AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
AKTIENGESELLSCHAFT

ANNUAL FINANCIAL REPORT AS OF 31 MARCH 2018

TABLE OF CONTENTS

	Page
Consolidated Financial Statements as of 31 March 2018	2
Group Management Report 2017/18	53
Auditor’s Report on the Consolidated Financial Statements 2017/18	85
Financial Statements as of 31 March 2018	89
Management Report 2017/18	115
Auditor’s Report on the Financial Statements 2017/18	133
Statement of all Legal Representatives	136

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.

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2018

TABLE OF CONTENTS

	Page
Consolidated Statement of Profit or Loss	3
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Changes in Equity	6
Notes to Consolidated Financial Statements	7

The consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft as of 31 March 2018 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (2) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Consolidated Statement of Profit or Loss

€ in thousands	Note	2017/18	2016/17
Revenue	1	991,843	814,906
Cost of sales	2	(829,539)	(760,172)
Gross profit		**162,304**	**54,734**
Distribution costs	2	(32,606)	(29,392)
General and administrative costs	2	(39,480)	(28,283)
Other operating income	4	8,006	15,994
Other operating costs	4	(7,938)	(6,404)
Other operating result		68	9,590
Operating result		**90,286**	**6,649**
Finance income	5	3,348	2,646
Finance costs	5	(18,123)	(20,145)
Finance costs – net		**(14,775)**	**(17,499)**
Profit/(loss) before tax		**75,511**	**(10,850)**
Income taxes	6	(18,992)	(12,047)
Profit/(loss) for the year		**56,519**	**(22,897)**
Attributable to owners of the hybrid capital		2,892	–
Attributable to owners of the parent company		53,627	(22,897)
Earnings per share attributable to equity holders of the parent company (in € per share):	25		
- basic		1.38	(0.59)
- diluted		1.38	(0.59)

Consolidated Statement of Comprehensive Income

€ in thousands		2017/18	2016/17
Profit for the year		**56,519**	**(22,897)**
Items to be reclassified:			
Currency translation differences		(53,523)	2,906
Gains/(losses) from the fair value measurement of available-for-sale financial assets, net of tax		15	(1)
Gains from the fair value measurement of hedging instruments for cash flow hedges, net of tax		68	–
Items not to be reclassified:			
Remeasurement of post-employment obligations, net of tax		(784)	5,136
Other comprehensive income for the year		**(54,224)**	**8,041**
Total comprehensive income for the year		**2,295**	**(14,856)**
Attributable to owners of the hybrid capital		2,892	–
Attributable to owners of the parent company		(597)	(14,856)

Consolidated Statement of Financial Position

€ in thousands	Note	31 Mar 2018	31 Mar 2017
ASSETS			
Property, plant and equipment	7	766,378	833,095
Intangible assets	8	75,856	91,655
Financial assets	12	284	173
Deferred tax assets	6	45,530	38,659
Other non-current assets	9	56,219	65,781
Non-current assets		**944,267**	**1,029,363**
Inventories	10	136,097	108,844
Trade and other receivables	11	118,650	85,796
Financial assets	12	59,635	8,660
Current income tax receivables		1,061	546
Cash and cash equivalents	13	270,729	203,485
Current assets		**586,172**	**407,331**
Total assets		**1,530,439**	**1,436,694**
EQUITY			
Share capital	21	141,846	141,846
Other reserves	22	27,505	81,729
Hybrid capital	23	172,887	–
Retained earnings		369,153	316,519
Equity attributable to owners of the parent company		**711,391**	**540,094**
Total equity		**711,391**	**540,094**
LIABILITIES			
Financial liabilities	15	458,359	519,830
Provisions for employee benefits	16	37,322	34,282
Other provisions	17	–	47
Deferred tax liabilities	6	5,069	4,700
Other liabilities	14	14,526	10,990
Non-current liabilities		**515,276**	**569,849**
Trade and other payables	14	199,880	230,845
Financial liabilities	15	81,525	73,037
Current income tax payables		16,425	15,572
Other provisions	17	5,942	7,297
Current liabilities		**303,772**	**326,751**
Total liabilities		**819,048**	**896,600**
Total equity and liabilities		**1,530,439**	**1,436,694**

Consolidated Statement of Cash Flows

€ in thousands	2017/18	2016/17
Operating result	**90,286**	**6,649**
Depreciation, appreciation, amortisation and impairment of property, plant and equipment and intangible assets	135,692	124,284
Gains/losses from the sale of fixed assets	363	17
Changes in non-current provisions	3,569	(9,167)
Non-cash expense/(income), net	2,081	(2,927)
Interest paid	(14,988)	(17,511)
Interest received	1,113	1,549
Income taxes paid	(26,015)	(12,370)
Cash flow from operating activities before changes in working capital	**192,101**	**90,524**
Inventories	(35,037)	(18,311)
Trade and other receivables	(34,044)	25,526
Trade and other payables	20,913	36,527
Other provisions	(742)	2,150
Cash flow from operating activities	**143,191**	**136,416**
Capital expenditure for property, plant and equipment and intangible assets	(141,933)	(240,925)
Proceeds from the sale of property, plant and equipment and intangible assets	234	256
Capital expenditure for financial assets	(118,506)	(89,508)
Proceeds from the sale of financial assets	66,816	169,029
Cash flow from investing activities	**(193,389)**	**(161,148)**
Proceeds from borrowings	112,751	222,865
Repayments of borrowings	(151,693)	(160,221)
Proceeds from issuing of hybrid capital	172,887	–
Proceeds from government grants	5,487	6,214
Dividends paid	(3,885)	(13,986)
Cash flow from financing activities	**135,547**	**54,872**
Change in cash and cash equivalents	**85,349**	**30,140**
Cash and cash equivalents at beginning of the year	203,485	171,866
Exchange gains/(losses) on cash and cash equivalents	(18,105)	1,479
Cash and cash equivalents at the end of the year	**270,729**	**203,485**

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 2016	141,846	73,688	–	353,402	568,936	–	568,936
Loss for the year	–	–	–	(22,897)	(22,897)	–	(22,897)
Other comprehensive income for the year	–	8,041	–	–	8,041	–	8,041
thereof currency translation differences	–	*2,906*	–	–	*2,906*	–	*2,906*
thereof remeasurement of post-employment obligations, net of tax	–	*5,136*	–	–	*5,136*	–	*5,136*
thereof change in available-for-sale financial assets, net of tax	–	*(1)*	–	–	*(1)*	–	*(1)*
Total comprehensive income for the year 2016/17	–	8,041	–	(22,897)	(14,856)	–	(14,856)
Dividends paid relating to 2015/16	–	–	–	(13,986)	(13,986)	–	(13,986)
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)
thereof currency translation differences	–	*(53,523)*	–	–	*(53,523)*	–	*(53,523)*
thereof remeasurement of post-employment obligations, net of tax	–	*(784)*	–	–	*(784)*	–	*(784)*
thereof change in available-for-sale financial assets, net of tax	–	*15*	–	–	*15*	–	*15*
thereof change in hedging instruments for cash flow hedges, net of tax	–	*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

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 were 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 IAS) 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 2018, 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 2017), meaning that they were consolidated on the basis of the interim financial statements as of 31 March 2018.

The consolidated financial statements were approved for issue by the Management Board on 7 May 2018. 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 4 June 2018. 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 2017/18.

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. This means that a profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

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, Korea and Austria.

The activities of the emerging business segment Advanced Packaging and parent group activities are included in the business unit Others. Advanced Packaging specialises in 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 the functionality. This new technology is useful in a wide range of applications. This business segment is still under development and is therefore not yet shown separately, since neither the quantitive threshold reached nor the associated opportunities and risks are material to the Group as a whole.

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 and 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 "available-for-sale financial assets", are recognised in profit or loss. Translation differences from "available-for-sale financial assets" are recognised directly in equity.

	Closing rate			Average rate		
	31 Mar 2018	31 Mar 2017	Change in %	01 Apr 2017 - 31 Mar 2018	01 Apr 2016 - 31 Mar 2017	Change in %
Chinese yuan renminbi	7.7690	7.3693	5.4%	7.7430	7.3719	5.0%
Hong Kong dollar	9.6712	8.2997	16.5%	9.1366	8.5153	7.3%
Indian rupee	80.1981	69.3504	15.6%	75.4776	73.4662	2.7%
Japanese yen	131.3000	119.4300	9.9%	129.5684	119.2785	8.6%
South Korean won	1,310.1405	1,195.4117	9.6%	1,293.4904	1,254.5680	3.1%
Taiwan dollar	35.9455	32.4490	10.8%	35.0181	34.8195	0.6%
US dollar	1.2323	1.0681	15.4%	1.1699	1.0975	6.6%

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

Revenue from product sales is recognised when significant risks and rewards associated with the goods sold are transferred to the buyer. This is usually the case when the ownership is transferred.

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.

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 and liabilities 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 available-for-sale financial assets 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, a reversal of impairment 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 Receivables are reported at nominal values, less any allowances for doubtful accounts. Foreign currency receivables are translated at the average exchange rate prevailing at the balance sheet date. Risk management covers all recognisable credit and country-specific risks.

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 the categories explained below. The classification depends on the respective purpose of the financial asset and is reviewed annually.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS Financial instruments acquired primarily for the purpose of earning a profit from short-term fluctuations in prices or trader margins are classified as financial assets at fair value through profit or loss. 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 l. “Derivative financial instruments”).

SECURITIES HELD TO MATURITY Securities held to maturity are recognised at amortised cost using the effective interest rate method. Any impairment is recognised in profit or loss.

LOANS AND RECEIVABLES Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. In the statement of financial position, the respective assets are recognised under the item “Trade and other receivables”.

AVAILABLE-FOR-SALE FINANCIAL ASSETS Available-for-sale financial assets relate to securities available for sale. Available-for-sale securities are instruments which Management intends to sell as a reaction to expected liquidity requirements or expected changes in interest rates, exchange rates or share prices. Their classification as non-current or current assets depends on the length of time for which they are expected to be held.

At the time of acquisition, they are stated at cost, including transaction costs, in subsequent periods, at their respective fair values. Unrealised gains and losses, net of income tax, are recognised in other comprehensive income and not taken through profit or loss until they are sold or considered as impaired.

Interest income and dividends from available-for-sale securities are recognised in profit or loss under “Finance costs - net”.

When an available-for-sale security is sold, the accumulated unrealised gain or loss previously recognised in equity is included in profit or loss for the reporting period in “Finance costs - net”.

When an available-for-sale security is considered to be impaired, the accumulated unrealised loss previously recognised in equity is recognised in profit or loss in “Finance costs - net”. An asset is impaired if there are indications that the recoverable value is below its carrying amount. In particular, this is the case if the decrease in fair value is of such extent that the acquisition cost is unlikely to be recovered in the foreseeable future. Recoverability is reviewed annually at every balance sheet date.

Furthermore, financial assets that have not been allocated to any of the other categories described are recognised under available-for-sale financial assets. If the fair value of non-listed equity instruments cannot be determined reliably, these financial assets are measured at cost. Impairment losses, if any, are recognised in profit or loss, and the respective impairment losses are not reversed.

l. DERIVATIVE FINANCIAL INSTRUMENTS Where possible, the Group uses derivative financial instruments to hedge against foreign currency fluctuations related to transactions in foreign currencies – in particular the US dollar. These instruments mainly include forward contracts, foreign currency options and foreign exchange swap contracts. They are entered into in order to protect the Group against exchange rate fluctuations by fixing future exchange rates for foreign currency assets and liabilities.

Furthermore, the Group manages its interest rate risk by using interest rate swaps.

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. "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".

m. 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).

n. 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 non-controlling interests. The allocation to the non-controlling interests is made even if this results in a negative balance for the non-controlling interests.

o. 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.

p. 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 on or

after of 1 January 2003, the severance payment obligation is met by regular contributions to a staff provision fund ("Mitarbeitervorsorgekasse"). 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.

q. STOCK OPTION PLANS The Group has issued stock option plans that are settled either in cash or in treasury shares, with the choice of settlement being with the entitled employees. These stock option plans are accounted for in accordance with IFRS 2 "Share-based Payment".

The share-based payments are structured in such a way that both settlement alternatives have the same fair value. The fair value of the employee services received in exchange for the granting of the options is recognised as an expense. Liabilities arising from stock option plans are recognised initially, and at each balance sheet date until settlement, at fair value using an option price model and are recognised in profit or loss. Reference is made to Note 14 "Trade and other payables". The programme expired during the financial year 2017/18.

r. 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".

s. 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.

t. 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.

u. 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.

v. FIRST-TIME APPLICATION OF ACCOUNTING STANDARDS The following new and/or amended standards and interpretations were applied for the first time in the financial year and pertain to the International Financial Reporting Standards (IFRS) as adopted by the EU.

- IAS 12: Recognition of deferred tax assets from unrealised losses
- IAS 7: Changes in IAS 7 "Statement of CashFlows": Disclosure initiative

- Annual Improvements to IFRSs 2014 – 2016: Disclosure of interests in other entities

Due to a lack off relevance, the initial application had no significant impact on the disclosures of the Group.

w. FUTURE AMENDMENTS TO ACCOUNTING STANDARDS

The IASB and IFRIC issued additional standards and interpretations not yet effective in the financial year 2017/18.

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 9	Financial instruments (New rules on the classification and measurement of financial instruments, the provisions on hedge accounting and on impairment)	01 Jan 2018	Yes	Separate description
IFRS 15	Revenue from Contracts with Customers	01 Jan 2018	Yes	Separate description
IFRS 16	Leases	01 Jan 2019	Yes	Under review, no major changes expected
IFRS 4	Adoption of IFRS 9 with IFRS 4	01 Jan 2018	Yes	None
	Annual Improvements to IFRSs 2014 – 2016	01 Jan 2018	Yes	None
IFRS 2	Classification and valuation of transactions with share-based remuneration	01 Jan 2018	No	No major changes are expected
IAS 40	Transfer of investment property	01 Jan 2018	No	None
IFRIC 22	Transactions in foreign currency	01 Jan 2018	No	None
IFRS 14	Regulatory Deferral Accounts	Postponed indefinitely	No	None
IAS 28	Long term shares in Associates	01 Jan 2019	No	No major changes are expected
IFRIC 23	Uncertainty concerning income tax treatment	01 Jan 2019		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		Under review
IFRS 9	Prepayment Features with Negative Compensation	01 Jan 2019	No	Under review
IFRS 17	Insurance contracts	01 Jan 2021	No	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.

AT&S intends to apply the new standard starting on 1 April 2018 using the modified retrospective method. As a result, the cumulative effect at the time of the initial application will be recognised in equity and the comparative figures will not be adjusted.

The management has analysed the effects of applying the new standard on the consolidated financial statements and identified the following area which will be affected:

Revenue from construction contracts is currently 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 has passed to the customer.

The preliminary equity increasing effect before taxes amounts to € 11.474 thousand as at 1 April 2018. It results from customised construction contracts for which the customer has an obligation to accept and AT&S is entitled to compensation including a profit margin in case of non-acceptance by the customer.

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. In addition, there is a new impairment model for financial assets based on expected losses, which replaces the model of IAS 39, which is based on incurred losses. The rules regarding hedge accounting have also been changed, facilitating hedge accounting. This requires an economic relationship between the hedged item and the hedging instrument.

IFRS 9 maintains the mixed measurement model with simplifications and creates three measurement categories for financial assets: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The classification is based on the business model of the Group and the characteristics of the contractual cash flows.

Trade receivables are measured at amortised cost less impairment. The "hold to collect" business model may not be applied to receivables which are sold as part of factoring and meet the criteria for derecognition in accordance with IFRS 9. Since the Group sells receivables as part of factoring, the "hold to collect and sell" or "selling" business model must be used for the receivables concerned.

The Group expects the new standard to have the following effects as of 1 April 2018:

Financial assets comprise equity instruments currently classified as available for sale for which the option exists under IFRS 9 to classify them as FVOCI, however, without a recycling option. Debt instruments currently classified as "assets held to maturity" and measured at amortised cost are also fulfilling the criterias according IFRS 9 to recognise them at amortised cost.

No impact on the Group's financial liabilities is expected since no liabilities designated as FVTPL exist.

In accordance with IFRS 9, hedge accounting can generally be applied to more hedging instruments and hedged items. Based on the current assessment, hedge accounting can be also be used for the Group's previous hedging relationships after initial application of IFRS 9 so that no effects are expected to occur.

The new model for the recognition of impairments is based on expected losses and replaces the previous stipulations of IAS 39 (incurred losses). The Group uses the simplified model for trade receivables and for contract assets according to IFRS 15 and consequently calculates the impairment in the amount of the credit losses expect over the term. The credit loss is determined on the basis of an impairment table which is prepared based on a customer rating. The impact on equity is immaterial.

With the exception of the hedge accounting provisions, IFRS 9 must be applied retrospectively. In accordance with the provisions of IFRS 9 it is permitted not to adjust the figures of the comparative period. 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.

C. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 has begun. In financial year 2017/18, development costs for the new substrate generation in an amount of € 4.868 thousand have been capitalised. The start of the new production method started in the second half year of 2017/18. Therefore an Impairment-Test in the financial year 2017/18 is no more necessary. For the purposes of assessing impairment of capitalised development costs, Management made assumptions in the financial year 2016/17 on the amount of the estimated future cash flows arising from the project, the discount rate to be applied, the growth rate and the period of inflow of the expected future benefit.

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.p. "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 2018:

€ in thousands	Interest rate +0.50%	Increase in renumeration +0.25%	Increase in pensions +0.25%
Pension obligation	(958)	70	415
Severance payments	(1,178)	592	–

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 2018:

€ in thousands	Interest rate -0.50%	Increase in renumeration -0.25%	Increase in pensions -0.25%
Pension obligation	1,072	(69)	(428)
Severance payments	1,277	(572)	–

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

MEASUREMENT OF DEFERRED INCOME TAX ASSETS 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 € 42,170 thousand were not recognised for income tax loss carryforwards in the Group of € 242,206 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 includes the business unit Advanced Packaging, which is in the development phase. The Advanced Packaging segment neither reaches the quantitative threshold levels, nor are this business unit's opportunities and risks material to the Group as a whole. It is therefore not presented as a standalone segment in segment reporting. The Others segment further includes general holding activities as well as the Group's financing activities. The central operating result control reference 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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Segment revenue	738,875	572,960	364,909	351,485	8,077	15,164	(120,018)	(124,703)	991,843	814,906
Internal revenue	(90,875)	(86,422)	(25,610)	(27,373)	(3,533)	(10,908)	120,018	124,703	–	–
External revenue	648,000	486,538	339,299	324,112	4,544	4,256	–	–	991,843	814,906
Operating result before depreciation/amortisation	**179,015**	**68,515**	**46,795**	**51,475**	**73**	**10,943**	**95**	**–**	**225,978**	**130,933**
Depreciation/amortisation incl. appreciation	(117,440)	(107,557)	(16,640)	(15,292)	(1,612)	(1,435)	–	–	(135,692)	(124,284)
Operating result	**61,575**	**(39,042)**	**30,155**	**36,183**	**(1,539)**	**9,508**	**95**	**–**	**90,286**	**6,649**
Finance costs - net									(14,775)	(17,499)
Profit/(loss) before tax									**75,511**	**(10,850)**
Income taxes									(18,992)	(12,047)
Profit/(loss) for the year									**56,519**	**(22,897)**
Property, plant and equipment and intangible assets	736,115	822,490	102,922	98,933	3,197	3,327	–	–	842,234	924,750
Additions to property, plant and equipment and intangible assets	76,756	238,058	25,426	18,982	1,737	1,143	–	–	103,919	258,183

INFORMATION BY GEOGRAPHIC REGION

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

€ in thousands	2017/18	2016/17
Austria	22,227	19,739
Germany	189,564	170,090
Other European countries	58,982	52,792
China	35,269	47,972
Other Asian countries	60,916	59,387
Americas	624,885	464,926
Revenue	**991,843**	**814,906**

64.6% of total revenue (previous year: 56.8%) is attributable to the five largest customers in terms of revenue.

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

€ in thousands	31 Mar 2018	31 Mar 2017
Austria	66,435	69,039
China	736,059	822,422
Others	39,740	33,289
Total	**842,234**	**924,750**

III. Notes to the Consolidated Statement of Profit or Loss

1. REVENUE

€ in thousands	2017/18	2016/17
Main revenue	991,652	814,698
Incidental revenue	191	208
Revenue	**991,843**	**814,906**

2. TYPES OF EXPENSES

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

€ in thousands	2017/18	2016/17
Cost of materials	380,579	320,186
Staff costs	241,139	206,051
Depreciation/amortisation	135,685	124,489
Purchased services incl. leased personnel	28,592	27,675
Energy	47,906	46,579
Maintenance (incl. spare parts)	61,505	53,831
Transportation costs	14,921	15,563
Rental and leasing expenses	7,478	6,708
Change in inventories	(41,989)	(4,322)
Other	25,809	21,087
Total	**901,625**	**817,847**

In the financial years 2017/18 and 2016/17, 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 2017/18, the Group incurred research and development costs in the amount of € 60,948 thousand (previous year: € 57,950 thousand). The stated amounts represent only costs which can be directly allocated and which are recognised in the profit and loss under cost of sales. In these consolidated financial statements, development costs of € 4,868 thousand (previous year: € 4,819 thousand) were capitalised. Reference is made to Note 8 “Intangible assets”.

4. OTHER OPERATING RESULT

€ in thousands	2017/18	2016/17
Income from the reversal of government grants	1,680	830
Government grants for expenses	5,789	3,468
Income from exchange differences	–	2,566
Income from reversal of accruals/provision	–	7,250
Miscellaneous other income	537	1,880
Other operating income	**8,006**	**15,994**
Expenses from exchange differences	(6,944)	–
Start-up losses	(615)	(6,387)
Losses from the disposal of non-current assets	(362)	(17)
Other costs	(17)	–
Other operating costs	**(7,938)**	**(6,404)**
Other operating result	**68**	**9,590**

In the financial years 2017/18 and 2016/17, government grants for expenses mainly relate to export refunds as well as research and development awards. Start-up losses in the financial year 2017/18 resulted from the construction of a new production line in Nangangud, India and from the construction of the new location in Chongqing, China in financial year 2016/17. In the financial year 2016/17, the item “Income from reversal of accruals/provisions” relates to the release of the provision for building space no longer used and the release of the provision for

a possible loss from sale of the real estate – reference is made to Note 17 “Other Provisions”. In the financial year 2017/18, the item “Miscellaneous other income” mainly relates to grants for employees and services in kind for miscellaneous projects.

5. FINANCE COSTS - NET

€ in thousands	2017/18	2016/17
Interest income from held-to-maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets	12	29
Other interest income	1,102	1,520
Gains from the measurement of derivative financial instruments at fair value, net	1,003	1,097
Foreign exchange gains, net	1,231	–
Finance income	**3,348**	**2,646**
Interest expense on bank borrowings and bonds	(13,708)	(13,816)
Net interest expense on personnel-related liabilities	(821)	(545)
Realised losses from derivative financial instruments, net	(1,493)	(644)
Foreign exchange losses, net	–	(3,331)
Other financial expenses	(2,101)	(1,809)
Finance costs	**(18,123)**	**(20,145)**
Finance costs – net	**(14,775)**	**(17,499)**

In accordance with IAS 23, the item “Interest expense on bank borrowings and bonds” includes capitalised borrowing costs in the amount of € 90 thousand (previous year: € 2,150 thousand), net.

6. INCOME TAXES

Income taxes are broken down as follows:

€ in thousands	2017/18	2016/17
Current income taxes	26,898	20,186
Deferred taxes	(7,906)	(8,139)
Total tax expense	**18,992**	**12,047**

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	2017/18	2016/17
Expected tax expense at Austrian tax rate	18,878	(2,712)
Effect of different tax rates in foreign countries	(3,615)	10,288
Non-creditable foreign withholding taxes	2,293	1,038
Effect of change in valuation allowance of deferred income tax assets	(682)	11,982
Effect of the change in tax rate	2,688	(2,283)
Effect of permanent differences	521	(6,268)
Effect of taxes from prior periods	(1,091)	2
Total tax expense	**18,992**	**12,047**

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% that had previously been applicable.

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 2018		31 Mar 2017	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	24,320	(4,701)	26,183	(4,788)
Provisions for employee benefits	4,673	–	4,070	–
Income tax loss carryforwards including taxable goodwill	63,713	–	51,800	–
Deferred income tax from long-term assets/liabilities	**92,706**	**(4,701)**	**82,053**	**(4,788)**
Inventories	5,691	–	4,522	–
Trade and other receivables	9	–	12	–
Trade and other payables	2,090	–	1,310	–
Others	3,603	(2,515)	2,437	(56)
Temporary differences arising from shares in subsidiaries	–	(5,069)	–	(4,700)
Deferred income tax from short-term assets/liabilities	**11,393**	**(7,584)**	**8,281**	**(4,756)**
Deferred income tax assets/liabilities	**104,099**	**(12,285)**	**90,334**	**(9,544)**
Unrecognised deferred taxes	(51,353)	–	(46,831)	–
Deferred income tax assets/liabilities, offsetting against the same taxation authority	(7,216)	7,216	(4,844)	4,844
Deferred income tax assets/liabilities, net	**45,530**	**(5,069)**	**38,659**	**(4,700)**

At 31 March 2018, the Group has income tax loss carryforwards and tax-deductible amortisation of goodwill amounting to a total of € 328,781 thousand (previous year: € 268,546 thousand). For loss carryforwards amounting to € 242,606 thousand (previous year: € 213,630 thousand) included in this figure, deferred income tax assets in the amount of € 42,170 thousand (previous year: € 38,071 thousand) were not recognised since it is unlikely that they will be realised in the foreseeable future. In addition, for temporary differences amounting to € 61,220 thousand (previous year: € 58,398 thousand) included in this figure, deferred income tax assets in the amount of € 9,183 thousand (previous year: € 8,760 thousand) were not recognised since it is likewise unlikely that they will be realised in the foreseeable future.

The tax loss carryforwards, which are unrecognised, carried forward as follows:

€ in thousands	2017/18	2016/17
Carried forward less than 5 years	176,889	118,025
Carried forward between 6 and 10 years	7,928	35,346
Carried forward for an indefinite period of time	57,789	60,259
Total unrecognised tax loss carryforwards	**242,606**	**213,630**

Deferred income taxes (net) changed as follows:

€ in thousands	2017/18	2016/17
Carrying amount at the beginning of the financial year	33,959	24,982
Currency translation differences	(1,629)	275
Income recognised in profit or loss	7,906	8,139
Income taxes recognised in equity	225	563
Carrying amount at the end of the financial year	**40,461**	**33,959**

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

€ in thousands	2017/18 Income/ (expense) before taxes	2017/18 Tax income/ (expense)	2017/18 Income/ (expense) after taxes	2016/17 Income/ (expense) before taxes	2016/17 Tax income/ (expense)	2016/17 Income/ (expense) after taxes
Currency translation differences	(53,523)	–	(53,523)	2,906	–	2,906
Gains/(losses) from the fair value measurement of available-for-sale financial assets	19	(4)	15	–	–	–
Gains/(losses) on the measurement of hedging instruments for cash flow hedges	91	(23)	68	–	(1)	(1)
Remeasurements of post-employment obligations	(1,036)	252	(784)	4,572	564	5,136
Other comprehensive income	**(54,449)**	**225**	**(54,224)**	**7,478**	**563**	**8,041**

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 2016	81,315	455,297	8,864	143,685	689,161
Exchange differences	517	927	95	(303)	1,236
Additions	6,008	155,561	3,519	86,670	251,758
Disposals	–	(1,277)	(12)	(1,798)	(3,087)
Transfers	21,595	116,455	207	(138,257)	–
Reversals of impairment	–	378	–	–	378
Depreciation, current	(6,928)	(96,095)	(3,328)	–	(106,351)
Carrying amount 31 Mar 2017	**102,507**	**631,246**	**9,345**	**89,997**	**833,095**
Thereof					
Acquisition cost	*151,372*	*1,374,696*	*30,759*	*89,997*	*1,646,824*
Accumulated depreciation	*(48,865)*	*(743,450)*	*(21,414)*	–	*(813,729)*
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**
Thereof					
Acquisition cost	*143,352*	*1,429,667*	*29,604*	*39,841*	*1,642,464*
Accumulated depreciation	*(53,344)*	*(801,694)*	*(21,048)*	–	*(876,086)*

The value of the land included in “Land, plants and buildings” amounts to € 1,676 thousand (previous year: € 1,847 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 comprehensive income.

In the financial year 2017/18, borrowing costs on qualifying assets of € 90 thousand were capitalised (previous year: € 2,150 thousand). A financing rate of 3.6% was applied (previous year: 4.4%).

IMPAIRMENT In the financial year 2017/18 no impairment or reversal of impairment of tangible assets was reported. In the financial year 2016/17 reversal of impairment amounted to € 378 thousand as those machines could be partly used for a different purpose in the segment Mobile Devices & Substrates.

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 2016	14,922	88,814	–	–	103,736
Exchange differences	10	(205)	–	–	(195)
Additions	1,375	4,819	–	231	6,425
Amortisation, current	(3,108)	(14,972)	–	(231)	(18,311)
Carrying amount 31 Mar 2017	**13,199**	**78,456**	**–**	**–**	**91,655**
Thereof					
Acquisition cost	*31,212*	*94,681*	*7,743*	–	*133,636*
Accumulated amortisation	*(18,013)*	*(16,225)*	*(7,743)*	–	*(41,981)*
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**
Thereof					
Acquisition cost	*32,135*	*94,947*	*7,065*	–	*134,147*
Accumulated amortisation	*(21,007)*	*(30,219)*	*(7,065)*	–	*(58,291)*

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

Development costs in an amount of € 4,868 thousand (previous year: € 4,819 thousand) were capitalised in financial year 2017/18 for a new generation of substrates. The start of serial production began in the second quarter of financial year 2017/18.

In the financial year 2017/18, no borrowing costs were capitalised with regards to capitalised development costs (previous year: € 0 thousand).

IMPAIRMENTS In the financial year 2017/18 and 2016/17, there was no impairment to recognise on intangible assets. The impairment test until the financial year 2016/2017 for the CGU substrate of the not yet finished development project for the next substrate generation was based on calculations of the value in use. Value in use was determined in the previous year in accordance with the DCF method, based on the following critical assumptions:

- Long-term growth rate: 0%
- (Input tax) discount rate: 10.6%

Due to the project's long-term nature and in order to adequately take into account cash outflows from the substrate business expected in future periods, the calculation of the value in use was based on the expected cash flows for the next nine years. A consideration over a shorter period of time would lead to a disproportionately increased weighting of cash inflows.

9. OTHER NON-CURRENT ASSETS

€ in thousands	31 Mar 2018	31 Mar 2017
Prepayments	5,475	5,919
Deposits made	6,676	6,164
Other non-current receivables	44,068	53,698
Carrying amount	**56,219**	**65,781**

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 2018	31 Mar 2017
Raw materials and supplies	44,369	46,995
Work in progress	34,995	30,409
Finished goods	56,733	31,440
Carrying amount	**136,097**	**108,844**

The balance of inventory write-downs recognised as an expense amounts to € 30,031 thousand as of 31 March 2018 (previous year: € 20,808 thousand). The material write-downs amounting to € 5,527 thousand (previous year: € 1,738 thousand) resulted from the measurement of inventories at net realisable value in the financial year 2017/18.

11. TRADE AND OTHER RECEIVABLES

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

€ in thousands	31 Mar 2018	31 Mar 2017
Trade receivables	65,641	53,969
Impairments for trade receivables	(168)	(464)
VAT receivables	40,906	22,966
Other receivables from authorities	4,779	2,620
Prepayments	4,294	3,847
Energy tax refunds	1,427	732
Deposits	1,067	1,123
Other receivables	704	1,003
Total	**118,650**	**85,796**

As at 31 March 2018 and 31 March 2017, other receivables mainly include receivables resulting from prepaid expenses and accrued charges.

Trade receivables amounting to € 10,000 thousand (previous year: € 0 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 approximate their fair values.

REMAINING MATURITIES OF RECEIVABLES All receivables as at 31 March 2018 and 31 March 2017 have remaining maturities of less than one year.

FACTORING As of 31 March 2018, trade receivables totaling € 51,035 thousand (previous year: € 50,852 thousand) were assigned to banks to the amount 100% of the nominal value and are fully derecognised in accordance with the regulations of IAS 39 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 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 for default was € 5,093 thousand as of 31 March 2018 (previous year: € 4,919 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 administration of the trade receivables remains at AT&S.

DEVELOPMENT OF PAST DUE RECEIVABLES AND IMPAIRMENTS OF TRADE RECEIVABLES

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

31 Mar 2017:		thereof not impaired and	thereof not impaired and not insured and past due for the following periods			
€ in thousands	Carrying amount	not past due or insured	less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
Trade receivables	53,969	53,235	231	36	3	–

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

Impairments of trade receivables have developed as follows:

€ in thousands	2017/18	2016/17
Impairments at the beginning of the year	464	322
Utilisation	(175)	–
Reversal	(162)	(230)
Addition	67	353
Currency translation differences	(26)	19
Impairments at the end of the year	**168**	**464**

12. FINANCIAL ASSETS

The carrying amounts of the financial assets are as follows:

€ 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**

€ in thousands	31 Mar 2017	thereof non-current	thereof current
Financial assets at fair value through profit or loss	606	–	606
Available-for-sale financial assets	173	173	–
Held-to maturity investments	8,054	–	8,054
Derivatives	–	–	–
Total	**8,833**	**173**	**8,660**

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

€ in thousands	31 Mar 2018	31 Mar 2017
Bonds	775	606
Total	**775**	**606**

All bonds are denominated in euro (nominal currency).

AVAILABLE-FOR-SALE FINANCIAL ASSETS

€ in thousands	2017/18	2016/17
Carrying amount at the beginning of the year	173	96
Additions/(Disposals)	20	77
Carrying amount at the end of the year	**193**	**173**

All available-for-sale financial assets are denominated in euro.

FINANCIAL INSTRUMENTS HELD TO MATURITY

The held-to-maturity financial investments 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 month and factored receivables against banks.

DERIVATIVE FINANCIAL INSTRUMENTS

€ in thousands	31 Mar 2018	31 Mar 2017
Derivative financial instruments	91	–
Total	91	–

13. CASH AND CASH EQUIVALENTS

€ in thousands	31 Mar 2018	31 Mar 2017
Bank balances and cash on hand	270,729	203,485
Carrying amount	**270,729**	**203,485**

The reported carrying amounts correspond to the respective fair values.

14. TRADE AND OTHER PAYABLES

		Remaining maturity		
€ in thousands	31 Mar 2018	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**

€ in thousands	31 Mar 2017	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	189,824	189,824	–	–
Government grants	11,675	699	6,528	4,448
Liabilities to fiscal authorities and other state authorities	3,706	3,706	–	–
Liabilities to social security authorities	9,338	9,338	–	–
Liabilities from unconsumed leave	6,059	6,059	–	–
Liabilities from stock options	25	25	–	–
Liabilities from stock appreciation rights	14	–	14	–
Liabilities to employees	13,121	13,121	–	–
Other liabilities	8,073	8,073	–	–
Carrying amount	**241,835**	**230,845**	**6,542**	**4,448**

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 Due to the expiry of the stock option plan (2005 to 2008), the 1st meeting of the Nomination and Remuneration Committee of the Supervisory Board on 17 March 2009 passed a resolution to implement another stock option plan (SOP 2009 from 2009 to 2012) after it had been submitted for appraisal to the 55th meeting of the Supervisory Board on 16 December 2008. Granting of stock options was possible in the period between 1 April 2009 and 1 April 2012.

Each of these options entitles the holder to the right to either:

- purchase shares (equity-settled share-based payment transactions) or
- settlement in cash (cash-settled share-based payment transactions) at the remaining amount between the exercise price and the closing rate of AT&S shares on the main stock exchange on which AT&S shares are listed at the date the option is exercised by the beneficiary.

The exercise price is determined at the respective date of grant and is calculated as the average AT&S share price over a period of six calendar months prior to the date of grant plus 10%. The exercise price, however, corresponds at least to the nominal value of one share in the Company.

Granted options vest gradually with 20% of the options after two years, 30% of the options after three years and 50% of the options after four years. The stock options may be exercised in full or in part after completion of the vesting period, not however during a restricted period. Options not exercised can be exercised after the expiry of the subsequent waiting period. Options not exercised within five years after the grant date become invalid and forfeit without compensation. In the event that a restricted period comprises the end of this five-year period, this restricted period will interrupt the five-year period concerned. After the end of the restricted period, stock options may still be exercised for a period corresponding to the interruption. Stock options not exercised by the end of this five-year period (extended as stated above) become invalid and forfeit without compensation.

The stock options could be granted in the period between 1 April 2009 and 1 April 2012. A new stock option plan starting on 1 April 2013 was not concluded. The stock option plan is expired as at the end of the financial year 2017/18.

The following table shows the development of the stock options in the financial years 2017/18 and 2016/17.

	Date of grant	
	1 April 2012	1 April 2011
Exercise price (in €)	9.86	16.60
31 Mar 2016	62,500	87,000
Number of options exercised	20,000	–
Number of options expired	6,500	87,000
31 Mar 2017	**36,000**	**–**
Number of options expired	36,000	–
31 Mar 2018	**–**	**–**
Remaining contract period of stock options	–	–
Fair value of granted stock options at the balance sheet date (in € thousands)		
31 Mar 2017	**23**	**–**
31 Mar 2018	**–**	**–**

Reference is made to Note 27 “Related party transactions”.

The weighted average share price on the day of execution of all options exercised in the financial year 2016/17 was € 11.70.

These stock options were 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 fair value of the stock options granted was recognised as an expense over their term.

At 31 March 2017, the stock options’ exercisable intrinsic value was € 15 thousand.

As at 31 March 2018, the stock option plan (2009 to 2012) is expired. As at 31 March 2017, 36,000 stock options still were exercisable from the grant of 1 April 2012.

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 3 June 2016 extended the resolution to introduce a long-term incentive programme based on stock appreciation rights (SAR) from 2017 to 2019. The stock appreciation rights could be 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 2017	1 April 2016	1 April 2015	1 April 2014
Exercise price (in €)	9.96	13.66	10.70	7.68
31 Mar 2016	–	–	235,000	225,000
Number of stock appreciation rights granted	–	250,000	–	–
Number of stock appreciation rights expired	–	135,000	135,000	135,000
31 Mar 2017	**–**	**115,000**	**100,000**	**90,000**
Number of stock appreciation rights granted	297,500	–	–	–
Number of stock appreciation rights expired	7,500	5,000	5,000	90,000
31 Mar 2018	**290,000**	**110,000**	**95,000**	**–**
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 2017	**–**	**39**	**–**	**–**
31 Mar 2018	**2,738**	**568**	**934**	**–**

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	-0.22 to -0.59%
Volatility	37.39 to 42.95%

Volatility is calculated based on the daily share prices from 2 March 2015 until the balance sheet date.

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

		Remaining maturity			
€ in thousands	31 Mar 2018	Less than 1 year	Between 1 and 5 years	More than 5 years	Nominal interest rate in %
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	1,770	791	979	–	
Carrying amount[1)]	**539,884**	**81,525**	**323,531**	**134,828**	

€ in thousands	31 Mar 2017	Remaining maturity Less than 1 year	Between 1 and 5 years	More than 5 years	Nominal interest rate in %
Export loans	–	–	–	–	
Loans from state authorities	7,007	1,016	5,991	–	0.50 –1.00
Other bank borrowings	583,087	72,021	339,609	171,457	0.85 –4.79
Derivative financial instruments	2,773	–	2,773	–	
Carrying amount[1)]	**592,867**	**73,037**	**348,373**	**171,457**	

[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%) have been waived on 17.01.2018.

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 by interest rate swaps. The main contract terms are as follows:

- Equity ratio of at least 35%
- Net Debt/EBITDA >3 (step-up covenant)
- 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)
- 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)
- 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.

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

The contractually agreed (undiscounted) interest and redemption payments of the financial liabilities as at 31 March 2018, 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
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	–

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 2017, 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
2017/18				
Redemption	–	1,016	69,286	1,285
Fixed interest	–	29	5,359	–
Variable interest	–	–	8,297	–
2018/19				
Redemption	–	1,578	80,411	1,241
Fixed interest	–	55	4,896	–
Variable interest	–	–	6,314	–
2019/20				
Redemption	–	1,734	24,911	352
Fixed interest	–	40	4,515	–
Variable interest	–	–	5,624	–
2020/21				
Redemption	–	1,947	173,978	332
Fixed interest	–	22	2,314	–
Variable interest	–	–	4,738	–
2021/22				
Redemption	–	789	59,131	–
Fixed interest	–	4	911	–
Variable interest	–	–	2,904	–
after 2022/23				
Redemption	–	–	171,713	–
Fixed interest	–	–	1,148	–
Variable interest	–	–	3,111	–

Some of the financial liabilities in part no longer bear market interest rates. For this reason, differences may arise between their fair values and carrying amounts.

	Carrying amounts		Fair values	
€ in thousands	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Export loans	10,000	–	10,000	–
Loans from state authorities	6,251	7,007	6,316	7,066
Other bank borrowings	521,863	583,087	525,425	588,215
Derivative financial instruments	1,770	2,773	1,770	2,773
Total	**539,884**	**592,867**	**543,511**	**598,054**

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 listed prices.

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

€ in thousands	31 Mar 2018	31 Mar 2017
Euro	497,052	441,436
US Dollar	42,832	126,211
Others	–	25,220
Total	**539,884**	**592,867**

The Group's unused credit lines are as follows:

€ in thousands	31 Mar 2018	31 Mar 2017
Export credit	22,000	32,000
Other credit	173,152	168,894
Total	**195,152**	**200,894**

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

€ in thousands	31 Mar 2018	31 Mar 2017
Less than 1 year	2,943	3,353
Between 1 and 5 years	4,761	6,868
More than 5 years	–	168
Total	**7,704**	**10,389**

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

The obligations from operating leases mainly relate to 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	2017/18	2016/17
Leasing and rental expenses	3,425	3,505

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 € 526 thousand in the financial year 2017/18 and to € 500 thousand in the financial year 2016/17.

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 the funding of deviations in yields.

FUNDED SEVERANCE PAYMENTS The employees in India are entitled to severance payments upon retirement or, under certain circumstances, upon leaving the company, 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 2017/18 amounted to € 365 thousand and for the financial year 2016/17 to € 367 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:

	Retirement benefits		Severance payments		Other employee benefits	
€ in thousands	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Current service cost	123	123	1,867	2,041	2,001	2,051
Interest expense	56	126	480	470	169	151
Past service cost	–	–	200	–	–	–
Remeasurement of obligations from other employee benefits	–	–	–	–	464	30
Expenses recognised in profit for the period	**179**	**249**	**2,547**	**2,511**	**2,634**	**2,232**
Remeasurement of obligations from post-employment benefits	(1,136)	(3,392)	2,173	(1,181)	–	–
Expenses/(Income) recognised in other comprehensive income	**(1,136)**	**(3,392)**	**2,173**	**(1,181)**	**–**	**–**
Total	**(957)**	**(3,143)**	**4,720**	**1,330**	**2,634**	**2,232**

Expenses for retirement, severance payments and other employee benefits are recognised in profit and 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 2018	31 Mar 2017
Funded pension benefits	916	1,887
Unfunded pension benefits	1,180	1,230
Total pension benefits	**2,096**	**3,117**
Unfunded severance payments	25,932	22,465
Funded severance payments	493	448
Total severance payments	**26,425**	**22,913**
Other employee benefits	8,801	8,252
Provisions for employee benefits	**37,322**	**34,282**

Pension obligations and severance payments are as follows:

	Retirement benefits		Severance payments	
€ in thousands	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Present value of funded obligations	12,952	13,366	1,427	1,359
Fair value of plan assets	(12,036)	(11,479)	(934)	(911)
Funded status of funded obligations	**916**	**1,887**	**493**	**448**
Present value of unfunded obligations	1,180	1,230	25,932	22,465
Provisions recognised in the statement of financial position	**2,096**	**3,117**	**26,425**	**22,913**

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	
	2017/18	2016/17	2017/18	2016/17
Present value of pension obligation:				
Present value at the beginning of the year	13,366	14,941	1,230	1,394
Current service cost	123	123	–	–
Interest expense	241	299	22	28
Remeasurement from the change in financial assumptions	(388)	(1,270)	(27)	(91)
Remeasurement from adjustments based on past experience	65	(277)	20	(37)
Benefits paid	(455)	(450)	(65)	(64)
Present value at the end of the year	**12,952**	**13,366**	**1,180**	**1,230**

Fair value of plan assets:		
Fair value at the beginning of the year	11,479	10,012
Investment result	805	1,717
Interest income	207	200
Benefits paid	(455)	(450)
Fair value at the end of the year	**12,036**	**11,479**
Funded status of funded pension benefits	**916**	**1,887**

As at 31 March 2018, the average maturity of funded pension benefits is 15 years and of unfunded pension benefits 11 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 2018	31 Mar 2017
Debt securities	51%	44%
Equity securities	37%	44%
Real estate	4%	4%
Cash and cash equivalents	8%	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	
	2017/18	2016/17	2017/18	2016/17
Present value of severance payment obligation:				
Present value at the beginning of the year	1,359	1,055	22,465	22,091
Exchange differences	(200)	103	(173)	221
Service cost	78	72	1,789	1,969
Interest cost	88	81	455	452
Remeasurement from the change in demographic assumptions	(18)	–	1,067	265
Remeasurement from the change in financial assumptions	(74)	90	1,376	(827)
Remeasurement from adjustments based on past experience	34	(15)	(205)	(770)
Past service cost	200	–	–	–
Benefits paid	(40)	(27)	(842)	(936)
Present value at the end of the year	**1,427**	**1,359**	**25,932**	**22,465**
Fair value of plan assets:				
Fair value at the beginning of the year	911	803		
Exchange differences	(132)	72		
Contributions	125	–		
Investment result	7	4		
Interest income	63	63		
Benefits paid	(40)	(31)		
Fair value at the end of the year	**934**	**911**		
Funded status of funded severance payments	**493**	**448**		

As at 31 March 2018, the average maturity of unfunded severance payments is 11 years.

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

€ in thousands	2017/18	2016/17
Present value at the beginning of the year	8,252	7,628
Exchange differences	(251)	(10)
Service cost	2,001	2,051
Interest expense	169	151
Remeasurement from the change in demographic assumptions	296	(95)
Remeasurement from the change in financial assumptions	115	(203)
Remeasurement from adjustments based on past experience	53	327
Benefits paid	(1,834)	(1,597)
Present value at the end of the year	**8,801**	**8,252**

At 31 March 2018, the average maturity of other employee benefits is 6 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 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Discount rate	2.00 %	1.80 %	2.24 %	2.20 %	2.73 %	2.50 %
Expected rate of remuneration increase	2.60 %	2.25 %	2.98 %	2.42 %	4.81 %	4.47 %
Expected rate of pension increase	1.20 %	1.20 %	–	–	–	–
Retirement age	65	65	[1]	[1]	–	–

[1] individual according to respective local legislation

17. OTHER PROVISIONS

€ in thousands	Total	Warranty	Restructuring	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	Total	Warranty	Restructuring	Others
Carrying amount 31 Mar 2016	12,037	2,198	7,546	2,293
Utilisation	(1,953)	(537)	(308)	(1,108)
Reversal	(8,270)	(907)	(7,250)	(113)
Addition	5,448	542	–	4,906
Interest effect	12	–	12	–
Exchange differences	70	57	–	13
Carrying amount 31 Mar 2017	**7,344**	**1,353**	**–**	**5,991**

€ in thousands	31 Mar 2018	31 Mar 2017
thereof non-current	–	47
thereof current	5,942	7,297
Carrying amount	**5,942**	**7,344**

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.

PROVISION FOR THE RESTRUCTURING This provision related to future vacancy costs for no longer used building space based on the non-cancellable property lease obligation as well as to a potential loss from the utilisation of the property by the lessor which is to be borne by the lessee. In the financial year 2016/17, the provision was released due to no existence of no longer used building space any more as well as no expected expenses to be incurred until the end of the non-cancellable property lease obligation.

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:

	31 Mar 2018		31 Mar 2017	
€ in thousands	Assets	Liabilities	Assets	Liabilities
Interest rate swaps at fair value	91	1,770	–	2,773
Total market values	**91**	**1,770**	**–**	**2,773**
Net of current portion:				
Interest rate swaps at fair value	–	791	–	–
Current portion	**–**	**791**	**–**	**–**
Non-current portion	**91**	**979**	**–**	**2,773**

The nominal amounts and the fair values of derivative financial instruments relating to hedges against interest rate fluctuations are as follows at the balance sheet date, presented by currency:

	31 Mar 2018		31 Mar 2017	
Currency	Nominal amount in 1,000 local currency	Market value € in thousands	Nominal amount in 1,000 local currency	Market value € in thousands
Euro	192,000	(1,679)	92,000	(2,773)

The remaining terms of derivative financial instruments are as follows at the balance sheet date:

in months	31 Mar 2018	31 Mar 2017
Interest rate swaps	11 – 61	23 - 47

At 31 March 2018, the fixed interest rates for interest rate swaps are 0.35%, 1.01% 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 the different maturity and amount, there is no effective hedging relationship as defined by IAS 39 that assumes no influence on gains or losses and gains or losses arising from the ongoing subsequent measurement of interest rate swaps were recognised in profit or loss under "finance costs".

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

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 2018 € in thousands	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Assets				
Non-current assets				
Derivative financial instruments	DHI	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]		775	
Held-to-maturity investments	HTMI [4]		58,860	
Derivatives as hedging instruments	DHI [6]		91	
Liabilities				
Financial liabilities at amortised costs	FLAAC [5]		714,357	
Derivatives as hedging instruments	DHI [6]		1,770	

31 Mar 2017 € in thousands	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Assets				
Non-current assets				
Other financial assets	AFSFA	2	173	173
Financial assets			**173**	**173**
Current assets				
Trade receivables less impairments	LAR		53,505	
Other receivables	LAR		1,003	
Other receivables	–		31,288	
Trade and other receivables			**85,796**	
Financial assets	FAAFVPL	1	606	606
Financial assets	HTMI		8,054	
Financial assets			**8,660**	
Cash and cash equivalents	LAR		203,485	
Cash and cash equivalents			**203,485**	
Liabilities				
Other financial liabilities	FLAAC	2	590,094	595,281
Derivative financial instruments	DHI	2	2,773	2,773
Non-current and current financial liabilities			**592,867**	**598,054**
Trade payables	FLAAC		189,824	
Other payables	FLAAC		13,121	
Other payables	–		38,890	
Trade and other non-current and current payables			**241,835**	
Aggregated by measurement categories				
Assets				
Loans and receivables	LAR [1]		257,993	
Available-for-sale financial assets	AFSFA [2]		173	
Financial assets at fair value through profit or loss	FAAFVPL [3]		606	
Held-to-maturity investments	HTMI [4]		8,054	
Derivatives	DHI [6]		–	
Liabilities				
Financial liabilities at amortised costs	FLAAC [5]		793,039	
Derivatives	DHI [6]		2,773	

[1] Loans and receivables
[2] Available-for-sale financial assets
[3] Financial assets at fair value through profit or loss
[4] Held-to-maturity investments
[5] Financial liabilities at amortised cost
[6] 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	2017/18	2016/17
Loans and receivables	(11,233)	2,326
Financial assets at fair value through profit or loss	1,175	1,886
Available-for-sale financial assets	8	8
Held-to-maturity investments	70	457
Financial liabilities at amortised cost	(6,712)	(16,078)
Total	**(16,692)**	**(11,401)**

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.

€ 6,667 thousand in net expenses (previous year: € 2.378 thousand net income) of the total net result from financial instruments is included in the operating result, and € 10,025 thousand in net expense (previous year: € 13,778 thousand in net expense) 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, 83.0% (previous year: 51.4%) 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 2018, the Group has liquidity reserves of € 525.9 million (previous year: € 413.2 million). This comprises € 330.7 million (previous year: € 212.3 million) in cash and cash equivalents, held-to-maturity investments, securities held for trading and available-for-sale, and € 195.2 million (previous year: € 200.9 million) in available unused credit facilities. Thus, the liquidity reserves increased by € 112.7 million year-on-year and include € 43.1 million (previous year: € 22.1 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 the 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 2017/18, € 0.2 million (previous year: € 0.5 million) or 0.3% (previous year: 0.9%) 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.l. “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 interest net 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 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 %	

€ in thousands	31 Mar 2017				
Before Hedging	EUR	USD	Others	**Total**	In %
Fixed interest rate	197,039	15,392	–	**212,431**	35.8 %
Variable interest rate	244,397	110,819	25,220	**380,436**	64.2 %
Total	**441,436**	**126,211**	**25,220**	**592,867**	100.0 %
In %	74.5%	21.3%	4.2%	100.0 %	
After Hedging					
Fixed interest rate	289,039	15,392	–	**304,430**	51.4 %
Variable interest rate	152,397	110,819	25,220	**288,437**	48.6 %
Total	**441,436**	**126,211**	**25,220**	**592,867**	100.0 %
In %	74.5%	21.3%	4.2%	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 € 0.3 million lower (previous year: € 0.9 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

€ 0.2 million lower (previous year: € 0.9 million) or € 0.2 million higher (previous year: € 0.9 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 7.0%. An increase in the US dollar exchange rate of 7.0% against the euro would have had a positive impact on the profit for the year in the amount of € 10.8 million (previous year: € 0.7 million). Devaluation of the US dollar exchange rate against the euro would have reduced the profit for the year by € 10.8 million (previous year: € 0.7 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 46.5% and thus above the previous year's figure of 37.6%. At 0.9 years, the theoretical payback period for debts was below the previous year's figure of 2.9 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 2018, the Group has other financial commitments amounting to € 19,918 thousand (previous year: € 57,927 thousand) in connection with contractually binding investment projects. As of 31 March 2018, the maximum risk associated with liability for default was € 5.093 thousand (previous year: € 4.919 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 2016	38,850	42,735	99,111	141,846
31 Mar 2017	**38,850**	**42,735**	**99,111**	**141,846**
31 Mar 2018	38,850	42,735	99,111	141,846

ORDINARY SHARES The ordinary shares of the Company as of 31 March 2018 amount to € 42,735 thousand (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 fully or partially exclude the shareholders' subscription right, and with 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.

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 and subject to approval from 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 from 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 in 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 € 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 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.

OUTSTANDING SHARES The number of shares issued amounts to 38,850,000 at 31 March 2018 (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 authorised (pursuant to Section 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG)) to purchase, 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 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 authorization also extends to the repurchase of the Company's stock by subsidiaries of the Company (section 66 Stock Corporation Act). Such repurchases may take place via the stock exchange or a public offering or by other legal means, and for any legally permissible purpose. The Management Board was also authorized to cancel stock repurchased or already held by the Company without further resolution of the General Meeting. The Supervisory Board was authorized to adopt amendments to the Articles of Association arising from the cancellation of shares. This authorization may be exercised in total or partially and also in several tranches.

At 31 March 2018, the Group does not hold any treasury shares.

At the 23rd Annual General Meeting on 6 July 2017, the Management Board, in accordance with Section 65 (1b) AktG, was 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 and without any further resolution of the Annual General Meeting, 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, or, most notably, to use treasury shares for the following purposes:

- Issuance to employees, executive employees and members of the Management Board 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 programmes),
- To serve any issued convertible bonds
- As consideration for the acquisition of entities, investments or other assets, and
- 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 may serve multiple purposes.

DIVIDEND PER SHARE In the financial year 2017/18, a dividend of € 0.10 was paid per share (previous year: € 0.36).

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	Available-for-sale financial assets	Hedging instruments for cash flow hedges	Remeasurement of obligations from post-employment benefits	Other reserves
Carrying amount 31 Mar 2016	81,036	3	–	(7,351)	73,688
Balance of unrealised changes before reclassification, net of tax	2,906	–	–	–	2,906
Remeasurement of obligations from post-employment benefits	–	–	–	5,136	5,136
Acquisition of non-controlling interests	–	(1)	–	–	(1)
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, net of tax	–	–	–	(784)	(784)
Unrealised gains/losses on available-for-sale financial assets, net of tax	–	15	–	–	15
Carrying amount 31 Mar 2018	**30,419**	**17**	**68**	**(2,999)**	**27,505**

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 recognized 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.

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 2017/18 was € 192,101 thousand (previous year: € 90,524 thousand), cash flow from operating activities was € 143,191 thousand (previous year: € 136,416 thousand).

Cash flow from investing activities in the financial year 2017/18 amounts to € -193,389 thousand (previous year: € -161,148 thousand) and comprises investment activities in Chongqing, Shanghai and India as well as redemptions of investments of liquid funds. As of 31 March 2018, there are existing liabilities due to investments in the amount of € 23,600 thousand (previous year: € 67,876 thousand).

Net cash generated from financing activities in the financial year 2017/18 at € 135,547 thousand (previous year: € 54,872 thousand) was higher than usual due to the issue of a hybrid bond at a nominal amount of € 175,000 thousand. After deduction of the issue costs € 172,887 thousand are remaining.

€ in thousands	2017/18	2016/17
Cash flow from operating activities before changes in working capital	192,101	90,524
Cash flow from operating activities	143,191	136,416
Cash flow from investing activities	(193,389)	(161,148)
Free cash flow	(50,198)	(24,732)
Cash flow from financing activities	135,547	54,872
Change in cash and cash equivalents	85,349	30,140
Currency effects on cash and cash equivalents	(18,105)	1,479
Cash and cash equivalents at end of the year	**270,729**	**203,485**

The balance of cash and cash equivalents at the end of the financial year 2017/18 was € 270,729 thousand (previous year: € 203,485 thousand). This currently high amount is used to ensure further investments in affiliated entities.

The non-cash expense/income is as follows:

€ in thousands	2017/18	2016/17
Release of government grants	(2,795)	(1,693)
Other non-cash expense/(income), net	4,876	(1,234)
Non-cash expense/(income), net	**2,081**	**(2,927)**

Net debt reconciliation

€ in thousands	2017/18	2016/17
Cash and cash equivalents	270,729	203,485
Financial assets	59,918	8,833
Financial liabilities, current	(81,525)	(73,037)
Financial liabilities, non-current	(458,359)	(519,830)
Net debt	**(209,237)**	**(380,549)**

€ in thousands	Other assets			
	Cash	Financial assets	Financial Liabilities	Total
Net debt 31 Mar 2017	**203,485**	**8,833**	**(592,867)**	**(380,549)**
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)**

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 2018, 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 2017/18 and to 38,850 thousand in the financial year 2016/17.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounts to 38,850 thousand in the financial year 2017/18 and to 38,850 thousand in the financial year 2016/17.

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

in thousands	2017/18	2016/17
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.

	2017/18	2016/17
Profit for the year attributable to owners of the parent company (€ in thousands)	53,627	(22,897)
Weighted average number of shares outstanding – basic (in thousands)	38,850	38,850
Basic earnings per share (in €)	**1.38**	**(0.59)**

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.

	2017/18	2016/17
Profit for the year attributable to owners of the parent company (€ in thousands)	53,627	(22,897)
Weighted average number of shares outstanding – diluted (in thousands)	38,850	38,850
Diluted earnings per share (in €)	**1.38**	**(0.59)**

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) and Supervisory Board deputy chairman Mr. Dörflinger (Dörflinger Management & Beteiligungs GmbH) are managing directors with the power of sole representation.

€ in thousands	2017/18	2016/17
AIC Androsch International Management Consulting GmbH	383	383
Dörflinger Management & Beteiligungs GmbH	–	4
Frotz Riedl Rechtsanwälte	5	–
Total	**388**	**387**

MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the financial year 2017/18 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 after 2 June 2017)
- Karl Asamer (Deputy Chairman until 2 June 2017)
- Heinz Moitzi

In the financial year 2017/18, the following persons were appointed members of the SUPERVISORY BOARD:

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

Delegated by the Works Council:

- Wolfgang Fleck
- Siegfried Trauch
- Günter Pint (since 19 September 2017)
- Sabine Fussi (until 19 September 2017)
- Günther Wölfler

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

	Number of outstanding stock options		Staff costs (€ in thousands)	
	31 Mar 2018	31 Mar 2017	2017/18	2016/17
Andreas Gerstenmayer	–	–	–	(28)
Heinz Moitzi	–	30,000	(21)	(79)
Total Management Board	**–**	**30,000**	**(21)**	**(107)**
Total other executive employees	–	6,000	(4)	(35)
Total	**–**	**36,000**	**(25)**	**(142)**

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 2018	31 Mar 2017	2017/18	2016/17
Andreas Gerstenmayer	140,000	130,000	791	(128)
Karl Asamer	90,000	90,000	810	(96)
Heinz Moitzi	30,000	–	84	(99)
Monika Stoisser-Göhring	40,000	15,000	179	(16)
Total Management Board	**300,000**	**235,000**	**1,864**	**(339)**
Total other executive employees	195,000	85,000	781	(406)
Total	**495,000**	**320,000**	**2,645**	**(745)**

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:

	2017/18			2016/17		
€ in thousands	Fixed	Variable	Total	Fixed	Variable	Total
Andreas Gerstenmayer	532	624	1,156	532	37[1]	569
Karl Asamer[2]	634	471	1,105	455	–	455
Heinz Moitzi	417	405	822	417	–	417
Monika Stoisser-Göhring[3]	321	316	637	–	–	–
Executive employees	5,131	2,190	7,321	4,874	60	4,934
Total	**7,035**	**4,006**	**11,041**	**6,278**	**97**	**6,375**

1) The variable remuneration results from the exercise of 20,000 stock options in the form of a cash settlement
2) The compensation is shown until the resignation of the Management Board mandate as of 2 June 2017
3) The compensation is shown since the appointment as member of the Management Board as of 2 June 2017

In the financial year 2017/18 the fixed compensation of Dr. Karl Asamer contains the contractual severance payments and other compensations in connection with the early termination of the management contract.

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, including any managing director 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:

	Severance payments Financial year		Pensions Financial year	
€ in thousands	2017/18	2016/17	2017/18	2016/17
Expenses recognised in profit for the period	180	186	312	352
Remeasurement recognised in other comprehensive income	257	47	(1,136)	(3,392)

The severance expenses of Dr. Karl Asamer 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:

	2017/18			2016/17		
€ in thousands	Fixed	Variable	Total	Fixed	Variable	Total
Hannes Androsch	63	30	93	63	–	63
Willibald Dörflinger	49	20	69	49	–	49
Regina Prehofer	50	20	70	51	–	51
Karl Fink	31	15	46	30	–	30
Albert Hochleitner	30	15	45	30	–	30
Gerhard Pichler	33	15	48	33	–	33
Georg Riedl	36	15	51	36	–	36
Karin Schaupp	30	15	45	30	–	30
Total	**322**	**145**	**467**	**322**	**–**	**322**

Shareholdings and stock options of members of the Management Board and the Supervisory Board at 31 March 2018:

	Shares	% capital
Management Board members	**17,001**	**0.04**
Supervisory Board members:		
Hannes Androsch	599,699	1.54
Other members of the Supervisory Board	42,250	0.11
Total Supervisory Board members	**641,949**	**1.65**
Private foundations:		
Androsch Privatstiftung	6,339,896	16.32
Dörflinger Privatstiftung	6,902,380	17.77
Total private foundations	**13,242,276**	**34.09**
Total	**13,901,226**	**35.78**

28. EXPENSES FOR THE GROUP AUDITOR

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

€ in thousands	2017/18	2016/17
Audit of consolidated and separate financial statements	137	137
Other assurance services	8	2
Other services	112	71
Total	**257**	**210**

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:

	2017/18	2016/17
Waged workers	7,657	7,341
Salaried employees	2,324	2,185
Total	**9,981**	**9,526**

The calculation of the number of staff includes an average of 608 leased personnel for the financial year 2017/18 and an average of 432 for the financial year 2016/17.

Leoben-Hinterberg, 7 May 2018

The Management Board

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

Group Management Report 2017/18

Table of Contents

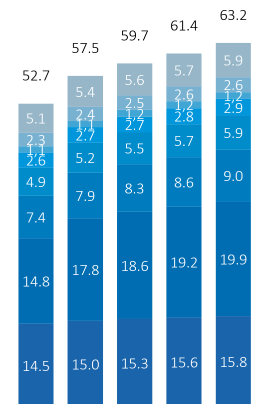
	Page
1. Business development	54
1.1. Market and industry	54
1.2. Profit situation	60
1.3. Financial position	63
2. Significant events after the reporting period	69
3. Plants and branch offices	70
4. Business development by segment	71
5. Research and development	74
6. Risk and opportunities management	76
7. Internal Control and Risk Management system with regard to accounting	81
8. Shareholding structure and disclosures on capital (disclosures according to § 243a Austrian Commercial Code)	82
9. Non-financial Statement	83
10. Outlook	83

1. Business development

1.1. Market and industry

TECHNOLOGY AND MARKET TRENDS Miniaturisation and modularisation are still the main trends in the electronics industry.

Substrates and PCB market
US$ in billions



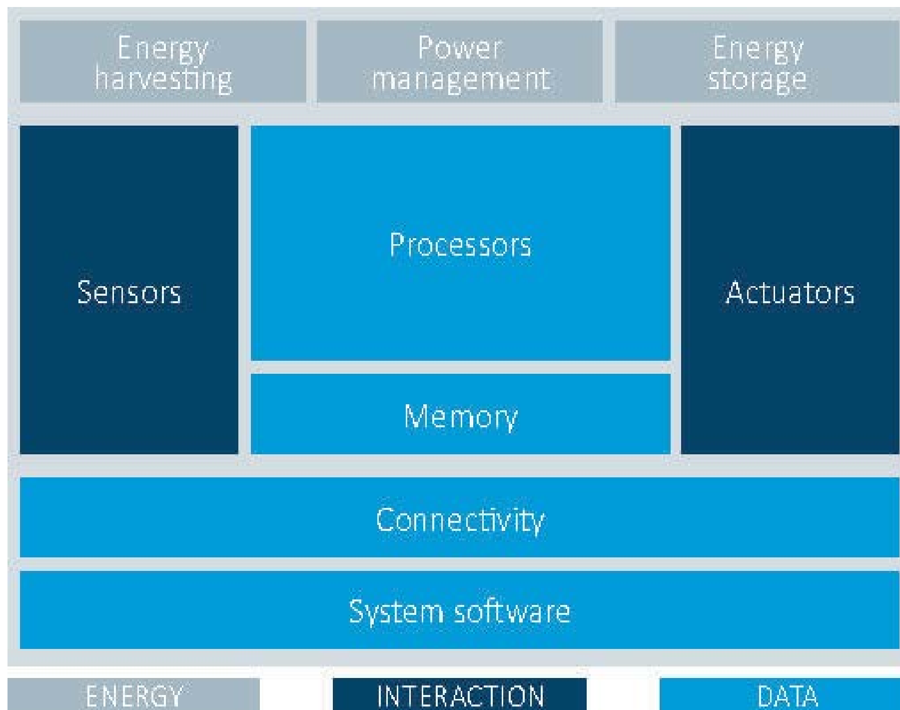
2016 2017 2018 2019 2020

- IC substrates
- Aviation/Military
- Industrial
- Medical
- Automotive
- Consumer
- Communication
- Computer

Sources: Prismark, February 2018;Yole, March 2018

Users expect mobile devices such as smartphones, smartwatches, earpods or VR (virtual reality)/AR (augmented reality) smartglasses as well as mobile diagnostic or therapy devices to have more and more functions while at the same time featuring the longer battery life and compact size needed for a mobile lifestyle. This results in the requirement that the battery should fill the maximum possible space in the device while electronics should take up as little space as possible ("miniaturisation"). At the same time, power consumption of the ever-increasing number of integrated functions (cameras, sensors, artificial intelligence, high speed wireless data transfer, etc.) should be minimised. Both measures extend battery life and reduce the need for recharging.

Generic module functions for the set-up of "smart systems"



Source: EPoSS SRA (2017), AT&S AG (2018)

"Modularisation" supports miniaturisation, but also offers further advantages for customers and manufacturers of end products and electronic systems or sub-systems. We speak of a module when at least one system function is realised by mechanically and electrically connecting electronic components. Examples include modules for energy management ("energy harvesting", "power management", "energy storage"), sensor or actuator functions, data storage and processors as well as connectivity for wireless and wired data transmission. If such system functions are combined in a module and provided after already having been pre-tested, end devices can be developed more rapidly and more cost-efficiently, taken to market maturity faster and thus be offered to customers at attractive prices. The reliability of the devices is also improved further by using fewer, larger and pre-tested modules, since the total number of components to be assembled is reduced significantly. Due to modularisation, OEM (Original Equipment Manufacturers) and tier one manufacturers can concentrate on system software and design as well as the development of the few special modules they need to differentiate their end product.

The miniaturisation and modularisation trend is, however, not limited to mobile devices for consumer and medical applications, but is also becoming increasingly visible in industrial and automotive applications since

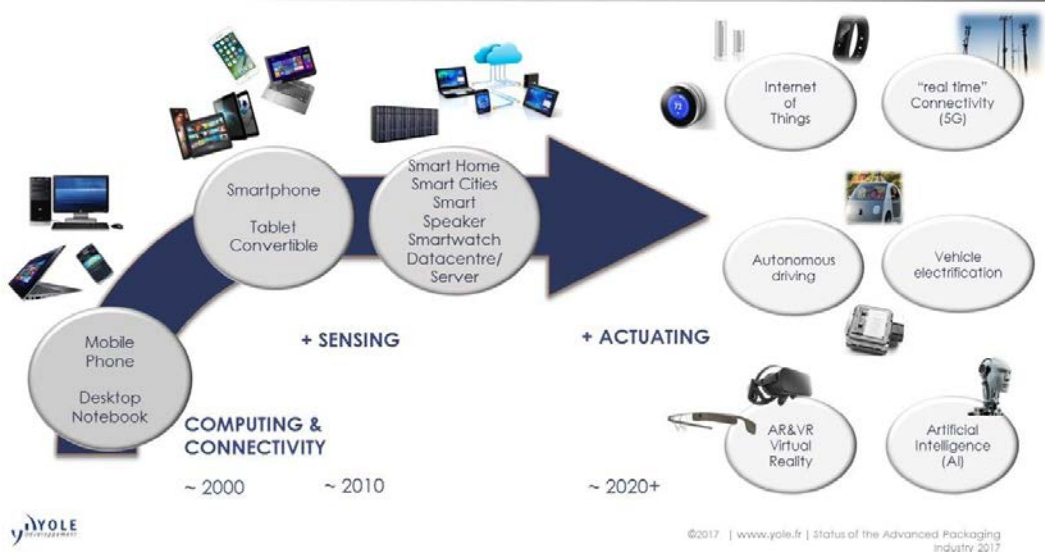
the shortening and simplification of development cycles through pre-tested modules is a basic principle in device engineering.

Interconnect solutions consisting of printed circuit boards and substrates with embedding as one of the key technologies for the integration of increasingly larger modules make a significant contribution to supporting the modularisation and miniaturisation trend. During the build-up ("chip first") or by generation and assembly into cavities after the build-up ("chip last"); components can be embedded in the printed circuit board ("embedding"). This way, the electrical lines between the components become shorter, thus saving space in the module and in the system. The printed circuit board will continue to gain significance as a connection platform for electric, electronic and mechanical components within the ("all-in-one") integration of ever-larger modules with increasing functionality. As before, this enables the mechanical mounting and electric connection of resistors, capacitors, microprocessors, storage components, sensors and many other components required for the full functionality of electronic systems. However, due to miniaturisation, this is done with increasingly finer trace structures. Historically, the introduction of the HDI and any-layer printed circuit board technology was a major step to allow a reduction in trace width ("lines/spaces" or "L/S") from 100µm to 40µm. Even smaller lines/spaces are possible through substrate technologies. Lines/spaces of 20µm are typically achieved using mSAP ("modified semi-additive process"), and lines/spaces of even less than 10µm are possible with SAP ("semi-additive process"); under development coonditions, lines/spaces of less than 2µm have been demonstrated. Substrates are typically used as intermediate layers between integrated circuits and printed circuit boards. In 2017, AT&S and a few other companies applied mSAP build-up layers directly to HDI printed circuit boards for high-end products for the first time. This trend can be seen as a clear sign that the printed circuit board and substrate markets are now continuously converging technologically. Therefore, the use of mSAP layers for printed circuit boards is also referred to as "substrate-like PCBs" ("SLPs").

Up to now, traces in printed circuit boards mostly consisted of etched copper layers ("subtractive method"). HDI, which uses laser direct imaging to structure the lines (traces), is the most modern subtractive method. In the mSAP and SAP technology generation taken over from substrates, the traces are selectively built up within the openings of a resist mask. In comparison to the subtractive method, this allows particularly steep edges and an even more controllable rectangular profile. This explains the reduction in minimal possible structure size from currently 30µm to 5µm, but also the lower tolerances in the variance of conductor resistance and thus improved electrical performance of the system. However, due to the higher manufacturing costs, mSAP and SAP layers are only used where the improved performance is required for the application. Examples include the integration of high-end processors or printed circuit boards for devices for the new 5G telecommunication standard.

Printed circuit boards and interconnect solutions for consumer, communication and computer applications ("CCC") are strongly 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. However, 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.



Sources: Yole, AT&S AG (2018)

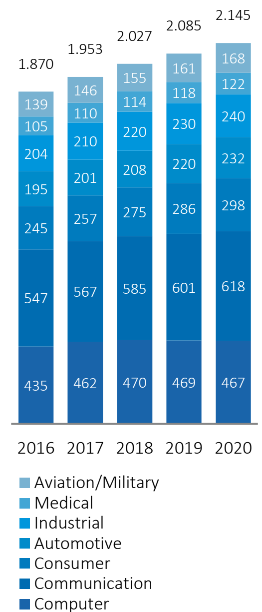
These application trends follow the megatrend to enable not only higher and higher computing power and connectivity with higher data rates, but increasingly also the interaction of devices with the environment ("sensing", "actuating"). Among other things, this drives the development of increasingly better 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 ("AI"). 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.

Another important global trend is the prevention of emissions, which advances the electrification of vehicles and, like autonomous driving, is thus 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.

All of these applications can only be realised with advanced interconnect solutions which are becoming a more and more essential part of the system as a whole. Miniaturisation and modularisation thus open up significant new growth potential for high-end printed circuit board and substrate manufacturers through proactive development partnerships with customers. The necessity to use finer traces and new materials, a broader-based use of embedding to realise larger modules, and services in the proactive collaboration with customers for the development of systems thus offer high-end printed circuit board manufacturers the opportunity to multiply the value added per square metre produced.

ELECTRONICS MARKET The global market for printed circuit boards and substrates is part of the entire electronics market, which comprises all electronic devices and electronic systems produced. The 25 largest electronics producers include manufacturers of end devices and electronic system suppliers from all relevant market segments (communication, consumer, computer, automotive, industrial and medical). Overall, the global electronics market is expected to reach a volume of approximately USD 2,027 billion in 2018, with annual growth rates of roughly 2.9% between 2018 and 2020 (Source: Prismark, February 2018). The strongest growth is forecast for the segments automotive, at 5.5%, industrial, at 4.4%, consumer, at 4.1% and communication, at 2.8%. In contrast, the computer segment is expected to decline slightly (-0.3%). The market trends described above enable significant growth for individual applications such as smartwatches or convertible PCs at a low level at this stage, while other applications (e.g. smartphones, notebook PCs) have recently stagnated or declined slightly.

Electronics market by segment
US$ in billions

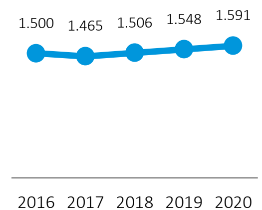


Source: Prismark, February 2018

PRINTED CIRCUIT BOARD AND SUBSTRATE MARKET According to current forecasts, the printed circuit board and substrate market is expected to increase from USD 57.5 billion in 2017 to USD 59.7 billion in 2018 (+3.8%). By 2020, further annual growth of just under 3% is expected (sources: Prismark, February 2018; Yole, March 2018). The computer, communication and consumer segments ("CCC") still account for a 70% share of the market. Key applications in these areas are smartphones, PCs and tablets, and servers. New applications such as wearables (smartwatches, smartglasses, etc.), "Internet of Things (IoT)" devices or devices requiring high computing power for artificial intelligence offer excellent growth opportunities in the long term and are not limited to CCC applications. The automotive, aviation, industrial and medical segments ("AIM") correspond to roughly 20% of the total market and consist of a wide variety of applications; in addition to infotainment, applications for autonomous driving also promise attrative growth opportunities in this area. IC substrates account for the remaining approx. 10% of the market. In the past, IC substrates were mainly used in the packaging segment for semiconductors, but form the technological basis for the next technology generation of printed circuit boards (mSAP, SAP). Compound annual growth rates (CAGR) from 2018 to 2020 in the respective segments are in the order of 3.0% for the CCC segment, 3.3% for automotive, industrial and medical and 2.8% for IC substrates. After a slight decline in the previous year, the printed circuit board and IC substrate market recorded strong growth of 9.1% in 2017. The CCC segment grew by 10.9%, IC substrates by 5.5% and AIM by 4.9% in 2017. In the financial year 2017/18, AT&S's revenue increased by 21.7%, clearly outperforming the overall market.

COMMUNICATION: SMARTPHONE SALES VOLUME DECLINES SLIGHTLY FOR THE FIRST TIME, WITH MODERATE GROWTH OUTLOOK With roughly 1,465 million devices sold in 2017, the sales volume of smartphones declined slightly by 2.3% compared to 2016. Moderate average annual growth of 2.8% is expected for the period from 2018 to 2020 (source: IDC, February 2018). During this period, smartphones will remain the key revenue and technology driver in the electronics industry despite a slowdown in innovation cycles. A slightly stronger replacement cycle of consumers is expected for 2018 and, from 2019 onwards, the first 5G-capable smartphones will generate further growth (source: IDC, February 2018). The printed circuit board market in the communication segment will continue to grow at an annual average of 3.5% from currently USD 17.8 billion (2017) (Sources: Prismark, February 2018, Yole, March 2018).

Sales volume smartphones
units sold in millions



Source: IDC, February 2018

CONSUMER: GROWTH THROUGH CONNECTED DEVICES This market segment includes several different applications such as TVs, "smart speakers", game consoles, video streaming devices, "VR/AR" (virtual reality/augmented reality) glasses, drones, household appliances, consumer robots and smartwatches. The key market trends are the connection of devices ("Connected Devices", "Internet of Things" – "IoT") and downloading and streaming videos via the Internet. As a result, annual growth of up to roughly 20% is expected to be achieved for connected 4K TVs between 2018 and 2022 (source: BCC Research, February 2018). Significant growth is also expected to continue for virtual reality glasses in combination with connected TVs or drones. Wearables including smartwatches also show continued strong growth and will increase from 133 million units per year in 2018 to 220 million units in 2022, with a CAGR of approx. 13% (source: IDC, March 2018). All of these consumer devices need interconnect solutions based on printed circuit boards. As a result of the progressing miniaturisation and modularisation, the trend is also continuing in the direction of printed circuit boards, with increasingly smaller trace widths and integrated ("all-in-one") modules in this segment, similar to that for smartphones, from which AT&S can benefit thanks to its early positioning in this area. From 2018, the entire consumer printed circuit board market, which currently totals

USD 7.9 billion, is expected to grow on average by roughly 4.3% annually (sources: Prismark, February 2018; Yole, March 2018).

COMPUTER: SLIGHT DECLINE OF OVERALL MARKET

In 2017, the market for computers (desktops, notebooks, tablets and servers) recorded a decline of roughly 2.5% (source: IDC, March 2018; Digitimes, October 2017). This was attributable to a decrease in the sales volume of tablets (-6.4%) and desktops (-5.4%). Demand for notebooks rose again, resulting in a year-on-year increase of 3.1% in sales volume. Servers even recorded a 7.1% increase. Overall, however, the market for computers will continuously decline slightly, the sales volume of desktops and tablets in particular will decrease consistently. A slight increase is forecast for servers, while tablet sales are virtually stagnating. With a current total of USD 15.0 billion (2017), annual average growth of roughly 1.8% is expected from 2018 onwards (sources: Prismark, February 2018; Yole, March 2018).

AUTOMOTIVE ELECTRONICS: STRONG GROWTH DUE TO CONTINUOULSY INCREASING ELECTRONICS SHARE PER VEHICLE

The number of vehicles sold annually reached 96 million in 2017 and will grow by roughly 1.5% between 2018 and 2020: The main driver for the sales volume of printed circuit boards in this segment is the massively increasing number of electronic applications per vehicle (autonomous driving, infotainment, etc.). The printed circuit board market in the automotive segment totalled USD 5.2 billion in 2017 and is expected to grow by 3.9% annually between 2018 and 2020 (sources: Prismark, February 2018; Yole, March 2018) The growth rates for electronic systems for the automotive market and for printed circuit boards in this segment thus significantly exceed the average total figures for the global electronics industry. Safety and infotainment applications are also driving demand and the use of HDI printed circuit boards in this segment. Applications which now use HDI printed circuit boards include navigation and multimedia systems, emergency calling and camera systems as well as electronic transmission control systems. Key future growth drivers in this segment include further electrification, interconnection and, above all, autonomous driving. Among other things, autonomous driving requires the development of new central systems for recording information and data, which are provided by camera systems and sensors (radar, optical distance and speed measurement ultrasound sensors, etc.), and for their evaluation and the subsequent control of the relevant actuators such as braking, stability and steering systems. Due to the large data volume and the fast transmission rates necessary, these new central computers already need the HDI technology.

INDUSTRIAL ELECTRONICS: STABLE GROWTH DUE TO AUTOMATION AND ENERGY EFFICIENCY

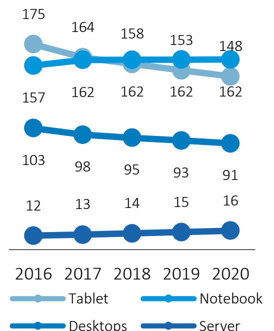
In 2017, the industrial electronics market, at USD 210 billion, recorded an increase by 2.9%, which will continue in the coming years (source: Prismark, February 2018). The market for printed circuit boards in this segment recorded a slight increase again compared to the previous year and amounted to USD 2.7 billion. It is expected to grow by an annual average of up to 3.4% between 2018 and 2020 (sources: Prismark, February 2018; Yole, March 2018).

The industrial electronics segment is still characterised by applications in the areas of measurement and control technology, power electronics, lighting systems and diagnostic devices, RFID readers as well as railway technology. In the future, machine-to-machine and machine-to-human communication modules, driven by robotics, automation and industry 4.0 activities, will enable further growth in this segment.

MEDICAL ELECTRONICS: GROWTH IN MOBILE DIAGNOSTICS AND THERAPY DEVICES

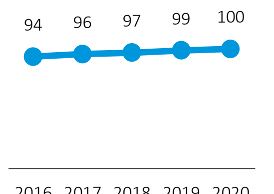
The global market for medical electronic systems grew by roughly 4.8% to USD 110 billion in 2017 (source: Prismark, February 2018). The medical electronics segment is characterised by a high level of complexity regarding applications such as diagnostics and imaging devices, therapy applications and mobile devices on and in the body (e.g. hearing aids, pacemakers and insulin pumps). Other applications include surgical lighting, analytical instruments and molecular diagnostics. The printed circuit board market amounted to USD 1.1 billion in this segment in 2017, with forecast annual growth rates of 2.1% until 2020 (sources: Prismark, February 2018; Yole, March 2018).

Sales volume
computer market
units sold in millions



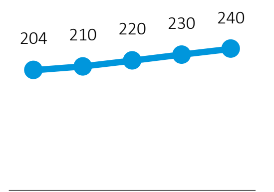
Sources: IDC, March 2018 (Tablets, Notebooks, Desktops);
Digitimes, October 2017 (Server)

Sales volume
automotive market
vehicles sold in millions



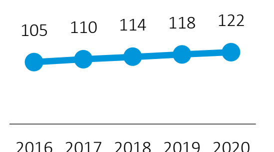
Source: N.T. Information Ltd. January 2018

Sales volume
industrial electronics systems market
US$ in billions



Source: Prismark, February 2018

Sales volume
medical electronics systems market
US$ in billions



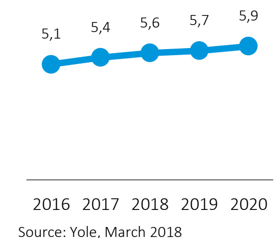
Source: Prismark, February 2018

IC SUBSTRATES: TECHNOLOGY COMPETITION WITH WAFER LEVEL FAN-OUT AND OPPORTUNITIES IN HIGH-END APPLICATIONS

IC substrates are the basis for the packaging of one or several semiconductor chips (“Integrated Circuits” or “ICs”). When several chips are packaged, this is referred to as “system in package” or “SiP”, and if the number of chips integrated in a printed circuit board or a substrate is very high, as “system in board” or “SiB”. High-end substrate layers (“SAP”), as the next technology generation after mSAP, are also an important component in future (“all-in-one”) modules for future generations of printed circuit boards. The IC substrate market is currently heavily influenced by technological changes in packaging, with silicon ICs and printed circuit boards/substrates being connected directly with one another increasingly often. In this process, many intermediate steps in IC packaging, which are currently performed by OSAT (Outsourced Semiconductor Assembly and Test) companies, are eliminated in the course of miniaturisation and system cost reduction. For manufacturers of printed circuit boards/substrates, this offers the opportunity to combine the production of substrate layers (SAP) with the mSAP production of printed circuit boards for novel “panel level fan-out” solutions. Due to better production efficiency and integration possibilities for large modules, the established technologies could thus be faced with competition in the packaging of multiple chips. Instead of integrating the fan-out layers on the chip, they will then be integrated directly into the board as the next level of system integration. Further very interesting growth opportunities are also arising in the market for IC substrates in some segments such as processors for servers, artificial intelligence and autonomous driving. The modest growth of the IC substrate market continued in 2017 with a volume of USD 5.4 billion and an average growth rate of 2.8% expected for the years 2018 to 2020 (source: Yole, March 2018). The overall IC substrate market of USD 5.4 billion (2017) is split into “CSP” (Chip Scale Packaging) and “BGA” (Ball Grid Array). BGA substrates are usually larger in area; their share of the overall market is slightly more than 50%. Typical applications are IC substrates for processors in PCs, notebooks or servers, but also substrates for graphics processing units (GPUs), artificial intelligences and application-specific integrated circuits (“ASICs”), which also contain high-end processors. While growth rates for the BGA substrate market for PCs and notebooks will only be low, the market for substrates for servers (driven by Internet data centre/cloud applications), GPUs, artificial intelligence processors and application-specific integrated circuits, which together already account for more than half of the BGA substrate market, shows very interesting growth opportunities. In the market for CSP substrates, there are also growth opportunities for SAP substrates for high-end applications with a particularly high number of substrate layers. The CSP substrate market is expected to grow by more than 4% annually in the coming years. (source: Yole, March 2017).

In combination with its embedding and printed circuit board competence, the substrate environment offers AT&S the opportunity to establish itself as one of the leading providers of interconnect solutions and module integration in the years to come.

Sales volume
IC substrates
US$ in billions



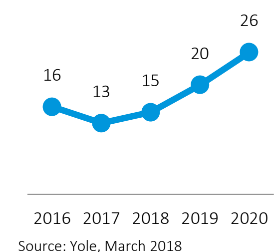
Source: Yole, March 2018

EMBEDDING: TECHNOLOGY OPTION FOR MODULE INTEGRATION

Embedding components in printed circuit boards/substrates is a method which can lead to system cost reductions, a reduction in space requirements for electronics and a performance improvement of electronic modules. It can therefore in principle be used for all applications and is all the more beneficial the more components a module has. As previously stated, embedding in combination with printed circuit board/substrate technology is a crucial competence to enable future (“all-in-one”) modules.

The use of the embedded component packaging technology (“ECP”) is currently still limited to niches, which also explains the comparatively low market volume of USD 13 million in 2017 (source: Yole, March 2018). The external market analysis does not yet take into account a broader market penetration of first, already established applications and the high potential of ECP based on further technological improvements. In the past, the technological barrier was primarily the yield loss in embedding expensive chips. Due to improvements in process control, yield has increased, which will enable a broader-based application in all markets, from consumer and communications to automotive, industrial and medical technology. Typical applications of ECP products, which have already been launched or are about to be launched on the market, include camera modules and discrete voltage transformers in all voltage classes, from low voltage to power modules with power MOSFETs or IGBTs.

Sales volume of embedded die packaging market
US$ in millions



Source: Yole, March 2018

1.2. Profit situation

In the financial year 2017/18, AT&S significantly exceeded all revenue and earnings figures of the previous year as well as its own expectations despite a very challenging market and currency environment. Overall, the AT&S Group increased revenue by € 176.9 million or 21.7% to € 991.8 million (previous year: € 814.9 million). This increase was attributable to generally high demand in all segments, strong demand for the new technology generation (mSAP) and the additional revenue from the two plants in Chongqing. The product mix continued to improve overall. Demand for high-end printed circuit boards for mobile devices exceeded the prior-year level and was met although our plant in Shanghai was partially upgraded and less capacity was available as a result. The Automotive, Industrial, Medical business unit increased its revenue in all segments.

Roughly 78.6% of revenue in 2017/18 (previous year: 76.1%) was invoiced in foreign currencies (primarily US dollars). Foreign exchange effects, which predominantly resulted from an further weakening of the US dollar from the second quarter of the financial year 2017/18 onwards, had a negative effect of € -46.8 million or -5.7% on the development of revenue.

The share of products manufactured in Asia rose from 82.0% in the previous year to 84.0% in the reporting year. The regional revenue structure based on customers' headquarters shows a share of 63.0% for America, compared with 57.1% in the previous year. The share of revenue of the other regions shifted accordingly.

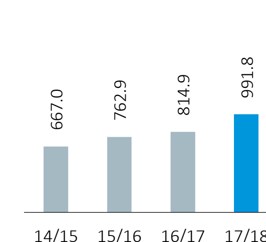
Due to the great importance of mobile devices, the revenue of AT&S usually shows the following seasonal development: the first quarter of the financial year is usually weaker than the second and third quarters, which are typically characterised by very high demand in preparation for the launches of the latest product generation. In the fourth quarter, customer demand is generally lower. This quarter is also characterised by the holiday shutdown due to the Chinese New Year's celebrations at our large Chinese plants.

Result key data

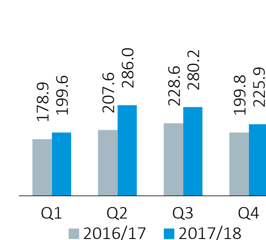
€ in millions (unless otherwise stated)

	2017/18	2016/17	Change in %
Revenue	991.8	814.9	21.7%
Operating result before interest, tax, depreciation and amortisation (EBITDA)	226.0	130.9	72.6%
EBITDA margin (%)	22.8%	16.1%	
Operating result (EBIT)	90.3	6.6	>100%
EBIT margin (%)	9.1%	0.8%	
Profit for the year	56.5	(22.9)	>100%
Earnings per share (€)	1.38	(0.59)	>100%
Additions to fixed assets	103.9	258.2	(59.7%)
Average number of staff (incl. leased personnel)	9,981	9,526	4.8%

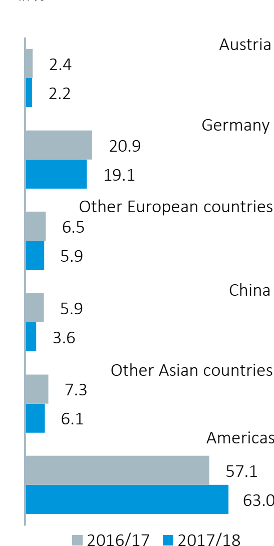
Development of revenue
€ in millions



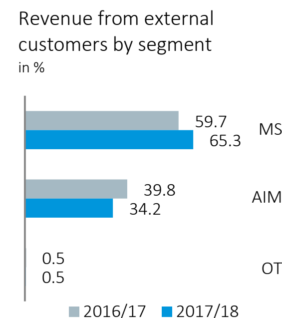
Revenue by quarter
€ in millions



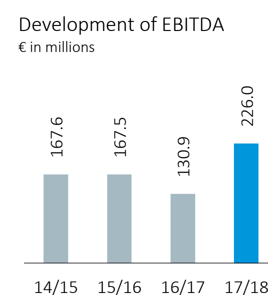
Revenue by region
(Customer headquarters)
in %



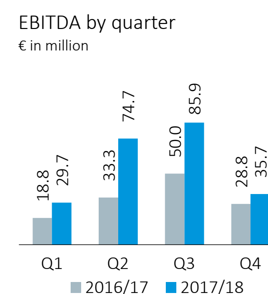
The share of revenue of the Mobile Devices & Substrates segment rose substantially due to the contributions to revenue of the two plants in Chongqing and the high revenues generated with the new technology generation (mSAP). The share contributed to external revenue by the Mobile Devices & Substrates (MS) segment increased to 65.3% (previous year: 59.7%), while the share of the Automotive, Industrial, Medical (AIM) segment declined to 34.2% (previous year: 39.8%) despite an increase in absolute figures. Further information on the development of the segments can be found in Section 4 "Business development by segments".



The Group's EBITDA, at € 226.0 million, clearly exceeded the result of € 130.9 million in the previous year. The increase was primarily attributable to a generally high operating performance (utilisation, yield and efficiency) of the new plants in Chongqing and the successful introduction and rapid optimisation of the new technology generation mSAP, for which AT&S has achieved a leading market position. Positive exchange rate effects on the production side, which resulted primarily from the weakening of the Chinese renminbi against the euro, were overcompensated by the negative effects of the weaker US dollar on the revenue side. Overall, this resulted in negative currency effects from translation and valuation of € -28.5 million. In the reporting period, EBITDA included no significant one-off effects (previous year: income of € 7.2 million due to the reversal of provisions). The adjustment of variable remuneration to the degree of target achievement caused a burden on EBITDA of € 10.4 million.

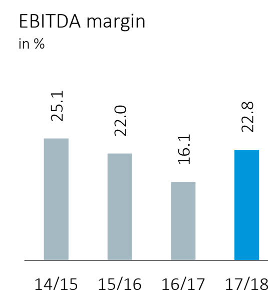


The EBITDA development by quarter reflects the general revenue development. In the first quarter of 2017/18, the comparative figures of the previous year were significantly exceeded due to operational improvements at the new plants in Chongqing and slightly positive currency effects. The partial upgrade of the Shanghai plant to the new technology generation (mSAP) had a negative impact on earnings. In the second quarter of 2017/18, the positive development continued and benefited above all from the successful introduction of the new technology generation and the resulting contributions to revenue and earnings. Despite significantly higher FX effects, the third quarter of 2017/18 again surpassed the exceedingly good preceding quarter and was the best quarter in terms of earnings in the history of AT&S to date. The fourth quarter of 2017/18 was characterised by strong seasonality and negative FX effects. Nonetheless, the comparative quarter of the previous year was slightly exceeded.



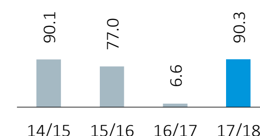
The above-mentioned effects also had an impact on the individual cost areas. The increase in production costs resulted from the significant increase in revenue. The increase was, however, disproportionally low since fixed costs such as depreciation and personnel costs were largely already included in the prior-year costs. In addition, foreign exchange effects led to a smaller increase in production costs. Although the rigid cost management continues, administrative and distribution costs were substantially higher than in the previous year due to the adjustment of variable remuneration to the degree of target achievement and higher SAR costs, which resulted from the increase in the AT&S share price in the second half of 2017/18.

The other operating result declined from € 9.6 million to € 0.1 million. In addition to the above-mentioned reversal of provisions of € 7.2 million in the previous year, the main effects included a deterioration in the exchange rate result of € 9.3 million in the financial year 2017/18. Lower start-up costs of € 5.8 million and an increase in income from government grants of € 3.2 million had a positive effect in the financial year 2017/18.



Compared with the previous year, the Group's EBITDA margin increased by 6.7 percentage points from 16.1% to 22.8%. The comparative figures of the previous year were burdened by the ramp-up of the two new plants in Chongqing, during which fixed costs of production were contrasted by only low earnings.

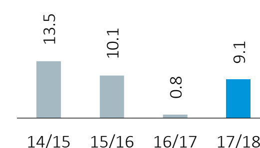
Development of EBIT
€ in millions



Depreciation of property, plant and equipment and amortisation of intangible assets of € 135.7 million or 16.1% of non-current assets (previous year: € 124.7 million or 13.5% of non-current assets) reflect the high technical standard and the investment ratio of AT&S and increased by a total of € 17.9 million, primarily due to the additional lines at the Chongqing plant, which were not yet fully included in depreciation and amortisation in the previous year. Positive currency effects reduced depreciation and amortisation by € 6.0 million. The remaining increase of € 0.5 million year-on-year results from investments in technology upgrades and the related depreciation and amortisation. In the financial year 2017/18, no write-ups were recorded through profit or loss (previous year: € 0.4 million).

The operating result (EBIT) increased by € 83.6 million or 1,257.9% to € 90.3 million (previous year: € 6.6 million) due to the above mentioned effects and the higher depreciation and amortisation. The EBIT margin rose by 8.3 percentage points to 9.1% (previous year: 0.8%).

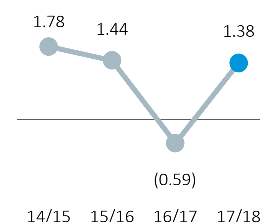
EBIT margin
in %



Finance costs – net improved from € -17.5 million to € -14.8 million. Interest expense on bank borrowings and bonds was nearly unchanged at € -13.7 million (previous year: € -13.8 million). Gross interest expenses declined by € 2.2 million from € 16.0 million to € 13.8 million, primarily due to the elimination of the high interest expenses related to the retail bond 2011-2016. Interest on social capital increased by € 0.3 million from € -0.5 million to € -0.8 million. The measurement of hedging instruments which swap variable for fixed-interest payments, which, however, do not meet the criteria of hedge accounting since the term and amount do not match the primary secured financial liabilities, resulted in a loss of € 0.5 million (previous year: gain of € 0.5 million). Capitalised interest on borrowings related to the acquisition of qualified assets decreased by € 2.1 million to € 0.1 million (previous year: € 2.2 million).

Since the environment is currently unfavourable for placing funds, the return on financial investments dropped by € 0.4 million to € 1.1 million (previous year: € 1.5 million). In the financial year 2017/18, positive exchange rate differences resulting from the measurement of liquid foreign currency funds and debts and realised exchange rate gains from financial instruments amounting to € 1.4 million were recognised as income in finance costs – net (previous year: expense € 3.4 million). In principle, finance costs – net are only influenced by currency effects to a limited extent, as the main part of the loans from credit institutions is made up of liabilities in euros. 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.

Earnings per share
in €



The Group's tax expense amounts to € 19.0 million (previous year: € 12.0 million). Current income taxes increased to € 26.9 million (previous year: € 20.2 million), which was mainly caused by higher profits in countries with higher tax rates. Deferred taxes (income) amounted to € 7.9 million and thus remained nearly at the same level as in the previous year (€ 8.1 million), and primarily resulted from the capitalisation of loss carryforwards in Austria. As there is substantial evidence of the existence of further taxable results, the strict criteria of IAS 12 have been met and deferred taxes of € 6.7 million (previous year: € 11.7 million) were capitalised. In early February, AT&S (China) Company Limited was granted the favoured tax status as a "Hightech-Company" with retroactive effect for the calendar year 2017. This tax status starts as of 1 January 2017, is valid for three years and is dependent on meeting certain criteria. The positive tax effect resulting from the recalculation of tax expense for the period from 1 January to 31 December 2017 and from the remeasurement of non-current deferred taxes was recorded as tax income in the fourth quarter of 2017/18.

The profit for the year increased from € -22.9 million by € 79.4 million to € 56.5 million. Earnings per share rose by € 1.97 from € -0.59 to € 1.38, with the same number of shares outstanding. In the calculation of earnings per share, interest on hybrid capital of € 2.9 million (previous year: € 0.0 million) was deducted from the profit for the year.

1.3. Financial position

Development of statement of financial position

€ in millions	31 Mar 2017	Hybrid capital[1]	Currency effects	Organic	31 Mar 2018
Non-current assets	1,029.4	–	(50.9)	(34.2)	944.3
Current assets	407.3	105.8	(24.3)	97.3	586.2
Total assets	**1,436.7**	**105.8**	**(75.2)**	**63.1**	**1,530.4**
Equity	540.1	172.9	(53.5)	51.9	711.4
Non-current liabilities	569.8	(67.1)	(4.7)	17.2	515.3
Current liabilities	326.8	–	(17.0)	(6.0)	303.8
Total equity and liabilities	**1,436.7**	**105.8**	**(75.2)**	**63.1**	**1,530.4**

[1] Placement of a hybrid bond of € 172.9 million on 17 November 2017

In the financial year 2017/18, the total of the statement of financial position increased by € 93.7 million or 6.5% from € 1,436.7 million to € 1,530.4 million.

Property, plant and equipment increased by a total of € 97.3 million, primarily due to additions in Chongqing of € 29.8 million and technology upgrades in Shanghai of € 46.8 million. The net change in fixed assets of € -82.5 million or -8.9% to € 842.2 million (previous year: € 924.8 million) also includes scheduled depreciation, impairments and write-ups of € 135.7 million (previous year: € 124.3 million), exchange rate effects of € -47.7 million and capitalised development costs which meet the criteria of IAS 38 amounting to € 4.8 million. The remaining change results from additions to intangible assets of € 1.7 million and disposals of € -3.5 million.

Non-current assets include input tax receivables of € 44.1 million (previous year: € 53.7 million), which can only be offset against VAT liabilities in more than a year's time.

Net working capital

€ in millions (unless otherwise stated)	31 Mar 2018	31 Mar 2017	Change in %
Inventories	136.1	108.8	25.0%
Trade receivables	65.5	53.5	22.4%
Trade payables	(141.5)	(189.8)	25.5%
Liabilities from investments	23.5	67.9	(65.4%)
Working capital trade	**83.6**	**40.4**	**>100%**
Other current assets, payables, provisions	(11.2)	(16.0)	30.3%
Net working capital	**72.4**	**24.4**	**>100%**
Net working capital in % of total revenue	7.3%	3.0%	
Days outstanding (in days):			
Inventories	60	52	15.4%
Receivables	24	24	–
Payables	76	91	(16.5%)

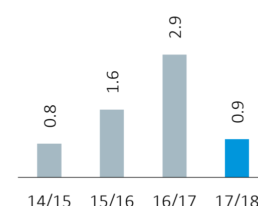
Inventories increased by € 27.3 million or 25.0% from € 108.8 million to € 136.1 million. The increase is due to the higher business volume and pre-production for the coming financial year. Trade receivables only rose by € 12.0 million or 22.4% to € 65.5 million (previous year: € 53.5 million) despite the increase in business volume, due to continued optimisation measures. Trade payables decreased by € 48.3 million or -25.5% from € 189.8 million to € 141.5 million. They include a decline in liabilities from investments of € 44.4 million to € 23.5 million (previous year: € 67.9 million).

Equity increased by € 171.3 million or 31.7 % from € 540.1 million to € 711.4 million. This increase results from the net proceeds of € 172.9 million from the hybrid bond placed on 17 November 2017 and from the

profit for the year of € 56.5 million. In contrast, negative currency differences from the translation of net asset positions of subsidiaries and from the translation of long-term loans to subsidiaries of € 53.5 million and actuarial losses resulting from the parameters used in the calculation of personnel provisions amounting to € 0.8 million (previous year: gain of € 5.1 million) had a reducing effect on equity. The dividend led to a reduction in equity of € 3.9 million.

Non-current financial liabilities decreased by € 61.5 million or -11.8% from € 519.8 million to € 458.4 million. The current portion rose from € 73.0 million to € 81.5 million. Cash inflows of € 172.9 million from the hybrid bond were in part used for the optimisation and repayment of financial liabilities carrying higher interest rates. The remaining funds were invested in the short term and are consequently included in cash and cash equivalents or in financial assets.

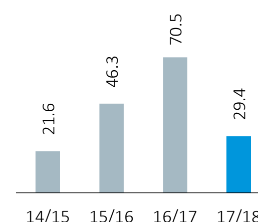
Net debt/EBITDA
Multiple



Net debt

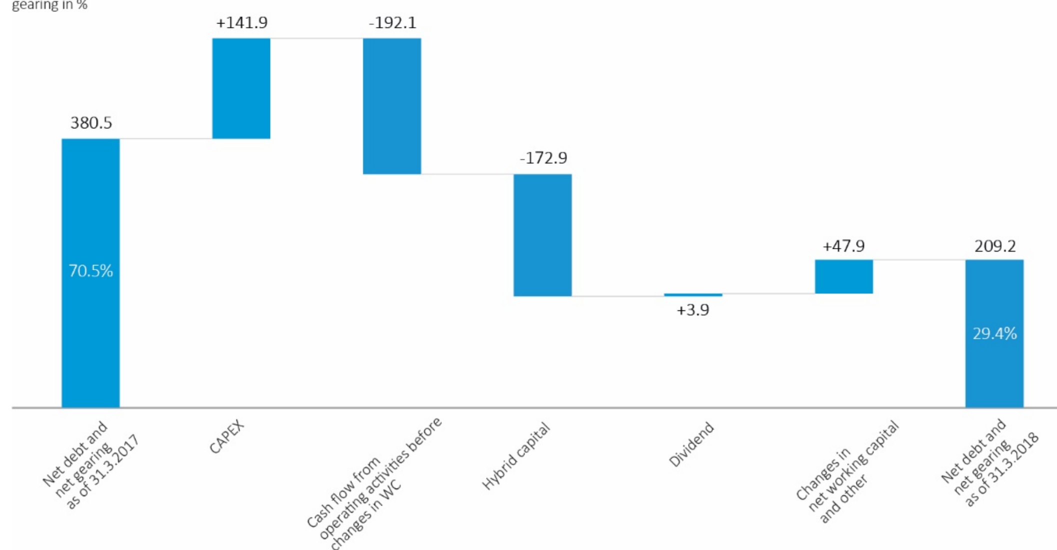
€ in millions (unless otherwise stated)	31 Mar 2018	31 Mar 2017	Change in %
Financial liabilities, current	81.5	73.0	11.6%
Financial liabilities, non-current	458.4	519.8	(11.8%)
Gross debt	**539.9**	**592.9**	**(8.9%)**
Cash and cash equivalents	(270.7)	(203.5)	(33.0%)
Financial assets	(59.9)	(8.8)	(>100%)
Net debt	**209.2**	**380.6**	**(45.0%)**
Operating result before interest, tax, depreciation and amortisation (EBITDA)	226.0	130.9	72.6%
Net debt/EBITDA ratio	0.9	2.9	
Equity	711.4	540.1	31.7%
Total consolidated statement of financial position	1,530.4	1,436.7	6.5%
Equity ratio (%)	46.5%	37.6%	
Net gearing (Net debt/Equity) (%)	29.4%	70.5%	

Net gearing
in %



Net debt declined by € 171.3 million or -45.0% to € 209.2 million (previous year: € 380.6 million). The decrease resulted from the cash inflow from the hybrid bond of € 172.9 million. Operationally, investments, which are still at a high level, were fully financed by current business activities.

Net gearing dropped to 29.4% and was significantly below the level in the previous year of 70.5%. The key figure net debt/EBITDA, which reflects a notional debt repayment period, improved from 2.9 years to 0.9 years due to the lower net debt, and was significantly below the internal limit of 3.0 years.



TREASURY ACTIVITIES The focus of the financial year 2017/18 was on strengthening equity, which was successfully completed when a hybrid bond with a nominal amount of € 175.0 million and a coupon of 4.75% was issued on 17 November 2017. The subordinated bond has perpetual maturity and can be first called in by AT&S, but not by the creditors, after five years. If the bond is not called in at that time, the premium on the coupon then valid will increase by 5 percentage points. Since this instrument meets the IAS 32 criteria for equity, the net proceeds of € 172.9 million (issue volume less issue costs) are recognised as part of equity. In addition to this main focus, several minor financing transactions and optimisations of the financing structure were carried out.

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

Instruments

€ in millions	31 Mar 2018	in %	31 Mar 2017	in %
Promissory note loans	422.4	57.4%	441.2	55.6%
Bank borrowings	117.5	16.0%	151.6	19.1%
Gross debt	**539.9**	**73.4%**	**592.9**	**74.7%**
Credit lines	195.2	26.6%	200.9	25.3%
Committed credit lines	**735.0**	**100.0%**	**793.8**	**100.0%**

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 costs are a disadvantage. The retail bond with a residual nominal value of € 75.5 million was repaid in the financial year 2016/17 as scheduled. Based on the current market situation, there are no plans to issue a new standard retail bond.

The importance of promissory note loans as a key financing pillar did not change in the financial year 2017/18. 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 promote this form of financing in the future. At

31 March 2018, promissory note loans totalling € 422.4 million (previous year: € 441.2 million) were placed with different national and international investors. The remaining terms range between one and six years.

Bank loans are used as the third pillar. As of 31 March 2018, loans totalling € 117.5 million have been taken out with several national and international banks (previous year: € 151.6 million). These loans predominantly carry fixed interest rates and have maturities between one and six 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 € 195.2 million in the form of contracted loan commitments of banks (previous year: € 200.9 million). At 31 March 2018, AT&S had only used 73.4% (previous year: 74.7%) of its contracted financing potential and still possesses comfortable financial reserves in addition to cash and cash equivalents.

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.

The notional payback period for debts, defined as net debt/EBITDA, of 0.9 years was significantly below the covenant of 4.0 years and also significantly below the target value of 3.0 years defined by AT&S, and decreased substantially due to the hybrid bond (previous year: 2.9 years). The equity ratio rose from 37.6% in the previous year to 46.5% in the reporting year, thus significantly exceeding the target value again. For further information regarding capital risk management, please refer to Note 19 "Additional disclosures on financial instruments" – sub-section Capital Risk Management – in the notes to the consolidated financial statements.

Treasury key data

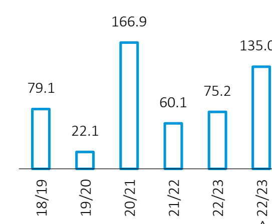
	Covenant[1]	Target[2]	31 Mar 2018	31 Mar 2017
Net debt/EBITDA ratio	< 4.0	< 3.0	0.9	2.9
Equity ratio	>35%	>40%	46.5%	37.6%

[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).

AT&S pursues a financing structure that is as balanced as possible, with an average duration that is consistent with the investment programme. At the reporting date, the duration was 3.2 years (previous year: 3.7 years) and thus remained stable at a very high level.

The repayment structure shows a high amount in the year 2020/21 due to the repayment of parts of the promissory note loan and bank loans of € 166.9 million.

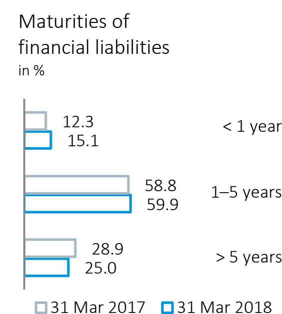
Redemption
€ in millions



Carrying amount of financial liabilities by maturity

€ in millions	31 Mar 2018	in %	31 Mar 2017	in %
Remaining maturity				
Less than 1 year	81.5	15.1%	73.0	12.3%
Between 1 and 5 years	323.5	59.9%	348.4	58.8%
More than 5 years	134.8	25.0%	171.5	28.9%
Total financial liabilities	**539.9**	**100.0%**	**592.9**	**100.0%**

Minimising interest rate risk by predominantly using fixed interest rates was defined as another treasury objective. 82.9% (previous year: 51.4%) of financing is conducted at or was swapped to fixed interest rates and only 17.1% (previous year: 48.6%) 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 increased significantly. This measure serves to hedge against a possible turnaround or increase in interest rates in the euro area.



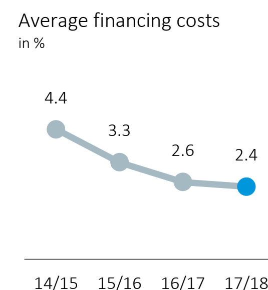
AT&S also intends to invest available liquid funds profitably but risk-sensitively: At 31 March 2018, AT&S had financial resources totalling € 330.6 million (previous year: € 212.3 million). By optimising the terms of investment and early conversion of liquid funds into currencies with higher interest rates which are also continually required by AT&S, the highest possible yields should be achieved in an environment that is currently very challenging from an investor perspective and negative interest should be avoided.

Early conversion into foreign currencies also serves as a natural currency hedge and a reduction in the exposure to foreign currencies.

The objective of AT&S is to keep the USD net risk position at a minimum. At 31 March 2018, assets denominated in USD (trade receivables, financial assets and cash denominated in USD) amounting to € 232.0 million (previous year: € 147.1 million) were offset by liabilities denominated in USD (trade payables and financial liabilities denominated in USD) amounting to € 77.2 million (previous year: € 158.3 million). The resulting net risk position – at 31 March 2018 this was an active balance of € 154.8 million (previous year: passive balance of € 11.2 million) – only amounted to 10.1% (previous year: 0.8%) of the Group's total assets and liabilities and shows the successful implementation of the strategy. 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.

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-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. Moreover, in the course of placing the hybrid bond, road shows with investor meetings in Munich, Frankfurt, Paris, Geneva, Zurich and London took place, where new contacts with investors were established and the investor base was further broadened. In March 2018, the latest developments at AT&S for promissory note investors were presented at the 8th International RBI Schuldscheintag in Berlin.

AT&S pursues a highly active approach to financial management in order to accomplish the above-mentioned treasury targets as cost-effectively as possible. Issuing the hybrid bond significantly improved the equity base and created space for new financing. This was done at costs significantly below the WACC. The aim for the financial year 2018/19 is to finance capital requirements for the coming years early in order to secure the favourable financing environment in the long term.



CASH FLOW

Cash flow from operating activities before changes in working capital was up € 90.5 million to € 192.1 million. This significant increase was primarily attributable to substantial earnings improvements at the plants in Chongqing. These improvements were the main cause of the massive increase in the operating result from € 6.6 million to € 90.3 million. The increase in depreciation, amortisation, impairments and write-ups to a total of € 135.7 million (previous year: € 124.3 million) is also primarily attributable to the new plants in Chongqing. The operating result also includes non-cash expenses of non-current provisions and other non-cash expenses amounting to € 5.7 million (previous year: income of € 12.1 million). Interest payments declined by € 2.5 million to € 15.0 million (previous year: € 17.5 million) mainly due to the elimination of the bond. The interest received reflects the currently very difficult market environment for investments in EUR

and declined by € 0.4 million to € 1.1 million (previous year: € 1.5 million). In contrast, income taxes paid increased by € 13.6 million to € 26.0 million (previous year: € 12.4 million).

The net debt optimisation programme initiated in the second half of the financial year 2016/17 was only continued to a limited extent in the financial year 2017/18 for cost reasons. The resulting increase in net working capital led to cash outflows.

Overall, the cash flow from operating activities improved slightly to € 143.2 million (previous year: € 136.4 million). The increase in inventories of € 35.0 million due to the higher business volume and pre-production, the increase in trade and other receivables of € 34.0 million and the decline in provisions of € 0.8 million were offset by an increase in trade payables and other liabilities of € 20.9 million.

Capital expenditures for property, plant and equipment and for intangible assets of € 141.9 million were significantly lower than in the previous year (€ 240.9 million). The main outflows resulted from the expansion of the plant in Chongqing and the upgrade in Shanghai to the new technology generation mSAP.

Free cash flow from operating activities, i.e. cash flow from operating activities less net investments, amounted to € 1.5 million in the financial year 2017/18 (previous year: € -104.3 million). AT&S thus managed to fund the high level of investment activities on its own.

The proceeds resulting from the issue of the hybrid bond were in part invested with maturities of three months. Overall, this led to a net outflow of financial assets of € 51.7 million (previous year: net inflow € 79.5 million). Due to this effect, cash flow from investing activities, at € -193.4 million, was below the prior-year figure of € -161.1 million.

Cash flow from financing activities, at € 135.6 million, exceeded the prior-year figure of € 54.9 million by € 80.7 million, which was primarily due to cash inflows of the hybrid bond of € 172.9 million.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, amounted to € -50.2 million, down € -25.5 million on the prior-year figure of € -24.7 million, due to the high level of investment activity. € 131.2 million of the year-on-year change resulted from the investment of cash and cash equivalents and returns from the investment of cash and cash equivalents.

Cash flow statement (short version)

€ in millions	2017/18	2016/17	Change in %
Cash flow from operating activities before changes in working capital	192.1	90.5	>100%
Cash flow from operating activities	143.2	136.4	5.0%
Cash flow from investing activities	(193.4)	(161.2)	(20.0%)
Operating free cash flow	1.5	(104.3)	>100%
Free cash flow	(50.2)	(24.7)	(>100%)
Cash flow from financing activities	135.6	54.9	>100%
Change in cash and cash equivalents	85.4	30.1	>100%
Currency effects on cash and cash equivalents	(18.1)	1.5	(>100%)
Cash and cash equivalents at end of the year	**270.7**	**203.5**	**33.0%**

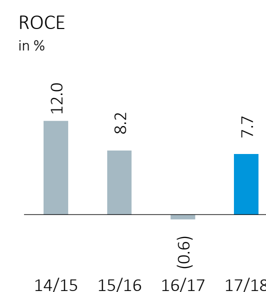
Despite very high levels of investment, cash and cash equivalents increased from € 203.5 million to € 270.7 million due to a stable, high level of cash flow from operating activities and the above-mentioned financing and investment measures. Moreover, AT&S has current financial assets of € 59.6 million (previous year: € 8.7 million). Overall, AT&S thus has cash and current financial assets totalling € 330.3 million (previous year: € 212.2 million). This amount, which is currently still very high, serves to secure the financing of the future investment programme and short-term repayments.

AT&S PERFORMANCE SYSTEM In addition to EBITDA, AT&S uses two other key figures for strategic corporate management: ROCE and IRR. They are used to describe and control 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 illustrates 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 8.9%. With ROCE amounting to 7.7%, AT&S was slightly below this value.

ROCE improved year-on-year due to the increase in EBIT, which was offset by higher average capital employed of € 920.6 million (previous year: € 876.4 million) due to the high investment activity associated with the Chongqing project.

ROCE
in %

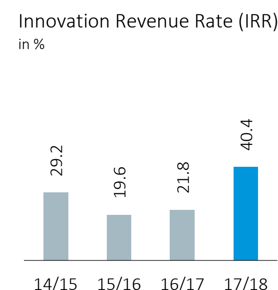


Return on capital employed (ROCE)

€ in millions	2017/18	2016/17	Change in %
Operating result (EBIT) before non-recurring items	90.3	6.7	>100%
Income taxes	(19.0)	(12.1)	(57.6%)
Operating result after tax (NOPAT)	**71.3**	**(5.4)**	**>100%**
Equity – average	625.7	554.5	12.8%
Net debt – average	294.9	321.9	(8.4%)
Capital employed – average	**920.6**	**876.4**	**5.0%**
ROCE	**7.7%**	**(0.6%)**	

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 2017/18, the IRR is 40.4%, after 21.8% in the previous year. AT&S aims to achieve an IRR of at least 20%. This target was met in the financial year 2017/18.

Innovation Revenue Rate (IRR)
in %



Innovation Revenue Rate (IRR)

€ in millions	2017/18	2016/17	Change in %
Main revenue	991.7	814.7	21.7%
Main revenue generated by innovative products	400.7	177.7	>100%
IRR	**40.4%**	**21.8%**	

2. Significant events after the reporting period

Until 7 May 2018, 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 2018.

3. Plants and branch offices

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

Austria

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 continued along the path of niche and prototype production started in recent years. Among other things, the production of the Advanced Packaging 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. At the end of the financial year 2017/18, the expansion and technological upgrade of the plant started to manufacture high-end printed circuit boards, especially for the automotive segment. The additional capacity for such high-frequency printed circuit boards will be used to produce applications for autonomous driving such as sensors for distance measurement starting from March 2019.

China

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 upgrade to the next technology generation mSAP was successfully completed in the second quarter of the financial year 2017/18, enabling the plant to successfully meet the strong demand for HDI and mSAP printed circuit boards. The company thus 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 2017/18, which were produced for the Automotive, Industrial, Medical segment.

China

CHONGQING At the plant for IC substrates (Integrated Circuit Substrates), the second line successfully started serial production at the beginning of the financial year 2017/18. The activities in this financial year focused on optimising the product mix for the site and on continued efficiency improvements in order to counteract the persisting high price pressure. At the plant for mSAP printed circuit boards, the second line was successfully taken to serial production in the middle of the second quarter of the financial year 2017/18. As a result, the plant was able to make a substantial contribution to meeting the demand for the new technology generation mSAP. Subsequently, the second plant also focused on ongoing optimisation and efficiency improvements. Both plants still have roughly 50% of unused space, which could be expanded in the short term.

South Korea

ANSAN The very positive development of the site in Korea continued in the financial year 2017/18. In addition to the good capacity utilisation in the medical sector for European and American customers, substantial quantities were manufactured for the Mobile Devices & Substrates segment.

India

NANJANGUD This site benefited from continuous high capacity utilisation, operational improvements and a better product mix in the financial year 2017/18, which led to very good revenue and earnings development. In the financial year 2017/18, the expansion and technological upgrade of the plant were started. The new capacity is intended to serve the growing demand for high-frequency printed circuit boards from the automotive segment starting in May 2018.

China

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.

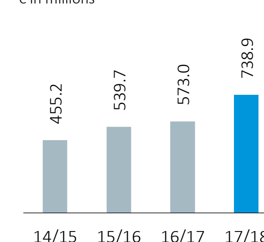
Sales companies

The sales companies in America, Germany, Japan and Taiwan continued to ensure good and close contact with customers in the financial year 2017/18.

4. Business development by segment

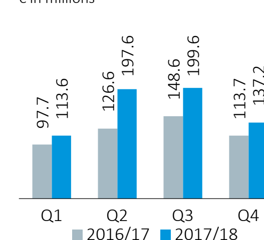
The AT&S Group divides its operating activities into three segments: Mobile Devices & Substrates, Automotive, Industrial, Medical, and Others. The Mobile Devices & Substrates segment mainly comprises the applications of smartphones, tablets, notebooks, desktop PCs, servers and consumer products such as digital cameras. The Automotive, Industrial, Medical segment includes the industrial electronics, automotive, aviation & security, and medical & healthcare applications. The Others segment covers the activities of the Advanced Packaging business unit, which is in the development phase, as well as higher-level Group activities. As the Advanced Packaging business unit neither reaches the quantitative thresholds, nor are its opportunities and risks material to the Group as a whole, it is not presented as a segment of its own in segment reporting.

Mobile Devices & Substrates
Development of revenue
€ in millions



MOBILE DEVICES & SUBSTRATES SEGMENT The applications of the Mobile Devices & Substrates segment require technologically sophisticated printed circuit boards and permanent process and product innovations. The high global demand for mobile devices, e.g. smartphones, is the key growth driver. The increasing performance level of these devices would not be possible without HDI (high density interconnection) printed circuit boards and mSAP (modified semi-additive process) printed circuit boards. AT&S was one of the globe's leading suppliers of the HDI technology and achieved a leading position in the mSAP technology in the reporting year. With a revenue share of 65.3% (previous year: 59.7%), the Mobile Devices & Substrates segment remains the largest segment of the AT&S Group.

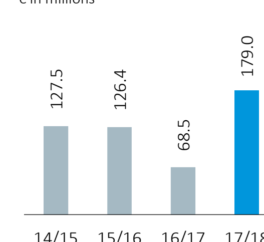
Mobile Devices & Substrates
Revenue from external customers by quarters
€ in millions



Mobile Devices & Substrates segment – overview

€ in millions (unless otherwise stated)	2017/18	2016/17	Change in %
Segment revenue	738.9	573.0	29.0%
Revenue from external customers	648.0	486.5	33.2%
Operating result before depreciation and amortisation (EBITDA)	179.0	68.5	>100 %
EBITDA margin (%)	24.2%	12.0%	
Operating result (EBIT)	61.6	(39.0)	>100 %
EBIT margin (%)	8.3%	(6.8%)	
Additions to fixed assets	76.8	238.1	(67.8%)
Employees (incl. leased personnel), average (no.)	7,083	6,693	5.8%

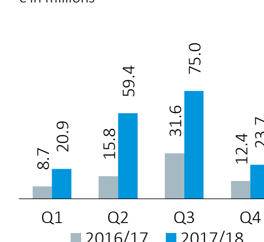
Mobile Devices & Substrates
EBITDA development
€ in millions



Demand for high-end printed circuit boards for mobile devices recorded a very positive development and could be met due to the successful introduction and rapid optimisation of the new mSAP technology. In addition, the two new plants in Chongqing made a significant contribution to the increase in revenue. At € 738.9 million, revenue was up € 165.9 million or 29.0% on the prior-year value of € 573.0 million. Starting in the second quarter, revenue was increasingly affected by the negative US dollar development. As a result, revenue growth was € 46.7 million lower overall. Revenue with customers of the Automotive, Industrial, Medical segment increased slightly.

In terms of geography, a further increase in revenue with American customers was recorded. Demand from the Automotive, Industrial, Medical segment for high-grade HDI printed circuit boards was stable at a very high level.

Mobile Devices & Substrates
EBITDA by quarters
€ in millions

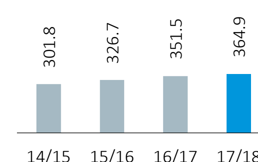


At € 179.0 million, the segment's EBITDA was € 110.5 million or 161.3% higher than the prior-year value of € 68.5 million. The increase in EBITDA resulted from high utilisation and the good operating performance. Negative exchange rate developments, higher raw material prices and persistent price pressure, especially on IC substrates, had a negative impact on earnings. The EBITDA margin on the Mobile Devices & Substrates segment, at 24.2%, was 12.2 percentage points higher than in the previous year (12.0%).

The segment's depreciation and amortisation rose by € 9.9 million or 9.2% from € 107.5 million to € 117.4 million. The increase was primarily attributable to depreciation and amortisation at the two new plants in Chongqing, which were in part compensated by foreign exchange effects. The operating result (EBIT) increased by € 100.6 million to € 61.6 million (previous year: € -39.0 million). The EBIT margin improved by 15.1 percentage points to 8.3% (previous year: -6.8%) due to the increase in EBIT.

Additions to assets dropped by € 161.3 million or -67.8% to € 76.8 million (previous year: € 238.1 million). Apart from additions of € 46.8 million related to ongoing expansion, replacement and technology upgrade investments at the Shanghai plant, non-current assets at the new site in Chongqing rose by € 29.8 million.

Automotive, Industrial, Medical
Development of revenue
€ in millions

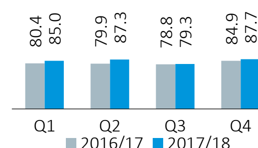


AUTOMOTIVE, INDUSTRIAL, MEDICAL SEGMENT

With revenue growth of € 13.4 million to € 364.9 million (previous year: € 351.5 million), the Automotive, Industrial, Medical segment recorded an increase of 3.8% compared to the previous year. The positive development was recorded in all business sectors and reflects the successful strategy as a high-end supplier. While growth in the automotive sector was moderate because of a lack of capacity, the industrial sector and especially the medical sector grew very strongly. Revenue with customers from the Mobile Devices & Substrates and Others segments declined 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 in the Group Management Report.

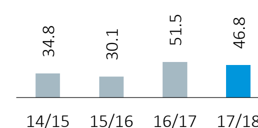
Automotive, Industrial, Medical
Revenue from external customers by quarters
€ in millions



Automotive, Industrial, Medical segment – overview

€ in millions (unless otherwise stated)	2017/18	2016/17	Change in %
Segment revenue	364.9	351.5	3.8%
Revenue from external customers	339.3	324.1	4.7%
Operating result before depreciation and amortisation (EBITDA)	46.8	51.5	(9.1%)
EBITDA margin (%)	12.8%	14.6%	
Operating result (EBIT)	30.2	36.2	(16.6%)
EBIT margin (%)	8.3%	10.3%	
Additions to fixed assets	25.4	19.0	34.0%
Employees (incl. leased personnel), average (no.)	2,737	2,678	2.2%

Automotive, Industrial, Medical
EBITDA development
€ in millions



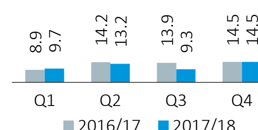
The positive revenue development is only to a limited extent reflected in EBITDA, which declined by € 4.7 million or -9.1% to € 46.8 million (previous year: € 51.5 million). This reduction results from the reversal of provisions at the Hinterberg site amounting to € 7.2 million included in EBITDA in previous year. Adjusted for this one-off effect, EBITDA grew by € 2.6 million or 5.8%.

The EBITDA margin was down 1.8 percentage points to 12.8% (previous year: 14.6%).

The operating result (EBIT) declined by € 6.0 million or -16.6% to € 30.2 million (previous year: € 36.2 million). Adjusting the prior-year comparative figures by the income from the reversal of provisions for restructuring at the Hinterberg site, EBIT growth amounted to € 1.2 million or 4.2%.

The EBIT margin of the Automotive, Industrial, Medical segment, at 8.3%, was below the prior-year value of 10.3% due to the above-mentioned effects. Adjusted for the one-off effects, the EBIT margin increased by 0.1% compared with 8.2% in the previous year.

Automotive, Industrial, Medical
EBITDA by quarters
€ in millions



Additions to assets rose by € 6.5 million to € 25.4 million (previous year: € 19.0 million). These additions were related to expansion, replacement and technology upgrade investments at all sites, with a particular focus on the expansion of the site in Nanjangud, where investments are being made in an HDI line for HF boards.

OTHERS SEGMENT Along with general holding activities, the Others segment also comprises the Advanced Packaging business unit, which is currently in the development phase. This business unit deals with embedding active and passive electronic components into printed circuit boards using the 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.

This business unit recorded a decline in revenue in the financial year 2017/18. The business, which is in the process of being established, is currently still strongly project-related, resulting in the currently more volatile revenue developments. In line with the development of revenue, the EBITDA and EBIT of the Advanced Packaging business unit also decreased. Due to its small size, the business unit is still not reported as a standalone segment.

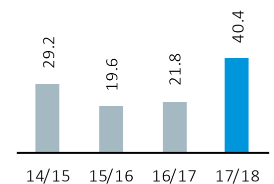
The costs of the general holding activities included in the Others segment were higher than in the previous year due to one-off effects. The one-off effects in the financial year 2017/18 include expenses for the adjustment of the variable remuneration to the degree of target achievement amounting to € 2.5 million and expenses for the SAR programme of € 2.6 million.

Others segment – overview

€ in millions (unless otherwise stated)	2017/18	2016/17	Change in %
Segment revenue	8.1	15.2	(46.7%)
Revenue from external customers	4.5	4.3	6.6%
Operating result before depreciation and amortisation (EBITDA)	0.1	10.9	(99.4%)
EBITDA margin (%)	0.9%	72.2%	
Operating result (EBIT)	(1.5)	9.5	(>100 %)
EBIT margin (%)	(19.1%)	62.7%	
Additions to fixed assets	1.7	1.1	52.6%
Employees (incl. leased personnel), average (no.)	162	155	4.6%

5. Research and development

HIGHLIGHTS IN THE FINANCIAL YEAR 2017/18



- 40.4% of AT&S's total revenue is generated by products which have been on the market for less than three years
- Introduction of the mSAP technology – a technology leap for printed circuit boards for mobile phones
- Kick-off for "all-in-one" package – an important step on the way to "More than AT&S"

True commitment, adherence to the vision "First Choice for Advanced Applications" and the derived focus on innovation pay off. AT&S recorded an innovation revenue rate (IRR) of 40.4%, the highest in the company's history. The IRR is used to measure the innovative power of the company. It represents the portion of revenue that AT&S generated with innovative products introduced to the market in the last three years. AT&S's target is to achieve an annual innovation revenue rate of at least 20%. This good result is based on the success of the modified semi-additive technology, which was introduced in the past financial year.

The availability of the mSAP technology at AT&S represents an important technological component which AT&S needs to be among the leaders during the transformation that is currently taking place in the electronics industry. This transformation was triggered by the slowdown in the speed of development in processor technology (Moore's Law no longer applies). This is opening up entirely new possibilities for the packaging, substrate and printed circuit board industry. Many new functions and properties can be produced with significantly less development effort than would be necessary for the realisation on chips. Nearly all activities of AT&S in the area of research and development are aimed at seizing the opportunities resulting from these changes and thus gradually becoming "More than AT&S". Our current projects aim to find new solutions for:

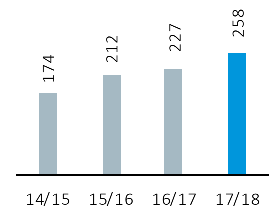
- MINIATURISATION / WEIGHT REDUCTION: Devices are getting smaller, lighter and more powerful – AT&S can and must create the basis for this development. AT&S is working on new technologies which increase trace density and reduce the thickness of the systems.
- INTEGRATION OF NEW AND ADDITIONAL FUNCTIONS: 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. 5 G, 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 leadin 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.
- MANUFACTURING CONCEPTS OF THE FUTURE: Due to the increasing scarcity of resources, AT&S must ensure efficient and flexible production while minimising resource consumption (material, water, CO_2, etc.). AT&S utilises large volumes of data to optimise and improve production processes, product properties and product quality, in-tegrate new and additional steps into the value chain and develop new solutions to use resources efficiently in production.

The costs of research and development projects totalled € 65.8 million in the financial year 2017/18. This corresponds to a research rate (i.e. ratio to revenue) of 6.6% compared with 7.7% 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.

Innovative power and long-term competitiveness are also reflected in the number and quality of patents. Worldwide, AT&S submitted 36 new applications for patents in the financial year 2017/18. AT&S currently has 231 patent families, which result in 258 granted patents. The IP portfolio was additionally extended by acquiring licenses, especially in the area of the embedding technology.

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 thus comprises applied research and technology evaluation. Subsequently, it is the task of the local technology development and implementation departments at the AT&S sites to continue the experimental development of processes and products and to integrate them into the existing production process. The development of innovative concepts was previously exclusively concentrated at the research institutions in Leoben-Hinterberg. In the past financial year, a team was set up at our plant in Chongqing which also conducts such activities. This became necessary, because through the mSAP and substrate technologies, AT&S has a unique technological basis at its disposal at the Chongqing plant, enabling AT&S to significantly extend its research network in Asia.

Number of patents granted



RESEARCH AND DEVELOPMENT PROJECT HIGHLIGHTS The main highlight of the past financial year was definitely the above-mentioned introduction of the mSAP technology. Instead of the subtractive structuring method (copper is removed in the non-conductive areas), copper is plated onto a thin layer in those areas that should be conductive in the modified semi-additive technology. Using this technology, which is very similar to the structuring method in substrates, structures on printed circuit boards can be miniaturised even further and manufactured more precisely. Therefore, they are sometimes also referred to as substrate-like PCBs in this industry. This paradigm shift in the production technology was successfully carried out, while production with the old technology continued to run at full capacity. In addition to the technical challenges, this also represented major organisational challenges for the development and production teams, which these teams managed excellently.

In the past year, another major focus was put on the development of concepts for the “all-in-one” package. Innovative concepts which enable a combination of multiple components and functions in one electronic system were developed. This is the next important step on the path towards “More than AT&S”.

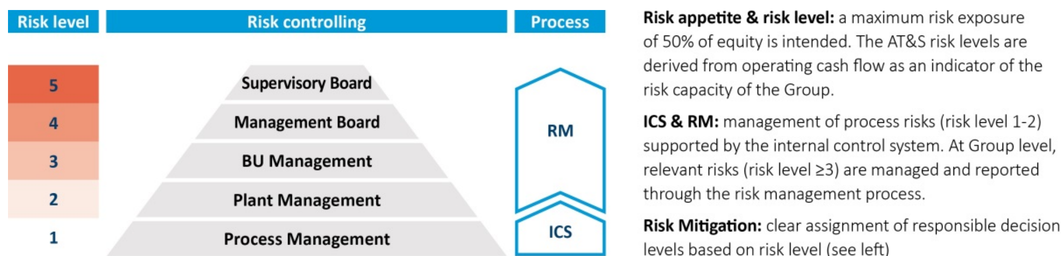
6. Risk and opportunities management

PRINCIPLES, STRUCTURES AND PROCESSES Risk and opportunities 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 (ÖCGK), 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 ÖCGK.

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).

Figure 1: AT&S Risk Management Process



RM: Risk Management; ICS: Internal Control System; BU: Business Unit
Figure 2: AT&S Risk Levels and Risk Management

RISK MANAGEMENT IN 2017/18 In the financial year 2017/18, Risk Management was organisationally separated from Internal Audit. Risk Management was integrated into the Corporate Finance department and the Director Group Finance & Controlling has since been responsible for risk management activities throughout the Group. The integration into the Finance area provides objective monitoring of the functionality and efficiency of Risk Management. In addition, synergies with existing reporting processes are increasingly utilised, which will contribute to the continuous improvement of risk management. In addition to regular reporting, an extraordinary risk evaluation was performed as part of the issue of the hybrid bond in the financial year 2017/18.

In addition to the ongoing continuous improvement measures of the Internal Control System (ICS), the implementation of the risk management software for the mapping and documentation of the risk management process at all sites also started in the financial year 2017/18. The last focus area was the increased integration of risk management into operational management.

In the financial year 2018/19, the focus will be on the further development of the risk management set-up. Special attention will be paid to the adjustment of risk bearing ability and the instruments of risk assessment.

OPERATIONAL RISK MANAGEMENT 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	Sales price development Capacity utilisation Technology development Investments	↘	▪ Consistent focus on high-end technologies and target applications ▪ Customer proximity and early customer contact ▪ Technology development projects and technology roadmap ▪ Cost reduction, efficiency increase, strategy review and adaptation
MARKET	Market and segment development Development of key customers Sales strategy and implementation	↗	▪ Balanced segment portfolios and diversification of the customer portfolio ▪ New customer acquisition and share increases with existing customers ▪ Consistent acquisition of defined target applications
PROCUREMENT	Development of procurement prices Single-source risk	↘	▪ Procurement strategy (negotiation, allocation, technical changes) ▪ Single-source strategy, supplier risk evaluation and multi-sourcing
BUSINESS ENVIRONMENT	Confidentiality breach Catastrophe, fire Political risk	→	▪ Increase of security level due to IT-upgrade ▪ Internal & external audits, emergency practice ▪ Business continuity management, insurance
OPERATIONS	Quality performance Intellectual property Technical project management Operating costs	↘	▪ 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 sites
ORGANISATION	Loss of key personnel	→	▪ Employee retention, deputy regulation and succession planning
FINANCE	Foreign exchange risk Financing & liquidity Tax risk Impairment	↘	▪ Natural FX hedging through long-term cash flow planning ▪ Long-term planning for financing and liquidity, interest swaps ▪ Continuous monitoring of compliance with tax laws ▪ Project controlling, impairment tests, strategy review and adaptation

IP: Intellectual Property; FX: Foreign Exchange; CF: Cash Flow

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

INVESTMENTS 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) 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 expansion of high-frequency printed circuit board production at the sites in Nanjangud and Fehring.

Strategy

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 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 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. Complementing this was 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, which was successfully implemented in the financial year 2017/18, reflects the consistent pursuit of the AT&S strategy and ensures the transfer of competitive advantages of HDI to the next technology generation. However, the implementation also involves related risks. In particular, delays in switching over to the new technology on the customer side can lead to excess supply, overcapacities and underutilisation.

The opportunities related to 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, longer product cycles and excess capacity in the market confront AT&S with great challenges in the IC substrate segment due to the resulting price pressure. The successful realisation of the planned cost reduction and the development of more profitable products 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.

Market

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 65% 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, where the entire business is currently concentrated on one customer each. 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 our ability to quickly compensate negative developments with individual key customers.

MARKET PERFORMANCE A difficult market environment in the financial year 2018/19 could have an adverse effect on the Group's results. Stagnating smartphone sales or weaknesses in the core segments could lead to a decline in revenue. In contrast, a positive market development could provide better business opportunities and disproportionately high growth opportunities – especially at the two plants in Chongqing, where additional production capacity could be provided with a short lead time of 6 to 12 months. The diversified positioning of AT&S in the Mobile Devices & Substrates and Automotive, Industrial, Medical segments provides some mitigation of market risks resulting from their different production cycles.

Procurement

PROCUREMENT PRICES Price fluctuations in energy and raw materials (gold, copper and laminates) can have both a positive as well as a negative impact on achievable margins in the short term. Rising raw material prices in the financial year 2017/18 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.

SOURCING 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. One challenge in the area of sourcing is currently the procurement of copper foils due to a significant increase in global demand.

LOCATION-SPECIFIC RISKS The large majority of AT&S's operating activities is 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 negative impact on the production output of the Group.

Business environment

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.

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.

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 continues to expand its data and IT security measures on a regular basis. In the financial year 2017/18, a project regarding the "EU General Data Protection Regulation" was launched. The objective of this project is the analysis of the company's internal processes regarding the use of sensitive data and any adjustments to these processes in order to ensure conformity with the General Data Protection Regulation.

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 a chance 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. 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.

Operations

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 leads 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 in the evaluation and, as the case may be, the beginning of the further expansion of the two plants at the Chongqing site.

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

EXCHANGE RATE RISKS 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.

7. 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), under the concept of company-wide risk management, the actual risk management as well as the Internal Control System (ICS) are subsumed. 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 the Group reporting, with the financial information being reviewed and analysed by the Group Accounting and Group Controlling department (part of Group Finance & Controlling). 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 Group Controlling department (as part of Group Finance & Controlling). 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.

8. Shareholding structure and disclosures on capital (disclosures according to § 243a Austrian Commercial Code)

CAPITAL SHARE STRUCTURE AND DISCLOSURE OF SHAREHOLDER RIGHTS As of the reporting date at 31 March 2018, 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 € 1.1 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.

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:

	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	6,339,896	16.32%	16.32%

At the reporting date 31 March 2018, about 65.91% of the shares were in free float. With the exception of the shareholdings stated above, no other shareholder existed holding 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.

No compensation agreements are in place between AT & S AG and its Management Board and Supervisory Board members or employees that would become effective in the case of a public takeover bid.

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 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) 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 2018, 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.

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 Austrian Commercial Code is available at http://www.ats.net/company/corporate-governance/reports/.

9. 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 2017/18 as a separate chapter.

10. Outlook

OUTLOOK FOR THE BUSINESS YEAR 2018/19 Miniaturisation and modularisation will remain the main trends in the electronics industry in the financial year 2018/19. Connectivity to exchange the maximum possible data volumes ("Internet of Things", "machine-to-machine communication") and artificial intelligence (autonomous driving, automation, robotics) requiring especially high data processing and computing capability are leading to an ever-stronger convergence of the technological requirements and developments 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 ("sensing", "actuating"). These applications can only be realised with advanced interconnect solutions as an increasingly essential part of the system as a whole. For high-end printed circuit board and substrate manufacturers such as AT&S, miniaturisation and modularisation are also opening up new growth opportunities through proactive development partnerships with customers.

The investments planned for the current period focus on technology expansion and building capacity for high-frequency printed circuit boards in the area of autonomous driving at the existing sites in Nanjangud, India (near Bangalore) and Fehring, Austria (Southeast Styria). Investments in the range of roughly € 70 to 100 million are planned for maintenance investments and minor technology upgrades for current business activities. Depending on the market development, investments in capacity and technology expansions could increase by another € 100 million.

For the financial year 2018/19, AT&S expects revenue growth of up to 6% based on a first quarter characterised by strong seasonality, a stable market and macroeconomic environment, and unchanged exchange rates in comparison with 31 March 2018. On the basis of a continued stable, optimal product mix, an EBITDA margin in the range of 20 to 23% is expected.

Leoben-Hinterberg, 7 May 2018

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 31 March 2018, 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 31 March 2018, 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 € 45,530 thousand (prior year: € 38,659 thousand). This amount mainly includes deferred tax assets from tax loss carry-forwards and amortization of goodwill under tax law in the amount of € 21,544 thousand (prior year: € 13,729 thousand) as well as deductible temporary differences in the amount of € 23,986 thousand (prior year: € 24,930 thousand).

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 matters described requires professional judgment and involves estimation uncertainties and thus includes the risk of a material misstatement in the consolidated financial statements.

- 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 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 appropriate 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 the measurement of deferred tax assets and current income tax liabilities, as well as to section III. 6. comments on income taxes.

2. ASSESSMENT OF PRESENTATION OF THE PERPETUAL HYBRID BOND IN EQUITY

- Description

At the balance sheet date, the Group reports a hybrid capital of € 172.9 million in equity, which originates from a hybrid bond in the total nominal amount of € 175.0 million issued by the Company on 24 November 2017. The transaction costs incurred in connection with the issue in the amount of € 2.1 million were offset against the issue proceeds. The bond has an indefinite maturity and may be recalled and redeemed for the first time after five years by AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, but not by the creditors. In case the bond is not recalled after this period, the surcharge on the interest rate applicable at that time increases by 5%.

A wrong classification of the hybrid bond based on the bond terms by applying the requirements of IAS 32 "Financial Instruments: Presentation" might lead to a material misstatement in the consolidated financial statements.

- Audit approach and key observations

We:

- Analyzed the bond terms of the issue prospectus of the Company and made an assessment in accordance with the requirements for equity and debt of IAS 32 "Financial Instruments: Presentation",
- Analyzed the transaction costs directly incurred in connection with the issue proceeds and reconciled the presentation with the requirements of IAS 39 " Financial Instruments: Recognition and Measurement",
- Audited the presentation and disclosures in the notes to the consolidated financial statements.

The classification of the hybrid bond in equity in the consolidated financial statements was made in accordance with IFRS requirements.

- Reference to related disclosures

For further related information, we refer to the disclosures in the notes to the consolidated financial statements, section IV. 23. hybrid capital.

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 6 July 2017. 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, 7 May 2018

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 opinion is only allowed if the consolidated financial statements and the group management report are identical with the German audited version. This audit opinion 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 2018

TABLE OF CONTENTS

	Page
Balance Sheet	90
Income Statement	91
Notes to the Financial Statements	92

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG

BALANCE SHEET AS OF MARCH 31, 2018
(Preceeding year for comparison)

ASSETS	March 31, 2018 EUR	March 31, 2017 EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Industrial property rights and similar rights, and licences thereto	9,216,651.32	11,298,690.28
	9,216,651.32	**11,298,690.28**
II. Property, plant and equipment		
1. Buildings on third party land	2,424,617.55	2,701,221.72
2. Machinery and technical equipment	33,968,810.48	35,637,474.33
3. Other assets, fixtures and furniture	3,165,232.74	2,458,863.06
4. Prepayments and construction in progress	707,520.00	527,270.00
	40,266,180.77	**41,324,829.11**
III. Financial assets		
1. shares in affiliated companies	265,919,963.70	265,919,963.70
2. loans to affiliated companies	444,523,105.36	407,056,687.90
of which due and payable within more than one year	*438,199,999.15*	*400,807,227.24*
3. securities	168,753.81	168,753.81
4. other loans and advances	5,930,300.83	5,346,467.55
of which due and payable within more than one year	*5,930,300.83*	*5,346,467.55*
	716,542,123.70	**678,491,872.96**
	766,024,955.79	**731,115,392.35**
B. CURRENT ASSEETS		
I. Inventories		
1. raw materials and supplies	6,161,637.25	6,041,543.58
2. work in progress	4,569,188.35	4,139,523.89
3. finished goods and goods for resale	14,949,217.80	14,224,881.75
	25,680,043.40	**24,405,949.22**
II. Receivables and other assests		
1. trade receivables	23,749,716.01	12,967,154.60
of which due and payable within more than 1 year	*0.00*	*0.00*
2. receivables from affliated companies	5,809,693.37	8,718,552.01
of which due and payable within more than 1 year	*0.00*	*0.00*
3. other receivables and assests	8,630,358.70	7,895,428.01
of which due and payable within more than 1 year	*0.00*	*0.00*
	38,189,768.08	**29,581,134.62**
III. Securities and shares		
1. other securities and shares	775,000.00	606,100.00
	775,000.00	**606,100.00**
IV. Cash on hand, bank balances	258,632,732.20	89,097,912.53
	323,277,543.68	**143,691,096.37**
C. PREPAYMENTS AND ACCRUED INCOME	**1,315,709.24**	**843,834.62**
D. DEFERRED TAX ASSETS	23,937,108.00	14,671,049.00
TOTAL ASSETS	**1,114,555,316.71**	**890,321,372.34**

SHAREHOLDERS'EQUITY AND LIABILITIES	March 31, 2018 EUR	March 31, 2017 EUR
A. SHAREHOLDERS' EQUITY		
I. Share capital	**42,735,000.00**	**42,735,000.00**
Capital subscribed	*42,735,000.00*	*42,735,000.00*
paid-in nominal capital	*42,735,000.00*	*42,735,000.00*
II. Capital reserves		
Appropriated	**163,270,702.50**	**163,270,702.50**
III. Revenue reserves		
1. statutory reserve	4,273,500.00	**4,273,500.00**
2. other reserves (free reserves)	17,505,782.55	**17,505,782.55**
IV. Unappropriated retained earnings	66,987,124.17	**77,591,616.50**
of which profit/loss brought forward	*73,706,616.50*	*26,089,119.15*
	294,772,109.22	**305,376,601.55**
B. GOVERNMENT GRANTS	**1,909,167.54**	**1,251,442.05**
C. PROVISIONS		
1. provisions for severance payments	22,777,102.78	18,719,333.40
2. provisions for pensions	2,095,826.36	1,230,186.92
3. tax provisions	1,535,085.67	2,132,240.78
4. other provisions	30,357,024.60	17,110,618.59
	56,765,039.41	**39,192,379.69**
D. LIABILITIES		
1. bonds	175,000,000.00	0.00
of which due and payable within less than one year	*0.00*	*0.00*
of which due and payable within more than one year	*175,000,000.00*	*0.00*
2. bank loans	115,118,318.67	44,168,928.46
of which due and payable within less than one year	*33,674,018.67*	*15,646,828.46*
of which due and payable within more than one year	*81,444,300.00*	*28,522,100.00*
3. promissory note loans	427,128,149.66	442,193,689.72
of which due and payable within less than one year	*47,103,185.33*	*2,540,988.67*
of which due and payable within more than one year	*380,024,964.33*	*439,652,701.05*
4. trade payables	17,919,044.63	25,470,083.96
of which due and payable within less than one year	*17,919,044.63*	*25,470,083.96*
of which due and payable within more than one year	0.00	0.00
5. payables to affiliated companies	17,359,589.77	22,615,963.23
of which due and payable within less than one year	*17,359,589.77*	*22,615,963.23*
of which due and payable within more than one year	0.00	0.00
6. other liabilities	8,183,275.48	9,302,563.19
of which due and payable within less than one year	*7,404,958.48*	*8,777,491.19*
of which due and payable within more than one year	*778,317.00*	*525,072.00*
of which tax authorities	*1,291,190.45*	*1,482,091.78*
of which social security authorities	*1,423,323.71*	*5,486,831.10*
	760,708,378.21	**543,751,228.56**
of which due and payable within less than one year	*123,460,796.88*	*75,051,355.51*
of which due and payable within more than one year	*637,247,581.33*	*468,699,873.05*
E. ACCRUALS AND DEFERRED INCOME	400,622.33	749,720.49
TOTAL EQUITY AND LIABILITIES	**1,114,555,316.71**	**890,321,372.34**

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG
PROFIT AND LOSS ACCOUNT FOR THE PERIOD
APRIL 1, 2017 TO MARCH 31, 2018
Preceeding year for comparison

	2017/18 EUR	2016/17 EUR
1. Sales Revenue	382,918,536.08	370,878,843.45
2. Variation in stocks of finished goods and in work in progress as well as in services rendered but not yet billable	-1,029,953.49	346,718.03
3. Work performed by the undertaking for ist own purposes and capitalised	50,168.41	211,942.72
4. Other operating income	9,822,341.14	18,047,356.97
a) income from the disposal of or additions to fixed assets other than financial assets	1,000.00	105,070.03
b) Income from the release of provisions	259,668.03	7,555,981.04
c) Other	9,561,673.11	10,386,305.90
5. Expenditure for raw materials and consumables	-250,550,937.54	-251,158,677.47
and other external expenses for production services	-234,342,452.32	
a) Expenditure for raw materials and consumables	-16,208,485.22	-233,616,396.60
b) Other external expenses for production services	-85,352,221.72	-17,542,280.87
6. Personnel expenses	-85,352,221.72	-67,849,521.86
a) Wages and salaries		
aa) Wages	-22,513,873.64	-21,441,534.08
bb) Salaries	-42,517,469.32	-29,395,058.92
b) Social security expenses		
aa) of which for retirement benefits	-690,462.43	-423,279.75
bb) expenditure for severance payments and contributions to corporate severance and retirement funds	-3,350,039.12	-2,288,033.02
cc) expenditure for statuory social contibutions as well as charges and mandatory contributions calculated as a proportion of wages and salaries	-15,531,898.17	-13,652,230.58
dd) Other social expenses	-748,479.04	-649,385.51
7. Value adjustments	-13,646,301.53	-13,069,217.49
a) in respect of tangible and intangible fixed assets	-14,169,292.53	-13,319,355.82
b) less amortisation of investment grants from public funds	522,991.00	250,138.33
8. Other operating expenses	-42,118,189.18	-35,430,588.97
a) Taxes, not to be shown under No. 18	-305,264.06	-273,203.16
b) Other	-41,812,925.12	-35,157,385.81
9. Subtotal of Nos. 1 - 8	93,442.17	21,976,855.38
10. Income from participating interest	20,912,845.72	0.00
thereof from affiliated companies	*20,912,845.72*	*0.00*
11. Income from other investments and loans forming part of the fixed assets	21,856,622.24	16,043,621.99
thereof from affiliated companies	*21,848,393.24*	*16,035,392.99*
12. Other interest receivable and similar income	439,930.97	983,847.73
thereof from affiliated companies	*0.00*	*0.00*
13. Income from the disposal or revaluation of financial assets and securities shown in current assets	168,900.00	13,821,863.30
a) Income from affiliated companies	*0.00*	*13,028,963.79*
thereof from write-ups	*168,900.00*	*4,317,766.50*
14. Expenditure resulting from financial fixed assets and securities shown in current assets	-40,181,481.85	-24,900.00
thereof expenditure derived from affiliated undertakings	*-40,181,481.85*	*0.00*
15. Interest payable and similar expenses	-18,905,342.56	-13,438,009.81
16. Subtotal of Nos. 10 to 15	-15,708,525.48	17,386,423.21
17. Profit or loss before taxation	-15,615,083.31	39,363,278.59
18. Taxes on income	8,895,590.98	12,139,218.76
of which changes in recognised deferred taxes	*9,266,059.00*	*14,671,049.00*
19. Profit or loss after taxation	-6,719,492.33	51,502,497.35
20. Profit or loss brought forward from the preceding financial year	73,706,616.50	26,089,119.15
21. Balance sheet profit	66,987,124.17	77,591,616.50

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft
Leoben-Hinterberg

NOTES TO THE FINANCIAL STATEMENTS

TABLE OF CONTENTS

		Page
1.	GENERAL INFORMATION	93
2.	GROUP RELATIONS AND RESTRUCTURING OPERATIONS	93
3.	ACCOUNTING AND VALUATION METHODS	93
3.1.	Non-current assets	93
3.2.	Current assets	94
3.3.	Prepaid expenses and deferred charges	94
3.4.	Deferred taxes	94
3.5.	Provisions	94
3.6.	Liabilities	95
3.7.	Accruals and deferred income	95
4.	BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS	95
4.1.	Non-current assets	95
4.2.	Additional disclosures pursuant to Section 238 (1) No. 4 UGB	97
4.3.	Loans pursuant to Section 227 UGB	97
4.4.	Receivables and other assets	97
4.5.	Deferred tax assets	98
4.6.	Shareholders' equity	99
4.7.	Provisions	101
4.8.	Liabilities	106
4.9.	Contingent liabilities pursuant to Section 199 UGB	107
4.10.	Obligations from the use of tangible assets not recognised in the balance sheet	107
4.11.	Other financial obligations	107
4.12.	Derivative financial instruments	108
5.	COMMENTS ON INCOME STATEMENT ITEMS	109
6.	ADDITIONAL DISCLOSURES PURSUANT TO THE AUSTRIAN COMMERCIAL CODE (UGB)	111
6.1.	Group taxation	111
6.2.	Board members, employees	111
6.3.	Significant events after the reporting period	114

1. GENERAL INFORMATION

The financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as "AT&S") as of 31 March 2018 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 2018, 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 seperate 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.

In the financial year no corporate action have been carried out.

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 persuant to the Austrian commercial Code* " (June 2016) pursuant to IFRS measurement requirements (IAS 19) based on the "projected unit credit method", applying a discount rate of 1.80 % (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 2.60 % were scheduled (prior year: 1.90 %). The defined benefit obligation (DBO) amounts to EUR 22,777,102.00 (prior year: EUR 19,624,466.00) at the balance sheet date.

Pursuant to the expert opinion concerning issues regarding the application of the expert opinions on the accounting of pension and severance payment obligations pursuant to the provisions of the Financial Reporting Act (KFS/RL 2 and 3) in respect of IAS 19 (2011) (*Fachgutachten „Zweifelsfragen bei Anwendung der Fachgutachten über die Bilanzierung von Pensions- und Abfertigungsverpflichtungen nach den Vorschriften des Rechnungslegungsgesetzes (KFS/RL 2 und 3) im Hinblick auf IAS 19 (2011)")* of the expert committee for company law and auditing of the Chamber of Public Accountants and Tax Advisors, the continued application of the corridor method is no longer permissible for the financial years starting on or after 1 January 2013. The actuarial losses existing at 31 March 2013 in the amount of EUR 4,525,665.00 will be spread over a maximum period of five years. In the financial year 2017/18, thus one-fifth of this amount, or EUR 905,132.72 was recognised in the income statement for the last time.

The change in the financial assumptions lead to an expense of EUR 1,553,587.00 (prior year: income of EUR 827,750.00), which is reported in the financial 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 " (June 2016) pursuant to IFRS measurement requirements (IAS 19) based on the "projected unit credit method", applying a discount rate of 2.00 % (prior year: 1.80 %) based on the mortality tables AVÖ 2008-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 1,179,974.00 (prior year: EUR 1,230,187.00) at the balance sheet date. The change in the financial assumptions of unfunded benefit obligations results in an income of EUR 26,629.00 (prior year: income of EUR 90,688.00), 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 for the first time. The defined benefit obligation (DBO) less plan assets amounts to EUR 915,854.00 (prior year: EUR 1,886,698.00) at the balance sheet date. Expenses incurred in the amount of EUR 1,886,698.00 resulting from the initial recognition were recognized in the financial result. The change in the financial assumptions of the funded obligations results in an income of EUR 1,192,788.00 which is reported in the financial 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 " (June 2016) 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 1.80 % (prior year: 1.80 %) as well as taking into account internal fluctuation by using an adequate turnover rate. As valorization for salaries and wages were scheduled (prior year: 1.90 %).

Pursuant to the Austrian tax law reform 2015/16 expenses for social security contributions as well as contributions to staff provisions (since 2003) must be borne for anniversary bonuses by the employer. Those expenses are considered in the calculation of the provision for the anniversary bonus. Expenses for anniversary bonuses in the amount of EUR 150,147.97 (prior year: EUR 114,682.37) are included in wages. Expenses for anniversary bonuses in salaries amounted to EUR 258,900.64 (prior year: EUR 60,524.47).

The change in the financial assumptions results in an expense of EUR 166,559.00 (prior year: income of EUR 115,268.00), 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" ware reclassified as liabilities fro deffred income.

4. BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS

4.1. Non-current assets

Reference is made to page 96 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 2018

	Acquisition/Production cost					Accumulated amortization/depreciation				book value	
	as of 1 April 2017	Additions	Disposals	Transfers	as of 31 March 2018	as of 1 April 2017	Additions	Disposals	as of 31 March 2018	as of 31 March 2018	as of 31 March 2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
1. industrial property rights and similar rights, and licences thereto	28,623,966.74	1,136,965.90	588,128.01	0.00	29,172,804.63	17,325,276.46	3,219,004.86	588,128.01	19,956,153.31	9,216,651.32	11,298,690.28
thereof low-value assets	*0.00*	*365,865.73*	*365,865.73*	*0.00*	*0.00*	*0.00*	*365,865.73*	*230,614.34*	*0.00*	*0.00*	*0.00*
	28,623,966.74	1,136,965.90	588,128.01	0.00	29,172,804.63	17,325,276.46	3,219,004.86	588,128.01	19,956,153.31	9,216,651.32	11,298,690.28
II. Property, plant and equipment											
1. buildings on third party land	3,540,000.34	349,537.86	0.00	0.00	3,889,538.20	838,778.62	626,142.03	0.00	1,464,920.65	2,424,617.55	2,701,221.72
2. machinery and technical equipment	209,862,514.43	7,170,310.19	4,735,378.47	477,270.00	212,774,716.15	174,225,040.10	9,165,381.54	4,584,515.97	178,805,905.67	33,968,810.48	35,637,474.33
3. other assets, fixtures and furnitures	14,736,110.51	1,856,278.52	631,795.67	9,000.00	15,969,593.36	12,277,247.45	1,158,764.10	631,650.93	12,804,360.62	3,165,232.74	2,458,863.06
thereof low-value assets	*0.00*	*214,284.00*	*214,284.00*	*0.00*	*0.00*	*0.00*	*214,284.00*	*214,284.00*	*0.00*	*0.00*	*0.00*
4. prepayments and construction in progress	527,270.00	666,520.00	0.00	-486,270.00	707,520.00	0.00	0.00	0.00	0.00	707,520.00	527,270.00
	228,665,895.28	10,042,646.57	5,367,174.14	0.00	233,341,367.71	187,341,066.17	10,950,287.67	5,216,166.90	193,075,186.94	40,266,180.77	41,324,829.11
III. Financial assets											
1. shares in affiliated companies	288,482,468.85	0.00	0.00	0.00	288,482,468.85	22,562,505.15	0.00	0.00	22,562,505.15	265,919,963.70	265,919,963.70
2. loans to affiliated companies	407,269,761.45	105,282,255.17	27,634,355.86	0.00	484,917,660.76	213,073.55	40,181,481.85	0.00	40,394,555.40	444,523,105.36	407,056,687.90
3. securities	168,753.81	0.00	0.00	0.00	168,753.81	0.00	0.00	0.00	0.00	168,753.81	168,753.81
4. other loans and advances	5,346,467.55	583,833.28	0.00	0.00	5,930,300.83	0.00	0.00	0.00	0.00	5,930,300.83	5,346,467.55
	701,267,451.66	105,866,088.45	27,634,355.86	0.00	779,499,184.25	22,775,578.70	40,181,481.85	0.00	62,957,060.55	716,542,123.70	678,491,872.96
	958,557,313.68	117,045,700.92	33,589,658.01	0.00	1,042,013,356.59	227,441,921.33	54,350,774.38	5,804,294.91	275,988,400.80	766,024,955.79	731,115,392.35

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

	Book value 31 March 2018 EUR	Share %	Shareholders' equity EUR	Result of the past financial year EUR [1]	Book value 31 March 2017 EUR
Shares in affiliated companies					
AT&S Deutschland GmbH, Düren, Germany	1,053,000.00	100	824,927.86	94,189.26	1,053,000.00
AT&S India Private Limited, Nanjangud, India	16,898,516.89	100	16,513,898.55	3,120,864.51	16,898,516.89
AT&S Asia Pacific Limited, Hong Kong, People's Republic of China	229,768,865.92	100	262,441,818.89	18,775,477.12	229,768,865.92
AT&S Korea Co., Ltd., Ansan-City, South Korea	18,193,136.55	100	20,825,720.82	11,274,171.43	18,193,136.55
AT&S Americas, LLC, San José, California, USA	6,444.34	100	644,044.84	45,321.22	6,444.34
Total	**265,919,963.70**				**265,919,963.70**

[1] Figures based on International Accounting Standards as of 31 March 2018

Shares in affiliated companies ware 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 (December 2015).

4.3. Loans pursuant to Section 227 UGB

The item „Loans to affiliated companies" icludes an amount of EUR 6,323,106.21 (prior year: EUR 6,249,460.66) which falls dues within one year. In connection with the loans, write-offs in the amount of EUR 40,181,481.85 (prior year: write-ups to the amount of EUR 4,317,766.50) 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 2018 trade receivables totalling EUR 23,050,787.85 (prior year: EUR 34,240,249.87) 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 2,305,079.96 as of balance sheet date (prior year: EUR 3,448,088.53). 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 5,809,693.37 (prior year: EUR 8,718,552.01).

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 2018 EUR	31 March 2017 EUR
Factoring receivables	2,305,079.96	3,448,088.53
Energy tax reimbursements	1,426,967.57	731,968.57
Supplies rebates	461,093.50	470,076.36
Tax-free premiums	3,470,992.00	1,673,122.80
Total	**7,664,133.03**	**6,323,256.26**

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 81,790 (prior year: TEUR 50,288), 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 amount of TEUR 57,789 (prior year: TEUR 60,260) as it cannot 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 2016	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Recognised in profit or loss of the financial year	178,446.00	37,500.00	12,571,875.00	1,610,060.00	273,168.00	**14,671,049.00**
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

4.6. Shareholders’ equity

4.6.1. Share capital

The ordinary shares of the Company as of 31 March 2018 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 again 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 again 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 23,937,108.00 (prior year: EUR 14,671,049.00), as there are no reserves available at any time in accordance with section 235 (2) UGB. For this reason a distribution restriction for EUR 6,431,325.45 (prior year: EUR 0.00) 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 2018 in an amount of EUR 66,987,124.17, follows: Distribution of a dividend in an amount of EUR 0.36 per outstanding no-par value share entitled on the payment day and carry forward the residual amount of EUR 53,001,124.17.

4.7. Provisions

4.7.1. Other provisions

	31 March 2018 EUR	31 March 2017 EUR
Holidays not yet consumed	3,179,126.40	3,644,021.71
Anniversary bonuses	3,953,771.01	3,425,663.82
Impending losses arising from derivative financial instruments	1,770,511.82	2,773,422.93
Holiday bonus/Christmas bonus	2,410,380.01	2,309,265.65
Compensatory time off	865,023.65	990,735.01
Legal and advisory expenses	932,318.76	883,873.87
Customer bonuses	530,797.41	855,500.43
Impending losses arising from pending transactions	2,398,642.68	673,948.87
Other personal expenses	10,098,605.31	393,174.00
Remuneration to the Supervisory Board	466,960.00	322,360.00
Warranty and claims	481,555.21	315,275.00
Debtors’ discounts	274,207.51	219,359.75
Stock options	0.00	25,046.00
Stock appreciation rights	2,683,580.00	14,010.00
Other provisions < EUR 150,000	311,544.83	264,961.55
Total	**30,357,024.60**	**17,110,618.59**

Stock Option Plan (2009 to 2012)

Due to the expiry of the stock option plan (2005-2008), the stock option plan (SOP 2009 from 2009 to 2012,) was approved in the 1st meeting of the nomination and compensation committee of the Supervisory Board on 17 March 2009, after it had been submitted for examination in the 55th Supervisory Board Meeting on 16 December 2008. The stock options may be granted in the period between 1 April 2009 and 1 April 2012.

Each of these options entitles the holder to the right to

- Either purchase a no-par value share of AT&S at the exercise price or
- To demand for a cash settlement at the remaining amount between the exercise price and the closing rate of the AT&S share at the Vienna Stock Exchange, or at stock exchange where the AT&S share is primarily listed, at the date the option is exercised by the beneficiary.

Under the “SOP 2009”, 138,000 stock options were granted at an exercise price of EUR 3.86 per share on 1 April 2009, 135,000 stock options at an exercise price of EUR 7.45 per share on 1 April 2010, 118,500 stock options at an exercise price of EUR 16.60 per share on 1 April 2011, and 118,500 stock options at an exercise price of EUR 9.86 per share on 1 April 2012.

Exercise price:

The exercise price of the stock options is determined at the respective date of grant, representing the average closing rate of the AT&S share at the Vienna Stock Exchange, or the share price at the stock exchange where the AT&S share is primarily listed, over a period of six calendar months prior to the date of grant plus a surcharge of 10% calculated on the basis of the aforementioned average price. The price is the closing rate with regard to the XETRA trading or any comparable successor system. The exercise price, however, corresponds at least to the prorated amount of the share capital attributable to a share in AT&S.

Exercise period:

Granted stock options vest gradually as stated below:

- 20% of the stock options granted may be exercised after a period of two years after allocation.
- 30% of the stock options granted may be exercised after a period of three years after allocation.
- 50% of the stock options granted may be exercised after a period of four years after allocation.

The stock options may be exercised in full or in part after completion of the vesting period, not however during a restricted period. Options not exercised can be exercised after the expiration of the subsequent waiting period. Assigned Options not exercised within five years after the grant date become invalid and forfeit without compensation. In the event that a restricted period comprises the end of this five-year period, this restricted period will interrupt the five-year period concerned. After the end of the restricted period, stock options may still be exercised for a period corresponding to the interruption. Stock options not exercised by the end of this five-year period (extended as stated above if need be) become invalid and forfeit without compensation.

Requirements for the exercising of stock options:

The options may only be exercised by beneficiaries whose employment relationship with a company of the AT&S Group is in effect at the time the option is exercised. Options may be exercised under certain conditions within one year after the employment relationship is terminated. The options may neither be transferred nor pledged.

Number and allocation of granted options:

	Andreas Gerstenmayer	Harald Sommerer	Thomas Obendrauf	Steen E. Hansen	Heinz Moitzi	Executive employees	Total
	Number	Number	Number	Number	Number	Number	Number
1 April 2009	0	40,000	1,500	30,000	30,000	36,500	138,000
thereof expired	0	0	-1,500	0	0	-4,200	-5,700
thereof exercised	0	-40,000	0	-30,000	-30,000	-32,300	-132,300
1 April 2010	40,000	0	1,500	30,000	30,000	33,500	135,000
thereof expired	0	0	-1,500	0	0	-4,500	-6,000
thereof exercised	-40,000	0	0	-30,000	-30,000	-29,000	-129,000
1 April 2011	40,000	0	30,000	0	30,000	18,500	118,500
thereof expired	-40,000	0	-30,000	0	-30,000	-18,500	-118,500
1 April 2012	40,000	0	30,000	0	30,000	18,500	118,500
thereof expired	0	0	-30,000	0	-30,000	-14,000	-74,000
thereof exercised	-40,000	0	0	0	0	-4,500	-44,500
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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 grated 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)]	Karl Asamer	Heinz Moitzi	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	0	0	0	-30,000	-115,000	-145,000
1 April 2016	50,000	5,000	30,000	30,000	135,000	250,000
thereof expired	0	0	0	-30,000	-110,000	-140,000
Total	**90,000**	**10,000**	**60,000**	**0**	**45,000**	**205,000**

[1)] The allocation occured before appointment to the member of the executive committee.

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**	**1 April 2016**
	EUR	EUR
Fair value as of 31 March 2018	933,945.00	568,379.00

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.

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 2017 is EUR 19.92.

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:

	Andreas Gerstenmayer	Monika Stoisser-Göhring	Karl Asamer	Heinz Moitzi	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	-7,500	-7,500
Total	**50,000**	**30,000**	**30,000**	**30,000**	**150,000**	**290,000**

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
Fair value as of 31 March 2018	2,738,120.00

4.8. Liabilities

4.8.1. Additional disclosure to liabilities

	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	
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	
Trade payables	17,919,044.63	0.00	
Payables to affiliated companies	17,359,589.77	0.00	
Other liabilities	8,183,275.48	0.00	
Total	**760,708,378.21**	**134,850,000.00**	**10,000,000.00**

[1)] First termination right to November 17, 2022

	Balance sheet value as of 31 March 2017 EUR	Remaining maturity of more than five years EUR	thereof secured by collaterals
Bonds	0.00	0.00	0.00
Bank loans	44,168,928.46	0.00	0.00
Promissory note loans	442,193,689.72	171,713,088.66	0.00
Trade payables	25,470,083.96	0.00	0.00
Payables to affiliated companies	22,615,963.23	0.00	0.00
Other liabilities	9,302,563.19	0.00	0.00
Total	**543,751,228.56**	**171,713,088.66**	**0.00**

On 17 November 2017 the issue of a hybrid bond with an issuing volume of EUR 175,000,000 and an interst 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 17,359,589.77 (prior year: 22,615,963.23). 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 2018 EUR	31 March 2017 EUR
Interest with regard to bonds	2,892,294.52	0.00
Regional health insurance	1,423,323.71	5,486,831.10
Tax authority	768,346.18	734,895.24
Wages and salaries	113,765.18	128,160.23
Communities	112,192.65	108,278.67
Total	**5,309,922.24**	**6,458,165.24**

4.9. *Contingent liabilities pursuant to Section 199 UGB*

At the balance sheet date contingent liabilities of guarantee exists to the amount ouf EUR 811,490.71 (prior year: 0.00). 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	1,432,948.84	5,390,632.47
Prior year:	1,387,417.00	6,590,230.75
Obligations from rental agreements	549,883.32	822,500.79
Prior year:	550,265.00	1,365,746.00
Total	**1,982,832.16**	**6,213,133.26**
Prior year:	1,937,682.00	7,955,976.75

4.11. *Other financial obligations*

At the balance sheet date, orders in the amount of EUR 5,296,389.00 (prior year: EUR 4,797,143.00) 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 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

	Nominal amount **31 March 2017**	Fair value in EUR **31 March 2017**	Book value in EUR **31 March 2017**
Interest-related products			
Swaps	EUR 92,000,000.00	-2,773,422.93	-2,773,422.93

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 2018**	**31 March 2017**
interest related products: Swaps	11 - 61	23 - 47

5. COMMENTS ON INCOME STATEMENT ITEMS

		2017/18 EUR	2016/17 EUR
1.	**Revenue**		
	Abroad	353,432,034.23	344,501,944.51
	Domestic	29,486,501.85	26,376,898.94
	Total	**382,918,536.08**	**370,878,843.45**

		2017/18 EUR	2016/17 EUR
2.	**Other operating income**		
	Income of exchange differences	4,847,973.10	3,891,616.06
	Income of non-taxable premium	1,797,869.20	2,182,598.60
	Income of non-taxable funds R&D	1,114,602.84	862,326.76
	Energy tax reimbursements	717,529.04	1,237,233.54
	Residual of other operating result	1,083,698.93	2,212,530.94
	Total	**9,561,673.11**	**10,386,305.90**

3. **Personnel expenses**

		2017/18 EUR	2016/17 EUR
a)	**Expenses for severance payments and Contributions to staff provision funds**		
	Members of the Management Board and executive employees	806,183.65	251,311.95
	Other employees	2,543,855.47	2,036,721.07
	Total	**3,350,039.12**	**2,288,033.02**

The Expenses of severance payments and contributions to staff provision funds include severance payments in the amount of EUR 2,985,012.90 (prior year: EUR 1,921,229.09), as well as the contractual severance payment linked to the premature termination of the management contract of Karl Asamer.

		2017/18 EUR	2016/17 EUR
b)	**Expenses for pensions**		
	Members of the Management Board and executive employees	244,096.25	86,796.94
	Other employees	446,366.18	336,482.81
	Total	**690,462.43**	**423,279.75**

4. Other operating expenses	2017/18 EUR	2016/17 EUR
Third party services	12,150,551.66	11,413,103.14
Costs of exchange differences	8,675,796.35	4,582,679.37
Legal and consulting fees	4,323,079.09	2,900,793.70
Rental and leasing expenses	3,119,996.24	2,679,442.21
Maintenance of factory building and equipment	3,115,884.04	3,186,526.26
Freight outward customers	2,251,034.30	2,205,854.19
Travel expenses	1,830,082.22	1,670,429.00
Marketing costs and commissions for sales agents	1,066,324.66	1,099,650.96
Cost of cleaning of buildings	749,912.29	708,921.98
Insurance expenses	572,251.38	936,519.43
Loss of accounts receivable	533,445.06	599,047.45
Expenses for company car	189,829.00	170,778.82
Residual of other operating expenses	3,234,738.83	3,003,639.30
Total other operating expenses	**41,812,925.12**	**35,157,385.81**

5. Expenses for the auditor

The expenses for the auditor are disclosed in the consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, 8700 Leoben-Hinterberg.

6. ADDITIONAL DISCLOSURES PURSUANT TO THE AUSTRIAN COMMERCIAL CODE (UGB)

6.1. Group taxation

The group of companies with the AT&S as a group owner was terminated in the prior financial year, since after the retirement of AT&S Korea Co., Ltd from the group of companies, no further group members exist.

6.2. Board members, employees

In the financial year the **average number of staff** was:

	2017/18	2016/17
Waged workers	647	656
Salaried employees	522	489
Total	**1,168**	**1,145**

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 since 2nd June 2017)
- Karl Asamer (Deputy chairman until 2nd June 2017)
- 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 (since 19th September 2017)
- Sabine Fussi (until 19th September 2017)
- Günther Wölfler

Total remuneration of the members of the Management Board:

in TEUR	2017/18			2016/17		
	Fixed	variable	total	Fixed	variable	total
Andreas Gerstenmayer	532	624	1,156	532	37	569
Monika Stoisser-Göhring [1)]	321	316	637	0	0	0
Karl Asamer [2)]	634	471	1,105	455	0	455
Heinz Moitzi	417	405	822	417	0	417
Total	**1,904**	**1,816**	**3,720**	**1,404**	**37**	**1,441**

1.) The Identification of the reward takes place off the first appointment to manager on 2nd June 2017.
2.) The identification of the reward takes place until the manager will be put down per 2nd June 2017.

The variable portion of the remuneration of Mr. Andreas Gerstenmayer includes remuneration with regard to stock options in the amount of TEUR 0 (prior year: TEUR 37).

The fixed portion of the remuneration of Mr. Karl Asamer in 2017/18 includes the contractual severance payment and other payments in connection with the premature termination of the management contract.

Number of granted stock options as of the balance sheet date less exercised or forfeited stock options of the members of the Management Board:

	31 March 2018	31 March 2017
Heinz Moitzi	0	30,000
Total	**0**	**30,000**

Number of stock appreciation rights as of the balance sheet date of the members of the Management Board:

	31 March 2018	31 March 2017
Andreas Gerstenmayer	140,000	130,000
Monika Stoisser-Göhring	40,000	15,000
Karl Asamer	90,000	90,000
Heinz Moitzi	30,000	0
Total	**300,000**	**235,000**

By 31 March 2018, the exercise price of EUR 10.70 (75,000 pieces) of the stock appreciation rights of the Management Board as of 1 April 2015, of EUR 13.66 (85,000 pieces) as of 1 April 2016 and of EUR 9.96 (140,000 pieces) as of 1 April 2017, is less than the current price of the shares as of the balance sheet date (EUR 22.00).

With regard to members of **the Supervisory Board**, remuneration in the amount of EUR 466,960.00 (prior year: EUR 322,360.00) 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 2018**	Balance **31 March 2017**	Change
Management Board			
Andreas Gerstenmayer	10,000	10,000	0
Monika Stoisser – Göhring [1)]	1,000	1,000	0
Heinz Moitzi	6,001	5,000	+1,001
Supervisory Board			
Hannes Androsch	599,699	599,699	0
Androsch Privatstiftung[2)]	6,339,896	6,339,896	0
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
[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.

6.3. Significant events after the reporting period

Until 7 May 2018, 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 2018.

Leoben-Hinterberg, 07 May 2018

The Management Board:

Andreas Gerstenmayer m.p.

Heinz Moitzi m.p.

Monika Stoisser-Göhring m.p

Management Report 2017/18

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. Market and industry

Miniaturisation and modularisation are still the main trends in the electronics industry.

Users expect mobile devices such as smartphones, smartwatches, earpods or VR (virtual reality)/AR (augmented reality) smartglasses as well as mobile diagnostic or therapy devices to have more and more functions while at the same time featuring the longer battery life and compact size needed for a mobile lifestyle. This results in the requirement that the battery should fill the maximum possible space in the device while electronics should take up as little space as possible (“miniaturisation”). At the same time, power consumption of the ever-increasing number of integrated functions (cameras, sensors, artificial intelligence, high speed wireless data transfer, etc.) should be minimised. Both measures extend battery life and reduce the need for recharging.

“Modularisation“ supports miniaturisation, but also offers further advantages for customers and manufacturers of end products and electronic systems or sub-systems. We speak of a module when at least one system function is realised by mechanically and electrically connecting electronic components. Examples include modules for energy management (“energy harvesting”, “power management”, “energy storage”), sensor or actuator functions, data storage and processors as well as connectivity for wireless and wired data transmission. If such system functions are combined in a module and provided after already having been pre-tested, end devices can be developed more rapidly and more cost-efficiently, taken to market maturity faster and thus be offered to customers at attractive prices. The reliability of the devices is also improved further by using fewer, larger and pre-tested modules, since the total number of components to be assembled is reduced significantly. Due to modularisation, OEM (Original Equipment Manufacturers) and tier one manufacturers can concentrate on system software and design as well as the development of the few special modules they need to differentiate their end product.

The miniaturisation and modularisation trend is, however, not limited to mobile devices for consumer and medical applications, but is also becoming increasingly visible in industrial and automotive applications since the shortening and simplification of development cycles through pre-tested modules is a basic principle in device engineering.

Interconnect solutions consisting of printed circuit boards and substrates with embedding as one of the key technologies for the integration of increasingly larger modules make a significant contribution to supporting the modularisation and miniaturisation trend. During the build-up (“chip first”) or by generation and assembly into cavities after the build-up (“chip last”); components can be embedded in the printed circuit board (“embedding”). This way, the electrical lines between the components become shorter, thus saving space in the module and in the system. The printed circuit board will continue to gain significance as a connection platform for electric, electronic and mechanical components within the (“all-in-one”) integration of ever- larger modules with increasing functionality. As before, this enables the mechanical mounting and electric connection of resistors, capacitors, microprocessors, storage components, sensors and many other components required for the full functionality of electronic systems. However, due to miniaturisation, this is done with increasingly finer trace structures. Historically, the introduction of the HDI and any-layer printed circuit board technology was a major step to allow a reduction in trace width (“lines/spaces” or “L/S”) from 100µm to 40µm. Even smaller lines/spaces are possible through substrate technologies. Lines/spaces of 20µm are typically achieved using mSAP (“modified semi-additive process“), and lines/spaces of even less than 10µm are possible with SAP (“semi-additive process”); under development coonditions, lines/spaces of less than 2µm have been demonstrated. Substrates are typically used as intermediate layers between integrated circuits and printed circuit boards. In 2017, AT&S and a few other companies applied mSAP build-up layers directly to HDI printed circuit boards for high-end products for the first time. This trend can be seen as a clear sign that the printed circuit board and substrate markets are now continuously converging technologically.

Up to now, traces in printed circuit boards mostly consisted of etched copper layers (“subtractive method”). HDI, which uses laser direct imaging to structure the lines (traces), is the most modern subtractive method. In the mSAP and SAP technology generation taken over from substrates, the traces are selectively built up within the openings of a resist mask. In comparison to the subtractive method, this allows particularly steep edges and an even more controllable rectangular profile. This explains the reduction in minimal possible structure size

from currently 30µm to 5µm, but also the lower tolerances in the variance of conductor resistance and thus improved electrical performance of the system. However, due to the higher manufacturing costs, mSAP and SAP layers are only used where the improved performance is required for the application. Examples include the integration of high-end processors or printed circuit boards for devices for the new 5G telecommunication standard.

Printed circuit boards and interconnect solutions for consumer, communication and computer applications ("CCC") are strongly 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. However, 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 ("sensing", "actuating"). 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 ("AI"). 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.

Another important global trend is the prevention of emissions, which advances the electrification of vehicles and, like autonomous driving, is thus 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.

All of these applications can only be realised with advanced interconnect solutions which are becoming a more and more essential part of the system as a whole. Miniaturisation and modularisation thus open up significant new growth potential for high-end printed circuit board and substrate manufacturers through proactive development partnerships with customers. The necessity to use finer traces and new materials, a broader-based use of embedding to realise larger modules, and services in the proactive collaboration with customers for the development of systems thus offer high-end printed circuit board manufacturers the opportunity to multiply the value added per square metre produced.

INTERNATIONAL MARKET DEVELOPMENT

The global market for printed circuit boards and substrates is part of the entire electronics market, which comprises all electronic devices and electronic systems produced. The 25 largest electronics producers include manufacturers of end devices and electronic system suppliers from all relevant market segments (communication, consumer, computer, automotive, industrial and medical). Overall, the global electronics market is expected to reach a volume of approximately USD 2,027 billion in 2018, with annual growth rates of roughly 2.9% between 2018 and 2020 (Source: Prismark, February 2018). The strongest growth is forecast for the segments automotive, at 5.5%, industrial, at 4.4%, consumer, at 4.1% and communication, at 2.8%. In contrast, the computer segment is expected to decline slightly (-0.3%). The market trends described above enable significant growth for individual applications such as smartwatches or convertible PCs at a low level at this stage, while other applications (e.g. smartphones, notebook PCs) have recently stagnated or declined slightly.

According to current forecasts, the printed circuit board and substrate market is expected to increase from USD 57.5 billion in 2017 to USD 59.7 billion in 2018 (+3.8%). By 2020, further annual growth of just under 3% is expected (sources: Prismark, February 2018; Yole, March 2018). The computer, communication and consumer segments ("CCC") still account for a 70% share of the market. Key applications in these areas are smartphones, PCs and tablets, and servers. New applications such as wearables (smartwatches, smartglasses, etc.), "Internet of Things (IoT)" devices or devices requiring high computing power for artificial intelligence offer excellent growth opportunities in the long term and are not limited to CCC applications. The automotive, aviation, industrial and medical segments ("AIM") correspond to roughly 20% of the total market and consist of a wide variety of applications; in addition to infotainment, applications for autonomous driving also promise attrative growth opportunities in this area. IC substrates account for the remaining approx. 10% of the market. In the past, IC substrates were mainly used in the packaging segment for semiconductors, but form the technological basis for the next technology generation of printed circuit boards (mSAP, SAP). Compound annual growth rates (CAGR) from 2018 to 2020 in the respective segments are

in the order of 3.0% for the CCC segment, 3.3% for automotive, industrial and medical and 2.8% for IC substrates. After a slight decline in the previous year, the printed circuit board and IC substrate market recorded strong growth of 9.1% in 2017. The CCC segment grew by 10.9%, IC substrates by 5.5% and AIM by 4.9% in 2017.

COMMUNICATION: With roughly 1,465 million devices sold in 2017, the sales volume of smartphones declined slightly by 2.3% compared to 2016. Moderate average annual growth of 2.8% is expected for the period from 2018 to 2020 (source: IDC, February 2018). During this period, smartphones will remain the key revenue and technology driver in the electronics industry despite a slowdown in innovation cycles. A slightly stronger replacement cycle of consumers is expected for 2018 and, from 2019 onwards, the first 5G-capable smartphones will generate further growth (source: IDC, February 2018). The printed circuit board market in the communication segment will continue to grow at an annual average of 3.5% from currently USD 17.8 billion (2017) (Sources: Prismark, February 2018, Yole, March 2018).

CONSUMER: This market segment includes several different applications such as TVs, "smart speakers", game consoles, video streaming devices, "VR/AR" (virtual reality/augmented reality) glasses, drones, household appliances, consumer robots and smartwatches. The key market trends are the connection of devices ("Connected Devices", "Internet of Things" – "IoT") and downloading and streaming videos via the Internet. As a result, annual growth of up to roughly 20% is expected to be achieved for connected 4K TVs between 2018 and 2022 (source: BCC Research, February 2018). Significant growth is also expected to continue for virtual reality glasses in combination with connected TVs or drones. Wearables including smartwatches also show continued strong growth and will increase from 133 million units per year in 2018 to 220 million units in 2022, with a CAGR of approx. 13% (source: IDC, March 2018). All of these consumer devices need interconnect solutions based on printed circuit boards. As a result of the progressing miniaturisation and modularisation, the trend is also continuing in the direction of printed circuit boards, with increasingly smaller trace widths and integrated ("all-in-one") modules in this segment, similar to that for smartphones, from which AT&S can benefit thanks to its early positioning in this area. From 2018, the entire consumer printed circuit board market, which currently totals USD 7.9 billion, is expected to grow on average by roughly 4.3% annually (sources: Prismark, February 2018; Yole, March 2018).

COMPUTER: In 2017, the market for computers (desktops, notebooks, tablets and servers) recorded a decline of roughly 2.5% (source: IDC, March 2018; Digitimes, October 2017). This was attributable to a decrease in the sales volume of tablets (-6.4%) and desktops (-5.4%). Demand for notebooks rose again, resulting in a year-on-year increase of 3.1% in sales volume. Servers even recorded a 7.1% increase. Overall, however, the market for computers will continuously decline slightly, the sales volume of desktops and tablets in particular will decrease consistently. A slight increase is forecast for servers, while tablet sales are virtually stagnating. With a current total of USD 15.0 billion (2017), annual average growth of roughly 1.8% is expected from 2018 onwards (sources: Prismark, February 2018; Yole, March 2018).

AUTOMOTIVE ELECTRONICS: The number of vehicles sold annually reached 96 million in 2017 and will grow by roughly 1.5% between 2018 and 2020: The main driver for the sales volume of printed circuit boards in this segment is the massively increasing number of electronic applications per vehicle (autonomous driving, infotainment, etc.). The printed circuit board market in the automotive segment totalled USD 5.2 billion in 2017 and is expected to grow by 3.9% annually between 2018 and 2020 (sources: Prismark, February 2018; Yole, March 2018) The growth rates for electronic systems for the automotive market and for printed circuit boards in this segment thus significantly exceed the average total figures for the global electronics industry. Safety and infotainment applications are also driving demand and the use of HDI printed circuit boards in this segment. Applications which now use HDI printed circuit boards include navigation and multimedia systems, emergency calling and camera systems as well as electronic transmission control systems. Key future growth drivers in this segment include further electrification, interconnection and, above all, autonomous driving. Among other things, autonomous driving requires the development of new central systems for recording information and data, which are provided by camera systems and sensors (radar, optical distance and speed measurement ultrasound sensors, etc.), and for their evaluation and the subsequent control of the relevant actuators such as braking, stability and steering systems. Due to the large data volume and the fast transmission rates necessary, these new central computers already need the HDI technology.

INDUSTRIAL ELECTRONICS: In 2017, the industrial electronics market, at USD 210 billion, recorded an increase by 2.9%, which will continue in the coming years (source: Prismark, February 2018). The market for printed circuit boards in this segment recorded a slight increase again compared to the previous year and amounted to USD 2.7 billion. It is expected to grow by an annual average of up to 3.4% between 2018 and 2020 (sources: Prismark, February 2018; Yole, March 2018).

The industrial electronics segment is still characterised by applications in the areas of measurement and control technology, power electronics, lighting systems and diagnostic devices, RFID readers as well as railway technology. In the future, machine-to-machine and machine-to-human communication modules, driven by robotics, automation and industry 4.0 activities, will enable further growth in this segment.

MEDICAL ELECTRONICS: The global market for medical electronic systems grew by roughly 4.8% to USD 110 billion in 2017 (source: Prismark, February 2018). The medical electronics segment is characterised by a high level of complexity regarding applications such as diagnostics and imaging devices, therapy applications and mobile devices on and in the body (e.g. hearing aids, pacemakers and insulin pumps). Other applications include surgical lighting, analytical instruments and molecular diagnostics. The printed circuit board market amounted to USD 1.1 billion in this segment in 2017, with forecast annual growth rates of 2.1% until 2020 (sources: Prismark, February 2018; Yole, March 2018).

IC SUBSTRATES: IC substrates are the basis for the packaging of one or several semiconductor chips ("Integrated Circuits" or "ICs"). When several chips are packaged, this is referred to as "system in package" or "SiP", and if the number of chips integrated in a printed circuit board or a substrate is very high, as "system in board" or "SiB". High-end substrate layers ("SAP"), as the next technology generation after mSAP, are also an important component in future ("all-in-one") modules for future generations of printed circuit boards. The IC substrate market is currently heavily influenced by technological changes in packaging, with silicon ICs and printed circuit boards/substrates being connected directly with one another increasingly often. In this process, many intermediate steps in IC packaging, which are currently performed by OSAT (Outsourced Semiconductor Assembly and Test) companies, are eliminated in the course of miniaturisation and system cost reduction. For manufacturers of printed circuit boards/substrates, this offers the opportunity to combine the production of substrate layers (SAP) with the mSAP production of printed circuit boards for novel "panel level fan-out" solutions. Due to better production efficiency and integration possibilities for large modules, the established technologies could thus be faced with competition in the packaging of multiple chips. Instead of integrating the fan-out layers on the chip, they will then be integrated directly into the board as the next level of system integration. Further very interesting growth opportunities are also arising in the market for IC substrates in some segments such as processors for servers, artificial intelligence and autonomous driving. The modest growth of the IC substrate market continued in 2017 with a volume of USD 5.4 billion and an average growth rate of 2.8% expected for the years 2018 to 2020 (source: Yole, March 2018). The overall IC substrate market of USD 5.4 billion (2017) is split into "CSP" (Chip Scale Packaging) and "BGA" (Ball Grid Array). BGA substrates are usually larger in area; their share of the overall market is slightly more than 50%. Typical applications are IC substrates for processors in PCs, notebooks or servers, but also substrates for graphics processing units (GPUs), artificial intelligences and application-specific integrated circuits ("ASICs"), which also contain high-end processors. While growth rates for the BGA substrate market for PCs and notebooks will only be low, the market for substrates for servers (driven by Internet data centre/cloud applications), GPUs, artificial intelligence processors and application-specific integrated circuits, which together already account for more than half of the BGA substrate market, shows very interesting growth opportunities. In the market for CSP substrates, there are also growth opportunities for SAP substrates for high-end applications with a particularly high number of substrate layers. The CSP substrate market is expected to grow by more than 4% annually in the coming years. (source: Yole, March 2017).

In combination with its embedding and printed circuit board competence, the substrate environment offers AT&S the opportunity to establish itself as one of the leading providers of interconnect solutions and module integration in the years to come.

EMBEDDING: TECHNOLOGY OPTION FOR MODULE INTEGRATION Embedding components in printed circuit boards/substrates is a method which can lead to system cost reductions, a reduction in space requirements for electronics and a performance improvement of electronic modules. It can therefore in principle be used for all applications and is all the more beneficial the more components a module has. As previously stated, embedding in combination with printed circuit board/substrate technology is a crucial competence to enable future ("all-in-one") modules.

The use of the embedded component packaging technology ("ECP") is currently still limited to niches, which also explains the comparatively low market volume of USD 13 million in 2017 (source: Yole, March 2018). The external market analysis does not yet take into account a broader market penetration of first, already established applications and the high potential of ECP based on further technological improvements. In the past, the technological barrier was primarily the yield loss in embedding expensive chips. Due to improvements in process control, yield has increased, which will enable a broader-based application in all markets, from consumer and communications to automotive, industrial and medical technology. Typical applications of ECP products, which have already been launched or are about to be launched on the market, include camera modules and discrete voltage transformers in all voltage classes, from low voltage to power modules with power MOSFETs or IGBTs.

3. Business development

3.1. Financial performance

In the financial year 2017/18, AT&S's REVENUE rose by € 12.0 million, or 3.3%, to € 382.9 million. This increase results from higher merchandise sales as well as higher sales from self-produced goods.

The EBIT-MARGE decreased from -5.9% to 0.0% (previous year: 5.9%) in the financial year under review. The main reasons of the decline were the adjustment of the variable premium to the degree of target achievement, costs from the SAR program, exchange rate losses and the absence of a one-off effect from the previous year.

The FINANCIAL RESULT amounted to € -15.7 million (previous year: € 17.4 million). The change resulted from the expenses of € 40.2 million of financial assets and securities and current asset lending due to valuation losses of the weaker US dollar (previous year: € 0.0 million), lower income from the disposal and revaluation of financial assets of € 0.2 million (previous year: € 13.8 million) and lower other interest and similar income of € 0.4 million (previous year: € 1.0 million), which could be compensated by investment income of € 20.9 million (previous year: € 0.0 million) and higher income from other securities and long-term loans of € 21.9 million (previous year: € 16.0 million) partially.

INCOME TAXES result from the possibility to recognize deferred taxes on loss carry forward, which is accountable for the deferred tax income of € 9.3 million (previous year: € 14.7 million). Due to lower taxable results in the past financial year, the current tax expense decreased to € 0.4 million (previous year: € 2.5 million).

Owing to the described effects on the operating result and the financial result, the NET INCOME FOR THE YEAR thus is negative and amounts to € -6.7 million (previous year: € 51.5 million).

3.2. Financial position

Because the depreciation was higher than the investment, the book value of PROPERTY, PLANT AND EQUIPMENT decreased from € 41.3 million to € 40.3 million. The book value of INTANGIBLE ASSETS decreased from € 11.3 million to € 9.2 million due to higher depreciation in the financial year under review.

The SHARES IN AFFILIATED COMPANIES stayed unchanged compared to previous year. The book value of loans to affiliated companies increased from € 407.1 million to € 444.5 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 € 25.5 million to € 24.4 million slightly. The increase of receivables and other assets from € 29.6 million to € 38.2 million is based on the sale of trade and other receivables.

Liquid funds increased from € 89.1 million to € 258.6 million due to cash and cash equivalents received from the hybrid bonds.

In the current financial year DEFERRED TAX ASSETS increased from € 14.7 million to € 23.9 million.

At the balance sheet date 31 March 2018, the SHAREHOLDERS' EQUITY increased from € 305.4 million to € 294.8 million. The decline was caused by the net loss for the year of € 6.7 million and the dividend payment of € 3.9 million. At the balance sheet date, the equity ratio decreased from 34.3% to 26.5% due to the higher total assets amount of balance sheet.

In the financial year 2017/18, AT&S's NET DEBT increased from € 393.3 million to currently € 455.6 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, increased from 128.8% in the previous year to 154.6%.

3.3. 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	2017/2018	2016/17	2015/16
Net cash flow from operating activities	30.6	71.3	54.0
Net cash flow from investing activities	-89.4	-160.5	-137.4
Net cash flow from financing activities	228.5	27.0	80.5

The net cash flow from operating activities decreased from € 71.3 million to € 30.6 million in the financial year 2017/18. The decline was resulted first by the deviation of the trade receivables, because there was a high cash flow of € 31.3 million due to the factoring. In the financial year 2017/18, the sale of trade receivables was lower and this led to a net cash flow of € 9.8 million.

With respect to investing activities, AT&S invested a total of € 11.2 million (previous year: € 15.4 million) in intangible and tangible assets in the financial year 2017/18. These payments and higher loans to affiliated companies resulted in a net cash flow from investing activities in the amount of € 89.4 million (previous year: € 160.5 million).

The placement of the hybrid bond with a nominal value of € 175.0 million and utilization of credit lines resulted in a cash flow from financing of € 228.5 million (previous year: € 27 million).

4. Research and development

- 40.4% of AT&S's total revenue is generated by products which have been on the market for less than three years
- Introduction of the mSAP technology – a technology leap for printed circuit boards for mobile phones
- Kick-off for "all-in-one" package – an important step on the way to "More than AT&S"

True commitment, adherence to the vision "First Choice for Advanced Applications" and the derived focus on innovation pay off. AT&S recorded an innovation revenue rate (IRR) of 40.4%, the highest in the company's history. The IRR is used to measure the innovative power of the company. It represents the portion of revenue that AT&S generated with innovative products introduced to the market in the last three years. AT&S's target is to achieve an annual innovation revenue rate of at least 20%. This good result is based on the success of the modified semi-additive technology, which was introduced in the past financial year in Shanghai and Chongqing.

The availability of the mSAP technology at AT&S represents an important technological component which AT&S needs to be among the leaders during the transformation that is currently taking place in the electronics industry. This transformation was triggered by the slowdown in the speed of development in processor technology (Moore's Law no longer applies). This is opening up entirely new possibilities for the packaging, substrate and printed circuit board industry. Many new functions and properties can be produced with significantly less development effort than would be necessary for the realisation on chips. Nearly all activities of AT&S in the area of research and development are aimed at seizing the opportunities resulting from these changes and 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. 5 G, 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 leadin 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.
- MANUFACTURING CONCEPTS OF THE FUTURE: Due to the increasing scarcity of resources, AT&S must ensure efficient and flexible production while minimising resource consumption (material, water, CO_2, etc.). AT&S utilises large volumes of data to optimise and improve production processes, product properties and product quality, in-tegrate new and additional steps into the value chain and develop new solutions to use resources efficiently in production.

The costs of research and development projects totalled € 65.8 million in the financial year 2017/18. This corresponds to a research rate (i.e. ratio to revenue) of 6.6% compared with 7.7% 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.

Innovative power and long-term competitiveness are also reflected in the number and quality of patents. Worldwide, AT&S submitted 36 new applications for patents in the financial year 2017/18. AT&S currently has 231 patent families, which result in 258 granted patents. The IP portfolio was additionally extended by acquiring licenses, especially in the area of the embedding technology.

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 thus comprises applied research and technology evaluation. Subsequently, it is the task of the local technology development and implementation departments at the AT&S sites to continue the experimental development of processes and products and to integrate them into the existing production process. The development of innovative concepts was previously exclusively concentrated at the research institutions in Leoben-Hinterberg. In the past financial year, a team was set up at our plant in Chongqing which also conducts such activities. This became necessary, because through the mSAP and substrate technologies, AT&S has a unique technological basis at its disposal at the Chongqing plant, enabling AT&S to significantly extend its research network in Asia.

RESEARCH AND DEVELOPMENT PROJECT HIGHLIGHTS The main highlight of the past financial year was definitely the above-mentioned introduction of the mSAP technology. Instead of the subtractive structuring method (copper is removed in the non-conductive areas), copper is plated onto a thin layer in those areas that should be conductive in the modified semi-additive technology. Using this technology, which is very similar to the structuring method in substrates, structures on printed circuit boards can be miniaturised even further and manufactured more precisely. Therefore, they are sometimes also referred to as substrate-like PCBs in this industry. This paradigm shift in the production technology was successfully carried out, while production with the old technology continued to run at full capacity. In addition to the technical challenges, this also represented major organisational challenges for the development and production teams, which these teams managed excellently.

In the past year, another major focus was put on the development of concepts for the “all-in-one” package. Innovative concepts which enable a combination of multiple components and functions in one electronic system were developed. This is the next important step on the path towards “More than AT&S”.

5. 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 continued along the path of niche and prototype production started in recent years. Among other things, the production of the Advanced Packaging 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. At the end of the financial year 2017/18, the expansion and technological upgrade of the plant started to manufacture high-end printed circuit boards, especially for the automotive segment. The additional capacity for such high-frequency printed circuit boards will be used to produce applications for autonomous driving such as sensors for distance measurement starting from March 2019.

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 upgrade to the next technology generation mSAP was successfully completed in the second quarter of the financial year 2017/18, enabling the plant to successfully meet the strong demand for HDI and mSAP printed circuit boards. The company thus 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 2017/18, which were produced for the Automotive, Industrial, Medical segment.

CHONGQING At the plant for IC substrates (Integrated Circuit Substrates), the second line successfully started serial production at the beginning of the financial year 2017/18. The activities in this financial year focused on optimising the product mix for the site and on continued efficiency improvements in order to counteract the persisting high price pressure. At the plant for mSAP printed circuit boards, the second line was successfully taken to serial production in the middle of the second quarter of the financial year 2017/18. As a result, the plant was able to make a substantial contribution to meeting the demand for the new technology generation mSAP. Subsequently, the second plant also focused on ongoing optimisation and efficiency improvements. Both plants still have roughly 50% of unused space, which could be expanded in the short term.

ANSAN The very positive development of the site in Korea continued in the financial year 2017/18. In addition to the good capacity utilisation in the medical sector for European and American customers, substantial quantities were manufactured for the Mobile Devices & Substrates segment.

NANJANGUD This site benefited from continuous high capacity utilisation, operational improvements and a better product mix in the financial year 2017/18, which led to very good revenue and earnings development. In the financial year 2017/18, the expansion and technological upgrade of the plant were started. The new capacity is intended to serve the growing demand for high-frequency printed circuit boards from the automotive segment starting in May 2018.

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 2017/18.

6. Shareholding structure and disclosures on capital

CAPITAL SHARE STRUCTURE AND DISCLOSURE OF SHAREHOLDER RIGHTS As of the reporting date at 31 March 2018, 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 € 1.1 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.

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:

	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	6,339,896	16.32%	16.32%

At the reporting date 31 March 2018, about 65.91% of the shares were in free float. With the exception of the shareholdings stated above, no other shareholder existed holding 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.

No compensation agreements are in place between AT & S AG and its Management Board and Supervisory Board members or employees that would become effective in the case of a public takeover bid.

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 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) 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 2018, 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 Austrian Commercial Code is available at http://www.ats.net/company/corporate-governance/reports/.

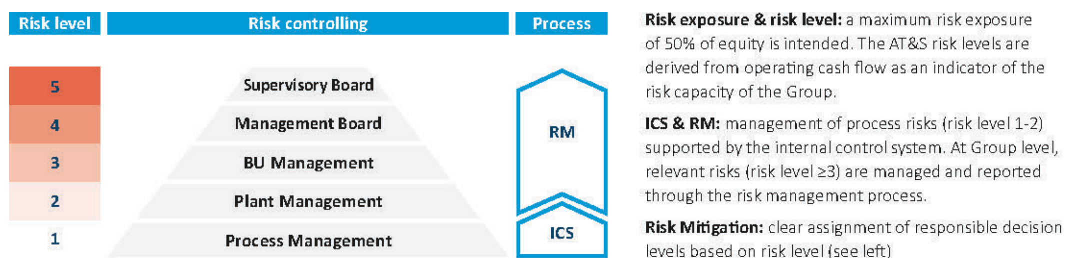
7. Risk and opportunities management

PRINCIPLES, STRUCTURES AND PROCESSES Risk and opportunities 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 (ÖCGK), 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 ÖCGK.

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).

Figure 1: AT&S Risk Management Process



RM: Risk Management; ICS: Internal Control System; BU: Business Unit
Figure 2: AT&S Risk Levels and Risk Management

RISK MANAGEMENT IN 2017/18 In the financial year 2017/18, Risk Management was organisationally separated from Internal Audit. Risk Management was integrated into the Corporate Finance department and the Director Group Finance & Controlling has since been responsible for risk management activities throughout the Group. The integration into the Finance area provides objective monitoring of the functionality and efficiency of Risk Management. In addition, synergies with existing reporting processes are increasingly utilised, which will contribute to the continuous improvement of risk management. In addition to regular reporting, an extraordinary risk evaluation was performed as part of the issue of the hybrid bond in the financial year 2017/18.

In addition to the ongoing continuous improvement measures of the Internal Control System (ICS), the implementation of the risk management software for the mapping and documentation of the risk management process at all sites also started in the financial year 2017/18. The last focus area was the increased integration of risk management into operational management.

In the financial year 2018/19, the focus will be on the further development of the risk management set-up. Special attention will be paid to the adjustment of risk bearing ability and the instruments of risk assessment.

OPERATIONAL RISK MANAGEMENT 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	Sales price development Capacity utilisation Technology development Investments	↘	▪ Consistent focus on high-end technologies and target applications ▪ Customer proximity and early customer contact ▪ Technology development projects and technology roadmap ▪ Cost reduction, efficiency increase, strategy review and adaptation
MARKET	Market and segment development Development of key customers Sales strategy and implementation	↗	▪ Balanced segment portfolios and diversification of the customer portfolio ▪ New customer acquisition and share increases with existing customers ▪ Consistent acquisition of defined target applications
PROCUREMENT	Development of procurement prices Single-source risk	↘	▪ Procurement strategy (negotiation, allocation, technical changes) ▪ Single-source strategy, supplier risk evaluation and multi-sourcing
BUSINESS ENVIRONMENT	Confidentiality breach Catastrophe, fire Political risk	→	▪ Increase of security level due to IT-upgrade ▪ Internal & external audits, emergency practice ▪ Business continuity management, insurance
OPERATIONS	Quality performance Intellectual property Technical project management Operating costs	↘	▪ 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 sites
ORGANISATION	Loss of key personnel	→	▪ Employee retention, deputy regulation and succession planning
FINANCE	Foreign exchange risk Financing & liquidity Tax risk Impairment	↘	▪ Natural FX hedging through long-term cash flow planning ▪ Long-term planning for financing and liquidity, interest swaps ▪ Continuous monitoring of compliance with tax laws ▪ Project controlling, impairment tests, strategy review and adaptation

IP: Intellectual Property; FX: Foreign Exchange; CF: Cash Flow
Figure 3: AT&S Risk Categories, Significant Individual Risks, Risk Trends and Risk Mitigation Measures

INVESTMENTS 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) 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 expansion of high-frequency printed circuit board production at the sites in Nanjangud and Fehring.

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 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 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. Complementing this was 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, which was successfully implemented in the financial year 2017/18, reflects the consistent pursuit of the AT&S strategy and ensures the transfer of competitive advantages of HDI to the next

technology generation. However, the implementation also involves related risks. In particular, delays in switching over to the new technology on the customer side can lead to excess supply, overcapacities and underutilisation.

The opportunities related to 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, longer product cycles and excess capacity in the market confront AT&S with great challenges in the IC substrate segment due to the resulting price pressure. The successful realisation of the planned cost reduction and the development of more profitable products 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.

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 65% 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, where the entire business is currently concentrated on one customer each. 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 our ability to quickly compensate negative developments with individual key customers.

MARKET PERFORMANCE A difficult market environment in the financial year 2018/19 could have an adverse effect on the Group's results. Stagnating smartphone sales or weaknesses in the core segments could lead to a decline in revenue. In contrast, a positive market development could provide better business opportunities and disproportionately high growth opportunities – especially at the two plants in Chongqing, where additional production capacity could be provided with a short lead time of 6 to 12 months. The diversified positioning of AT&S in the Mobile Devices & Substrates and Automotive, Industrial, Medical segments provides some mitigation of market risks resulting from their different production cycles.

PROCUREMENT PRICES Price fluctuations in energy and raw materials (gold, copper and laminates) can have both a positive as well as a negative impact on achievable margins in the short term. Rising raw material prices in the financial year 2017/18 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.

SOURCING 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. One challenge in the area of sourcing is currently the procurement of copper foils due to a significant increase in global demand.

LOCATION-SPECIFIC RISKS The large majority of AT&S's operating activities is 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 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.

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.

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 continues to expand its data and IT security measures on a regular basis. In the financial year 2017/18, a project regarding the "EU General Data Protection Regulation" was launched. The objective of this project is the analysis of the company's internal processes regarding the use of sensitive data and any adjustments to these processes in order to ensure conformity with the General Data Protection Regulation.

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 a chance 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. 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 leads 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 in the evaluation and, as the case may be, the beginning of the further expansion of the two plants at the Chongqing site.

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.

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.

EXCHANGE RATE RISKS 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.

8. 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), under the concept of company-wide risk management, the actual risk management as well as the Internal Control System (ICS) are subsumed. 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 the Group reporting, with the financial information being reviewed and analysed by the Group Accounting and Group Controlling department (part of Group Finance & Controlling). 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 Group Controlling department (as part of Group Finance & Controlling). 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.

9. 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 2017/18 as a separate chapter.

10. Outlook

OUTLOOK FOR THE BUSINESS YEAR 2018/19 Miniaturisation and modularisation will remain the main trends in the electronics industry in the financial year 2018/19. Connectivity to exchange the maximum possible data volumes ("Internet of Things", "machine-to-machine communication") and artificial intelligence (autonomous driving, automation, robotics) requiring especially high data processing and computing capability are leading to an ever-stronger convergence of the technological requirements and developments 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 ("sensing", "actuating"). These applications can only be realised with advanced interconnect solutions as an increasingly essential part of the system as a whole. For high-end printed circuit board and substrate manufacturers such as AT&S, miniaturisation and modularisation are also opening up new growth opportunities through proactive development partnerships with customers.

The investments planned for the current period focus on technology expansion and building capacity for high-frequency printed circuit boards in the area of autonomous driving at the existing sites in Nanjangud, India (near Bangalore) and Fehring, Austria (Southeast Styria). Investments in the range of roughly € 70 to 100 million are planned for maintenance investments and minor technology upgrades for current business activities. Depending on the market development, investments in capacity and technology expansions could increase by another € 100 million.

For the financial year 2018/19, AT&S expects revenue growth of up to 6% based on a first quarter characterised by strong seasonality, a stable market and macroeconomic environment, and unchanged exchange rates in comparison with 31 March 2018. On the basis of a continued stable, optimal product mix, an EBITDA margin in the range of 20 to 23% is expected.

Leoben-Hinterberg, 7 May 2018

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 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, 2018, 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, 2018, 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 DIFFERENCES

- Description

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, reports deferred tax assets in the amount of EUR 23,937,108 in the balance sheet as at March 31, 2018 (prior year: EUR 14,671k). In the prior year, the Company was obligated to capitalize deferred tax assets arising from temporary differences for the first time due to the Austrian Act on Changes in Accounting Practices 2014 (RÄG 2014), with these deferred tax assets amounting to EUR 3,489,687 in the fiscal year under review (prior year: EUR 2,099k). Furthermore, the Company applied the option to capitalize deferred taxes from tax loss carry-forwards and reported an amount of EUR 20,447,421 (prior year: EUR 12,572k), using the applicable tax rate of 25% with regard to tax loss carry-forwards in the amount of EUR 81,789,684 (prior year: EUR 50,288k). No deferred taxes were set up for tax loss carry-forwards in the amount of EUR 57,788,843 (prior year: EUR 60,260k) because the Company does not think it is likely to realize these taxes in the foreseeable future based on the current tax forecast. 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.

The assessment of the matters described requires professional judgment and involves estimation uncertainties and thus includes the risk of a material misstatement in the financial statements.

- 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 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 appropriate 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 express-ing 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 6, 2017. 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, 7 May 2018

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 shar-ing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion 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, 7 May 2018

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