

# TWO THOUSAND FOURTEEN

# Interim report for the third quarter of 2014 of ATB Austria Antriebstechnik AG

Dear Shareholders and Readers,

During the first three quarters of 2014, ATB Austria Antriebsbank AG was able to increase new orders over the comparative period for the previous year by 2.3%. EBITDA fell by 49.6%. As already in the first half of the current year, the mining segment was remaining static and the general economic situation was only recovering slowly. The investments of ATB Group amounted to TEUR 14,768 and are therefore 6.8% higher than the previous year's value, which reflects the Group's continuing expansion.

## Market trend

In the press conference held on 15 September, the OECD (Organisation for Economic Cooperation and Development) does not draw a positive balance. Particularly for the eurozone, it sees the risk of continuing static development, if demand is not stepped up. Recovery "has remained disappointing, particularly in the largest countries, Germany, France and Italy". The economy in Germany will only grow by 1.5 percent in 2014 and 2015. Previously, the OECD had forecasted a rise in gross domestic product (GDP) of 1.9 percent this year and of 2.1 percent next year. In spite of the lowered forecasts, the OECD is expecting a slight recovery for the global economy. However, growth engines are far away from Europe and the USA. The OECD only anticipates stable growth for China of 7.3 percent in the current year and 7.4 percent in 2015. For India, the statistics also promise a rise of 5.7 percent this year and 5.9 percent in 2015<sup>1</sup>.

For the German electronics market, the most important sales market of the ATB Group, the German Electrical and Electronic Manufacturers' Association (ZVEI) has issued a similar forecast. In a monthly published economic barometer dated October 2014, one can read about the business climate yielding significantly in September. Therefore, it fell to the lowest level since April 2013. During the first eight months of the current year, the industry shows revenue growth of 2.1%, domestically, it was only 0.9%. The largest increases were achieved in the non-eurozone. New orders were 0.3% higher from January to August 2014 than in the comparative period of the previous year<sup>2</sup>.

## New orders and order backlog

In comparison to the previous year, the ATB Group was again able to increase **new orders** more strongly than the industry average, by 2.3% to **TEUR 275,940** (Jan. – Sept. 2013: TEUR 269,624). As already at the half-year point, a significant contribution was made by several large orders, which will run over several months. However, the continuing decline in the mining segment has a dampening impact on this positive trend.

At the 30 September 2014 reporting date, the **order backlog** of **TEUR 140,016** was above the 2013 amount (TEUR 116,079) by 20.6%. This allows hope for new revenue growth in the fourth quarter. At the same time, the ATB Group regarded this situation as being a mandate to continue relying on the ongoing improvement of order processing and customer service.

## Revenues and profits

In the first nine months of the current reporting period, the ATB Group generated **revenues of TEUR 253,143**, which equates to a slight reduction of 0.6% (Jan. – Sept. 2013: TEUR 254,796).

Both of the **industrial motors** and **project motors segments** show different trends. While in the industrial motors segment, revenues were able to be increased slightly by 1.2% to TEUR 132,428, these fell in the project motors segment by 5.9% to TEUR 128,834. The positive net operating result of the industrial motor segment was reduced from

<sup>1</sup> Source: OECD, Interim Global Economic Assessment, 15 September 2014

<sup>2</sup> Source: German Electrical and Electronic Manufacturers' Association (ZVEI): ZVEI Economic Barometer, October 2014

TEUR 1,460 during the first three quarters of 2013 to TEUR 376 during the current reporting period. The project motors show a negative operating result of TEUR -899 in comparison to TEUR 7,255 during the first nine months of 2013. This is mainly due to a considerable decline in revenues at ATB Morley to the extent of nearly 50% to TEUR 9,780 during the first three quarters of 2014 (Jan. – Sept. 2013: TEUR 19,367).

During the first nine months of the current financial year, the **EBITDA** of the ATB Group amounted to **TEUR 11,720** and was reduced by 49.6% compared to the comparative period of the previous year, i.e. TEUR 11,524 (Jan. – Sept. 2013: TEUR 23,244). The main influencing factors are also found in the project motors segment. However, all locations have a personnel cost structure in common, which did not allow any adaptation to a lack of revenue growth at short notice, so that this also had a negative impact on the EBITDA. With an already initiated adaptation of the market strategy and the improved order processing, the revenues are expected to recover by the end of the year and the personnel costs will stabilise to an adequate level.

In view of the low **EBITDA** and increased depreciation, amortisation and write-downs, **EBIT** declined in the first nine months of the reporting period by 81.3% to TEUR 3,089. EBIT margin therefore sank to 1.2%. Exchange losses from financing activity in the amount of TEUR 332, which mainly resulted from non-cash conversions between the euro and foreign currencies, led to a burden on the result during the reporting period. However, compared to the prior-year period, they were lower this year (Jan. – Sept. 2013: TEUR 712), which is due to the downward trend of the Serbian dinar. The **periodic result** after the first nine months of 2014 is 77.4% below the comparative value for 2013 at **TEUR 2,141**.

## Financial position

**Total assets** of **TEUR 356,147** at the 30 September 2014 reporting date were TEUR 29,489 higher than the comparative amount at the end of the previous year (31 Dec. 2013: TEUR 326,658). The rise mainly results from an increase in the long-term bank liabilities of TEUR 24,284 and growth in fixed assets by TEUR 17,528. **Equity capital** grew by 9.3% to **TEUR 125,526** (31 Dec. 2013: TEUR 114,813). The **equity ratio** therefore rose slightly to **35.2%** (31 Dec. 2013: 35.1%).

## Cash flow from operating activities

**Cash flow from operating activities** is below the prior-year value of TEUR 9,190 after the first nine months of the current financial year, at **TEUR -4,233**. The change is mainly due to the decline in the net profit or loss for the period and higher repayments of liabilities. Due to the improved receivables management, the falling receivables balances from deliveries and services have a positive impact on the cash flow. However, the delayed acceptances by the industry have a negative impact, which have led to a lower reduction of inventories of finished and semi-finished products until September 2014, in comparison to the reporting period for the previous year. Inventory levels will settle at the previous year's level by the end of 2014.

## Investments

On the basis of a very positive annual result for 2013, ATB has made provisions for future developments together with its strong partner, WOLONG, and continued boosting its investment activity. **Capital expenditure** in the period from January to September 2014 totalled **TEUR 14,768** and was thus 6.8% above the prior-year comparative value (Jan. – Sept. 2013: TEUR 13,830). Total investments therefore amounted to 5.8% of the generated revenues, of which TEUR 9,257 was invested in property, plant and equipment and TEUR 5,142 flowed into the development of products and new technologies.

## Employees

At the 30 September 2014 reporting date, the ATB Group had a total of **3,744 employees**. This corresponds to an increase of 4.6% compared to the number of employees at the end of the third quarter of 2013 (30 Sept. 2013: 3,581). This growth can be attributed almost exclusively to the integration of the employees at the new site in Wuhan (China).

## ATB share

**ATB Austria Antriebstechnik AG's share** was quoted at **EUR 5.499** on the Vienna Stock Exchange in the Standard Market Option at the 30 September 2014 reporting date (closing price on 20 August 2014). On 30 September 2013, the price was EUR 3.203. As a result of the majority shareholder's large shareholding, free float only amounts to 1.07% of the share capital. Due to this low level of free float, even low trading volumes can cause high volatility in the share price. The trade volume in the third quarter of 2014 amounted to EUR 11,275.36 and 2,372 shares (single counting).

## Outlook 2014

The general business expectations for the next six months have been assessed by German electronics companies as being considerably less favourable in September than in August. 70% of the companies expect activities to remain the same, 14% expect declines. The remaining 16% anticipate acceleration in business activity<sup>2</sup>.

From 2015, the tightening of the minimum energy efficiency level to IE3 will take place for the 7.5 kW to 375 kW output range, with the option of using IE2 motors in conjunction with a speed controller. The binding legal framework conditions will require investments in existing drive solutions by numerous existing and potential customers. Therefore, ATB's management anticipates stable demand and organic growth with low-voltage motors. With product solutions such as the ISI (Integrated Simple Inverter) and new possibilities in the area of inverter technology, the ATB Group is well-equipped for future requirements.

A newly initiated, Group-wide programme is comprised of measures for achieving extensive globalisation, increased integration, intensive use of synergies and continuous improvement. It will provide meaningful support to the ATB Group in its development and the significant increase of sales revenue and profitability. The company can rely on a high level of business excellence within the Group and will bundle the existing know-how more intensively and use it for all locations in a profitable manner.

<sup>2</sup> Source: German Electrical and Electronic Manufacturers' Association (ZVEI): ZVEI Economic Barometer, October 2014

## ATB Austria Antriebstechnik AG – selected key figures

in TEUR	1-9/2014	1-9/2013	% Change
Revenues	253,143	254,796	-0.6%
EBITDA	11,720	23,244	-49.6%
Net operating profit (EBIT)	3,089	16,530	-81.3%
EBIT margin	1.2%	6.5%	-81.2%
Profit before taxes (EBT)	-1,647	11,617	-114.2%
Net profit or loss for the period	2,141	9,485	-77.4%
Order intake	275,940	269,624	2.3%
Order backlog as at 30 September	140,016	116,079	20.6%
Investments	14,768	13,830	6.8%
Employees as at 30 September 2013	3,744	3,581	4.6%

Vienna, 22 October 2014

### Note

This disclosure includes statements about possible future events. These statements have been prepared based on information currently available. They reflect the Managing Board's current assessment of future events and should not be taken as guarantees of future performance; they include risks and uncertainties which are difficult to predict. A wide variety of reasons could cause actual results or circumstances to differ fundamentally from the assumptions made in the statements.