

publication: 17.08.2015 22:00

source: <http://adhoc.presstext.com/news/1439841600118>

keywords: ATB Austria Antriebstechnik AG / semiannual result / quarterly result / statement

Adhoc announcement according to article 48d section 1 BörseG

ATB Austria Antriebstechnik AG: Semi-annual report 2015

Vienna (pta027/17.08.2015/22:00) - Ad hoc disclosure
of ATB Austria Antriebstechnik AG

Developments in the first six months of 2015

ATB Austria Antriebstechnik AG had to pay tribute to the economic developments in some of its core segments and target markets. These include the effects of the ongoing crises in Russia and the Middle East, the unaltered weak demand in the coal mining industry and the price of oil, which continues to fall. As a result, revenues decreased by 7 % in the first half of 2015 compared to the first half of 2014. This effect is even more apparent with new orders, which decreased by 16.8 % year-on-year. Nevertheless, the ATB Group increased its net profit for the period in the first half of 2015 from TEUR 412 in 2014 to TEUR 567 in 2015 (37.6 %). This increase was made possible due to a technology transfer in the amount of TEUR 2,000, as well as the recognition of both deferred taxes of just under TEUR 1,370 and measures to boost efficiency in the entire ATB Group.

New orders and order backlog

The delayed negative effect of the lower market price for oil/natural gas/energy has now impacted the Group's new orders. Compared to the first half of the previous year, new orders fell by TEUR 32,579 to TEUR 161,445. The ATB companies more geared towards the oil and natural gas industry had to record a noticeable decrease in projects in the first six months of the year. The difficult situation in the coal mining segments also had a negative impact on new orders. The High Voltage segment's success in winning a substantial order in the MENA region in the second quarter, despite the fierce competition, is to be regarded as positive.

The order book suffered a comparatively insignificant decrease of 0.6% and amounts to TEUR 136,979 as at the reporting date.

Half-year figures in year-on-year comparison

The revenues generated in the first six months of the current year decreased by 7.0 % from TEUR 171,430 as at 30 June 2014 to TEUR 159,475 as at 30 June 2015. As already presented in the first paragraph, this effect can be explained, among other things, by the decrease in incoming orders from TEUR 194,024 to TEUR 161,445. In addition, EBITDA decreased year-on-year by 7.8 % from TEUR 9,123 to TEUR 8,413. An increase from TEUR 412 in 2014 to TEUR 567 in 2015 was also recorded for net profit for the period. This circumstance can be attributed to the technology transfer, the recognition of deferred taxes and the ATB Group's measures to boost efficiency.

In this context, the Low Voltage segment realised an increase in revenues as a result of the restructuring measures started in September 2014 as well as its solid position in the German sales market. Specifically, this is reflected in an increase in revenues from TEUR 61,683 to TEUR 64,195 (4.07 %). The increase in revenues combined with the optimisation activities led to an increase in EBITDA from TEUR 2,474 to TEUR 4,838, as well as in EBIT from TEUR 169 to TEUR 2,461. However, this increase in revenues can only partially or slightly offset the decrease in revenues in the High Voltage segment.

Similar to the industry competitors, the revenues of the Group companies - with a focus on the High Voltage division - were impacted by numerous negative market trends. In detail, it can be seen that revenues fell considerably from TEUR 87,402 to TEUR 66,734 (23.65%) in the first six months of the year. Furthermore, EBITDA fell by 12.5 % to TEUR 3,654 (first half of 2014: TEUR 4,178). The High Voltage segment suffered from the lack of orders and/or even the postponement of release for production on the part of customers with respect to orders that had already been booked due to the continued low propensity of customers to invest -

in particular customers from the oil/natural gas/energy sector. In addition, the political measures taken with respect to Russia made the order situation even worse. As in prior periods, the situation in the coal mining industry also did not improve and the level remained as weak as it was before. The developments in the Middle East also minimised the number of investment projects in this region. In addition, profitability decreased due to heightened competition, because the margin decreased while raw materials costs remained almost constant (share of raw materials costs in revenues: 2014: 48 %; 2015: 51.47 %). The sum of these factors explains the current position in this segment as well as the decrease in EBT from TEUR -1,414 to TEUR -2,159. This includes the technology transfer.

Personnel expenses fell in the first half of 2015 from TEUR 66,230 to TEUR 62,430 (-5.74 %) compared to the first six months of the previous year as a consequence of the implementation of various savings measures due to the weak order situation as well as associated lower revenues. Significant restructuring had begun at ATB Schorch when the half-yearly report was published that has not yet been completed. The full impact of these restructuring measures will not be seen until the first quarter of 2016. In connection with the strategic process optimisation and the orientation towards core competencies, management expects a permanent increase in profitability as a result.

Depreciation, amortisation and impairment losses increased by TEUR 479 in the first half of 2015 compared to the first half of 2014. The increase can be attributed to the plants placed into operation in the second half of 2014 at the sites in the High Voltage segment in Germany and England.

EBIT for the ATB Group decreased to TEUR 2,237 in the first six months of the current year after TEUR 3,426 in the first half of 2014. Correspondingly, the EBIT margin decreased to 1.4 % after 2.0 % in the first half of the previous year.

In the same period, EBT fell from TEUR 204 to TEUR -484. In contrast, net profit for the period increased slightly from TEUR 412 in 2014 to TEUR 567 in 2015 due to the recognition of deferred taxes compared to the prior reporting period.

Diluted and basic earnings per share of the shareholders of the parent company amounted to EUR 0.03 as at the reporting date of 30 June 2015 (first half of 2014: EUR 0.01).

Financial Position

Total assets as at 30 June 2015 amount to TEUR 383,782, which represents a slight decrease from TEUR 386,239 at the end of 2014.

Equity as a percentage of assets increased compared to the last day of 2014 from 33.9 % to 36.7 %. This increase can be attributed primarily to an increase in the revaluation reserve in connection with two companies' measurement of land and buildings at fair value.

Capital expenditure

In the first six months of the current year, the Group adjusted its investment volume to the circumstances prevailing in the market at the time.

TEUR 4,336 (first half of 2014: TEUR 5,696) was invested in technical equipment, machines and buildings. Capital expenditures in the further development of products and technologies amounted to TEUR 2,265 (first half of 2014: TEUR 3,262).

Capital expenditure in the period from January to June 2015 totalled TEUR 6,811 and were thus down 25.9 % year-on-year (first half of 2014: TEUR 9,195). Total capital expenditure therefore corresponded to 4.3 % of the revenues generated.

Personnel

At the 30 June 2015 reporting date, the ATB Group had a total of 3,728 employees. This corresponds to a 1.3 % decrease in the workforce compared to the prior-year reporting date and can be explained entirely by the restructuring at ATB Morley.

Outlook

The management of the ATB Group assumes that the global situation as it now appears will also continue in the second half of the year. However, opportunities are anticipated in an opening of the Iranian market with the possible removal of sanctions at the beginning of 2016. ATB is preparing for these developments, whether they be opportunities or risks, by defining and implementing the corresponding strategic and operational measures as already executed in the first half of the year.

Steps were taken in particular in three areas: sales, product development/innovation and in the operating area. With respect to sales, the ATB Group held an international sales conference at the end of April 2015. The ATB Group already expects results in the second half of the year from the plans ensuing from this conference. We are also working to strengthen and further expand our global sales activities.

Naturally, we are also focusing on the area of innovation and product development, in order to offer our customers energy-efficient, high-quality drive solutions. We are also continuing to invest in the further development of existing products and in the development of new products.

A key area, in particular in such a market environment, is our concentration on optimising the cost structure. Accordingly, measures are and will be taken to realise a continuous optimisation of the cost structure on the basis of a defined restructuring and cost-savings program in order to continuously increase the Group's competitiveness. This is further advanced and strengthened by means of our "World Class Business" projects. The ATB Group's ability to compete in the market environment should be ensured by these and further measures, but in particular also in order to correspondingly position the ATB Group to take advantage of the opportunities presented by a future increase in economic growth.

ATB Austria Antriebstechnik AG - selected key figures

TEUR	04-06/2015	04-06/2014	Change	01-06/2015	01-06/2014	Change
Revenues	75,896	85,905	-11.7%	159,475	171,430	-7.0%
EBITDA	6,227	3,607	72.6%	8,413	9,123	-7.8%
Net operating profit (EBIT)	3,119	742	320.4%	2,237	3,426	-34.7%
EBIT margin	4.1%	0.9%	375.8%	1.4%	2.0%	-29.8%
Profit before taxes (EBT)	1,421	-783	-281.5%	-484	204	-337.3%
Net profit or loss for the period	2,113	-695	-404.0%	567	412	37.6%
New orders	83,686	88,992	-6.0%	161,445	194,024	-16.8%
Order backlog (as at 30 June 2015)t				136,979	137,867	-0.6%
Capital expenditures	3,210	4,920	-34.8%	6,811	9,195	-25.9%
Employees (as at 30 June 2015)				3,728	3,775	-1.3%

The report on the first six months of 2015 can be downloaded from www.atb-motors.com.

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.

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