



Condensed half-yearly financial statement  
and interim management report 2015 of  
artec technologies AG

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### [Information on the content of the half-yearly report 2015 of artec technologies AG](#)

The half-yearly report of artec technologies AG contains forward-looking statements concerning the expected development of the company.

This affects inter alia the revenue, the result and the investments for the current fiscal year. The management of artec technologies AG, are striving to make most realistic forward-looking statements; these may, however, differ from such statements in the event of unforeseeable events.

The forward-looking statements in the half-yearly report are forecasts which may not necessarily occur and which do not take into account events after the report was going to print.

Please note that any misprints and errors in the half-yearly report are excepted.

## Dear shareholders, business partners and friends,

The strong first half of the year meets all expectations. Thanks to the excellent order situation and the smooth project processing, revenues increased by 35.7% to EUR 1.91 million in the first half year, compared to the strong equivalent period last year, while the overall performance even exceeded the EUR 2 million mark.

### Overview of the most important key figures:

			KEURO
Overall performance	2.057	+	32,3 %
Revenue	1.908	+	35,7 %
EBITDA	680	+	143,1 %
EBIT	490	+	287,8 %
Net	344	+	30,0 %

Due to the fact that the revenue mix was shifted in favour of high-margin orders with a lower hardware share at the same time, the operating result increased disproportionately to sales. The EBIT increased by 287.8% to EUR 0.49 million, thus the EBIT margin could be increased from 9.0 to 25.7%. The net income improved by 71% to EUR 0.34 million.

Against the background of the positive development of earnings, equity increased by almost 30% to EUR 2.91 million, resulting in a current equity ratio of 85.6%. Currently, there are 23 employees. Further technical and sales employees have been recruited for the second half of the year.

### General Outlook

Der Ausblick für das laufende Geschäftsjahr und darüber hinaus ist durchweg positiv. The outlook for the current fiscal year and beyond is very positive. With our products "Made in Germany", we offer our customers high-quality and trusted technology and lay the foundations for sustainable and profitable growth of the company in the future. The excellent business performance in the first half of the year, the favourable backlog of orders and the large orders which are to be expected in the next few weeks encourage the executive board to forecast a sales growth between 30% to 50% for the current business year 2015. This confidence is based on promising developments in both business segments.

## **Outlook: Video security technology business segment**

So ist im Bereich Videosicherheitstechnik aktuell zu beobachten, dass die artec-Produkte In the video security technology segment, the artec products and system solutions are currently requested for multifunctional use in conjunction with partner solutions in increasingly larger projects. The tasks include, inter alia, both the security and the protection of buildings and infrastructures against burglary, theft, vandalism, sabotage and industrial espionage, the early detection of heat or fire, as well as the visualization and documentation of events. Thus, the artec systems provide decision support in dangerous situations and support the procedures. This integrated understanding of video security technology increasingly proves to be an important competitive advantage, especially in conjunction with the high technological standard and the distinct customer orientation of the artec products.

## **Outlook: Media and broadcast business segment**

During the last months, the focus was expanded in a promising way also in the media and broadcast segment. With little effort and based on the existing technology, artec has developed a product range to address the rapidly expanding IPTV and video solutions market, which analysts consider to be worth about USD89.6 billion by 2019. The products, mainly including encoders based on artec's own H.264 codec, enable broadcasters, media providers, large companies and institutions to realize a high-quality solution for TV and video streaming to settop boxes, mobile devices and smart TV receivers and will initially be presented during the International Broadcast Conference IBC in Amsterdam in September. For the worldwide distribution of the new product family, a London-based team of top-level sales professionals from the broadcasting and video streaming market is currently established in London.

To summarise, the investment of the last few years in the product development is now bearing fruit, and artec is on the way to realize the profits expected by its shareholders.



Ingo Hoffmann



Thomas Hoffmann

# Purpose of artec technologies AG



The purpose of the company is the development, production, trade, distribution and project planning as well as import and export of hardware and software, components, systems and concepts for multimedia streaming technologies and rich media for intranet, internet and telecommunications (ICT) as well as network video & audio facility and security management.

## Business segments

### Video security technology

MULTIEYE products are successfully employed in the international video surveillance industry as pure software-based video recorders for network video management solutions or as recording system components. Furthermore, they increasingly fulfil environmental and industrial monitoring as well as industrial quality control tasks.

As a pioneer of hybrid video surveillance systems, artec technologies AG set new standards by introducing the MULTIEYE hybrid generation in 2003 and by

developing the DirectStream technology supporting the highest image processing rates of state-of-the-art megapixel cameras.

MULTIEYE product applications include banks, airports, museums, shopping centres, car parks, railway stations and logistic centres as well as private and industrial environments. With the "GreenWatch" generation of recorders, the company presents a pioneering series of cost-effective, energy-saving recording systems.



MULTIEYE HD video surveillance systems

## Media and Broadcast

Broadcast TV/radio logging and IPTV solutions are realized with the XentauriX product platform.

Being the most successful product, the XentauriX broadcast logger system is employed for network recording and transmission of TV and radio programmes as proof of broadcast, for broadcast recording or as IPTV clipping system.

Further XentauriX applications are used worldwide as personal network video recorder or as e-learning platform.

One of the largest XentauriX systems with over 200 channels is utilized by the news agency QNA/Qatar for the preparation of TV and radio broadcasts.



XENTAURIX - MEDIA & BROADCAST SOLUTIONS

# Business development and presentation of the situation



## Business development

Thanks to the increased demand for broadcast and security technology solutions, the half-year revenues could be increased to EUR 1.9 million. Compared to the previous year, this represents a further increase in turnover of 35.7 percent. A stronger focus on the German market will further develop our business.

Compared to the same period last year, the result from ordinary business activities could be significantly improved to KEuro 486 in 2015 (2014: KEuro 129). In the reporting period, there were no payment defaults, complaints or legal disputes the company had to deal with. In summary, the business development in the reporting period can be described as positive in all aspects.

## Assets and financial position

Balance sheet total as of 30 June 2015 is KEuro 3,401. The equity amounts to KEuro 2,909 (2014: KEuro 2,248 ), the equity ratio is a comfortable 86 percent. Provisions amount to KEuro 61, primarily due to holiday accruals. The intangible assets amounting to KEuro 1,020 (2014: KEuro 990) arise from the capitalization of self-created assets. Finished intangible assets are depreciated based on their expected life cycles. The current assets amount to KEuro 1,410 (2014: KEuro 843).

## Subsequent events

After 30 June 2015, there were no special events, knowledge of which is important for the assessment of the situation and the projected development.

## Outlook

For the second half of 2015, the Executive Board of artec technologies AG forecasts that the positive development of the first half year will continue. Therefore, the Executive Board confirms its targets and predicts a significant improvement in turnover and earnings for the fiscal year 2015, compared with the previous year.

## Risk report

With its risk management, artec technologies AG strives to identify risks as early as possible and to limit their negative effects. Instruments include the permanent review of the target/actual comparison, business evaluations, liquidity plans and inventory controls. In doing so, potential risks are localised and appropriate mitigation measures are taken. If the general business environment changes, these measures are adapted promptly.

Next to possible risks, artec technologies AG also addresses the opportunities which can positively influence the business development and thus lead to long-term success.

## Financial risks

Payment default risks and foreign exchange risks due to the international purchasing and expansion efforts are relevant risks for the company. A liquidity risk exists if the company is not able to generate financial resources required to fulfil its payment obligations. In the reporting period, the company was able to fulfil its payment obligations on time at all times. As of the reporting date 30 June 2015, there are no substantial obligations to credit institutions.

## artec share (Status as of August 2015 | Source: Frankfurt Stock Exchange)



The share price of €1.20 in Xetra trading recorded in early 2015 improved significantly and reached a maximum value of €4.20 in August this year.

In their June 2015 research, SMC Research issued a buy recommendation for the artec technologies AG share with a target price of €3.00.

➔ The study is available for download on the artec technologies AG website under "Investor Relations".

The performance (Xetra) is as follows:

Date	1 month	3 month	6 month
Development	24,07%	81,38%	120,39%
Turnover in shares	178.334	380.631	710.979
Turnover in Euros	576.052	974.683	1,54 Mio.
Ø turnover per day in Euros	25.045,00	14.547,00	12.191,00



# Interim balance sheet as of 30 June 2015 \*



\* Interim balance sheet according to HGB (preliminary/unaudited)

# Interim balance sheet as of 30 June 2015 \*

## Assets



	30/06/2015 KEUR	30/06/2014 KEUR
<b>A. FIXED ASSETS</b>		
I. Intangible assets	1020	990
II. Tangible assets	35	44
III. Financial assets	240	337
<b>B. Current assets</b>		
I. Inventory	161	151
II. Receivables and other assets	1248	691
III. Cash on hand, central bank balances, bank balances and cheques	1	-
<b>C. DEFERRED CHARGES</b>	25	31
<b>D. DEFERRED TAX ASSETS</b>	671	476
	<b>3401</b>	<b>2720</b>

\* Interim balance sheet according to HGB (preliminary/unaudited)

## Liabilities



	KEUR	30/06/2015 KEUR	30/06/2014 KEUR
<b>A. EQUITY</b>			
<b>I. Subscribed capital</b>			
Share capital	2150		2150
Less nominal value of treasury shares	-15		- 15
<b>II. Capital reserves</b>	2629		2629
<b>III. Reserve for treasury shares</b>	15		15
<b>IV. Net loss</b>	-1870		-2531
<b>Total</b>		2909	2248
<b>B. PROVISIONS</b>			
Other provisions		61	91
<b>C. LIABILITIES</b>			
<b>Liabilities</b>		431	382
		<b>3401</b>	<b>2720</b>

\* Interim balance sheet according to HGB (preliminary/unaudited)

# Interim balance sheet as of 30 June 2015

## Income statement

	30/06/2015	30/06/2014
	KEUR	KEUR
1. Revenue	1908	1406
2. Increase or decrease in finished goods inventories and work in process	-	-
3. Own work capitalized	120	120
4. Other operating income	29	29
<b>TOTAL OPERATING PERFORMANCE</b>	<b>2057</b>	<b>1555</b>
5. Cost of materials	481	446
<b>GROSS PROFIT</b>	<b>1576</b>	<b>1110</b>
6. Personnel expenses		
a) Wages and salaries	603	541
b) Social security, post-employment and other employee benefit cost	93	90
7. Depreciation on intangible assets of the fixed assets and tangible assets	190	153
8. Other operating expenses	200	199
9. Other interest and similar income	2	6
10. Interest payable and similar expenses	6	3
<b>11. RESULT OF THE ORDINARY BUSINESS ACTIVITY</b>	<b>486</b>	<b>129</b>
12. Taxes on income - of which deferred taxes: €141,897.87	-142	72
<b>13. NET INCOME</b>	<b>344</b>	<b>201</b>
14. Accumulated losses brought forward from the previous year	-2214	-2733
<b>15. NET LOSS</b>	<b>-1870</b>	<b>-2531</b>

Income statement in accordance with the German Commercial Code (HGB)  
(preliminary/unaudited)

# Notes to the half-year results



## A. General information on the annual financial statements

The financial statements of artec technologies give a true and fair view of the asset, financial and profit status according to generally accepted accounting principles.

The consistency of visualization, approach and valuation in both the balance sheet and the income statement is generally retained.

Generally, manufacturing costs do not include general administrative costs, social expenses, expenses for voluntary social benefits and for occupational pensions as well as interest on external capital.

## B. Disclosure of accounting policies

The acquired intangible assets have been capitalized at acquisition costs and amortised on a straight-line basis.

The self-generated intangible assets of the fixed assets have been evaluated at production costs, including appropriate parts of the overheads. Finished intangible assets are depreciated based on their expected life cycles.

Property, plant and equipment are carried at acquisition or production costs and, in as far as they are subject to wear and tear, reduced by scheduled depreciations. Scheduled depreciations are conducted on the basis of the normal operating life by application of the straight-line method.

The financial assets are stated at acquisition costs plus incidental acquisition costs or at the amortised lower fair values.

Inventories are carried at acquisition costs or production costs. In addition to directly attributable costs, production costs also include an appropriate share of manufacturing and

materials overheads. The products were valued under consideration of the lower of cost or market principle.

Trade receivables and other assets are recorded at nominal value less any necessary write-downs.

Balances at credit institutions are stated at their nominal value.

The voting rights on the capitalization of deferred taxes were exercised.

Equity items are stated at nominal value. Own shares are openly deducted from the subscribed capital.

Other provisions take into account all recognizable risks and contingent liabilities. They were sufficiently assessed and are required to this extent according to careful commercial judgement.

Liabilities were valued at their amount repayable.

Assets and liabilities in foreign currency are converted at the average spot rate on the balance sheet date.

Foreign currency transactions were converted at current exchange rates over the course of the fiscal year.

The accounting and valuation methods employed are the same as those used in the previous year.



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