



AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

Annual Financial Report as of 31 March 2019

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The consolidated financial statements, the financial statements and the Management Reports of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft and the Auditor's Reports have been translated into English. In case of different interpretations the German original is valid.



Consolidated Financial Statements as of 31 March 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

€ in thousands	Note	2018/19	2017/18
Revenue	1	1,027,983	991,843
Cost of sales	2	(860,828)	(829,539)
Gross profit		167,155	162,304
Distribution costs	2	(30,723)	(32,606)
General and administrative costs	2	(36,593)	(39,480)
Other operating income	4	18,858	8,006
Other operating costs	4	(1,487)	(7,938)
Other operating result		17,371	68
Operating result		117,210	90,286
Finance income	5	15,172	3,348
Finance costs	5	(17,190)	(18,123)
Finance costs - net		(2,018)	(14,775)
Profit before tax		115,192	75,511
Income taxes	6	(28,243)	(18,992)
Profit for the year		86,949	56,519
Attributable to owners of hybrid capital, net of tax		6,235	2,892
Attributable to owners of the parent company		80,714	53,627
Earnings per share attributable to equity holders of the parent company (in € per share):	25		
- basic		2.08	1.38
- diluted		2.08	1.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in thousands	2018/19	2017/18
Profit for the year	86,949	56,519
Items to be reclassified:		
Currency translation differences, net of tax	24,466	(53,523)
Gains from the fair value measurement of available-for-sale financial assets, net of tax ¹⁾	–	15
Gains/(losses) from the fair value measurement of hedging instruments for cash flow hedges, net of tax	(3,730)	68
Items not to be reclassified:		
Remeasurement of post-employment obligations, net of tax	(5,797)	(784)
Other comprehensive income for the year	14,939	(54,224)
Total comprehensive income for the year	101,888	2,295
Attributable to owners of hybrid capital, net of tax	6,235	2,892
Attributable to owners of the parent company	95,653	(597)

¹⁾ Available-for-sale financial assets refers to a classification of financial instruments in accordance with IAS 39, which is no longer relevant in the reporting year due to the first-time adoption of IFRS 9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in thousands	Note	31 Mar 2019	31 Mar 2018
ASSETS			
Property, plant and equipment	7	777,742	766,378
Intangible assets	8	60,121	75,856
Financial assets	12	193	284
Deferred tax assets	6	35,555	45,530
Other non-current assets	9	24,664	56,219
Non-current assets		898,275	944,267
Inventories	10	84,465	136,097
Trade and other receivables and contract assets	11	229,045	118,650
Financial assets	12	239,752	59,635
Current income tax receivables		5,728	1,061
Cash and cash equivalents	13	326,841	270,729
Current assets		885,831	586,172
Total assets		1,784,106	1,530,439
EQUITY			
Share capital	21	141,846	141,846
Other reserves	22	42,444	27,505
Hybrid capital	23	172,887	172,887
Retained earnings		446,274	369,153
Equity attributable to owners of the parent company		803,451	711,391
Total equity		803,451	711,391
LIABILITIES			
Financial liabilities	15	679,076	458,359
Provisions for employee benefits	16	48,409	37,322
Deferred tax liabilities	6	5,547	5,069
Other liabilities	14	16,196	14,526
Non-current liabilities		749,228	515,276
Trade and other payables	14	179,954	199,880
Financial liabilities	15	37,967	81,525
Current income tax payables		9,331	16,425
Other provisions	17	4,175	5,942
Current liabilities		231,427	303,772
Total liabilities		980,655	819,048
Total equity and liabilities		1,784,106	1,530,439

CONSOLIDATED STATEMENT OF CASH FLOWS

€ in thousands	2018/19	2017/18
Operating result	117,210	90,286
Depreciation, appreciation, amortisation and impairment of property, plant and equipment and intangible assets	132,888	135,692
Gains/losses from the sale of fixed assets	37	363
Changes in non-current provisions	10,833	3,569
Non-cash expense/(income), net	(17,523)	2,081
Interest paid	(13,624)	(14,988)
Interest received	4,939	1,113
Income taxes paid	(28,788)	(26,015)
Cash flow from operating activities before changes in working capital	205,972	192,101
Inventories	20,755	(35,037)
Trade and other receivables and contract assets	(23,405)	(34,044)
Trade and other payables	(30,898)	20,913
Other provisions	(1,890)	(742)
Cash flow from operating activities	170,534	143,191
Capital expenditure for property, plant and equipment and intangible assets	(100,913)	(141,933)
Proceeds from the sale of property, plant and equipment and intangible assets	77	234
Capital expenditure for financial assets	(275,669)	(118,506)
Proceeds from the sale of financial assets	99,926	66,816
Cash flow from investing activities	(276,579)	(193,389)
Proceeds from borrowings	355,278	112,751
Repayments of borrowings	(190,892)	(151,693)
Proceeds from issuing of hybrid capital	–	172,887
Proceeds from government grants	5,112	5,487
Dividends paid	(13,986)	(3,885)
Hybrid coupon paid	(8,313)	–
Cash flow from financing activities	147,199	135,547
Change in cash and cash equivalents	41,154	85,349
Cash and cash equivalents at beginning of the year	270,729	203,485
Exchange gains/(losses) on cash and cash equivalents	14,958	(18,105)
Cash and cash equivalents at the end of the year	326,841	270,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ in thousands	Share capital	Other reserves	Hybrid capital	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
31 Mar 2017	141,846	81,729	–	316,519	540,094	–	540,094
Profit for the year	–	–	–	56,519	56,519	–	56,519
Other comprehensive income for the year	–	(54,224)	–	–	(54,224)	–	(54,224)
<i>thereof currency translation differences</i>	–	(53,523)	–	–	(53,523)	–	(53,523)
<i>thereof remeasurement of post-employment obligations, net of tax</i>	–	(784)	–	–	(784)	–	(784)
<i>thereof change in available-for-sale financial assets, net of tax</i>	–	15	–	–	15	–	15
<i>thereof change in hedging instruments for cash flow hedges, net of tax</i>	–	68	–	–	68	–	68
Total comprehensive income for the year 2017/18	–	(54,224)	–	56,519	2,295	–	2,295
Dividends paid relating to 2016/17	–	–	–	(3,885)	(3,885)	–	(3,885)
Proceeds hybrid capital	–	–	172,887	–	172,887	–	172,887
31 Mar 2018	141,846	27,505	172,887	369,153	711,391	–	711,391
Adjustments IFRS 15, IFRS 9	–	–	–	10,393	10,393	–	10,393
1 Apr 2018	141,846	27,505	172,887	379,546	721,784	–	721,784
Profit for the year	–	–	–	86,949	86,949	–	86,949
Other comprehensive income for the year	–	14,939	–	–	14,939	–	14,939
<i>thereof currency translation differences, net of tax</i>	–	24,466	–	–	24,466	–	24,466
<i>thereof remeasurement of post-employment obligations, net of tax</i>	–	(5,797)	–	–	(5,797)	–	(5,797)
<i>thereof change in hedging instruments for cash flow hedges, net of tax</i>	–	(3,730)	–	–	(3,730)	–	(3,730)
Total comprehensive income for the year 2018/19	–	14,939	–	86,949	101,888	–	101,888
Dividends paid relating to 2017/18	–	–	–	(13,986)	(13,986)	–	(13,986)
Hybrid coupon paid	–	–	–	(8,313)	(8,313)	–	(8,313)
Tax effect hybrid coupon	–	–	–	2,078	2,078	–	2,078
31 Mar 2019	141,846	42,444	172,887	446,274	803,451	–	803,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION

A. General

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as “the Company”, and with its subsidiaries referred to as “the Group”) was incorporated in Austria. The Company is headquartered in Austria, Fabriksgasse 13, 8700 Leoben-Hinterberg.

The Group manufactures and distributes printed circuit boards and provides related services in the segments Mobile Devices & Substrates, Automotive, Industrial, Medical and Others. The products are manufactured in the European and Asian markets and are directly distributed to original equipment manufacturers (OEM) as well as to contract electronic manufacturers (CEM).

Since 20 May 2008, the Company has been listed in the Prime Market segment of the Vienna Stock Exchange, Austria, and, after a period of double listing on the previous exchange in Frankfurt am Main, Germany, has been traded exclusively on the Vienna Stock Exchange since 15 September 2008. Prior to changing the stock exchange, the Company had been listed on the Frankfurt Stock Exchange since 16 July 1999. Since 19 March 2018, the Company’s shares have been included in the Austrian ATX index. According to Section 245a of the Austrian Commercial Code (UGB), the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations (IFRIC and SIC) of the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

B. Accounting and measurement policies

The consolidated financial statements have been prepared under the historical cost convention, except for securities and derivative financial instruments, which are measured at their fair values.

a. Consolidation principles

The balance sheet date for all consolidated companies is 31 March 2019, with the following exceptions: Due to the legal situation in China, the financial year of AT&S (China) Company Limited and AT&S (Chongqing) Company Limited corresponds to the calendar year (balance sheet date: 31 December 2018), meaning that they were consolidated on the basis of the interim financial statements as of 31 March 2019.

The consolidated financial statements were approved for issue by the Management Board on 16 May 2019. The separate financial statements of the Company, which are included in the consolidation after reconciliation to the applicable accounting standards, will be presented for approval to the Supervisory Board on 3 June 2019. The separate financial statements of the Company can be modified by the Supervisory Board and, in case of presentation to the Annual General Meeting, by the Company’s shareholders in a way that might also affect the presentation of the consolidated financial statements.

Group of consolidated entities The Company controls an entity when the Group is exposed to risks or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In addition to the Company itself, the consolidated financial statements comprise the following fully consolidated subsidiaries:

- AT&S Asia Pacific Limited, Hong Kong, China (hereinafter referred to as AT&S Asia Pacific), share 100%
- AT&S (China) Company Limited, China (hereinafter referred to as AT&S China), 100% subsidiary of AT&S Asia Pacific
- AT&S (Chongqing) Company Limited, China (hereinafter referred to as AT&S Chongqing), 100% subsidiary of AT&S Asia Pacific
- AT&S Japan K.K., Japan, 100% subsidiary of AT&S Asia Pacific
- AT&S (Taiwan) Co., Ltd., Taiwan (hereinafter referred to as AT&S Taiwan), 100% subsidiary of AT&S Asia Pacific
- AT&S India Private Limited, India (hereinafter referred to as AT&S India), share 100%
- AT&S Korea Co., Ltd., South Korea (hereinafter referred to as AT&S Korea), share 100%

- AT&S Americas LLC, USA (hereinafter referred to as AT&S Americas), share 100%
- AT&S Deutschland GmbH, Germany, share 100%

There were no changes in the consolidation group in financial year 2018/19.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the equity interests issued and the liabilities incurred and/or assumed at the acquisition date. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

For each business combination, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets and, accordingly, recognises the full or proportional goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

When the Group ceases to have control or significant influence over a company, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the fair value determined at initial recognition of an associate, joint venture or financial asset. In addition, any amounts recognised in other comprehensive income in respect of that entity are accounted for as if the parent company had directly disposed of the related assets or liabilities.

Methods of consolidation All significant intercompany balances and transactions have been eliminated so that the consolidated financial statements present the accounting information of the Group as if it were one single company.

Capital consolidation is made in accordance with IFRS 3 "Business Combinations" and IFRS 10 "Consolidated Financial Statements". Intercompany accounts receivable and payable as well as expenses and income are eliminated. Unless immaterial, intercompany results in non-current assets and inventories are eliminated. Furthermore, uniform accounting and measurement methods are applied to all consolidated subsidiaries.

The Group considers transactions with non-controlling interests as transactions with equity holders of the Group. When non-controlling interests are acquired, the difference between the acquisition costs and the attributable share of net assets acquired in the subsidiary is deducted from equity. Gains or losses on the sale of non-controlling interests are also recognised in equity.

b. Segment reporting

The definition of operating segments and the presentation of segment results are based on the management approach and follow internal reports to the Management Board as the chief operating decision-maker, i.e. the body that decides on the allocation of resources to the individual segments. An operating segment is a component of an entity that engages in business activities and whose operating results are reviewed regularly by the entity's chief operating decision-maker. Business activities involve earning revenues and incurring expenses, and these may also relate to business transactions with other operating segments of the entity. Separate financial information is available for the individual operating segments.

The AT&S Group structures the operating activities in three segments:

- Mobile Devices & Substrates
- Automotive, Industrial, Medical
- Others

The business unit Mobile Devices & Substrates is responsible for the production of printed circuit boards for mobile end-user devices such as smartphones, tablets, notebooks and consumer products like digital cameras as well as substrates for desktop PCs and servers. The printed circuit boards for these applications are largely produced in our Shanghai (AT&S China) and Chongqing (AT&S Chongqing) plants.

The business unit Automotive, Industrial, Medical supplies customers in the fields of automotive supplies, industrial applications, medical technology, aerospace, security and other sectors. Production for this business segment mainly takes place at our plants in India, South Korea and Austria.

The activities of the embedding technology and parent group activities are included in the business unit Others. The embedding technology stands for new, technologically highly-advanced applications. A variety of electronical components are integrated directly into printed circuit boards in order to enable further reductions in the size of end-user devices while also enhancing functionality. This new technology is useful in a wide range of applications.

c. Foreign currencies

The Group's presentation currency is the euro (€). The functional currency of the foreign subsidiaries is the respective local currency.

Foreign subsidiaries With the exception of equity positions (historical exchange rate), the balance sheets of AT&S India, AT&S China, AT&S Asia Pacific, AT&S Japan K.K., AT&S Korea, AT&S Americas, AT&S Chongqing and AT&S Taiwan are translated at the exchange rates on the balance sheet date. The profit or loss statements are translated at the average exchange rates of the financial year. The effect of changes in the exchange rate with regard to the foreign subsidiaries' net assets is recognised directly in equity.

Foreign currency transactions In the financial statements of each of the Group's entities, foreign currency items are translated at the exchange rates prevailing on the day of the transaction. Monetary items are translated at the respective exchange rate ruling at the balance sheet date; non-monetary items which were recognised according to the historical cost principle are carried at the rate of their initial recognition. Translation adjustments from monetary items, with the exception of financial assets classified as "at fair value through other comprehensive income", are recognised in profit or loss.

	Closing rate			Average rate		
	31 Mar 2019	31 Mar 2018	Change in %	01 Apr 2018 - 31 Mar 2019	01 Apr 2017 - 31 Mar 2018	Change in %
Chinese yuan renminbi	7.5618	7.7690	(2.7%)	7.7751	7.7430	0.4%
Hong Kong dollar	8.8159	9.6712	(8.8%)	9.1080	9.1366	(0.3%)
Indian rupee	77.6621	80.1981	(3.2%)	80.6668	75.4776	6.9%
Japanese yen	124.3700	131.3000	(5.3%)	128.4076	129.5684	(0.9%)
South Korean won	1,275.6888	1,310.1405	(2.6%)	1,287.1060	1,293.4904	(0.5%)
Taiwan dollar	34.6394	35.9455	(3.6%)	35.3469	35.0181	0.9%
US dollar	1.1230	1.2323	(8.9%)	1.1613	1.1699	(0.7%)

d. Revenue recognition

Revenue comprises the fair value of considerations received in the course of the Group's ordinary activities. Revenue is recognised net of VAT, discounts and price reductions, and after elimination of intercompany sales. Revenue is realised as follows:

Revenue from product sales In accordance with IFRS 15, revenue must be recognised when control over agreed goods and services passes to the customer and the customer obtains a benefit from them. Revenue can be recognised at a point in time or over time. When products are manufactured specifically tailored to the customer's needs and there is consequently no alternative use for such products and the entity has an enforceable right to payment for performance completed to date including a margin, control of these products passes to the customer according IFRS 15.35 c. Some of the AT&S Group's customers meet these criteria so that revenue is recognised over time in such cases. Progress is measured based on the cost incurred to date in relation to total cost.

In cases where customers do not meet these criteria revenue is recognised at a point in time when control with delivery has passed to the buyer (depending on the agreed incoterms).

e. Income taxes

The income tax burden is based on the profit for the year and includes deferred income taxes.

The Group provides for deferred income taxes using the balance-sheet oriented method. Under this method, the expected tax effect of differences arising between the carrying amounts in the consolidated financial statements and the taxable carrying amounts are taken into account by recognising deferred tax assets and tax liabilities. These differences will be reversed in the future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted on the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A future change in tax rates would also have an impact on the deferred tax assets capitalised at the current balance sheet date.

Deferred income taxes arise from the measurement of specific assets and liabilities, as well as tax loss carryforwards and amortisation of goodwill.

Deferred taxes on not yet realised profits/losses of equity instruments and on not yet realised profits/losses from hedging instruments for cash flow hedges that are recognised in equity are also directly recognised in equity.

In accordance with IFRS, deferred income tax assets on loss carryforwards have to be recognised to the extent that it is probable that they will be utilised against future taxable profits.

Deferred taxes are not recognised for temporary differences in connection with holdings in subsidiaries provided that the Group is able to control the timing of the reversal of the temporary differences and it is likely that the temporary differences will not be reversed in the foreseeable future.

f. Property, plant and equipment

Items of property, plant and equipment are measured at cost. Expenditure directly attributable to the acquisition and subsequent expenditure is capitalised; repairs and maintenance costs, however, are expensed as incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the acquisition or production costs of this asset in accordance with IAS 23.

From the time of their availability for use, the assets are depreciated on a straight-line basis over their expected useful lives. Depreciation is charged on a pro rata temporis basis. Land is not subject to depreciation.

Scheduled depreciation is based on the following useful lives applicable throughout the Group:

Plants and buildings	10–50 years
Machinery and technical equipment	4–15 years
Tools, fixtures, furniture and office equipment	3–15 years

Depreciation periods and methods are reviewed annually at the end of the financial year.

In accordance with IAS 17 “Leases”, leased property, plant and equipment for which the Group bears substantially all the risks and rewards of ownership, and which in economic terms constitute asset purchases with long-term financing, are capitalised at their fair value or the lower present value of the minimum lease payments. Scheduled depreciation is effected over the useful life of the asset. If at the beginning of the lease it is not sufficiently certain that the title will pass to the lessee, the leased asset is depreciated over the shorter of the two periods, the lease term or useful life. Financial obligations resulting from future lease payments are discounted and carried as a liability. Current lease payments are split into repayment and financing costs.

Leased assets under all other lease and rental agreements are classified as operating leases and attributed to the lessor. Lease payments are recognised as an expense.

Profits or losses resulting from the closure or retirement of non-current assets, which arise from the difference between the net realisable value and the carrying amounts, are recognised in profit or loss.

g. Intangible assets

Patents, trademarks and licenses Expenditure on acquired patents, trademarks and licenses is capitalised at cost, including incidental acquisition expenses, and amortised on a straight-line basis over useful life, generally between two and ten years. Amortisation terms and methods are reviewed annually at the end of the financial year.

Research and development costs Research costs are expensed as incurred and charged to cost of sales.

Development costs are also expensed as incurred. An intangible asset arising from development is recognised if, and only if, an entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits is verifiable.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development projects include all the directly attributable costs incurred as a result of development processes. Borrowing costs are capitalised if the development project is a qualifying asset in accordance with IAS 23. Development costs are amortised on a straight-line basis over a useful life from six to seven years, which is derived from the expected sales periods.

h. Impairment losses and appreciation of property, plant and equipment, intangible assets

The Group regularly reviews property, plant and equipment and intangible assets for possible impairment. If evidence for impairment exists, an impairment test is carried out without delay. Intangible assets in the development phase are tested annually for impairment. If the recoverable amount of the respective asset is below its carrying amount, an impairment loss amounting to the difference is recognised. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use corresponds to the estimated future cash flows expected from the continued use of the asset and its disposal at the end of its useful life. The discount rates applied correspond to the weighted cost of capital based on externally available capital market data that are typical in the industry and have been adapted to the specific risks.

If the reason for the impairment recognised in the past no longer exists, with the exception of goodwill, an appreciation up to amortised cost is made.

i. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less variable costs necessary to make the sale. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Interest on borrowed capital is not recognised.

j. Trade and other receivables and contract assets

Receivables not including a material financing component are initially measured at the transaction price in accordance with IFRS 15 and subsequently recognised at amortised costs, if necessary less impairment for expected and actual credit losses. The receivables are measured in accordance with the simplified model (lifetime expected credit losses). For this purpose, the required impairment is determined within the scope of a provision matrix by analysing historical data and estimating future developments. All receivables are due within less than one year and therefore do not include a financing component in the form of interest.

k. Financial assets

Financial assets are recognised and derecognised using settlement date accounting. The fair values recognised in the statement of financial position generally correspond to market prices of financial assets. Except for financial assets at fair value through profit or loss, they are recognised initially including transaction costs.

Financial assets are divided into two categories in accordance with IFRS 9, ones which are valued at amortised costs and the other ones at fair value. When financial assets are valued at fair value, expenses and income are recognised through profit or loss or other comprehensive income.

At amortised cost This category includes all financial assets held as part of a business model whose objective is the collection of contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the time of acquisition, the financial asset is measured at fair value in accordance with IFRS 15 (contract assets and trade receivables). The financial asset is subsequently measured at amortised cost less any impairment. Impairments are recognised through profit or loss.

AT&S applies the simplified impairment model for trade receivables and contract assets from contracts with customers, which takes into account expected credit losses during the full life time. The credit loss is determined on the basis of a provision matrix created based on a rating of the customers.

Financial assets at fair value through other comprehensive income This category includes those financial assets held as part of a business model whose objective is the collection of contractual cash flows and the sale of financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All equity instruments for which IFRS 9 has to be applied are recognised at fair value; value changes are recognised through profit or loss. If an equity instrument is not held for trading an entity can choose for the first time recognition the irrevocable decision to recognise value changes through OCI; but only income from dividends are recognised through profit or loss, insofar as they do not represent a capital repayment.

In accordance with IFRS 9 the irrevocable option of measurement through other comprehensive income was used. Value changes will consequently continue to be recognised in other comprehensive income.

Financial assets at fair value through profit or loss This category includes financial assets which were classified neither at amortised cost nor at fair value through other comprehensive income. At the time of their acquisition, they are stated at fair value, excluding transaction costs, and, in subsequent periods, at their respective fair values. Realised and unrealised gains and losses are recognised in profit or loss in "Finance costs - net". This relates primarily to securities held for trading. Derivative financial instruments also fall into this category, unless hedge accounting is applied (refer to "Derivative financial instruments").

Derivative financial instruments Where possible, the Group uses derivative financial instruments to hedge against interest fluctuations. These instruments mainly include interest rate swaps. They are entered into in order to protect the Group against interest rate fluctuations.

The Group does not hold any financial instruments for speculative purposes.

The first-time recognition at the conclusion of the contract and the subsequent measurement of derivative financial instruments are made at their fair values. AT&S continues to apply the provisions of IAS 39 with respect to hedge accounting. "Hedge accounting" in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", according to which changes in fair values of hedging instruments are recognised in equity, is applied when there is an effective hedging relationship pursuant to IAS 39 for hedging instruments for cash flow hedges. The assessment of whether the derivative financial instruments used in the hedging relationship are highly effective in offsetting the changes in cash flows of the hedged item is documented at the inception of the hedging relationship and on an ongoing basis. When "hedge accounting" in equity is not applicable, unrealised gains and losses from derivative financial instruments are recognised in profit or loss in "Finance costs - net".

Interest and dividend income Interest income is recognised on a pro rata temporis basis, taking into account the effective interest rate of the asset. Dividend income from financial assets is recognised in profit or loss when the Group's right to receive payments is established.

I. Cash and cash equivalents

Cash and cash equivalents comprise cash, time deposits, deposits held at call with banks and short-term, highly liquid investments with an original maturity of up to three months (commercial papers and money market funds).

m. Non-controlling interests

The Company does not have any non-controlling interests.

The profit for the year and other comprehensive income are attributed to the owners of the parent company and the holders of the hybrid capital.

n. Provisions

Provisions are recognised if the Group has a legal or de facto obligation to third parties, which is based on past events, where it is probable that this will result in an outflow of resources and the amount can be estimated reliably. The provisions are remeasured at each balance sheet date and their amounts adjusted accordingly.

Non-current provisions are reported at the discounted amount to be paid at each balance sheet date if the interest effect resulting from the discounting is material.

o. Provisions for employee benefits

Pension obligations The Group operates various defined contribution and defined benefit pension schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a special purpose entity (fund). These contributions are charged to staff costs. No provision has to be set up, as there are no additional obligations beyond the fixed amounts.

For individual members of the Management Board and certain executive employees, the Group has defined benefit plans that are valued by qualified and independent actuaries at each balance sheet date. The Group's obligation is to meet the benefits committed to current and former members of the Management Board and executive employees as well as their dependents. The pension obligation calculated according to the projected unit credit method is reduced by the plan assets of the fund in the case of a funded pension scheme. The present value of the future pension benefit is determined on the basis of years of service, expected remuneration and pension adjustments.

To the extent that the plan assets of the fund do not cover the obligation, the net liability is accrued under pension provisions. If the net assets exceed the pension obligation, the exceeding amount is capitalised under "Overfunded pension benefits".

Staff costs recognised in the respective financial year are based on expected values and include the service costs. Net interest on net liabilities is recognised in "Finance costs - net". Remeasurements of the net liability are recognised in other comprehensive income and comprise gains and losses arising from the remeasurement of post-employment obligations.

Provisions for severance payments Pursuant to Austrian labour regulations, severance payments have to be paid primarily on termination of employment by the employer or on the retirement of an employee. The liabilities are measured by qualified and independent actuaries at each balance sheet date.

For employees who joined Austrian companies up to and including 2002, the Company has direct obligations that account for the major part of the Group's severance payment obligations. In accordance with IAS 19, these liabilities are calculated using the projected unit credit method as described above and represent severance payment obligations not covered by plan assets. For employees who joined the Company as of or after 1 January 2003, the severance payment obligation is met by regular contributions to a staff provision fund ("Mitarbeiter-Vorsorgekasse"). These contributions are included in staff costs. The Company has no further payment obligations once the contributions have been paid.

For employees of the company in India, obligations for severance payments are covered by life insurance policies. Furthermore, severance payment obligations exist for employees in South Korea and China. These obligations are measured in accordance with IAS 19 using the projected unit credit method as described above and represent severance payment obligations not covered by plan assets.

Other employee benefits Other employee benefits include provisions for anniversary bonuses and relate to employees in Austria and China.

Anniversary bonuses are special one-off payments stipulated in the Collective Agreement which are dependent on remuneration and duration of service. Eligibility is determined by a certain minimum length of employment. The respective liability is calculated in accordance with the projected unit credit method based on the same parameters used for severance payments.

Staff costs recognised in the respective financial year include entitlements acquired and the actuarial results. The interest component is recognised in "Finance costs - net". The liabilities are measured by qualified and independent actuaries at each balance sheet date.

p. Stock option plans

The programme expired during the financial year 2017/18.

q. Stock appreciation rights

The Group introduced a long-term incentive programme based on stock appreciation rights (SAR). Stock appreciation rights relate to value increases in share prices based on the performance of the share price. These rights are accounted for in accordance with IFRS 2 "Share-based Payment".

The fair value of the employee services rendered as consideration for the granting of SAR is recognised as an expense. Upon initial recognition and at every balance sheet date until the liabilities are settled, SAR liabilities are measured at fair value through profit or loss, applying the option price model. Reference is made to Note 14 "Trade and other payables".

r. Liabilities

Financial liabilities are initially measured at fair value less transaction cost and, in subsequent periods, at amortised cost using the effective interest rate method. Foreign currency liabilities are translated at the average exchange rate prevailing at the balance sheet date.

s. Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to investments in property, plant and equipment are included in liabilities as deferred government grants; they are recognised in profit or loss on a straight-line basis over the expected useful life of the related assets. Government grants relating to costs and property, plant and equipment are recognised in profit or loss in the other operating result.

t. Contingent liabilities, contingent assets and other financial obligations

Contingent liabilities are not recognised in the statement of financial position, but disclosed in Note 20 in the notes to the consolidated financial statements. They are not disclosed if an outflow of resources with economic benefit is unlikely.

A contingent asset is not recognised in the consolidated financial statements, but disclosed if the inflow of an economic benefit is likely.

u. First-time adoption of accounting standards

The following new and/or amended standards and interpretations were applied for the first time in the financial year 2018/19 and pertain to the International Financial Reporting Standards (IFRS) as adopted by the EU.

- IAS 40: Transfer of investment property
- IFRS 2: Classification and valuation of transactions with share-based remuneration
- IFRS 4: Adoption of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 15: Clarifications regarding Revenue from Contracts with Customers
- IFRIC 22: Transactions in foreign currency
- Annual Improvements to IFRSs 2014 – 2016: IFRS 1 first-time adoption
- Annual Improvements to IFRSs 2014 – 2016: IAS 28 Investment in an associated entity

The changes resulting from the entry into force of these standards are explained below.

v. Future amendments to accounting standards and impact of the first-time adoption

The IASB and IFRIC issued additional standards and interpretations not yet effective in the financial year 2018/19.

These have already been in part adopted by the European Union. The following standards and interpretations had already been published by the time these consolidated financial statements were prepared and are not yet effective; they have not been adopted early in the preparation of these consolidated financial statements:

	Standard/Interpretation (Content of the regulation)	Effective date ¹⁾	EU ²⁾	Expected impacts on the consolidated financial statements
IFRS 16	Leases	01 Jan 2019	Yes	Separate description
IFRS 9	Prepayment Features with Negative Compensation	01 Jan 2019	Yes	None
IFRIC 23	Uncertainty concerning income tax treatment	01 Jan 2019	Yes	None
IFRS 14	Regulatory Deferral Accounts	Postponed indefinitely	No	No major changes are expected
IFRS 17	Insurance Contracts	01 Jan 2022	No	None
IFRS 3	Definition of a Business Combination	01 Jan 2020	No	None
IAS 1, IAS 8	Definition of "material"	01 Jan 2020	No	None
IAS 28	Long-term shares in Associates	01 Jan 2019	Yes	No major changes are expected
IAS 28 IFRS 10	Investments in Associates: Sales or contributions of assets between an investor and its associate/joint venture	Postponed indefinitely	No	None
IAS 19	Plan changes	01 Jan 2019	Yes	Under review
	Frame Work: Changes in the references of the IFRS Standards	01 Jan 2020	No	
	Annual Improvements to IFRS Standards 2015 - 2017 Cycle	01 Jan 2019	Yes	No changes expected

¹⁾ The Group intends to apply the new regulations for the first time in the fiscal year beginning subsequent to the effective date.

²⁾ Status of adoption by the EU.

IFRS 15 Revenue from Contracts with Customers IFRS 15 governs revenue recognition and thus supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue", SIC 31 "Revenue – Barter Transactions Involving Advertising Services", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfers of Assets from Customers".

According to IFRS 15, revenue must be recognised when the customer has obtained control over the goods and services agreed and obtains the benefit from them. The new standard introduces a five-step model to determine revenue recognition.

The group adopted IFRS 15 for the first time as of 1 April 2018.

Due to the transition methods the Group selected for the adoption of this standard, comparative information was not adapted to the requirements of the new standard in these financial statements.

Effects of the first-time adoption of the standard:

Revenue from production contracts were previously recognised when the significant risks and rewards related to the ownership of the products sold are transferred to the buyer. IFRS 15 includes new criteria for the recognition of revenue over a certain period. When products specifically tailored to the needs of the customer are produced and thus have no alternative use and the entity has an enforceable right to payment for performance completed to date including a margin, the customer obtains control over these products (IFRS 15.35 c). These criteria are met for part of the AT&S Group's customers so that revenue must be recognised over time in such cases. The progress of the performance is measured based on the costs incurred to date (cost to cost method). In cases where these criteria are not met, revenue is recognised at a point in time when control with delivery has passed to the customer.

The following table shows the effects of the transition to IFRS 15 on retained earnings as of 1 April 2018:

€ in thousands	1 Apr 2018		
	Before IFRS 15 adjustment	Remeasurement	After IFRS 15 adjustment
Assets			
Inventories	136,097	(35,304)	100,793
Trade, other receivables and contract assets	118,650	48,702	167,352
Deferred tax asset	45,530	(2,754)	42,776
Equity			
Retained earnings	369,153	10,644	379,797

The significant impact results from the recognition of contract assets. Due to the revenue recognition over time the revenue is recognised earlier and as a consequence the inventory decreased.

The following tables summarise the effects of the adoption of IFRS 15 on the relevant items of the consolidated statement of financial position as of 31 March 2019 and the consolidated statement of other comprehensive income for the financial year 2018/19:

€ in thousands	31 Mar 2019		
	Before IFRS 15 adjustment	Remeasurement	After IFRS 15 adjustment
Assets			
Inventories	135,722	(51,257)	84,465
Trade, other receivables and contract assets	156,598	72,447	229,045
Deferred tax asset	39,587	(4,032)	35,555
Equity			
Retained earnings	429,116	17,158	446,274

€ in thousands	1 Apr 2018-31 Mar 2019		
	Before IFRS 15 adjustment	Remeasurement	After IFRS 15 adjustment
Revenue	1,005,518	22,465	1,027,983
Costs of sales	(845,777)	(15,051)	(860,828)
Gross profit	159,741	7,414	167,155
Operating result	109,796	7,414	117,210
Profit/(loss) before tax	107,778	7,414	115,192
Profit/(loss) for the period	80,753	6,196	86,949

IFRS 9 financial instruments IFRS 9, “Financial Instruments” specifies the classification, recognition and measurement of financial assets and financial liabilities. This standard supersedes IAS 39, “Financial Instruments: Recognition and Measurement” with the exception of the option to maintain hedge accounting under IAS 39 (temporarily).

IFRS 9 introduces new principles for the classification and measurement of financial assets based on cash flow characteristics and the business model based on which they are managed. IFRS 9 provides for three measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The new classification currently has no significant effects on the accounting for trade receivables and other financial assets. The classification of financial liabilities remains unchanged.

With the exception of the hedge accounting provisions, IFRS 9 must be applied retrospectively. In accordance with the provisions of IFRS 9 the figures of the comparative period were not adjusted. The retrospective effects arising from the application of IFRS 9 are recognised by adjusting the opening balance of the respective items in equity as at 1 April 2018.

The reconciliation of categories and remeasurement as of 1 April 2018 is shown in the following table:

Financial instruments	Measurement		Carrying amount		
	IAS 39	IFRS 9	31 Mar 2018 IAS 39	Remeasurement	01 Apr 2018 IFRS 9
€ in thousands					
Bonds	Financial assets at fair value through profit or loss	Fair value through profit or loss	775	–	775
Other investments	Available-for-sale financial assets at fair value through other comprehensive income	Fair value through other comprehensive income without recycling	193	–	193
Loans and receivables	Held-to-maturity investments at amortised cost	Amortised cost	58,860	–	58,860
Derivative financial instruments (hedge accounting)	Derivatives at fair value through other comprehensive income	Fair value through other comprehensive income	91	–	91
Trade receivables	Loans and receivables at amortised cost	Amortised cost	65,473	(211)	65,262
Other receivables	Loans and receivables at amortised cost	Amortised cost	704	–	704
Cash and cash equivalents	Loans and receivables at amortised cost	Amortised cost	270,729	–	270,729

Bonds were allocated to the category “fair value through profit or loss” in accordance with IAS 39 since they serve to generate short-term profits. Thus there is no change compared with IFRS 9.

Other investments are equity instruments which are generally measured at fair value through profit or loss according to IFRS 9. However, since the objective is to hold these instruments, the option of measurement at fair value through other comprehensive income according to IFRS 9 was used. Value changes will thus continue to be recorded in other comprehensive income.

Held-to-maturity financial instruments primarily consist of deposits at notice and factored receivables against banks. These are allocated to the category “amortised cost” under IFRS 9. Since the receivables are exclusively related to renowned banks, there is no probability of default. As a consequence no credit loss is recognised.

Derivative financial instruments include interest rate swaps. Value changes of interest rate swaps which meet the criteria of hedge accounting are therefore recorded at fair value through other comprehensive income. Otherwise value changes are recognised through profit or loss.

The remeasurement of € 211 thousand as of 1 April 2018 is related to the impairment necessary due to the application of the expected credit loss model. The trade receivables are allocated to the business model “Hold”. This item contains receivables, which could be sold, but are not sold at the closing date.

Impairment of financial assets IFRS 9 replaces the model of the “incurred losses” of IAS 39 with the expected credit loss (ECL) model. The new impairment model has to be applied for financial assets which are measured at amortised cost, contract assets and through FVOCI measured debt instruments. According to IFRS 9 credit losses are recognised earlier than according to IAS 39.

In accordance with IFRS 9, impairment must be determined using either the twelve-month model, which takes into account expected credit losses within the next twelve months, or the lifetime expected credit loss model which takes into account expected credit losses that result from possible default events within the whole lifetime.

AT&S applies the simplified impairment model for trade receivables and contract assets from contracts with customers, which takes into account expected credit losses during the full lifetime. The credit loss is determined on the basis of a provision matrix created based on rating of the customers.

In the financial year 2018/19 the application of this new impairment model results in an expense of € 62 thousand.

Hedge accounting The Group decided to continue applying the provisions of IAS 39. AT&S applies hedge accounting (cash flow hedges) to hedge interest rates.

IFRS 16 Leases IFRS 16 specifies the recognition of leases. This standard replaces IAS 17 and previous interpretations. Due to the new provisions it is no longer necessary to distinguish between finance and operating leases. The standard provides a single lessee accounting model requiring the lessee to recognise assets and liabilities for all leases in the statement of financial position, unless the term of the lease is twelve months or less or the underlying asset has a low value of less than € 5 thousand. The simplifications are optional and applied by AT&S.

Application of this new standard is mandatory for reporting periods starting on or after 1 January 2019. Hence, the AT&S Group is required to apply IFRS 16 as of 1 April 2019 and uses the modified retrospective method. A restatement of comparative information is not necessary.

The application of IFRS 16 is expected to have an impact on the asset, financial and earnings position. The capitalisation of rights of use and the corresponding liability will lead to an extension of the balance sheet total. Therefore, instead of the previous recognition of leasing expenses, expenses for the amortisation of rights of use and interest on the lease liabilities will be recognised. This will result in an improvement of EBITDA and EBIT.

The rights of use to be recognised as of 1 April are expected to amount to € 27.0 million. A liability of the same amount will be recognised. Amortisation for the financial year 2019/20 is expected to amount to € 3.3 million.

C. Critical accounting estimates and assumptions used in accounting and measurement

The Group uses estimates and assumptions to determine the reported amounts of assets, liabilities, revenue and expenses, as well as other financial liabilities, and contingent assets and liabilities. All estimates and assumptions are reviewed on a regular basis and are based on past experiences and additional factors, including expectations regarding future events that seem reasonable under the given circumstances. In the future, actual results may differ from these estimates. Management believes that the estimates are reasonable.

Development costs Capitalised development costs largely relate to the development of a new technology for the production of substrates for silicon semiconductor chips taking place at the new site in Chongqing, China. This technology was available for use from March 2016 onwards and amortisation began. In financial year 2017/18, development costs for the new substrate generation in the amount of € 4,868 thousand were capitalised. The use of the new production method started in the second half year of 2017/18. No development costs were capitalised in the financial year 2018/19.

Calculation of the present values of projected employee benefit obligations The present value of non-current employee benefit obligations depends on various factors that are based on actuarial assumptions (refer to I.B.o. "Provisions for employee benefits").

These actuarial assumptions used to calculate the pension expenses and the expected defined benefit obligations were subjected to stress tests using the following parameters: An increase in the interest rate, in the expected remuneration and/or in future pensions for the Austrian entities by the percentage points stated in the table below would affect the present values of the projected pension and severance payment obligations as follows as at 31 March 2019:

€ in thousands	Interest rate	Increase in remuneration	Increase in pensions
	+0.50%	+0.25%	+0.25%
Pension obligation	(1,159)	106	625
Severance payments	(1,423)	722	–

A decrease in the same parameters for the Austrian companies would have the following effects on the present value of pension and severance payment obligations as at 31 March 2019:

€ in thousands	Interest rate	Increase in remuneration	Increase in pensions
	-0.50%	-0.25%	-0.25%
Pension obligation	1,287	(104)	(596)
Severance payments	1,552	(695)	–

Reference is made to Note 16 "Provisions for employee benefits".

Measurement of deferred income tax and current tax liabilities Deferred income tax assets and liabilities are determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A future change in tax rates would also have an impact on the deferred tax capitalised at the balance sheet date.

Deferred income tax assets in the amount of € 45,831 thousand were not recognised for income tax loss carryforwards in the Group of € 305,538 thousand. If the tax losses were subsequently expected to be realised, these deferred income tax assets would have to be recognised and a related tax income reported. Reference is made to Note 6 "Income taxes".

Moreover, a different interpretation of tax laws by fiscal authorities could also lead to a change in income tax liabilities.

Other estimates and assumptions Further estimates, if necessary, relate to impairments of non-current assets and provisions, as well as the measurement of derivative financial instruments, allowances for doubtful accounts receivable and measurements of inventory. Reference is particularly made to Note 4 "Other operating result", Note 7 "Property, plant and equipment", Note 8 "Intangible assets" and Note 17 "Other provisions".

II. SEGMENT REPORTING

The segment information presented below is prepared in accordance with the management approach concept as depicted in the Group's internal reporting (refer to Section I.B.b. "Segment Reporting").

The reportable segments consist of the business units Mobile Devices & Substrates, Automotive, Industrial, Medical and Others. The Others segment further includes general holding activities, the embedding technology as well as the Group's financing activities. The central operating result performance indicator is the operating result before depreciation and amortisation. The respective reconciliation to Group figures also includes the corresponding consolidation.

Transfers and transactions between the segments are executed at arm's length, as with independent third parties. Segment reporting is prepared in accordance with the principles set out in I.B. "Accounting and measurement policies".

€ in thousands	Mobile Devices & Substrates		Automotive, Industrial, Medical		Others		Elimination/ Consolidation		Group	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Segment revenue	775,959	738,875	365,219	364,909	5,268	8,077	(118,463)	(120,018)	1,027,983	991,843
Internal revenue	(92,094)	(90,875)	(26,369)	(25,610)	–	(3,533)	118,463	120,018	–	–
External revenue	683,865	648,000	338,850	339,299	5,268	4,544	–	–	1,027,983	991,843
Operating result before depreciation/amortisation	193,507	179,015	52,622	46,795	3,969	73	–	95	250,098	225,978
Depreciation/amortisation incl. appreciation	(112,720)	(117,440)	(18,570)	(16,640)	(1,598)	(1,612)	–	–	(132,888)	(135,692)
Operating result	80,787	61,575	34,052	30,155	2,371	(1,539)	–	95	117,210	90,286
Finance costs - net									(2,018)	(14,775)
Profit/(loss) before tax									115,192	75,511
Income taxes									(28,243)	(18,992)
Profit/(loss) for the year									86,949	56,519
Property, plant and equipment and intangible assets	711,119	736,115	122,043	102,922	4,701	3,197	–	–	837,863	842,234
Additions to property, plant and equipment and intangible assets	69,614	76,756	36,105	25,426	3,077	1,737	–	–	108,796	103,919

Information by geographic region

Revenue broken down by region, based on customer's headquarters:

€ in thousands	2018/19	2017/18
Austria	19,704	22,227
Germany	173,687	189,564
Other European countries	81,153	58,982
China	14,149	35,269
Other Asian countries	56,771	60,916
Americas	682,519	624,885
Revenue	1,027,983	991,843

64.0% of total revenue (previous year: 64.6%) is attributable to the five largest customers in terms of revenue, where the range is between 2% and 33%.

Property, plant and equipment and intangible assets broken down by domicile:

€ in thousands	31 Mar 2019	31 Mar 2018
Austria	73,275	66,435
China	711,064	736,059
Others	53,524	39,740
Total	837,863	842,234

III. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1. Revenue

€ in thousands	2018/19	2017/18
Main revenue	1,027,829	991,652
Incidental revenue	154	191
Revenue	1,027,983	991,843

The main revenue is achieved by selling printed circuits boards, which are produced by AT&S.

The following table shows the distribution of revenue recognised at a point in time and over time by segment:

€ in thousands	Mobile Devices & Substrates		Automotive, Industrial, Medical		Others		Group	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Segment revenue	683,865	648,000	338,850	339,299	5,268	4,544	1,027,983	991,843
Type of revenue recognition								
Point in time	421,005	648,000	–	339,299	–	4,544	421,005	991,843
Over time	262,860	–	338,850	–	5,268	–	606,978	–

2. Types of expenses

The expense types of cost of sales, distribution costs and general and administrative costs are as follows:

€ in thousands	2018/19	2017/18
Cost of materials	377,284	380,579
Staff costs	237,781	241,139
Depreciation/amortisation	132,852	135,685
Purchased services incl. leased personnel	18,291	28,592
Energy	46,829	47,906
Maintenance (incl. spare parts)	64,950	61,505
Transportation costs	14,147	14,921
Rental and leasing expenses	8,199	7,478
Change in inventories	1,373	(41,989)
Other	26,438	25,809
Total	928,144	901,625

In the financial years 2018/19 and 2017/18, the item "Other" mainly relates to travel expenses, insurance expenses, IT service costs, legal and consulting fees.

3. Research and development costs

In the financial year 2018/19, the Group incurred research and development costs in the amount of € 75,650 thousand (previous year: € 60,948 thousand). The stated amounts represent only costs which can be directly allocated and which are recognised in the profit or loss under cost of sales. In these consolidated financial statements, no development costs (previous year: € 4,868 thousand) were capitalised. Reference is made to Note 8 "Intangible assets".

4. Other operating result

€ in thousands	2018/19	2017/18
Income from the reversal of government grants	1,940	1,680
Government grants for expenses	6,143	5,789
Income from exchange differences	8,464	–
Miscellaneous other income	2,311	537
Other operating income	18,858	8,006
Expenses from exchange differences	–	(6,944)
Start-up losses	(1,247)	(615)
Losses from the disposal of non-current assets	(37)	(362)
Other costs	(203)	(17)
Other operating costs	(1,487)	(7,938)
Other operating result	17,371	68

In the financial years 2018/19 and 2017/18, government grants for expenses mainly relate to export refunds as well as research and development awards. Start-up losses in the financial year 2018/19 resulted from the extensions of the plant in Fehring, Austria, and the plant in Nanjangud, India, and in financial year 2017/18 from the construction of a new production line in Nanjangud, India. In the financial year 2018/19, the item "Miscellaneous other income" mainly relates to write off of other liabilities, payments of impaired receivables, and similar to last year, to grants for employees, and services in kind for miscellaneous projects.

5. Finance costs - net

€ in thousands	2018/19	2017/18
Interest income from held-to-maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets	–	12
Interest income from financial assets at fair value through profit or loss and financial assets at amortised costs	24	–
Other interest income	4,915	1,102
Gains from the measurement of derivative financial instruments at fair value, net	1,031	1,003
Foreign exchange gains, net	9,202	1,231
Finance income	15,172	3,348
Interest expense on bank borrowings and bonds	(12,172)	(13,708)
Net interest expense on personnel-related liabilities	(1,066)	(821)
Realised losses from derivative financial instruments, net	(1,133)	(1,493)
Other financial expenses	(2,819)	(2,101)
Finance costs	(17,190)	(18,123)
Finance costs - net	(2,018)	(14,775)

In accordance with IAS 23, the item "Interest expense on bank borrowings and bonds" includes capitalised borrowing costs in the amount of € 236 thousand (previous year: € 90 thousand), net.

6. Income taxes

Income tax expenses are broken down as follows:

€ in thousands	2018/19	2017/18
Current income taxes	15,701	26,898
Deferred taxes	12,542	(7,906)
Total tax expense	28,243	18,992

The difference between the Group's actual tax expense and the theoretical amount that would arise using the Austrian corporate income tax rate is as follows:

€ in thousands	2018/19	2017/18
Expected tax expense at Austrian tax rate	28,797	18,878
Effect of different tax rates in foreign countries	(5,617)	(3,615)
Non-creditable foreign withholding taxes	1,857	2,293
Effect of change in valuation allowance of deferred income tax assets	4,418	(682)
Effect of the change in tax rate	3,349	2,688
Effect of permanent differences	(4,516)	521
Effect of taxes from prior periods	(45)	(1,091)
Total tax expense	28,243	18,992

The effect of the change in tax rates mainly results from the again applicable reduced tax rate of 15% with regard to the subsidiary AT&S (China) compared to the regular tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes and liabilities relate to taxes levied by the same taxation authority. The amounts after setting off deferred income tax assets against deferred liabilities are as follows:

€ in thousands	31 Mar 2019		31 Mar 2018	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	16,266	(5,083)	24,320	(4,701)
Provisions for employee benefits	6,687	–	4,673	–
Income tax loss carryforwards including taxable goodwill	68,479	–	63,713	–
Deferred income tax from long-term assets/liabilities	91,432	(5,083)	92,706	(4,701)
Inventories	12,423	–	5,691	–
Trade and other receivables and contract assets	56	(13,358)	9	–
Trade and other payables	1,587	–	2,090	–
Others	1,291	(190)	3,603	(2,515)
Temporary differences arising from shares in subsidiaries	–	(5,547)	–	(5,069)
Deferred income tax from short-term assets/liabilities	15,357	(19,095)	11,393	(7,584)
Deferred income tax assets/liabilities	106,789	(24,178)	104,099	(12,285)
Unrecognised deferred taxes	(52,603)	–	(51,353)	–
Deferred income tax assets/liabilities, offsetting against the same taxation authority	(18,631)	18,631	(7,216)	7,216
Deferred income tax assets/liabilities, net	35,555	(5,547)	45,530	(5,069)

At 31 March 2019, the Group has income tax loss carryforwards and tax-deductible amortisation of goodwill amounting to a total of € 395,769 thousand (previous year: € 328,781 thousand). For loss carryforwards amounting to € 305,538 thousand (previous year: € 242,606 thousand) included in this figure, deferred income tax assets in the amount of € 45,831 thousand (previous year: € 42,170 thousand) were not recognised since it is unlikely that they will be realised in the foreseeable future. In addition, for temporary differences amounting to € 45,147 thousand (previous year: € 61,220 thousand) included in this figure, deferred income tax assets in the amount of € 6,772 thousand (previous year: € 9,183 thousand) were not recognised since it is likewise unlikely that they will be realised in the foreseeable future.

The tax loss carryforwards, which were not recognised, can be carried forward as follows:

€ in thousands	2018/19	2017/18
Carried forward less than 5 years	280,433	176,889
Carried forward between 6 and 10 years	25,105	7,928
Carried forward for an indefinite period of time	–	57,789
Total unrecognised tax loss carryforwards	305,538	242,606

Deferred income taxes (net) changed as follows:

€ in thousands	2018/19	2017/18
Carrying amount at the beginning of the financial year	40,461	33,959
Adjustment IFRS 15, 9	(2,686)	–
Currency translation differences	361	(1,629)
Income recognised in profit or loss	(12,542)	7,906
Income taxes recognised in equity	4,414	225
Carrying amount at the end of the financial year	30,008	40,461

Income taxes in connection with the components of other comprehensive income are as follows:

€ in thousands	2018/19			2017/18		
	Income/ (expense) before taxes	Tax income/ (expense)	Income/ (expense) after taxes	Income/ (expense) before taxes	Tax income/ (expense)	Income/ (expense) after taxes
Currency translation differences	26,567	(2,101)	24,466	(53,523)	–	(53,523)
Gains/(losses) from the fair value measurement of available-for-sale financial assets ¹⁾	–	–	–	19	(4)	15
Gains/(losses) on the measurement of hedging instruments for cash flow hedges	(4,973)	1,243	(3,730)	91	(23)	68
Remeasurements of post-employment obligations	(7,714)	1,917	(5,797)	(1,036)	252	(784)
Other comprehensive income	13,880	1,059	14,939	(54,449)	225	(54,224)

¹⁾ Available-for-sale financial assets refers to a classification of financial instruments in accordance with IAS 39, which is no longer relevant in the reporting year due to the first-time adoption of IFRS 9

IV. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7. Property, plant and equipment

€ in thousands	Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and office equipment	Prepayments and construction in progress	Total
Carrying amount 31 Mar 2017	102,507	631,246	9,345	89,997	833,095
Exchange differences	(5,652)	(31,825)	(431)	(5,330)	(43,238)
Additions	397	68,010	2,791	26,146	97,344
Disposals	(2)	(3,085)	(19)	(471)	(3,577)
Transfers	24	70,401	76	(70,501)	–
Depreciation, current	(7,266)	(106,774)	(3,206)	–	(117,246)
Carrying amount 31 Mar 2018	90,008	627,973	8,556	39,841	766,378
<i>Thereof</i>					
Acquisition cost	143,352	1,429,667	29,604	39,841	1,642,464
Accumulated depreciation	(53,344)	(801,694)	(21,048)	–	(876,086)
Exchange differences	2,315	15,550	139	1,290	19,294
Additions	6,351	48,482	3,401	48,176	106,410
Disposals	–	(811)	(43)	–	(854)
Transfers	244	36,226	380	(36,850)	–
Depreciation, current	(7,321)	(102,849)	(3,316)	–	(113,486)
Carrying amount 31 Mar 2019	91,597	624,571	9,117	52,457	777,742
<i>Thereof</i>					
Acquisition cost	153,882	1,542,539	31,427	52,457	1,780,305
Accumulated depreciation	(62,285)	(917,968)	(22,310)	–	(1,002,563)

The value of the land included in “Land, plants and buildings” amounts to € 6,293 thousand (previous year: € 1,676 thousand).

Depreciation in the current financial year is recognised mainly in cost of sales, as well as in distribution costs, general and administrative costs, and in start-up losses recognised in other operating result.

In the financial year 2018/19, borrowing costs on qualifying assets of € 236 thousand were capitalised (previous year: € 90 thousand). Interest rates between 3.5% and 5.0% were applied (previous year: 3.6%).

There is no restraint on disposal for the recognised fixed assets.

Impairment/Reversal of impairment In the financial year 2018/19 no impairment or reversal of impairment of tangible assets was reported.

8. Intangible assets

€ in thousands	Industrial property and similar rights and assets, and licenses in such rights and assets	Capitalised development costs	Goodwill	Other intangible assets	Total
Carrying amount 31 Mar 2017	13,199	78,456	–	–	91,655
Exchange differences	(54)	(3,773)	–	–	(3,827)
Additions	1,341	4,868	–	366	6,575
Disposals	(101)	–	–	–	(101)
Amortisation, current	(3,257)	(14,823)	–	(366)	(18,446)
Carrying amount 31 Mar 2018	11,128	64,728	–	–	75,856
<i>Thereof</i>					
Acquisition cost	32,135	94,947	7,065	–	134,147
Accumulated amortisation	(21,007)	(30,219)	(7,065)	–	(58,291)
Exchange differences	26	1,254	–	–	1,280
Additions	2,162	–	–	224	2,386
Amortisation, current	(3,364)	(15,813)	–	(224)	(19,401)
Carrying amount 31 Mar 2019	9,952	50,169	–	–	60,121
<i>Thereof</i>					
Acquisition cost	34,113	97,396	7,255	–	138,764
Accumulated amortisation	(24,161)	(47,227)	(7,255)	–	(78,643)

Amortisation for the current financial year is charged to cost of sales, distribution costs, general and administrative costs and other operating result.

No development costs (previous year: € 4,868 thousand) were capitalised in financial year 2018/19.

Impairment In the financial years 2018/19 and 2017/18, no impairment was recognised on intangible assets.

9. Other non-current assets

€ in thousands	31 Mar 2019	31 Mar 2018
Prepayments	5,482	5,475
Deposits made	7,333	6,676
Other non-current receivables	11,849	44,068
Carrying amount	24,664	56,219

Prepayments relate to long-term rent prepayments for the factory premises in China. Other non-current receivables comprise input tax reimbursements in China for the plant in Chongqing, which will be recovered gradually through VAT liabilities during the operating phase.

10. Inventories

€ in thousands	31 Mar 2019	31 Mar 2018
Raw materials and supplies	50,446	44,369
Work in progress	10,601	34,995
Finished goods	23,418	56,733
Carrying amount	84,465	136,097

The balance of inventory write-downs recognised as an expense amounts to € 27,489 thousand as of 31 March 2019 (previous year: € 30,031 thousand). The immaterial write-downs amounting to € 774 thousand (previous year: € 5,527 thousand) resulted from the measurement of inventories at net realisable value in the financial year 2018/19. The write-downs are recognised in the cost of sales in the statement of profit or loss.

11. Trade and other receivables and contract assets

The carrying amounts of trade and other receivables and contract assets are as follows:

€ in thousands	31 Mar 2019	31 Mar 2018
Trade receivables	108,488	65,641
Impairments for trade receivables	(390)	(168)
Contract assets	72,447	–
Impairments for contract assets	(140)	–
VAT receivables	35,759	40,906
Other receivables from authorities	4,375	4,779
Prepayments	5,001	4,294
Energy tax refunds	1,394	1,427
Deposits	1,353	1,067
Other receivables	758	704
Total	229,045	118,650

As at 31 March 2019 and 31 March 2018, other receivables mainly include receivables resulting from prepaid expenses and accrued charges.

Trade receivables amounting to € 10,000 thousand (previous year: € 10,000 thousand) act as collateral in connection with various financing agreements. Reference is made to Note 15 “Financial liabilities”.

Taking impairment into account, the carrying amounts of trade and other receivables and contract assets approximate their fair values.

Remaining maturities of receivables All receivables as at 31 March 2019 and 31 March 2018 have remaining maturities of less than one year.

Factoring As of 31 March 2019, trade receivables totaling € 40,595 thousand (previous year: € 51,035 thousand) were assigned to banks to the amount of 100% of the nominal value and are fully derecognised in accordance with the regulations of IFRS 9 on the basis of the cessions of the essential opportunities and risks and on the basis of the transfer of the right to use to the acquiring party. The default risk

was assigned to the purchaser. AT&S assumes a liability for default to the amount of the retention level from the credit insurance. The maximum risk associated with liability for default was € 4,060 thousand as of 31 March 2019 (previous year: € 5,093 thousand). Claims of existing credit insurances were transferred to the purchaser. The part of the purchasing price not yet paid by the acquiring party is shown under the item "Financial assets". Payments from customers of assigned trade receivables are presented in the short term financial liabilities.

The contract assets have developed as follows:

€ in thousands	2018/19	2017/18
Contract assets at the beginning of the financial year	48,702	–
Utilisation	(48,702)	–
Addition	72,447	–
Impairment according to IFRS 9	(140)	–
Contract assets at the end of the financial year	72,307	–

Development of past due receivables and impairments of trade receivables

The age structure of trade receivables and impairment is shown in the table below:

€ in thousands	31 Mar 2019		
	Gross receivables	Impairments	Carrying amount
not due	100,579	(177)	100,402
1 - 15 days overdue	5,574	(29)	5,545
15 - 30 days overdue	916	(8)	908
31 - 60 days overdue	971	(15)	956
61 - 90 days overdue	183	(3)	180
more than 90 days overdue	265	(158)	107
Trade receivables	108,488	(390)	108,098

31 Mar 2018:	€ in thousands	Carrying amount	thereof not impaired and not past due or insured	thereof not impaired and not insured and past due for the following periods		
				less than 3 months	between 3 and 6 months	between 6 and 12 months
Trade receivables	65,641	64,931	516	18	8	–

There were no indications at the balance sheet date that overdue trade receivables not impaired would not be paid.

Impairments for trade receivables are recognised if there are indications (past due, insolvency) that it is unlikely that the total amount can be collected. Receivables are derecognised if, on a legal basis, it can be assumed that no payment is to be expected anymore.

Impairments of trade receivables have developed as follows:

€ in thousands	2018/19	2017/18
Impairments at the beginning of the financial year	168	464
Adjustment IFRS 9	211	–
Impairments after adjustment IFRS 9	379	464
Utilisation	(17)	(175)
Reversal	(76)	(162)
Addition	92	67
Currency translation differences	12	(26)
Impairments at the end of the financial year	390	168

12. Financial assets

The carrying amounts of the financial assets are as follows:

€ in thousands	31 Mar 2019	thereof non-current	thereof current
Financial assets at fair value through profit or loss	896	–	896
Financial assets at fair value through OCI	193	193	–
Financial assets at amortised costs	238,856	–	238,856
Total	239,945	193	239,752

€ in thousands	31 Mar 2018	thereof non-current	thereof current
Financial assets at fair value through profit or loss	775	–	775
Available-for-sale financial assets	193	193	–
Held-to maturity investments	58,860	–	58,860
Derivatives	91	91	–
Total	59,919	284	59,635

Financial assets at fair value through profit or loss

€ in thousands	31 Mar 2019	31 Mar 2018
Bonds	896	775
Total	896	775

All bonds are denominated in euro (nominal currency).

Financial assets at fair value through OCI

€ in thousands	2018/19	2017/18
Carrying amount at the beginning of the year	193	173
Additions/(Disposals)	–	20
Carrying amount at the end of the year	193	193

All financial assets at fair value through OCI are denominated in euro (nominal currency). The values reported for the financial year 2017/18 are related to the category “available-for-sale financial assets”, which is no longer relevant due to the first-time adoption of IFRS 9.

Financial assets at amortised cost The financial assets at amortised cost are denominated in euro, US dollar and Chinese yuan renminbi (nominal currencies). They mainly consist of notice deposits with a maturity of more than three months and factored receivables against banks.

Derivative financial instruments

€ in thousands	31 Mar 2019	31 Mar 2018
Derivative financial instruments	–	91
Total	–	91

13. Cash and cash equivalents

€ in thousands	31 Mar 2019	31 Mar 2018
Bank balances and cash on hand	326,841	270,729
Carrying amount	326,841	270,729

The reported carrying amounts correspond to the respective fair values.

14. Trade and other payables

€ in thousands	31 Mar 2019	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	131,936	131,936	–	–
Government grants	16,486	1,122	7,524	7,840
Liabilities to fiscal authorities and other state authorities	3,307	3,307	–	–
Liabilities to social security authorities	5,057	5,057	–	–
Liabilities from unconsumed leave	5,888	5,888	–	–
Liabilities from stock appreciation rights	1,000	190	810	–
Liabilities to employees	25,170	25,170	–	–
Other liabilities	7,306	7,284	22	–
Carrying amount	196,150	179,954	8,356	7,840

€ in thousands	31 Mar 2018	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	141,498	141,498	–	–
Government grants	13,861	1,022	6,675	6,164
Liabilities to fiscal authorities and other state authorities	4,486	4,486	–	–
Liabilities to social security authorities	4,349	4,349	–	–
Liabilities from unconsumed leave	5,093	5,093	–	–
Liabilities from stock appreciation rights	2,684	1,018	1,666	–
Liabilities to employees	34,745	34,745	–	–
Other liabilities	7,690	7,669	21	–
Carrying amount	214,406	199,880	8,362	6,164

The carrying amounts of the reported liabilities approximate the respective fair values.

Government grants Government grants mainly relate to grants for land-use rights and property, plant and equipment and are released to profit or loss according to the useful life of the related property, plant and equipment.

Furthermore, the Group received grants for project costs for several research projects which are recognised in income on a pro rata basis according to the costs incurred and the grant ratio. Associated deferred amounts are included in government grants.

Liabilities from stock options The stock option plan (2009 to 2012) expired at the end of the financial year 2017/18. It was replaced by a long-term remuneration model based on stock appreciation rights (SAR).

Liabilities from stock appreciation rights Due to the expiry of the stock option plan (2009 to 2012), the 81st Supervisory Board meeting on 3 July 2014 passed a resolution to introduce a long-term incentive programme based on stock appreciation rights (SAR). SAR relate to the value increase in share prices based on the development of the share price. SAR were granted in the period between 1 April 2014 and 1 April 2016. Due to the expiry of the stock appreciation rights plan (2014 to 2016), the 91st Supervisory Board meeting on 6 June 2016 extended the resolution to introduce a long-term incentive programme based on stock appreciation rights (SAR plan 2017) to run for three years. The stock appreciation rights were granted between 1 April 2017 and 1 April 2019.

Each SAR entitles the holder to the right to a cash settlement at the remaining amount between the exercise price and the closing price of the AT&S share on the main stock exchange on which it is listed (currently the Vienna Stock Exchange) at the date the subscription right is exercised. The difference amount is limited with 200% of the exercise price.

The exercise price of SAR is determined at the respective date of grant, corresponding to the average closing price of the AT&S share on the Vienna Stock Exchange or at the main stock exchange on which the AT&S share is listed over a period of six calendar months immediately preceding the date of grant.

SAR may be exercised in full or in part after the respective completion of a three-year period following the date of grant, but not during a restricted period. Granted stock appreciation rights not exercised within five years after the grant date become invalid and forfeit without compensation.

SAR may only be exercised by the beneficiaries if the following requirements are met at the date of exercise:

- The beneficiary's employment contract with a company in the AT&S Group remains valid. Subject to certain conditions, rights may also be exercised within a year after termination of the employment contract.
- The required personal investment in the amount of 20% of the first amount granted (in SAR) in AT&S shares is held. If the personal investment is not fully established by the end of the three-year waiting period, all previously granted SAR become forfeit in full. The established personal investment must be held over the complete period of participation in the programme and also applies to the grant in subsequent years. The personal investment may only be wound down when exercise is no longer possible.
- The earnings per share (EPS) performance target was met. The level of attainment of the earnings per share performance indicator determines how many of the granted SAR may actually be exercised. The target value is the EPS value determined in the mid-term plan for the balance sheet date of the third year after the grant date. If the EPS target is attained at 100% or surpassed, the granted SAR may be exercised in full. If attainment is between 50% and 100%, the granted SAR may be exercised on a pro rata basis. If the EPS value attained is below 50%, the granted SAR become forfeit in full.

Number and allocation of granted SAR:

	Date of grant			
	1 April 2018	1 April 2017	1 April 2016	1 April 2015
Exercise price (in €)	21.94	9.96	13.66	10.70
31 Mar 2017	–	–	115,000	100,000
Number of stock appreciation rights granted	–	297,500	–	–
Number of stock appreciation rights expired	–	7,500	5,000	5,000
31 Mar 2018	–	290,000	110,000	95,000
Number of stock appreciation rights granted	270,000	–	–	–
Number of stock appreciation rights exercised	–	–	–	71,967
Number of stock appreciation rights expired	–	15,000	–	14,565
31 Mar 2019	270,000	275,000	110,000	8,468
Remaining contract period of stock appreciation rights granted	4 years	3 years	2 years	–
Fair value of granted stock appreciation rights as at the balance sheet date (in € thousands)				
31 Mar 2018	–	2,738	568	934
31 Mar 2019	393	883	137	39

SAR are measured at fair value at the respective balance sheet date using the Monte Carlo method and based on the model assumptions and valuation parameters stated below. The values determined for calculation of the liabilities may differ from the values later realised on the market.

Risk-free interest rate	-0.46 to -0.56%
Volatility	40.47 to 47.28%

Volatility is calculated based on the daily share prices from 1 March 2016 until the balance sheet date.

The expenses for the stock appreciation rights are included in the administration costs.

The fair value of the SAR granted is recognised as an expense over their term.

Other liabilities Other liabilities mainly include debtors with credit balances, accrued legal, audit and consulting fees, as well as other accruals.

15. Financial liabilities

€ in thousands	31 Mar 2019	Remaining maturity			Nominal interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Export loans	10,000	10,000	–	–	0.24
Loans from state authorities	5,494	1,751	3,402	341	0.75 –1.00
Other bank borrowings	695,927	26,216	525,969	143,742	0.85 –4.75
Derivative financial instruments ¹⁾	5,622	–	3,194	2,428	
Carrying amount	717,043	37,967	532,565	146,511	

€ in thousands	31 Mar 2018	Remaining maturity			Nominal interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Export loans	10,000	10,000	–	–	0.24
Loans from state authorities	6,251	1,578	4,673	–	0.75 –1.00
Other bank borrowings	521,863	69,156	317,879	134,828	1.15 –4.75
Derivative financial instruments ¹⁾	1,770	791	979	–	
Carrying amount	539,884	81,525	323,531	134,828	

¹⁾ Reference is made to Note 18 "Derivative financial instruments".

Other bank borrowings mainly include long-term investment financing in addition to the current liquidity needs.

In order to refinance the capital needed for the plant in Chongqing, a long-term loan was raised under an OeKB equity financing programme in the financial year 2012/13. This loan is being repaid in semi-annual instalments between September 2014 and February 2020. 80% of the loan bears a fixed interest rate and 20% a variable interest rate, with the variable portion scheduled to be repaid first. The main contract terms are as follows:

- No change of control

The originally agreed covenants (Net debt/EBITDA max. 4 and equity ratio of at least 30%) were waived on 17 January 2018.

In order to secure planned investments in Chongqing and to further optimise the funding of the Group, a promissory note loan was successfully placed for a total amount of € 158 million in February 2014. This loan comprises several tranches with terms to maturity of five, seven and ten years bearing variable and fixed interest rates. The loan was concluded in euros and US dollars. The variable euro interest rate was hedged in full through interest rate swaps. The main contract terms are as follows:

- Equity ratio of at least 35%
- Net debt/EBITDA >3 (step-up covenant)
- No change of control within the meaning of the Austrian Takeover Act if this change of control significantly affects the ability to meet the loan obligations.

If the step-up covenant is exceeded, the margin increases by 75 basis points. The promissory note loan is recognised in other bank borrowings.

To further optimise the funding of the Group, the variable interest rate tranches denominated in euros of € 92 million were terminated and repaid in October 2015 and February 2016. The interest rate swaps continue to be used to secure the variable tranches of the promissory note loans placed in October 2015. Due to different maturities and amounts, no effective hedging exists.

In order to secure planned investments and to further optimise the funding of the Group, a promissory note loan was successfully placed for a total amount of € 221 million in October 2015. The loan comprises several tranches with terms of maturity of five and seven years bearing variable and fixed interest rates. The loan was concluded in euros and US dollars. The main contract terms are as follows:

- Net debt/EBITDA >3 (step-up covenant)
- No change of control within the meaning of the Austrian Takeover Act if this makes it illegal for the lender to maintain the loan due to mandatory statutory or regulatory provisions.

If the step-up covenant is exceeded, the margin increases by 75 basis points. The promissory note loan is recognised in other bank borrowings.

In order to further secure the investment programme, in the financial year 2016/17 two bilateral promissory note loans in the total amount of € 150 million with variable interest rates were concluded. The tranche of € 100 million has a term to maturity of seven years and the tranche of € 50 million has a term to maturity of five years. The main contract terms are as follows:

- Net debt/EBITDA >3 (step-up covenant)
- No change of control within the meaning of the Austrian Takeover Act if this change of control makes it illegal for the lender to maintain the loan due to mandatory or regulatory provisions.

If the step-up covenant is exceeded, the margin increases by 75 basis points. The promissory note loan is recognised in other bank borrowings.

In order to refinance the expansion for the plant in Chongqing, a long-term loan was raised under an OeKB equity financing programme for a total amount of € 75 million in the financial year 2016/17. This loan is being repaid in semi-annual instalments between September 2018 and June 2026. 95% of the loan bears a fixed interest rate and 5% a variable interest rate, with the variable portion scheduled to be repaid first. The main contract terms are as follows:

- No change of control within the meaning of the Austrian Takeover Act if this change of control makes it illegal for the lender to maintain the loan due to mandatory statutory or regulatory provisions or leads to material adverse change.

In order to refinance the investment programme for the plant in Nanjangud, a long-term loan was raised under an OeKB equity financing programme for a total amount of € 20 million in the financial year 2018/19. This loan is being repaid in semi-annual instalments between June 2019 and September 2025. 95% of the loan bears a fixed interest rate and 5% a variable interest rate, with the variable portion scheduled to be repaid first. The main contract terms are as follows:

- No change of control within the meaning of the Austrian Takeover Act if this change of control makes it illegal for the lender to maintain the loan due to mandatory statutory or regulatory provisions or leads to material adverse change.

In order to secure planned investments and to further optimise the funding of the Group, a promissory note loan was successfully placed for a total amount of € 335 million in July 2018. The loan comprises several tranches with terms of maturity of five, seven and ten years bearing variable and fixed interest rates. The loan was concluded in euros. The main contract terms are as follows:

- Net debt/EBITDA >3 (step-up covenant)
- No change of control within the meaning of the Austrian Takeover Act if this makes it illegal for the lender to maintain the loan due to mandatory statutory or regulatory provisions, or leads to material adverse change.

If the step-up covenant is exceeded, the margin increases by 50 basis points. The promissory note loan is recognised in other bank borrowings.

The contractually agreed (undiscounted) interest and redemption payments of the financial liabilities as at 31 March 2019, including interest rate hedging, are as follows in the coming financial years:

€ in thousands	Export loans	Loans from state authorities	Other bank borrowings	Derivative financial instruments
2019/20				
Redemption	10,000	1,751	23,456	–
Fixed interest	–	47	4,277	–
Variable interest	24	–	5,068	–
2020/21				
Redemption	–	2,054	85,214	740
Fixed interest	–	29	3,910	–
Variable interest	–	–	5,068	–
2021/22				
Redemption	–	970	61,857	–
Fixed interest	–	10	2,398	–
Variable interest	–	–	5,068	–
2022/23				
Redemption	–	113	44,857	–
Fixed interest	–	6	2,269	–
Variable interest	–	–	4,493	–
2023/24				
Redemption	–	301	334,857	2,454
Fixed interest	–	4	1,420	–
Variable interest	–	–	2,877	–
after 2023/24				
Redemption	–	–	144,214	2,428
Fixed interest	–	–	2,172	–
Variable interest	–	–	2,273	–

No significant deviations from the agreed interest and redemption payments are expected regarding term or amount.

At the previous year's balance sheet date of 31 March 2018, the contractually agreed (undiscounted) interest and redemption payments of the financial liabilities, including interest rate hedging, were as follows for the coming financial years:

€ in thousands	Export loans	Loans from state authorities	Other bank borrowings	Derivative financial instruments
2018/19				
Redemption	10,000	1,578	66,719	791
Fixed interest	–	57	5,475	–
Variable interest	24	–	4,312	–
2019/20				
Redemption	–	1,578	20,500	–
Fixed interest	–	41	3,537	–
Variable interest	–	–	4,329	–
2020/21				
Redemption	–	2,054	163,829	979
Fixed interest	–	23	3,104	–
Variable interest	–	–	4,129	–
2021/22				
Redemption	–	1,090	59,000	–
Fixed interest	–	5	1,618	–
Variable interest	–	–	2,986	–
2022/23				
Redemption	–	–	75,152	–
Fixed interest	–	–	1,479	–
Variable interest	–	–	2,483	–
after 2022/23				
Redemption	–	–	135,000	–
Fixed interest	–	–	1,004	–
Variable interest	–	–	985	–

Some of the financial liabilities have interest rates, that deviate from the market interest rates. For this reason, differences may arise between their fair values and carrying amounts.

€ in thousands	Carrying amounts		Fair values	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Export loans	10,000	10,000	10,000	10,000
Loans from state authorities	5,494	6,251	5,542	6,316
Other bank borrowings	695,927	521,863	700,630	525,425
Derivative financial instruments	5,622	1,770	5,622	1,770
Total	717,043	539,884	721,794	543,511

The calculation of the fair values is based on the discounted value of future payments using current market interest rates, or the fair values are determined on the basis of quoted prices.

The carrying amounts of financial liabilities by currency are as follows:

€ in thousands	31 Mar 2019	31 Mar 2018
Euro	703,535	497,052
US dollar	13,508	42,832
Total	717,043	539,884

The Group's unused credit lines are as follows:

€ in thousands	31 Mar 2019	31 Mar 2018
Export credit	22,000	22,000
Other credit	165,325	173,152
Total	187,325	195,152

Leases Total future minimum lease payments recognised for non-cancellable operating leases and rental expenses are as follows:

€ in thousands	31 Mar 2019	31 Mar 2018
Less than 1 year	2,359	2,943
Between 1 and 5 years	2,967	4,761
Total	5,326	7,704

The Group has entered into various operating lease agreements for the rental of office space, properties and production facilities, as well as operating and office equipment, and technical equipment.

The obligations from operating leases mainly relate to a sale-and-lease-back transaction concluded in the financial year 2006/07 for the properties and buildings in Leoben-Hinterberg and Fehring, Austria, with a non-cancellable lease term until December 2021.

The payments recognised as expense for non-cancellable lease and rental expenses in the financial year are as follows:

€ in thousands	2018/19	2017/18
Leasing and rental expenses	3,056	3,425

16. Provisions for employee benefits

Provisions for employee benefits relate to pension commitments, severance payments and other employee benefits.

Defined contribution plans The majority of the Group's employees in Austria and some of its employees in India are covered by defined contribution pension plans that have been outsourced to a pension fund. For employees in Austria, the pension plans are supplemented by death and endowment insurance policies. Employer contributions are determined on the basis of a certain percentage of current remuneration. Employer contributions under these plans amounted to € 534 thousand in the financial year 2018/19 and to € 526 thousand in the financial year 2017/18.

Defined benefit plans The Group operates defined benefit plans for several current and former members of the Management Board and former executive employees with no employee contribution required. The board members' and other executive employees' plans are partially funded through assets in pension funds and partially unfunded. Pension benefits of board members and executive employees are based on their salaries and years of service. Essentially, the Group is exposed to life expectancy and inflation risks due to future increases in pay and pensions, and from yields deviation the funded pension plans.

Funded severance payments The employees in India are entitled to severance payments upon retirement or, under certain circumstances, upon leaving the company prematurely, the amount of which depends on years of service and the remuneration received by the respective member of staff. The severance payments range between half of monthly remuneration per year of service and a fixed maximum. Severance payment obligations are covered by a life insurance policy. The main risk to which the Group is exposed from these obligations is the risk of inflation due to future pay increases.

Unfunded severance payments Employees in Austria, South Korea and China are entitled to receive severance payments, which are based upon years of service and remuneration received by the respective member of staff and are generally payable upon retirement and, under certain circumstances, upon leaving the Company. For staff members having joined the Company before 1 January 2003, the severance payments in Austria range from two to twelve months of monthly salary, with staff members in South Korea and China also entitled to a fixed amount depending on years of service and salary. The main risk to which the Group is exposed from these obligations is the risk of inflation due to future pay increases.

For employees in Austria who joined on or after 1 January 2003, regular contributions are paid to a staff provision fund ("Mitarbeitervorsorgekasse") without any further obligations on the part of the Group. The contributions for the financial year 2018/19 amounted to € 462 thousand and for the financial year 2017/18 to € 365 thousand.

Other employee benefits The employees of the companies in Austria and China are entitled to anniversary bonuses for long-term service, the eligibility to and amount of which in Austria are stipulated in the Collective Agreement.

Expenses for (defined benefit) pension obligations, severance payments and other employee benefits consist of the following:

€ in thousands	Retirement benefits		Severance payments		Other employee benefits	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Current service cost	118	123	2,025	1,867	2,084	2,001
Interest expense	42	56	582	480	210	169
Past service cost	–	–	–	200	–	–
Remeasurement of obligations from other employee benefits	–	–	–	–	1,874	464
Expenses recognised in profit for the period	160	179	2,607	2,547	4,168	2,634
Remeasurement of obligations from post-employment benefits	6,503	(1,136)	1,210	2,173	–	–
Expenses/(Income) recognised in other comprehensive income	6,503	(1,136)	1,210	2,173	–	–
Total	6,663	(957)	3,817	4,720	4,168	2,634

Expenses for retirement, severance payments and other employee benefits are recognised in profit or loss under cost of sales, distribution costs, general and administrative costs and in other comprehensive income. Net interest expense on personnel-related liabilities is presented in "Finance costs - net".

Amounts accrued in the *statement of financial position* are:

€ in thousands	31 Mar 2019	31 Mar 2018
Funded pension benefits	7,305	916
Unfunded pension benefits	1,388	1,180
Total pension benefits	8,693	2,096
Unfunded severance payments	28,317	25,932
Funded severance payments	383	493
Total severance payments	28,700	26,425
Other employee benefits	11,016	8,801
Provisions for employee benefits	48,409	37,322

Pension obligations and severance payments are as follows:

€ in thousands	Retirement benefits		Severance payments	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Present value of funded obligations	16,684	12,952	1,590	1,427
Fair value of plan assets	(9,379)	(12,036)	(1,207)	(934)
Funded status of funded obligations	7,305	916	383	493
Present value of unfunded obligations	1,388	1,180	28,317	25,932
Provisions recognised in the statement of financial position	8,693	2,096	28,700	26,425

The present value of projected pension benefits, the movement in plan assets (held to cover the pension benefits) and funded status are as follows:

€ in thousands	Funded retirement benefits		Unfunded retirement benefits	
	2018/19	2017/18	2018/19	2017/18
Present value of pension obligation:				
Present value at the beginning of the financial year	12,952	13,366	1,180	1,230
Current service cost	118	123	–	–
Interest expense	259	241	24	22
Remeasurement from the change in demographic assumptions	1,991	–	122	–
Remeasurement from the change in financial assumptions	1,956	(388)	124	(27)
Remeasurement from adjustments based on past experience	(130)	65	4	20
Benefits paid	(463)	(455)	(66)	(65)
Present value at the end of the financial year	16,683	12,952	1,388	1,180
Fair value of plan assets:				
Fair value at the beginning of the financial year	12,036	11,479		
Investment result	(2,436)	805		
Interest income	241	207		
Benefits paid	(463)	(455)		
Fair value at the end of the financial year	9,378	12,036		
Funded status of funded pension benefits	7,305	916		

As at 31 March 2019, the average maturity of funded pension benefits is 14 years and of unfunded pension benefits 12 years.

Plan assets held to cover the pension obligations have been transferred to pension funds. The diversification of the portfolio is as follows:

in %	31 Mar 2019	31 Mar 2018
Debt securities	30%	51%
Equity securities	58%	37%
Real estate	5%	4%
Cash and cash equivalents	7%	8%
Total	100%	100%

A significant portion of plan assets is traded in an active market.

The aggregate movement in funded and unfunded severance payments is as follows:

€ in thousands	Funded severance payments		Unfunded severance payments	
	2018/19	2017/18	2018/19	2017/18
Present value of severance payment obligation:				
Present value at the beginning of the financial year	1,427	1,359	25,932	22,465
Exchange differences	51	(200)	92	(173)
Service cost	90	78	1,936	1,789
Interest cost	104	88	548	455
Remeasurement from the change in demographic assumptions	(19)	(18)	(285)	1,067
Remeasurement from the change in financial assumptions	(145)	(74)	1,211	1,376
Remeasurement from adjustments based on past experience	126	34	335	(205)
Past service cost	–	200	–	–
Benefits paid	(45)	(40)	(1,452)	(842)
Present value at the end of the financial year	1,589	1,427	28,317	25,932
Fair value of plan assets:				
Fair value at the beginning of the financial year	934	911		
Exchange differences	40	(132)		
Contributions	195	125		
Investment result	13	7		
Interest income	69	63		
Benefits paid	(45)	(40)		
Fair value at the end of the financial year	1,206	934		
Funded status of funded severance payments	383	493		

As at 31 March 2019, the average maturity of unfunded severance payments is 12 years.

The aggregate movement in other employee benefits (anniversary bonuses) is as follows:

€ in thousands	2018/19	2017/18
Present value at the beginning of the financial year	8,801	8,252
Exchange differences	150	(251)
Service cost	2,084	2,001
Interest expense	211	169
Remeasurement from the change in demographic assumptions	1,116	296
Remeasurement from the change in financial assumptions	231	115
Remeasurement from adjustments based on past experience	527	53
Benefits paid	(2,104)	(1,834)
Present value at the end of the financial year	11,016	8,801

At 31 March 2019, the average maturity of other employee benefits is 11 years.

The following weighted actuarial parameters were used for the measurement at the balance sheet date:

	Retirement benefits		Severance payments		Other employee benefits (anniversary bonuses)	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Discount rate	1.80 %	2.00%	2.22 %	2.24%	2.18 %	2.73%
Expected rate of remuneration increase	2.70 %	2.60%	3.26 %	2.98%	4.06 %	4.81%
Expected rate of pension increase	1.80 %	1.20%	–	–	–	–
Retirement age	65	65	¹⁾	¹⁾	–	–

¹⁾ individual according to respective local legislation

Attrition rates and biometric data are included in the calculation of the provisions.

17. Other provisions

€ in thousands	Total	Warranty	Others
Carrying amount 31 Mar 2018	5,942	2,526	3,416
Utilisation	(1,397)	(97)	(1,300)
Reversal	(1,830)	(1,811)	(19)
Addition	1,338	415	923
Exchange differences	122	20	102
Carrying amount 31 Mar 2019	4,175	1,053	3,122

€ in thousands	Total	Warranty	Others
Carrying amount 31 Mar 2017	7,344	1,353	5,991
Utilisation	(3,330)	(59)	(3,271)
Reversal	(341)	(341)	–
Addition	2,886	1,688	1,198
Exchange differences	(617)	(115)	(502)
Carrying amount 31 Mar 2018	5,942	2,526	3,416

€ in thousands	31 Mar 2019	31 Mar 2018
thereof non-current	–	–
thereof current	4,175	5,942
Carrying amount	4,175	5,942

Warranty provision This item relates to the costs of existing and expected complaints about products still under warranty. The accrued amount is the best estimate of these costs based on past experience and actual facts, and is not yet recognised as a liability due to the uncertainty as to amount and timing. The amount of expected costs includes amounts assumed from product liability insurance.

Others This item relates substantially to provisions for risks from pending losses on onerous contracts and to provisions for the risks associated with pension scheme contributions in Asia resulting from the uncertain legal situation there.

18. Derivative financial instruments

Derivative financial instruments relate to interest rate swaps. Hedged items are payments in connection with loans.

The carrying amounts of the Group's derivative financial instruments correspond to their fair values. The fair value corresponds to the amount that would be incurred or earned if the transaction had been settled at the balance sheet date.

The fair values of the derivative financial instruments are as follows at the balance sheet date:

€ in thousands	31 Mar 2019		31 Mar 2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps at fair value	–	5,622	91	1,770
Total market values	–	5,622	91	1,770
Net of current portion:				
Interest rate swaps at fair value	–	–	–	791
Current portion	–	–	–	791
Non-current portion	–	5,622	91	979

At 31 March 2019, the fixed interest rates for interest rate swaps range between 0.1719% and 1.405%, the variable interest rate is based on the 6-month EURIBOR.

Based on the various scenarios, the Group hedges its cash flow interest rate risk using interest rate swaps. Such interest rate swaps have the economic effect of converting loans from floating rates to fixed rates. If the Group takes out loans at floating rates, it uses swaps to convert such loans into fixed rate loans. Under these interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between the fixed and variable interest rates calculated by reference to the agreed nominal amounts. Through the prepayment of the variable parts of the promissory note loan in the financial year 2015/16 from 2014, the basis for hedge accounting was eliminated. The existing interest rate swaps are now used for other floating rate loans. Due to different maturities and amounts, no effective hedging relationship can be established pursuant to IAS 39, which is a prerequisite for recognising gains and losses in other comprehensive income. Subsequent measurement of interest rate swaps is recognised in profit or loss under "Finance costs".

The nominal amounts and the fair values of derivative financial instruments relating to not effective hedges against interest rate fluctuations are as follows at the balance sheet date, presented by currency:

Currency	31 Mar 2019		31 Mar 2018	
	Nominal amount in 1,000 local currency	Market value € in thousands	Nominal amount in 1,000 local currency	Market value € in thousands
Euro	22,500	(740)	92,000	(1,770)

The remaining terms of derivative financial instruments of not effective hedges are as follows at the balance sheet date:

in months	31 Mar 2019	31 Mar 2018
Interest rate swaps	23	11 – 23

In the financial years 2017/18 and 2018/19 new interest rate swaps were signed, which are used for floating rate loans and recognised in the financial liabilities. Due to the same maturity and amount, there is an effective hedging relationship, which is a precondition according IAS 39 that assumes no influence of gains and losses on profit or loss. As a consequence the gains and losses from the ongoing subsequent measurement are recognised in the other comprehensive income.

The terms of the interest rate swaps employed as hedging instruments are as follows:

€ in thousands, in months, in %

	Nominal volume	Maturity	Average hedged interest rate during the period
Interest rate swaps	258,000	49 - 76 months	0,1719% - 0,5450%

The value of the interest rate swaps employed as hedging instruments developed as follows:

€ in thousands

	Carrying amount of the hedging instrument ¹⁾		Change in fair value of the hedging instrument on which the calculation of ineffectiveness is based	Change in fair value of the hedging instrument recognised in the cash flow hedge reserve
	Assets	Liabilities		
Interest rate swaps (cash flow hedge)	–	4,882	–	(4,983)

¹⁾ Interest rate swaps are reported under financial liabilities.

The development of value of the hedged items (floating rate loans) and the cash flow hedge reserve in equity are shown in the following table:

€ in thousands

	Change in fair value of the hedged item on which the calculation of ineffectiveness is based	Hedge ineffectiveness recognised in P&L during the period	Cash flow hedge reserve as of 31 Mar 2019	Amounts reclassified from the cash flow hedge reserve to P&L during the period ¹⁾
Interest rate swaps (cash flow hedge)	–	–	4,882	–

¹⁾ Amounts reclassified from the cash flow hedge reserve to the statement of profit or loss are recognised in finance costs.

19. Additional disclosures on financial instruments

Carrying amounts and fair values by measurement category The carrying amounts and fair values of financial instruments included in several items in the statement of financial position by measurement category are as follows at the balance sheet date. Unless otherwise stated, carrying amounts correspond approximately to the fair values:

31 Mar 2019	Measurement categories in accordance with IFRS 9 or measurement in accord. with other IFRSs		Level	Carrying amount	Fair value
€ in thousands					
Assets					
Non-current assets					
Derivative financial instruments	DHI	2	–	–	
Other financial assets	FAAFVOCI	2	193	193	
Financial assets			193	193	
Current assets					
Trade receivables less impairments	FAAC		108,098		
Contract assets less impairments	–		72,307		
Other receivables	FAAC		757		
Other receivables	–		47,883		
Trade and other receivables			229,045		
Financial assets	FAAFVPL	1	896	896	
Financial assets	FAAC		238,856		
Financial assets			239,752		
Cash and cash equivalents	FAAC		326,841		
Cash and cash equivalents			326,841		
Liabilities					
Other financial liabilities	FLAAC	2	711,421	716,172	
Derivative financial instruments	DHI	2	4,882	4,882	
Derivative financial instruments	FVPL	2	740	740	
Non-current and current financial liabilities			717,043	721,794	
Trade payables	FLAAC		131,936		
Other payables	FLAAC		25,170		
Other payables	–		39,044		
Trade and other non-current and current payables			196,150		
Aggregated by measurement categories					
Assets					
At amortised costs	FAAC ¹⁾		674,552	–	
Financial assets at fair value through OCI	FAAFVOCI ²⁾		193	–	
Financial assets at fair value through profit or loss	FAAFVPL ³⁾		896	–	
Derivatives as hedging instruments	DHI ⁴⁾		–	–	
Liabilities					
Financial liabilities at amortised costs	FLAAC ⁵⁾		868,527	–	
Derivatives as hedging instruments	DHI ⁴⁾		4,882	–	
Derivatives	6)	FVPL	740	–	

¹⁾ Financial assets at amortised costs

²⁾ Financial assets at fair value through OCI

³⁾ Financial assets at fair value through profit or loss

⁴⁾ Derivatives as hedging instruments

⁵⁾ Financial liabilities at amortised cost

⁶⁾ Derivatives at fair value through profit or loss

31 Mar 2018	Measurement categories in accordance with IAS 39 or measurement in accord. with other IFRSs		Level	Carrying amount	Fair value
€ in thousands					
Assets					
Non-current assets					
Derivative financial instruments	FAAFVPL	2	91	91	
Other financial assets	AFSFA	2	193	193	
Financial assets			284	284	
Current assets					
Trade receivables less impairments	LAR		65,473		
Other receivables	LAR		704		
Other receivables	–		52,473		
Trade and other receivables			118,650		
Financial assets	FAAFVPL	1	775	775	
Financial assets	HTMI		58,860		
Financial assets			59,635		
Cash and cash equivalents	LAR		270,729		
Cash and cash equivalents			270,729		
Liabilities					
Other financial liabilities	FLAAC	2	538,114	541,741	
Derivative financial instruments	DHI	2	1,770	1,770	
Non-current and current financial liabilities			539,884	543,511	
Trade payables	FLAAC		141,498		
Other payables	FLAAC		34,745		
Other payables	–		38,163		
Trade and other non-current and current payables			214,406		
Aggregated by measurement categories					
Assets					
Loans and receivables	LAR ¹⁾		336,906	–	
Available-for-sale financial assets	AFSFA ²⁾		193	–	
Financial assets at fair value through profit or loss	FAAFVPL ³⁾		866	–	
Held-to-maturity investments	HTMI ⁴⁾		58,860	–	
Derivatives	DHI ⁶⁾		91	–	
Liabilities					
Financial liabilities at amortised costs	FLAAC ⁵⁾		714,357	–	
Derivatives	DHI ⁶⁾		1,770	–	

¹⁾ Loans and receivables²⁾ Available-for-sale financial assets³⁾ Financial assets at fair value through profit or loss⁴⁾ Held-to-maturity investments⁵⁾ Financial liabilities at amortised cost⁶⁾ Derivatives

When measuring fair value, a distinction needs to be made between three valuation hierarchies:

- Level 1: The fair values are determined based on quoted market prices in an active market for identical financial instruments.
- Level 2: If quoted market prices in active markets are not available, the fair values are determined based on the results of a measurement method that is based to the greatest possible extent on market prices.
- Level 3: In this case, the fair values are determined using measurement models which are not based on observable market data.

Net results relating to financial instruments by measurement category Net gains or net losses relating to financial assets and liabilities by measurement category are as follows:

€ in thousands	2018/19	2017/18
Amortised cost	27,770	(11,163)
Fair value through other comprehensive income	9	8
Fair value through profit or loss	2,314	1,175
Financial liabilities at amortised cost	(18,196)	(6,712)
Total	11,897	(16,692)

€ in thousands	2018/19	2017/18
Loans and receivables	–	(11,233)
Financial assets at fair value through profit or loss	–	1,175
Available-for-sale financial assets	–	8
Held-to-maturity investments	–	70
Financial liabilities at amortised cost	–	(6,712)
Total	–	(16,692)

The net results relating to financial instruments include dividend income, interest income and expenses, foreign exchange gains and losses, realised gains and losses on the disposal and sale, as well as income and expenses recognised in profit or loss from the measurement of financial instruments.

€ 8,365 thousand in net income (previous year: € 6,667 thousand net expenses) of the total net result from financial instruments is included in the operating result, and € 3,532 thousand in net income (previous year: € 10,025 thousand in net expenses) in “Finance costs – net”.

Financial risks

In the following, the financial risks, which comprise the financing risk, the liquidity risk, the credit risk, and the foreign exchange risk, are addressed. In the Group Management Report, further risk categories and the related processes and measures are outlined.

Risk management of financial risks is carried out by the central treasury department (Group Treasury) under policies approved by the Management Board. Responsibilities, authorisations and limits are governed by these internal guidelines. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group’s operating units.

Financing risk The financing risk relates to securing the long-term funding of the Group and to fluctuations in the value of financial instruments.

On the assets side, the Group is exposed to low interest rate risks with regard to its securities portfolio. Other liquid funds are mainly invested short-term. Reference is made to Note 12 “Financial assets” and Note 13 “Cash and cash equivalents”.

On the liabilities side, 76.9% (previous year: 83.0%) of the total bonds and bank borrowings are subject to fixed interest rates, taking into account interest rate hedging instruments. Reference is made to Note 15 “Financial liabilities”.

The financial liabilities of the Group are linked to loan commitments that are customary in the market. These commitments are reviewed on a quarterly or an annual basis. In the event of non-compliance with these commitments, the lenders have a right of notice.

Liquidity risk In the Group, liquidity risk refers to the circumstance of insolvency. Therefore, sufficient liquidity shall be available at all times to be able to meet the current payment obligations on time.

At 31 March 2019, the Group has liquidity reserves of € 754.1 million (previous year: € 525.9 million). This comprises € 566.8 million (previous year: € 330.7 million) in cash and cash equivalents, held-to-maturity investments, securities held for trading and available-for-sale, and € 187.3 million (previous year: € 195.2 million) in available unused credit facilities. Thus, the liquidity reserves increased by € 228.2 million year-on-year and include € 43.4 million (previous year: € 43.1 million) in current reserves, which relate to AT&S in China and are subject to specific liquidity requirements.

Credit risk In the Group, credit risk refers to the potential for payment default by customers. The Group has always managed to establish strong partnerships with its largest customers.

The credit risk is kept to a minimum by means of a comprehensive process. Customers are subject to regular credit assessments and their receivables are covered by insurance to a large extent. Non-insured receivables are continuously monitored and, if any risks are identified, the deliveries are made only against advance payments or bank guarantees. In the financial year 2018/19, € 0.4 million (previous year: € 0.2 million) or 0.4% (previous year: 0.3%) of receivables were impaired.

Reference is made to the detailed disclosures in Note 11 “Trade and other receivables”.

Foreign exchange risk As a globally operating entity, the AT&S Group is exposed to foreign exchange risk. “Natural hedges” exist in part through local added value created at the various sites. Within the Group, transaction risks are initially managed by closing positions (netting). Open positions are continuously analysed and hedged using different hedging instruments such as forward contracts, currency options and currency swaps. No such instruments exist on the balance sheet date.

Sensitivity analyses are performed to assess the foreign exchange risk, with – all else being equal – the effects of percentage changes in foreign exchange rates being simulated against each other.

Financial market risks Detailed information on financial market risks and derivative financial instruments is contained in Section I.B.k. “Accounting and measurement policies: Derivative financial instruments” and in Note 18 “Derivative financial instruments”. The Group uses derivative financial instruments, such as forward contracts, options and swaps, exclusively for hedging purposes.

Evaluation of financial market risks by sensitivity analyses The Group applies sensitivity analyses to quantify the interest rate and currency risks. In gap analyses, the potential change in profit/loss resulting from a 1% change in price (exchange rate or interest rate) of the foreign currency or net interest position is determined. Correlations between different risk elements are not included in these analyses. The impact on profit/loss is determined taking into account income tax effects on the profit for the year after tax.

There are two different risks regarding changes in interest. In case of financing with fixed interest rates, the risk arises if the interest rate decreases and, in case of financing with variable interest rates, the risk consists of increasing interest rates (converse relating to disposition). The impact on profit/loss only results from changes in variable interest rates. AT&S counteract interest rate risks with two measures: by using derivative financial instruments and by increasing the risk spread of interest development due to financing in different currencies. The table below shows the effect on financial liabilities:

€ in thousands		31 Mar 2019			
Before Hedging	EUR	USD	Others	Total	In %
Fixed interest rate	252,758	13,509	–	266,267	37.4%
Variable interest rate	445,155	–	–	445,155	62.6%
Total	697,913	13,509	–	711,422	100.0%
In %	98.1%	1.9%	–	100.0%	
After Hedging					
Fixed interest rate	533,258	13,509	–	546,767	76.9%
Variable interest rate	164,655	–	–	164,655	23.1%
Total	697,913	13,509	–	711,422	100.0%
In %	98.1%	1.9%	–	100.0%	
€ in thousands		31 Mar 2018			
Before Hedging	EUR	USD	Others	Total	In %
Fixed interest rate	243,701	12,298	–	255,999	47.4%
Variable interest rate	253,351	30,534	–	283,885	52.6%
Total	497,052	42,832	–	539,884	100.0%
In %	92.1%	7.9%	–	100.0%	
After Hedging					
Fixed interest rate	435,701	12,298	–	447,999	83.0%
Variable interest rate	61,351	30,534	–	91,885	17.0%
Total	497,052	42,832	–	539,884	100.0%
In %	92.1%	7.9%	–	100.0%	

If the EUR interest rates at the balance sheet date had been 100 basis points higher, based on the financing structure at the balance sheet date, the profit for the year would have been € 1.0 million lower (previous year: € 0.3 million), provided all other variables remained constant. A decline in the EUR interest rates would not have had any impact on the profit for the year. If the USD interest rates at the balance sheet date had been 100 basis points higher (or lower), based on the financing structure at the balance sheet date, the profit for the year would have been € 0.0 million lower (previous year: € 0.2 million) or € 0.0 million higher (previous year: € 0.2 million), provided all other variables remained constant.

The effect of this interest rate sensitivity analysis is based on the assumption that the interest rates would deviate by 100 basis points during an entire financial year and the new interest rates would have to be applied to the amount of equity and liabilities at the balance sheet date.

The impact of hypothetical changes in exchange rates on the profit for the year results according to IFRS 7 from monetary financial instruments which are not denominated by the functional currency of the reporting company. Hence, the effect on profit/loss is calculated based on receivables, payables and financial balances respectively foreign currency derivatives. At AT&S, the risk primarily contains USD balances. Therefore, a sensitivity analysis is only done for this currency. The average changes in USD/EUR closing rates in the last 5 years amount to 9.0%. An increase in the US dollar exchange rate of 9.0% against the euro would have had a positive impact on

the profit for the year in the amount of € 20.5 million (previous year: € 10.8 million). Devaluation of the US dollar exchange rate against the euro would have reduced the profit for the year by € 20.5 million (previous year: € 10.8 million).

Capital risk management The objectives of the Group in respect of capital management include, firstly, securing the Company as a going concern in order to be able to continue providing the shareholders with dividends and the other stakeholders with their due services and, secondly, maintaining an appropriate capital structure in order to optimise capital costs. Therefore, the amount of the dividend payments is adjusted to the respective requirements, capital is repaid to shareholders (withdrawal of treasury shares), new shares are issued or the portfolio of other assets is changed.

Based on the covenants defined in the credit agreements, the Group monitors its capital based on the equity ratio as well as the ratio of net debt to EBITDA (theoretical payback period for debts).

The Group's strategy is not to fall below an equity ratio of 40% and not to exceed a theoretical payback period for debts of 3.0 years, creating sufficient leeway to cushion the effects of adverse business developments and to secure the Company as a going concern even in times of crisis. Temporary deviations from the values are acceptable.

At the balance sheet date, the equity ratio was 45.0% and thus below the previous year's figure of 46.5%. At 0.6 years, the theoretical payback period for debts was below the previous year's figure of 0.9 years.

20. Contingent liabilities and other financial commitments

Regarding non-cancellable leasing and rental agreements, reference is made to Note 15 "Financial liabilities". At 31 March 2019, the Group has other financial commitments amounting to € 100,136 thousand (previous year: € 19,918 thousand) in connection with contractually binding investment projects. As of 31 March 2019, the maximum risk associated with liability for default was € 4,060 thousand (previous year: € 5,093 thousand). The liability for default corresponds to the theoretical maximum loss if a default of all transferred receivables incurs. The probability of needing to fall back on this liability is extremely low. The fair value of this risk is not material. Furthermore, at the balance sheet date, the Group has no contingent liabilities from bank guarantees (previous year: € 0 thousand). There were no contingent liabilities from guarantees at the balance sheet date (previous year: € 0 thousand).

21. Share capital

	Outstanding shares in thousand shares	Ordinary shares € in thousands	Share premium € in thousands	Share capital € in thousands
31 Mar 2017	38,850	42,735	99,111	141,846
31 Mar 2018	38,850	42,735	99,111	141,846
31 Mar 2019	38,850	42,735	99,111	141,846

Ordinary shares The ordinary shares of the Company as of 31 March 2019 amount to € 42,735 thousand are fully paid in (previous year: € 42,735 thousand) and are made up of 38,850,000 (previous year: 38,850,000) no-par value bearer shares with a notional value of € 1.10 each.

Approved capital and conditional capital increase By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval from the Supervisory Board, by up to € 21,367.5 thousand by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights, after having been taken over by one or more credit institutions in accordance with Section 153 (6) of the Austrian Stock Corporation Act (AktG). The Management Board was authorised, subject to approval from the Supervisory Board to determine the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital. The Annual General Meeting also adopted a resolution to amend Section 4 the articles of association (Ordinary shares) in accordance with this resolution.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and, simultaneously, the Management Board was authorised until 2 July 2019, subject to approval from the Supervisory Board, to issue one or several convertible bearer bonds at a total nominal amount of up to € 150,000 thousand and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares in the Company in accordance with the convertible bond conditions to be defined by the Management Board. Furthermore, in doing so, the Company's ordinary shares were conditionally increased by up to € 21,367.5 thousand by way of issuance of up to 19,425,000 new no-par value bearer shares in accordance with Section 159 (2) No. 1 of the Austrian Stock Corporation Act (AktG). This conditional capital increase will only be carried out if as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval from the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the conditional capital.

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000 (limitation of authorised amount).

Outstanding shares The number of shares issued amounts to 38,850,000 at 31 March 2019 (previous year: 38,850,000).

Treasury shares By a resolution passed at the 23rd Annual General Meeting on 6 July 2017, the Management Board was again authorised to purchase or withdraw, within a period of 30 months from the adoption of the resolution of the General Meeting, treasury shares to an extent of up to 10% of the nominal share capital of the Company for a minimum consideration per share being at the utmost 30% lower than the average, unweighted stock exchange closing price over the preceding ten trading days and a maximum consideration per share at the utmost 30% higher than the average, unweighted stock exchange closing price over the preceding ten trading days. The Management Board was also authorised, for a period of five years from the date the resolution was passed, i.e. up to and including 5 July 2022, upon approval from the Supervisory Board to also sell the repurchased treasury shares or treasury shares already held by the Company other than via the stock exchange or by public offer in particular for the purposes of serving employee stock options, convertible bonds or as a consideration for the acquisition of entities or other assets or for any other legal purpose.

Dividend per share In the financial year 2018/19, a dividend of € 0.36 was paid per share (previous year: € 0.10).

22. Other reserves

The reclassification adjustments of the other comprehensive income realised in the profit for the year and the movement in other reserves are as follows:

€ in thousands	Currency translation differences	Financial assets at fair value through OCI	Hedging instruments for cash flow hedges	Remeasurement of obligations from post-employment benefits	Other reserves
Carrying amount 31 Mar 2017	83,942	2	–	(2,215)	81,729
Balance of unrealised changes before reclassification, net of tax	(53,523)	–	68	–	(53,455)
Remeasurement of obligations from post-employment benefits	–	–	–	(784)	(784)
Available for sale financial assets, net of tax ¹⁾	–	15	–	–	15
Carrying amount 31 Mar 2018	30,419	17	68	(2,999)	27,505
Balance of unrealised changes before reclassification, net of tax	24,466	–	(3,730)	–	20,736
Remeasurement of obligations from post-employment benefits, net of tax	–	–	–	(5,797)	(5,797)
Carrying amount 31 Mar 2019	54,885	17	(3,662)	(8,796)	42,444

¹⁾ Available-for-sale financial assets refers to a classification of financial instruments in accordance with IAS 39, which is no longer relevant in the reporting year due to the first-time application of IFRS 9 and is included in the category "Financial assets at fair value through OCI" as of the reporting year.

With regard to the presentation of income taxes attributable to the individual components of the other comprehensive income, including reclassification adjustments, reference is made to Note 6 "Income taxes".

23. Hybrid capital

On 17 November 2017, a hybrid bond was issued at a nominal amount of € 175,000 thousand and with an annual coupon of 4.75% which was paid out on 24 November 2017. The subordinated bond has a perpetual maturity and can be first called in and redeemed by AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, but not by the creditors, after five years. If the bond is not called in and redeemed after five years, the mark-up increases by 5.0% on the actual coupon.

As the hybrid bond satisfies the IAS 32 criteria for equity, the proceeds from the bond issue are recognised as part of equity. Accordingly, coupon payments are also presented as part of the appropriation of profit. The issue costs of the hybrid bond amounted to € 2,113 thousand. Therefore hybrid capital amounts to € 172,887 thousand (previous year: € 172,887 thousand).

24. Cash flow

In accordance with IAS 7, cash and cash equivalents comprise cash on hand and demand, deposits and current, liquid investments that can be converted into known cash amounts at any time and which are only subject to an insignificant risk of changes in value. The indirect method was used to prepare the Consolidated Statement of Cash Flows.

Cash flow from operating activities before changes in working capital in the financial year 2018/19 was € 205,972 thousand (previous year: € 192,101 thousand), cash flow from operating activities was € 170,534 thousand (previous year: € 143,191 thousand).

Cash flow from investing activities in the financial year 2018/19 amounts to € -276,579 thousand (previous year: € -193,389 thousand) and comprises investment activities in Leoben, Chongqing, Shanghai and India (€ -100,913 thousand) as well as investments of or return of liquid funds (€ -175,743 thousand). As of 31 March 2019, there are existing liabilities due to investments in the amount of € 31,172 thousand (previous year: € 23,600 thousand).

Cash flow from financing activities in the financial year 2018/19 in the amount of € 147,199 thousand (previous year: € 135,547 thousand) is mainly attributable to the issue of a promissory note loan.

€ in thousands	2018/19	2017/18
Cash flow from operating activities before changes in working capital	205,972	192,101
Cash flow from operating activities	170,534	143,191
Cash flow from investing activities	(276,579)	(193,389)
Free cash flow	(106,045)	(50,198)
Cash flow from financing activities	147,199	135,547
Change in cash and cash equivalents	41,154	85,349
Currency effects on cash and cash equivalents	14,958	(18,105)
Cash and cash equivalents at end of the year	326,841	270,729

The balance of cash and cash equivalents at the end of the financial year 2018/19 was € 326,841 thousand (previous year: € 270,729 thousand). This currently high amount is used to ensure further investments in affiliated entities.

The non-cash expense/income is as follows:

€ in thousands	2018/19	2017/18
Release of government grants	(2,880)	(2,795)
Other non-cash expense/(income), net	(14,643)	4,876
Non-cash expense/(income), net	(17,523)	2,081

Net debt reconciliation:

€ in thousands	2018/19	2017/18
Cash and cash equivalents	326,841	270,729
Financial assets	239,945	59,918
Financial liabilities, current	(37,967)	(81,525)
Financial liabilities, non-current	(679,076)	(458,359)
Net debt	(150,257)	(209,237)

€ in thousands	Other assets		Financial Liabilities	Total
	Cash	Financial assets		
Net debt 31 Mar 2017	203,485	8,833	(592,868)	(380,550)
Cash flows	85,349	51,468	38,942	175,759
Foreign exchange adjustments	(18,105)	(662)	16,210	(2,557)
Other non-cash movements	–	279	(2,168)	(1,889)
Net debt 31 Mar 2018	270,729	59,918	(539,884)	(209,237)
Cash flows	41,154	176,891	(164,386)	53,659
Foreign exchange adjustments	14,958	3,106	(3,853)	14,211
Other non-cash movements	–	30	(8,920)	(8,890)
Net debt 31 Mar 2019	326,841	239,945	(717,043)	(150,257)

V. OTHER DISCLOSURES

25. Earnings per share

Earnings per share is calculated in accordance with IAS 33 "Earnings Per Share".

Weighted average of outstanding shares The number of shares issued is 38,850,000. At 31 March 2019, no treasury shares are held, which would have had to be deducted in the calculation of earnings per share.

The weighted average number of outstanding shares for the basic earnings per share calculation amounts to 38,850 thousand in the financial year 2018/19 and to 38,850 thousand in the financial year 2017/18.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounts to 38,850 thousand in the financial year 2018/19 and to 38,850 thousand in the financial year 2017/18.

The following table shows the composition of the diluted weighted average number of outstanding shares in the respective periods:

in thousands	2018/19	2017/18
Weighted average number of shares outstanding – basic	38,850	38,850
Diluting effect	–	–
Weighted average number of shares outstanding – diluted	38,850	38,850

Basic earnings per share Basic earnings per share are calculated by dividing the profit for the period attributed to the shareholders of the Company by the weighted average number of outstanding ordinary shares in the same period.

	2018/19	2017/18
Profit for the year attributable to owners of the parent company (€ in thousands)	80,714	53,627
Weighted average number of shares outstanding – basic (in thousands)	38,850	38,850
Basic earnings per share (in €)	2.08	1.38

Diluted earnings per share Diluted earnings per share are calculated by dividing the profit for the period attributed to the shareholders of the Company by the weighted average number of outstanding shares including the number of potentially outstanding ordinary shares in the same period. The potentially outstanding ordinary shares comprise the additional shares to be issued for exercisable options or subscription rights and are included in diluted earnings per share.

	2018/19	2017/18
Profit for the year attributable to owners of the parent company (€ in thousands)	80,714	53,627
Weighted average number of shares outstanding – diluted (in thousands)	38,850	38,850
Diluted earnings per share (in €)	2.08	1.38

26. Material events after the balance sheet date

No material events occurred after the balance sheet date.

27. Related party transactions

In connection with various projects, the Group received consulting services from companies in which Supervisory Board chairman Mr. Androsch (AIC Androsch International Management Consulting GmbH) is operative and legal consultancy services from Frotz Riedl Rechtsanwälte, where Supervisory Board member Mr. Riedl is a lawyer.

€ in thousands	2018/19	2017/18
AIC Androsch International Management Consulting GmbH	376	383
Frotz Riedl Rechtsanwälte	1	5
Total	377	388

Members of the Management Board and the Supervisory Board

In the financial year 2018/19 and until the issue date of these consolidated financial statements, the following persons served on the *Management Board*:

- Andreas Gerstenmayer (Chairman)
- Monika Stoisser-Göhring (Deputy Chairwoman)
- Heinz Moitzi

In the financial year 2018/19, the following persons were appointed members of the *Supervisory Board*:

- Hannes Androsch (Chairman)
- Willibald Dörflinger (First Deputy Chairman)
- Regina Prehofer (Second Deputy Chairwoman)
- Karl Fink
- Albert Hochleitner
- Gerhard Pichler
- Georg Riedl
- Karin Schaupp

Delegated by the Works Council:

- Wolfgang Fleck
- Siegfried Trauch
- Günter Pint
- Günther Wölfler

The number of outstanding stock appreciation rights and staff costs from stock appreciation rights granted are as follows:

	Number of outstanding stock appreciation rights		Staff costs (€ in thousands)	
	31 Mar 2019	31 Mar 2018	2018/19	2017/18
Andreas Gerstenmayer	150,000	140,000	(113)	791
Monika Stoisser-Göhring	65,000	40,000	(49)	179
Heinz Moitzi	60,000	30,000	(17)	84
Total Management Board	275,000	210,000	(179)	1,054
Karl Asamer ¹⁾	60,000	90,000	(507)	810
Total other executive employees	328,468	195,000	(253)	781
Total	663,468	495,000	(939)	2,645

¹⁾ Former member of the Management Board

Reference is made to the comments on the stock option plans under Note 14 "Trade and other payables".

Total compensation to the members of the Management Board and to executive employees in the financial year in accordance with IAS 24:

€ in thousands	2018/19			2017/18		
	Fixed	Variable	Total	Fixed	Variable	Total
Andreas Gerstenmayer	532	714	1,246	532	624	1,156
Monika Stoisser-Göhring ¹⁾	391	175	566	321	316	637
Heinz Moitzi	417	186	603	417	405	822
Karl Asamer ²⁾	–	142	142	634	471	1,105
Executive employees	5,212	1,443	6,655	5,131	2,190	7,321
Total	6,552	2,660	9,212	7,035	4,006	11,041

¹⁾ The compensation for the financial year 2017/18 is shown since the appointment as member of the Management Board as of 2 June 2017. Exercises of stock appreciation rights, which were granted before the appointment of the Management Board member, are not included.

²⁾ Former member of the Management Board

The variable compensation of Andreas Gerstenmayer includes remuneration from stock appreciation rights of € 427 thousand (previous year: € 0 thousand). In the financial year 2017/18 the fixed compensation of Karl Asamer contains the contractual severance payments and other compensation in connection with the early termination of the management contract.

Besides the above mentioned compensation € 52 thousand (previous year: € 52 thousand) for Andreas Gerstenmayer and € 38 thousand (previous year: € 33 thousand) for Monika Stoisser were paid into a pension fund.

In accordance with IAS 24, these are key management personnel having direct or indirect authority and responsibility for planning, directing and controlling the activities of the entity; this includes managing directors of that entity.

Expenses for severance payments and retirement benefits for actual and former members of the Management Board, executive employees and their surviving dependants are as follows:

€ in thousands	Severance payments Financial year		Pensions Financial year	
	2018/19	2017/18	2018/19	2017/18
Expenses recognised in profit for the period	261	180	299	312
Remeasurement recognised in other comprehensive income	174	257	6,503	(1,136)

The severance expenses of Karl Asamer in the financial year 2017/18 are contained in the total compensation of the Management Board.

Total remuneration for services rendered personally by members of the Supervisory Board attributable to the financial year and proposed to the Annual General Meeting:

€ in thousands	2018/19			2017/18		
	Fixed	Variable	Total	Fixed	Variable	Total
Hannes Androsch	65	14	79	63	30	93
Willibald Dörflinger	51	9	60	49	20	69
Regina Prehofer	53	9	62	50	20	70
Karl Fink	30	7	37	31	15	46
Albert Hochleitner	30	7	37	30	15	45
Gerhard Pichler	34	7	41	33	15	48
Georg Riedl	38	7	45	36	15	51
Karin Schaupp	30	7	37	30	15	45
Total	331	67	398	322	145	467

Shareholdings of the Management Board and the Supervisory Board at 31 March 2019:

	Shares	% capital
Management Board members:		
Andreas Gerstenmayer	10,000	0.03
Monika Stoisser-Göhring	2,000	0.01
Heinz Moitzi	6,001	0.02
Total Management Board members	18,001	0.05
Supervisory Board members:		
Hannes Androsch	120,258	0.31
Other members of the Supervisory Board	42,250	0.11
Total Supervisory Board members	162,508	0.42
Private foundations:		
Androsch Privatstiftung	6,819,337	17.55
Dörflinger Privatstiftung	6,902,380	17.77
Total private foundations	13,721,717	35.32
Total	13,902,226	35.78

28. Expenses for the group auditor

The expenses for the financial year for the group auditor are as follows:

€ in thousands	2018/19	2017/18
Audit of consolidated and separate financial statements	137	137
Other assurance services	4	8
Other services	69	112
Total	210	257

This item does not include expenses for other network members of the group auditor, e.g. for the audit of financial statements of subsidiaries or tax consulting services.

29. Number of staff

The average numbers of staff in the financial year are as follows:

	2018/19	2017/18
Waged workers	7,321	7,657
Salaried employees	2,490	2,324
Total	9,811	9,981

The calculation of the number of staff includes an average of 371 leased personnel for the financial year 2018/19 and an average of 608 for the financial year 2017/18.

Leoben-Hinterberg, 16 May 2019

The Management Board

Andreas Gerstenmayer m.p.

Monika Stoisser-Göhring m.p.

Heinz Moitzi m.p.



Group Management Report 2018/19

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1. MARKET AND INDUSTRY ENVIRONMENT

1.1 General economic environment

The global economy is slowing down

Consensus estimates by the IMF, the World Bank and a number of market research companies recently indicated a significant slowdown of the global economy. The WTO expects global GDP to grow only by 2.6% in 2019 and 2020, compared with 2.9% in 2018 (WTO 4/2019¹), with only a minor slowdown in growth from 4.3% (2018) to 4.0% by 2020 projected for Asia (incl. China). The decline is primarily due to a downturn expected in line with the economic cycle, which is currently intensified by trade conflicts.

1.2 Industry environment

Electronics industry: modularisation continues to set the trend and opens up opportunities for additional value creation

Digital technologies and electronics play an integral part in coping with major challenges of society and the further development of the human lifestyle. Information and communication media, for example, have to be available anytime, anywhere; devices should be able to perform tasks to support people as autonomously (sensors, artificial intelligence, networking, etc.) and efficiently as possible. Moreover, mobility is supposed to be safe without any limitations and eco-friendly at the same time, and personal safety and health should be improved continuously as the population keeps aging.

Very small mobile devices such as smartphones, smartwatches, earpods and virtual reality glasses support people in a wide variety of tasks. Thanks to mobile diagnostics and therapy devices, it is getting easier to monitor health better. In all of this, users expect an increasing number of functions on ever-smaller space with longer battery life to support such a mobile lifestyle. As mobile devices are getting smaller and more battery space is necessary, the electronics contained in such devices require “miniaturisation”.

While the cycles of developing and launching products on the market are getting shorter, quality requirements are increasing at the same time. This challenge can be met by combining predeveloped, multiple-use system parts with one or several system functions in electronic modules (“modularisation”). Examples of such modules include sensor modules, computing or artificial intelligence (AI) modules, storage modules, and radio frequency (RF) modules for wireless communication and data transfer.

The trend of modularisation increasingly manifests itself not only in consumer, computer and communication products such as smartphones, smartwatches, smart speakers, notebooks, etc. but also in all other areas of electronics including industrial, automotive and medical applications.

Interconnect solutions consisting of printed circuit boards and IC substrates using embedding as one of the key technologies for the integration of modules with a growing number of functions make a significant contribution to supporting the trend of modularisation. They shorten electrical lines between the components and save space.

Printed circuit boards and interconnect solutions for consumer, communication and computer applications (“CCC”) are additionally characterised by the necessity of providing minimum trace widths for high levels of integration in large production volumes. Automotive, industrial and medical applications (“AIM”) use high-end technologies with reduced trace widths from CCC as a platform for further innovation. The focus is on the introduction of new materials (e.g. high-frequency printed circuit boards for radar applications in the automotive sector), process control within even tighter limits and further technological improvements to meet the especially high quality requirements.

Application trends such as connectivity to exchange the maximum possible data volumes (Internet of Things, machine-to-machine communication) or artificial intelligence (autonomous driving, automation, robotics) requiring especially high data processing and computing capability lead to an ever-stronger convergence of the technological requirements and roadmaps in the individual market segments.

¹ https://www.wto.org/english/news_e/pres19_e/pr837_e.pdf

These application trends follow the megatrend to enable not only higher and higher computing power and connectivity with higher data rates, but increasingly also the interaction of devices with the environment. Among other things, this drives the development of increasingly better and smaller cameras and other types of optical, position and environmental sensors, miniaturised light sources and displays, miniaturised speakers, etc. The ever-higher computing performance, supported by parallel computer architectures, allows continually improving algorithms for artificial intelligence.

Significant improvements in connectivity are expected through the introduction of the 5G telecommunication standard (data rates of many gigabit/s with latencies (= reaction times) of < 1ms). This will allow de facto “real time applications” also for mobile devices, robotics and autonomous driving.

An important global trend is the goal of preventing emissions, which advances the electrification of vehicles and, like autonomous driving, is consequently another important application driver for more electronics in cars. More efficient networks in vehicles (48V electrical system) as well as electrical motors require the transmission and switching of ever-increasing power, which requires measures to cool the electronics and minimise switching losses.

Depending on the development stage of individual

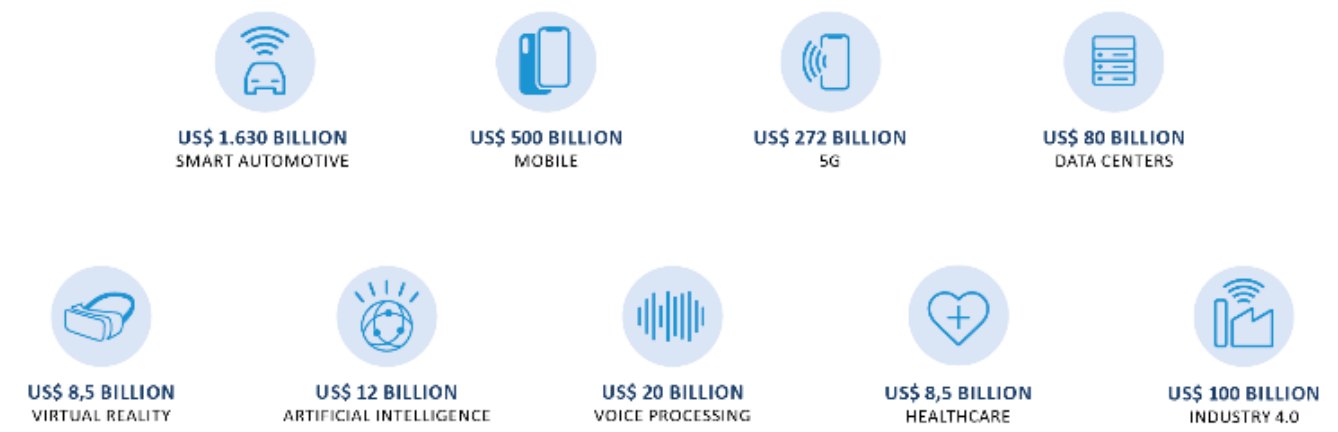
applications, the related hardware markets will have significant size in only a few years. For “Smart Automotive“, annual sales of roughly 25 million vehicles (“Level 2” – “Hands off”) with a total market volume of \$ 1,630 billion is expected as early as 2021. For the 2.5 billion mobile devices sold annually, the hardware market will total approximately \$ 500 billion, \$ 272 billion for 5G, approx. \$ 100 billion for industry automation (“Industry 4.0”) and roughly \$ 80 billion for data centres. Emerging applications such as voice recognition (\$ 20 billion), artificial intelligence (\$ 12 billion), sensors for healthcare (\$ 8.5 billion) or virtual reality (\$ 8.5 billion) represent relatively small markets in comparison – however, with particularly strong growth potential.

All of these applications can only be realised with highly advanced interconnect solutions as an increasingly significant part of the system as a whole. Modularisation is opening up considerable growth potential for high-end printed circuit board and IC substrate producers like AT&S by proactively entering into development partnerships with customers.

Electronics market: further growth through new functions such as 5G connectivity and artificial intelligence

The overall electronics market comprises all electronic devices and systems manufactured. The global electronics market is expected to total approximately \$ 2,142 billion in 2019, with an annual growth rate of roughly 2.3% between 2018 and

MARKET SIZE BY APPLICATION
2021

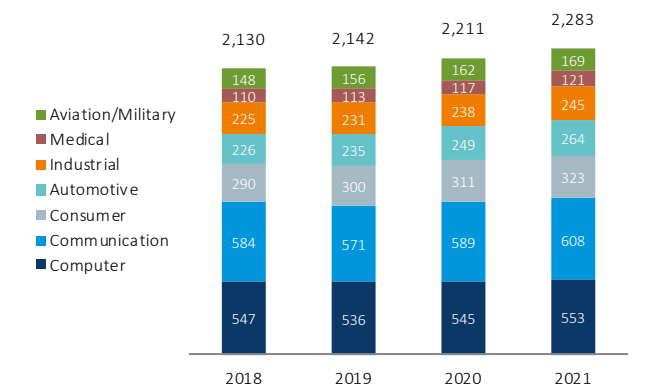


Source: Yole, AT&S, March 2019

2021. The strongest growth is forecast for the automotive (5.3%), aviation/military² (4.5%), consumer (3.7%) and medical technology (3.3%) segments. While an annual increase of 2.8% is expected for the industrial segment, the annual growth rates for communication (1.4%) and computers (0.4%) will be below average due to stagnating sales figures for smartphones and PCs/notebooks.

The introduction of the new wireless standard (5G) is a massive growth driver. 5G enables wireless communication in real time (< 1ms) with very high data rates, allowing not only videos to be played on mobile devices and general mobile data transmission from the Internet without any time delay but also all types of communication between machines (M2M or machine-to-machine communication) or vehicles (“Vehicle-to-X” or „V2X” communication). Growth is also strongly driven by additional functions for artificial intelligence, which are currently being integrated into a large number of electronic devices. In addition to human voice recognition and automatic evaluations of image information already available in many products (smartphone, smartwatch, robots, etc.), artificial intelligence is also used in areas such as autonomous driving for automated control decisions.

Electronics market by segment
US\$ in billions



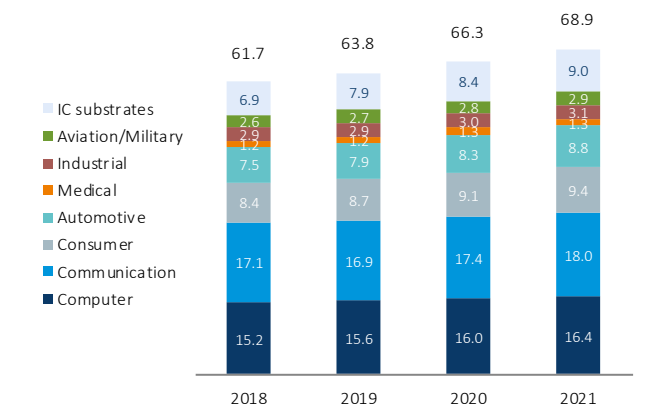
Source: Prismark, March 2019

² In this segment, AT&S’s business activity is limited to civil aviation and aeronautics and is consolidated in the figures in the Automotive segment.

Printed circuit board and IC substrate market: long-term growth through more integrated functions

The printed circuit board and IC substrate market as part of the electronics market that AT&S operates in reached a volume of \$ 61.7 billion in 2018 and is expected to grow to \$ 68.9 billion by 2021 (+3.7% p.a.). Printed circuit boards for the computer (\$ 16.4 billion, 2.4% p.a.), communication (\$ 18.0 billion, 1.6% p.a.) and consumer sectors, combined in the CCC segment, will continue to account for a share of roughly 64% in the overall market in 2021. Smartphones, PCs, tablets and servers remain the key applications in this segment. New applications such as wearables (smartwatches, etc.), Internet-of-Things (IoT) devices and the introduction of new device functions like artificial intelligence and the new 5G wireless standard offer very good long-term growth opportunities and are not only limited to CCC applications, but also drive growth in automotive, industrial and medical applications.

Substrates and PCB market
US\$ in billions



Source: Prismark, March 2019; Yole, April 2019

Printed circuit boards for the automotive (\$ 8.8 billion, 5.5% p.a.), aviation/military (\$ 2.9 billion, 4.2% p.a.) and medical technology (\$ 1.3 billion, 3.2% p.a.) segments, combined in the AIM segment, will represent roughly 23% of the overall market by 2021. The largest AIM sub-segment, “Automotive”, has the fastest growth rate at 5.5% p.a., driven by the continuously increasing share of electronics in cars. Key growth drivers in automotive electronics include applications for autonomous driving (sensors (radar, lidar, camera), 5G, artificial intelligence), connectivity and infotainment as well as the electrification of the drive train. Automation also promises

good growth opportunities in the Industrial segment (Industry 4.0 with artificial intelligence, 5G-machine-to-machine (“M2M”) communication). Printed circuit boards for applications in medical technology offer strong growth opportunities especially in the areas of sensors and mobile diagnostics as well as for implantable devices.

The IC substrate segment (\$ 9.0 billion, 9.2% p.a.) accounts for the remaining 13% of the overall market. IC substrates are predominantly applied in the “packaging” of individual components (integrated circuits (ICs)) such as processors and in the integration of modules consisting of several components (“System in Package” or “SiP”). The particularly strong increase between 2018 and 2021 (9.2% p.a.) is primarily attributable to growth of IC substrates for processors for data centres, networking processors, processors with additional artificial intelligence functions and IC substrates for radio modules for connectivity (4G, 5G, WiFi/WiGiG). As a result of larger processors and more and more integrated functions and components per module, the unit sizes and layer counts, and consequently the complexity of IC substrates, are also increasing. Moreover, the market for IC substrates is currently characterised by strong technological changes. Driven by new chip generations, minimal pattern sizes are getting smaller and smaller. In addition, the components and wiring layers on IC substrates are increasingly often directly connected with each other as the next level of system integration (“Fan Out”, “Embedding”).

Technology options for module integration (mSAP, SAP, embedding): IC substrates (SAP) as well as the latest printed circuit board generation (mSAP) with pattern sizes of < 10µm to < 30µm are used with an ever-increasing number of integrated functions (connectivity, processor, storage, sensors, etc.) for the integration of modules. The modules market records annual growth rates of 12% because packages of individual components are increasingly replaced by “Systems in Package” (“SiP”) for many components. This offers very good growth opportunities within the modularisation trend especially for companies that manufacture both high-end printed circuit boards and high-end substrates. The additional assembling of components on or in the printed circuit board and functional tests of finished modules can increase the value added by a factor of more than 5 compared with a pure substrate. Accordingly, the market that can be addressed is also becoming larger for AT&S, reaching a similar

size for module production as the entire printed circuit board market within a few years. In addition to “Surface Mount and Overmold”, the “Embedded-Component-Packaging” technology (“ECP”) is another technology option for module integration, which offers advantages in particular for the reduction of module size in individual applications.

2. ECONOMIC REPORT

2.1 Overall development of the Group

AT&S continues successful growth

In the financial year 2018/19, AT&S exceeded its revenue and earnings figures of the previous year despite a very challenging market environment. Overall, the AT&S Group increased revenue by € 36.2 million or 3.6% to € 1,028.0 million in the financial year 2018/19 (previous year: € 991.8 million). In the third quarter of the past financial year demand started to slow down, in particular in the Mobile Devices, Automotive and Industrial segments, and this trend continued in the fourth quarter. The optimised product, technology and customer portfolio as well as the strong first half of the year were able to compensate the slowdown of the last two quarters.

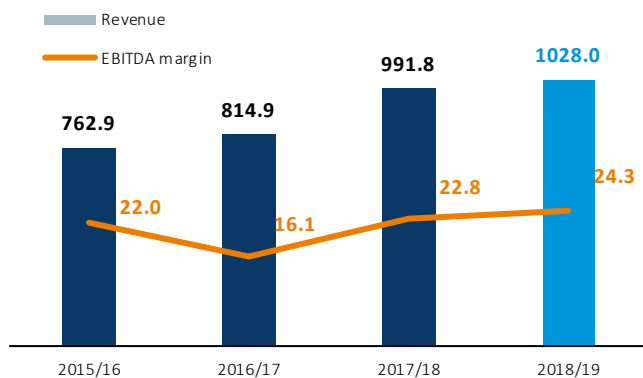
stronger during the past financial year, foreign exchange effects had a slightly positive influence of € 1.5 million or 0.2% on the development of revenue.

During the year, revenue developed in line with the seasonal cycle. In the second and third quarters, revenue was significantly higher than in the first and fourth quarters.

The effects from the implementation of the new IFRS 15 led to an increase in the reported revenue by € 22.5 million or 2.3%. This change results from recognising revenue over time, which is necessary for several customers. For further information please refer to the notes to the consolidated financial statements.

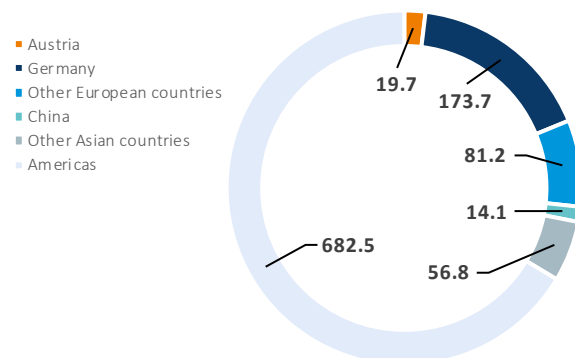
Development of revenue and EBITDA margin

€ in millions / in %



Revenue broken down by region, based on customers' headquarters:

€ in millions



2.2 Earnings development in the Group

Revenue up 3.6%

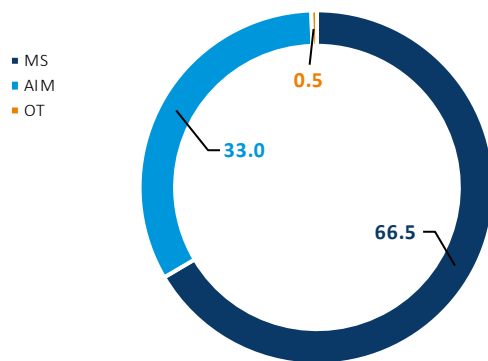
Revenue amounted to € 1,028 million, up 3.6% on the previous year. Increases in the sales volume of IC substrates and in the Medical & Healthcare segment largely compensated for the declining demand in the Mobile, Automotive and Industrial segments.

The regional revenue structure based on customers' headquarters shows a share of 66.4% for America compared with 63.0% in the previous year. The share of products manufactured in Asia rose slightly from 84.0% to 85.0%.

81.5% of revenue (previous year: 78.6%) was invoiced in foreign currencies (primarily US dollars). As the US dollar was

Revenue from external costumers by segments

in %



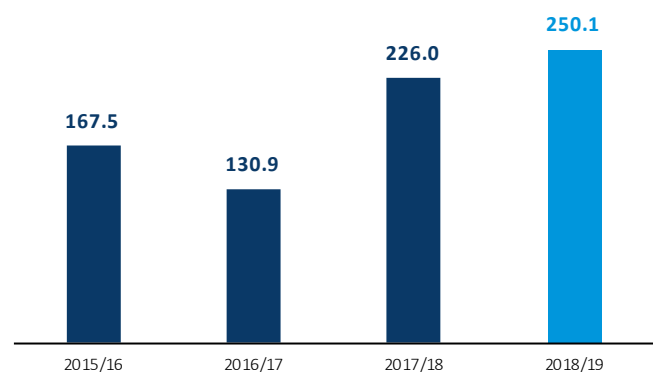
Revenue split by segment showed the following picture: The share of the Mobile Devices & Substrates (MS) segment in external revenue rose to 66.5% (previous year: 65.3%); the share of the Automotive, Industrial, Medical (AIM) segment declined to 33.0% (previous year: 34.2%) while remaining constant in absolute figures. Further information on the development of the segments is provided in Section 2.3 “Earnings development in the segments”.

EBITDA rises to € 250 million, EBITDA margin 24.3%

EBITDA amounted to € 250.1 million, clearly exceeding the prior-year value of € 226.0 million. The increase was primarily attributable to a significantly higher sales volume for IC substrates as well as efficiency and productivity improvements and a better product mix. The result was supported by positive currency effects, which result predominantly from positive measurement effects due to the stronger USD and the translation of the foreign subsidiary to the reporting currency. The overall positive impact of the exchange rate totalled € 22.1 million.

Development of EBITDA

€ in millions



The EBITDA margin rose by 1.6 percentage points from 22.8% in the previous year to 24.3%.

Proportional development of expense items

The abovementioned effects also had an impact on the individual cost areas. The increase in production costs by € 31.3 million to € 860.8 million is the result of higher revenue. This development was supported by positive exchange rate effects. Administrative and distribution costs were slightly lower than in the previous year.

The other operating result rose from € 0.1 million to € 17.4 million. This was mainly due to an improvement in the exchange rate result by € 15.4 million in the financial year 2018/19, which resulted above all from the measurement of receivables and liabilities denominated in the stronger USD.

Depreciation of property, plant and equipment and amortisation of intangible assets of € 132.9 million or 15.9% of non-current assets (previous year: € 135.7 million or 16.1% of

Result key data

€ in millions (unless otherwise stated)

	2018/19	2017/18	Change in %
Revenue	1,028.0	991.8	3.6%
Operating result before interest, tax, depreciation and amortisation (EBITDA)	250.1	226.0	10.7%
EBITDA margin (%)	24.3%	22.8%	
Operating result (EBIT)	117.2	90.3	29.8%
EBIT margin (%)	11.4%	9.1%	
Profit for the year	86.9	56.5	53.8%
Earnings per share (€)	2.08	1.38	50.7%
Additions to fixed assets	108.8	103.9	4.7%
Average number of staff (incl. leased personnel)	9,811	9,981	(1.7%)

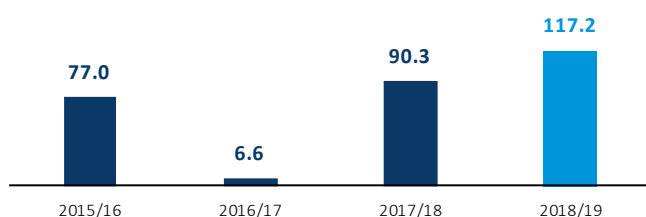
non-current assets) reflect the high technical standard and intensity of investment of AT&S. The decline by € 2.8 million compared with the previous year is essentially due to slightly lower depreciation at the Shanghai plant.

The operating result (EBIT) rose by € 26.9 million or 29.8% to € 117.2 million (previous year: € 90.3 million) due to the abovementioned effects.

The EBIT margin increased by 2.3 percentage points to 11.4% (previous year: 9.1%).

Development of EBIT

€ in millions



Significant improvement in finance costs – net

Finance costs – net improved from € -14.8 million to € -2.0 million. Interest expense on bank borrowings and bonds amounted to € 12.2 million (previous year: € 13.7 million). Interest on social capital increased by € 0.3 million from € 0.8 million to € 1.1 million.

The measurement of hedging instruments resulted in a loss of € 0.1 million (previous year: loss of € 0.5 million). The hedging instruments swap variable for fixed interest payments which do not meet the criteria of hedge accounting since the term and the amount do not match the primary secured financial liabilities.

Capitalised interest on borrowings related to the acquisition of qualified assets increased by € 0.1 million to € 0.2 million (previous year: € 0.1 million).

Due to the higher volume of time deposits, an increase in the return on financial investments by € 3.8 million to € 4.9 million (previous year: € 1.1 million) was achieved although the environment for investments is currently unfavourable.

Positive exchange rate differences of € 9.2 million were recognised as income in finance costs – net in the financial year 2018/19 (previous year: income of € 1.2 million). The exchange rate differences resulted from the measurement of liquid foreign currency funds and debts as well as exchange rate gains from financial instruments.

Finance costs – net are influenced by currency effects because investments and loans from credit institutions are in part denominated in foreign currencies. The main intragroup loans are long-term in nature and their repayment is neither scheduled nor probable in the foreseeable future. These loans are therefore recorded directly in equity through the statement of comprehensive income.

Profit for the year increased by 53.8%

Profit for the year increased from € 56.5 million in the previous year by € 30.4 million to € 86.9 million. The Group's tax expense amounts to € 28.2 million (previous year: € 19.0 million).

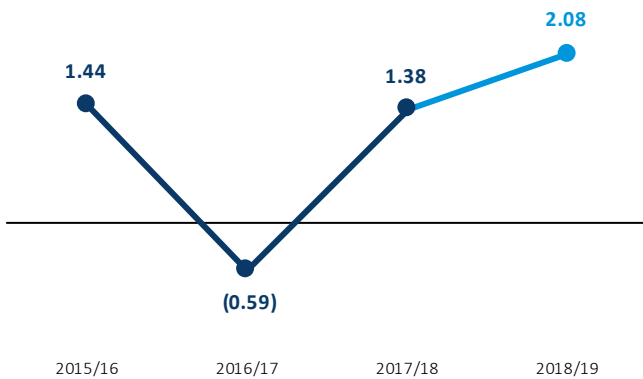
Current income taxes declined to € 15.7 million (previous year: € 26.9 million). The reduction was mainly attributable to higher tax deductions at AT&S China. This also led to lower deferred tax assets, resulting in deferred taxes (expense) of € 12.5 million. The deferred tax income of € 7.9 million in the previous year resulted primarily from the capitalisation of loss carryforwards in Austria.

AT&S (China) reported the favourable tax status as a “high-tech company” in the calendar year 2018. This tax status commenced on 1 January 2017, is valid for three years and is dependent on achieving certain criteria each year.

Earnings per share increased by € 0.70 from € 1.38 to € 2.08, with the number of shares outstanding remaining unchanged. In the calculation of earnings per share, interest on hybrid capital of € 6.2 million (previous year: € 2.9 million) was deducted from the profit for the year.

Earnings per share

in €



2.3 Earnings development in the segments

Segment Mobile Devices & Substrates: growth of 5%

The Mobile Devices & Substrates segment continued its positive business development in the financial year 2018/19, with demand for mobile devices starting to slow down in the second half of the financial year. The significant increase in earnings is primarily a result of the measures to improve efficiency and productivity implemented at the Chongqing site and the absence of start-up costs. This effect was supported by a higher-value product portfolio for IC substrates and by positive currency effects.

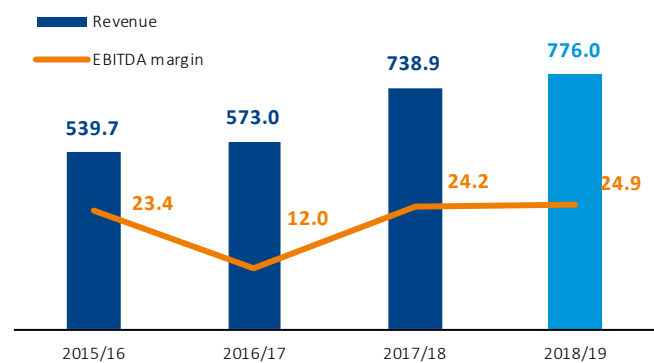
The increasing performance level of mobile devices would not be possible without HDI (high density interconnection) printed circuit boards and mSAP (modified semiadditive process) printed circuit boards. AT&S is one of the world's leading

suppliers of HDI technology and has achieved a leading position in mSAP technology.

With a revenue share of 66.5% (previous year: 65.3%), the Mobile Devices & Substrates segment is still the largest segment of the AT&S Group.

Mobile Devices & Substrates - Development of revenue, EBITDA margin

€ in millions / in %



Revenue, at € 776.0 million, was up € 37.1 million or 5.0% on the prior-year value of € 738.9 million. The positive US dollar exchange rate development slightly influenced revenue growth, which was € 1.9 million higher as a result. Revenue with customers of the Automotive, Industrial, Medical segment increased slightly.

In terms of geography, a further substantial increase in revenue with American customers was recorded.

Mobile Devices & Substrates segment – overview

€ in millions (unless otherwise stated)

	2018/19	2017/18	Change in %
Segment revenue	776.0	738.9	5.0%
Revenue from external customers	683.9	648.0	5.5%
Operating result before depreciation and amortisation (EBITDA)	193.5	179.0	8.1%
EBITDA margin (%)	24.9%	24.2%	
Operating result (EBIT)	80.8	61.6	31.2%
EBIT margin (%)	10.4%	8.3%	
Additions to fixed assets	69.6	76.8	(9.3%)
Employees (incl. leased personnel), average (no.)	6,860	7,083	(3.1%)

The segment's **EBITDA** amounted to € 193.5 million, up € 14.5 million or 8.1% on the prior-year value of € 179.0 million. The increase in EBITDA resulted from the strong operating performance at the Chongqing site and the positive exchange rate development. The EBITDA margin of the Mobile Devices & Substrates segment, at 24.9%, was 0.7 percentage points higher than in the previous year (24.2%).

The segment's **depreciation and amortisation** decreased by € 4.7 million or 4.0% from € 117.4 million to € 112.7 million. The reduction was attributable to slightly lower depreciation and amortisation at the Shanghai site.

The operating result (**EBIT**) increased by € 19.2 million to € 80.8 million (previous year: € 61.6 million). The EBIT margin improved by 2.1 percentage points to 10.4% (previous year: 8.3%) due to the increase in EBIT.

Additions to assets declined by € 7.2 million or 9.3% to € 69.6 million (previous year: € 76.8 million). Apart from additions of € 26.8 million for ongoing expansion, replacement and technology upgrades at the Shanghai plant, non-current assets at the new site in Chongqing rose by € 42.4 million.

Automotive, Industrial, Medical segment: Stable at the level of the previous year

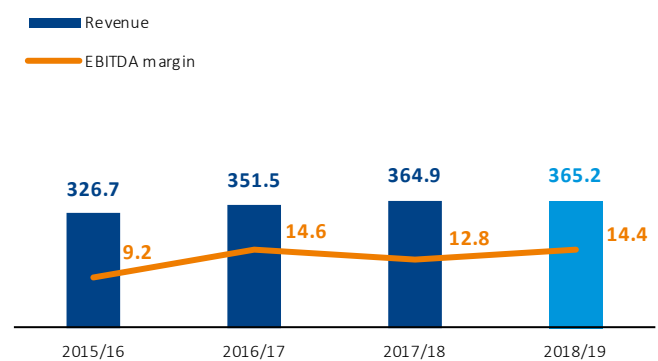
With revenue growth of € 0.3 million to € 365.2 million (previous year: € 364.9 million), the Automotive, Industrial, Medical segment remained stable at the level of the previous year. While the Automotive and Industrial segments recorded slightly weaker demand, growth was very strong in the Medical segment. Revenue with customers from the Mobile Devices & Substrates and Others segments rose slightly.

Regarding the development of the Leoben, Fehring, Ansan and Nanjangud sites, which are allocated to the Automotive,

Industrial, Medical segment, refer to Section 3.1 "Plants and branch offices" of the Management Report.

Automotive, Industrial, Medical - Development revenue, EBITDA margin

€ in millions / in %



The development of revenue is only reflected in **EBITDA** to a limited extent, which rose by € 5.8 million or 12.4% to € 52.6 million (previous year: € 46.8 million). This increase resulted from an improved product mix, positive exchange rate effects as well as efficiency and productivity measures.

The **EBITDA margin** increased by 1.6 percentage points to 14.4% (previous year: 12.8%).

The operating result (**EBIT**) rose by € 3.9 million or 12.9% to € 34.1 million (previous year: € 30.2 million).

The **EBIT margin** of the Automotive, Industrial, Medical segment, at 9.3%, exceeded the prior-year value of 8.3% due to the above mentioned effects.

The **additions to assets** rose by € 10.7 million to € 36.1 million (previous year: € 25.4 million). These additions were related to

Automotive, Industrial, Medical segment – overview

€ in millions (unless otherwise stated)

	2018/19	2017/18	Change in %
Segment revenue	365.2	364.9	0.1%
Revenue from external customers	338.9	339.3	(0.1%)
Operating result before depreciation and amortisation (EBITDA)	52.6	46.8	12.4%
EBITDA margin (%)	14.4%	12.8%	
Operating result (EBIT)	34.1	30.2	12.9%
EBIT margin (%)	9.3%	8.3%	
Additions to fixed assets	36.1	25.4	42.0%
Employees (incl. leased personnel), average (no.)	2,771	2,737	1.2%

ongoing expansion, replacement and technology upgrade investments at all sites.

Others segment

Along with general holding activities, the Others segment also comprises the embedding technology, which is currently in the development phase. This technology deals with embedding active and passive electronic components into printed circuit boards using ECP® technology, which has been patented by AT&S. The objective is to further miniaturise printed circuit boards while at the same time improving heat distribution, electrical performance and service life.

The business, which is in the process of being established, is currently still strongly project-related and recorded a decline in **revenue** in the financial year 2018/19.

Earnings in the Others segment were higher than in the previous year, which had been burdened by negative one-off effects. The one-off effects of the financial year 2017/18 included expenses of € 2.5 million for the adjustment of the variable remuneration to the degree of target achievement and expenses related to the SAR programme of € 2.6 million.

Others segment – overview

€ in millions (unless otherwise stated)

	2018/19	2017/18	Change in %
Segment revenue	5.3	8.1	(34.8%)
Revenue from external customers	5.3	4.5	16.1%
Operating result before depreciation and amortisation (EBITDA)	4.0	0.1	>100%
EBITDA margin (%)	75.3%	0.9%	
Operating result (EBIT)	2.4	(1.5)	>100%
EBIT margin (%)	45.0%	(19.1%)	
Additions to fixed assets	3.1	1.7	77.0%
Employees (incl. leased personnel), average (no.)	181	162	11.5%

2.4 Assets and financial position

2.4.1 ASSETS

Increase in current assets

In the financial year 2018/19, total assets increased by 16.6% to € 1,784.1 million. One of the main reasons was the issue of a promissory note loan in three tranches.

Non-current assets decreased by € 46.0 million to € 898.3 million. In particular, other non-current receivables dropped by € 32.2 million, which included input tax receivables for the Chongqing plant amounting to € 11.8 million (previous year: € 44.1 million), which can be gradually offset against value added tax liabilities.

The net change in non-current assets totalled € -4.3 million or -0.5% to € 837.9 million (previous year: € 842.2 million).

Current assets rose by € 299.7 million to € 885.8 million. Cash and cash equivalents recorded a significant increase to € 326.8 million (previous year: € 270.7 million). In addition to cash and cash equivalents, financial assets rose by € 180.1 million to € 239.8 million. The decline in inventories by € 51.6 million to € 84.5 million results – largely – from the application of IFRS 15. The increase in trade and other receivables and contract assets includes the corresponding offsetting item for the recognition of contract assets in the amount of € 72.4 million. Trade receivables additionally rose by € 42.8 million from the business volume so that the sum of trade and other

receivables and contract assets increased after impairment by € 114.9 million or 175.5% to € 180.4 million (previous year: € 65.5 million).

Trade payables fell by € 9.6 million or -6.8% from € 141.5 million to € 131.9 million. They include an increase in liabilities from investments by € 7.7 million to € 31.2 million (previous year: € 23.5 million).

Significant drop in net gearing

Equity rose by € 92.1 million or 12.9% from € 711.4 million to € 803.5 million. This increase results from the profit for the year of € 86.9 million and the positive currency differences from the translation of net asset positions of subsidiaries and from the translation of long-term loans to subsidiaries of € 24.5 million.

Net interest expenses of € 6.2 million for the hybrid bond and actuarial losses of € 5.8 million (previous year: loss of € 0.8 million) resulting from the parameters used in the calculation of personnel provisions had a reducing effect on equity.

The dividend led to a reduction of equity by € 14.0 million.

Non-current financial **liabilities** rose by € 220.7 million or 48.2% from € 458.4 million to € 679.1 million. The current portion declined from € 81.5 million to € 38.0 million.

On 19 July 2018, a promissory note loan transaction of an aggregate volume of € 292.5 million was successfully completed. The originally targeted issue volume of € 150.0 million, which was intended to secure, among other things,

Net working capital

€ in millions (unless otherwise stated)

	31 Mar 2019	31 Mar 2018	Change in %
Inventories	84.5	136.1	(37.9%)
Trade and other receivables and contract assets	180.4	65.5	>100%
Trade payables	(131.9)	(141.5)	6.8%
Liabilities from investments	31.2	23.5	32.5%
Working capital trade	164.1	83.6	96.4%
Other current assets, payables, provisions	(3.6)	(11.2)	68.2%
Net working capital	160.5	72.4	>100%
Net working capital in % of total revenue	15.6%	7.3%	
Days outstanding (in days):			
Inventories	36	60	(40.0%)
Receivables	64	24	>100%
Payables	66	76	(13.2%)

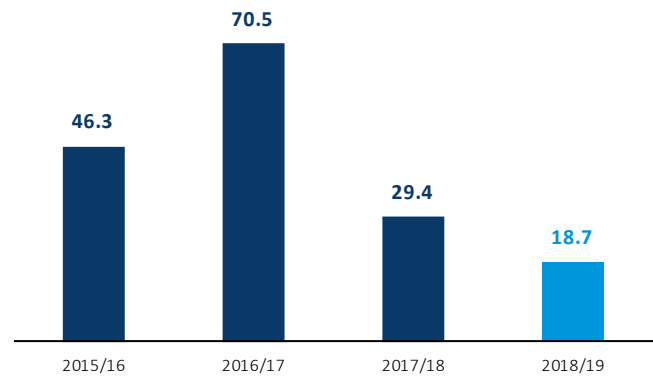
early refinancing of the tranche of the 2014 promissory note loan due in February 2019, was increased to € 292.5 million due to strong demand. In the third quarter, another tranche of this promissory note loan with a volume of € 43.0 million was issued.

The cash inflow resulting from the promissory note loan transaction was in part used to optimise and repay financial liabilities carrying higher interest rates. The remaining cash was invested for the short term and is consequently recognised under cash and cash equivalents or under financial assets.

Net debt fell by € 59.0 million or 28.2% to € 150.3 million (previous year: € 209.2 million). The decline resulted from the positive operating free cash flow.

Net gearing declined to 18.7% and was therefore significantly lower than in the previous year (29.4%).

Net gearing in %



2.4.2 FINANCING

The focus of the financial year 2018/19 was on financing the capital requirements of the coming years early in order to benefit from the currently favourable financing environment in the long term. A promissory note loan of an aggregate volume of € 335.5 million issued for this purpose was completed very successfully.

In addition to that, several small financing transactions were carried out and the financing structure was optimised further.

Financing is based on a four-pillar strategy

The financing of AT&S is based on a four-pillar strategy, which aims to minimise dependence on individual financing instruments. Based on the prevailing financial market

Net debt

€ in millions (unless otherwise stated)

	31 Mar 2019	31 Mar 2018	Change in %
Financial liabilities, current	38.0	81.5	(53.4%)
Financial liabilities, non-current	679.1	458.4	48.2%
Gross debt	717.1	539.9	32.8%
Cash and cash equivalents	(326.8)	(270.7)	(20.7%)
Financial assets	(239.9)	(59.9)	(>100%)
Net debt	150.3	209.2	(28.2%)
Operating result before interest, tax, depreciation and amortisation (EBITDA)	250.1	226.0	10.7%
Net debt/EBITDA ratio	0.6	0.9	
Equity	803.5	711.4	12.9%
Total consolidated statement of financial position	1,784.1	1,530.4	16.6%
Equity ratio (%)	45.0%	46.5%	
Net gearing (Net debt/Equity) (%)	18.7%	29.4%	

conditions, individual areas can be expedited more strongly or, as the case may be, not used at times.

The first pillar is based on long-term, **fixed-interest-bearing retail bonds**. Their advantage lies in their high predictability and security for the company as they carry fixed interest rates and are non-redeemable. However, their higher placement and financing costs are a disadvantage. No standard retail bond is issued at present.

The importance of **promissory note loans** as a key financing pillar did not change in the financial year 2018/19. The advantages of promissory note loans are their high level of predictability and their low placement costs. Due to these advantages, AT&S intends to also promote this form of financing in the future.

At 31 March 2019, promissory note loans totalling € 598.5 million (previous year: € 422.4 million) were placed with several national and international investors. The remaining terms range between 1 and 9 years.

Bank loans are used as the third pillar. As of 31 March 2019, loans totalling € 118.5 million were taken out with national and international banks (previous year: € 117.5 million). They predominantly carry fixed interest rates and have maturities between 1 and 7 years.

The fourth pillar consists of **credit lines**, which serve to cover liquidity fluctuations and as a financing reserve. At the reporting date, AT&S had unused credit lines of € 187.3 million (previous year: € 195.2 million) in the form of contracted loan commitments of banks. At 31 March 2019, AT&S had only used 79.7% (previous year: 73.4%) of its contracted financing potential and still possesses sufficient financial reserves in addition to cash and cash equivalents.

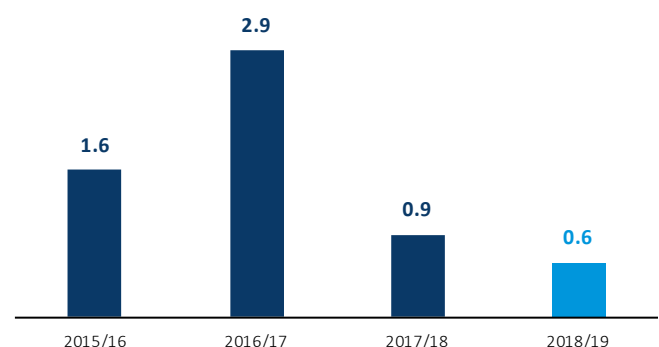
One of the most important task of the AT&S treasury function

is to ensure sufficient liquidity reserves. Treasury also monitors the covenants defined in the credit agreements to ensure that these covenants are met. AT&S pursues the goal of standardising credit agreements in order to treat all lenders equally.

Low repayment period and high equity ratio

The theoretical repayment period for debts, defined as net debt/EBITDA, of 0.6 years was significantly lower than the maximum of 3.0 years defined by AT&S. It declined again in the past financial year (previous year: 0.9 years).

Net debt/EBITDA



The equity ratio decreased from 46.5% in the previous year to 45.0% in the reporting year; however, it still exceeded the target value of 40.0%. For further information regarding capital risk management, please refer to Note 19 “Additional disclosures on financial instruments” – subsection Capital Risk Management – in the notes to the consolidated financial statements.

AT&S pursues a financing structure that is as balanced as possible, with an average duration that is consistent with the investment programme. As in the previous year, the duration

Instruments

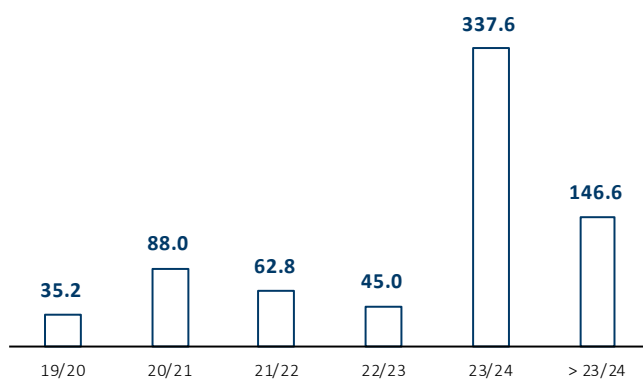
€ in millions

	31 Mar 2019	in %	31 Mar 2018	in %
Promissory note loans	598.5	66.2%	422.4	57.4%
Bank borrowings	118.5	13.1%	117.5	16.0%
Gross debt	717.0	79.3%	539.9	73.4%
Credit lines	187.3	20.7%	195.2	26.6%
Committed credit lines	904.4	100.0%	735.0	100.0%

was 3.7 years at the reporting date and thus remained stable at a very high level.

Redemption

€ in millions



The repayment structure shows a high amount in the year 2023/24 due to the repayment of parts of the promissory note loan and bank loans of € 337.6 million.

Effective interest rate and currency management

Minimising interest rate risk by predominantly using fixed interest rates was defined as another treasury objective. 76.9% (previous year: 82.9%) of financing is conducted at or was swapped to fixed interest rates and only 23.1% (previous year: 17.1%) is based on variable interest rates.

Strategies for securing interest rates are defined quarterly based on interest rate expectations and adapted as necessary. Compared with the previous year, the share of fixed interest rates declined slightly. Overall, AT&S is well protected against a possible turnaround or an increase in interest rates in the euro area.

AT&S also intends to invest available liquid funds **profitably but risk-sensitively**. At 31 March 2019, AT&S had financial resources totalling € 566.6 million (previous year:

€ 330.6 million). The aim is to achieve the highest possible yields in an environment that is currently very challenging from an investor perspective and to avoid negative interest by optimising the terms of investment and early conversion of liquid funds into currencies with higher interest rates and which are also continually required by AT&S.

Early conversion into foreign currencies also serves as a natural **currency hedge** and a reduction of the exposure to foreign currencies. The objective of AT&S is to keep the USD net risk position at a minimum. At 31 March 2019, assets denominated in USD (trade receivables, financial assets and cash denominated in USD) amounting to € 270.5 million (previous year: € 232.0 million) were offset by liabilities denominated in USD (trade payables and financial liabilities denominated in USD) amounting to € 43.3 million (previous year: € 77.2 million). The resulting net risk position – at 31 March 2019 this was an active balance of € 227.2 million (previous year: € 154.8 million) – thus amounted to 12.7% (previous year: 10.1%) of the Group's total assets and liabilities.

In addition to this natural hedging and the above-mentioned instruments for interest rate hedging, AT&S occasionally hedges foreign currency transaction risks in the short term (up to one year). At the reporting date, no such hedging instruments were in place.

Currency translation risks resulting from the conversion of subsidiaries with different local currencies are not hedged.

Securing the financing network

The final treasury objective consists of an optimised relationship management with financing partners. AT&S considers this to be the selection of banks for national and international cooperation as well as setting up and maintaining the communication necessary for both sides. The aim is to create a high level of transparency regarding the opportunities and risks of AT&S in order to strengthen a long-

Treasury key data

	Covenant ¹⁾	Target ²⁾	31 Mar 2019	31 Mar 2018
Net debt/EBITDA ratio	< 4,0	< 3,0	0.6	0.9
Equity ratio	> 35 %	> 40 %	45.0%	46.5%

¹⁾ Covenants are limits included in old credit agreements which the actual figures should not exceed (Net debt/EBITDA) or undercut (equity ratio).

²⁾ Target values are limits defined by AT&S which the actual figures, under normal circumstances, should not exceed (Net debt/EBITDA) or undercut (equity ratio).

term partnership with the financing institutions which is successful for both sides. The annual and quarterly reports serve as the basis for this.

In addition, meetings with our financing bank partners in which the opportunities for cooperation are discussed take place at least once a year. In the course of placing the promissory note loan new contacts with investors were established and the investor base was further broadened.

2.4.3 CASH FLOW

Good earnings situation boosts liquidity

Cash flow from operating activities before changes in working capital rose from € 192.1 million to € 206.0 million. This significant increase was primarily attributable to earnings improvements at the plants. These improvements were also the main cause of the increase in the operating result from € 90.3 million to € 117.2 million. Interest payments declined by € 1.4 million to € 13.6 million (previous year: € 15.0 million), mainly due to better terms and conditions in the promissory note loans. The interest received reflects the currently very difficult market environment for investments in euros, but nevertheless increased by € 3.8 million to € 4.9 million (previous year: € 1.1 million) due to the higher investment volume. Income taxes paid rose by € 2.8 million to € 28.8 million (previous year: € 26.0 million).

Cash flow from operating activities improved significantly to € 170.5 million (previous year: € 143.2 million). The decline in trade payables and other liabilities by € 30.9 million and the decrease in cash flow from trade and other receivables and contract assets by € 23.4 million were offset by changes in inventories of € 20.8 million.

Capital expenditures for property, plant and equipment and for intangible assets of € 100.9 million were substantially lower than in the previous year (€ 141.9 million). The main

outflows resulted from the upgrade to new technologies in Shanghai and Chongqing.

Free cash flow from operating activities, i.e., cash flow from operating activities less net investments in property, plant and equipment and for intangible assets amounted € 69.7 million in the financial year 2018/19 (previous year: € 1.5 million). AT&S thus managed to fund the high level of investment activities independently.

The proceeds from the issue of the promissory note loan were in part invested with maturities of three months. Overall, this led to a net outflow of financial assets of € 175.8 million (previous year: net inflow of € 51.7 million). Due to this effect, **cash flow from investing activities**, at € -276.6 million, exceeded the prior year value of € -193.4 million.

Cash flow from financing activities amounted to € 147.2 million, up € 11.7 million on the prior-year value of € 135.5 million. This was primarily attributable to the cash inflow from borrowings of € 355.3 million and the repayment of financial liabilities of € 190.9 million, the dividend payment of € -14.0 million and the hybrid coupon payment of € -8.3 million.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, amounted to € -106.0 million, down € 55.8 million on the prior-year figure of € -50.2 million. € 124.1 million of the year-on-year change resulted from the investment and returns on the investment of cash and cash equivalents, which were offset by a decrease in investment activity of € 41.0 million and higher cash flow from operating activities.

Substantial liquidity available for repaying existing financing and further investments

Despite very high levels of investment, cash and cash equivalents increased from € 270.7 million to € 326.8 million due to a stable, high level of cash flow from operating

Carrying amount of financial liabilities by maturity

€ in millions

	31 Mar 2019	in %	31 Mar 2018	in %
Remaining maturity				
Less than 1 year	38.0	5.3	81.5	15.1 %
Between 1 and 5 years	532.6	74.3	323.5	59.9 %
More than 5 years	146.5	20.4	134.8	25.0 %
Total financial liabilities	717.0	100.0	539.9	100.0 %

activities and the above-mentioned financing and investment measures. Moreover, AT&S has current financial assets of € 239.8 million (previous year: € 59.6 million).

Overall, AT&S thus has cash and current financial assets totalling € 566.6 million (previous year: € 330.6 million). This amount, which is currently very high, serves to secure the financing of the future investment programme and short-term repayments.

2.4.4 PERFORMANCE INDICATORS

Indicators demonstrate strong operating performance

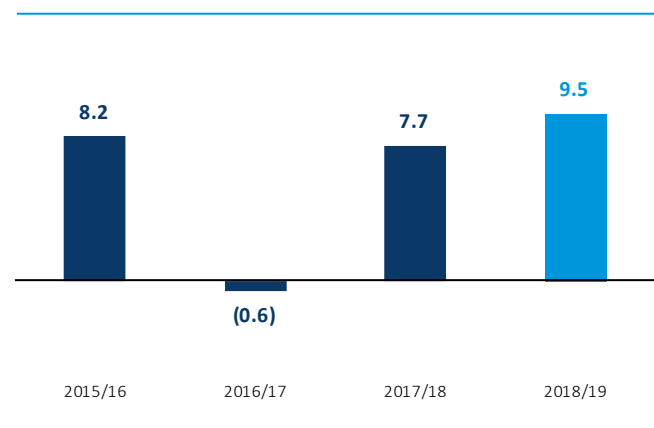
In addition to revenue and EBITDA, AT&S uses the indicators ROCE and IRR for strategic corporate management. They reflect the operating performance vis-à-vis investors and customers.

AT&S uses return on capital employed (ROCE) to measure its operating performance from the point of view of investors, using the ratio of the result adjusted for finance costs – net and average capital employed. This ratio serves to derive the extent to which AT&S fulfils its investors' interest requirements. Average capital costs are derived from the minimum return investors expect for providing equity or borrowings. The weighted average cost of capital (WACC) for the printed circuit board industry is around 8.5%. With ROCE amounting to 9.5%, AT&S exceeded this value in the year under review.

ROCE improved year-on-year as a result of better EBIT, which was offset by higher average capital employed of € 937.2 million (previous year: € 920.6 million).

The second performance indicator is related to the ability to implement innovations in a timely manner and in response to the market. AT&S measures this ability using the innovation revenue rate (IRR), which expresses the revenue share of products that feature new and innovative technologies and which have been launched on the market in the last three years. For the financial year 2018/19, the IRR is 35.3%, after 40.4% in the previous year. AT&S aims to achieve an IRR of at least 20%. This target was significantly exceeded in the financial year 2018/19.

ROCE
in %



Cash flow statement (short version)

€ in millions

	2018/19	2017/18	Change in %
Cash flow from operating activities before changes in working capital	206.0	192.1	7.2%
Cash flow from operating activities	170.5	143.2	19.1%
Cash flow from investing activities	(276.6)	(193.4)	(43.0%)
Operating free cash flow	69.7	1.5	>100%
Free cash flow	(106.1)	(50.2)	(>100%)
Cash flow from financing activities	147.2	135.6	8.6%
Change in cash and cash equivalents	41.2	85.4	(51.8%)
Currency effects on cash and cash equivalents	15.0	(18.1)	>100%
Cash and cash equivalents at end of the year	326.8	270.7	20.7%

2.5 Significant events after the reporting period

Until 16 May 2019 no events or developments came to AT&S's attention that would have resulted in significant changes in the disclosure or measurement of the individual asset and liability items as at 31 March 2019.

Return on capital employed (ROCE)

€ in millions

	2018/19	2017/18	Change in %
Operating result (EBIT)	117.2	90.3	29.8%
Income taxes	(28.2)	(19.0)	(48.7%)
Operating result after tax (NOPAT)	89.0	71.3	24.8%
Equity – average	757.4	625.7	21.0%
Net debt – average	179.8	294.9	(39.0%)
Capital employed – average	937.2	920.6	1.8%
ROCE	9.5%	7.7%	

Innovation Revenue Rate (IRR)

€ in millions

	2018/19	2017/18	Change in %
Main revenue	1,027.8	991.7	3.6%
Main revenue generated by innovative products	362.5	400.7	(9.5%)
IRR	35.3%	40.4%	

3. OTHER STATUTORY INFORMATION

3.1 Plants and branch offices

The AT&S Group currently operates six production plants, which specialise in different technologies.

Leoben and Fehring

The Austrian plants primarily supply the European market and increasingly also the American market. In Europe, short lead times, special applications and customer proximity are particularly important. The plant in Leoben continues to pursue the path of niche and prototype production started in recent years. Among other things, the production of the embedding technology is based in Leoben. The plant in Fehring recorded a positive development in the reporting year. A stronger focus on specific applications and markets helped create synergies with other sites (Leoben and Nanjangud) and improve the product mix. The expansion and technological upgrade of the plant initiated at the end of the financial year 2017/18 were largely completed during the financial year 2018/19. As a result, high-end printed circuit boards (HDI/HF technology) can be manufactured at the Fehring site for the Industrial, Medical and Automotive segment.

Shanghai

The plant in Shanghai manufactures leading-edge HDI (high density interconnection) printed circuit boards in serial production for the Mobile Devices & Substrates segment for customers all over the world. The plant was able to successfully meet the demand for HDI and mSAP printed circuit boards and has established itself as a leading supplier of the latest technology generation. The plant's broad technological spectrum was very well received by customers and the plant was continuously operating at capacity during the peak season months. Strong demand for HDI printed circuit boards continued in 2018/19, which were produced for the Automotive, Industrial, Medical segment. In addition, the embedding technology was successfully implemented in the past financial year and Shanghai will be able to offer this technology in the future in order to benefit from the trend of integrating active and passive components in the printed circuit board.

Chongqing

Two plants for high-end products are operated in Chongqing. The plant for IC substrates (Integrated Circuit Substrates) continued to increase production in the past financial year due to efficiency improvements and was consequently able to meet the strong demand by the market. In order to continue to optimally serve our customers, full expansion of the substrate plant was started towards the end of the year. At the plant for mobile applications, high-end mSAP printed circuit boards are manufactured. During the financial year 2018/19 the plant was technologically upgraded and will also be able to produce printed circuit boards for modules in the future. To date, the plant has been expanded to about 50% of its capacity and can therefore increase capacity within a relatively short time period in order to meet growing demand.

Ansan

The very positive development of the site in Korea continued in the financial year 2018/19. In addition to the good capacity utilisation in the medical sector for European and American customers, substantial quantities were manufactured for mobile applications. In order to maintain the option to expand the plant, two neighbouring premises totalling 3,305 square metres were acquired in the past financial year.

Nanjangud

The site continued its positive development in the financial year 2018/19. Efficiency increases from operational improvements and a further enhancement of the product mix in the area of high-end technologies led to a slight year-on-year increase in revenue. In the financial year 2018/19 the expansion of the plant and its technological upgrade were nearly completed so that full capacity is available for the growing demand for high-frequency printed circuit boards in the Automotive segment.

Hong Kong

The Hong Kong-based company AT&S Asia Pacific is the holding company for the Mobile Devices & Substrates segment – hence, for the Chinese plants and the allocated sales companies – and the headquarters of Group-wide procurement for this segment. The proximity to the CEMs of the customers and to suppliers is a locational advantage which business partners highly appreciate.

The sales support companies in America, Germany, Japan and Taiwan continued to ensure good and close contact with customers in the financial year 2018/19.

3.2 Shareholder structure and disclosures on capital (disclosures pursuant to § 243a UGB)

Capital share structure and disclosure of shareholder rights

As of the reporting date at 31 March 2019, the Company's ordinary shares amount to € 42,735,000 and are made up of 38,850,000 no-par value shares with a notional value of € 1.10 per share. The voting right at the Annual General Meeting is exercised according to no-par value shares, with each no-par value share equalling one voting right. All shares are bearer shares.

On 20 December 2018, Hannes Androsch, Chairman of the Supervisory Board of AT&S, sold 202,095 AT&S shares. Androsch Privatstiftung, which is closely associated with AT&S Supervisory Board members Hannes Androsch, Georg Riedl and Gerhard Pichler, purchased these 202,095 AT&S shares. The transaction was duly published on 21 December 2018. The average price amounted to € 19.09. The total value of the shares sold thus amounted to € 3,857,993.55.

On 20 December 2018, Hannes Androsch, Chairman of the Supervisory Board of AT&S, sold 277,346 AT&S shares. AIC Androsch International Management GmbH, which is closely associated with AT&S Supervisory Board Chairman Hannes Androsch, bought these 277,346 AT&S shares. The transaction was duly published on 21 December 2018. The average price amounted to € 19.09. The total value of the shares sold thus amounted to € 5,294,535.14.

Significant direct and indirect shareholdings in the group

parent AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, which at the reporting date amount to at least 10%, are presented below: [see table below](#).

At the reporting date 31 March 2019, roughly 64.68% of the shares were in free float. With the exception of the shareholdings stated above, no other shareholder held more than 10% of the voting rights in AT & S AG. No shares with special control rights exist. The exercise of the voting right by employees who hold shares in the Company is not subject to any limitations.

No special provisions exist on the appointment and dismissal of members of the Management Board and the Supervisory Board.

The contracts of all Management Board members include a "Change of Control" clause: Such a change of control exists in the event that a shareholder of the company has obtained control of the company in accordance with Section 22 of the Austrian Takeover Act (ÜbG) by holding at least 30% of the voting rights (including the voting rights of third parties attributable to the shareholder pursuant to the Austrian Takeover Act), or the company has been merged with a non-Group legal entity, unless the value of the other legal entity amounts to less than 50% of the value of the company according to the agreed exchange ratio. In this case, the Management Board member is entitled to resign for good cause and terminate the Management Board contract at the end of each calendar month within a period of six months after the change of control takes legal effect, subject to a notice period of three months ("special termination right"). If the special termination right is exercised or the Management Board contract is terminated by mutual agreement within six months of the change of control, the Management Board member is entitled to the payment of his/her remuneration entitlements for the remaining term of this contract, however, for a maximum of three annual gross salaries. Other remuneration components shall not be included in the

	Shares	% capital	% voting rights
Dörflinger-Privatstiftung: Karl-Waldbrunner-Platz 1, A-1210 Vienna	6,902,380	17.77%	17.77%
Androsch Privatstiftung: Schottengasse 10, A-1010 Vienna	6,819,337	17.55%	17.55%

calculation of the amount of the severance payment and shall be excluded from it.

By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval by the Supervisory Board, by up to € 21,367,500.00 by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights offerings after having been taken over by one or more credit institutions in accordance with § 153 (6) of the Austrian Stock Corporation Act (AktG). In doing so, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital. The Annual General Meeting also passed the resolution to amend § 4 of the articles of association (ordinary shares) in accordance with this resolution.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and, simultaneously, the Management Board was authorised until 2 July 2019, subject to approval by the Supervisory Board, to issue one or several convertible bearer bonds in a total nominal amount of up to € 150,000,000.00 and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares of the Company in accordance with the convertible bond conditions to be defined by the Management Board. In doing so, the Company's ordinary shares were conditionally increased by up to € 21,367,500.00 by way of the issuance of up to 19,425,000 new no-par value bearer shares in accordance with § 159 (2) No. 1 AktG. This conditional capital increase is only carried out insofar as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval by the Supervisory Board,

the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights).

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000 (definition of amount of authorisations).

Treasury shares

By a resolution passed at the 23rd Annual General Meeting on 6 July 2017, the Management Board was again authorised to acquire treasury shares to the maximum extent of up to 10% of the ordinary shares of the Company within 30 months as from the resolution date. Furthermore, the Management Board was authorised, for a period of five years as of the date the resolution was passed, i.e. up to and including 5 July 2022, upon approval by the Supervisory Board and without any further resolution by the Annual General Meeting, to sell treasury shares also in a different way than via the stock exchange or by public offering, most notably to serve employee stock options, convertible bonds or to use such shares as a consideration for the acquisition of entities or other assets and for any other legal purpose.

As of 31 March 2019, the Group does not hold any treasury shares. There are no off-balance sheet transactions between AT&S and its subsidiaries.

AT&S neither has granted any loans nor has it assumed any liabilities in favour of board members.

For further information, reference is made to the notes to the consolidated financial statements (Note 21 "Share capital" as well as Note 15 "Financial liabilities").

The Company's Corporate Governance Report pursuant to § 243b of the Austrian Commercial Code is available at <http://www.ats.net/company/corporate-governance/reports/>.

3.3 Non-financial statement

In accordance with § 243b (6) UGB (Austrian Commercial Code), the company is exempt from the obligation to prepare a non-financial statement in the Management Report since a separate non-financial report has been drawn up. This non-financial report is included in the Annual Report 2018/19 as a separate chapter.

4. RESEARCH AND DEVELOPMENT

Highlights in the financial year 2018/19

Nearly all of AT&S's research and development activities aim to anticipate the changes currently taking place in the electronics industry and to capture the resulting opportunities, thus gradually becoming "More than AT&S". Our current projects aim to find new solutions for:

Miniaturisation/weight reduction: Devices are getting smaller, lighter and more powerful – AT&S can and must create the basis for this development. AT&S is working on new technologies which increase trace density and reduce the thickness of the systems.

Integration of new and additional functions: Electronic devices fulfil more and more functions, which are usually made possible through additional components. These have to be connected in the tightest packaging density and with the highest performance – ideally in a simplified value chain. AT&S is developing new concepts for the efficient integration and interconnection of electronic components.

Fast signal transmission: In the coming years there will be a massive increase in the data volume to be processed (e.g. 5G, autonomous driving). In its development projects in this area, AT&S ensures that the products transmit signals fast and with minimal losses.

Performance and performance efficiency: Energy-efficient mobility is leading to the electrification of mobility – mechanical solutions are being replaced by energy-saving electronic solutions. The projects in this area focus on systems that enable optimal power supply with the lowest electrical losses and are able to switch and transmit high loads and may even be able to produce energy in the future.

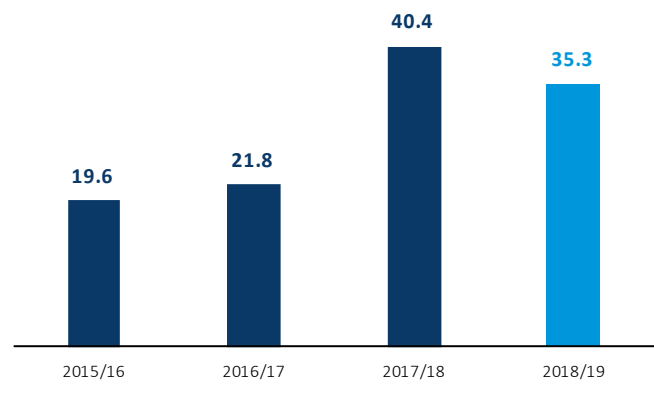
Due to the increasing scarcity of resources, AT&S must ensure efficient and flexible production while minimising resource consumption (material, water, CO₂, etc.). AT&S utilises large volumes of data to optimise and improve production processes, product properties and product quality, integrate new and additional steps into the value chain and develop new solutions to use resources efficiently in production.

Innovation rate near record level, numerous new patents

The introduction of very important technologies in the past financial years (e.g. mSAP and substrates) also had an impact

on the innovation revenue rate (IRR) in the financial year 2018/19. At 35.3%, AT&S recorded the second highest IRR in the company's history. The IRR is used to measure the innovative strength of the company. It represents the portion of revenue that AT&S has generated with innovative products launched on the market during the last three years. AT&S's target is to achieve an annual innovation revenue rate of at least 20%.

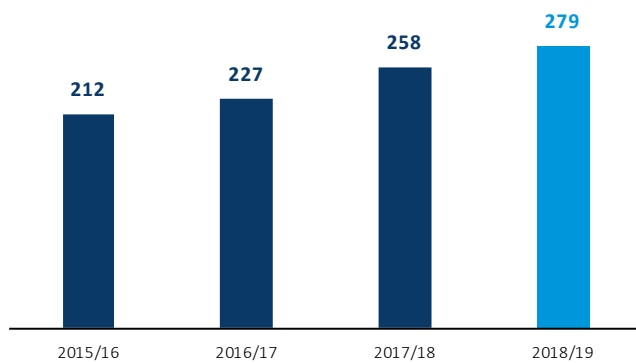
Innovation Revenue Rate (IRR)
in %



While this success is still largely based on the availability of the mSAP and substrate technologies, AT&S has already set the course for new applications, applying the findings from its development areas as technology components. AT&S is currently working to find new solutions for modules (electronic units for specific tasks that connect several components with each other), new solutions for power electronics driven by the developments in e-mobility, and is also working with its customers to develop solutions for the new wireless standard 5G.

Innovative strength and long-term competitiveness are also reflected in the number and quality of patents. Worldwide, AT&S submitted 72 new applications for patents in the financial year 2018/19. AT&S currently has 286 patent families, which result in 279 granted patents. The IP portfolio was additionally extended by acquiring licences, especially in the area of the embedding technology.

Number of patents granted

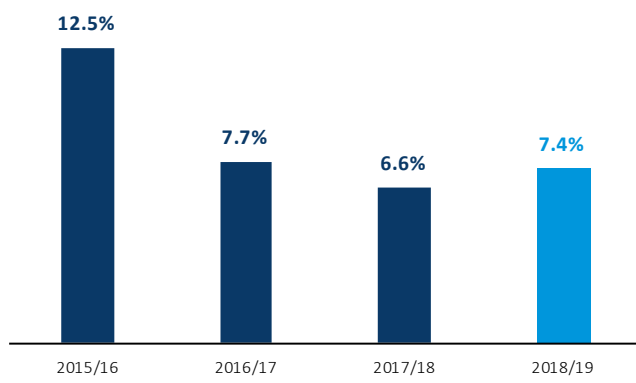


R&D expense: 7.4% of revenue

The costs of research and development projects totalled € 75.7 million in the financial year 2018/19. This corresponds to a research rate (i.e. ratio to revenue) of 7.4% compared with 6.6% in the previous year. Based on this continuously high research rate, AT&S is securing its position as the technology leader for the years to come.

Research rate

i. e. ratio to revenue



Efficient R&D processes

AT&S ensures efficiency in development by cooperating closely with customers, suppliers and research institutions. Internally, AT&S pursues a two-step innovation process. In a first step, novel concepts are developed and the basic feasibility of these concepts is demonstrated. This area comprises applied research and technology evaluation. Subsequently, it is the task of the local technology development and implementation departments at the AT&S

sites (TDI and Engineering) to continue the experimental development of processes and products and to integrate them into the existing production process. In the past financial year, the first steps were taken to turn the development unit in Chongqing into another development centre. A prototype line was designed and purchased and machines for new processes were acquired which allow taking developments to a new level, especially in the area of substrates and advanced packaging using the substrate technology. At the development centre in Leoben, which is still the research hub for AT&S, advanced packaging concepts are developed in addition to concepts for power electronics and high-frequency electronics.

Key development projects in the financial year

The development highlights of the past financial year included the first projects for the new mobile communication standard 5G. The first generation of the 5G technology, which is currently being introduced, will still be in a moderate radio frequency range of less than 5GHz. In addition to the new antenna systems, energy consumption of the systems represents a significant challenge that needs to be overcome. The plan for the second generation is to use radio frequencies in the mm wave length range (25-30GHz). This requires the development of completely new printed circuit board and connection systems in order to keep losses as low as possible. AT&S is currently working on a number of different projects in both areas.

Developments in power electronics are currently strongly driven by electromobility. AT&S is developing innovative new electronic systems in this area that consume very little energy and can work with high currents and high voltages. This is made possible by using embedding technology, which allows optimal cooling and electric connection of the components, resulting in electrically efficient and highly reliable systems and modules.

Modules (specialised electronic units which optimally connect several components with one another) are also gaining ground in the area of mobile communication. AT&S participates in this trend with novel module concepts that use mSAP and substrate technology. Based on these technologies and the concepts of the "all-in-one" package, highly integrated and specialised modules can be built especially for use in devices with little space for electronics.

5. OPPORTUNITIES AND RISKS

5.1 Opportunities and risk management

STRUCTURE AND INSTRUMENTS

Opportunities and risk management is a fundamental part of conducting business within the AT&S Group. The objective of increasing enterprise value involves not only opportunities but also risks. Since decisions are usually made under uncertainty, it is the task of risk management to identify risks or negative deviations at an early stage and deal with them in a pro-active manner. Therefore, AT&S operates a Group-wide Risk Management (RM) system in accordance with the Austrian Code of Corporate Governance (ACCG), an Internal Control System (ICS) in accordance with COSO standards, as well as Internal Audit based on the IIA standard.

From an organisational perspective, Risk Management, Internal Control System and Internal Audit functions fall within the responsibility of the CFO. The Group Risk Manager reports monthly to the full Management Board as part of a Management Board meeting. The Supervisory Board is included within the framework of the Audit Committee meeting, which takes place at least twice a year. The proper functioning of the risk management system is assessed once a year by the external auditor in the course of the annual audit of financial statements pursuant to Rule 83 ACCG.

The risk management process shown in Figure 1 is conducted at least twice a year. Risk management is conducted based on the risk strategy and risk exposure at the hierarchy level assigned to the relevant level of risk (see Figure 2).

AT&S RISK MANAGEMENT PROCESS

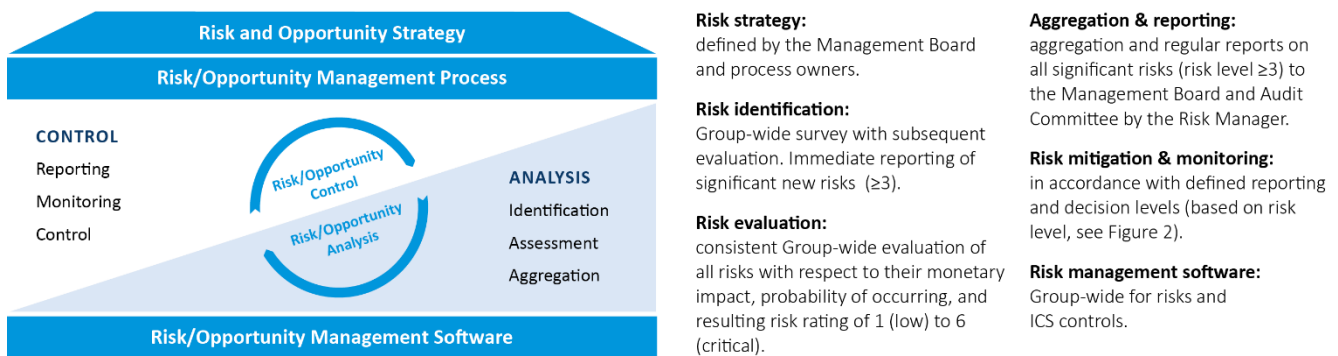


Figure 1: AT&S Risk Management Process

AT&S RISK LEVELS AND RISK CONTROLLING

Risk level	Risk controlling	Process	Risk exposure & risk level:	ICS & RM:
6	SUPERVISORY BOARD	RM	The AT&S risk levels are derived from operating cash flow and the equity ratio as an indicator of the risk capacity of the Group.	management of process risks (risk level 1-2) supported by the internal control system. At Group level, relevant risks (risk level ≥ 3) are managed and reported through the risk management process.
5				
4	MANAGEMENT BOARD			
3	BU MANAGEMENT			
2	PLANT MANAGEMENT			
1	PROCESS MANAGEMENT			

RM: Risk Management; ICS: Internal Control System; BU: Business Unit

Figure 2: AT&S Risk Levels and Risk Controlling

RISK MANAGEMENT IN 2018/19

In the financial year 2018/19, risk management focused on adapting risk capacity and on further developing the instruments for risk evaluation. A sixth level was added to the risk levels, shown in Figure 2. The objective of this adjustment was to ensure immediate reporting to the Supervisory Board regarding significant changes in the risk position.

In addition to the ongoing continuous improvement measures of the Internal Control System (ICS), the evaluation of the purchase of a software-based GRC solution was started in the financial year 2018/19. The objective of this further development is to strengthen the links between governance, risk and compliance processes as well as the use of synergies.

5.2 Explanation of individual risks

The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments in the printed circuit board and substrate market and the Group’s

own operating performance. An overview of the AT&S risk categories, significant individual risks, risk mitigation measures and the expected trend in the coming year is shown in Figure 3 and explained in further detail below.

STRATEGY

Investment risk

In order to make the most of growth potential and remain competitive, AT&S undertakes substantial investments in new forms of technology (IC substrates) as well as in the further development and capacity expansion of existing technologies (SLP, mSAP, HDI) and will continue to do so in the future. In order to strengthen its technologically leading position in the future as well, AT&S is investing in the second expansion phase of plant I in Chongqing.

Incorrect assessments of technological developments, changes in demand, restrictions through third-party patents, negative price developments, customer-specific technologies, shorter technology cycles or problems in the technical implementation may have severe adverse effects on the intrinsic value of such investments. These effects could relate,

Risk category	Significant risks & opportunities	Trend	Risk mitigation & opportunity realisation
STRATEGY	<ul style="list-style-type: none"> Sales price development Capacity utilisation Technology development Investments 		<ul style="list-style-type: none"> Consistent focus on high-end technologies & target applications Customer proximity and early customer contact Technology development projects & technology roadmap Market analysis, strategy review and adaptation
MARKET	<ul style="list-style-type: none"> Market and segment development Development of key customers Sales strategy and implementation 		<ul style="list-style-type: none"> Balanced segment portfolios and diversification of customer portfolio New customer acquisition & and share increases with existing customers Consistent acquisition of defined target applications
PROCUREMENT	<ul style="list-style-type: none"> Development of procurement prices Single-source risk 		<ul style="list-style-type: none"> Procurement strategy (negotiation, allocation, technical changes) Supplier risk assessment & multi-sourcing
BUSINESS ENVIRONMENT	<ul style="list-style-type: none"> Confidentiality breach Disaster, fire Political risk 		<ul style="list-style-type: none"> Increased security level based on the implementation of an information security management system (ISO 27001) Internal & external audits, emergency exercises Business continuity management, insurance
OPERATIONS	<ul style="list-style-type: none"> Quality performance Intellectual property Project management Operating costs 		<ul style="list-style-type: none"> Black Belt programme, continuous quality improvement measures Continuous expansion and protection of the IP portfolio Rigorous project management Cost reduction and efficiency enhancement programmes at all locations
ORGANISATION	<ul style="list-style-type: none"> Loss of key personnel 		<ul style="list-style-type: none"> Employee retention, deputy regulation & succession planning
FINANCE	<ul style="list-style-type: none"> Foreign exchange risk Financing & liquidity Tax risk Impairment 		<ul style="list-style-type: none"> Natural FX hedging through long-term CF planning Long-term planning for financing and liquidity, interest swaps Continuous monitoring of compliance with tax laws Project controlling, impairment tests, strategy reviews and adaptation

FX: Foreign Exchange; CF: Cash Flow

Figure 3: AT&S Risk Categories, Significant Individual Risks, Risk Trends and Risk Mitigation Measures

in particular, to the substrate business, the production capacity for the mSAP technology in Shanghai and Chongqing, the capacity expansion for high-frequency printed circuit boards in Nanjangud and Fehring and generally all current AT&S business activities. If there are any indications of such adverse effects, impairment tests of these investments are performed as required, which may lead to high impairment requirements due to the high investments made.

Competition risk

The clear focus on the high-tech segment coupled with the highest quality standards and consistent cost controls has so far enabled AT&S to successfully withstand the effects of intense competition, overcapacity in the market, and persistent 'commodification' with a corresponding margin reduction in the HDI (high-density interconnect) technology segment. This was complemented by the successful transfer of HDI technology from smartphone applications and other mobile devices to further applications, such as those in the automotive industry. The technology upgrade of part of the HDI lines to the mSAP technology ensures the transfer of competitive advantages of HDI to the next technology generation. Delays in switching over to the new technology on the customer side and volatile market developments may pose challenges for AT&S and lead to excess supply, overcapacities and underutilisation.

The opportunities of the Austrian plants of AT&S are based on high flexibility, high quality standards and the ability to react very quickly to changing specifications and technologies. These capabilities are absolutely imperative for prevailing in the competitive environment, especially in the industrial segment, which is characterised by diverse technological requirements among a large number of customers. To ensure our competitive edge, new forms of technology and projects are constantly pursued in close cooperation with our customers.

New technological developments and excess capacity in the market pose AT&S with great challenges in the IC substrate segment. The focus on a higher-value production portfolio and the successful realisation of the planned cost reduction are essential for this business segment. The market for IC substrates is strongly influenced by technological changes. The development of new technologies serves to mitigate the market risks of IC substrates. However, this technological

progress also entails the general risk of new technological developments.

Competitor risks arise due to potential quality improvements and technological developments in countries with low production costs. This could lead to a loss of competitiveness at AT&S sites, especially in Austria and possibly also at other production sites like those in Korea and China.

In addition, a difficult market environment in the financial year 2019/20 could have an adverse effect on the Group's results. Stagnating smartphone sales, weak demand in the Automotive segment and unfavourable market developments in the other core segments could lead to a decline in revenue. In contrast, a positive market development could offer better business opportunities and disproportionately high growth opportunities. The broad-based positioning of AT&S in the Mobile Devices & Substrates segment and in the Automotive, Industrial, Medical segment with their different production cycles can partially cushion market risks.

MARKET

Potential loss of key customers

With the help of advanced production technologies and high quality standards, AT&S has managed to establish itself as a reliable provider to some of the world's most renowned players in the electronics industry. Due to the focus on high-end technology, the number of customers is limited to technology leaders. The revenue generated with the five largest customers accounts for 64% of total revenue. Our long-term relationships with these customers also offer excellent opportunities for the future. However, concentration of this kind also poses risks in the event that there is a significant reduction in business volume or profitability from these customers. This is particularly critical in the areas of IC substrates and mSAP. Therefore, the ongoing expansion of AT&S's competitiveness and the continued broadening of its customer base and development of new product segments are of enormous significance to AT&S's ability to quickly compensate negative developments with individual key customers.

PROCUREMENT

Procurement prices

Price fluctuations in energy and raw materials (gold, copper and laminates) can have both a positive and a negative impact on achievable margins in the short term. Rising raw material prices in the financial year 2018/19 were partially cushioned by the targeted implementation of the procurement strategy. Due to the market development, raw material prices are also expected to increase in the coming financial year.

Suppliers

The sourcing strategy of AT&S focuses on a wide and clearly diversified base of carefully selected suppliers in order to reduce dependencies on individual suppliers. The Group enjoys long-standing and stable customer-supplier relations with its main key suppliers with particular expertise and competitive standings. To avoid supply shortages, AT&S conducts rigorous supplier risk management, taking account of regional cluster risks, various supply routes, and alternative procurement options. Customer specifications may limit the raw materials used to certain suppliers, which may result in a dependency for AT&S. However, with few exceptions – for example in the IC substrates and ECP areas where the supplier base is smaller – alternative supplier options are usually available in order to respond to supply risks.

BUSINESS ENVIRONMENT

Location-specific risks

The large majority of AT&S's operating activities are based at sites outside of Austria, particularly in China. This means that the Group might be subject to potential legal uncertainties, state intervention, trade restrictions or political unrest. Irrespective of the above, any production site of the Group may furthermore be exposed to disruptive events such as fire, natural disasters, acts of war, shortages of supply or other elementary events. The termination of land use rights, permits or the lease contracts for specific plants might also have a considerable negative impact on the production output of the Group.

To minimise the effects of such risks, the Group has instituted business continuity management. The Group also conducts active insurance management by means of weighing the risks and associated costs. It has concluded insurance contracts to

the extent customary for a company of this size wherever such contracts were available at costs which are reasonable in relation to the impending risks.

Political risks

The electronics industry is characterised by highly integrated, transnational supply chains which are based on the free trade of goods and services. Potential protectionism or growing political tensions can lead to discontinuities in the supply chain and to competitive advantages for competitors in specific countries.

In Europe, there are currently uncertainties related to the withdrawal of the United Kingdom from the European Union. AT&S only has few business relationships with customers and suppliers based in the United Kingdom. Nevertheless, AT&S has taken measures due to the existing uncertainties in order to ensure a smooth process in the supply chain. The precautions taken include close contact with customers, an increase in inventories and the preparation of internal systems for possible exit scenarios. Nonetheless, the effects of the United Kingdom's withdrawal on the European economy may also have an impact on the business development of AT&S.

Due to the latent trade conflict between the USA and China, punitive tariffs are imposed on certain goods in both countries. From the current perspective, AT&S will not be significantly affected by the trade conflict, since the products are largely processed further in China. Nevertheless, ongoing monitoring of the affected goods is necessary. In addition, macroeconomic developments resulting from the trade conflict may have an adverse effect on the business of AT&S.

Compliance

Any amendments to regulatory requirements, such as the prohibition of specific processes or materials, might lead to a rise in production costs. AT&S might be subject to payment of substantial penalties should any breach of customer confidentiality agreements or statutory provisions occur. AT&S has implemented organisational measures aimed at preventing or minimising the occurrence of compliance risks. The extension of such measures is ongoing. As a rule, AT&S follows a zero-tolerance policy and expects 100% compliance on the part of its employees with all applicable laws and regulations. The Governance, Risk & Compliance Committee

(GRC Committee) pursues the objective of identifying and mitigating potentially relevant compliance and governance risks. In addition, AT&S introduced the whistleblowing platform “We Care”, which enables employees and external third parties to report potential compliance violations.

Fraud, data security and cybercrime

To continue to successfully prevent attempted fraud, internal controls were further intensified in the past financial years and initiatives to raise awareness among employees with regard to such fraud schemes were increased. Moreover, AT&S continually works to expand data and information security. In the financial year 2018/19 a project regarding the EU General Data Protection Regulation was implemented. Based on an analysis of internal processes regarding the use of personal data, the required measures were assessed and implemented in order to ensure the protection of sensitive data. The set-up of an information security management system (ISMS) was another focus in the financial year 2018/19. The system was certified in accordance with ISO 27001 at the European locations. Alignment with international IT standards ensures safe handling and appropriate access to information, and the availability of reliable systems. Certification is also planned for other AT&S sites.

OPERATIONS

Quality and delivery performance

As in the past, it will be the high quality of products, adherence to delivery deadlines and service quality which will offer the Group an opportunity to differentiate itself from the competition and exploit growth opportunities in the future. At the same time, AT&S has to make substantial contractual commitments, especially to key customers, with respect to capacity reserves and volume guarantees, adherence to delivery deadlines and quality performance. Any technical defects, quality deficiencies, difficulties in delivering products or failure to provide volume guarantees granted may expose AT&S to warranty claims, claims for damages and contractual penalties. In the Mobile Device business, quality deficiencies may even lead to delivery stops for certain part numbers. Even if such quality deficiencies were not caused in the production process of AT&S but within the supply chain, such delivery stops may lead to significant drops in revenue. Substantial quality deficiencies could also result in product recalls and the loss of

customers. AT&S has established a quality management and planning system designed to rule out or minimise deficiencies in product quality and planning mistakes and their negative consequences as far as possible. In order to ensure high product quality, AT&S not only meets general international quality standards (ISO 9001) but also further standards for the automotive, aviation and medical sectors. Furthermore, the Group is insured against major risks by virtue of an (extended) product liability insurance policy taking into account exclusions of coverage and customary coverage limits.

Intellectual property

AT&S endeavours to exploit any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of its own projects, cooperation schemes with partners and investments. Risks arise if AT&S fails to protect its intellectual property, thus enabling the competition to utilise these technologies. Legal disputes about intellectual property can prevent AT&S from using or selling disputed technologies. Furthermore, legal disputes with regard to the unauthorised use of external intellectual property can have considerable negative financial consequences.

Technology and project development

The establishment and expansion of capacity for IC substrates and the mSAP technologies in Chongqing lead to specific risks for the Chongqing site due to the significant investment volume. Complications in the further technological development and project implementation could result in major burdens on business development and the existing financial and administrative resources. In the coming financial year, the focus will be on continuous performance improvement in substrate production and on the implementation of the second expansion phase of plant I in Chongqing.

Cost control

Continuous cost reduction and efficiency increases in all business segments are crucial to the Group's profitability. If cost reduction measures and performance increases cannot be implemented as planned (or if the costs cannot be passed on to customers), this may have a negative impact on the competitiveness of the Group.

ORGANISATION

Employees

The collective industry experience and management expertise of the employees of the AT&S Group form the foundation for taking advantage of future opportunities. The business of the Group might suffer if employees in leading positions were to terminate their employment relations with AT&S or if AT&S were unable to continue to recruit highly qualified personnel in all areas of value creation and retain them long-term. AT&S continuously develops strategies for retaining key employees, recruiting valuable personnel and further expanding the skills of its staff.

FINANCE

Foreign exchange risk

Exchange rate fluctuations in EUR, RMB and USD – and to a lesser extent in JPY, KRW and INR – can have considerable positive or negative effects on the results of the Group. To minimise these effects, the Group employs a hedging strategy by generating opposing cash flows in the respective currencies. The high investments in China of the past years result in significant currency risks related to the RMB, which could increase or decrease the Group's equity. Hedging against this risk would involve high costs and is not carried out.

Financing and liquidity

To secure the financial needs for the expansion strategy, the Group uses long-term financial and liquidity planning. However, negative business developments, significant deviations from assumptions in business cases, exchange rate fluctuations or valuation adjustments may cause failure to achieve the targeted equity ratio and the net debt/EBITDA ratio, and subsequently lead to additional financing requirements under more difficult terms and higher costs, or the loss of existing financing facilities. Interest rates are hedged centrally for the Group as a whole by Group Treasury, in part through the use of appropriate financial instruments.

For more information on financial, liquidity, credit and foreign exchange risks, please refer to Note 19 "Additional disclosures on financial instruments" in the notes to the consolidated financial statements.

Tax risk

The Company is active on a global basis and thus subject to different tax systems. Unless the requirements for the formation of a provision or liability are met, both national and international tax risks are incorporated within financial risks and monitored accordingly. At present, the material tax risks are in relation to the company in India. In order to minimise future tax risks, the Group continuously monitors compliance with national tax laws and international guidelines such as the BEPS (Base Erosion and Profit Shifting) guideline of the OECD. Although AT&S strives to comply with all tax laws and regulations, there is a risk of different interpretations in different countries, which may lead to double taxation and additional tax burdens.

5.3 Internal control and risk management system with regard to accounting

The accounting-related Internal Control and Risk Management system is an integral part of the Group-wide risk management system. According to the framework concept of COSO (The Committee of Sponsoring Organization of the Treadway Commission), the actual risk management as well as the Internal Control System (ICS) are subsumed under the concept of company-wide risk management. The main criteria of the Risk Management, the Internal Control System and Internal Audit of AT&S are specified in a Group-wide risk management and audit manual.

The documentation of the internal controls (business processes, risks, control measures and those responsible) is made principally in the form of control matrices, which are archived in a central management database. The accounting-related Internal Control System includes principles, procedures and measures to ensure the compliance of accounting in terms of the control targets described for financial reporting.

The accounting procedures are documented in separate process instructions. These processes are standardised across the Group and are presented in a standardised documentation format. Additional requirements for

accounting procedures result from specific local regulations. The basic principles of accounting and reporting are documented in the process descriptions and also in detailed process instructions, which are also filed in the central management manual. In addition, guidelines on measurement procedures and organisational requirements in connection with the processes of accounting and preparing the financial statements are compiled and updated on a regular basis. Schedules are set in accordance with Group requirements.

The internal financial reporting is done on a monthly basis as part of Group reporting, with the financial information being reviewed and analysed by the Corporate Accounting and Corporate Controlling department. The monthly budget/actual variance with corresponding comments on the results of the segments, of the plants as well as of the Company, is reported internally to the executives and to the members of the Supervisory Board.

The annual preparation of the budget is carried out by the Corporate Controlling department. Quarterly forecasts are drawn up during the year for the remaining financial year based on the quarterly results and current planning information. The forecasts, with comments on the budget comparison and presentations on the impact of opportunities and risks up to the end of the financial year, are reported to the Supervisory Board. In addition to regular reporting, multiple-year planning, project-related financial information or calculations on investment projects are prepared and submitted to the Supervisory Board.

6. OUTLOOK

The global economy is slowing down

Consensus estimates by the IMF, the World Bank and a number of market research companies recently indicated a significant slowdown of the global economy. The WTO expects global GDP to grow by just 2.6% in 2019 and 2020, compared with 2.9% in 2018 (WTO 4/2019), with only a minor slowdown in growth from 4.3% (2018) to 4.0% by 2020 projected for Asia (incl. China). The decline is primarily due to a downturn expected in line with the economic cycle, which is currently intensified by trade conflicts.

Outlook 2019/20

Based on the weak demand for smartphones and in the automotive and industrial sector, which has been visible since the second half of the year 2018/19, the persisting volatile market environment and low visibility, the market is still characterised by a high level of uncertainty at the beginning of 2019/20. AT&S has been able to cushion this development by its highly diversified product, technology and customer portfolio as well as by successfully entering the IC substrate business.

In view of this market environment, the Management Board nevertheless expects a stable revenue development for the full year and an EBITDA margin within the range of 20% to 25% in accordance with the medium-term guidance, provided that there is no significant deterioration in the framework conditions (economic policy and exchange rates). In addition to the usual seasonality throughout the year, the first half-year in particular is expected to be burdened by uncertainty in the market.

Investment activity in the financial year 2019/20

As a result of the capacity expansion in the area of IC substrates, which has already been communicated and was started in the financial year 2018/19, roughly € 80 million will become cash-effective in the current period. Basic investments (maintenance and technology upgrades) are planned in the range of € 80 million to € 100 million. Depending on the market development, an additional € 100 million for capacity and technology expansions could be incurred.

Leoben-Hinterberg, 16 May 2019

The Management Board

Andreas Gerstenmayer m.p.
Monika Stoisser-Göhring m.p.
Heinz Moitzi m.p.

AUDITOR'S REPORT

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Report on the Consolidated Financial Statements Audit Opinion

We have audited the consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at March 31, 2019, the separate Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the fiscal year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at March 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

1. Deferred tax assets from tax loss carry-forwards and other deductible temporary differences

- Description

The Group capitalized deferred tax assets in a total amount of EUR 35,555k (prior year: EUR 45,530k). This amount mainly includes deferred tax assets from tax loss carry-forwards and amortization of goodwill under tax law in the amount of EUR 22,648k (prior year: EUR 21,544k) as well as deductible temporary differences in the amount of EUR 12,907k (prior year: EUR 23,986k).

Deferred tax assets are capitalized based on the assumption that sufficient taxable income will be generated within a planning period of at least 5 years against which tax loss carry-forwards and other deductible temporary differences can be offset. These assumptions are based on estimates of current and planned taxable results and any future measures implemented by the companies concerned that will have an effect on tax.

The assessment of the matter described requires professional judgment and involves estimation uncertainties and thus includes the risk of a material misstatement in the consolidated financial statements, therefore constituting a key audit matter.

- Audit approach and key observations

We:

- Identified, for significant companies, the process used to determine the future taxable results that serve as a basis for the calculation of deferred tax assets,
- Performed plausibility checks for significant companies to evaluate if the budgeted figures used are plausible when compared to our knowledge of the planned course of business,
- Received tax advisor confirmation letters to confirm the existence and accuracy of the tax loss carry-forwards,
- Analyzed and confirmed samples of the accounting assumptions on the possibility to utilize tax loss carry-forwards and deductible temporary differences, and
- Audited the presentation and disclosures in the notes to the consolidated financial statements.

We consider the capitalization of deferred tax assets from tax loss carry-forwards and other deductible temporary differences to be justified and reasonable in amount.

- Reference to related disclosures

For further related information, we refer to the notes to the consolidated financial statements, section I. B. (e.) on accounting and measurement policies in respect of income taxes, section I. C. critical accounting estimates and assumptions concerning recognition and measurement, measurement of deferred tax assets and current income tax liabilities, as well as section III. 6. comments on income taxes.

2. Revenue recognition over time under IFRS 15

- Description

Pursuant to IFRS 15 Revenue from Contracts with Customers, the Group recognizes revenue over time for part of the customers. Pursuant to IFRS 15.35 c, revenue must be recognized over time when products specifically tailored to the needs of the customers are produced and thus have no alternative use and the entity has an enforceable right to payment for performance of the service completed to date, including a margin.

The Group applied IFRS 15 for the first time as at April 1, 2018, using the modified retrospective method. Due to the Group's choice of method in the application of this standard, the comparative information in the consolidated financial statements under review was not adjusted, but the accumulated effect from the first-time application of IFRS 15 as at April 1, 2018 was recognized as adjustment to the opening balance of retained earnings. This led to a reduction of inventories in the amount of EUR 35,304k and a recognition of contract assets in the amount of EUR 48,702k, resulting in an increase of retained earnings in the amount of EUR 10,644k when taking into account deferred taxes.

As at March 31, 2019, the Group states contract assets in the amount of EUR 72,307k after considering any impairment pursuant to IFRS 9. Revenue from revenue recognition over time amounts to EUR 606,978k in the fiscal year 2018/19.

From our perspective, recognizing contracts with customers (over time) pursuant to IFRS 15 represents an area with major risk of material misstatements (including the possible risk of executive employees evading controls) and thus poses a key audit matter since in the required group-wide consideration of the contractual framework with regard to the new accounting-relevant criteria for determining the respective customers, management's judgments have a major impact, and partly complex calculation methods are used in determining the stage of completion. Additionally, in applying the new accounting standard IFRS 15 on a group-wide basis, the respective revenue recognition and deferral of revenue was to be considered as complex.

- Audit approach and key observations

We:

- Assessed management's conclusions with regard to the implementation of IFRS 15 by evaluating samples of various contract analyses and the correctness of the modified accounting principles of the Group, taking into account industry-typical circumstances and our understanding of the business,
- Tested the appropriateness of accounting based on samples and evaluated the adjustments to the opening balance resulting therefrom,
- Tested the effectiveness of selected key controls for revenue recognized in the course of the year and performed audit procedures to obtain sufficient audit evidence for revenue recognition of customer contracts over time,
- Assessed samples of costs included in contract assets by comparing the amounts to the source data, evaluating mathematical accuracy of the calculations and testing their recoverability by comparing their net realizable values with the total costs estimated in accordance with the agreements, and
- Moreover, assessed the correctness of the disclosures under IFRS 15.

Our audit procedures did not result in any objections with regard to the accounting of customer contracts over time and revenue recognition pursuant to IFRS 15 resulting therefrom.

- Reference to related disclosures

For further related information, we refer to the notes to the consolidated financial statements, section I. B. (d.) and section I. B. (v.) on accounting and measurement policies in respect of recognition of revenues from contracts with customers including the disclosures on the first-time application of the new standard. In addition, we refer to the disclosures on revenue in the notes to the consolidated financial statements, section III. 1. as well as those on contract assets in section IV. 11.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we

determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Group Management Report Pursuant to the Austrian Commercial Code, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the group management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the group management report.

Opinion In our opinion, the group management report was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

Statement Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the group management report came to our attention.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the group management report and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as statutory auditor at the general meeting dated July 5, 2018. We were subsequently engaged by the supervisory board. We have audited the Company for an uninterrupted period of more than 20 years.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Mr. Jürgen Schauer, Austrian Certified Public Accountant.

Vienna, May 16, 2019

PwC Wirtschaftsprüfung GmbH

signed:

Jürgen Schauer
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the group management report are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the group management report. For deviating versions, the provisions of Section 281 (2) UGB apply.



AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

Financial Statements as of 31 March 2019

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AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERGBALANCE SHEET AS OF MARCH 31, 2019
(Preceding year for comparison)

ASSETS	March 31, 2019	March 31, 2018	SHAREHOLDERS' EQUITY AND LIABILITIES	March 31, 2019	March 31, 2018
	EUR	EUR		EUR	EUR
A. FIXED ASSETS			A. SHAREHOLDERS' EQUITY		
I. Intangible assets			I. Share capital	42,735,000.00	42,735,000.00
1. Industrial property rights and similar rights, and licences thereto	7,934,304.20	9,216,651.32	Capital subscribed	42,735,000.00	42,735,000.00
	7,934,304.20	9,216,651.32	paid-in nominal capital	42,735,000.00	42,735,000.00
II. Property, plant and equipment			II. Capital reserves		
1. Buildings on third party land	2,220,735.57	2,424,617.55	Appropriated	163,270,702.50	163,270,702.50
2. Machinery and technical equipment	37,970,082.91	33,968,810.48	III. Revenue reserves		
3. Other assets, fixtures and furniture	3,867,148.21	3,165,232.74	1. statutory reserve	4,273,500.00	4,273,500.00
4. Prepayments and construction in progress	3,810,863.50	707,520.00	2. other reserves (free reserves)	17,505,782.55	17,505,782.55
	47,868,830.19	40,266,180.77	IV. Unappropriated retained earnings	112,976,009.00	66,987,124.17
III. Financial assets			<i>of which profit/loss brought forward</i>	<u>53,001,124.17</u>	<u>73,706,616.50</u>
1. shares in affiliated companies	258,680,226.93	265,919,963.70		340,760,994.05	294,772,109.22
2. loans to affiliated companies	512,318,443.39	444,523,105.36	B. GOVERNMENT GRANTS	1,586,480.54	1,909,167.54
<i>of which due and payable within more than one year</i>	<i>507,541,767.60</i>	<i>438,199,999.15</i>	C. PROVISIONS		
3. securities	168,753.81	168,753.81	1. provisions for severance payments	24,300,231.68	22,777,102.78
4. other loans and advances	6,531,786.39	5,930,300.83	2. provisions for pensions	8,693,391.31	2,095,826.36
<i>of which due and payable within more than one year</i>	<i>6,531,786.39</i>	<i>5,930,300.83</i>	3. tax provisions	3,885,687.77	1,535,085.67
	777,699,210.52	716,542,123.70	4. other provisions	<u>29,106,066.18</u>	<u>30,357,024.60</u>
833,502,344.91	766,024,955.79			65,985,376.94	56,765,039.41
B. CURRENT ASSETS			D. LIABILITIES		
I. Inventories			1. bonds	175,000,000.00	175,000,000.00
1. raw materials and supplies	6,685,920.08	6,161,637.25	<i>of which due and payable within less than one year</i>	0.00	0.00
2. work in progress	4,900,601.46	4,569,188.35	<i>of which due and payable within more than one year</i>	175,000,000.00	175,000,000.00
3. finished goods and goods for resale	17,111,711.59	14,949,217.80	2. bank loans	111,542,840.67	115,118,318.67
	28,698,233.13	25,680,043.40	<i>of which due and payable within less than one year</i>	35,033,484.67	33,674,018.67
II. Receivables and other assets			<i>of which due and payable within more than one year</i>	76,509,356.00	81,444,300.00
1. trade receivables	40,409,744.69	23,749,716.01	3. promissory note loans	599,634,137.16	427,128,149.66
<i>of which due and payable within more than 1 year</i>	0.00	0.00	<i>of which due and payable within less than one year</i>	2,760,385.38	47,103,185.33
2. receivables from affiliated companies	6,790,507.92	5,809,693.37	<i>of which due and payable within more than one year</i>	596,873,751.78	380,024,964.33
<i>of which due and payable within more than 1 year</i>	0.00	0.00	4. trade payables	14,106,140.08	17,919,044.63
3. other receivables and assets	7,874,359.47	8,630,358.70	<i>of which due and payable within less than one year</i>	14,106,140.08	17,919,044.63
<i>of which due and payable within more than 1 year</i>	0.00	0.00	<i>of which due and payable within more than one year</i>	0.00	0.00
	55,074,612.08	38,189,768.08	5. payables to affiliated companies	15,151,191.37	17,359,589.77
III. Securities and shares			<i>of which due and payable within less than one year</i>	15,151,191.37	17,359,589.77
1. other securities and shares	895,500.00	775,000.00	<i>of which due and payable within more than one year</i>	0.00	0.00
	895,500.00	775,000.00	6. other liabilities	8,190,369.75	8,183,275.48
IV. Cash on hand, bank balances	384,335,454.44	258,632,732.20	<i>of which due and payable within less than one year</i>	6,777,783.75	7,404,958.48
	469,003,799.65	323,277,543.68	<i>of which due and payable within more than one year</i>	1,412,586.00	778,317.00
C. PREPAYMENTS AND ACCRUED INCOME	2,225,031.45	1,315,709.24	<i>of which tax authorities</i>	1,312,022.44	1,291,190.45
D. DEFERRED TAX ASSETS	27,798,412.00	23,937,108.00	<i>of which social security authorities</i>	<u>1,525,891.05</u>	<u>1,423,323.71</u>
				923,624,679.03	760,708,378.21
			<i>of which due and payable within less than one year</i>	73,828,985.25	123,460,796.88
			<i>of which due and payable within more than one year</i>	849,795,693.78	637,247,581.33
			E. ACCRUALS AND DEFERRED INCOME	572,057.45	400,622.33
TOTAL ASSETS	1,332,529,588.01	1,114,555,316.71	TOTAL EQUITY AND LIABILITIES	1,332,529,588.01	1,114,555,316.71

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG
PROFIT AND LOSS ACCOUNT FOR THE PERIOD
APRIL 1, 2018 TO MARCH 31, 2019
Preceding year for comparison

	2018/19 EUR	2017/18 EUR
1. Sales Revenue	371,725,356.36	382,918,536.08
2. Variation in stocks of finished goods and in work in progress as well as in services rendered but not yet billable	1,715,900.08	-1,029,953.49
3. Work performed by the undertaking for its own purposes and capitalised	26,786.63	50,168.41
4. Other operating income	21,760,317.19	9,822,341.14
a) income from the disposal of or additions to fixed assets other than financial assets	10,874.55	1,000.00
b) Income from the release of provisions	559,872.99	259,668.03
c) Other	21,189,569.65	9,561,673.11
5. Expenditure for raw materials and consumables and other external expenses for production services	-239,678,049.61	-250,550,937.54
a) Expenditure for raw materials and consumables	-224,415,330.04	-234,342,452.32
b) Other external expenses for production services	-15,262,719.57	-16,208,485.22
6. Personnel expenses	-81,331,679.54	-85,352,221.72
a) Wages and salaries		
aa) Wages	-21,399,331.80	-22,513,873.64
bb) Salaries	-39,556,800.37	-42,517,469.32
b) Social security expenses		
aa) of which for retirement benefits	-2,610,819.21	-690,462.43
bb) expenditure for severance payments and contributions to corporate severance and retirement funds	-1,666,503.68	-3,350,039.12
cc) expenditure for statutory social contributions as well as charges and mandatory contributions calculated as a proportion of wages and salaries	-15,242,212.39	-15,531,898.17
dd) Other social expenses	-856,012.09	-748,479.04
7. Value adjustments	-14,389,918.29	-13,646,301.53
a) in respect of tangible and intangible fixed assets	-14,712,605.29	-14,169,292.53
b) less amortisation of investment grants from public funds	322,687.00	522,991.00
8. Other operating expenses	-37,790,283.31	-42,118,189.18
a) Taxes, not to be shown under No. 18	-220,980.12	-305,264.06
b) Other	-37,569,303.19	-41,812,925.12
9. Subtotal of Nos. 1 - 8	22,038,429.51	93,442.17
10. Income from participating interest	0.00	20,912,845.72
<i>thereof from affiliated companies</i>	<i>0.00</i>	<i>20,912,845.72</i>
11. Income from other investments and loans forming part of the fixed assets	30,199,101.48	21,856,622.24
<i>thereof from affiliated companies</i>	<i>30,190,239.48</i>	<i>21,848,393.24</i>
12. Other interest receivable and similar income	3,091,842.33	439,930.97
<i>thereof from affiliated companies</i>	<i>0.00</i>	<i>0.00</i>
13. Income from the disposal or revaluation of financial assets and securities shown in current assets	38,921,502.81	168,900.00
a) <i>Income from affiliated companies</i>	<i>37,653,721.30</i>	<i>0.00</i>
<i>thereof from write-ups</i>	<i>33,737,638.52</i>	<i>168,900.00</i>
14. Expenditure resulting from financial fixed assets and securities shown in current assets	0.00	-40,181,481.85
<i>thereof expenditure derived from affiliated undertakings</i>	<i>0.00</i>	<i>-40,181,481.85</i>
15. Interest payable and similar expenses	-33,598,364.83	-18,905,342.56
16. Subtotal of Nos. 10 to 15	38,614,081.79	-15,708,525.48
17. Profit or loss before taxation	60,652,511.30	-15,615,083.31
18. Taxes on income	-677,626.47	8,895,590.98
<i>of which changes in recognised deferred taxes</i>	<i>3,861,304.00</i>	<i>9,266,059.00</i>
19. Profit or loss after taxation	59,974,884.83	-6,719,492.33
20. Profit or loss brought forward from the preceding financial year	53,001,124.17	73,706,616.50
21. Balance sheet profit	112,976,009.00	66,987,124.17

Notes to the Financial Statements

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1. GENERAL INFORMATION

The financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as "AT&S") as of 31 March 2019 have been prepared in accordance with the provisions of the Austrian Commercial Code (UGB) as amended. The financial statements, prepared under Austrian generally accepted accounting principles, present a true and fair view of the assets and liabilities, the financial situation of the Company as of 31 March 2019, as well as of the results of its operations for the year then ended.

In particular, the principles of going concern and individual valuation were adhered to in the separate valuation of assets and liabilities. The principle of prudence was applied as all identifiable risks and impending losses were taken into account. Only the profits realised at the balance sheet date were recognised. Previously applied valuation methods were maintained.

Estimations are based on prudent judgments. If empirical values determined by statistical methods from similar circumstances are available, they are to be taken into account.

If assets or liabilities pertain to several items of the balance sheet, they are disclosed under the respective item they are stated.

2. GROUP RELATIONS AND RESTRUCTURING OPERATIONS

Since 31 March 1999, AT&S has been a parent company within the meaning of Section 244 UGB.

By applying the provisions of Section 245a UGB, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), complemented by notes and comments that are statutory under commercial law. A management report for the Group is also prepared.

AT&S prepares the consolidated financial statements for the largest and smallest group of companies. The financial statements are deposited with Commercial court in Leoben.

Advantage was taken of the exemptions provided under Section 245 (1) UGB.

The corporate law measures taken in the financial year are presented below:

In August 2018 in the fiscal year 2018/19 a capital reduction at AT&S Korea Co., Ltd. from 33 Bn KRW to 20 Bn. KRW was executed. In connection with this transaction foreign exchange gains of EUR 2,586,458.54 incurred and are shown in the financial results in the income from the disposal or revaluation of financial assets and securities of current assets.

3. ACCOUNTING AND VALUATION METHODS

3.1. Non-current assets

Intangible and **tangible assets** are recognised at acquisition or production cost plus incidental acquisition cost less scheduled and unscheduled amortisation/depreciation.

Scheduled amortisation/depreciation is charged on a straight-line basis according to the useful life.

	Useful life
Intangible assets	4 - 10 years
Buldings on third party land	12 -25 years
Machinery and technical equipment	5 - 15 years
Other assets, fixtures and furnitures	3 - 10 years

For additions during the first half of the financial year, the full annual amortisation/depreciation was charged, for additions during the second half of the financial year, half of the annual amortisation/depreciation was charged. With regard to additions, amortisation/depreciation is calculated on the basis of the date of their initial use.

The option to immediately write off low-value assets pursuant to Section 226 (3) UGB was used.

Financial assets are stated at acquisition costs or the lower market values at the balance sheet date.

3.2. Current assets

Raw materials and supplies as well as **merchandise** are valued at acquisition costs taking into account the strict lower of cost or market principle. Spare parts are valued at acquisition costs less a percentage with regard to discounts granted for asset classes. Discounts and bonuses received, as well as transport costs and customs were taken into account.

Work in process and **finished goods** were valued at production costs. Material and production overhead costs were also included in the production costs.

Receivables and other assets are stated at nominal values. Provisions are made for identifiable specific doubtful accounts.

Receivables denominated in foreign currencies are translated using the exchange rate at the date of the original transaction or the lower bank buying rate at the balance sheet date.

Current securities are valued at acquisition costs or the lower market prices at the balance sheet date.

Cash and cash equivalents held at banks denominated in foreign currencies are recognized at the exchange rate prevailing at the time of origination or exchange rate at the balance sheet date.

3.3. Prepaid expenses and deferred charges

Prepaid expenses and deferred charges are reported as an item of deferred expenses before reporting date as long as it is expenditure for a specific period after the balance sheet date.

3.4. Deferred taxes

Deferred taxes are recognised for differences between the carrying amounts in the financial statements and the taxable carrying amounts of fixed assets, provisions, liabilities and deferred items, which are expected to be offset in future financial years.

For future tax benefits arising from the carryforward of unused losses are recognised to the extent, as there are convincing and substantial evidences that sufficient taxable profit will be available in the future.

For the calculation of deferred taxes, tax rates are used, that have been enacted or substantively enacted on the balance sheet date and are expected to apply when the realisation of tax relief or tax burden is expected. The calculation is based on the currently valid tax rate of 25%.

An offsetting of deferred tax assets with deferred tax liabilities is carried out, if necessary, to the extent that it is legally possible to offset the actual tax refund claims with the actual tax liabilities.

3.5. Provisions

The calculation of **provisions for severance payments** is based on the AFRAC-statement 27 “provisions for pensions, severance payments, anniversary bonus and comparable long-term liabilities pursuant to the Austrian commercial Code “ (March 2018) pursuant to IFRS measurement requirements (IAS 19) based on the “projected unit credit method”, applying a discount rate of 1.60 % (prior year: 1.80 %) and a pensionable age according to the provisions of the 2003 pension reform and taking into account company-specific staff turnover by using an adequate turnover rate. As valorization for salaries and wages 2.70 % were scheduled (prior year: 2.60 %). The defined benefit obligation (DBO) amounts to EUR 24,300,231.68 (prior year: EUR 22,777,102.00) at the balance sheet date.

The change in the financial assumptions lead to an expense of EUR 856,252.94 (prior year: expense of EUR 1,553,587.00), which is reported in the financial result. The first-time adoption of the modified biometric calculation basis AVÖ 2018-P leads to an income of EUR 412,421.37, which is fully reported in the annual result.

The calculation of **provisions for pensions** is based on the AFRAC-statement 27 “provisions for pensions, severance payments, anniversary money and comparable long-term due liabilities to the provisions of the Austrian commercial Code “ (March 2018) pursuant to IFRS measurement requirements (IAS 19) based on the “projected unit credit method”, applying a discount rate of 1.80 % (prior year: 2.00 %) based on the mortality tables AVÖ 2018-P. The pensionable age was determined according to the provisions of the 2003 pension reform. The uprating of the pensionable age for women starting from 2024 is also considered in the calculation. 2,25 % as a value adjustment for pension were recognised. (prior year: 2.25%).

The defined benefit obligation (DBO) of unfunded benefit obligations amounts to EUR 1,388,228.64 (prior year: EUR 1,179,974.00) at the balance sheet date. The change in the financial assumptions of unfunded benefit obligations results in an expense of EUR 124,041.07 (prior year: income of EUR 26,629.00), which is reported in the financial result.

Moreover, pension obligations were in part transferred to APK Pensionskasse Aktiengesellschaft, Vienna, for which a provision was made at the balance sheet date. The defined benefit obligation (DBO) less plan assets amounts to EUR 7,305,162.67 (prior year: EUR 915,854.00) at the balance sheet date. The change in the financial assumptions of the funded obligations results in an expense of EUR 4,391,098.16 (prior year: income of EUR 1,192,788.00), which is reported in the financial result.

The first-time adoption of the modified biometric calculation basis AVÖ 2018-P leads to an expense of EUR 2,113,338.69, which is fully reported in the annual result.

The calculation of **provision for anniversary bonuses** is based on the AFRAC-statement 27 “provisions for pensions, severance payments, anniversary money and comparable long-term due liabilities to the provisions of the Austrian commercial Code “ (March 2018) pursuant to IFRS measurement requirements (IAS 19) applying the “projected unit credit method” based on entitlements pursuant to collective agreements, applying a discount rate of 1.60 % (prior year: 1.80 %) as well as taking into account internal fluctuation by using an adequate turnover rate. As valorization for salaries and wages 2.70% were scheduled (prior year: 2.60 %).

Expenses for anniversary bonuses in the amount of EUR 514,351.70 (prior year: EUR 150,147.97) are included in wages. Expenses for anniversary bonuses in salaries amounted to EUR 816,109.67 (prior year: EUR 258,900.64).

The first-time adoption of the modified biometric calculation basis AVÖ 2018-P leads to an expense of EUR 1,130,507.01, which is fully reported in the annual result.

The change in the financial assumptions results in an expense of EUR 167,560.41 (prior year: expense of EUR 166,559.00), which is reported in the financial result.

Other provisions are calculated in accordance with statutory requirements taking into account all identifiable risks and uncertain liabilities. The other provisions are stated at their amount repayable.

3.6. Liabilities

Liabilities are stated at the amount repayable.

Liabilities denominated in foreign currencies are translated using the exchange rate at the date of the original transaction or the higher bank selling rate at the balance sheet date.

3.7. Accruals and deferred income

Accruals and deferred income are reported as an item of deferred income before the reporting date as long as it is revenue for a specific period after the balance sheet date. In order to deliver a true and fair view of the net assets, financial position and results of operations, accrued expense subsidies from items "Grants from public funds" were reclassified as liabilities from deferred income.

4. BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS

4.1. *Non-current assets*

Reference is made to page 112 for the development of non-current asset items.

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG

Non-Current assets movements statement for the year ended 31 March 2019

	Acquisition/Production cost				Accumulated amortization/depreciation					book value		
	as of				as of	as of				as of	as of	
	1 April 2018	Additions	Disposals	Transfers	31 March 2019	1 April 2018	Additions	Disposals	write-ups	31 March 2019	31 March 2019	31 March 2018
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
I. Intangible assets												
1. industrial property rights and similar rights, and licences thereto	29 172 804,63	1 997 553,88	448 053,22	0,00	30 722 305,29	19 956 153,31	3 279 901,00	448 053,22	0,00	22 788 001,09	7 934 304,20	9 216 651,32
<i>thereof low-value assets</i>	0,00	224 847,05	224 847,05	0,00	0,00	0,00	224 847,05	224 847,05	0,00	0,00	0,00	0,00
	29 172 804,63	1 997 553,88	448 053,22	0,00	30 722 305,29	19 956 153,31	3 279 901,00	448 053,22	0,00	22 788 001,09	7 934 304,20	9 216 651,32
II. Property, plant and equipment												
1. buildings on third party land	3 889 538,20	509 977,90	0,00	0,00	4 399 516,10	1 464 920,65	713 859,88	0,00	0,00	2 178 780,53	2 220 735,57	2 424 617,55
2. machinery and technical equipment	212 774 716,15	12 824 153,95	4 029 825,80	705 520,00	222 274 564,30	178 805 905,67	9 505 576,07	4 007 000,35	0,00	184 304 481,39	37 970 082,91	33 968 810,48
3. other assets, fixtures and furnitures	15 969 593,36	1 915 183,81	936 347,80	0,00	16 948 429,37	12 804 360,62	1 213 268,34	936 347,80	0,00	13 081 281,16	3 867 148,21	3 165 232,74
<i>thereof low-value assets</i>	0,00	190 990,92	190 990,92	0,00	0,00	0,00	190 990,92	190 990,92	0,00	0,00	0,00	0,00
4. prepayments and construction in progress	707 520,00	3 808 863,50	0,00	-705 520,00	3 810 863,50	0,00	0,00	0,00	0,00	0,00	3 810 863,50	707 520,00
	233 341 367,71	19 058 179,16	4 966 173,60	0,00	247 433 373,27	193 075 186,94	11 432 704,29	4 943 348,15	0,00	199 564 543,08	47 868 830,19	40 266 180,77
III. Financial assets												
1. shares in affiliated companies	288 482 468,85	0,00	7 239 736,77	0,00	281 242 732,08	22 562 505,15	0,00	0,00	0,00	22 562 505,15	258 680 226,93	265 919 963,70
2. loans to affiliated companies	484 917 660,76	79 599 518,63	45 421 319,12	0,00	519 095 860,27	40 394 555,40	0,00	0,00	33 617 138,52	6 777 416,88	512 318 443,39	444 523 105,36
3. securities	168 753,81	0,00	0,00	0,00	168 753,81	0,00	0,00	0,00	0,00	0,00	168 753,81	168 753,81
4. other loans and advances	5 930 300,83	601 485,56	0,00	0,00	6 531 786,39	0,00	0,00	0,00	0,00	0,00	6 531 786,39	5 930 300,83
	779 499 184,25	80 201 004,19	52 661 055,89	0,00	807 039 132,55	62 957 060,55	0,00	0,00	33 617 138,52	29 339 922,03	777 699 210,52	716 542 123,70
	1 042 013 356,59	101 256 737,23	58 075 282,71	0,00	1 085 194 811,11	275 988 400,80	14 712 605,29	5 391 401,37	33 617 138,52	251 692 466,20	833 502 344,91	766 024 955,79

4.2. Additional disclosures pursuant to Section 238 (1) No. 4 UGB

	Book value 31 March 2019 EUR	Share %	Shareholders' equity EUR	Result of the past financial year EUR ¹⁾	Book value 31 March 2018 EUR
Shares in affiliated companies					
AT&S Deutschland GmbH, Düren, Germany	1,053,000.00	100	904,663.18	79,735.32	1,053,000.00
AT&S India Private Limited, Nanjangud, India	16,898,516.89	100	21,516,006.93	3,794,284.93	16,898,516.89
AT&S Asia Pacific Limited, Hong Kong, People's Republic of China	229,768,865.92	100	363,484,666.54	109,177,437.51	229,768,865.92
AT&S Korea Co., Ltd., Ansan-City, South Korea	10,953,399.78	100	25,231,758.31	12,862,495.69	18,193,136.55
AT&S Americas, LLC, San José, California, USA	6,444.34	100	842,950.55	131,728.23	6,444.34
Total	258,680,226.93				265,919,963.70

¹⁾ Figures based on International Accounting Standards as of 31 March 2019.

Shares in affiliated companies are valued at acquisition cost or at their fair values at the balance sheet date.

As there are no indications of a decline in market value, no impairment test was performed on the carrying amounts of the shares in affiliated companies in accordance with AFRAC Opinion 24: Valuation of Shares (March 2018).

4.3. Loans pursuant to Section 227 UGB

The item „Loans to affiliated companies“ includes an amount of EUR 4,776,675.79 (prior year: EUR 6,323,106.21) which falls due within one year. In connection with the loans, write-ups in the amount of EUR 33,617,138.52 (prior year: write-offs to the amount of EUR 40,181,481.85) were recorded in the financial year.

4.4. Receivables and other assets

Trade receivables were assigned to banks to the amount 100 % of the nominal value and are fully derecognised on the basis of the cessions of the essential opportunities and risks and on the basis of the transfer of the right to use to the acquiring party. As of 31 March 2019 trade receivables totalling EUR 5,386,475.57 (prior year: EUR 23,050,787.85) were sold. The default risk was completely assigned to the purchaser. AT&S assumes a liability for default to the amount of the retention level from the credit insurance. The maximum risk associated with liability to default was EUR 538,647.63 as of balance sheet date (prior year: EUR 2,305,079.96). Claims of existing credit insurances were transferred to the purchaser if applicable. Payments from customers of assigned trade receivables are presented in other receivables. Received customer payments from sold receivables are reported in short-term liabilities against banks. The administration of the trade receivables remains at AT&S.

The receivables against affiliated companies consist exclusively of trade receivables of EUR 6,790,507.92 (prior year: EUR 5,809,693.37).

4.4.1. Income that will affect cash flow only after the balance sheet date

Other receivables and assets include the following material income that will affect cash flow only after the balance sheet date:

	31 March 2019 EUR	31 March 2018 EUR
Energy tax reimbursements	1,393,761.57	1,426,967.57
Factoring receivables	538,647.63	2,305,079.96
Supplies rebates	521,156.22	461,093.50
Tax-free premiums	3,547,235.00	3,470,992.00
Total	6,000,800.42	7,664,133.03

The other receivables include the remaining purchase price of the sold trade receivables, including the value-added tax charged.

4.5. Deferred tax assets

The company has recognised deferred taxes for tax loss carryforwards amounting to TEUR 89,992 (prior year: TEUR 81,790), which can be offset against future positive taxable income in line with the current tax planning. No deferred tax assets were recognised for tax loss carryforwards in an amount of TEUR 57,789 in prior year as it could not be assumed that this will be feasible in the foreseeable future.

The development of the deferred tax assets, classified by balance sheet items (temporary differences) and loss carryforwards, is as follows:

Deferred tax assets	Fixed assets EUR	Prepaid expenses EUR	Loss carryforwards EUR	Provisions EUR	Liabilities EUR	Total EUR
as of 31 March 2017	178,446.00	37,500.00	12,571,875.00	1,610,060.00	273,168.00	14,671,049.00
Recognised in profit or loss of the financial year	-59,482.00	-37,500.00	7,875,546.00	1,529,777.00	-42,282.00	9,266,059.00
as of 31 March 2018	118,964.00	0.00	20,447,421.00	3,139,837.00	230,886.00	23,937,108.00
Recognised in profit or loss of the financial year	-59,482.00	0.00	2,050,646.00	1,762,794.00	107,346.00	3,861,304.00
as of 31 March 2019	59,482.00	0.00	22,498,067.00	4,902,631.00	338,232.00	27,798,412.00

4.6. Shareholders' equity

4.6.1. Share capital

The ordinary shares of the Company as of 31 March 2019 amount to EUR 42,735,000.00 (prior year: EUR 42,735,000.00) and are made up of 38,850,000 (prior year: 38,850,000) no-par value bearer shares with a notional value of EUR 1.10 each.

4.6.2. Approved capital and conditional capital increase

By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised to increase the Company's ordinary shares, subject upon approval by the Supervisory Board until 2nd July 2019, by up to EUR 21,367,500.00 by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights offering after having been taken over by one or more credit institutions in accordance with section 153 (6) Austrian Stock Corporation Act (AktG). In doing so, the Management Board was authorised, subject to approval by the Supervisory Board, to fully or partially exclude the shareholders' subscription right as well as to determine the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and simultaneously, the Management Board was authorised until 2 July 2019, subject to approval by the Supervisory Board, to issue one or several convertible bearer bonds at a total nominal amount of up to EUR 150,000,000.00 and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares of the Company in accordance with the convertible bond conditions to be defined by the Management Board and subject to approval by the Supervisory Board. The Management Board was authorised to fully or partially exclude the shareholders' subscription right to convertible bonds. Convertible bonds may also be issued by a directly or indirectly 100%-owned company of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft. In such a case, the Management Board was authorised, subject to approval by the Supervisory Board, to assume a guarantee for the convertible bonds on behalf of the issuing company and to grant conversion and/or subscription rights with regard to shares of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft to the bearers of the convertible bonds.

Furthermore, in doing so, the Company's ordinary shares were conditionally increased by up to EUR 21,367,500.00 by way of issuance of up to 19,425,000 new no-par value bearer shares in accordance with section 159 (2) No. 1 Austrian Stock Corporation Act (AktG). This conditional capital increase is only carried out insofar as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the conditional capital.

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000.

4.6.3. Approved Treasury shares

By a resolution passed at the 23rd Annual General Meeting on 6 July 2017, the Management Board was authorised (pursuant to section 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG)) to acquire - within 30 months as from the resolution date - treasury shares to the maximum extent of up to 10 % of the ordinary shares of the Company at a lowest price that may be no more than 30 % lower than the average unweighted closing rate of the last 10 trading days and at a highest price per share of a maximum of up to 30 % above the average unweighted closing rate of the last 10 trading days. The authorisation also includes the acquisition of shares of subsidiaries (section 66 AktG). The acquisition may be carried out via the stock exchange, by means of a public offering or in any other legal way and for any legal purpose.

The Management Board was also authorised to withdraw repurchased treasury shares as well as treasury shares already held by the Company without any other resolution of the Annual General Meeting. This authorisation may be exercised in full, in part or in several tranches.

Furthermore the Management Board was authorised at the 23rd Annual General Meeting on 6 July 2017 (pursuant to section 65 (1b) AktG), re-authorized for a period of five years as of the date the resolution was passed, i.e. up to and including 5 July 2022, upon approval by the Supervisory Board and without any further resolution of the Annual General Meeting, to sell or use the repurchased treasury shares or treasury shares already held by the Company also in a different way than via the stock exchange or by public offer, most notably to use treasury shares for the following purposes:

- a) Issuance to employees, executive employees and members of the Management Board/managing directors of the Company or of an affiliated company, including the servicing of stock transfer programmes (particularly with regard to stock options, long-term incentive plans or other participation programs),
- b) To serve issued convertible bonds, if any,
- c) As consideration for the acquisition of entities, participating interests or other assets, and
- d) For any other legal purpose,

and by doing so, to exclude the general purchase option of shareholders (subscription right exclusion). The authorisation may be exercised in full, in part and also in several tranches and serve multiple purposes.

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft does not hold any treasury shares (prior year: 0 shares) at the balance sheet date.

4.6.4. Restriction of the distribution

There is a distribution restriction for deferred tax assets of EUR 27,798,412.00 (prior year: EUR 23,937,108.00), as there are no reserves available at any time in accordance with section 235 (2) UGB. For this reason a distribution restriction for EUR 10,292,629.45 (prior year: EUR 6,431,325.45) exists at the balance sheet date.

4.6.5. Proposal for the distribution of the result

The Management Board and the Supervisory Board of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft propose to allocate the balance sheet profit of the Company as of 31 March 2019 in an amount of EUR 112,976,009.00, follows: Distribution of a dividend in an amount of EUR 0.60 per outstanding no-par value share entitled on the payment day and carry forward the residual amount of EUR 89,666,009.00.

4.7. Provisions

	31 March 2019	31 March 2018
	EUR	EUR
Impending losses arising from derivative financial instruments	5,621,820.03	1,770,511.82
Anniversary bonuses	5,437,782.54	3,953,771.01
Other personal expenses	4,956,837.01	10,098,605.31
Holidays not yet consumed	3,946,720.18	3,179,126.40
Holiday bonus/Christmas bonus	2,609,577.62	2,410,380.01
Pending losses	2,475,375.67	2,398,642.68
Stock appreciation rights	1,000,108.00	2,683,580.00
Compensatory time off	630,210.11	865,023.65
Legal and advisory expenses	587,131.46	932,318.76
Customer bonuses	579,397.84	530,797.41
Remuneration to the Supervisory Board	397,327.00	466,960.00
Warranty and claims	264,485.82	481,555.21
Debtors' discounts	206,507.41	274,207.51
Other provisions < EUR 150,000	392,785.49	311,544.83
Total	29,106,066.18	30,357,024.60

Stock Appreciation Rights Plan (2014 to 2016)

Due to the expiry of the stock option plan (2009 to 2012), the 81st Supervisory Board meeting on 3 July 2014 passed a resolution to introduce a long-term incentive programme based on stock appreciation rights (SAR). SAR relate to the value increase in share prices based on the development of the share price. SAR may be granted in the period between 1 April 2014 and 1 April 2016.

Under the stock appreciation rights plan "SAR 2014-2016" on 1 April 2014 230,000 SAR were granted at an exercise price of EUR 7.68 per share. On 1 April 2015 240,000 SAR were granted at an exercise price of EUR 10.70 per share and on 1 April 2016 250,000 SAR were granted at an exercise price of EUR 13.66 per share.

Each SAR entitles the holder to the right to a cash settlement at the remaining amount between the exercise price and the closing rate of the AT&S share at the stock exchange with the main quotation (currently Vienna Stock Exchange) at the date the subscription right is exercised. The exercise price of the stock appreciation rights is determined at 20% of the exercise price of the date of grant. The maximal benefit for the granted SAR on 1. April 2014 is EUR 15.36 and for the grant on 1 April 2015 is EUR 21.40 and for the granted SAR on 1 April 2016 is EUR 27.32.

Exercise price:

The exercise price of SAR is determined at the respective date of grant, corresponding to the average closing rate of the AT&S share at the Vienna Stock Exchange or at the stock exchange with the main quotation of the AT&S shares over a period of six calendar months immediately preceding the date of grant.

Exercise period:

SAR may be exercised in full or in part after the respective completion of a three-year period following the date of grant, not however during a restricted period. Granted stock appreciation rights not exercised within five years after the grant date become invalid and forfeit without compensation.

Requirements to exercise:

SAR may only be exercised by the beneficiaries if the following requirements are met at the date of exercise:

- The beneficiary's employment contract with a company pertaining to the AT&S Group remains valid. Subject to certain conditions, rights may also be exercised within a year after termination of the employment contract.
- The required personal investment in the amount of 20% of the first amount granted (in SAR) in AT&S shares is held. If the personal investment is not fully established by the end of the three-year waiting period, the previously granted SAR "the SAR 2014 – 2016" become forfeit in full. The established personal investment is required to be held over the complete period of participation in the programme and will also apply to the granting in the subsequent years. The personal investment may only be wound down when exercise is no longer possible.
- The earnings per share (EPS) performance target was met. The level of attainment of the earnings per share performance indicator determines how many of the SAR granted may actually be exercised. The target value is the EPS value determined in the mid-term plan for the balance sheet date of the third year after the grant date. If the EPS target is attained at 100% or surpassed, the SAR granted may be exercised in full. If attainment is between 50% and 100%, the SAR granted may be exercised on a pro rata basis. If the EPS value attained is below 50%, the SAR granted become forfeit in full.

Number and allocation of SAR granted:

	Andreas Gerstenmayer	Monika Stoisser- Göhring ¹⁾	Heinz Moitzi	Karl Asamer ²⁾	Executive employees	Total
	Number	Number	Number	Number	Number	Number
1 April 2014	40,000	5,000	30,000	30,000	125,000	230,000
thereof expired	-40,000	-5,000	-30,000	-30,000	-125,000	-230,000
1 April 2015	40,000	5,000	30,000	30,000	135,000	240,000
thereof expired	-6,134	-766	-30,000	-4,601	-118,064	-159,565
thereof exercised	-33,866	-4,234	0	-25,399	-8,468	-71,967
1 April 2016	50,000	5,000	30,000	30,000	135,000	250,000
thereof expired	0	0	-30,000	0	-110,000	-140,000
Total	50,000	5,000	0	30,000	33,468	118,468

1) The allocation occurred before appointment to the member of the management board.

2) Former member of the management board.

The SAR exercised during the financial year had a value of EUR 681,795.49 when these SAR were exercised.

Valuation of SAR at the balance sheet date:

SARs are measured at fair value at the respective balance sheet date using the Monte Carlo method. The fair value of the SAR granted is recognised as expense over their term.

Fair value of SAR granted:

Granted on:	1 April 2015 EUR	1 April 2016 EUR
Fair value as of 31 March 2019	38,953.00	137,104.00

Stock Appreciation Rights Plan (2017 to 2019)

Due to the expiry of the stock appreciation rights plan (2014 to 2016), the 91st Supervisory Board meeting on 6 June 2016 passed again a resolution for a long-term incentive programme based on stock appreciation rights (SAR). SAR relate to the value increase in share prices based on the development of the share price. SAR may be granted in the period between 1 April 2017 and 1 April 2019.

Under the stock appreciation rights plan "SAR 2017-2019" on 1 April 2017 297,500 SAR were granted at an exercise price of EUR 9.96 per share and on 1 April 2018 270,000 SAR were granted at an exercise price of EUR 21.94 per share.

Each SAR entitles the holder to the right to a cash settlement at the remaining amount between the exercise price and the closing rate of the AT&S share at the stock exchange with the main quotation (currently Vienna Stock Exchange) at the date the subscription right is exercised. The exercise price of the stock appreciation rights is determined at 200% of the exercise price of the date of grant. The maximal benefit for the granted SAR on 1. April 2017 is EUR 19.92 and for the granted SAR on 1 April 2018 is EUR 43.88.

Exercise price:

The exercise price of SAR is determined at the respective date of grant, corresponding to the average closing rate of the AT&S share at the Vienna Stock Exchange or at the stock exchange with the main quotation of the AT&S shares over a period of six calendar months immediately preceding the date of grant.

Exercise period:

SAR may be exercised in full or in part after the respective completion of a three-year period following the date of grant, not however during a restricted period. Granted stock appreciation rights not exercised within five years after the grant date become invalid and forfeit without compensation.

Requirements to exercise:

SAR may only be exercised by the beneficiaries if the following requirements are met at the date of exercise:

- The beneficiary's employment contract with a company pertaining to the AT&S Group remains valid. Subject to certain conditions, rights may also be exercised within a year after termination of the employment contract.
- The required personal investment in the amount of 20% of the first amount granted (in SAR) in AT&S shares is held. If the personal investment is not fully established by the end of the three-year waiting period, the previously granted SAR "the SAR 2017 – 2019 become forfeit in full. The established personal investment is required to be held over the complete period of participation in the programme and will also apply to the granting in the subsequent years. The personal investment may only be wound down when exercise is no longer possible.
- The earnings per share (EPS) performance target was met. The level of attainment of the earnings per share performance indicator determines how many of the SAR granted may actually be exercised. The target value is the EPS value determined in the mid-term plan for the balance sheet date of the third year after the grant date. If the EPS target is attained at 100% or surpassed, the SAR granted may be exercised in full. If attainment is between 50% and 100%, the SAR granted may be exercised on a pro rata basis. If the EPS value attained is below 50%, the SAR granted become forfeit in full.

Number and allocation of SAR granted to the management board:

	Andreas Gerstenmayer	Monika Stoisser-Göhring	Heinz Moitzi	Karl Asamer ¹⁾	Executive employees	Total
	Number	Number	Number	Number	Number	Number
1 April 2017	50,000	30,000	30,000	30,000	157,500	297,500
thereof expired	0	0	0	0	-22,500	-22,500
1 April 2018	50,000	30,000	30,000	0	160,000	270,000
Total	100,000	60,000	60,000	30,000	295,000	545,000

1) Former member of the management board.

Valuation of SAR at the balance sheet date:

SARs are measured at fair value at the respective balance sheet date using the Monte Carlo method. The fair value of the SAR granted is recognised as expense over their term.

Fair value of SAR granted:

Granted on:	1 April 2017 EUR	1 April 2018 EUR
Fair value as of 31 March 2019	883,332.00	393,380.00

4.8. Liabilities

4.8.1. Additional disclosure to liabilities

	Balance sheet value as of 31 March 2019 EUR	Remaining maturity of more than five years EUR	thereof secured by collaterals
Bonds ¹⁾	175,000,000.00	0.00	0.00
Bank loans	111,542,840.67	20,542,280.00	10,000,000.00
Promissory note loans	599,634,137.16	123,500,000.00	0.00
Trade payables	14,106,140.08	0.00	0.00
Payables to affiliated companies	15,151,191.37	0.00	0.00
Other liabilities	8,190,369.75	0.00	0.00
Total	923,624,679.03	144,042,280.00	10,000,000.00

¹⁾ First termination right to November 17, 2022.

	Balance sheet value as of 31 March 2018 EUR	Remaining maturity of more than five years EUR	thereof secured by collaterals
Bonds ¹⁾	175,000,000.00	0.00	0.00
Bank loans	115,118,318.67	29,850,000.00	10,000,000.00
Promissory note loans	427,128,149.66	105,000,000.00	0.00
Trade payables	17,919,044.63	0.00	0.00
Payables to affiliated companies	17,359,589.77	0.00	0.00
Other liabilities	8,183,275.48	0.00	0.00
Total	760,708,378.21	134,850,000.00	10,000,000.00

¹⁾ First termination right to November 17, 2022.

On 17 November 2017 the issue of a hybrid bond with an issuing volume of EUR 175,000,000 and an interest of 4.75 % was successfully completed. The subordinated bond has an unlimited term and could be canceled for the first time after five years by At&S, but not by creditor. If the bond will not be canceled after this period, the extra charge will raise to the then valid interest rate about five percent.

Payables to affiliated companies include trade payables in the amount of EUR 15,151,191.37 (prior year: 17,359,589.77). Assigned receivables are provided as collaterals to banks.

4.8.2. Expenses that will affect cash flow only after the balance sheet date

Under the item "Other liabilities" includes the following material expenses that will affect cash flow only after the balance sheet date:

	31 March 2019 EUR	31 March 2018 EUR
Interest with regard to bonds	2,892,294.52	2,892,294.52
Regional health insurance	1,525,891.05	1,423,323.71
Tax authority	787,008.55	768,346.18
Wages and salaries	111,746.82	113,765.18
Communities	119,306.87	112,192.65
Total	5,436,247.81	5,309,922.24

4.9. Contingent liabilities pursuant to Section 199 UGB

At the balance sheet date contingent liabilities of guarantee exists to the amount of EUR 890,471.95 (prior year: 811,490.71). With regard to contingent liabilities in amount of default risk of the factoring, reference is made to item 4.4. Receivables and other assets.

4.10. Obligations from the use of tangible assets not recognised in the balance sheet

	In the following financial year EUR	In the next five financial years EUR
Obligations from sale and lease back transactions	1,422,338.45	3,898,914.67
Prior year:	1,432,948.84	5,390,632.47
Obligations from rental agreements	271,979.64	353,286.03
Prior year:	549,883.32	822,500.79
Total	1,694,318.09	4,252,200.70
Prior year:	1,982,832.16	6,213,133.26

4.11. Other financial obligations

At the balance sheet date, orders in the amount of EUR 6,135,504.00 (prior year: EUR 5,296,389.00) were outstanding for replacement and expansion investments.

4.12. Derivative financial instruments

Derivative financial instruments are used at AT&S to hedge against possible interest rate fluctuations. Hedged items are primarily payments related to loans.

	Nominal amount 31 March 2019	Fair value in EUR 31 March 2019	Book value in EUR 31 March 2019
Interest-related products			
Swaps	EUR 280,500,000.00	-5,621,820.03	-5,621,820.03
	Nominal amount 31 March 2018	Fair value in EUR 31 March 2018	Book value in EUR 31 March 2018
Interest-related products			
Swaps	EUR 192,000,000.00	-1,679,430.08	-1,770,511.82

The interest hedging instruments are used to hedge the variable debt instruments.

The remaining terms of derivative financial instruments outstanding at the balance sheet date, are as follows:

in months	31 March 2019	31 March 2018
interest related products: Swaps	23 - 76	11 - 61

5. COMMENTS ON INCOME STATEMENT ITEMS

	2018/19 EUR	2017/18 EUR
1. Revenue		
Abroad	341,147,546.91	353,432,034.23
Domestic	30,577,809.45	29,486,501.85
Total	371,725,356.36	382,918,536.08
	2018/19 EUR	2017/18 EUR
2. Other operating income		
Income of exchange differences	14,764,643.12	4,847,973.10
Income of non-taxable premium	2,019,543.00	1,797,869.20
Income of non-taxable funds R&D	939,842.40	1,114,602.84
Energy tax reimbursements	747,337.37	717,529.04
Residual of other operating result	2,718,203.76	1,083,698.93
Total	21,189,569.25	9,561,673.11
3. Personnel expenses		
	2018/19 EUR	2017/18 EUR
a) Expenses for severance payments and Contributions to staff provision funds		
Members of the Management Board and executive employees	204,669.17	806,183.65
Other employees	1,461,834.51	2,543,855.47
Total	1,666,503.68	3,350,039.12

The Expenses of severance payments and contributions to staff provision funds include severance payments in the amount of EUR 1,204,205.60 (prior year: EUR 2,985,012.90). The prior year included the contractual severance payment linked to the premature termination of the management contract of Karl Asamer.

	2018/19 EUR	2017/18 EUR
b) Expenses for pensions		
Members of the Management Board and executive employees	312,267.30	244,096.25
Other employees	2,298,551.91	446,366.18
Total	2,610,819.21	690,462.43

6. ADDITIONAL DISCLOSURES PURSUANT TO THE AUSTRIAN COMMERCIAL CODE (UGB)

6.1. Board members, employees

In the financial year the **average number of staff** was:

	2018/19	2018/19
Waged workers	615	647
Salaried employees	553	522
Total	1,168	1,169

Members of the Management Board and the Supervisory Board:

In the financial year, the following persons served as **members of the Management Board**:

- Andreas Gerstenmayer (Chairman)
- Monika Stoisser-Göhring (Deputy chairwoman)
- Heinz Moitzi

In the financial year, the following persons were appointed as **members of the Supervisory Board**:

- Hannes Androsch (Chairman)
- Willibald Dörflinger (First Deputy chairman)
- Regina Prehofer (Second Deputy chairwoman)
- Karl Fink
- Albert Hochleitner
- Gerhard Pichler
- Georg Riedl
- Karin Schaupp

Delegated by the **Works Council**:

- Wolfgang Fleck
- Siegfried Trauch
- Günter Pint
- Günther Wölfler

Total remuneration of the members of the Management Board:

in TEUR	2018/19			2017/18		
	fixed	variable	total	fixed	variable	total
Andreas Gerstenmayer	532	714	1,246	532	624	1,156
Monika Stoisser-Göhring ¹⁾	391	175	566	321	316	637
Heinz Moitzi	417	186	603	417	405	822
Total members of the Management Board	1,340	1,075	2,415	1,270	1,345	2,615
Karl Asamer ²⁾	0	142	142	634	471	1,105
Total	1,340	1,217	2,557	1,904	1,816	3,720

¹⁾ The identification of the reward takes place off the first appointment to manager on 2nd June 2017. Exercise of SAR, which were allocated before appointment to the member of the management board, is not included.

²⁾ Former member of the management board.

The variable portion of the remuneration of Andreas Gerstenmayer includes remuneration with regard to SAR in the amount of TEUR 427 (prior year: TEUR 0). The fixed portion of the remuneration of Karl Asamer in 2017/18 includes the contractual severance payment and other payments in connection with the premature termination of the management contract.

In addition to the above-mentioned remuneration, TEUR 52 (prior year: TEUR 52) for Andreas Gerstenmayer and TEUR 38 (prior year: TEUR 33) for Monika Stoisser-Göhring were paid into the pension fund.

Number of stock appreciation rights as of the balance sheet date of the members of the Management Board:

	31 March 2019	31 March 2018
Andreas Gerstenmayer	150,000	140,000
Monika Stoisser-Göhring ¹⁾	65,000	40,000
Heinz Moitzi	60,000	30,000
Total members of the Management Board	275,000	210,000
Karl Asamer ²⁾	60,000	90,000
Total	335,000	300,000

¹⁾ The allocation occurred partially before appointment to the member of the management board.

²⁾ Former member of the management board.

By 31 March 2019, the exercise price of EUR 13.66 (85,000 pieces) of the stock appreciation rights of the Management Board as of 1 April 2016, of EUR 9.96 (140,000 pieces) as of 1 April 2017 and of EUR 21.94 (110,000 pieces) as of 1 April 2018, is less respectively more than the current price of the shares as of the balance sheet date (EUR 15.30).

With regard to members of **the Supervisory Board**, remuneration in the amount of EUR 397,327.00 (prior year: EUR 466,960.00) was recognised as expenses and is proposed to the Annual General Meeting.

Shareholdings of the Management and the Supervisory Board of the Company at the balance sheet date:

	Shares		
	Balance 31 March 2019	Balance 31 March 2018	Change
Management Board			
Andreas Gerstenmayer	10,000	10,000	0
Monika Stoisser-Göhring	2,000	1,000 ¹⁾	+1,000
Heinz Moitzi	6,001	6,001	0
Supervisory Board			
Hannes Androsch	120,258	599,699	-479,441
Androsch Privatstiftung ²⁾	6,819,337	6,339,896	+479,441
Dörflinger Privatstiftung ²⁾	6,902,380	6,902,380	0
Gerhard Pichler	26,768	26,768	0
Georg Riedl	15,482	15,482	0

¹⁾ Acquired before appointment to the member of the management board.

²⁾ The indicated number of shares held in AT & S Austria Technologie & Systemtechnik Aktiengesellschaft includes all direct and indirect investments. Thus, for the Androsch Private Foundation, this information also includes those shares held by AIC Androsch International Management Consulting GmbH, which is owned by the Androsch Private Foundation. For the Dörflinger Private Foundation, it also includes those shares held by Dörflinger Management & Beteiligungs GmbH, whose majority owner is the Dörflinger Private Foundation.

6.2. *Significant events after the reporting period*

Until 16 May 2019, no events or developments came to AT&S' attention that would have resulted in significant changes in the disclosure or measurement of the individual asset and liability items as at 31 March 2019.

Leoben-Hinterberg, 16 May 2019

The Management Board:

Andreas Gerstenmayer m.p.

Heinz Moitzi m.p.

Monika Stoisser-Göhring m.p

Management Report 2018/19

1. Company profile

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as “AT&S”) is the leading manufacturer of printed circuit boards in Europe and globally one of the technology leaders in the printed circuit board (PCB) industry. AT&S concentrates in high-end technologies and applications in the segments Mobile Devices & Substrates and Automotive, Industrial, Medical. AT&S is successful among its mostly Asian competitors because of its clear focus on high-end, exceptional process know-how, quality, efficiency, capacity utilisation and European governance. AT&S has a cost-effective production footprint in close proximity to the customer, with six production sites in Austria (Leoben, Fehring), India (Nanjangud), China (Shanghai, Chongqing) and South Korea (Ansan).

2. General economic environment

The global economy is slowing down

Consensus estimates by the IMF, the World Bank and a number of market research companies recently indicated a significant slowdown of the global economy. The WTO expects global GDP to grow only by 2.6% in 2019 and 2020, compared with 2.9% in 2018 (WTO 4/2019³), with only a minor slowdown in growth from 4.3% (2018) to 4.0% by 2020 projected for Asia (incl. China). The decline is primarily due to a downturn expected in line with the economic cycle, which is currently intensified by trade conflicts.

3. Industry environment

Electronics industry: modularisation continues to set the trend and opens up opportunities for additional value creation

Digital technologies and electronics play an integral part in coping with major challenges of society and the further development of the human lifestyle. Information and communication media, for example, have to be available anytime, anywhere; devices should be able to perform tasks to support people as autonomously (sensors, artificial intelligence, networking, etc.) and efficiently as possible. Moreover, mobility is supposed to be safe without any limitations and eco-friendly at the same time, and personal safety and health should be improved continuously as the population keeps aging.

Very small mobile devices such as smartphones, smartwatches, earpods and virtual reality glasses support people in a wide variety of tasks. Thanks to mobile diagnostics and therapy devices, it is getting easier to monitor health better. In all of this, users expect an increasing number of functions on ever-smaller space with longer battery life to support such a mobile lifestyle. As mobile devices are getting smaller and more battery space is necessary, the electronics contained in such devices require “miniaturisation”.

While the cycles of developing and launching products on the market are getting shorter, quality requirements are increasing at the same time. This challenge can be met by combining predeveloped, multiple-use system parts with one or several system functions in electronic modules (“modularisation”). Examples of such modules include sensor modules, computing or artificial intelligence (AI) modules, storage modules, and radio frequency (RF) modules for wireless communication and data transfer.

The trend of modularisation increasingly manifests itself not only in consumer, computer and communication products such as smartphones, smartwatches, smart speakers, notebooks, etc. but also in all other areas of electronics including industrial, automotive and medical applications.

Interconnect solutions consisting of printed circuit boards and IC substrates using embedding as one of the key technologies for the integration of modules with a growing number of functions make a significant contribution

³ https://www.wto.org/english/news_e/pres19_e/pr837_e.pdf

to supporting the trend of modularisation. They shorten electrical lines between the components and save space.

Printed circuit boards and interconnect solutions for consumer, communication and computer applications (“CCC”) are additionally characterised by the necessity to provide minimum trace widths for high levels of integration in large production volumes. Automotive, industrial and medical applications (“AIM”) use high-end technologies with reduced trace widths from CCC as a platform for further innovation. The focus is on the introduction of new materials (e.g. high-frequency printed circuit boards or radar applications in the automotive sector), process control within even tighter limits and further technological improvements to meet the especially high quality requirements.

Application trends such as connectivity to exchange the maximum possible data volumes (Internet of Things, machine-to-machine communication) or artificial intelligence (autonomous driving, automation, robotics) requiring especially high data processing and computing capability lead to an ever-stronger convergence of the technological requirements and roadmaps in the individual market segments.

These application trends follow the megatrend to enable not only higher and higher computing power and connectivity with higher data rates, but increasingly also the interaction of devices with the environment. Among other things, this drives the development of increasingly better and smaller cameras and other types of optical, position and environmental sensors, miniaturised light sources and displays, miniaturised speakers, etc. The ever-higher computing performance, supported by parallel computer architectures, allows continually improving algorithms for artificial intelligence.

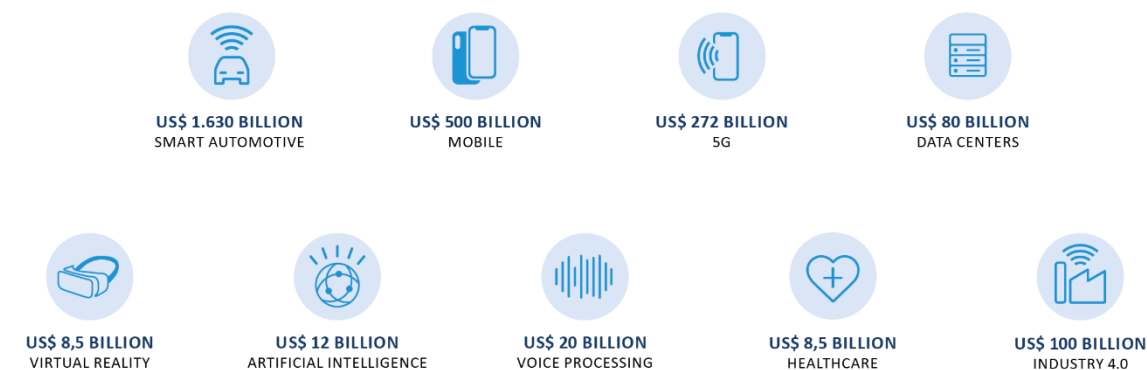
Significant improvements in connectivity are expected through the introduction of the 5G telecommunication standard (data rates of many gigabit/s with latencies (= reaction times) of < 1ms). This will allow de facto “real time applications” also for mobile devices, robotics and autonomous driving.

An important global trend is the goal of preventing emissions, which advances the electrification of vehicles and, like autonomous driving, is consequently another important application driver for more electronics in cars. More efficient networks in vehicles (48V electrical system) as well as electrical motors require the transmission and switching of ever-increasing power, which requires measures to cool the electronics and minimise switching losses.

Depending on the development stage of individual applications, the related hardware markets will have significant size in only a few years. For “Smart Automotive”, annual sales of roughly 25 million vehicles (“Level 2” – “Hands off”) of a total market volume of \$ 1,630 billion is expected as early as 2021. For the 2.5 billion mobile devices sold annually, the hardware market will total approximately \$ 500 billion, \$ 272 billion for 5G, approx.

MARKET SIZE BY APPLICATION

2021



Source: Yole, AT&S, March 2019

\$ 100 billion for industry automation (“Industry 4.0”) and roughly \$ 80 billion for data centres. Emerging applications such as voice recognition (\$ 20 billion), artificial intelligence (\$ 12 billion), sensors for healthcare (\$ 8.5 billion) or virtual reality (\$ 8.5 billion) represent relatively small markets in comparison – however, with particularly strong growth potential.

All of these applications can only be realised with highly advanced interconnect solutions as an increasingly significant part of the system as a whole. Modularisation is opening up considerable growth potential for high-end printed circuit board and IC substrate producers like AT&S by proactively entering into development partnerships with customers.

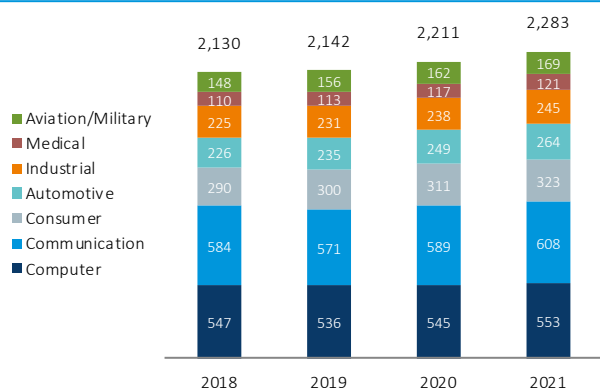
Electronics market: further growth through new functions such as 5G connectivity and artificial intelligence

The overall electronics market comprises all electronic devices and systems manufactured. The global electronics market is expected to total approximately \$ 2,142 billion in 2019, with an annual growth rate of roughly 2.3% between 2018 and 2021. The strongest growth is forecast for the automotive (5.3%), aviation/military⁴ (4.5%), consumer (3.7%) and medical technology (3.3%) segments. While an annual increase by 2.8% is expected for the industrial segment, the annual growth rates for communication (1.4%) and computers (0.4%) will be below average due to stagnating sales figures for smartphones and PC/notebooks.

The introduction of the new wireless standard (5G) is a massive growth driver. 5G enables wireless communication in real time (< 1ms) with very high data rates, allowing not only playing videos on mobile devices and general mobile data transmission from the Internet without any time delay but also all types of communication between machines (M2M or machine-to-machine communication) or vehicles (“Vehicle-to-X” or „V2X” communication). Growth is also strongly driven by additional functions for artificial intelligence, which are currently being integrated into a large number of electronic devices. In addition to human voice recognition and automatic evaluations of image information already available in many products (smartphone, smartwatch, robots, etc.), artificial intelligence is also used in areas such as autonomous driving for automated control decisions.

Elektronics market by segment

US\$ in billions



Source: Prismark, March 2019

Printed circuit board and IC substrate market: long-term growth through more integrated functions

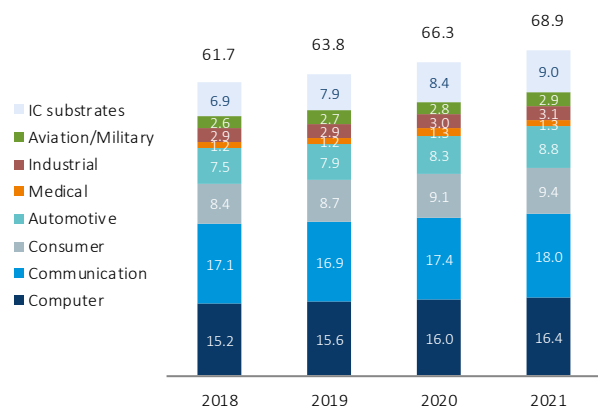
The printed circuit board and IC substrate market as part of the electronics market that AT&S operates in reached a volume of \$ 61.7 billion in 2018 and is expected to grow to \$ 68.9 billion by 2021 (+3.7% p.a.). Printed circuit boards for the computer (\$ 16.4 billion, 2.4% p.a.), communication (\$ 18.0 billion, 1.6% p.a.) and consumer sectors, combined in the CCC segment, will continue to account for a share of roughly 64% in the overall market in 2021. Smartphones, PCs, tablets and servers remain the key applications in this segment. New applications such as wearables (smartwatches, etc.), Internet-of-Things (IoT) devices and the introduction of new

⁴ In this segment, AT&S’s business activity is limited to civil aviation and aeronautics and is consolidated in the figures in the Automotive segment.

device functions like artificial intelligence and the new 5G wireless standard offer very good long-term growth opportunities and are not only limited to CCC applications, but also drive growth in automotive, industrial and medical applications.

Substrates and PCB market

US\$ in billions



Source: Prismark, March 2019; Yole, April 2019

Printed circuit boards for the automotive (\$ 8.8 billion, 5.5% p.a.), aviation/military (\$ 2.9 billion, 4.2% p.a.) and medical technology (\$ 1.3 billion, 3.2% p.a.) segments, combined in the AIM segment, will represent roughly 23% of the overall market by 2021. The largest AIM sub-segment, “Automotive”, has the fastest growth rate of 5.5% p.a., driven by the continuously increasing share of electronics in cars. Key growth drivers in automotive electronics include applications for autonomous driving (sensors (radar, lidar, camera), 5G, artificial intelligence), connectivity and infotainment as well the electrification of the drive train. Automation also promises good growth opportunities in the Industrial segment (Industry 4.0 with artificial intelligence, 5G, machine-to-machine (“M2M”) communication). Printed circuit boards for applications in medical technology offer strong growth opportunities especially in the areas of sensors and mobile diagnostics as well as for implantable devices.

The IC substrate segment (\$ 9.0 billion, 9.2% p.a.) accounts for the remaining 13% of the overall market. IC substrates are predominantly applied in the “packaging” of individual components (integrated circuits (ICs)) such as processors and in the integration of modules consisting of several components (“System in Package” or “SiP”). The particularly strong increase between 2018 and 2021 (9.2% p.a.) is primarily attributable to growth of IC substrates for processors for data centres, networking processors, processors with artificial intelligence functions and IC substrates for radio modules for connectivity (4G, 5G, WiFi/WiGiG). As a result of larger processors and more and more integrated functions and components per module, the unit sizes and layer counts, and consequently the complexity of IC substrates are also increasing. Moreover, the market for IC substrates is currently characterised by strong technological changes. Driven by new chip generations, minimal pattern sizes are getting smaller and smaller. In addition, the components and wiring layers on IC substrates are increasingly often directly connected with each other as the next level of system integration (“Fan Out”, “Embedding”).

Technology options for module integration (mSAP, SAP, embedding): IC substrates (SAP) as well as the latest printed circuit board generation (mSAP) with pattern sizes of < 10µm to < 30µm are used with an ever-increasing number of functions (connectivity, processor, storage, sensors, etc.) for the integration of modules. The modules market records annual growth rates of 12% because packages of individual components are increasingly replaced by “Systems in Package” (“SiP”) for many components. This offers very good growth opportunities within the modularisation trend especially for companies that manufacture both high-end printed circuit boards and high-end substrates. The additional assembling of components on or in the printed circuit board and functional tests of finished modules can increase the value added by a factor of more than 5 compared with a pure substrate. Accordingly, the market that can be addressed is also becoming larger for AT&S, reaching a similar size for module production as the entire printed circuit board market within a few years. In addition to “Surface Mount and Overmold”, the “Embedded-Die-Packaging” technology (“ECP”) is another technology

option for module integration, which offers advantages in particular for the reduction of module size in individual applications.

4. Business development

4.1. Financial performance

In the financial year 2018/19, AT&S's **REVENUE** decreased by € 11.2 million, or 2.9%, to € 371.7 million. This decrease results from lower merchandise sales as well as lower sales from self-produced goods.

The **EBIT-MARGE** increased by 5.9% to 5.9% (previous year: 0.0%) in the financial year under review. The main reasons of the increase were exchange rate gains, the lower adjustment of the variable premium to the degree of target achievement and costs from the SAR program

The **FINANCIAL RESULT** amounted to € 38.6 million (previous year: € -15.7 million). The change resulted from the income of € 38.9 million of financial assets and securities and current asset lending – thereof EUR 33.7 Mio due to valuation gains of the stronger US dollar (previous year: € -40.2 million), € 2.6 million are resulting of a capital repayment of an affiliated entity. The higher income from other securities and long term loans of € 30.2 million and increased other interest and similar income in an amount of EUR 3.1 Mio. (previous year: € 21.9 million) was compensated by lower dividends of € 0.0 Mio. (previous year: € 20.9 million) and interest expenses of € 33.6 Mio. (previous year: € 18.9 million)

INCOME TAXES result from the possibility to recognize deferred taxes on loss carry forward, which is accountable for the deferred tax income of € 3.9 million (previous year: € 9.3 million). Due to higher taxable results in the past financial year, the current tax expense increased to € 4.5 million (previous year: € 0.4 million).

Owing to the described effects on the operating result and the financial result, the **NET INCOME FOR THE YEAR** thus is positive and amounts to € 60.0 million (previous year: € -6.7 million).

4.2. Financial position

Because the depreciation was lower than the investment, the book value of **PROPERTY, PLANT AND EQUIPMENT** increased from € 40.3 million to € 47.9 million. The book value of **INTANGIBLE ASSETS** decreased from € 9.2 million to € 7.9 million due to higher depreciation in the financial year under review.

The **SHARES IN AFFILIATED COMPANIES** decreased by € 7.3 million compared to previous year due to a capital repayment at the AT&S Korea Co., Ltd from € 265.9 million to € 258.7 million in the current year. The book value of loans to affiliated companies increased from € 444.5 million to € 512.3 million because of increase in shareholder loan. The increase was mitigated by the reversed US-Dollar exchange rate effects and its resultant valuation.

In the short term **CURRENT ASSETS** the inventories increased from € 25.7 million to € 28.7 million slightly. The increase of receivables and other assets from € 38.2 million to € 55.1 million is based on lower sales of trade receivables and the increase of the current business.

Liquid funds increased from € 258.6 million to € 384.3 million due to cash received from the promissory note loan.

In the current financial year **DEFERRED TAX ASSETS** increased from € 23.9 million to € 27.8 million.

At the balance sheet date 31 March 2019, the **SHAREHOLDERS' EQUITY** increased from € 294.8 million to € 340.8 million. The increase was caused by the annual net income for the year of € 60.0 million less the dividend payment of € 14.0 million. At the balance sheet date, the equity ratio decreased from 26.5% to 25.6% due to the higher total assets amount of balance sheet.

In the financial year 2018/19, AT&S's **NET DEBT** increased from € 455.6 million to currently € 500.4 million. Net debt is calculated as the aggregate of bonds, bank loans and promissory note loans, less cash on hand and bank balances as well as "other securities and shares" in current assets. The gearing ratio, i.e. the ratio of net debt to equity, decreased from 154.6% in the previous year to 146.9%.

4.3. Cash flow statement

Cash flow statement subtotals show the following amounts in comparison to past financial years (calculated in accordance with expert opinion KFS/BW2 of the Austrian Chamber of Public Accountants and Tax Advisors):

In EUR million	2018/2019	2017/18	2016/17
Net cash flow from operating activities	17.9	30.6	71.3
Net cash flow from investing activities	-48.6	-89.4	-160.5
Net cash flow from financing activities	156.5	228.5	27.0

The net cash flow from operating activities decreased from € 30.6 million to € 17.9 million in the financial year 2018/19. The decline resulted first by the deviation of the trade receivables, because there was a lower cash flow of € 9.8 million in the previous year. In the financial year 2018/19 the net cash flow amounted to € 18.6 million.

With respect to investing activities, AT&S invested a total of € 21.1 million (previous year: € 11.2 million) in intangible and tangible assets in the financial year 2018/19. These payments and higher loans to affiliated companies resulted in a net cash flow from investing activities in the amount of € -48.6 million (previous year: € -89.4 million).

The placement of a promissory note loan with a nominal value of € 335.5 million was partially used for the optimisation and the repayment of financial liabilities with higher interest rates, resulted in a cash flow from financing activities of € 156.5 million (previous year: € 228.5 million).

5. Research And Development

Highlights in the financial year 2018/19

Nearly all of AT&S's research and development activities aim to anticipate the changes currently taking place in the electronics industry and to capture the resulting opportunities, thus gradually becoming "More than AT&S". Our current projects aim to find new solutions for:

Miniaturisation / weight reduction: Devices are getting smaller, lighter and more powerful – AT&S can and must create the basis for this development. AT&S is working on new technologies which increase trace density and reduce the thickness of the systems.

Integration of new and additional functions: Electronic devices fulfil more and more functions, which are usually made possible through additional components. These have to be connected in the tightest packaging density and with the highest performance – ideally in a simplified value chain. AT&S is developing new concepts for the efficient integration and interconnection of electronic components.

Fast signal transmission: In the coming years there will be a massive increase in the data volume to be processed (e.g. 5G, autonomous driving). In its development projects in this area, AT&S ensures that the products transmit signals fast and with minimal losses.

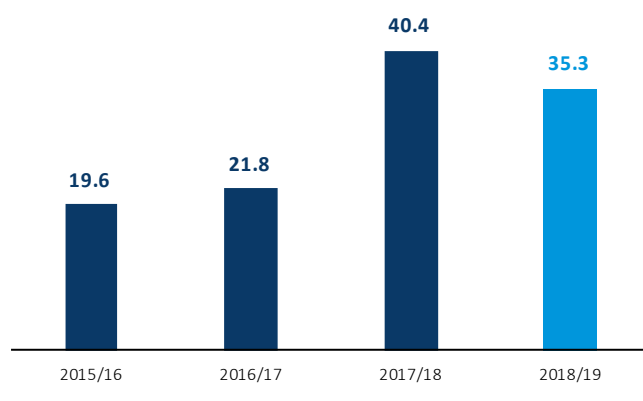
Performance and performance efficiency: Energy-efficient mobility is leading to the electrification of mobility – mechanical solutions are being replaced by energy-saving electronic solutions. The projects in this area focus on systems that enable optimal power supply with the lowest electrical losses and are able to switch and transmit high loads and may even be able to produce energy in the future.

Due to the increasing scarcity of resources, AT&S must ensure efficient and flexible production while minimising resource consumption (material, water, CO₂, etc.). AT&S utilises large volumes of data to optimise and improve production processes, product properties and product quality, integrate new and additional steps into the value chain and develop new solutions to use resources efficiently in production.

Innovation rate near record level, numerous new patents

The introduction of very important technologies in the past financial years (e.g. mSAP and substrates) also had an impact on the innovation revenue rate (IRR) in the financial year 2018/19. AT&S recorded the second highest IRR 35.3% in the company's history. The IRR is used to measure the innovative strength of the company. It represents the portion of revenue that AT&S has generated with innovative products launched on the market during the last three years. AT&S's target is to achieve an annual innovation revenue rate of at least 20%.

Innovation Revenue Rate (IRR)
in %

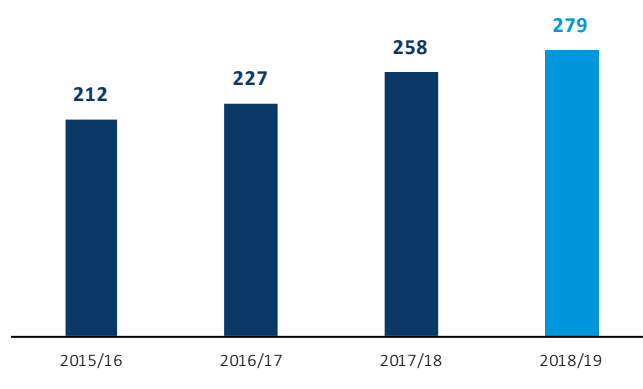


While this success is still largely based on the availability of the mSAP and substrate technologies, AT&S has already set the course for new applications, applying the learnings from its development areas as technology

components. AT&S is currently working to find new solutions for modules (electronic units for specific tasks that connect several components with each other), new solutions for power electronics driven by the developments in e-mobility and works with its customers to develop solutions for the new wireless standard 5G.

Innovative strength and long-term competitiveness are also reflected in the number and quality of patents. Worldwide, AT&S submitted 72 new applications for patents in the financial year 2018/19. AT&S currently has 286 patent families, which result in 279 granted patents. The IP portfolio was additionally extended by acquiring licences, especially in the area of the embedding technology.

Number of patents granted

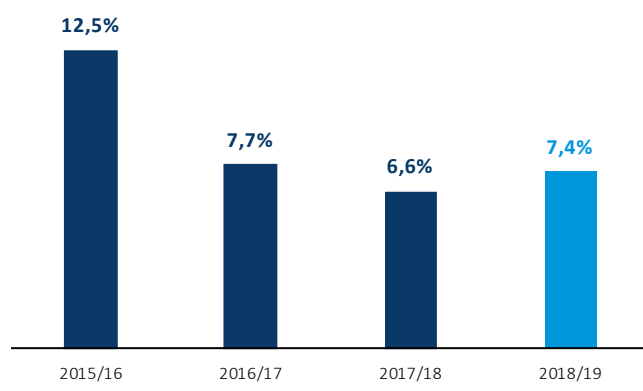


R&D expense: 7.4% of revenue

The costs of research and development projects totalled € 75.7 million in the financial year 2018/19. This corresponds to a research rate (i.e. ratio to revenue) of 7.4% compared with 6.6% in the previous year. Based on this continuously high research rate, AT&S is securing its position as the technology leader for the years to come.

Forschungsquote

in Relation zum Umsatz



Efficient R&D processes

AT&S ensures efficiency in development by cooperating closely with customers, suppliers and research institutions. Internally, AT&S pursues a two-step innovation process. In a first step, novel concepts are developed and the basic feasibility of these concepts is demonstrated. This area comprises applied research and technology evaluation. Subsequently, it is the task of the local technology development and implementation departments at the AT&S sites (TDI and Engineering) to continue the experimental development of processes and products and to integrate them into the existing production process.

In the past financial year, the first steps were taken to turn the development unit in Chongqing into another development centre. A prototype line was designed and purchased and machines for new processes were acquired which allow taking developments to a new level, especially in the area of substrates and advanced packaging using the substrate technology. At the development centre in Leoben, which is still the research hub for AT&S, advanced packaging concepts are developed in addition to concepts for power electronics and high-frequency electronics.

Key development projects in the financial year

The development highlights of the past financial year included the first projects for the new mobile communication standard 5G. The first generation of the 5G technology, which is currently being introduced, will still be in a moderate radio frequency range of less than 5GHz. In addition to the new antenna systems, energy consumption of the systems represents a significant challenge that needs to be overcome. The plan for the second generation is to use radio frequencies in the mm wave length range (25-30GHz). This requires the development of completely new printed circuit board and connection systems in order to mitigate losses. AT&S is currently working on a number of different projects in both areas.

Developments in power electronics are currently strongly driven by electromobility. AT&S is developing innovative new systems in this area which consume very little energy consumption and can work with high currents and high voltages. This is made possible by using the embedding technology which allows optimal cooling and electric connection of the components, resulting in electrically efficient and highly reliable systems and modules.

Modules (specialised electronic units which optimally connect several components with one another) are also gaining ground in the area of mobile communication. AT&S anticipates this trend with novel module concepts using the mSAP and substrate technologies. Based on these technologies and the concepts of the “all-in-one” package, highly integrated and specialised modules can be built especially for use in devices with little space for electronics.

6. Plants and branch offices

The AT&S Group currently operates six production plants, which specialise in different technologies.

Leoben and Fehring

The Austrian plants primarily supply the European market and increasingly also the American market. In Europe, short lead times, special applications and customer proximity are particularly important. The plant in Leoben continues to pursue the path of niche and prototype production started in recent years. Among other things, the production of the embedding technology is based in Leoben. The plant in Fehring recorded a positive development in the reporting year. A stronger focus on specific applications and markets helped create synergies with other sites (Leoben and Nanjangud) and improve the product mix. The expansion and technological upgrade of the plant initiated at the end of the financial year 2017/18 were largely completed during the financial year 2018/19. As a result, high-end printed circuit boards (HDI/HF technology), can be manufactured at the Fehring site for the Industrial, Medical and Automotive segments.

Shanghai

The plant in Shanghai manufactures leading-edge HDI (high density interconnection) printed circuit boards in serial production for the Mobile Devices & Substrates segment for customers all over the world. The plant was able to successfully meet the demand for HDI and mSAP printed circuit boards and has established itself as a leading supplier of the latest technology generation. The plant's broad technological spectrum was very well received by customers and the plant was continuously operating at capacity during the peak season months. Strong demand for HDI printed circuit boards continued in 2018/19, which were produced for the Automotive, Industrial, Medical segment. In addition, the embedding technology was successfully implemented in the past financial year and Shanghai will be able to offer this technology in the future in order to benefit from the trend of integrating active and passive components in the printed circuit board.

Chongqing

Two plants for high-end products are operated in Chongqing. The plant for IC substrates (Integrated Circuit Substrates) continued to increase production in the past financial year due to efficiency improvements and was consequently able to meet the strong demand by the market. In order to continue to optimally serve our customers, full expansion of the substrate plant was started towards the end of the year. At the plant for mobile applications, high-end mSAP printed circuit boards are manufactured. During the financial year 2018/19 the plant was technologically upgraded and will also be able to produce printed circuit boards for modules in the future. To date, the plant has been expanded to about 50% of its capacity and can therefore increase capacity within a relatively short time period in order to meet growing demand.

Ansan

The very positive development of the site in Korea continued in the financial year 2018/19. In addition to the good capacity utilisation in the medical sector for European and American customers, substantial quantities were manufactured for mobile applications. In order to maintain the option to expand the plant, two neighbouring premises totalling 3,305 square metres were acquired in the past financial year.

Nanjangud

The site continued its positive development in the financial year 2018/19. Efficiency increases from operational improvements and a further enhancement of the product mix in the area of high-end technologies led to a slight year-on-year increase in revenue. In the financial year 2018/19 the expansion of the plant and its technological upgrade were nearly completed so that full capacity is available for the growing demand for high-frequency printed circuit boards in the Automotive segment.

Hong Kong

The Hong Kong-based company AT&S Asia Pacific is the holding company for the Mobile Devices & Substrates segment – hence, for the Chinese plants and the allocated sales companies – and the headquarters of Group-wide procurement for this segment. The proximity to the CEMs of the customers and to suppliers is a locational advantage which business partners highly appreciate.

The sales companies in America, Germany, Japan and Taiwan continued to ensure good and close contact with customers in the financial year 2018/19.

7. Shareholder structure and disclosures on capital (disclosures pursuant to § 243a UGB)

Capital share structure and disclosure of shareholder rights

As of the reporting date at 31 March 2019, the Company's ordinary shares amount to € 42,735,000 and are made up of 38,850,000 no-par value shares with a notional value of € 1.10 per share. The voting right at the Annual General Meeting is exercised according to no-par value shares, with each no-par value share equalling one voting right. All shares are bearer shares.

On 20 December 2018, Hannes Androsch, Chairman of the Supervisory Board of AT&S, sold 202,095 shares of AT&S. Androsch Privatstiftung, which is closely associated with AT&S Supervisory Board members Hannes Androsch, Georg Riedl and Gerhard Pichler, purchased these 202,095 AT&S shares. The transaction was duly published on 21 December 2018. The average price amounted to € 19.09. The total value of the shares sold thus amounted to € 3,857,993.55.

On 20 December 2018, Hannes Androsch, Chairman of the Supervisory Board of AT&S, sold 277,346 shares of AT&S. AIC Androsch International Management GmbH, which is closely associated with AT&S Supervisory Board Chairman Hannes Androsch, bought these 277,346 AT&S shares. The transaction was duly published on 21 December 2018. The average price amounted to € 19.09. The total value of the shares sold thus amounted to € 5,294,535.14.

Significant direct and indirect shareholdings in the group parent AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (AT & S AG), which at the reporting date amount to at least 10%, are presented below: [see table below](#).

At the reporting date 31 March 2019, roughly 64.68% of the shares were in free float. With the exception of the shareholdings stated above, no other shareholder held more than 10% of the voting rights in AT & S AG. No shares with special control rights exist. The exercise of the voting right by employees who hold shares in the Company is not subject to any limitations.

No special provisions exist on the appointment and dismissal of members of the Management Board and the Supervisory Board.

The contracts of all Management Board members include a "Change of Control" clause: Such a change of control exists in the event that a shareholder of the company has obtained control of the company in accordance with Section 22 of the Austrian Takeover Act (ÜbG) by holding at least 30% of the voting rights (including the voting rights of third parties attributable to the shareholder pursuant to the Austrian Take-over Act), or the company has been merged with a non-Group legal entity, unless the value of the other legal entity amounts to less than 50% of the value of the company according to the agreed exchange ratio. In this case, the Management Board member is entitled to resign for good cause and terminate the Management Board contract at the end of each calendar month within a period of six months after the change of control takes legal effect, subject to a notice period of three months ("special termination right"). If the special termination right is exercised or the Management Board contract is terminated by mutual agreement within six months of the change of control, the Management Board member is entitled to the payment of his/her remuneration entitlements for the remaining term of this contract, however, for a maximum of three annual gross salaries. Other remuneration components

	Shares	% capital	% voting rights
Dörflinger-Privatstiftung: Karl-Waldbrunner-Platz 1, A-1210 Vienna	6,902,380	17.77%	17.77%
Androsch Privatstiftung: Schottengasse 10, A-1010 Vienna	6,819,337	17.55%	17.55%

shall not be included in the calculation of the amount of the severance payment and shall be excluded from it.

By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval by the Supervisory Board, by up to € 21,367,500.00 by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights offerings after having been taken over by one or more credit institutions in accordance with § 153 (6) of the Austrian Stock Corporation Act (AktG). In doing so, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital. The Annual General Meeting also passed the resolution to amend § 4 of the articles of association (ordinary shares) in accordance with this resolution.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and, simultaneously, the Management Board was authorised until 2 July 2019, subject to approval by the Supervisory Board, to issue one or several convertible bearer bonds in a total nominal amount of up to € 150,000,000.00 and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares of the Company in accordance with the convertible bond conditions to be defined by the Management Board. In doing so, the Company's ordinary shares were conditionally increased by up to € 21,367,500.00 by way of the issuance of up to 19,425,000 new no-par value bearer shares in accordance with § 159 (2) No. 1 AktG. This conditional capital increase is only carried out insofar as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights).

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000 (definition of amount of authorisations).

Treasury shares

By a resolution passed at the 23rd Annual General Meeting on 6 July 2017, the Management Board was again authorised to acquire treasury shares to the maximum extent of up to 10% of the ordinary shares of the Company within 30 months as from the resolution date. Furthermore, the Management Board was authorised, for a period of five years as of the date the resolution was passed, i.e. up to and including 5 July 2022, upon approval by the Supervisory Board and without any further resolution by the Annual General Meeting, to sell treasury shares also in a different way than via the stock exchange or by public offering, most notably to serve employee stock options, convertible bonds or to use such shares as a consideration for the acquisition of entities or other assets and for any other legal purpose.

As of 31 March 2019, the Group does not hold any treasury shares.

There are no off-balance sheet transactions between AT & S AG and its subsidiaries.

AT & S AG neither has granted any loans nor has it assumed any liabilities in favour of board members.

The Company's Corporate Governance Report pursuant to § 243b of the Austrian Commercial Code is available at <http://www.ats.net/company/corporate-governance/reports/>.

8. Opportunities and risk management

STRUCTURE AND INSTRUMENTS

Opportunities and risk management is a fundamental part of conducting business within the AT&S Group. The target to increase enterprise value involves not only opportunities but also taking risks. Since decisions are usually made under uncertainty, it is the task of risk management to identify risks or negative deviations at an early stage and deal with them in a pro-active manner. Therefore, AT&S operates a Group-wide Risk Management (RM) system in accordance with the Austrian Code of Corporate Governance (ACCG), an Internal Control System (ICS) in accordance with COSO standards, as well as Internal Audit based on the IIA standard.

From an organisational perspective, the Risk Management, Internal Control System and Internal Audit functions fall within the responsibility of the CFO. The Group Risk Manager reports monthly to the full Management Board as part of a Management Board meeting. The Supervisory Board is included within the framework of the Audit Committee meeting, which takes place at least twice a year. The proper functioning of the risk management system is assessed once a year by the external auditor in the course of the annual audit of financial statements pursuant to Rule 83 ACCG.

The risk management process shown in Figure 1 is conducted at least twice a year. Risk management is conducted based on the risk strategy and risk exposure at the hierarchy level assigned to the relevant level of risk (see Figure 2).

AT&S RISK MANAGEMENT PROCESS

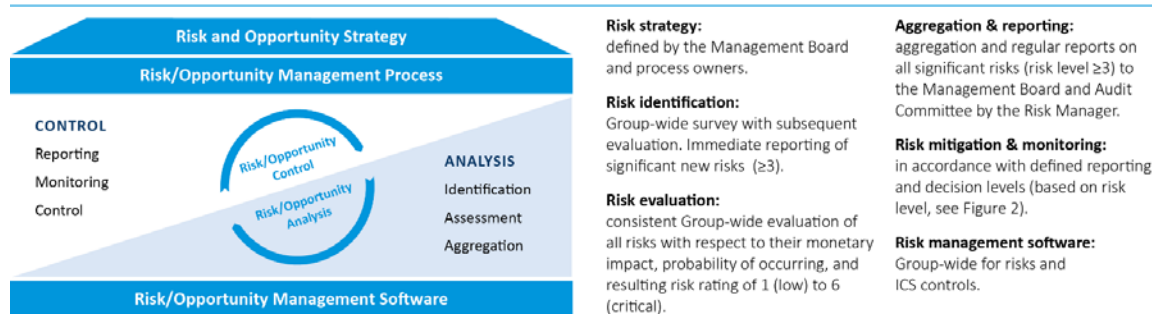
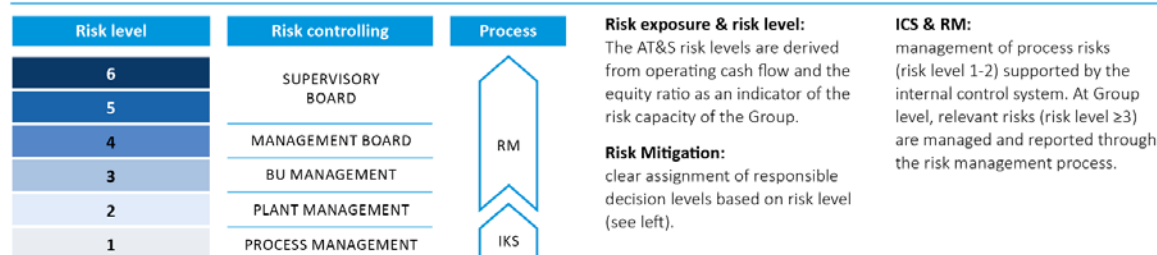


Figure 1: AT&S Risk Management Process

AT&S RISK LEVELS AND RISK CONTROLLING



RM: Risk Management; ICS: Internal Control System; BU: Business Unit
Figure 2: AT&S Risk Levels and Risk Controlling

RISK MANAGEMENT IN 2018/19

In the financial year 2018/19, risk management focused on adapting risk capacity and on further developing the instruments for risk evaluation. A sixth level was added to the risk levels shown as in Figure 2. The objective of this adjustment was to ensure immediate reporting to the Supervisory Board regarding significant changes in the risk position.

In addition to the ongoing continuous improvement measures of the Internal Control System (ICS), the evaluation of the purchase of a software-based GRC solution was started in the financial year 2018/19. The objective of this further development is to strengthen the links between governance, risk and compliance processes as well as the use of synergies.

The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments in the printed circuit board and substrate market and the Group's own operating performance. An overview of the AT&S risk categories, significant individual risks, risk mitigation measures and the expected trend in the coming year is shown in Figure 3 and explained in further detail below.

Risk category	Significant risks & opportunities	Trend	Risk mitigation & opportunity realisation
STRATEGY	<ul style="list-style-type: none"> Sales price development Capacity utilisation Technology development Investments 		<ul style="list-style-type: none"> Consistent focus on high-end technologies & target applications Customer proximity and early customer contact Technology development projects & technology roadmap Market analysis, strategy review and adaptation
MARKET	<ul style="list-style-type: none"> Market and segment development Development of key customers Sales strategy and implementation 		<ul style="list-style-type: none"> Balanced segment portfolios and diversification of customer portfolio New customer acquisition & and share increases with existing customers Consistent acquisition of defined target applications
PROCUREMENT	<ul style="list-style-type: none"> Development of procurement prices Single-source risk 		<ul style="list-style-type: none"> Procurement strategy (negotiation, allocation, technical changes) Supplier risk assessment & multi-sourcing
BUSINESS ENVIRONMENT	<ul style="list-style-type: none"> Confidentiality breach Disaster, fire Political risk 		<ul style="list-style-type: none"> Increased security level based on the implementation of an information security management system (ISO 27001) Internal & external audits, emergency exercises Business continuity management, insurance
OPERATIONS	<ul style="list-style-type: none"> Quality performance Intellectual property Project management Operating costs 		<ul style="list-style-type: none"> Black Belt programme, continuous quality improvement measures Continuous expansion and protection of the IP portfolio Rigorous project management Cost reduction and efficiency enhancement programmes at all locations
ORGANISATION	<ul style="list-style-type: none"> Loss of key personnel 		<ul style="list-style-type: none"> Employee retention, deputy regulation & succession planning
FINANCE	<ul style="list-style-type: none"> Foreign exchange risk Financing & liquidity Tax risk Impairment 		<ul style="list-style-type: none"> Natural FX hedging through long-term CF planning Long-term planning for financing and liquidity, interest swaps Continuous monitoring of compliance with tax laws Project controlling, impairment tests, strategy reviews and adaptation

FX: Foreign Exchange; CF: Cash Flow

Figure 3: AT&S Risk Categories, Significant Individual Risks, Risk Trends and Risk Mitigation Measures

STRATEGY

Investment risk:

In order to make the most of growth potential and remain competitive, AT&S undertakes substantial investments in new forms of technology (IC substrates) as well as in the further development and capacity expansion of existing technologies (SLP, mSAP, HDI) and will continue to do so in the future. In order to strengthen its technologically leading position in the future as well, AT&S is investing in the second expansion phase of plant I in Chongqing.

Incorrect assessments of technological developments, changes in demand, restrictions through third-party patents, negative price developments, customer-specific technologies, shorter technology cycles or problems in the technical implementation may have severe adverse effects on the intrinsic value of such investments. These effects could relate, in particular, to the substrate business, the production capacity for the mSAP technology in Shanghai and Chongqing, the capacity expansion for high-frequency printed circuit boards in Nanjangud and Fehring and generally all current AT&S business activities. If there are any indications of such adverse effects, impairment tests of these investments are performed as required, which may lead to high impairment requirements due to the high investments made.

Competition risk:

The clear focus on the high-tech segment coupled with the highest quality standards and consistent cost controls has so far enabled AT&S to successfully withstand the effects of intense competition, overcapacity in the market, and persistent 'commodification' with a corresponding margin reduction in the HDI (high-density interconnect) technology segment. This was complemented by the successful transfer of HDI technology from smartphone applications and other mobile devices to further applications, such as those in the automotive industry. The technology upgrade of part of the HDI lines to the mSAP technology ensures the transfer of competitive advantages of HDI to the next technology generation. Delays in switching over to the new technology on the customer side and volatile market developments may pose challenges for AT&S and lead to excess supply, overcapacities and underutilisation.

The opportunities of the Austrian plants of AT&S are based on high flexibility, high quality standards and the ability to react very quickly to changing specifications and technologies. These capabilities are absolutely imperative for prevailing in the competitive environment, especially in the industrial segment, which is characterised by diverse technological requirements among a large number of customers. To ensure our competitive edge, new forms of technology and projects are constantly pursued in close cooperation with our customers.

New technological developments and excess capacity in the market confront AT&S with great challenges in the IC substrate segment. The focus on a higher-value production portfolio and the successful realisation of the planned cost reduction are essential for this business segment. The market for IC substrates is strongly influenced by technological changes. The development of new technologies serves to mitigate the market risks of IC substrates. However, this technological progress also entails the general risk of new technological developments.

Competitor risks arise due to potential quality improvements and technological developments in countries with low production costs. This could lead to a loss of competitiveness at AT&S sites, especially in Austria and possibly also at other production sites like those in Korea and China.

In addition, a difficult market environment in the financial year 2019/20 could have an adverse effect on the Group's results. Stagnating smartphone sales, weak demand in the Automotive segment and unfavourable market developments in the other core segments could lead to a decline in revenue. In contrast, a positive market development could offer better business opportunities and disproportionately high growth opportunities. The broad-based positioning of AT&S in the Mobile Devices & Substrates segment and in the Automotive, Industrial, Medical segment with their different production cycles can partially cushion market risks.

MARKET**Potential loss of key customers:**

With the help of advanced production technologies and high quality standards, AT&S has managed to establish itself as a reliable provider to some of the world's most renowned players in the electronics industry. Due to the focus on high-end technology, the number of customers is limited to technology leaders. The revenue generated with the five largest customers accounts for 64% of total revenue. Our long-term relationships with these customers also offer excellent opportunities for the future. However, concentration of this kind also poses risks in the event that there is a significant reduction in business volume or profitability from these customers. This is particularly critical in the areas of IC substrates and mSAP. Therefore, the ongoing expansion of AT&S's competitiveness and the continued broadening of its customer base and development of new product segments are of enormous significance to AT&S's ability to quickly compensate negative developments with individual key customers.

PROCUREMENT

Procurement prices:

Price fluctuations in energy and raw materials (gold, copper and laminates) can have both a positive and a negative impact on achievable margins in the short term. Rising raw material prices in the financial year 2018/19 were partially cushioned by the targeted implementation of the procurement strategy. Due to the market development, raw material prices are also expected to increase in the coming financial year.

Suppliers:

The sourcing strategy of AT&S focuses on a wide and clearly diversified base of carefully selected suppliers in order to reduce dependencies on individual suppliers. The Group enjoys long-standing and stable customer-supplier relations with its main key suppliers with particular expertise and competitive standings. To avoid supply shortages, AT&S conducts rigorous supplier risk management, taking account of regional cluster risks, various supply routes, and alternative procurement options. Customer specifications may limit the raw materials used to certain suppliers, which may result in a dependency for AT&S. However, with few exceptions – for example in the IC substrates and ECP areas for which the supplier base is smaller – alternative supplier options are usually available in order to respond to supply risks.

BUSINESS ENVIRONMENT

Location-specific risks:

The large majority of AT&S's operating activities are based at sites outside of Austria, particularly in China. This means that the Group might be subject to potential legal uncertainties, state intervention, trade restrictions or political unrest. Irrespective of the above, any production site of the Group may furthermore be exposed to disruptive events such as fire, natural disasters, acts of war, shortages of supply or other elementary events. The termination of land use rights, permits or the lease contracts for specific plants might also have a considerable negative impact on the production output of the Group.

To minimise the effects of such risks, the Group has instituted business continuity management. The Group conducts active insurance management by means of weighing the risks and associated costs. It has concluded insurance contracts to the extent customary for a company of this size if such contracts are available at costs which are reasonable in relation to the impending risks.

Political risks:

The electronics industry is characterised by highly integrated, transnational supply chains which are based on the free trade of goods and services. Potential protectionism or growing political tensions can lead to discontinuities in the supply chain and to competitive advantages for competitors in specific countries.

In Europe, there are currently uncertainties related to the withdrawal of the United Kingdom from the European Union. AT&S only has few business relationships with customers based in the United Kingdom. Nevertheless, AT&S has taken measures due to the existing uncertainties in order to ensure a smooth process in the supply chain. The precautions taken include close contact with customers, an increase in inventories and the preparation of internal systems for possible exit scenarios. Nonetheless, the effects of the United Kingdom's withdrawal on the European economy may also have an impact on the business development of AT&S.

Due to the latent trade conflict between the USA and China, punitive tariffs are imposed on certain goods in both countries. From the current perspective, AT&S will not be significantly affected by the trade conflict, since the products are largely further processed in China. Nevertheless, ongoing monitoring of the affected goods is necessary. In addition, macroeconomic developments resulting from the trade conflict may have an adverse effect on the business of AT&S.

Compliance:

Any amendments to regulatory requirements, such as the prohibition of specific processes or materials, might lead to a rise in production costs. AT&S might be subject to payment of substantial penalties should any breach of customer confidentiality agreements or statutory provisions occur. AT&S has implemented organisational measures aimed at preventing or minimising the occurrence of compliance risks. The extension of such measures is ongoing. As a rule, AT&S follows a zero-tolerance policy and expects 100% compliance on the part of its employees with all applicable laws and regulations. The Governance, Risk & Compliance Committee (“GRC Committee”) pursues the objective of identifying and mitigating potentially relevant compliance and governance risks. In addition, AT&S introduced the whistleblowing platform “We Care”, which enables employees and external third parties to report potential compliance violations.

Fraud, data security and cybercrime:

To continue to successfully prevent attempted fraud, internal controls were further intensified in the past financial years and initiatives to sensitise employees with regard to such fraud schemes were increased. Moreover, AT&S works to expand data and information security. In the financial year 2018/19 a project regarding the EU General Data Protection Regulation was implemented. Based on an analysis of internal processes regarding the use of personal data, the required measures were assessed and implemented in order to ensure the protection of sensitive data. The set-up of an information security management system (ISMS) was another focus in the financial year 2018/19. The system was certified in accordance with ISO 27001 at the European locations. Alignment with international IT standards ensures safe handling and appropriate access to information, and the availability of reliable systems. Certification is also planned for other AT&S sites.

OPERATIONS**Quality and delivery performance:**

As in the past, it will be the high quality of products, adherence to delivery deadlines and service quality which will offer the Group an opportunity to differentiate itself from the competition and exploit growth opportunities in the future. At the same time, AT&S has to make substantial contractual commitments, especially to key customers, with respect to capacity reserves and volume guarantees, adherence to delivery deadlines and quality performance. Any technical defects, quality deficiencies, difficulties in delivering products or failure to provide volume guarantees granted may expose AT&S to warranty claims, claims for damages and contractual penalties. In the Mobile Device business, quality deficiencies may even lead to delivery stops for certain part numbers. Even if such quality deficiencies were not caused in the production process of AT&S but within the supply chain, such delivery stops may lead to significant drops in revenue. Substantial quality deficiencies could also result in product recalls and the loss of customers. AT&S has established a quality management and planning system designed to rule out or minimise deficiencies in product quality and planning mistakes and their negative consequences as far as possible. In order ensure high product quality, AT&S not only meets general international quality standards (ISO 9001) but also further standards for the automotive, aviation and medical sectors. Furthermore, the Group is insured against major risks by virtue of an (extended) product liability insurance policy taking into account exclusions of coverage and customary coverage limits.

Intellectual property:

AT&S endeavours to exploit any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of its own projects, cooperation schemes with partners and investments. Risks arise if AT&S fails to protect its intellectual property, thus enabling the competition to utilise these technologies. Legal disputes about intellectual property can prevent AT&S from using or selling disputed technologies. Furthermore, legal disputes with regard to the unauthorised use of external intellectual property can have considerable negative financial consequences.

Technology and project development:

The establishment and expansion of capacity for IC substrates and the mSAP technologies in Chongqing lead to specific risks for the Chongqing site due to the significant investment volume. Complications in the further technological development and project implementation could result in major burdens on business development and the existing financial and administrative resources. In the coming financial year, the focus will be on

continuous performance improvement in substrate production and on the implementation of the second expansion phase of plant I in Chongqing.

Cost control:

Continuous cost reduction and efficiency increases in all business segments are crucial to the Group's profitability. If cost reduction measures and performance increases cannot be implemented as planned (or if the costs cannot be passed on to customers), this may have a negative impact on the competitiveness of the Group.

ORGANISATION**Employees:**

The collective industry experience and management expertise of the employees of the AT&S Group form the foundation for taking advantage of future opportunities. The business of the Group might suffer if employees in leading positions were to terminate their employment relations with AT&S or if AT&S were unable to continue to recruit highly qualified personnel in all areas of value creation and retain them long-term. AT&S continuously develops strategies for retaining key employees, recruiting valuable personnel and further expanding the skills of its staff.

FINANCE**Foreign exchange risk:**

Exchange rate fluctuations in EUR, RMB and USD – and to a lesser extent in JPY, KRW and INR – can have considerable positive or negative effects on the results of the Group. To minimise these effects, the Group employs a hedging strategy by generating opposing cash flows in the respective currencies. The high investments in China of the past years result in significant currency risks related to the RMB, which could increase or decrease the Group's equity. Hedging against this risk would involve high costs and is not carried out.

Financing and liquidity:

To secure the financial needs for the expansion strategy, the Group uses long-term financial and liquidity planning. However, negative business developments, significant deviations from assumptions in business cases, exchange rate fluctuations or valuation adjustments may cause failure to achieve the targeted equity ratio and the net debt/EBITDA ratio, and subsequently lead to additional financing requirements under more difficult terms and higher costs, or the loss of existing financing facilities. Interest rates are hedged centrally for the Group as a whole by Group Treasury, in part through the use of appropriate financial instruments.

For more information on financial, liquidity, credit and foreign exchange risks, please refer to Note 19 "Additional disclosures on financial instruments" in the notes to the consolidated financial statements.

Tax risk:

The Company is active on a global basis and thus subject to different tax systems. Unless the requirements for the formation of a provision or liability are met, both national and international tax risks are incorporated within financial risks and monitored accordingly. At present, the material tax risks are in relation to the company in India. In order to minimise future tax risks, the Group continuously monitors compliance with national tax laws and international guidelines such as the BEPS (Base Erosion and Profit Shifting) guideline of the OECD. Although AT&S strives to comply with all tax laws and regulations, there is a risk of different interpretations in different countries, which may lead to double taxation and additional tax burdens.

9. Internal control and risk management system with regard to accounting

The accounting-related Internal Control and Risk Management system is an integral part of the Group-wide risk management system. According to the framework concept of COSO (The Committee of Sponsoring Organization of the Treadway Commission), the actual risk management as well as the Internal Control System (ICS) are subsumed under the concept of company-wide risk management. The main criteria of the Risk Management, the

Internal Control System and Internal Audit of AT&S are specified in a Group-wide risk management and audit manual.

The documentation of the internal controls (business processes, risks, control measures and those responsible) is made principally in the form of control matrices, which are archived in a central management database. The accounting-related Internal Control System includes principles, procedures and measures to ensure the compliance of accounting in terms of the control targets described for financial reporting.

The accounting procedures are documented in separate process instructions. These processes are standardised across the Group and are presented in a standardised documentation format. Additional requirements for accounting procedures result from specific local regulations. The basic principles of accounting and reporting are documented in the process descriptions and also in detailed process instructions, which are also filed in the central management manual. In addition, guidelines on measurement procedures and organisational requirements in connection with the processes of accounting and preparing the financial statements are compiled and updated on a regular basis. Schedules are set in accordance with Group requirements.

The internal financial reporting is done on a monthly basis as part of Group reporting, with the financial information being reviewed and analysed by the Corporate Accounting and Corporate Controlling department. The monthly budget/actual variance with corresponding comments on the results of the segments, of the plants as well as of the Company, is reported internally to the executives and to the members of the Supervisory Board.

The annual preparation of the budget is carried out by the Corporate Controlling department. Quarterly forecasts are drawn up during the year for the remaining financial year based on the quarterly results and current planning information. The forecasts, with comments on the budget comparison and presentations on the impact of opportunities and risks up to the end of the financial year, are reported to the Supervisory Board. In addition to regular reporting, multiple-year planning, project-related financial information or calculations on investment projects are prepared and submitted to the Supervisory Board.

10. Non-financial Statement

In accordance with § 243b (6) UGB (Austrian Commercial Code), the company is exempt from the obligation to prepare a Non-financial Statement in the Management Report since a separate Non-financial Report has been drawn up. This Non-financial Report is included in the Annual Report 2018/19 as a separate chapter.

11. Outlook

The global economy is slowing down

Consensus estimates by the IMF, the World Bank and a number of market research companies recently indicated a significant slowdown of the global economy. The WTO expects global GDP to grow only by 2.6% in 2019 and 2020, compared with 2.9% in 2018 (WTO 4/2019), with only a minor slowdown in growth from 4.3% (2018) to 4.0% by 2020 projected for Asia (incl. China). The decline is primarily due to a downturn expected in line with the economic cycle, which is currently intensified by trade conflicts.

Outlook 2019/20

Based on the weak demand for smartphones, in the automotive and industrial sector, which has been visible since the second half of the year 2018/19, the persisting volatile market environment and low visibility, the market is still characterised by a high level of uncertainty at the beginning of 2019/20. AT&S has been able to cushion this development by its highly diversified product, technology and customer portfolio as well as by successfully entering the IC substrate business.

In view of this market environment, the Management Board nevertheless expects a stable revenue development for the full year and an EBITDA margin within the range of 20 to 25% in accordance with the medium-term guidance, provided that there is no significant deterioration in the framework conditions (economic policy and exchange rates). In addition to the usual seasonality throughout the year, the first half-year in particular is expected to be burdened by uncertainty in the market.

Investment activity in the financial year 2019/20

As a result of the capacity expansion in the area of IC substrates, which has already been communicated and was started in the financial year 2018/19, roughly € 80 million will become cash-effective in the current period. Basic investments (maintenance and technology upgrades) are planned in the range of € 80 to 100 million. Depending on the market development, an additional € 100 million for capacity and technology expansions could be incurred.

Leoben-Hinterberg, 16 May 2019

The Management Board

Andreas Gerstenmayer m.p.

Monika Stoisser-Göhring m.p.

Heinz Moitzi m.p.

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, which comprise the balance sheet as at March 31, 2019, the profit and loss account for the fiscal year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at March 31, 2019, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

Deferred tax assets from tax loss carry-forwards and other deductible temporary difference

- Description

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, reports deferred tax assets in the amount of EUR 27,798k (prior year: EUR 23,937k) in the balance sheet as at March 31, 2019. These comprise deferred tax assets arising from temporary differences in the amount of EUR 5,300k and deferred tax assets from tax loss carry-forwards in the amount of EUR 22,498k. The applicable tax rate of 25% was used for the valuation. Pursuant to Section 198 (9) UGB, deferred tax assets may be recognized for future tax claims from tax loss carry-forwards to the extent that sufficient deferred tax liabilities are available or persuasive evidence exists which suggests that sufficient taxable income will be available in the future. Based on the current forecast, deferred taxes were capitalized for all existing tax loss carry-forwards in the amount of EUR 89,992k as at March 31, 2019. In the prior year, deferred tax assets were capitalized for tax loss carry-forwards in the amount of EUR 81,790k. No deferred taxes were set up for tax loss carry-forwards in the amount of EUR 57,789k in the prior year because the Company did not think it was likely to realize these taxes in the foreseeable future.

The assessment of the matter described requires professional judgment and involves estimation uncertainties and thus includes the risk of a material misstatement in the financial statements, therefore constituting a key audit matter.

- Audit approach and key observations

We:

- Identified the process for the calculation of current and deferred tax assets,
- Verified if the calculation of current and deferred taxes is accurate and reconciled the data used to calculate the temporary differences,
- Received tax advisor confirmation letters to confirm the existence and accuracy of the tax loss carry-forwards,
- Analyzed and confirmed samples of the accounting assumptions on the possibility to utilize tax loss carry-forwards and deductible temporary differences, and
- Audited the presentation and disclosures in the notes to the financial statements.

We consider the capitalization of deferred tax assets from tax loss carry-forwards and other deductible temporary differences to be justified and reasonable in amount.

- Reference to related disclosures

For further related information, we refer to the notes of the Company, section 3.4. on accounting and valuation methods as well as section 4.5 on the breakdown and comments on deferred tax assets including their development.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as statutory auditor at the ordinary general meeting dated July 5, 2018. We were subsequently engaged by the supervisory board. We have audited the Company for more than 20 years.

We confirm that the audit opinion in the "Report on the Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Mr. Jürgen Schauer, Austrian Certified Public Accountant.

Vienna, May 16, 2019

PwC Wirtschaftsprüfung GmbH

signed:

Jürgen Schauer

Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor's report is only allowed if the financial statements and the management report are identical with the German audited version. This auditor's report is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated 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 the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Leoben-Hinterberg, 16 May 2019

The Management Board

Andreas Gerstenmayer m.p.
Chief Executive Officer

Monika Stoisser-Göhring m.p.
Chief Financial Officer

Heinz Moitzi m.p.
Chief Operations Officer