AT&S

Quarterly Financial Report 01

2009/2010

Key figures

(If not otherwise stated, all figures in EUR 1,000)	IFRS Q1 2009/10 before non-recurring items[1]	Q1 2009/10 after non-recurring items	Q1 2008/09	Q1 2007/08
CONSOLIDATED INCOME STATEMENT				
Revenues		83,247	115,197	114,682
thereof produced in Asia		60%	54%	54%
thereof produced in Europe		40%	46%	46%
EBITDA	(493)	(20,319)	15,666	15,860
EBITDA margin	(0.6%)	(24.4%)	13.6%	13.8%
EBIT	(11,834)	(50,113)	5,631	7,767
EBIT margin	(14.2%)	(60.2%)	4.9%	6.8%
Net income	(13,909)	(52,188)	5,028	9,214
Shareholders' interest in net income	(13,785)	(52,065)	5,041	9,376
Cash earnings	(2,444)	(22,270)	15,076	17,469
CONSOLIDATED BALANCE SHEET (AS OF 30 JUNE)				
Total assets		468,647	495,783	478,478
Total equity		184,464	233,068	227,759
Shareholders' equity		183,974	232,545	227,204
Net debt[2]		159,535	130,710	110,997
Net gearing[2]		86.5%	56.1%	48.7%
Net working capital		56,000	75,575	80,569
Net working capital per revenues		16.8%	16.4%	17.6%
Equity ratio		39.4%	47.0%	47.6%
CONSOLIDATED CASH FLOW STATEMENT				
Net cash generated from operating activities (OCF)		19,232	20,275	14,824
CAPEX, net		6,594	11,728	25,756
GENERAL INFORMATION				
Payroll (incl. leased personnel), end of period		5,371	6,418	6,045
Payroll (incl. leased personnel), average		5,377	6,418	5,859
KEY STOCK FIGURES				
Earnings per share (EUR)	(0.59)	(2.23)	0.22	0.40
Cash earnings per share (EUR)	(0.10)	(0.95)	0.65	0.74
Market capitalisation, end of period[3]		85,594	251,884	437,065
Market capitalisation per shareholders' equity		46.5%	108.3%	192.4%
Weighted average number of shares outstanding		23,322,588	23,322,588	23,498,132
KEY FINANCIAL FIGURES				
ROE[4]	(25.5%)	(43.0%)	8.8%	16.4%
ROS	(16.7%)	(62.7%)	4.4%	8.0%
ROCE[5]	(11.2%)	(21.2%)	5.9%	9.6%

[1] The non-recurring items particularly cover restructuring at Leoben-Hinterberg plant
[2] Calculation of net debt has been simplified to ensure more transparency to investors and analysts.
Calculation: financial liabilities – cash and cash equivalents – financial assets
[3] Calculated: share price at end of period x weighted average number of shares outstanding; value for Q1 2007/08 based on closing price at the Frankfurter Wertpapierbörse
[4] Calculation upon average equity; results except non-recurring items annualised
[5] Calculation upon average equity and average net debt; results except non-recurring items annualised

Highlights

- Seasonal effects and economic crisis responsible for drop in sales and negative results
- First quarter should mark low point in present financial year; operating losses will not be able to be entirely compensated during the rest of the financial year
- Non-recurring restructuring expenses of EUR 38.3m for Leoben-Hinterberg plant
- Following completion of restructuring, AT&S presents itself with a highly effective plant positioning
- New strategy for business segment Mobile Devices should ensure lasting differentiation from competition, short-term losses of market share possible
- Annual General Meeting approves dividend of EUR 0.18 per share and elects new member of Supervisory Board

Statement of the Management Board

Dear shareholders,

Traditionally, the first quarter of the financial year is seasonally weak, but this year the economic crisis provided an additional damper. With persistent pressure on selling prices, almost all AT&S's plants were having to contend with significant capacity under-utilisation, so that sales of EUR 83.2m were 15.5% down on the already depressed levels of the fourth quarter of 2008/09. In a fixed-costs-intensive business like printed circuit board production, capacity under-utilisation is directly linked to substantial pressure on margins. The operating results for first quarter 2009/10 showed a loss of EUR -50.1m as against a profit of EUR 5.6m for the same period last year, and earnings per share of EUR -2.23 compared with EUR 0.22 a year ago.

Particularly the Austrian Leoben-Hinterberg plant was hit by massive losses. Past years had already seen migration of much volume business to Asia, and the trend rapidly accelerated as the economic crisis gained ground. In November last year we still believed that downsizing the high-volume production facility would be enough to ensure that it could continue to operate economically, and that some of the mass production of HDI circuit boards would be able to stay in Austria. However the increasingly dire economic outlook globally caused customers to concentrate more and more on cutting their procurement costs. The resulting intensifying pressure on AT&S's selling prices meant that – given the level of existing costs – volume production in Austria was no longer sustainable.

Leoben-Hinterberg restructuring

This made it essential to transfer all volume HDI production from Leoben-Hinterberg to Asia, to make a clean break and finally focus the existing plant exclusively on the needs of the European market. Production capacity – measured in terms of circuit board area produced – is being reduced from roughly 130,000 m² until recently to 70,000 m² in future. As part of the restructuring programme and other measures designed to improve efficiency in Austria, AT&S's staffing levels will be further reduced in the coming months, by roughly 300 people, in order to match expected future requirements.

We are therefore assuming that earnings in Austria will in future be considerably healthier, with a correspondingly beneficial effect on the profitability of the Group as a whole. Restructuring and optimisation are expected to result in one-time expenses amounting to as much as EUR 40m, of which EUR 38.3m have already been charged in the first quarter, with a total of approximately EUR 12m being cash-effective.

Focus on core business and efficiency increases

In addition to the changes in Leoben-Hinterberg, processes throughout the AT&S Group have been tightened up, and steps have been taken to increase efficiency and cut costs. The logistics centre in Nörvenich, Germany, has been transferred and integrated into Logistics in Leoben, though Nörvenich continues as a design, service and sales office. We have also ceased our Foundry Services activities, due to the inadequate earnings prospects relative to the risks involved. ECAD, the Indian circuit board design firm, was acquired in July 2005 with a view to encouraging the early transfer of existing know-how concerning layer composition and track layout to customers. This was only to a limited extent successful, however, and business was largely restricted to the sale of design hours, which can equally well be acquired in the market. Hence, AT&S sold the company as at 6 June 2009. Financially, the disposal had only an insignificant impact on the Group. Our Nörvenich design centre will continue to work with our customers on innovative solutions.

Results of ordinary business activities

Our ordinary business activities in the first quarter of financial 2009/10, i.e. excluding one-time effects, produced the following results:

- Operating result: EUR -11.8m, for an EBIT margin of -14.2%
- EBITDA: EUR -0.5m, for an EBITDA margin of -0.6%
- Consolidated net loss: EUR -13.9m
- Earnings per share (EPS): EUR -0.59

Financing

A financing agreement for a total of EUR 37m was negotiated (of which EUR 23m have already been drawn by 30 June 2009) for a period of 5 years in April 2009, further improving the term profile of borrowings. Since adequate lines of bank credit are available, we consider the Group's financial position to be very sound. The maturities of financial liabilities totalling EUR 184.3m were as follows:

Less than 1 year:	EUR 66.2m, of which export loans of EUR 36m
1–2 years:	EUR 16.8m
2–3 years:	EUR 8.5m
3–4 years:	EUR 5.3m
4–5 years:	EUR 87.5m

Net debt as at 30 June 2009 came to EUR 159.5m, EUR 14.9m less than at the beginning of the financial year. The consolidated net loss for the first quarter and the effects of currency fluctuations resulted in a reduction in equity from EUR 252.7m as at 31 March 2009 to EUR 184.5m at the end of June 2009. For the first time, the gearing ratio exceeded 80% and will even increase to roughly 100% in the course of the financial year. On the basis of cost saving measures already initiated and the expected improvement in the market environment, we are making every effort to ensure that the ratio returns to below the target 80% in the financial year 2010/11.

New strategy for Mobile Devices

The market for mobile telephones must increasingly be divided into a low-cost segment and a high technology, high-end segment (e.g. smart phones). In the low-cost segment the aim is to achieve the lowest possible production costs, also by using simpler and less expensive technologies; this is also true for the printed circuit boards. The high-end segment, in contrast, employs increasingly complex applications, and the trend towards ever thinner, smaller devices mean that technological development can still be expected to be extremely rapid.

In the light of its core competences, installed capacities and current market positioning, AT&S will in future be concentrating even more strongly on this high-end segment. In terms of the overall market for mobile devices, this decision will clearly entail loss of market shares, especially with customers that attach great importance to the low-cost segment. But at the same time, this focus will help AT&S to successfully strengthen its market presence in the high-end segment. In this target market, where differentiation from our competitors is possible, we shall continue to pursue a strategy of growth.

Outlook

We are assuming that the first quarter marked the low point in the current financial year. For AT&S, the second and third quarters have traditionally been the strongest, so that – despite the generally unfavourable economic climate – improvement in the order book, capacity utilisation and earnings is expected. In the light of the economic situation, however, it is not to be expected that the first quarter's operating losses (even excluding restructuring expenses) can be entirely made good during the rest of the financial year 2009/10.

With the implementation of the restructuring measures, the process of strategic adjustment internationally is completed, and AT&S is ideally positioned for the future. The three Austrian plants will now focus on European markets exclusively. The factory in India will support European business with medium-sized PCB series using standard technologies. In addition to its home market, AT&S Korea will increasingly focus on Europe, where flexible and rigid-flex circuit boards are of growing importance. AT&S's plant in Shanghai, the largest HDI production facility in China, manufactures high volume HDI circuit boards for the global market.

Excellent market positioning, a customer portfolio that is unique in the industry, technological leadership and the continuing soundness of its finances, mean that we expect AT&S to emerge as a winner from the economic crisis.

With best regards

Harald Sommerer	Steen E. Hansen	Heinz Moitzi
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

Corporate Governance Information

Directors' Holdings & Dealings

In the first quarter of the financial year 2009/10 there were no changes in the shareholdings of senior managers pursuant to section 48d Austrian Stock Exchange Act (BörseG). On 1 April 2009 stock options were allocated to members of the Management Board, senior managers and key executives of AT&S and its associated companies. Stock options held by members of the Management Board were as follows (Supervisory Board members do not receive stock options):

	Stock options currently outstanding per allocation date (1 April) of the years					
	2005	2006	2007	2008	2009	Total
Harald Sommerer	40,000	40,000	40,000	40,000	40,000	200,000
Steen E. Hansen	30,000	30,000	30,000	30,000	30,000	150,000
Heinz Moitzi	30,000	30,000	30,000	30,000	30,000	150,000
Exercise price	15.46	17.99	22.57	15.67	3.86	

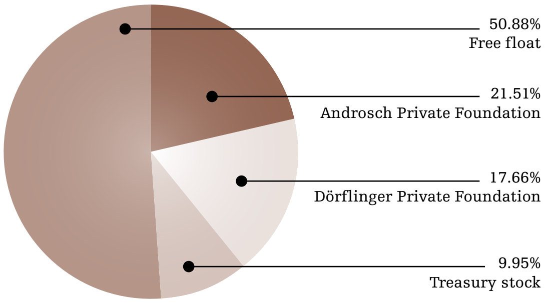
Changes in Supervisory Board

Erich Schwarzbichler, member of the Supervisory Board of AT&S AG since 30 September 1995, resigned his appointment in the 15th Annual General Meeting on 2 July 2009. In consideration of the criterion for independence established by the Supervisory Board that specifies that no member of the Supervisory Board may be a member of that body for more than 15 years, he wished to resign his appointment in 2009 to make way for a new financial expert. At the time of his resignation, Erich Schwarzbichler was also chairman of the Audit Committee.

Gerhard Pichler, born on 30 May 1948, was elected as the new member of the Supervisory Board by the Annual General Meeting with 99.996% of the votes (0.004% abstentions and no dissenting voices). He is certified public accountant and tax adviser, and holds no other appointments as a member of Supervisory Boards of stock exchange listed companies. Gerhard Pichler declared his independence for the purposes of C-Rule 53 of the Austrian Code of Corporate Governance. He was subsequently appointed Chairman of the Audit Committee by the Supervisory Board.

AT&S Share

Shareholdings



15th Annual General Meeting

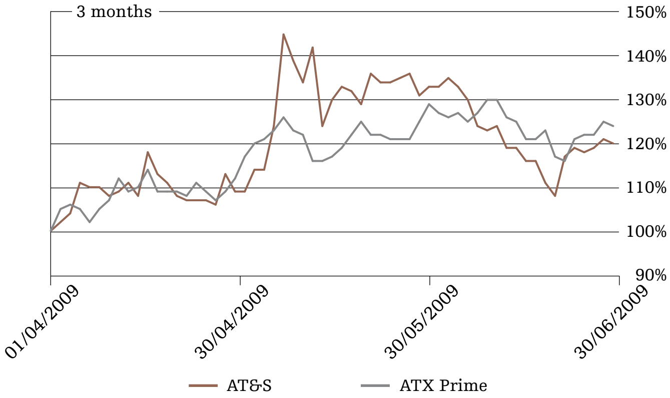
This year's Annual General Meeting took place on 2 July 2009 at Leoben Congress Centre. All the resolutions, which have been listed on the AT&S website in advance, were passed with more than 99% of the votes. The resolutions approved:

- the payment of a dividend of EUR 0.18 per share and the carryforward of the balance of retained profit,
- the discharge of the members of the Supervisory Board,
- the discharge of the members of the Management Board,
- the remuneration of the Supervisory Board for the past financial year,
- the appointment of PwC Wirtschaftsprüfung GmbH as auditors of the financial statements and consolidated financial statements,
- the amendment of the Articles of Association for the purpose of updating, adjusting and aligning the articles to legislative changes,
- the appointment of Gerhard Pichler as new Supervisory Board member.

Share price

The market price of AT&S stock at the start of the quarter was EUR 3.05. Subsequently, the price climbed to an intraday high of EUR 4.76 (56% higher than the opening price). On 14 May 2009, the day the results for the financial year 2008/09 were announced, the share price experienced a significant decline, but quickly recovered to range between EUR 3.80 and EUR 4.30. Following the announcement of the further restructuring at Leoben-Hinterberg, the stock dropped again and closed at EUR 3.32 on 22 June 2009. AT&S's share price climbed more than 10% by the end of the quarter to close at EUR 3.67.

AT&S against the ATX Prime



AT&S share performance overview (EUR)

	30 June 2009	30 June 2008
Earnings per share	-2.23	0.22
High (3-month)	4.76	13.56
Low (3-month)	2.99	9.84*
Close	3.67	10.80

* On the Frankfurt Stock Exchange

AT&S share

	Vienna Stock Exchange
Security ID number	969985
ISIN code	AT0000969985
Symbol	ATS
Reuters RIC	ATSV.VI
Bloomberg	ATS AV
Indexes	ATX Prime, WBI

Financial calendar

Quarter 2 2009/10	21 October 2009
Quarter 3 2009/10	26 January 2010
Annual results 2009/10	11 May 2010

Investor Relations

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Interim Financial Report (IFRS)
Consolidated Income Statement

(in € 1,000)	1 April–30 June 2009	1 April–30 June 2008
Revenues	83,247	115,197
Cost of sales	(84,029)	(99,288)
Gross Profit	(782)	15,909
Selling costs	(4,631)	(5,724)
General and administrative costs	(4,673)	(5,377)
Other operating result	(1,748)	823
Non-recurring items	(38,279)	–
Operating result	(50,113)	5,631
Financial income	2,936	1,792
Financial expense	(6,016)	(2,151)
Financial result	(3,080)	(359)
Profit before tax	(53,193)	5,272
Income tax expense	1,005	(243)
Profit/(loss) for the period	**(52,188)**	**5,029**
thereof equity holders of the parent company	(52,065)	5,041
thereof minority interests	(123)	(12)
Earnings per share for profit attributable to equity holders of the parent company (in EUR per share):		
- basic	(2.23)	0.22
- diluted	(2.23)	0.22
Weighted average number of shares outstanding – basic (in thousands)	23,323	23,323
Weighted average number of shares outstanding – diluted (in thousands)	23,323	23,323

Statement of Comprehensive Income

(in € 1,000)	1 April–30 June 2009	1 April–30 June 2008
Profit/(loss) for the period	**(52,188)**	**5,029**
Currency translation differences	(16,077)	1,726
Other comprehensive income for the period	**(16,077)**	**1,726**
Total comprehensive income for the period	**(68,265)**	**6,755**
thereof equity holders of the parent company	(68,142)	6,770
thereof minority interests	(123)	(15)

Consolidated Balance Sheet

(in € 1,000)	30 June 2009	31 March 2009
ASSETS		
Non-current assets		
Property, plant and equipment	307,805	349,853
Intangible assets	2,122	2,238
Financial assets	121	122
Overfunded retirement benefits	46	46
Deferred tax assets	10,140	9,962
Other non-current assets	2,995	3,066
	323,229	365,287
Current assets		
Inventories	35,717	46,998
Trade and other receivables	76,246	101,013
Financial assets	16,110	14,013
Non-current assets held for sale	2,151	2,151
Current income tax receivables	6,651	322
Cash and cash equivalents	8,543	7,031
	145,418	171,528
Total assets	**468,647**	**536,815**
EQUITY		
Share capital	45,680	45,680
Other reserves	(15,516)	561
Retained earnings	153,810	205,999
Equity attributable to equity holders of the parent company	183,974	252,240
Minority interests	490	494
Total equity	**184,464**	**252,734**
LIABILITIES		
Non-current liabilities		
Financial liabilities	118,064	97,060
Provisions for employee benefits	10,711	9,751
Other provisions	14,742	7,322
Deferred tax liabilities	8,951	9,845
Other liabilities	2,197	2,172
	154,665	126,150
Current liabilities		
Trade and other payables	57,950	53,022
Financial liabilities	66,246	98,485
Current income tax payables	1,896	3,449
Other provisions	3,426	2,975
	129,518	157,931
Total liabilities	**284,183**	**284,081**
Total equity and liabilities	**468,647**	**536,815**

Consolidated Cash Flow Statement

(in € 1,000)	1 April–30 June 2009	2008
Cash flows from operating activities		
Profit/(loss) for the period	(52,188)	5,029
Adjustments to reconcile profit for the period to cash generated from operations:		
Depreciation, amortisation and impairment less reversal of impairment of fixed assets and assets held for sale	29,794	10,035
Changes in non-current provisions	6,395	285
Income tax expense	(1,005)	243
Financial expense/(income)	3,080	359
(Gains)/losses from the sale of fixed assets	90	(37)
Release from government grants	(195)	(55)
Other non-cash expense/(income), net	1,190	268
Changes in working capital:		
- Inventories	10,050	(489)
- Trade and other receivables	23,204	427
- Trade and other payables	7,787	7,143
- Other provisions	469	(311)
Cash generated from operations	28,671	22,897
Interest paid	(899)	(1,721)
Interest and dividends received	10	100
Income tax paid	(8,550)	(1,001)
Net cash generated from operating activities	**19,232**	**20,275**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(6,596)	(11,766)
Proceeds from sale of property, plant and equipment and intangible assets	1	38
Disposal of subsidiaries, net of cash disposed	174	–
Purchases of financial assets	(1,345)	–
Proceeds from sale of financial assets	–	1,746
Net cash used in investing activities	**(7,766)**	**(9,982)**
Cash flows from financing activities		
Proceeds from borrowings	24,027	80,046
Repayments of borrowings	(34,038)	(90,005)
Proceeds from government grants	149	832
Net cash used in financing activities	**(9,862)**	**(9,127)**
Net increase in cash and cash equivalents	**1,604**	**1,166**
Cash and cash equivalents at beginning of the year	7,031	9,364
Exchange gains/(losses) on cash and cash equivalents	(92)	(134)
Cash and cash equivalents at end of period	**8,543**	**10,396**

Consolidated Statement of Changes in Equity

(in € 1,000)	Share Capital	Other reserves	Retained earnings	**Equity attributable to equity holders of the parent company**	Minority interests	**Total equity**
31 March 2008	**45,658**	**(39,714)**	**219,817**	**225,761**	**530**	**226,291**
Total comprehensive income for the period	–	1,706	5,064	**6,770**	(15)	**6,755**
Stock option plan:						
- Value of employee services	22	–	–	**22**	–	**22**
Minority interests through reclassifications of losses attributable to minority interests	–	–	(8)	**(8)**	8	**–**
30 June 2008	**45,680**	**(38,008)**	**224,873**	**232,545**	**523**	**233,068**
31 March 2009	**45,680**	**561**	**205,999**	**252,240**	**494**	**252,734**
Total comprehensive income for the period	–	(16,077)	(52,065)	**(68,142)**	(123)	**(68,265)**
Minority interests through reclassifications of losses attributable to minority interests	–	–	(124)	**(124)**	124	**–**
Changes in consolidated group	–	–	–	**–**	(5)	**(5)**
30 June 2009	**45,680**	**(15,516)**	**153,810**	**183,974**	**490**	**184,464**

Segment Report

1st Quarter of financial year 2009/10:

(in € 1,000)	Europe	Asia	Others/ consolidation	Group
External sales	53,321	29,926	–	83,247
Intercompany sales	149	20,415	(20,564)	–
Total revenues	53,470	50,341	(20,564)	83,247
Non-recurring items	(38,279)	–	–	(38,279)
Operating result	(45,737)	(2,977)	(1,399)	(50,113)
Financial result				(3,080)
Profit before income tax				(53,193)
Income tax expense				1,005
Profit/(loss) for the period				**(52,188)**
Total assets	86,109	358,125	24,413	468,647
Total liabilities	65,899	32,046	186,238	284,183
Capital expenditures	1,061	3,859	233	5,153
Depreciation/amortisation of property, plant and equipment and intangible assets	20,287	9,182	325	29,794

1st Quarter of financial year 2008/09:

(in € 1,000)	Europe	Asia	Others/ consolidation	Group
External sales	92,959	22,238	–	115,197
Intercompany sales	–	40,096	(40,096)	–
Total revenues	92,959	62,334	(40,096)	115,197
Operating result	(982)	10,091	(3,478)	5,631
Financial result				(359)
Profit before income tax				5,272
Income tax expense				(243)
Profit for the period				**5,029**
Total assets	150,771	350,445	(5,433)	495,783
Total liabilities	69,821	57,523	135,371	262,715
Capital expenditures	2,328	4,497	223	7,048
Depreciation/amortisation of property, plant and equipment and intangible assets	2,577	7,194	264	10,035

Additional information

By segment, the Group's revenues are broken down as follows:

	1 April–30 June	
(in € 1,000)	2009	2008
Mobile Devices	52,008	72,365
Industrial	21,274	27,149
Automotive	8,408	12,489
Other	1,557	3,194
	83,247	**115,197**

Revenue broken down by country is as follows:

	1 April–30 June	
(in € 1,000)	2009	2008
Austria	3,535	5,330
Germany	16,700	28,807
Hungary	9,054	12,007
Other European countries	7,295	8,444
Asia	36,362	36,174
Canada, USA	9,480	22,070
Other	821	2,366
	83,247	**115,197**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim report for the quarter ended 30 June 2009 has been prepared in accordance with the standards (IFRS and IAS) of the International Accounting Standards Board (IASB), including IAS 34, and the interpretations (IFRIC and SIC) as adopted by the European Union.

The consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements, and should be read in conjunction with the consolidated annual statements for the year ended 31 March 2009.

There are no differences in accounting and valuation policies compared with those applied in the financial year ended 31 March 2009. The presentation of the financial statements has been adapted to reflect the amended provisions of IAS 1, Presentation of Financial Statements, and IFRS 8, Operating Segments. The major change is that the details of other profits and losses which were previously shown in the statement of changes in equity are now shown in the additional comprehensive income statement. The segment report reflects the internal reporting by regional production locations in Europe and Asia and therefore corresponds to the previous primary segment report.

The consolidated interim statements for the three months ended 30 June 2009 are unaudited and have not been the subject of external audit review.

Changes in consolidated Group

AT&S ECAD Technologies Private Limited, India, and its subsidiary AT&S ECAD Technologies Inc., USA, were sold by contract of 20 April 2009 and deconsolidated as of the beginning of June, when control passed to the purchaser. The sale and deconsolidation have had no material effects for the Group.

Notes to the income statement

Revenues

Revenues in the first quarter of the 2009/10 financial year were down by EUR 32.0m compared with the same period last year, to EUR 83.2m. This 27.7% fall is attributable to significantly reduced sales volumes and the continuing pressure on prices, while the USD exchange rate was on average higher than in the same period last year. Sales also fell significantly in service business (assembly, trading and design).

From a geographical and segment point of view, the decline in production was especially marked in Europe. With the continuing transfer of production of HDI circuit boards to China, production capacity in Leoben-Hinterberg had already been reduced at the end of the third quarter of financial 2008/09, as part of the first restructuring measures. The production facilities in Asia now generate over 60% of the Group's total revenues.

Gross profit

Compared with the first quarter of the last financial year, the gross profit margin in the first quarter of financial 2009/10 declined from 13.8% to -0.9%; with lower revenues overall, gross profit dropped by EUR 16.7m.

The decline in the gross profit margin was the result of capacity under-utilisation in production facilities both in Austria and in Asia, with proportionately higher fixed costs as a consequence. The Leoben-Hinterberg works posted a particularly significant gross loss.

Non-recurring items

Towards the end of this first quarter of financial 2009/10, a comprehensive set of measures to enhance the efficiency of the Austrian facilities was introduced, mainly affecting Leoben-Hinterberg. Volume production of circuit boards in Leoben-Hinterberg is being transferred to Shanghai in its entirety, and production capacity is being correspondingly reduced. Non-recurring items consist exclusively of restructuring costs, and comprise staff costs resulting from an agreed social plan for the adjustment of personnel capacities, additional depreciation for plant and machinery no longer needed, and additions to provisions for long-term contractual obligations.

Operating results

In addition to the significant drop in gross margin, operating results for the first quarter of the financial year were materially impacted by the non-recurring items – in comparison with last year's EUR 5.6m operating profit, there was an operating loss of EUR 50.1m. Selling costs and general administrative costs were lower than last year, because of the lower transport costs associated with lower sales, and in particular as a result of staff costs being reduced by groupwide savings measures.

Other operating results consist in the main of fluctuations in the exchange rate of the US dollar against the euro: in this quarter, there were exchange losses.

Segment results compared with the same period last year were significantly lower both in Europe and in Asia. Segment EBIT before non-recurring items, the relevant measure of segment performance, was EUR -7.5m for Europe and EUR -3.0m for Asia. Results for Europe were additionally burdened with restructuring expenses.

Financial result

Higher financial income than in the first three months of 2008/09 was largely the result of changes in exchange rates. The depreciation of the US dollar against the euro since 31 March 2009 meant that currency hedges appreciated significantly, while in the same period last year the stability of the US dollar resulted in no marked changes in valuations.

The increase in financial expense compared with last year is attributable to exchange rate changes. The decline in value of a functional currency, the renminbi yuan (CNY), resulted in corresponding valuation adjustment expense on the financing of the factory in China. Despite the increase in net borrowings, favourable interest rates meant that interest expense remained at the same level as last year.

Income tax expense

Compared with the same period last year, the effective tax rate for the Group has fallen. The reduction on the basis of the consolidated results before tax is mainly a consequence of the varying proportions of Group earnings contributed by individual companies with different tax rates, together with the effects of the various different tax regimes to which the Group is subject. For a large part of the tax loss carryforwards arising, no deferred tax assets have been recognised, since the likelihood of their being realisable in the near future is low.

Notes to the comprehensive income statement

Currency translation differences

The reduction in the foreign currency translation reserve in the current financial year (EUR -16.1m) reflected almost exclusively the changes in exchange rates of the Group's functional currencies, the renminbi yuan (CNY) and Hong Kong dollar (HKD), against the euro.

Notes to the balance sheet

Financial position

Net debt fell to EUR 159.5m, a decrease of EUR 14.8m compared with the position at the end of the last financial year. The drop in net working capital requirements – even in relation to the volume of business – was very considerable, and allowed current liabilities in particular to be reduced. In addition, a long-term credit financing agreement made it possible to exchange shorter for longer-term debt, thus improving the financial structure. Despite the reduction of net debt, the net gearing ratio rose from 69% to 86%, as a result of the even steeper fall in the Group's equity. In comparison with the position at the end of the first quarter of 2008/09, net debt was EUR 28.8m higher.

The Group's consolidated equity dropped considerably in the first quarter of this financial year. The negative impact of the non-recurring items on consolidated net income in particular, together with the adverse movement on the foreign currency translation reserve reduced consolidated equity by a total of EUR 68.3m. In contrast, consolidated equity in the comparable period last year benefited from total recognised net income of EUR 6.8m.

Treasury shares

In the 14th Annual General Meeting of 3 July 2008 the Management Board was again authorised for a period of 30 months from the date of the resolution to acquire the Company's own shares up to a maximum amount of 10% of the share capital. The Management Board was also again authorised – for a period of five years and subject to the approval of the Supervisory Board – to dispose of treasury shares other than through the stock exchange or by means of a public offering, in particular for the purpose of conversion of convertible bonds or as consideration for acquisitions.

No further treasury shares were acquired under the share repurchase scheme in the first quarter of this financial year. At 30 June 2009 and taking into account the stock options exercised, the Group held the same number of treasury shares – 2,577,412 shares, or 9.95% of the issued share capital – as at 31 March 2009, with a total acquisition cost of EUR 46.6m.

Notes to the cash flow statement

In the first quarter of financial 2009/10 net cash from operating activities of EUR 19.2m was very little different from the EUR 20.3m generated in the same period last year, particularly in relation to consolidated net income. The decline of EUR 57.2m in consolidated net income in the period under review was largely attributable to non-cash expenses, primarily in the form of provisions for impairment of property, plant and equipment and additions to other provisions necessitated by the restructuring. On the other hand, in the course of the first quarter there was a significant reduction in the Group's working capital.

Net cash used in investing activities amounted to EUR 7.8m (2008/09: EUR 10.0m). The reduction mainly reflected the lower level of investments compared with the same period last year. Payments for investments came to EUR 6.6m and were largely in connection with the construction of a second production facility at the Indian site. Last year the bulk of the investment was in expansion of the factory in China.

The net financial outflow of EUR 9.9m in the first quarter of the current financial year was largely made possible by the net cash inflow from operating activities and the comparatively low level of investment activities. Taking up additional long-term finance made it possible to repay a large portion of short-term credit financing.

Other information

Dividends

After the end of the first quarter of financial 2009/10, the Annual General Meeting of 2 July 2009 resolved on a dividend of EUR 0.18 per share out of retained earnings as at 31 March 2009.

Related party transactions

In the first quarter of the current financial year fees of EUR 91,000 payable to AIC Androsch International Management Consulting G.m.b.H. were incurred in connection with various projects.

In the same period, expenditure for third-party manufacturing services provided by enterprises associated with the minority shareholders in AT&S Korea amounted to EUR 7,000.

Group Interim Management Report

Business developments and performance

Mobile Devices represents a high proportion of AT&S's total sales, so that the Group's business is naturally subject to seasonal variations. Typically, the first and fourth quarters of the financial year are periods of low capacity utilisation, with excellent utilisation in the second and third quarters. In the first quarter of the current financial year the decline in AT&S's business was more marked than originally expected. Sales were down by EUR 32.0m (27.7%) compared with the same period last year, and even in comparison with the already very weak fourth quarter of 2008/09 there was a reduction of EUR 15.3m (15.5%). The negative sales performance is a consequence of the global economic situation and general market developments in the circuit board industry.

The major part of sales – EUR 52m, or 62% – continued to be generated by Mobile Devices. Business with industrial customers continues to grow in importance, and in the current economic environment shows the lowest decline in sales. It is the second-largest business area, and already contributes 26% of total sales. The crisis in the automobile industry stands out particularly clearly: AT&S's sales in this sector have dropped by nearly 30% compared with the first quarter of the last financial year. Business in the service segment (design, assembly and trading) has declined sharply, not least because of the cessation of foundry services activity (trading). In the Group's target markets, the transfer of the industry to Asia is a continuing trend. Sales to customers in Asia are at the same level as last year, and now contribute 44% AT&S's total sales.

In response to the overall pressure on prices internationally and the general relocation of the circuit board industry and its customers to Asia, AT&S's production capacities in Asia have been expanded, and Mobile Devices volume orders have increasingly been transferred to China. A major step in the relocation of production was taken towards the end of the third quarter of financial 2008/09. The increasingly gloomy economic outlook worldwide, the ever intensifying pressure on prices and the need to stabilise earnings long term led to the decision to transfer all volume production from the Leoben-Hinterberg location to Asia. Leoben-Hinterberg will in future concentrate exclusively on small batches and short-term special orders, just as the other Austrian sites, Fehring and Klagenfurt, already do.

Present levels of capacity utilisation and the resulting impact on earnings in a high fixed costs business such as circuit board production required swift decisions on restructuring the Leoben-Hinterberg facility. The restructuring programme adopted at the beginning of June provides for production capacity at Leoben-Hinterberg to be nearly halved. In addition, measures to increase efficiency and reduce costs are being introduced throughout the AT&S Group.

The total restructuring costs of EUR 38.3m represent a major burden on operating results for the first quarter of financial 2009/10. Additionally, the severe capacity under-utilisation meant that – before taking non-recurring costs into account – operating activities in the first quarter generated an EUR 11.8m loss.

Significant risks, uncertainties and opportunities

There were no material differences in risk exposure in the course of the first quarter of financial 2009/10 compared with those described in detail in the notes to the 2008/09 consolidated financial statements under II. Risk Report. Uncertainties in the banking sector continue to make for tensions in credit markets generally. However, the effect of any additional surcharges by the banks is currently mitigated by the generally low level of interest rates. AT&S's liquidity risk and interest rate risk have been further reduced by taking advantage of an additional long-term credit agreement for EUR 23.6m. In the first quarter there was also significantly positive cash flow from operating activities despite the unfavourable earning situation. Currency futures and options continue to be used to protect against the effects of exchange rate fluctuations on net US dollar exposures.

Net free cash inflows (cash flows from operating and investing activities) enabled net debt at the end of the quarter to be reduced in comparison with the position at the end of the last financial year. Reflecting the poor results for the quarter and the exchange translation losses, consolidated equity has declined still further, so that at the end of the first quarter of financial 2009/10 the net gearing ratio was 86%, higher than the target ratio of 80%. This level of gearing is a short-term product of the current exceptional circumstances, and in financial 2010/2011 it is planned to reduce it again – to below the overall target level of 80%.

With respect to the opportunities and risks attaching to developments in the external environment for the rest of financial 2009/10, it should as a matter of course be assumed that total sales of the circuit board industry will decline worldwide. AT&S's strategy of concentrating on the more profitable high-end market segment means that losses of market share are to be expected, especially with customers focusing on the low cost segment. A policy of stronger growth in the high technology sector will be pursued. Industrial business, so far the least affected of AT&S's business segments in terms of falling sales, will continue to gain in importance. In the automotive business, which has been particularly hard hit by the economic crisis, there are unmistakable indications that the situation is becoming more stable, albeit still at a very low level.

Concentrating on its core business and increasing efficiency will not only reduce the Group's business risks, but will also offer enhanced opportunities for sustainable increases in earnings. Moves in this direction in the first quarter of the current financial year include the restructuring that is currently in progress, the cessation of trading services, the transfer of logistics from Nörvenich and its integration into Leoben-Hinterberg, and the sale of AT&S ECAD, the Indian design subsidiary.

As a complement to its core business, in the medium term AT&S continues to see opportunities for growth and diversification in the solar industry. In addition to its core research activities supporting circuit board production, such as the multi-year Hermes research project that AT&S leads, research into photovoltaics is also being conducted. Following the development stage, the first prototypes of components for photovoltaic modules will be produced at Leoben-Hinterberg during the current financial year.

Outlook

The implementation of restructuring should conclude the process of necessary strategic adjustment and ensure that AT&S is well positioned for the future. The three Austrian sites will then be focused exclusively on the European market, the works in India will support the European business with medium-sized batches of circuit boards produced at competitive prices, and the Korean facility will complete the product portfolio with its flexible and rigid-flexible circuit boards. And in Shanghai, the biggest HDI plant in China will continue to provide volume production for the global market.

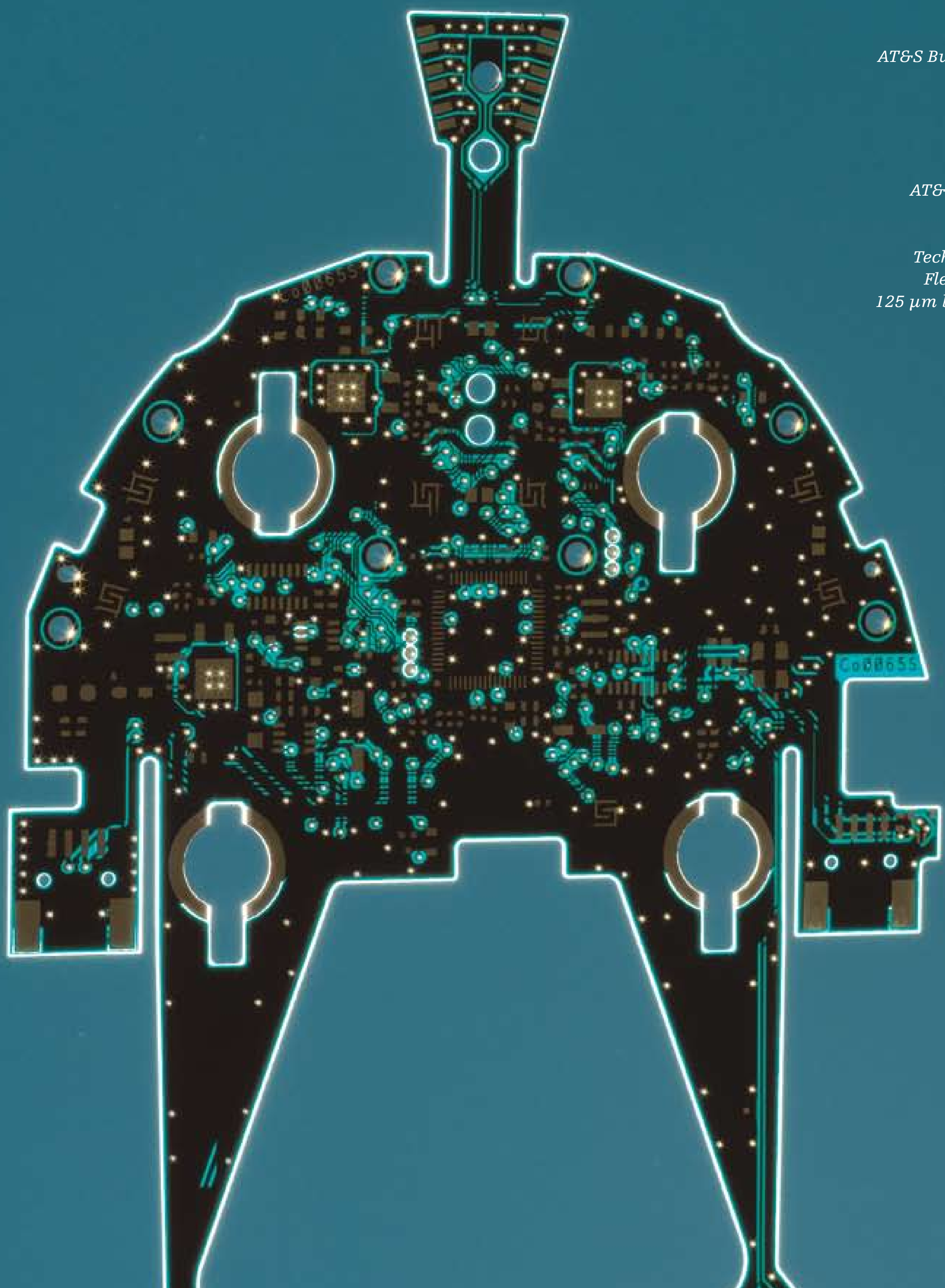
The reorganisation in Leoben-Hinterberg and the temporary arrangements involved will to a certain extent continue to depress operating results. Long-term cost optimisation of production processes should largely be completed by the end of the second quarter of the current financial year.

On the basis of sales in the first quarter, no further decline in sales is expected. Not least as a result of seasonal effects and despite the still generally difficult economic environment, the second and more particularly the third quarter should see an upturn in sales. Sales for the whole of financial 2009/10 will be significantly lower than in the last financial year. The cost savings resulting from the adjustment of production capacity should result in a considerable improvement in earnings in the rest of the financial year. The losses recognised in first quarter, however, will mean that the Group's results for the year as a whole will be less than they were last year. And as long as the economic environment continues to be unfavourable, it is also not to be expected that the first quarter's operating losses (not including non-recurring expenses) can be entirely made good by the end of the financial year. Capital investments will be even more closely scrutinised, and for the financial year as a whole are expected to be financeable out of operating cash flows.

Leoben-Hinterberg, 23 July 2009

The Management Board

Harald Sommerer m.p.
Steen Ejlskov Hansen m.p.
Heinz Moitzi m.p.



In Detail

Market segment:
AT&S Business Unit Automotive

Application:
car interior lighting

Production site:
AT&S Plant Fehring, Austria

Technology / Base material:
Flexible PCB based on FR4,
125 µm base material thickness,
70/70 µm base copper

Design:
plated-through – 15 µm
within the drill

Solder resist:
2-comp. screen printing
with flexible qualities

Surface:
chemical Ni/Au

Outline:
routed

Conductive pattern:
electrical tested

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