial statements.

Research & Development

R&D expenses (including amortisation of capitalised cost) remain in 2017 EUR 4.2 million as in 2016 (see also Note 4 to the financial statements). The activities focused on revolving and energy-efficient doors. Capitalised development costs remained insignificant at EUR 0.2 million in 2017.

Events after the balance sheet date

See Note 29 to the financial statements.

Outlook 2018

We believe the EU and US markets gathered momentum in 2017 (due to political developments, public investments, etc.) which this year would reflect positively in the markets served by the Group.

Various major uncertainties still remain like the consequences of Brexit, the type of government Germany will have or the capacity of Italy to really bounce back.

Forex rates could also significantly impact group sales, and we are unsure if the Dollar, the Swiss Franc or the British Pound have reached the bottom versus the Euro.

In 2018 the Group will be facing a few challenges:

- Gaining back market shares in France and the Netherlands
- Further productivity gains and reduction of exceptional costs in countries where a reorganisation was implemented
- Increase of the growth rate of the maintenance business

We are very confident in our capacity to meet these challenges and to achieve organic growth of 3-4% at constant exchange rates.

Annexes to the management report

Environmental data

As the Group is engaged in assembly of components, in installation and in maintenance, it operates a "clean", non-polluting business.

Only the manufacturing of circuit boards, centralised in Switzerland, required the installation of extraction and filtering equipment in the area surrounding the tin-soldering work stations to prevent any release of toxic gases.

With regard to subsidiaries, their production processes do not consume water or solvents or a large amount of energy and they do not release toxic substances.

Concerning waste, the cuttings from aluminium profiles are sold for melting. Old batteries are collected by our maintenance service from customers. Subsequently, they are sent to specialist companies to be destroyed or recycled.

Most products have a life span of more than 10 years (which can be extended to 20 years for mechanical parts). 90% of the components are recyclable and have a very low impact on the environment.

The Group is focused on the development of products that consume less energy or increase the energy efficiency of the buildings of customers (e.g. related to heating or air conditioning). The Group is similarly keen on improving its manufacturing operations with a goal to use less material (e.g. aluminium) or make its products easier to recycle. A good example is the range of new sliding doors with improved insulation performance (THERMCORD+).

Workforce data

Number of employees as of 31 December 2017			2,520 (full time equivalents)
	of which	- % women	19%
		- % temporary employees	4%
Average number of employees in 2017			2,547
Training expenses			EUR 593 thousand

The Group primarily employs full-time employees because of the high level of specialisation required.

As the Group includes a significant number of legal entities across 17 countries, compensation policies differ by subsidiary reflecting local regulation and practices customary in the local labour markets.

To date, the Group has not faced any major litigation for non-compliance with labour laws.

Group Governance

The Board of Directors currently has six members. The election of board members and of the Chairman is for a one-year tenure and takes place at the Annual General Meeting, with the possibility of re-election.

The Chairman of the Board of Directors of agta record is the Chairman of the Board or the equivalent at all the subsidiaries. At present, the Boards of the subsidiaries in Sweden, Hungary, Poland, Slovenia, Malaysia, Australia and Canada did not adopt this policy due to their size.

The Chairman has a dual role: he is required to monitor the implementation of the strategy of the Group and to verify that the internal control procedures applied by the subsidiaries are consistent with Group policies.

Where necessary, the Chairman meets the auditors of the subsidiaries. He also verifies that the rules of corporate governance and the limits concerning the delegation of decision-making powers have not been breached.

The rules are specified in two documents ("Organisational regulations of the Group" and "Business regulations of the subsidiaries"). The former document also defines the remit of the CEO.

In 2017, the Board of Directors of agta record met four times. One General Meeting of shareholders was held. No Extraordinary General Meeting of shareholders took place.

At the general meeting on 7 June 2017 KPMG was replaced by Ernst & Young ("EY") as auditor of the consolidated financial statements. EY is not auditing all subsidiaries. In France, where the accounts are audited by NOVANCES, EY supervises the work performed by NOVANCES. This is justified by the importance of the French subsidiaries within the Group (36% of sales).

The Remuneration Committee met once whereas the Audit Committee met twice.

In addition to the documents prepared for the board of directors meetings, the members receive a monthly management summary containing:

- Order intake (volume and value) by subsidiary;
- Sales (volume and value) by subsidiary;
- Consolidated income statement.

At any time, the members of the Board of Directors may request a meeting with a senior manager of the Group or general manager of a subsidiary.

Notifications of Board meetings are sent well in advance, later followed by a detailed agenda and all documents or annexes required for decisions.

The Chairman has a casting vote which he did not use in 2017. No particular difficulties arose in relation to the work of the Board of Directors.

Internal control

The conclusions of the Group auditors, which include a statement regarding internal controls, are presented to the Audit Committee and the Board as a comprehensive report.

The Audit Committee reviews with the auditors the annual and half-year financial statements including a risk analysis. It then issues a recommendation to the Board of Directors based on the results of the review.

The rules of internal control of the Group are defined in three documents:

- Responsibilities of the CEO: Organisational Regulations of the Group;
- Responsibilities of general managers of subsidiaries: Business Regulations of the subsidiaries;
- Accounting, financial and consolidation regulation for subsidiaries: Accounting Manual (revised on a continuous basis in line with IFRS standards).

At any time, the Chairman of the Group may verify that the policies of the first two documents are being applied. The Audit Committee is responsible for the supervision of the implementation of the regulation contained in the Accounting Manual. Whenever the Committee considers it necessary, it may request to undertake an in-depth audit of an issue or the processes at a subsidiary. No such in-depth audit was requested in 2017.

One member of the Board supports the Chairman with respect to selected subsidiaries, currently record USA, record UK, PACA, BLASI and record Germany.

As required by the Swiss Code of Obligations, agta record maintains an internal controlling system (ICS). The ICS covers the entire range of procedures, methods and controls established by Group management and approved by the Board. The ICS is intended to help ensure compliance with national laws and regulation, safeguard assets, prevent errors and irregularities and ensure reliable, complete and timely accounting and financial reporting. All risks (even minor ones) are listed, as well as the methods used to control the risks and the employees responsible to manage them. The ICS also covers the preparation of consolidated financial statements. The continuous monitoring and adjustment of the system is supervised by the Group CEO, Group CFO and the Audit Committee.

Audit fees

			2017			2016
in thousand EUR	**EY**	**Others**	**Total**	KPMG	Others	Total
Audit	**224**	**253**	**477**	307	221	528
Audit related services	**25**	**15**	**40**	15	1	16
Tax services	**22**	**90**	**112**	41	106	147
Other services	**0**	**129**	**129**	0	88	88
Total	**271**	**487**	**758**	363	416	779

Shareholder agreement

Since December 2010, the parties to a shareholder agreement have been holding their agta record shares (7,166,890 shares as of 31 December 2017) via a separate holding company, agta finance. The sole purpose of agta finance is the management of the shareholding in agta record ltd. The shareholder agreement was extended once and expires on 31 December 2018 (option of renewal).

Documents available to the public

The following documents are available at https://www.record.group:

- Media releases including schedule of future releases;
- Financial reports (half-year and year-end);
- Financial profile;
- Documents in preparation of the Annual General Meeting of shareholders;
- Report of sales and purchases of own shares (monthly) and activity of the stock market liquidity provider;
- Articles of Association (in German).

Board of Directors

Name	Company	Position held
Hubert Jouffroy	agta record ltd	Chairman of the Board of Directors
	Sachem & Co.	Chairman of the Board of Directors
Peter Altorfer	agta record ltd	Member of the Board of Directors
	Forbo Holding AG	Member of the Board of Directors
	BIH SA	Member of the Board of Foundation
	Various not-listed companies, including banks	Member of the Board of Directors
David Dean	agta record ltd	Member of the Board of Directors
	Komax AG	Member of the Board of Directors
Bertrand Ghez	agta record ltd	Member of the Board of Directors
	Armafina SA	Member of the Board of Directors
	CIC Capital (Suisse) SA	Chairman of the Board of Directors
	Foncière Roy René SAS	Member of the Board of Directors
	NGE SAS	Member of the Strategy Committee
	Altrad Investment Authority SAS	Member of the Board of Directors
	MDA COMPANY SAS	Member of the Strategic Committee
Richard Gruenhagen	agta record ltd	Member of the Board of Directors
Michèle Rota	agta record ltd	Member of the Board of Directors
	Rota Architekten AG	Member of the Board of Directors
	wow!house AG	Chairman of the Board of Directors

Key personnel

Key personnel is defined as the members of the Board of Directors and of the Group Executive Management, 14 individuals in total. The profiles of the Group Executive Management are provided on the agta record Group website.

Share buyback programme

Swiss law allows a company to repurchase up to 10% of its share capital. agta record has undertaken to comply with EU Stock Exchange regulation concerning share buybacks. No buyback programme is currently in place.

Dividends for the past 3 financial years

	2016	2015	2014
Total dividend in million CHF	13.3	12.4	12.0
Dividend per share in CHF	1.00	0.93	0.90

The totals above include treasury shares on which no dividend is paid. For 2017, a dividend of CHF 1.30 per share will be proposed to the 2018 Annual General Meeting.

Results of the past 5 years

	2017	2016	2015	2014	2013
Consolidated profit in thousand EUR	32,902	21,775	25,334	25,036	23,086
Earnings per share in EUR	2.478	1.642	1.913	1.892	1.742

Confirmation by the person responsible for the Annual Report

After taking all reasonable measures to this effect, I hereby certify that to the best of my knowledge, the information contained in this annual financial report represents a true and fair picture of the actual situation and does not omit any material information.

I hereby certify that, to the best of my knowledge and belief, the financial statements have been compiled in accordance with the applicable accounting standards, and give a true and fair view of the assets, financial situation and earnings of the Company and of the totality of companies included in the scope of consolidation, and that the management report presents a true and fair picture of the business situation, the earnings and the financial position of the Company and of the totality of companies included in the scope of consolidation, and also presents the principal risks and uncertainties they face.

Fehraltorf, 20 April 2018

Chairman of the Board of Directors

Hubert Jouffroy

Compensation report

The fundamental rules governing compensation in the agta record Group are described in the Articles of Association of agta record ltd, available (in German) on the website and at the company. The Swiss Ordinance against Excessive Remuneration in Listed Companies (“VegüV”) requires listed companies domiciled in Switzerland to annually publish a compensation report. This compensation report contains the compensation principles in more detail and describes the current programs related to the compensation of the Board of Directors and the members of the Group Executive Management. The report also outlines the role of the Remuneration Committee and provides details around the compensation and payments made to the members of the Board of Directors and of the Group Executive Management in the past year and how the performance of the Group is reflected in the compensation of the Group Executive Management.

Compensation principles

The compensation of the members of the Board of Directors is a fixed amount (“retainer”) in order to emphasise their independence in exercising their supervisory duties. Part of the retainer can be paid in shares restricted for three years. As prescribed by Swiss law, social security contributions on compensation paid to the Board of Directors are incurred partly by agta record ltd and partly by the beneficiary. The Chairman of the Board is allowed to use a company car as a benefit in kind. He is engaged as a consultant to perform special duties that exceed the usual scope of his office.

The compensation programs of the Group Executive Management aim to attract, develop and retain qualified, talented and engaged executives. The programs are designed to motivate executives to achieve the overall business objectives and to create sustainable shareholder value.

Remuneration Committee of the Board of Directors

The Remuneration Committee is elected by the shareholders at the Annual General Meeting. It currently consists of the following three non-executive members: David Dean, Hubert Jouffroy and Michèle Rota.

The main tasks of the Remuneration Committee are defined in the Charter of the Remuneration Committee. The main duties of the Remuneration Committee are

- to review and propose the compensation policies and compensation plans of the agta record Group;
- to review and propose the compensation of the key personnel (members of the Board of Directors and the Group Executive Management) employed by agta record ltd and its subsidiaries;
- to prepare the compensation report.

The aggregate fixed and variable compensation amount paid to the key personnel is approved by the Annual General Meeting as prescribed by the Swiss Ordinance against Excessive Remuneration in Listed Companies and as stipulated in the Articles of Association. Fixed compensation is approved for future periods whereas variable compensation is approved retrospectively. The principles, the components and the target values of the compensation of each member of the Board of Directors and of the Group Executive Management are approved by the Board of Directors based on proposals by the Remuneration Committee. The Chairman of the Board is not attending when the Remuneration Committee discusses his compensation and decides about the pertaining proposal to the Board of Directors for approval. The compensation of a particular year and of an individual executive as proposed by the CEO (or by the Chairman in the case of the CEO) is reviewed by the Remuneration Committee who uses its own benchmarking and does not engage external consultants. The Remuneration Committee meets at least once a year and discusses current issues on an on-going basis. The Chairman of the Board provides a summary of the discussion held at the meeting of the Remuneration Committee at the next meeting of the Board of Directors.

Fixed and variable components of Group Executive Management compensation

The compensation of the Group Executive Management including the CEO consists of a fixed salary and two performance-related components. Changes in fixed salaries of the Group Executive Management become effective on 1 January following the approval of the aggregate fixed compensation by the Annual General Meeting of the previous year. The performance-related cash bonus and the performance-related share bonus are paid and granted, respectively, immediately after the approval of the aggregate amounts by the Annual General Meeting.

As prescribed by Swiss law, social security contributions on compensation paid to the Group Executive Management in cash and stock are incurred partly by agta record ltd.

The cash bonus is linked to either only the Group EBITDA or a combination of the Group EBITDA and additional criteria such as working capital and/or product purchases and/or product sales achieved in the geographic region an executive is operationally responsible for. The target cash bonus of each individual executive is reviewed annually and a proposal for the following financial year is submitted to the Remuneration Committee by the CEO. The Chairman annually proposes the target cash bonus of the CEO to the Remuneration Committee. The actual cash bonus of each individual executive is determined by comparing the achievements with respect to the criteria stipulated as described above during a particular financial year and in a specific geographic region with the related budgets. The actual cash bonus is capped at 200% of the target cash bonus.

The share bonus is defined in terms of a target number of shares. The size of the actual grant is linked to either only the Group EBITDA or a combination of Group EBITDA and the EBITDA achieved in the geographic region the individual executive is operationally responsible for. The target number of shares of each individual executive is annually reviewed and a proposal for the following financial year is submitted to the Remuneration Committee by the CEO. The Chairman annually proposes the target number of shares of the CEO to the Remuneration Committee. The actual number of shares each individual executive will be granted is determined relative to the budgeted EBITDA of a particular financial year and geographic region and is capped at 200% of the target number of shares. The shares are subject to a lock-up period of three years. The lock-up does not end if a beneficiary is no longer employed by agta record ltd or one of its subsidiaries. The shares required for the share bonus grant are purchased on the market.

The 2015 Annual General Meeting approved a plan based on phantom shares benefitting the Group Executive Management. The 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 in cash the difference between the price of one 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.

The Board of Directors may approve special incentives to one or more members of the Group Executive Management related to the achievement of specifically defined tasks and/or financial goals.

As defined in the Articles of Association, agta record ltd may grant unsecured loans or pledges of up to CHF 1.0 million per person to members of the Board of Directors or the Group Executive Management. No such loans or pledges were granted in 2017 nor 2016. No persons close to the Board of Directors or the Group Executive Management were granted any loans of any kind, nor did they receive any remuneration whatsoever.

The details of shareholdings of the members of the Board of Directors, of the Group Executive Management and of closely linked persons are presented in note 8 of the statutory financial statements of agta record ltd.

Remuneration of the Board of Directors

No payments were made to former members of the Board of Directors of agta record ltd in 2017 or 2016.

2017 in thousand CHF	Retainer	Benefits in kind	Social security	Share-based remune-ration	Other*)	Total
H. Jouffroy, Chairman	90	7	0	0	386	**483**
P. Altorfer	45	0	4	0	0	**49**
D. Dean	30	0	4	19	0	**53**
B. Ghez (CM-CIC)	45	0	0	0	0	**45**
R. Gruenhagen	45	0	4	0	0	**49**
M. Rota	45	0	4	0	0	**49**
Total	**300**	**7**	**16**	**19**	**386**	**728**

*) Consulting on various matters

2016 in thousand CHF	Retainer	Benefits in kind	Social security	Share-based remune-ration	Other*)	Total
H. Jouffroy, Chairman	90	7	0	0	208	**305**
P. Altorfer	45	0	3	0	0	**48**
D. Dean	30	0	3	18	0	**51**
B. Ghez (CM-CIC)	45	0	0	0	0	**45**
R. Gruenhagen	45	0	4	0	0	**49**
M. Rota	45	0	4	0	0	**49**
Total	**300**	**7**	**14**	**18**	**208**	**547**

*) Consulting on various matters

Remuneration of the members of the Group Executive Management

As of 31 December 2017, the Group Executive Management (including the CEO) had eight (2016: eight) members who are employed by agta record ltd or subsidiaries of agta record ltd in Switzerland and abroad. No payments were made to members of the Group Executive Management, who were not on the payroll, in 2017 nor 2016.

In 2017, total compensation paid to the Group Executive Management was 2.6% higher than in 2016, mostly due to an increase in share-based compensation. The market value of agta record shares was 18% higher at the 2017 grant date than 12 months earlier whereas the number of shares granted in 2017 was 8% lower than in 2016 as Group EBITDA was lower relative to the goal set by the budget.

2017 in thousand CHF	**Salary**	**Cash Bonus*)**	**Benefits in kind**	**Pension & social security**	**Share-based compen-sation**	**Total**
Group Executive Management	2,021	693	42	705	791	**4,252**
of which the highest individual amount:						
Stefan Riva, Group CEO	461	212	7	185	315	**1,180**

*) Paid in 2017 related to 2016 performance goals.

2016 in thousand CHF	**Salary**	**Cash Bonus*)**	**Benefits in kind**	**Pension & social security**	**Share-based compen-sation**	**Total**
Group Executive Management	1,983	679	47	717	718	**4,144**
of which the highest individual amount:						
Stefan Riva, Group CEO	461	222	7	197	283	**1,170**

*) Paid in 2016 related to 2015 performance goals.

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To the General Meeting of
agta record ltd, Fehraltorf

Zurich, 19 April 2018

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of agta record ltd for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2017 of agta record ltd complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Marco Casal
Licensed audit expert

Consolidated financial statements

Consolidated statement of financial position

in thousand EUR	Note	**31/12/2017**	31/12/2016
Assets			
Property, plant and equipment	3	**55,050**	55,358
Goodwill and intangible assets	4	**75,497**	82,707
Non-current financial assets	5	**251**	255
Deferred tax assets	16	**6,966**	6,730
Total non-current assets		**137,764**	145,050
Inventories	6	**49,008**	50,224
Trade receivables	7	**77,903**	78,044
Income tax receivables		**4,485**	3,936
Other current receivables		**1,433**	1,882
Accrued income		**5,952**	6,148
Current financial assets	5	**76**	60
Cash and cash equivalents	8	**62,133**	50,468
Total current assets		**200,990**	190,762
Total assets		**338,754**	335,812
Equity			
Share capital	9	**8,751**	8,751
Other reserves		**10,846**	22,480
Treasury shares	9	**-884**	-1,312
Retained earnings		**188,419**	178,081
Profit of the period		**32,902**	21,775
Total equity attributable to shareholders		**240,034**	229,775
Liabilities			
Non-current financial liabilities	11	**10**	108
Defined benefit plan obligations	14	**17,496**	17,961
Non-current provisions	15	**2,065**	2,658
Deferred tax liabilities	16	**8,785**	9,064
Total non-current liabilities		**28,356**	29,791
Current financial liabilities	11	**102**	323
Trade payables		**22,511**	22,650
Income tax liabilities		**3,428**	1,157
Other current liabilities	17	**16,118**	20,801
Current provisions	15	**1,646**	1,568
Accrued liabilities	18	**26,559**	29,747
Total current liabilities		**70,364**	76,246
Total liabilities		**98,720**	106,037
Total equity and liabilities		**338,754**	335,812

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

of the year ended 31 December, in thousand EUR		Note	**2017**	2016
Revenue from sales and services		19	**367,003**	351,852
Raw materials and consumables used			**-97,866**	-96,671
Gross result			**269,137**	255,181
Other operating income		20	**2,414**	1,445
Capitalisation of development costs		4	**176**	324
Personnel expenses		21	**-166,445**	-160,669
Other operating expenses		22	**-50,804**	-48,003
Operating profit before depreciation, impairment and amortisation			**54,478**	48,278
Depreciation of property, plant and equipment		3	**-8,629**	-8,309
Operating profit before impairment and amortisation			**45,849**	39,969
Impairment of goodwill and intangible assets		4	**-214**	-5,500
Amortisation of intangible assets		4	**-4,710**	-4,816
Operating profit			**40,925**	29,653
Financial income		23	**1,837**	101
Financial expense		23	**-97**	-1,465
Profit before tax			**42,665**	28,289
Income tax expense		24	**-9,763**	-6,514
Profit of the period			**32,902**	21,775
Other comprehensive income				
Items that will never be reclassified to profit or loss:				
Remeasurements of the defined benefit liability		14	**-180**	-1,209
Income tax on items that will not be reclassified to profit or loss			**17**	284
			-163	-925
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences - foreign operations			**-18,138**	1,893
Exchange differences - net investment approach			**6,504**	-2,616
			-11,634	-723
Other comprehensive income of the period, net of tax			**-11,797**	-1,648
Total comprehensive income of the period			**21,105**	20,127
Earnings per share (basic / diluted)	(in EUR)	10	**2.478**	1.642

The accompanying notes are an integral part of these consolidated financial statements.

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 of the period						
Profit of the period					21,775	21,775
Total other comprehensive income			-723		-925	-1,648
Total comprehensive income of the period	**0**	**0**	**-723**	**0**	**20,850**	**20,127**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-418		-418
Sale of treasury shares				417		417
Gain/loss from sale of treasury shares net of transaction costs					161	161
Dividends paid to owners		-2,799			-8,521	-11,320
Share-based compensation				465	220	685
Transfer*)		5,535			-5,535	0
Total transactions with owners of the company	**0**	**2,736**	**0**	**464**	**-13,675**	**-10,475**
Balance at 31 December 2016	**8,751**	**50**	**22,430**	**-1,312**	**199,856**	**229,775**
Balance at 1 January 2017	**8,751**	**50**	**22,430**	**-1,312**	**199,856**	**229,775**
Total comprehensive income of the period						
Profit of the period					32,902	32,902
Total other comprehensive income			-11,634		-163	-11,797
Total comprehensive income of the period	**0**	**0**	**-11,634**	**0**	**32,739**	**21,105**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-289		-289
Sale of treasury shares				302		302
Gain/loss from sale of treasury shares net of transaction costs					27	27
Dividends paid to owners					-11,949	-11,949
Share-based compensation				415	648	1,063
Total transactions with owners of the company	**0**	**0**	**0**	**428**	**-11,274**	**-10,846**
Balance at 31 December 2017	**8,751**	**50**	**10,796**	**-884**	**221,321**	**240,034**

The share capital of the holding company (CHF 13 million) was converted into Euro on 1 January 2001, using the historical rate to translate the consolidated accounts into Euro. Foreign currency translation differences arising after this date are recognised in equity (translation reserve).

The accompanying notes are an integral part of these consolidated financial statements.

*) 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 offset the difference.

Consolidated statement of cash flows

in thousand EUR	Note	**2017**	2016
Cash flows from operating activities			
Profit of the period		**32,902**	21,775
Income taxes		**9,763**	6,514
Depreciation and amortisation	3/4	**13,339**	13,125
Impairment of goodwill and intangibles	4	**214**	5,500
Gain(-)/loss(+) on disposal of property, plant, equipment and intangibles	20/22	**-390**	-195
Net financial result	23	**-1,740**	1,364
Share-based payments	9.2	**1,063**	685
Other non cash items		**2,804**	1,391
Change in inventories		**-973**	-4,268
Change in trade receivables		**-2,081**	-6,168
Change in other receivables and accrued income		**283**	-515
Change in trade payables		**441**	1,732
Change in other current liabilities and accrued liabilities		**-8,904**	-2,224
Income taxes paid		**-8,255**	-10,571
Interest received		**91**	147
Interest paid		**-95**	-78
Net cash from operating activities		**38,462**	28,214
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**-11,522**	-14,758
Purchase of intangible assets	4	**-726**	-947
Acquisitions net of cash acquired	1	**0**	-5,125
Capitalised development costs	4	**-176**	-324
Purchase of financial assets	5	**-38**	-4
Proceeds from sale of property, plant, equipment and intangibles		**1,646**	1,621
Proceeds from sale of financial assets	5	**15**	71
Net cash used in investing activities		**-10,801**	-19,466
Cash flows from financing activities			
Purchase of treasury shares, less transaction costs	9.1	**-289**	-418
Sale of treasury shares, less transaction costs		**329**	578
Increase of bank liabilities		**2**	124
Repayment of bank liabilities		**-314**	-189
Repayment of finance lease liabilities		**-7**	-38
Dividends paid to owners	9.3	**-11,949**	-11,320
Net cash used in financing activities		**-12,228**	-11,263
Net increase(+)/decrease(-) in cash and cash equivalents		**15,433**	-2,515
Cash and cash equivalents at 1 January		**50,468**	53,071
Effect of exchange rate fluctuations on cash held		**-3,768**	-88
Cash and cash equivalents at 31 December		**62,133**	50,468

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

General information

agta record ltd (the "Company") is a company domiciled in Fehraltorf, Switzerland. The consolidated financial statements as at and for the 12 months ended 31 December 2017 comprise the Company and its subsidiaries (hereinafter referred to as “Group”). The Group is dedicated to the manufacturing, distribution, installation and maintenance of automatic door systems.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and comply with Swiss Law.

The Company’s Board of Directors authorised the consolidated financial statements for issue on 20 April 2018. The consolidated financial statements will be submitted for approval by the shareholders at the General Meeting to be held on 12 June 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the net defined benefit plan liability which is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets and the contingent considerations measured at fair value.

Functional and Presentation Currency

The functional currency of the Company is the Swiss franc. The consolidated financial statements, however, are presented in Euro, as the Group generates a distinct majority of its revenues in the eurozone. Both income and expenses are predominantly denominated in Euro. All financial information presented in Euro has been rounded to the nearest thousand.

Significant accounting principles

Except as described below, the accounting principles applied by the Group in these consolidated 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 the following new or revised standards by the IASB:

– Amendments to IAS 7 – Cash flow statement disclosure initiative
– Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses
– Annual improvements (2014 - 2016 Cycle)

The above mentioned standards and new interpretations do not have a material impact on profit and equity of the Group.

New and revised Standards and Interpretations

The following new and revised Standards and Interpretations have been issued up to 31 December 2017, but are not yet effective. They have not been applied early in these consolidated financial statements. The analysis of their impact on the consolidated financial statements of the Group is immaterial, except for IFRS 16:

– IFRS 9 – Financial instruments (applicable as of 1 January 2018)

  Apart from additional disclosure requirements this standard extends the recognition of credit loss provisions to accrued income. This will marginally increase the total amount of bad debt allowances.

– IFRS 15 – Revenue from contracts with customers (applicable as of 1 January 2018)

  IFRS 15 introduces a five steps model which an entity applies to determine the timing and amount of revenue recognised. Based on a detailed analysis, the impact of the application of IFRS 15 on the Consolidated

Financial Statements is immaterial. Additional disclosures are anticipated. The modified cumulative effect method will be applied for the transition, with the effects being recognised in equity.

– IFRS 16 – Leases (applicable as of 1 January 2019)

  The new leasing standard no longer distinguishes between finance lease and operating lease arrangements. In the future operating leases with terms over twelve months and above a defined asset value will be accounted for like finance leases. As a result a right to use the leased asset and a lease liability are recognised in the Statement of Financial Position. Depreciation and interest expenses will be recognised replacing operating lease and hiring expenses.

– Annual improvements to IFRSs – 2014-2016 Cycle (applicable as of 1 January 2017 and 2018)

Estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires estimates and assumptions by the Group Executive Management. These estimates and assumptions might affect the reported amount of assets and liabilities, contingent liabilities and contingent assets at the reporting date as well as income and expenses during the reporting period. The actual outcomes and results may differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Impacts from revised estimates are recognised in the period in which the estimates are revised and for any future periods affected.

Information about assumptions, estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Goodwill and intangible assets (note 4)

The Group has recognised goodwill and intangible assets originating mostly from business combinations and from capitalised development projects. A detailed impairment test is performed annually for goodwill, intangible assets not yet available for use, and all other intangible assets, if there is any indication that an asset may be impaired. The recoverable amount of goodwill and intangible assets may differ significantly from the estimated value.

Employee benefit obligations (note 14)

Defined benefit obligations are calculated based on various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increase. As a result of future developments in the economic environment actual values may differ from the estimates, which can lead to significant changes in the defined benefit obligations.

As market conditions and the economic environment change, and because the number of employees leaving the Group may rise or fall and the pensioners enjoy longer or shorter lives, as well as due to changes in other estimated factors, the actuaries' assumptions may diverge considerably from the actual results. These variations may have an influence on the amounts of plan assets and liabilities recognised in the statement of financial position in future reporting periods.

Provisions (note 15)

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Group companies may be involved in litigation as part of their day-to-day business. Provisions for litigation in progress are recognised and measured based on available information as well as predictable outflow of funds.

Provisions for warranties are calculated based on past experience regarding the liability of the Group and the industry average failure rate for a 24-month warranty.

Income taxes / deferred taxes (note 16)

The calculation of current and deferred taxes is subject to interpretations of the tax laws in the respective countries, the appropriateness of which is evaluated in the context of the final assessment or audits performed by tax authorities. These new assessments can entail adjustments to tax charges. Tax loss carry-forwards are recognised only to the extent that it is probable that future taxable profits will be available against which they can be offset.

Principles of consolidation

Business combinations

Business combinations are accounted for by applying the acquisition method. The Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the date of obtaining control. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs incurred in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Note 30 presents the companies that are included in the scope of consolidation.

Elimination of transactions and balances

Intra-group balances and unrealised income and expenses arising from intra-group transactions are eliminated in the consolidated financial statements.

Foreign currency

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the closing date. The translation differences are recorded in the statement of comprehensive income

Assets and liabilities of foreign subsidiaries' are translated at closing date exchange rates, income and expense and the cash flow statements at average rates. Foreign currency translation differences between the balance sheets and statements of comprehensive income are recognised in other comprehensive income.

Long term loans to foreign subsidiaries, for which settlement is neither planned nor likely to occur in the foreseeable future form part of the net investment in a foreign operation. The foreign currency impact is recognised in other comprehensive income.

The following rates have been applied within the Group to translate the primary currencies:

	Average exchange rates		**Closing date rates**	
	2017	2016	**31/12/17**	31/12/16
1 CHF	**0.90**	0.92	**0.85**	**0.93**
1 GBP	**1.14**	1.22	**1.13**	**1.17**
1 USD	**0.89**	0.90	**0.83**	**0.95**

Valuation principles and definitions

Consolidated statement of financial position

Property, plant and equipment (note 3)

Property and plant, technical equipment/machinery and other equipment (plant equipment, IT hardware and motor vehicles) are measured at acquisition or production cost less accumulated depreciation and accumulated impairment loss. Costs for repairs and maintenance of property, plant and equipment are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Depreciation of property, plant and equipment is recognised in profit or loss on a straight-line basis over their estimated useful lifes. The useful lives are:

– Property and plant	20 – 40 years
– Technical equipment and machinery	7 – 10 years
– Other equipment	
▪ Plant equipment	4 – 10 years
▪ IT hardware	7 years
▪ Motor vehicles	3 – 6 years

The useful life is reviewed annually and adjusted if necessary.

Goodwill and intangible assets (note 4)

Goodwill: Goodwill that arises from acquisitions is presented within intangible assets. Goodwill is stated at cost less accumulated impairment losses.

Software, capitalised development costs and other intangible assets: Purchased intangible assets are recognised at acquisition cost less accumulated amortisation and accumulated impairment losses. Development costs are capitalised only if they can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs, if any. Other development costs are recognised in profit or loss as incurred.

Intangible assets are amortised using the straight-line method based on the following estimated useful lives:

– Software	3 – 8 years
– Capitalised development costs	3 – 7 years
– Other intangible assets	5 – 15 years

The useful life is reviewed annually and adjusted if necessary.

Impairment

Impairment tests of goodwill or intangible assets not yet available for use are performed annually or if there is an indication that an asset may be impaired.

The carrying amounts of property, plant and equipment and intangible assets with a definite useful life are reviewed at each reporting date to determine whether there are any indications of impairment. If any indication of impairment exists, the assets' recoverable amount is estimated. The recoverable amount is the higher of the asset's fair value less cost of disposal and its value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets ("cash generating unit"). If the recoverable amount is less than the carrying amount of the asset or cash generating unit, an impairment loss is recognised as expense.

If there is an indication that an impairment loss recognised in a prior period may no longer exist or may have decreased, the impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An increase in the recoverable amount since an impairment loss was recognised is recognised as income in profit or loss. The amount of the reversal is not increased above the lower of its recoverable amount or the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. However, an impairment of goodwill cannot be reversed in a subsequent period.

Financial assets (note 5)

Financial assets mainly comprise fixed-term deposits and other non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets classified as loans and receivables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment loss.

Inventories (note 6)

Inventories are measured at the lower of production or acquisition cost and net realisable value. Production costs comprise all material and direct labour costs as well as proportionate indirect labour costs. Net realisable value is the estimated selling price attainable in the ordinary course of business, less estimated cost of completion and selling expenses. The cost of inventories is based on weighted average prices. Obsolescence, excess stock or lower sales prices are taken into account when an impairment of inventory is evaluated.

Trade receivables (note 7)

Trade and other short-term receivables are financial assets with fixed determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised costs using the effective interest method, less any impairment losses.

Cash and cash equivalents (note 8)

Cash and cash equivalents is defined as cash on hand, post and bank credit balances and time deposits with a maturity of less than 90 days from the date of acquisition.

Shareholders' Equity (note 9)

Share capital and treasury shares

Share capital includes all issued shares. Dividends are recognised at the date at which the shareholders' right to receive the dividend is established.

Transaction costs directly related to the issuance of new shares are charged to "Retained earnings", net of tax effects.

Purchases of treasury shares by the Company or its subsidiaries are recognised in the statement of financial position at the amount of consideration paid including transaction costs, net of tax effects, and are presented as a deduction from equity. Gains or losses from the disposal of treasury shares are recognised in "Retained earnings".

Other reserves include the share premium, capital contribution and statutory reserves.

Share-based compensation

The Group Executive Management and selected general managers of subsidiaries of the Group are eligible to receive bonus shares. The actual amount is determined relative to the achievement of budgets. Bonus shares are not subject to vesting conditions, but are locked for a three-year period.

The Annual General Meeting approves the grant of bonus shares following the year that is relevant to determine the amounts. Bonus shares are recognised as personnel expense based on the fair value (i.e. stock market price) as of the date the granted shares are received by the employees.

Leases

The Group is a party to numerous lease agreements, for example related to motor vehicles and buildings. Each lease is reviewed to determine whether it is a finance lease or an operating lease.

Assets related to finance leases (note 11): Lease agreements economically considered as asset purchases with corresponding financing are classified as finance leases. In such leases the Group assumes substantially all the risks and rewards of ownership.

The leased assets are capitalised at the inception of the lease at an amount equal to the lower of the present value of the minimum lease payments and the fair value of the leased asset. Assets held under finance leases are depreciated over the shorter of their expected useful life and the lease term.

Operating leases (note 13): Leases are classified as operating leases when not substantially all the risks and rewards of ownership of the asset are transferred to the lessee. Lease payments made under operating leases less lease incentives are expensed on a straight-line basis over the lease term, unless payments are linked to specific conditions.

Financial liabilities (note 11)

Financial liabilities are initially recognised at fair value, less attributable transaction costs. Subsequently, financial liabilities are measured at amortised costs using the effective interest method, allocating the interest expense over the relevant period in profit or loss.

Employee benefits (note 14)

There are different types of post-employment schemes within the Group. Most of the employee benefit obligation relates to Switzerland, where post-employment plans have been established for employees in accordance with legal requirements and customary practice.

Defined benefit plans

The Group's net obligation with respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available to the Group in the form of reductions in future contributions to the defined benefit plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) of the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised as personnel expenses in profit or loss (note 21).

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plans

All other pension plans are defined contribution plans. Pension expenses under these plans correspond to the contribution payments made in the respective accounting period.

Provisions (note 15)

Provisions are recognised if a legal or constructive obligation exists as a result of a past event, an outflow of funds required to settle this obligation is probable, and the amount can be reliably estimated. Provisions reflect the best estimate of the ultimate liability as of the balance sheet date. If the effect of discounting is material, the provision is recorded at its net present value.

Trade payables and other current liabilities

Trade payables and other current liabilities are measured at amortised cost, normally corresponding to their nominal amount.

Consolidated statement of comprehensive income

Revenue from sales and services (note 19)

Revenue from sales and services is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer and when the outcome of the transaction can be measured reliably. Discounts, rebates and credits granted following merchandise returns are deducted from sales.

Research and other development costs (note 4)

Research and other development costs not qualifying for capitalisation are recognised as expenses in profit or loss in the period in which they occur.

Expenses under operating leases (note 13)

Lease payments under operating leases are recognised as expenses in profit or loss on a straight line basis over the term of the lease, unless payments are linked to specific conditions.

Financial income and expenses (note 23)

Financial income includes interest income on loans and interest bearing securities, dividend income, gains on foreign currencies, gains on derivative financial instruments not designated as hedging instruments and gains from the sale of financial assets.

Interest income is recognised in profit or loss using the effective interest rate method. Dividends are only recognised when the right to receive the payment is established.

Financial expenses include interest expenses for financial liabilities, losses in foreign currencies, losses in derivative financial instruments not designated as hedging instruments, and losses on the sale of financial assets. The interest portion of lease payments under finance leases is recognised as financial expense using the effective interest rate method.

Income taxes (note 24)

Income taxes include both current and deferred income taxes. Income tax expense is recognised in profit or loss, unless it relates to items directly recognised in equity or other comprehensive income, in which case the tax effects are recognised accordingly.

Current tax assets and liabilities comprise the amount expected to be recovered from or paid to tax authorities, calculated with the enacted or substantively enacted tax rates on the reporting date, and possible adjustments from previous years.

Deferred income taxes arise on temporary differences between the carrying amounts of assets and liabilities in the entities' statement of financial position prepared for financial reporting and their tax base, and are determined using the balance sheet liability method. No deferred tax items are recognised for temporary differences on the following items: temporary differences arising on the initial recognition of goodwill; recognition of an asset / a liability affecting neither the consolidated result nor the taxable result at the time of transaction; investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Existing deferred tax assets are reviewed at each reporting date and are adjusted to the extent that the related tax benefit is not expected to be realised.

Taxes resulting from dividend payments are recognised at the same time as the liability for the dividend payment is recognised.

1 Change in scope of consolidation

The scope of consolidation remained unchanged in 2017.

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 UK 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 EUR 10,360 thousand and a net loss of EUR -361 thousand to the consolidated results. Acquisition-related costs are included in other operating expenses and amounted to EUR 42 thousand. The goodwill is 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	157
Intangible assets	8,711
Inventory	1,128
Trade receivables [(1)]	2,662
Other current assets	505
Cash and cash equivalents	1
Total assets	**13,164**
Deferred tax liabilities	1,674
Trade payables	1,185
Other current liabilities	1,462
Total liabilities	**4,321**
Fair value of identifiable net assets acquired	**8,843**

Consideration transferred	**8,971**
Fair value of identifiable net assets acquired	-8,843
Goodwill	**128**

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

(1) Out of the gross contractual amount of EUR 2.7 million, EUR 38 thousand are considered not collectible.

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

The contingent consideration related to the achievement of 2016 targets of turnover (30% weight) and EBITDA (70% weight) was fully achieved. Consequently, GBP 3 million was paid to the seller in 2017.

If the acquisition of HPDS had occurred on 1 January 2016, management estimates that consolidated 2016 revenues from sales and services would have been EUR 355.3 million and consolidated net profit EUR 21.5 million.

2 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other constituents. The operating profit of each segment is reviewed by management on a regular basis to make decisions about the allocation of resources and to assess its performance. The Group is active in automatic door systems and operates in various countries and regions. Consequently, the business is divided into two regions representing operating segments. The "Europe and rest of world" segment includes all European countries, China as well as all other countries served through the Switzerland based export operation. The segment "North America" consists of the United States and Canada.

The column “Reconciliation” includes eliminations of intersegment revenues and expenses and intercompany assets and liabilities and deferred and current tax assets and liabilities. The accounting policies of the operating segments are the same as applied in the consolidated financial statements. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill. Inter-segmental transactions are done on an arm's length basis.

No single customer accounts for more than 1 percent of total Group revenue.

	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	**322,038**	310,472	**44,752**	41,403	**213**	-23	**367,003**	351,852
Sales to other segments	**10,449**	10,897	**213**	97	**-10,662**	-10,994	**0**	0
Revenue from sales and services	**332,487**	321,369	**44,965**	41,500	**-10,449**	-11,017	**367,003**	351,852
Operating profit	**38,946**	27,056	**1,979**	2,597	**0**	0	**40,925**	29,653
Financial income							**1,837**	101
Financial expenses							**-97**	-1,465
Income tax							**-9,763**	-6,514
Profit of the period							**32,902**	21,775
Depreciation	**7,891**	7,632	**738**	677			**8,629**	8,309
Amortisation	**4,555**	4,653	**155**	163			**4,710**	4,816
Impairment of goodwill and intangible assets	**214**	5,500					**214**	5,500
Charges related to share-based compensation					**1,063**	685	**1,063**	685
Segment assets *)	**310,897**	306,136	**31,040**	36,141	**-3,183**	-6,465	**338,754**	335,812
Segment liabilities **)	**82,363**	85,543	**3,581**	5,528	**12,776**	14,966	**98,720**	106,037
Capital expenditure	**11,667**	15,430	**757**	599	**0**	0	**12,424**	16,029

*) Deferred and current income tax assets are included in the column "Reconciliation".

**) Current and non-current financial liabilities as well as deferred and current income taxes are included in the column "Reconciliation".

3 Property, plant and equipment

Reporting year:

in thousand EUR	Buildings and plant	Technical equipment/ machinery	Other equipment	Total
Acquisition cost				
At 1 January 2017	56,696	11,771	54,696	123,163
Exchange differences	-3,063	-337	-1,413	-4,813
Increase in scope of consolidation	0	0	0	0
Additions	1,232	695	9,595	11,522
Disposals	-778	-2,138	-7,561	-10,477
At 31 December 2017	**54,087**	**9,991**	**55,317**	**119,395**
Accumulated depreciation and impairment loss				
At 1 January 2017	25,094	8,095	34,616	67,805
Exchange differences	-1,569	-259	-972	-2,800
Additions	1,624	814	6,191	8,629
Disposals	-545	-2,111	-6,633	-9,289
At 31 December 2017	**24,604**	**6,539**	**33,202**	**64,345**
Carrying amount				
At 1 January 2017	31,602	3,676	20,080	55,358
At 31 December 2017	**29,483**	**3,452**	**22,115**	**55,050**
thereof finance leases				18

Additional disclosures 2017	**31/12/**
Value of fire insurance	134,821

The additions to fixed assets mainly relate to purchases of motor vehicles (EUR 7,094 thousand), real estate (EUR 1,232 thousand), and computer hardware (EUR 913 thousand).

Previous year:

in thousand EUR	Buildings and plant	Technical equipment/ machinery	Other equipment	Total
Acquisition cost				
At 1 January 2016	52,192	10,762	49,864	112,818
Exchange differences	47	27	-83	-9
Increase in scope of consolidation	0	74	83	157
Additions	4,597	1,074	9,087	14,758
Disposals	-140	-166	-4,255	-4,561
At 31 December 2016	**56,696**	**11,771**	**54,696**	**123,163**
Accumulated depreciation and impairment loss				
At 1 January 2016	23,501	7,368	32,142	63,011
Exchange differences	147	27	-57	117
Additions	1,579	832	5,898	8,309
Disposals	-133	-132	-3,367	-3,632
At 31 December 2016	**25,094**	**8,095**	**34,616**	**67,805**
Carrying amount				
At 1 January 2016	28,691	3,394	17,722	49,807
At 31 December 2016	**31,602**	**3,676**	**20,080**	**55,358**
thereof finance leases				9

Additional disclosures 2016	**31/12/**
Value of fire insurance	126,126

The additions to fixed assets mainly relate to purchases of motor vehicles (EUR 6,174 thousand), real estate (EUR 3,439 thousand), and office equipment (EUR 1,116 thousand).

4 Goodwill and intangible assets

Reporting year:

in thousand EUR	**Goodwill**	**Capitalised develop-ment costs**	**IT Software**	**Other intangible assets**	**Total**
Acquisition cost					
At 1 January 2017	54,766	9,664	5,289	57,164	126,883
Exchange differences	-2,539	-795	-142	-1,422	-4,898
Increase in scope of consolidation	0	0	0	0	0
Additions	0	176	620	106	902
Disposals	0	-168	-322	-362	-852
At 31 December 2017	**52,227**	**8,877**	**5,445**	**55,486**	**122,035**
Amortisation and impairment loss					
At 1 January 2017	11,045	7,166	4,136	21,829	44,176
Exchange differences	-222	-611	-99	-846	-1,778
Impairment	0	214	0	0	214
Additions	0	384	405	3,921	4,710
Disposals	0	-168	-253	-363	-784
At 31 December 2017	**10,823**	**6,985**	**4,189**	**24,541**	**46,538**
Carrying amount					
At 1 January 2017	43,721	2,498	1,153	35,335	82,707
At 31 December 2017	**41,404**	**1,892**	**1,256**	**30,945**	**75,497**

Other intangible assets include acquired maintenance contracts and customer lists.

Previous year:

in thousand EUR	**Goodwill**	**Capitalised develop-ment costs**	**IT Software**	**Other intangible assets**	**Total**
Acquisition cost					
At 1 January 2016	54,844	9,252	4,857	51,967	120,920
Exchange differences	-206	88	-61	-1,411	-1,590
Increase in scope of consolidation	128	0	338	8,373	8,839
Additions	0	324	436	511	1,271
Disposals	0	0	-281	-2,276	-2,557
At 31 December 2016	**54,766**	**9,664**	**5,289**	**57,164**	**126,883**
Amortisation and impairment loss					
At 1 January 2016	5,631	6,704	4,029	20,167	36,531
Exchange differences	-86	66	-22	-574	-616
Impairment	5,500	0	0	0	5,500
Additions	0	396	410	4,010	4,816
Disposals	0	0	-281	-1,774	-2,055
At 31 December 2016	**11,045**	**7,166**	**4,136**	**21,829**	**44,176**
Carrying amount					
At 1 January 2016	49,213	2,548	828	31,800	84,389
At 31 December 2016	**43,721**	**2,498**	**1,153**	**35,335**	**82,707**

The increase in goodwill relates to the acquisition described in Note 1.

Other intangible assets include acquired maintenance contracts and customer lists.

Research and development costs

in thousand EUR	**2017**	2016
External project costs	**151**	283
Internal costs	**3,651**	3,478
Amortisation of capitalised development costs	**384**	396
Subtotal	**4,186**	4,157
Capitalised development costs	**-176**	-324
Total expensed development costs	**4,010**	3,833

Research and development costs in 2017 amounted to EUR 3,802 thousand (2016: EUR 3,761 thousand) excluding amortisation and represent 1.0% of sales (2016: 1.1%).

Impairment testing of cash-generating units containing goodwill

The carrying amounts of goodwill are allocated to the following cash-generating units:

Cash-generating unit	2017			2016		
	Goodwill in thousand EUR	**Discount rate pre-tax**	**Rate of sales growth (p.a.)**	**Goodwill** in thousand EUR	**Discount rate pre-tax**	**Rate of sales growth (p.a.)**
Elevator Service Business	12,752	10.1%	2.8%	12,752	10.5%	3.1%
UK Business	12,173	9.6%	5.1%	13,072	9.9%	6.4%
North American Business	9,687	14.5%	1.6%	10,969	14.4%	5.1%
	34,612			36,793		
Various units without significant goodwill	6,792			6,928		
Total carrying amount	**41,404**			**43,721**		

The Elevator Service Business consists of PACA Ascenseurs Services SAS and MP2 SAS. The North American Business consists of record USA Inc., record automatic doors Inc. and record automatic doors (Canada) Inc. The UK Business consists of record UK Ltd., High Performance Door Solutions Ltd. and Global Automatics Ltd. Impairment testing is performed on these three groups of entities in order to reflect the integrated nature of the business as a market organisation including the synergies within.

For the purpose of impairment testing the recoverable amount of a cash-generating unit (CGU) is compared to the carrying amount. The recoverable amount is determined based on the value in use, using the discounted cash flow method. The cash flow projections cover 5 years and are based on the budget approved by management and are in line with the long-term business plan of the Group. The projected cash flows are discounted using a post-tax weighted average cost of capital (WACC) that reflects current market data.

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value growth rates and rates of sales growth.

Cash flows beyond the forecast period are extrapolated using a terminal value growth rate of 2.0% (2016: 2.0%). A test of the sensitivity of the value in use to the terminal value growth rate has been performed; even a reduction by 6.04% (2016: -3.12%) would not cause the carrying amount to exceed the recoverable amount.

The testing further includes for each CGU an analysis to determine the changes in rates of sales growth and discount rates that could cause the carrying amounts to exceed recoverable amounts. With respect to the North American business the sensitivity analysis showed that an increase of the discount rate by 3.9% or a reduction in the sales growth rate by 5.5% would result in the carrying value and the recoverable amount to be equal. At the other two CGUs with significant goodwill even larger increases in the discount rate or more significant reductions in the sales growth rate did not result in the carrying value and the recoverable amount to be equal.

Based on the impairment testing (value-in-use) it was not necessary to recognise an impairment loss in 2017. An impairment loss of EUR 5.5 million related to Blasi GmbH was recognised in 2016.

5 Financial assets

Reporting year:

in thousand EUR	**Loans and receivables**
Acquisition cost	
At 1 January 2017	315
Exchange differences	-11
Additions	38
Disposals / Transfers	-15
At 31 December 2017	**327**
Carrying amounts	
At 1 January 2017	315
At 31 December 2017	**327**
Non-current	251
Current	76
	327

Previous year:

in thousand EUR	**Loans and receivables**
Acquisition cost	
At 1 January 2016	378
Exchange differences	4
Additions	4
Disposals / Transfers	-71
At 31 December 2016	**315**
Carrying amounts	
At 1 January 2016	378
At 31 December 2016	**315**
Non-current	255
Current	60
	315

6 Inventories

in thousand EUR	**2017**	2016
Finished, semi-finished products and raw material	**44,593**	47,159
Work in progress	**7,730**	7,681
Valuation allowance	**-3,315**	-4,616
Total	**49,008**	50,224

7 Trade receivables

in thousand EUR	**2017**	2016
Trade receivables	**83,531**	84,390
Allowance for doubtful receivables	**-5,628**	-6,346
Total	**77,903**	78,044

Trade receivables

As of the reporting date, the receivables have the following ageing:

2017

in thousand EUR	**Gross trade receivables**	**Bad debt allowance**	**Net trade receivables**
Neither individually impaired nor overdue at the reporting date	52,370	36	52,334
Not individually impaired at the reporting date but overdue by the following periods:			
Up to 30 days	9,924	31	9,893
31 to 90 days	7,947	90	7,857
91 to 180 days	4,248	234	4,014
181 to 360 days	1,590	71	1,519
More than 360 days	2,025	892	1,133
Individually impaired trade receivables	5,427	4,274	1,153
Total carrying amounts	**83,531**	**5,628**	**77,903**

2016

in thousand EUR	**Gross trade receivables**	**Bad debt allowance**	**Net trade receivables**
Neither individually impaired nor overdue at the reporting date	50,646	42	50,604
Not individually impaired at the reporting date but overdue by the following periods:			
Up to 30 days	10,753	70	10,683
31 to 90 days	9,414	97	9,317
91 to 180 days	3,418	50	3,368
181 to 360 days	1,683	210	1,473
More than 360 days	1,946	1,266	680
Individually impaired trade receivables	6,530	4,611	1,919
Total carrying amounts	**84,390**	**6,346**	**78,044**

Allowance on trade receivables

in thousand EUR	**2017**	2016
Balance at 01/01/	**6,346**	7,572
Change	**-718**	-1,226
Balance at 31/12/	**5,628**	6,346

The risk of default of most of the Group's customers is considered to be low. Most trade receivables not past due pertain to long-standing customer relationships. Taking the risk of default and past experience with specific customers into consideration, the Group believes that no further impairment allowance is required with respect to not past due or not impaired trade receivables.

8 Cash and cash equivalents

in thousand EUR	**Effective interest rate**	**2017**	Effective interest rate	2016
Cash, post and bank balances	**0.01%**	**62,131**	0.02%	**43,375**
Term deposits with a maximum original maturity of 3 months from acquisition date	**0.10%**	**2**	0.19%	**7,093**
Total		**62,133**		**50,468**

The average remaining time to maturity of the term deposits in 2017 is 73 days (2016: 21 days).

9 Shareholders' equity

9.1 Number of shares

The share capital consists of 13,334,200 (2016: 13,334,200) fully paid, unregistered shares with a nominal value of CHF 1.00 each. The share capital is translated into the Group's presentation currency at historical cost.

At the Extraordinary General Meeting on 13 October 2000, shareholders approved contingent capital of CHF 1 million (1,000,000 unregistered shares with a nominal value of CHF 1.00 each after the stock split of 15 September 2004) reserved for the exercise of share options. Potential beneficiaries are senior managers of agta record ltd, general managers of subsidiaries and members of the Board of Directors of agta record ltd. Subscription rights of existing shareholders are excluded. Until 31 December 2017, 334,200 shares (2016: 334,200) have been issued. The unused balance of the contingent capital amounts to CHF 665,800 as of 31 December 2017 (2016: CHF 665,800).

Treasury shares

in thousand EUR	**Quantity**	**2017 Value**	Quantity	2016 Value
Balance at 01/01/	62,944	1,312	80,283	1,776
Purchases *)	4,838	289	7,720	418
Sales	-5,425	-302	-10,673	-417
Distributed as share-based compensation	-13,023	-415	-14,386	-465
Balance at 31/12/	49,334	884	62,944	1,312

*) At applicable market price.

9.2 Share-based compensation

In 2017, EUR 1,063 thousand (2016: EUR 685 thousand) was expensed for share-based compensation. 13,023 bonus shares (2016: 14,386) were transferred to members of senior management in recognition of the performance achieved in the previous year.

A phantom share plan benefitting the Group Executive Management was approved at the 2015 Annual General Meeting. The 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 share price 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 and the prior period.

9.3 Dividends

The Board of Directors will propose to the Annual General Meeting that an ordinary dividend of CHF 1.30 per share be paid for the financial year 2017. This will result in a total dividend payment of CHF 17.3 million (EUR 14.4 million).

Based on the resolution by the Annual General Meeting on 7 June 2017, agta record ltd paid a dividend of CHF 13.3 million (EUR 11.9 million, no dividend on treasury shares) or CHF 1.00 per share for the financial year 2016.

9.4 Major shareholders

	2017 %	2016 %
agta finance	**54**	54
Assa Abloy AB	**39**	39
Public	**7**	7
Total	**100**	100

10 Earnings per share

	2017	2016
Profit of the period, in thousand EUR	**32,902**	21,775
Shares issued as of 31/12/	**13,334,200**	13,334,200
Treasury shares as of 31/12/	**-49,334**	-62,944
Shares outstanding as of 31/12/	**13,284,866**	13,271,256
Average number of shares outstanding	**13,278,061**	13,262,587
Basic and diluted profit per share (EUR per share)	**2.478**	1.642

No dilutive effects from the potential issuance of shares have been included in the EPS calculation in 2017 or 2016. Basic and diluted profit per share equals the profit of the Group divided by the average number of shares outstanding.

11 Financial liabilities

in thousand EUR	2017	2016
Current financial liabilities		
Bank liabilities	**92**	314
Lease liabilities	**10**	9
Total current financial liabilities	**102**	323
Non-current financial liabilities		
Bank liabilities	**0**	92
Other financial liabilities	**10**	8
Lease liabilities	**0**	8
Total non-current financial liabilities	**10**	108

Financial liabilities - terms and conditions

31/12/2017 in thousand EUR	**Weighted average effective interest rate**	**Total**	**Up to 1 year**	**1 to 5 years**	**More than 5 years**
Bank liabilities	1.80%	**92**	**92**	**0**	**0**
Total other financial liabilities	0.00%	**10**	**0**	**10**	**0**
Lease liabilities	5.43%	**10**	**10**	**0**	**0**
Total financial liabilities		**112**	**102**	**10**	**0**

31/12/2016 in thousand EUR	Weighted average effective interest rate	Total	Up to 1 year	1 to 5 years	More than 5 years
Bank liabilities	1.62%	406	314	92	0
Total other financial liabilities	0.00%	8	0	8	0
Lease liabilities	4.81%	17	9	8	0
Total financial liabilities		431	323	108	0

As of 31 December the expected minimum lease payments under finance leases become due as follows:

in thousand EUR	**2017**	2016
Gross finance lease liabilities – minimum lease payments		
Up to 1 year	**10**	10
1 to 5 years	**0**	8
Total minimum future lease payments	**10**	18
Future finance charges on finance leases	**0**	-1
Total present value of finance lease liabilities	**10**	17
The present value of finance lease liabilities is as follows:		
Up to 1 year	**10**	9
1 to 5 years	**0**	8
Total present value of finance lease liabilities	**10**	17

12 Categories of financial instruments

in thousand EUR	**2017**	2016
Cash and cash equivalents	**62,133**	50,468
Financial assets	**327**	315
Trade receivables and other current receivables	**78,483**	78,432
Accrued income	**2,772**	1,556
Loans and receivables	**143,715**	130,771
Current bank liabilities	**92**	314
Trade payables	**22,511**	22,650
Lease liabilities	**10**	17
Other current liabilities	**404**	300
Accrued liabilities	**2,242**	2,961
Non-current financial liabilities	**10**	100
Liabilities recognised at amortised cost	**25,269**	26,342
Other current liabilities	**117**	4,419
Liabilities recognised at fair value through profit and loss	**117**	4,419

The Group measured the contingent consideration liability at fair value through profit and loss (Level 3) in 2017 and 2016. All other financial instruments are measured at amortised cost in 2017 and 2016.

13 Operating leases

Non-cancellable operating lease agreements pertain mainly to motor vehicles and property and are payable as follows:

in thousand EUR	**2017**	2016
Maturity:		
Up to 1 year	**1,457**	1,168
1 to 5 years	**3,798**	2,975
More than 5 years	**63**	0
Total	**5,318**	4,143

14 Defined benefit plan obligations

Defined benefit plans exist for the employees in Switzerland, France and Austria.

The Swiss pension scheme has been outsourced to and is operated by one of the largest Swiss insurance companies. As a result, the coverage ratio of the pension plan according to the Swiss Federal Law on Occupational Retirement, Survivors', and Disability Pension Plans ("BVG") equals 100% at any time. The risk exists that the insurance coverage is only temporary. Moreover, the inherent risks of the pension plan might result in increased insurance premiums in the future.

While BVG determines the minimum requirements of the defined benefits of the plan, the ultimate responsibility for the regulation of the pension plan lies with the board of trustees. It is composed of equal numbers of employee and employer representatives.

The plan members are insured against the financial consequences of old age, disability and death. The annual retirement benefits are determined on the basis of the amount of individual accumulated savings at the time of retirement multiplied by the conversion rates specified in the plan policy.

Yearly contributions are determined as a percentage of the insured salary and are funded by the employee and the employer. More than 50% of the funding is borne by the employer.

The defined benefit plans operated in France consist of long-service gratuities payable at retirement.

Movement in present value of employee benefit obligations

in thousand EUR	Defined benefit obligation		Fair value plan assets		Net defined benefit liability (asset)	
	2017	2016	**2017**	2016	**2017**	2016
Balance at 01/01/	**58,332**	56,412	**-40,371**	-40,740	**17,961**	15,672
Included in profit or loss						
Current service cost	**2,413**	2,350	**0**	0	**2,413**	2,350
Interest cost (income)	**419**	539	**-273**	-365	**146**	174
Past service cost	**-425**	0			**-425**	0
	2,407	2,889	**-273**	-365	**2,134**	2,524
Included in OCI						
Actuarial gains and losses arising from changes in						
- demographic assumptions	**-221**	-1,170	**0**	0	**-221**	-1,170
- financial assumptions	**43**	2,326	**0**	0	**43**	2,326
- experience adjustments	**930**	-1,564	**0**	0	**930**	-1,564
Return on plan assets excluding interest income			**-572**	1,617	**-572**	1,617
Exchange differences	**-4,629**	493	**3,421**	-356	**-1,208**	137
	-3,877	85	**2,849**	1,261	**-1,028**	1,346
Other						
Employer contributions	**0**	0	**-1,571**	-1,581	**-1,571**	-1,581
Employee contributions	**1,023**	1,044	**-1,023**	-1,044	**0**	0
Benefit paid	**-1,444**	-2,098	**1,444**	2,098	**0**	0
	-421	-1,054	**-1,150**	-527	**-1,571**	-1,581
Balance at 31/12/	**56,441**	58,332	**-38,945**	-40,371	**17,496**	17,961

Swiss, French, and Austrian plans have been included in the calculation of the defined benefit plan obligation pursuant to IAS 19.

The net defined benefit liability of the Swiss pension plan amounts to EUR 13,705 thousand (2016: EUR 14,355 thousand). The regular employer's contribution to defined benefit plans is expected to be EUR 1,406 thousand in 2018. In 2017, the Swiss pension fund reduced the conversion rate which resulted in a credit to past service cost of EUR 425 thousand.

The actuarial assumptions are reviewed and adjusted at the end of each financial year. The actuarial assumptions disclosed for any financial year are applied to determine the defined benefit obligation as at year-end and the pension costs in the following year.

Actuarial assumptions

Assumptions for the calculation of obligations

	2017	2016
Discount rate at 31/12/	**0.74%**	0.74%
Future salary increase	**0.97%**	0.98%

Sensitivity analysis

	Defined benefit obligation	
in thousand EUR	**Increase**	**Decrease**
Discount rate (0.5% movement)	**-4,602**	**5303**
Future salary growth (0.5% movement)	**440**	**-427**

Plan assets comprise

	2017	2016
Insurance policy	**37,873**	39,044
Equity securities	**456**	738
Fixed-term deposits	**616**	589

Equity securities and fixed-term deposits are investments quoted at market price. The insurance policy is not quoted at market price.

The weighted average plan duration of the Group's defined benefit obligation amounts to 17.5 years in 2017 (2016: 18.0 years).

Personnel expenses include expenses for defined contribution plans of EUR 1,755 thousand (2016: EUR 1,312 thousand).

15 Provisions

in thousand EUR	**Warranties**	**Legal claims**	**Other provisions**	**2017**	2016
Balance at 01/01/	3,369	288	569	**4,226**	5,210
Exchange differences	-154	0	-21	**-175**	3
Change in scope of consolidation	0	0	0	**0**	0
Additions	1,389	92	430	**1,911**	1,769
Use	-1,237	-96	-399	**-1,732**	-2,088
Release	-377	-142	0	**-519**	-668
Balance at 31/12/	**2,990**	**142**	**579**	**3,711**	4,226
Non-current	1,799	50	216	**2,065**	2,658
Current	1,191	92	363	**1,646**	1,568
	2,990	**142**	**579**	**3,711**	4,226

Provisions to cover legal claims relate to disputes with business partners and employees in various subsidiaries. The cash outflow related to warranty claims is expected to occur within the next two years.

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities apply to the following balance sheet items:

	Tax assets		Tax liabilities		Net amount	
in thousand EUR	**2017**	2016	**2017**	2016	**2017**	2016
Trade receivables (net)	**506**	733	**-131**	-131	**375**	602
Inventories	**3,611**	3,265	**-712**	-753	**2,899**	2,512
Other current receivables	**0**	0	**-32**	-36	**-32**	-36
Other current liabilities	**0**	88	**0**	0	**0**	88
Accrued liabilities & current provisions	**519**	701	**0**	0	**519**	701
On current assets and liabilities	**4,636**	4,787	**-875**	-920	**3,761**	3,867
Property, plant and equipment	**145**	169	**-1,162**	-1,340	**-1,017**	-1,171
Financial assets	**37**	37	**-773**	-815	**-736**	-778
Intangible assets	**45**	47	**-7,833**	-8,963	**-7,788**	-8,916
Provisions for warranties	**305**	428	**-417**	-376	**-112**	52
Other provisions	**4,280**	4,506	**-764**	-726	**3,516**	3,780
On non-current assets and liabilities	**4,812**	5,187	**-10,949**	-12,220	**-6,137**	-7,033
Total deferred tax assets / liabilities	**9,448**	9,974	**-11,824**	-13,140		
Tax loss carryforwards	**557**	832				
Offset	**-3,039**	-4,076	**3,039**	4,076		
Net deferred tax assets / liabilities	**6,966**	6,730	**-8,785**	-9,064		

Deferred tax assets for unused tax loss carry-forwards are recognised if it is probable that future taxable profit will be available and the benefits can be utilised.

No deferred tax assets have been recognised for tax loss carry-forwards with the following expiration dates:

in thousand EUR	**2017**	2016
Expiry next 5 years	**817**	599
Expiry after 5 years	**642**	772
Total	**1,459**	1,371

No tax loss carry-forwards expired during the financial year under review (2016: EUR 0).

17 Other current liabilities

in thousand EUR	**2017**	2016
Prepayments	**3,439**	2,821
Tax liabilities (VAT)	**7,422**	7,761
Social insurance	**4,334**	4,246
Other liabilities	**923**	5,973
Total	**16,118**	20,801

18 Accrued liabilities

in thousand EUR	**2017**	2016
Accrued liabilities for maintenance contracts	**10,632**	10,938
Accruals for unused vacation and overtime	**12,054**	12,101
Other accrued liabilities	**3,873**	6,708
Total	**26,559**	29,747

19 Revenue from sales and services

in thousand EUR	**2017**	2016
Sales	**366,790**	351,875
Increase(+)/decrease(-) work in progress	**-88**	-190
Capitalised costs	**301**	167
Total	**367,003**	351,852

20 Other operating income

in thousand EUR	**2017**	2016
Gains on disposal of property, plant and equipment, and intangibles	**1,462**	777
Miscellaneous operating income	**952**	668
Total	**2,414**	1,445

Miscellaneous operating income

in thousand EUR	**2017**	2016
Income from the re-measurement of contingent consideration	**497**	119
Waste recycling	**219**	128
Rent	**13**	13
Insurance income	**60**	41
Other income	**163**	367
Total	**952**	668

21 Personnel expenses

in thousand EUR	Note	**2017**	2016
Wages and salaries		**110,493**	107,422
Wages and salaries of temporary personnel		**2,977**	3,569
Social security expense		**24,003**	23,665
Share-based compensation	9.2	**1,063**	685
Pension expenses (defined benefit plans)	14	**2,134**	2,524
Pension expenses (defined contribution plans)		**1,755**	1,312
External work force		**18,883**	16,147
Other personnel expenses		**5,137**	5,345
Total		**166,445**	160,669

During the financial year under review, the Group employed 2,547 employees on average (2016: 2,452).

22 Other operating expenses

in thousand EUR	**2017**	2016
Operating lease and rent expenses	**4,807**	5,007
Maintenance and repairs	**13,298**	12,947
Loss on disposal of property, plant and equipment, and intangibles	**1,072**	582
Administrative expenses	**10,001**	8,887
Advertising expenses	**959**	1,129
Travelling expenses	**6,457**	5,815
Other sales expenses	**8,855**	8,393
Miscellaneous operating expenses	**5,355**	5,243
Total	**50,804**	48,003

23 Financial result

Financial income

in thousand EUR	**2017**	2016
Interest income	**91**	101
Net foreign currency result	**1,746**	0
Total	**1,837**	101

Financial expenses

in thousand EUR	2017	2016
Interest expenses	**97**	79
Net foreign currency result	**0**	1,386
Total	**97**	1,465

24 Income taxes

Income tax recognised in profit of the period:

in thousand EUR	2017	2016
Current income taxes	**10,097**	7,709
Deferred income taxes	**-334**	-1,195
Total	**9,763**	6,514

Deferred income taxes are calculated applying the "balance sheet liability" method and are recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The measurement of deferred tax assets and liabilities is based on the expected tax rates for the countries affected, based on the laws that have been enacted or substantively enacted by the reporting date.

Income tax expense can be analysed as follows:

in thousand EUR	2017	2016
Profit before taxes	**42,665**	28,289
Group average tax rate	**24.5%**	20.8%
Expected tax charge at the applicable tax rate	**10,443**	5,895
Non-deductible expenses for tax purposes	**275**	2,429
Income exempt from tax charges and tax reductions	**-306**	-1,552
Application / Renunciation of tax loss carry-forwards	**-60**	28
Under / (over) provided in prior periods	**-589**	-286
Income tax expense	**9,763**	6,514

The Group is subject to income taxes in different tax jurisdictions. The Group calculates its average expected tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates. This rate changes from year to year due to changes in the mix of the Group's taxable income and changes in local tax rates. The increase in the expected Group average tax rate between 2017 and 2016 is due to the higher profitability of countries with higher tax rates such as France.

25 Contingent liabilities

Like in the prior year, there were no material contingent liabilities.

26 Risk assessment and financial risk management

The Board of Directors has the ultimate responsibility for risk management. Financial risk management within the Group is carried out in accordance with the principles established by the Group Executive Management. The principles determine how market risk (currency, interest rate and other price risk) and credit risk are to be managed. There are also principles for the administration of cash and cash equivalents and for short and long-term financing (liquidity risk). The Board of Directors has commissioned the Audit Committee to monitor the development and implementation of these risk management principles.

The established risk management principles are directed towards identifying and analyzing the risks, which the Group is subject to, and establishing control mechanisms. The risk management principles and the procedures adopted are regularly reviewed in order to take account of changes in the market environment and in the Group's activities. The aim is to develop a control environment that guarantees risk awareness and reduces financial risk, while weighing it against the costs of hedging and the risk incurred.

The Audit Committee is supported in its monitoring duties by the CFO.

The following sections give an overview of the extent of the individual types of risk and the objectives, principles and procedures for measuring, monitoring and hedging financial risk.

Credit risk

Credit risk is the risk of suffering financial loss if a customer or the counterparty of a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from trade receivables and credit balances with banks.

The Group keeps its liquid funds predominantly with leading banks rated at least "A". In accordance with the Group's investment policy, transactions are entered into only with major creditworthy financial institutions. These holdings generally have durations of less than twelve months.

The concentration risk of trade receivables is limited due to the large number of customers located in various geographical regions. The extent of credit risk is principally determined by the individual characteristics of each customer. Every Group company carries out risk assessments of its customers, involving checks of the customer's creditworthiness based on experience and on the customer's financial situation.

The maximum credit risk of a financial instrument corresponds to the carrying amount of the individual asset. The maximum credit exposure as of the balance sheet date was as follows:

in thousand EUR	**2017**	2016
Cash and cash equivalents	**62,133**	50,468
Trade receivables	**77,903**	78,044
Other current receivables	**580**	388
Financial assets	**327**	315
Accrued income	**2,772**	1,556
Total	**143,715**	130,771

Market risk

Market risk is the risk that changes in market prices such as exchange rates, interest rates and share prices have an impact on profits and on the fair value of financial instruments held. The aim of managing market risk is to monitor and control such risks, in order to ensure that they do not exceed a certain magnitude.

Foreign currency exchange risk

The Group is subject to foreign currency exchange risk due to the global nature of its business. Financial risk of this kind occurs in association with transactions effected in currencies other than the functional currency of Group companies. Such transactions are mainly denominated in Swiss Francs, Euro, US Dollars and Pound Sterling.

To the extent possible Group companies reduce their foreign currency exchange risk by procuring and manufacturing products in their functional currencies.

The table below shows the most important foreign currency exchange risks arising from financial instruments denominated in currencies other than the functional currency of the entity holding the instrument:

2017

in thousand EUR	CHF/EUR	CHF/USD	CHF/GBP
Cash and cash equivalents	14,729	4,962	3,529
Trade receivables	1,617	854	0
Intercompany receivables	13,002	427	4,199
Trade payables	-1,238	-240	0
Current financial liabilities	-30	0	0
Intercompany liabilities	-792	-4,191	0
Total foreign currency exposure	**27,288**	**1,812**	**7,728**

2016

in thousand EUR	CHF/EUR	CHF/USD	CHF/GBP
Cash and cash equivalents	9,086	660	2,420
Trade receivables	2,291	479	0
Intercompany receivables	9,231	376	2,170
Trade payables	-885	-250	0
Current financial liabilities	-83	0	0
Intercompany liabilities	-741	-2,708	0
Total foreign currency exposure	**18,899**	**-1,443**	**4,590**

A favourable or adverse exchange rate movement of 5% would have increased or reduced the net profit of the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The calculations are based on a tax rate of 25%.

Sensitivity analysis

2017

in thousand EUR	CHF/EUR	CHF/USD	CHF/GBP
Change +/-	5%	5%	5%
Effect from increase in exchange rate on profit of the period	1,023	68	290
Effect from decrease in exchange rate on profit of the period	-1,023	-68	-290

2016

in thousand EUR	CHF/EUR	CHF/USD	CHF/GBP
Change +/-	5%	5%	5%
Effect from increase in exchange rate on profit of the period	709	-54	172
Effect from decrease in exchange rate on profit of the period	-709	54	-172

Except for the effect on profit there is no further impact on shareholders' equity.

Interest rate risk

Interest rate risk is composed of changes in future interest payments as a result of fluctuations in market interest rates and interest rate related risk of a change in fair value, i.e. the risk that the fair value of a financial instrument may change as a result of fluctuations in the market interest rate.

Financing is mainly short term and at variable interest rates. If needed, interest rate hedging instruments are used.

Cash flow sensitivity analysis of floating rate financial instruments:

The exposure of financial instruments with variable interest rates, which predominantly consist of cash held at banks, amounts to EUR 53,093 thousand (2016: EUR 34,974 thousand). An increase of 0.1% in interest rates would have resulted in a favourable effect of EUR 40 thousand (2016: EUR 26 thousand) on the consolidated profit of the year. A decline in interest rates by the same amount would have resulted in an adverse effect of the same magnitude. This analysis assumes that all other relevant factors remain unchanged. Except for the profit there is no further impact on shareholders' equity.

Equity price risk

The Group does not hold any listed shares except treasury shares, and consequently is not subject to any risk related to stock market prices.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. Measures to safeguard liquidity are subject to permanent monitoring. Sufficient cash is held in order to deal with the fluctuations in the requirement of funds. The Group has unused credit lines of EUR 10,475 thousand (2016: EUR 10,858 thousand) in order to be able to manage larger fluctuations.

The following tables show the contractual maturities (including interest payments) of the financial liabilities recognised by the Group:

2017 in thousand EUR	**Carrying amounts**	**Contractual cash flows**	**Up to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**
Trade payables	22,511	**22,511**	22,511	0	0	0
Current bank liabilities	92	**92**	73	19	0	0
Lease liabilities	10	**10**	6	4	0	0
Other current liabilities	521	**521**	404	117	0	0
Accrued liabilities	2,242	**2,242**	2,077	165	0	0
Non-current financial liabilities	10	**10**	0	0	0	10
Total	**25,386**	**25,386**	**25,071**	**305**	**0**	**10**

2016 in thousand EUR	**Carrying amounts**	**Contractual cash flows**	**Up to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**
Trade payables	22,650	**22,650**	22,636	5	4	5
Current bank liabilities	314	**319**	221	98	0	0
Lease liabilities	17	**18**	6	5	7	0
Other current liabilities	4,719	**4,719**	4,094	0	282	343
Accrued liabilities	2,961	**2,961**	2,935	22	4	0
Non-current financial liabilities	100	**106**	1	1	95	9
Total	**30,761**	**30,773**	**29,893**	**131**	**392**	**357**

Fair Value

As the fair values of the financial instruments are close to their carrying amounts, no separate presentation has been made.

27 Capital management

The Group's objectives in managing net debt are:

– to maintain a sound financial position
– to preserve sufficient financial leeway for acquisitions
– to achieve a rate of return appropriate to the risks taken
– to distribute at least 30% of the annual consolidated profit as a dividend.

Financial leverage is monitored based on gearing. Gearing is an indicator of the degree of indebtedness and represents the ratio between interest-bearing net debt (ie. financial debt after the deduction of cash and cash equivalents) and equity. As of 31 December 2017, the gearing was -25.8% (2016: -21.8%).

28 Related parties

Related parties consist of the major shareholders including the companies controlled by them and associated to them, the Board of Directors and the Group Executive Management including persons close to them such as their families.

The following transactions with related parties took place:

in thousand EUR	**2017**	2016
CIC Lyonnaise de Banque - interest on short-term deposits	**3**	0
CIC Lyonnaise de Banque - cash and fixed term deposits	**6,002**	3,000
Hubert Jouffroy, Chairman - consultant on various matters	**347**	191

CM CIC is one of three shareholders of agta finance SAS, the controlling shareholder of agta record ltd. CM CIC is part of the Crédit Mutuel group in France. The Crédit Mutuel group conducts its business through a large network of bank branches and includes CIC Lyonnaise de Banque. All transactions with related parties including those with entities of the Crédit Mutuel group are effected on an arm's length basis.

For the financial year under review, EUR 4,131 thousand (2016: EUR 4,112 thousand) was paid as compensation to the Board of Directors and the Group Executive Management:

in thousand EUR	**2017**	2016
Current remuneration	**2,755**	2,767
Post-employment benefits	**648**	671
Share-based payments	**728**	674
Total	**4,131**	4,112

Detailed disclosure of the compensation and shareholdings of the Board of Directors and of the Group Executive Management is provided in the compensation report and in Note 8 of the statutory financial statements of agta record ltd.

29 Events after the balance sheet date

No events that could have a material effect on the consolidated financial statements or that would require to be disclosed in this report occurred between the balance sheet date and the date on which the accounts were approved by the Board of Directors.

30 Group entities

The following companies have been included in the scope of the consolidated financial statements:

	Country	Seg-ment	Nominal capital		Equity interest 2017	2016	Type of consoli-dation
agta record ltd, Fehraltorf *)	CH		CHF	13,334,200			F
agtatec ag, Fehraltorf **)	CH	1	CHF	4,000,000	100%	100%	F
record Türautomation AG, Fehraltorf **)	CH	1	CHF	500,000	100%	100%	F
record international ag, Fehraltorf **)	CH	1	CHF	600,000	100%	100%	F
record Austria GmbH, Perchtoldsdorf **)	AT	1	EUR	727,000	100%	100%	F
record Türautomation GmbH, Wuppertal **)	DE	1	EUR	1,500,000	100%	100%	F
Blasi GmbH, Mahlberg	DE	1	EUR	500,000	100%	100%	F
KOS Spezialtüren GmbH, Schermbeck	DE	1	EUR	25,000	100%	100%	F
record Holding Nederland B.V., Doorwerth**)	NL	1	EUR	450,000	100%	100%	F
record automatische deuren B.V., Doorwerth	NL	1	EUR	400,000	100%	100%	F
van Nelfen Deurtechniek B.V., Oosterhout	NL	1	EUR	18,151	100%	100%	F
record Toegangstechniek B.V., Capelle aan den Ijssel	NL	1	EUR	22,700	100%	100%	F
record UK Ltd., Blantyre **)	GB	1	GBP	1,000,000	100%	100%	F
Global Automatics Ltd., Hemel Hempstead	GB	1	GBP	100,000	100%	100%	F
High Performance Door Solutions Ltd., Walsall	GB	1	GBP	100	100%	100%	F
Metro Doors Ltd., Farnborough	GB	1	GBP	50	100%	100%	F
Cordver SAS, Neyron**)	FR	1	EUR	4,000,000	100%	100%	F
record Portes Automatiques SAS, Champlan	FR	1	EUR	10,000,000	100%	100%	F
Automatismes Bâtiment SAS, Champlan	FR	1	EUR	100,000	100%	100%	F
Svaton SAS, Bondy	FR	1	EUR	50,000	100%	100%	F
Isea SAS, Noyarey	FR	1	EUR	40,000	100%	100%	F
record Industry SAS, Crémieu	FR	1	EUR	750,000	100%	100%	F
MP2 SAS, Marseille	FR	1	EUR	4,500,000	100%	100%	F
PACA Ascenseurs Services SAS, Marseille	FR	1	EUR	600,000	100%	100%	F
record puertas automaticas SA, Sant Cugat del Valles	ES	1	EUR	1,800,000	100%	100%	F
record Danmark A/S, Hvidovre**)	DK	1	DKK	3,000,000	100%	100%	F
record dörrautomatik AB, Stockholm	SE	1	SEK	100,000	100%	100%	F
record Drzwi Automatyczne Sp.zo.o., Piaseczno	PL	1	PLN	650,000	100%	100%	F
record ajtó Kft, Szigetszentmiklós	HU	1	HUF	3,000,000	100%	100%	F
record avtomatska vrata d.o.o., Ljubljana**)	SI	1	EUR	381,000	100%	100%	F

	Country	Seg-ment	Nominal capital		Equity interest 2017	2016	Type of consoli-dation
record North America Inc., New York**)	US	2	USD	3,000,000	100%	100%	F
record USA Inc., Monroe	US	2	USD	3,000,000	100%	100%	F
record automatic doors, Inc., Pleasant Hill	US	2	USD	-	100%	100%	F
record automatic doors (Canada), Inc., Mississauga**)	CA	2	CAD	20,000	100%	100%	F
record Automatic Doors (Australia) Pty Ltd, Seven Hills, NSW**)	AU	1	AUD	100	100%	100%	F
Doorways Pty Ltd, Campbellfield, VIC	AU	1	AUD	909,998	100%	100%	F
Advanced Automatic Door Solutions Pty Ltd, Essendon North, VIC	AU	1	AUD	100	100%	100%	F
record Automatic Doors (M) Sdn Bhd, Petaling Jaya**)	MY	1	MYR	1,000,000	100%	100%	F
Paxter Security & Automation Sdn Bhd, Petaling Jaya	MY	1	MYR	1,000,000	100%	100%	F
record Automatic Door (Hong Kong) Ltd., Hong Kong**)	CN	1	EUR	3,000,000	100%	100%	F
record Automatic Door (Shanghai) Co., Ltd., Shanghai	CN	1	EUR	3,000,000	100%	100%	F
record Türautomation CZ s.r.o., Opava	CZ	1	CZK	300,000	100%	100%	F

*) Holding company of the Group

**) Subsidiary directly held by agta record ltd

Segment:	1	=	Europe and rest of world
	2	=	North America
Type of consolidation:	F	=	full consolidation

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To the General Meeting of
agta record tld, Fehraltorf

Zurich, 19 April 2018

Statutory auditor's report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of agta record ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 1 to 37) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 1 to 37).

Recoverability of Goodwill

Area of focus	agta record ltd has recognized significant goodwill in the consolidated financial statements in the amount of EUR 41.4 million as of 31 December 2017. The Group performs annually an impairment test for goodwill. In performing the impairment test, the recoverable amount of each cash-generating unit (CGU) is determined by management to be the higher of fair value less costs of disposal or value in use, using the discounted cash flow method. The assessment of the recoverable amounts of the CGUs requires significant management judgment, in particular in relation to the budgeted cash flows, future growth rates and the discount rates applied. Due to the significance of the carrying amount of Goodwill and the judgment involved in performing the impairment test this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow budgets. For a sample of CGUs selected, based on quantitative and qualitative factors, we performed the following audit procedures: • We assessed the historical accuracy of the company's estimates and considered its ability to produce accurate long-term forecasts; • We compared budgeted cash flows data against the latest management approved budget; • We involved valuation specialists to support our evaluation of the assumptions used in respect of budgeted cash flows, future growth rates and the discount rates applied; • We recalculated the difference between the carrying amount and the recoverable amount to assess the headroom or potential the impairment loss; and • We tested the sensitivity analyses prepared by management. We also considered the appropriateness of disclosures in relation to the impairment loss and sensitivities in the consolidated financial statements.

Other matter

The consolidated financial statements of agta record ltd for the year ended 31 December 2016 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 5 April 2017.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Other matter

The financial statements of agta record ltd for the year ended 31 December 2016 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 5 April 2017.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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

Enclosures

- Financial statements (balance sheet, income statement and notes)
- Proposal regarding the appropriation of available earnings

Statutory financial statements of agta record ltd

Balance sheet of agta record ltd

in thousand CHF	Note	**31/12/2017**	31/12/2016
Assets			
Cash and cash equivalents		**19,038**	5,337
Securities and term deposits		**0**	3,222
Other current receivables	1	**13,929**	3,124
Accrued income		**19**	27
Total current assets		**32,986**	11,710
Financial assets	2	**124,130**	117,668
Investments	3	**43,172**	40,865
Tangible assets		**44**	72
Total non-current assets		**167,346**	158,605
Total assets		**200,332**	170,315
Liabilities			
Trade payables	4	**353**	274
Current interest-bearing liabilities		**21,450**	8,743
Other current liabilities		**874**	101
Accrued liabilities		**1,388**	1,217
Total current liabilities		**24,065**	10,335
Equity			
Share capital		**13,334**	13,334
Legal capital reserve			
Capital contribution reserves		**54**	54
Statutory reserves		**1,850**	1,850
Other reserves		**8,000**	8,000
Retained earnings			
Retained earnings brought forward		**125,309**	120,319
Net profit of the period		**29,065**	18,244
Treasury shares	5	**-1,345**	-1,821
Total equity		**176,267**	159,980
Total equity and liabilities		**200,332**	170,315

Income statement of agta record ltd

in thousand CHF	Note	2017	2016
Dividend income		**19,763**	18,773
Other income from companies in which the entity holds an investment		**4,456**	4,763
Total income		**24,219**	23,536
Personnel expenses		**-3,656**	-3,682
Other expenses		**-1,037**	-1,002
Depreciation on tangible assets		**-28**	-36
Result before interest and taxes		**19,498**	18,816
Financial result			
Interest expenses		**-48**	-34
Interest income		**3,072**	2,822
Foreign exchange result		**7,391**	-3,060
Extraordinary and one-time effects	6	**0**	-254
Profit before taxes		**29,913**	18,290
Taxes		**-848**	-46
Profit of the period		**29,065**	18,244

Notes to the financial statements of agta record ltd

Significant accounting principles

General information

The financial statements of agta record ltd have been prepared in compliance with the Swiss Code of Obligations. Only those valuation principles are described below that are essential and not defined in the Code of Obligations or that deviate from the principles defined in the notes to the consolidated financial statements.

Financial assets

Financial assets include non-current loans to direct and indirect subsidiaries. Loans in foreign currency are translated into Swiss francs at the year-end rate under consideration of the imparity principle.

Investments

Investments are included at cost at the time of recognition. Investments are valued and annually reviewed for potential impairment on an individual basis, if they are material.

Treasury shares

Treasury shares are valued at cost at the time of recognition and are disclosed as a negative item in shareholders‘ equity. Gains and losses arising from the disposal of treasury shares are recognized in retained earnings.

Other income

Other income includes recharges and cost allocations to companies in which the entity holds an investment.

Cash flow statement

agta record ltd as holding company of agta record Group does not prepare a separate cash flow statement in addition to the cash flow statement and the additional disclosures presented in the consolidated financial statements.

Information and explanations relating to items on the balance sheet and in the income statement

1. Other current receivables

in thousand CHF	**2017**	2016
Other current receivables third parties	**330**	505
Other current receivables of companies in which the entity holds an investment	**13,599**	2,619
Total	**13,929**	3,124

2. Financial assets

in thousand CHF	**2017**	2016
Loans to companies in which the entity holds an investment	**124,130**	117,668
Total	**124,130**	117,668

3. Investments

Direct investments are presented below. Indirect investments are listed in Note 30 to the consolidated financial statements.

Company and registered office	Country	Nominal capital		Equity interest 2017	2016
agtatec ag, Fehraltorf	CH	CHF	4,000,000	100%	100%
record Türautomation AG, Fehraltorf	CH	CHF	500,000	100%	100%
record international ag, Fehraltorf	CH	CHF	600,000	100%	100%
record Austria GmbH, Perchtoldsdorf	AT	EUR	727,000	100%	100%
record avtomatska vrata d.o.o., Ljubljana	SI	EUR	381,000	100%	100%
record Türautomation GmbH, Wuppertal	DE	EUR	1,500,000	100%	100%
record Holding Nederland B.V., Doorwerth	NL	EUR	450,000	100%	100%
record UK Ltd., Blantyre	GB	GBP	1,000,000	100%	100%
record Danmark A/S, Hvidovre	DK	DKK	3,000,000	100%	100%
Cordver SAS, Neyron	FR	EUR	4,000,000	100%	100%
record Industry SAS, Crémieu	FR	EUR	750,000	-	-
record North America Inc., New York	US	USD	3,000,000	100%	100%
record Automatic Door (Hong Kong) Ltd., Hong Kong	CN	EUR	3,000,000	100%	100%
record Automatic Doors (M) Sdn Bhd, Petaling Jaya	MY	MYR	1,000,000	100%	100%
record automatic doors (Canada), Inc., Mississauga	CA	CAD	20,000	100%	100%
record Automatic Doors (Australia) Pty Ltd, Seven Hills	AU	AUD	100	100%	100%

4. Trade payables

in thousand CHF	**2017**	2016
Other liabilities to third parties	**245**	161
Other liabilities to companies in which the entity holds an investment	**108**	78
Liabilities to related parties and auditors	**0**	35
Total	**353**	274

5. Treasury shares

The nominal value is CHF 1.00 per bearer share.

	Total number of shares	**Total nominal value** TCHF	**Total carrying amounts** TCHF
Balance at 1 January 2017	62,944	63	1,821
Acquisitions*)	4,838	5	321
Disposals / sales*)	-18,448	-19	-797
Balance at 31 December 2017	**49,334**	**49**	**1,345**

*) At applicable market price.

6. Extraordinary and one-time effects

in thousand CHF	**2017**	2016
Impairment of investment	0	-254
Total	**0**	-254

7. Collateral to third parties

in thousand CHF	**2017**	2016
Guarantees	**4,567**	4,765
thereof used	**519**	1,613

8. Shareholdings of board members, Group Executive Management and closely linked persons

Closely linked persons encompass the majority shareholders including the companies controlled by and associated to them, the Board of Directors, the Group Executive Management and persons close to them such as their families. All transactions with closely linked persons are effected at market conditions.

Shares owned by board members and persons closely linked to them

	Number of shares	
	2017	2016
H. Jouffroy, Chairman	**0**	0
P. Altorfer	**10,000**	10,000
D. Dean	**3,957**	3,685
B. Ghez (CM CIC)	**2,489,539**	2,489,539
R. Gruenhagen	**0**	0
M. Rota	**1,566,099**	1,566,099

Shares owned by Group Executive Management and persons closely linked to them

	Number of shares	
	2017	2016
S. Riva, CEO	**42,772**	38,170
R. Scheffrahn, CFO	**12,391**	10,334
F. Eigl, Supply Chain / R&D	**8,349**	7,294
F. van Hooft, Marketing	**829**	431
M. Hirt, Region Eastern Europe	**1,566,935**	1,566,437
M. Kast, Region Europe I	**6,536**	5,751
L. Bouzy, Region Europe II	**6,779**	5,528
M. Licciardello, Region North America	**9,905**	8,990

9. Significant shareholders

Significant shareholders are disclosed in Note 9.4 to the consolidated financial statements.

10. Workforce data

The company employs less than 10 full-time employees on average.

11. Events after the balance sheet date

No events that could have a material effect on the financial statements or that would require to be disclosed in this report occurred between the balance sheet date and the date on which the accounts were approved.

Proposed appropriation of earnings

in thousand CHF	**2017**
Available earnings	
Net profit of the period	**29,065**
Retained earnings brought forward*)	**125,309**
Total available earnings	**154,374**
Appropriation of available earnings	
Payment of a dividend of CHF 1.30 on 13,334,200 shares*) out of retained earnings	**17,334**
To be carried forward	**137,040**
Total appropriation of available earnings	**154,374**

A dividend of CHF 1.00 per share was paid in the previous year.

*) No dividend is paid on treasury shares. For reasons of practicality and materiality, the total dividend is calculated based on the number of shares issued.

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To the General Meeting of
agta record ltd, Fehraltorf

Zurich, 19 April 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of agta record ltd, which comprise the balance sheet, income statement and notes (pages 42 to 48), for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each

matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 42 to 48).

Recoverability of investments and financial assets	
Area of focus	The amounts included in the financial statements of agta record ltd are CHF 43.2 million of investments in subsidiaries and CHF 124.1 million of financial assets (loans to companies in which the entity holds an investment). Investments and financial assets are recognized at cost and are annually reviewed for potential impairment. The Company performed an annual recoverability test of all significant investments and loans. In determining the fair value of the investments and loans, the company must apply judgment in estimating, amongst other factors, future revenues and margins, discount rates and multiples. Due to the significance of the carrying values of investments in subsidiaries and financial assets and the judgment involved in performing the impairment test this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow budgets. For a sample of investments and financial assets, selected based on quantitative and qualitative factors, we performed the following audit procedures: • We assessed the historical accuracy of the company's estimates and considered its ability to produce accurate long-term forecasts; • We compared budgeted cash flows data against the latest management approved budget; • We involved valuation specialists to support our evaluation of the assumptions used in respect of budgeted cash flows, future growth rates and the discount rates applied; and • We recalculated the difference between the carrying amount and the recoverable amount to assess the headroom or potential the impairment loss. We also considered the appropriateness of disclosures in relation to investments and financial assets.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

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

Enclosure

- Consolidated financial statements

For your remarks

record
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→ Headquarters

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