Semi-annual report

TWO THOUSAND FOURTEEN

Technology in Motion

Semi-annual report of ATB Austria Antriebstechnik AG

Interim financial report 2014

Dear Shareholders and Readers,

In the first half year of 2014, ATB Austria Antriebstechnik AG once again achieved a slight increase in sales revenue amounting to 1.6%. At the same time, the globalisation of the business is proving successful, as evidenced by a 6.5% rise in new orders. The fact that a number of major orders were won by the ATB Schorch site in Germany has been an important contributing factor to this good result. The order backlog rose by a considerable 10.9% to TEUR 137,867; this also sets the ATB Group up well for the remaining two quarters of the current year. Many key earnings figures have however declined quite significantly. This situation is attributable to a number of factors: the anticipated recovery in the mining segment failed to materialise which necessitated optimisation measures at the ATB Morley site that were in part cost-intensive. At the same time, in the last six months the ATB Group provided for the future by recruiting product development and sales staff. The first six months of the current year were also impacted by higher depreciation and amortisation as a result of revaluations in the 2013 financial year. Lastly, the situation in the global and European economies, which are only recovering slowly, once again contributed to the fact that the ATB Group lagged behind its earnings targets.

Market trends

In the current year too, the global economic recovery has been lower than expected. The International Monetary Fund (IMF) has marked down its growth projection for 2014 by 0.3% to 3.4% because of the weak first quarter of the current year. For 2015, however, the growth projection for the global economy remains at 4 percent[1]. Likewise, the OECD, in its outlook published in May, speaks of a demonstrable upturn, although also at a moderate pace[2]. Growth in the eurozone has been calculated at 1.1% for 2014. The outlook for 2015 is a little more optimistic with growth forecast at 1.5%[1].

According to a study by Frost & Sullivan, the electrical products market is itself strongly interlinked with those end user markets which use electric motors in various applications such as pumps, ventilators or fans. The development of the heating, ventilation, air conditioning and cooling segments, as well as of the oil and gas market, will therefore play a decisive role in the future demand for efficient motors, especially in the United Kingdom and in Germany[3].

Despite the progress being made with globalisation, Germany, with a share of sales revenue of 42.9% (as at 31 December 2013), is still the ATB Group's most important sales market. After a good start into the new financial year, the business climate in the German electrical industry weakened further in June after having already eased off in May. New orders from the German electrical industry thus fell by 12.3% year on year[4]. In the whole period from January to June 2014, sales revenue only rose by 2.1% compared with the previous year. In the market as a whole, new orders only increased by 0.5% year on year.

New orders and order backlog

This year, the ATB Group was once again able to achieve a level of new orders which was significantly higher than the industry average. New orders throughout the Group increased markedly compared to the first half of the previous year by 6.5% to TEUR 194,024 (first half of 2013: TEUR 182,164). At the 30 June 2014 reporting date, the order backlog at TEUR 137,867 was 10.9%, and thus clearly above the 2013 amount (TEUR 124,331). An important contribution was made by a number of major orders for ATB Schorch which will run over the next 14–82 weeks. With its technical expertise, the site performed convincingly during a hard-fought battle with the competition and was thus able to successfully expand its market-leading role in motors for use in potentially explosive atmospheres in the MENA region (Middle East and North Africa). Other positive contributing factors were the opening up of new areas of business and the introduction of new products.

[1] Source: IMF, World Economic Outlook Update, July 2014
[2] Source: OECD, Economic Outlook, Handout for the press conference, 6 May 2014
[3] Source: Frost & Sullivan, Study of the Western European Electric Motors Market, December 2013
[4] Source: *Zentralverband der deutschen Elektroindustrie* (ZVEI – German Electrical and Electronics Industry Association), *ZVEI Konjunkturbarometer* (ZVEI: The German Electrical and Electronics Industry - Data, facts and figures), August 2014

Half-year figures in year-on-year comparison

While there was only a slight economic recovery in relevant markets, the ATB Group was still able to generate sales revenue of TEUR 171,430 in the first six months of the current year (first half of 2013: TEUR 168,809). This corresponds to an increase of 1.6%.

Compared to the first six months of 2013, EBITDA declined this year by 31.1% to TEUR 9,123 (first half of 2013: TEUR 13,233). Although the ATB Sever site, after optimisation measures, contributed to improving EBITDA by TEUR 550, ATB Morley suffered a further fall in profitability of TEUR 2,993 due to the lack of recovery in the mining segment. Measures have already been taken to restructure the site and to open up new markets; these will serve to strategically reposition ATB Morley. They will ensure the long-term future of the British company, but have an adverse effect on the current result. A small number of other sites also suffered declines in profitability as a result of a slight rise in material costs and increased personnel costs.

Personnel expenses rose in the first half of 2014 compared to the first six months of the previous year, from TEUR 62,111 to TEUR 66,230. This increase mainly consisted of additional personnel costs of TEUR 851 for the newly consolidated interest in the ATB Wuhan joint venture and costs for the planned increase in personnel to achieve the expansion targets at ATB Schorch (TEUR 1,674) and at ATB Laurence Scott (TEUR 737). The restructuring measures introduced as a result of the decline in profitability are likely to be reflected in the results from the third quarter of 2014 onwards.

Depreciation and amortisation rose in the first half of 2014 compared to the 2013 comparative period from TEUR 4,595 to TEUR 5,697. This is attributable to the new joint venture with ATB Wuhan, higher levels of capital expenditure in previous years – for example at the ATB Nordenham, ATB Welzheim, ATB Laurence Scott and ATB Tamel sites –, and a rise of around TEUR 480 in depreciation and amortisation as a result of the revaluations of technical equipment and machinery and intangible assets at the ATB Schorch and ATB Tamel sites.

In view of these developments, EBIT for the ATB Group declined in the first six months of the current year to TEUR 3,426, after TEUR 8,638 in the first half of 2013. Correspondingly, the EBIT margin decreased to 2.0% after 5.1% in the first half of the previous year.

EBT fell in the same period from TEUR 5,254 to TEUR 204. At the same time, profit/loss for the period declined compared to the prior-year reporting period from TEUR 4,375 in 2013 to TEUR 412 in 2014. The change in profit/loss for the period is attributable to the fall in earnings at ATB Morley, ATB Tamel and ATB Nordenham. The remaining companies only recorded minor changes earnings.

Diluted and basic earnings per share of the shareholders of the parent company as at the reporting date of 30 June 2014 amounted to EUR 0.01 (30 June 2013: EUR 0.34).

in TEUR	04-06/2014	04-06/2013	Change	01-06/2014	01-06/2013	Change
Sales revenue	85,905	84,568	1.6%	171,430	168,809	1.6%
EBITDA	3,607	6,579	– 45.2%	9,123	13,233	– 31.1%
Operating profit (EBIT)	742	4,141	– 82.1%	3,426	8,638	– 60.3%
EBIT margin	0.9%	4.9%	– 82.4%	2.0%	5.1%	– 60.9%
Profit/loss before tax (EBT)	– 783	2,226	– 135.2%	204	5,254	– 96.1%
Profit/loss for the period	– 695	1,765	– 139.4%	412	4,375	– 90.6%
New orders	88,992	91,558	– 2.8%	194,024	182,164	6.5%
Order backlog as at 30 June				137,867	124,331	10.9%
Capital expenditure	4,920	4,832	1.8%	9,195	8,726	5.4%
Employees as at 30 June				3,775	3,536	6.8%

The second quarter in year-on-year comparison

Compared to the prior-year period, the ATB Group managed to once again slightly increase sales revenue in the second quarter of 2014 to TEUR 85,905 (second quarter of 2013: TEUR 84,568).

At TEUR 3,607, operating EBITDA was however significantly below the level of the prior-year quarter (second quarter of 2013: TEUR 6,579). Operating profit (EBIT) was TEUR 742 (second quarter of 2013: TEUR 4,141). The corresponding EBIT margin was 0.9% after having been 4.9% in the second quarter of 2013. Profit/loss before tax (EBT) was TEUR –783 in the second quarter of 2014 (second quarter of 2013: TEUR 2,226). Profit/loss for the period declined in the second quarter of the current year to TEUR –695 (second quarter of 2013: TEUR 1,765). Diluted and basic earnings per share of the shareholders of the parent company were EUR –0.07 (second quarter of 2013: EUR 0.13).

Financial position

The increase in total assets at the reporting date of 30 June 2014 to TEUR 351,155, compared with TEUR 326,658 at the 2013 year end, resulted from changes in non-current assets due to continuing investments in buildings, machinery and equipment, a rise in intangible assets after the technology transfer with ATB Wuhan, own work capitalised due to capitalisation during the year at ATB Welzheim, an increase in construction contract receivables, as well as a rise in bank liabilities on the equity and liabilities side of the balance sheet.

The equity ratio as at 30 June 2014 declined slightly compared to the 2013 year end position, from 35.1% to 34.5%. This is explained by the higher level of total assets and the rise in net debt. The ATB Group's net debt as at 30 June 2014 amounted to TEUR 89,800 (31 December 2013: TEUR 72,219). The increase arose as a result of the drawdown of a loan of TEUR 16,500 in the first half of 2014 which was offset by a repayment of TEUR 10,500.

Cash flow performance

Cash flow from operating activities changed in the first half of 2014 compared to the first half of 2013 from TEUR 7.418 to TEUR –3,451. To a large extent, this change is attributable to the decline in profit/loss for the period of TEUR 3,963; a further part is attributable to the rise in repayments of other liabilities. In addition, the lower reduction in inventories in the first half of 2014 compared with the prior-year period had a negative effect on cash flow from operating activities.

Cash flow from investing activities in the reporting period amounted to TEUR –11,978 (first half of 2013: TEUR –8,600); the increase in outflow was mainly attributable to an outflow of TEUR 3,581 in relation to the interest in the ATB Wuhan joint venture. There was no comparable investment in the first half of the previous year.

Cash flows from financing activities declined from TEUR 9,943 in the first six months of the previous year to TEUR 7,534 in the reporting period. This is explained by reduced borrowing in the 2014 reporting period compared with the first half of the previous year.

Capital expenditure

In the last four years, the ATB Group has continued to increase its investing activities by a rate of up to 61.9%. Similarly, in the past financial year, the Group again made acquisitions at all sites amounting to TEUR 19,697. And in the first six months of the current year, the Group once again increased its capital expenditure compared with the previous year. TEUR 1,187 was invested in technical equipment and machinery. A further TEUR 4,509 was invested in land, buildings and equipment. With a total investment of TEUR 3,262, the Group has in addition again provided strong backing to the ongoing development of products and technologies. Capital expenditure in the period from January to June 2014 totalled TEUR 9,195 and was thus 5.4% above the prior-year comparative (first half of 2013: TEUR 8,726). Total capital expenditure therefore equated to 5.4% of sales revenue.

Personnel

At the 30 June 2014 reporting date, the ATB Group had a total of 3,775 employees. This equates to an increase in employees of 6.8% compared with the prior-year reporting date and can, apart from minor adjustments within the Group, be explained in its entirety by the integration of employees at the new ATB Wuhan site.

ATB shares

ATB share performance	01-06/2014	01-06/2013
High	5.29	4.00
Low	2.60	2.61
End of the reporting period	4.90	3.90

At the 30 June 2014 reporting date, ATB Austria Antriebstechnik AG's shares closed at EUR 4.9 in the Standard Market Auction segment of the Vienna Stock Exchange (closing price on 24 June 2014). On 31 December 2013, the price was EUR 3.35. As a result of the majority shareholder's large shareholding, only 1.07% of share capital is in free float. Due to this low level of free float, even a small amount of activity in the stock market can cause high volatility in the share price. The trading volume in the first half of 2014 amounted to EUR 3,192.16 and 772 shares (single counting).

Annual general meeting

On 20 May 2014, ATB Austria Antriebstechnik Aktiengesellschaft, Vienna/Austria, held its ordinary annual general meeting at which all motions relating to the agenda items were adopted.

Risk management

As part of its business activities, and in view of the multitude of these, the ATB Group is exposed to a number of risks which may have a negative influence on financial performance. The ATB Group relies on several risk management and control systems for the early identification and successful management of material risks.

Details on the risk factors and how they are mitigated with suitable control and management systems can be found in the 2013 annual financial report of ATB Austria Antriebstechnik AG which has been published on the www.atb-motors.com website.

Outlook 2014

The ATB Group currently has a sound order backlog across the Group. In particular, the ATB Schorch and ATB Sever sites are commencing the second half of the year with a very satisfactory order position. The Group will be able to make good use of this advantage. Potential new orders and contracts currently under negotiation with Russian firms are, however, being impacted by a certain degree of uncertainty due to the current situation in the Ukraine.

In product development, the innovation teams have been working on a new complete series of transnorm motors (size 355 – 710) which will be launched in the third quarter of this year. As a result of the internally-developed design, the ATB Group is expecting significant advantages over the competition in terms of compactness and material utilisation. First orders are also coming in for the ISI motor with integrated inverter which was launched in the past year; this is why the ATB Group will continue to intensify its efforts on power electronics and will gradually become more heavily involved in this area.

On taking over the management of the new ATB Wuhan site, there too, comprehensive changes were set in motion: New processes were established, the infrastructure was improved, personnel was provided with further training and comprehensive training measures were put in place. As a result of these activities, the ATB Group is expecting the site to have a strong upward trend in the Chinese market at the latest from 2015 onwards.

The ATB Group's main focus in the second half of 2014 will, however, above all be on improving the key earnings figures. Appropriate measures have already been implemented at a number of sites. The Group will, among other things, concentrate heavily on managing personnel costs. Although new employees have been recruited in technology and sales at some sites as a result of the good order position and thus a significant investment has been made in the future, personnel cost structures must continue to be optimised further and designed to be more flexible if there are fluctuations in orders.

ATB Austria Antriebstechnik Aktiengesellschaft
Vienna, 14 August 2014

Andreas Schindler
Chairman of the Managing Board
(Chief Executive Officer)

Yingzhu Chen
Member of the Managing Board
(Chief Financial Officer)

Ian Lomax
Member of the Managing Board
(Chief Operations Officer)

Statement of the Managing Board pursuant to section 87(1) number 3 of the Austrian Stock Exchange Act (BoerseG)

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

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Vienna, 14 August 2014

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Consolidated income statement

in TEUR	04-06/2014	04-06/2013	01-06/2014	01-06/2013
	unaudited	unaudited	unaudited	unaudited
Sales revenue	**85,905**	**84,568**	**171,430**	**168,809**
Change in inventories	–1,684	–450	–943	–1,441
Own work capitalised	1,906	1,813	3,757	3,362
Cost of materials and other services	–40,428	–39,471	–81,879	–79,107
Personnel expenses	–33,109	–31,651	–66,230	–62,111
Depreciation and amortisation of non-current assets	–2,865	–2,438	–5,697	–4,595
Other operating income	425	819	1,328	1,525
Other operating expenses	–9,408	–9,049	–18,340	–17,804
Operating profit	**742**	**4,141**	**3,426**	**8,638**
Financing expenses	–1,532	–1,922	–3,246	–3,444
Financing income	7	7	24	60
Financial result	**–1,525**	**–1,915**	**–3,222**	**–3,384**
Profit/loss before tax	**–783**	**2,226**	**204**	**5,254**
Income tax	88	–461	208	–879
Profit/loss from continuing operations	**–695**	**1,765**	**412**	**4,375**
Profit/loss from discontinued operations			**0**	**0**
Profit/loss for the period	**–695**	**1,765**	**412**	**4,375**
thereof profit/loss attributable to non-controlling interests	123	349	298	632
thereof profit/loss attributable to the shareholders of the parent company	–818	1,416	114	3,743
Diluted and basic earnings per share of the shareholders of the parent company	**–0.07**	**0.13**	**0.01**	**0.34**

Consolidated statement of comprehensive income

in TEUR	04-06/2014	04-06/2013	01-06/2014	01-06/2013
	unaudited	unaudited	unaudited	unaudited
Profit/loss for the period	–695	1,765	412	4,375
Currency translation differences	2,300	–1,678	2,468	–3,883
Total comprehensive income for the period	**1,605**	**87**	**2,880**	**492**
thereof total comprehensive income attributable to non-controlling interests	321	285	451	531
thereof total comprehensive income attributable to the shareholders of the parent company	1,285	–199	2,429	–39

Consolidated balance sheet

ASSETS		
in TEUR	**30.06.2014**	**31.12.2013**
	unaudited	**audited**
Non-current assets		
Property, plant and equipment	111,816	104,016
Intangible assets	49,085	43,540
Deferred tax assets	14,803	14,406
Available-for-sale financial assets	1,214	1,190
Other non-current financial assets	149	152
	177,067	163,304
Current assets		
Inventories	48,272	45,723
Trade and other receivables	78,828	66,441
Receivables from affiliated companies	35	26
Other financial assets	0	0
Receivables from construction contracts	26,689	23,997
Cash and cash equivalents	20,264	27,167
	174,088	163,354
TOTAL ASSETS	**351,155**	**326,658**

EQUITY AND LIABILITIES		
in TEUR	30.06.2014	31.12.2013
	unaudited	audited
Equity		
Share capital	26,657	26,657
Capital reserves	251,544	251,544
Retained earnings	6	0
Adjustment item from currency translation	– 5,316	– 7,573
Cumulative income and expenses recognised directly in equity	10,204	10,146
Cumulative losses	– 176,206	– 176,301
Equity attributable to shareholders of the parent company	106,889	104,472
Non-controlling interests	14,293	10,341
Equity	121,181	114,813
Non-current liabilities		
Non-current financial liabilities	48,711	28,661
Liabilities to affiliated companies	17,868	17,465
Non-current obligations towards employees	53,008	52,660
Other non-current provisions	824	980
Deferred tax liabilities	7,169	7,126
	127,580	106,892
Current liabilities		
Trade payables	30,361	26,855
Liabilities from construction contracts and prepayments	4,857	5,003
Liabilities to affiliated companies	9,451	10,606
Current provisions	3,476	3,381
Other current liabilities	17,844	13,495
Current tax liabilities	2,371	2,959
Current financial liabilities	34,034	42,654
	102,394	104,953
TOTAL EQUITY AND LIABILITIES	**351,155**	**326,658**

Consolidated statement of changes in equity

in TEUR	Share capital	Capital reserves	Retained earnings	Foreign currency translation	Fair value reserve for available-for-sale securities	Revaluation reserve	Revaluation of net liabilities from pension and termination benefit obligations	Cumulative losses	Attributable to majority shareholder	Non-controlling interests	Equity
As at 1 January 2013	**26,657**	**241,156**	**0**	**– 5,410**	**45**	**17,532**	**– 7,000**	**– 191,019**	**81,961**	**8,522**	**90,483**
Profit for the period	0	0	0	0	0	0	0	3,743	3,743	632	4,375
Other comprehensive income	0	0	0	– 4,758	0	107	0	870	– 3,782	– 101	– 3,883
Total comprehensive income 01-06/2012	0	0	0	– 4,758	0	107	0	4,613	– 39	531	492
As at 30 June 2013	**26,657**	**241,156**	**0**	**– 10,168**	**45**	**17,639**	**– 7,000**	**– 186,406**	**81,923**	**9,053**	**90,975**
As at 1 January 2014	26,657	251,544	0	– 7,573	– 15	17,395	– 7,234	– 176,301	104,472	10,341	114,813
Profit for the period	0	0	0	0	0	0	0	114	114	298	412
Other comprehensive income	0	0	0	2,257	0	59	– 1	0	2,315	153	2,468
Total comprehensive income 01-06/2014	0	0	0	2,257	0	59	– 1	114	2,429	451	2,880
Changes in acquisitions	0	0	6	0	0	0	0	– 19	– 13	3,501	3,488
As at 30 June 2014	**26,657**	**251,544**	**6**	**– 5,316**	**– 15**	**17,454**	**– 7,234**	**– 176,206**	**106,889**	**14,293**	**121,181**

Consolidated cash flow statement

in TEUR	01-06/2014	01-06/2013
	unaudited	unaudited
Cash flow from operating activities	– 3,451	7,418
Cash flow from investing activities	– 11,978	– 8,600
Cash flow from financing activities	7,534	9,943
Cash and cash equivalents at beginning of the period	**27,167**	**22,590**
Decrease / increase in cash and cash equivalents	– 7,895	8,761
Effect of exchange rate changes on cash and cash equivalents	403	– 1,622
Cash inflow from acquisitions	589	0
Cash and cash equivalents at end of period	**20,264**	**29,729**

Notes to the condensed consolidated interim financial statements

General principles and information

The interim financial report for the six months ended 30 June 2014 has been prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU for interim financial reports (IAS 34).

The condensed consolidated interim financial statements do not include all the information and disclosures contained in the annual report and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.

The accompanying interim financial report for the period ended 30 June 2014 has not been audited or reviewed by an auditor. Further information on accounting policies is shown in the consolidated financial statements for the year ended 31 December 2013, on the basis of which the accompanying interim financial report has been prepared.

Material related party transactions

With effect from 16 January 2014, ATB Austria Antriebstechnik AG, Vienna/Austria, entered into a joint venture agreement with Wolong Electric Group Company Ltd. in relation to the co-ownership of a motor production facility in Wuhan/China. For this purpose, ATB entered into a joint venture agreement with Wolong Electric Group Co. Ltd. – a company within the Wolong Group, of which ATB's majority shareholder, Wolong Investment GmbH, is also a member. The agreement was concluded based on standard market terms.

Material events after the reporting date

There have been no material events since 30 June 2014.

ATB Austria Antriebstechnik Aktiengesellschaft
Vienna, 14 August 2014

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Note

This report 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.