

**Interim Report 1st quarter**

**TWO  
THOUSAND  
FOURTEEN**

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

Dear Shareholders and Readers,

ATB Austria Antriebstechnik AG produced some very pleasing results in the first quarter of 2014, but was not able to consistently continue the prior year's successful results. At 15.9%, new orders were significantly increased and the Group's order backlog as of 31 March 2014 was also up 12.3%. Revenues improved slightly by 1.5% thanks to organic growth on the one hand and the first-time consolidation of the new joint venture in Wuhan on the other. Higher costs, in particular in the area of personnel expenses, had a negative impact on the Company's earnings. However, the repeated increase in investments compared to the first quarter of the previous year reflects the management's confidence, which is based on the positive prevailing mood in the market, among other things.

## Market trend

The European Commission now finally expects the European economy to recover for 2014 with real GDP growth of 1.5% in 2014<sup>1</sup>. The German electronics market is the largest in Europe with EUR 110 billion in revenues according to the German Electrical and Electronic Manufacturers' Association (ZVEI)<sup>2</sup>. The European Commission's winter forecast even calculated real GDP growth of 1.8% for this sales market, which is so important to the ATB Group<sup>1</sup>.

Looking back on the first quarter of the current year, the German electronics industry generated an increase in new orders of 4% in the first two months. Revenues rose by 3.8% in January and February compared to the first two months of 2013. The ZVEI forecasts revenues of EUR 170 billion for the full year 2014, which corresponds to an increase of 1.8%.<sup>3</sup>

## New orders and order backlog

The positive trend with respect to the order situation from the preceding financial year also continued unabated in the first quarter of the current year. For instance, new orders increased by 15.9% to TEUR 105,033 compared to the first quarter of 2013 (Q1 2013: TEUR 90,606). At TEUR 135,033 on the 31 March 2014 reporting date, the order backlog clearly exceeded the previous year's backlog by 12.3% (2013: TEUR 120,213). With this significantly improved order situation compared to the first quarter of 2013, the ATB Group is building on a solid basis for the coming quarters.

## Revenues and profits

The ATB Group followed up on its increase in revenues in the 2013 financial year – which exceeded the industry average – with another increase in revenues of 1.5% in the first quarter of 2014. Thus, revenues after the first three months of the current reporting period amounted to TEUR 85,525 compared to TEUR 84,241 in the first quarter of 2013. This growth can be explained by an increase in order volume on the one hand and by the inclusion of the revenues generated at the Wuhan site on the other.

Personnel expenses rose from TEUR 30,460 in the first quarter of 2013 by 8.7% to TEUR 33,121 in the current reporting period. The 291 employees newly integrated in the ATB Group at the site in Wuhan

1) Source: European Commission: Winter Forecast 2014, press release issued on 25 February 2014

2) Source: German Electrical and Electronic Manufacturers' Association (ZVEI): Flyer "Facts", April 2012

3) Source: German Electrical and Electronic Manufacturers' Association (ZVEI): ZVEI Economic Barometer, April 2014

(China) as part of the joint venture represent a 14.8% share of this increase. The increase can also be explained by the elevated order volume at individual sites, which led to additional work and overtime. At the same time, individual companies that were still impacted by market declines, such as in the coal mining industry, were not able to fully adjust their personnel costs to the reduced output on short notice. Ultimately, human resources were also shifted in favour of more cost-intensive new hires in development and in sales. In light of this, the ATB Group's EBITDA in the first three months decreased to TEUR 5,516 after TEUR 6,654 in the first quarter of 2013. The EBIT decreased in the first quarter of 2014 to TEUR 2,684 after TEUR 4,497 in the first quarter of 2013. At the same time, net profit for the period decreased by 57.6% to TEUR 1,107 (Q1 2013: TEUR 2,610).

## Financial position and cash flows

At TEUR 341,594 at the 31 March 2014 reporting date, total assets were TEUR 14,936 higher than at the end of the previous year (31 December 2013: TEUR 326,658). Consequently, equity as a percentage of total assets remained stable at 35.0% (31 December 2013: 35.2%).

## Cash flow from operating activities

Cash flow from operating activities decreased in the first three months of the current financial year and at TEUR -2,058 was considerably down year-on-year (TEUR -479). This can be attributed to a small degree to fluctuations in inventory levels at multiple sites and to a large degree to the lower net profit or loss for the period compared to the first quarter of 2013.

## Investments

Investments in the 2014 reporting period were stepped up compared to the first quarter of 2013. Investments related to product developments that will produce a significant effect in the form of own work capitalised in the amount of TEUR 1,619 (Q1 2013: TEUR 1,237). But multiple sites also invested in buildings and equipment. This includes the extensive expansion of the production plant ATB Nordenham, as well as expansion at ATB Spielberg, ATB Schorch, ATB Tamel and ATB Special Products. Capital expenditure in the period from January to March 2014 totalled TEUR 4,275 and was thus up 9.8% compared to the first quarter of 2013 (Q1 2013: TEUR 3,895). Total capital expenditure therefore amounted to 5.0% of revenues.

## Employees

At the 31 March 2014 reporting date, the ATB Group had a total of 3,817 employees. This corresponds to an increase of 8.6% compared to the number of employees at the end of the first quarter of 2013 (31 March 2013: 3,516). 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 2.60 on the Vienna Stock Exchange in the Standard Market Option at the 31 March 2014 reporting date (closing price on 26 March 2014). On 31 December 2013, the price was EUR 3.35. 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 first quarter of 2014 amounted to EUR 1,545.37 and 400 shares (single counting).

## Outlook 2014

The German Electrical and Electronic Manufacturers' Association (ZVEI) published its thoroughly positive assessment of the 2014 business climate in April 2014. For instance, the climate in the German electronics industry rose in March of this year for the fifth time in a row and is now at its highest level since summer 2011<sup>1</sup>. ATB's management concurs with this assessment and also expects its key business figures to rise this year. The ATB Group is in a good starting position for the next three quarters thanks to the positive order situation and the order backlog, which is rising once again.

The ATB Group was able to defy the ever-stagnating economy in the previous year and used the period of declining business activity to make comprehensive investments in the Company. The investments made in new energy-efficient products as well as in machines and equipment have ideally prepared the corporate group for the economic upturn.

ATB has made the leap into power electronics with its "ISI Integrated Simple Inverter", which is an entirely new product in the Group. The motor with an integrated inverter is the first of a series of developments of electronically controlled drives and delivers positive revenue forecasts for this constantly growing segment.

ATB's management expects rapid revenue growth from the joint venture over the mutual operation of a production plant in Wuhan (China) entered into with WOLONG Electric in the first quarter of 2014. Revenues are expected to double within the next three years with the expansion of the site.

The first returns in the form of increases in efficiency and thus higher net profits at the production sites can also be expected due to initiated projects such as the "Lead Buyer" initiative or the "World Class Business" project. Finally, the ATB Group is hoping to develop additional customer groups with new certifications, such as the certification for "Norsok Painting". Geographically, the ATB sales teams will continue to intensify their activities in North America, the Middle East and China in order to establish the ATB Group as a global player.

1) Source: German Electrical and Electronic Manufacturers' Association (ZVEI): ZVEI Economic Barometer, April 2014

**ATB Austria Antriebstechnik AG – selected key figures**

<b>in TEUR</b>	<b>1–3/2014</b>	<b>1–3/2013</b>	<b>% Change</b>
Revenues	85,525	84,241	1.5%
EBITDA	5,516	6,654	–17.1%
Net operating profit (EBIT)	2,684	4,497	–40.3%
EBIT margin	3.1%	5.3%	–41.2%
Profit before taxes (EBT)	987	3,028	–67.4%
Net profit or loss for the period	1,107	2,610	–57.6%
New orders	105,033	90,606	15.9%
Order backlog (as at 31 March 2014)	135,033	120,213	12.3%
Investments	4,275	3,895	9.8%
Employees (as at 31 March 2014)	3,817	3,516	8.6%

Vienna, 28 April 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.