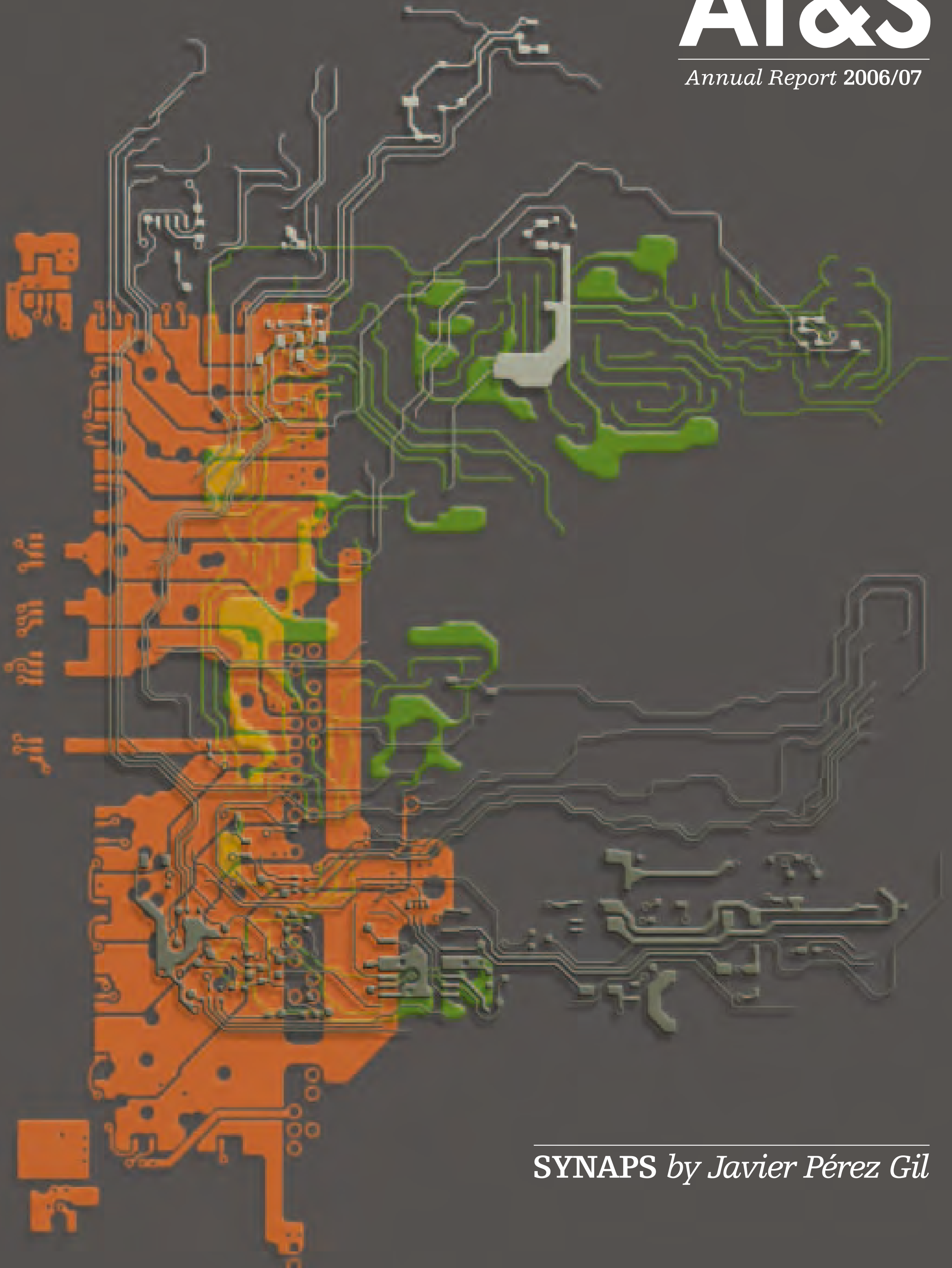
AT&S

Annual Report **2006/07**



SYNAPS *by Javier Pérez Gil*

Key Figures

	IFRS		
	2006/07	2005/06	2004/05
COMPANY KEY FIGURES (in € 1,000)			
Total revenues	467,403	374,698	332,358
EBIT (operating profit)	32,649	26,342	21,262
EBIT margin	7.0%	7.0%	6.4%
EBITDA	71,489	67,020	66,208
EBITDA margin	15.3%	17.9%	19.9%
Net income	31,305	28,320	26,681
Shareholders´ interest in net income	31,813	28,149	27,493
Total assets	451,944	437,287	428,017
Shareholders´ equity	220,222	249,774	220,459
Capital additions	95,231	57,569	36,696
CAPEX, net	61,870	52,898	31,179
Payroll (average, incl. leased personnel)	5,358	4,335	3,833
Net debt	110,615	34,673	24,888
KEY FINANCIAL FIGURES			
ROS	6.8%	7.5%	8.3%
ROE	14.4%	11.3%	12.5%
Equity ratio	48.7%	57.1%	51.5%
ROCE	9.0%	8.8%	7.9%
Net gearing	50.2%	13.9%	11.3%
KEY STOCK FIGURES (in €)			
Earnings per share	1.28	1.09	1.07
Cash earnings per share	2.85	2.66	2.81
Dividend per share	0.31*	0.29	0.27
Dividend yield (book values)	3.3%	3.0%	3.2%
Closing stock price	19.40	16.79	11.80
Dividend yield (market values)	1.60%	1.73%	2.29%
Price/book ratio	2.07	1.74	1.38
Payout ratio	22.94%	26.61%	25.35%
EBITDA per share	2.88	2.59	2.57
EBIT per share	1.32	1.02	0.82
No. of shares outstanding	24,824,883	25,828,599	25,809,520

* Proposal for the Annual General Meeting on July 3, 2007.

Annual Report **2006/07**

AT&S Austria Technologie &
Systemtechnik Aktiengesellschaft
Fabriksgasse 13
8700 Leoben
Austria

Highlights and Milestones

Entry into the market for flexible circuit boards

With the acquisition of Tofic Co. Ltd. in Korea in March 2006, AT&S successfully entered the market for flexible printed circuit boards. The new subsidiary was included in consolidation for the first time in first quarter 2006/07.

AT&S on the way to becoming total solutions supplier

The new businesses, DCC/Trading and Design, produced good results, generating 10% of total revenues in financial 2006/07. This is the impressive proof that these activities are a sensible complement to AT&S's core business, the production of printed circuit boards.

AT&S steps up activities in industrial market

AT&S has further intensified its focus on the profitable niche markets in the industrial and medical sectors, which will be serviced largely by the Austrian facilities. In financial 2006/07 these areas generated 21% of sales, a total increase of more than 20% over the previous year.

AT&S performance wins multiple awards

In the last financial year AT&S won a number of awards for its outstanding performance, including Sony-Ericsson's Supplier Recognition Award.

Second plant in Shanghai, China, successfully commissioned

The successful ramp-up of the second plant in Shanghai, with 75,000 m^2 of production space, creates the basis for AT&S to begin the third phase of expansion. Added to the 25,000 m^2 provided by the successful first plant, the second plant has quadrupled the total production area.

Successful turnaround in India

The plant in India, which in earlier periods was not performing as well as possible, has also returned to profitability.

Awards for AT&S research and development

In October 2006 AT&S received the Austrian Province of Styria's research prize for nanosciences and nanotechnology. In addition, AT&S China received the 2006 Advanced Technology Foreign-Funded Enterprises Prize.

Optimization of AT&S balance sheet structure continued

The continuing stock repurchase program together with a sale and leaseback agreement helped AT&S towards its objective of balance sheet reduction and generated positive cash flow of around EUR 30m. The Group was also successful in reducing working capital to 18%, bringing it a step closer to its target of 15%.

Record results testify to successful policy of sustainable growth

With revenues of EUR 467.4m and profit of EUR 31.3m, AT&S has once again performed significantly better than in the previous year and posted the highest sales in its history.

AT&S Customers 2006/07

3Dconnexion 4G Systems A 2000 Industrie-Elektronik a.p. microelectronic ABATEC Electronic ABB Automation AB-ELEKTRONIK ACOUSTA ADAXYS AEMtec AFL Stribel Production AIM AIR-City Ajkai Elektronikai AKAtech AKG Acoustics Aktiv-Kabel Akutron Alcatel ALPS Electric Altec Electronic AMETEK AMETEK AEROSPACE Amkor Technology AMOTEC TECHNOLOGY AMT Advantech AN SYSTEMS ANALOG DEVICES Andrew Telecommunication Andrew Wireless Systems Anstoß Regelgeräte ANTON PAAR AOA Apparatebau Gauting APT AQUAPOL ARC Seibersdorf Research ARISTOCRAT TECHNOLOGIES ARNOLD & RICHTER ARRI-AUSTRIA Artesyn Technologies ASETRONICS Asteel Astral Atlantic Industrie ATLAS ELEKTRONIK ATOTECH AUSTCO COMMUNICATION SYSTEMS austriamicrosystems AUSTRIAN GAMING Austrian Research Centers Autolux AVALON TECHNOLOGIES AVTEL AWOS AZD B. Braun Melsungen BACHMANN ELECTRONIC BAHNER ELEKTRONIK Balda Solutions BALLUFF BARCO ELECTRONIC SYSTEMS Basler BAUMER ELECTRIC BCM Electronics BEBRO ELECTRONIC BECOM Beflex Behr-Hella Thermocontrol Beijing Elcoteq Electronics Beijing GKI Electronics Beijing Hangxing Beijing SE PUTIAN Beijing Suohong Electronics BenQ BERNECKER & RAINER BERU Electronics Betronik BHARAT ELECTRONICS Bischoff Elektronik BITRON BJ Automotive BLANKOM Digital BLS Bluetechnix Mechatronische Systeme BMK Electronic Solutions BMK Professional Electronics Bogen Electronic Böhm Fertigungstechnik Böning Automationstechnologie BOSCH Bourns BOXMARK Leather Braemac BRAUN BURGER ELECTRONIC BuS Elektronik Busch-Jaeger Elektro BvR Electronic C&D Technologies C. & E. FEIN CAL COMP ELETRONICS CDOT CE Infosys CELESTICA CENTRE FOR DEVELOPMENT Checkpointmedia CHERRY MICROSCHALTER CIGNET ELECTRONICS CIS ELECTRONIC CIVA CMOTION CMS Electronics Cogelec COMAT COMMEND INTERNATIONAL COMMIT COMNEON Compact Dynamics Compunetics Comtech Conergy Connaught Electronics Connectronics Contec Contelec CONTI TEMIC CRYSIND ELECTRONICS CTC ANALYTICS CTS CURTIS/ BALKAN Dajeil Danielson Europe DATACON Technology DATALOGIC MOBILE Dataschalt Senator Datasensor DCI DEFA Delphi Delta Group Deltron DENSO Detection & Protection DEUTA-WERKE DIALOG Elektrogeräte DIEHL DIEHL Aerospace DIEHL AKO STIFTUNG & CO Digital Elektronik Digital-Logic DIVINET ACCESS TECHNOLOGIES DOLI Elektronik Dongguan Elcoteq Electronics Dongguan Nanxin Industrial Dorschner Elektrotechnik Dr. Johannes Heidenhain Dr. Neuhaus DREEFS DSE STEHLE-Elektronik dsIT Solution Ducati Energia Dynamic EMS E.G.O. Control Systems EADS Defence & Security EAM Elektro-Automation Eastern Communications Eben Elektronik Eberle Controls ebm-papst ECA Vienna EES ELEKTRA ELEKTRONIK EFB Effegi Elettronica El. Ital. Avellino ELBAU ELBI International ELBIK ELCOTEQ Electromecanica Preh Electronic Components ELECTRONIC PRODUCT Elektro Automation Elektrobit System Test Elektromekan Elektrotechnik Lauter & Co. Elotec Fischer ELPe design ELPRO Elektronische Geräte Elrad International ELTEC Elektronik ELVYS Emporia Telecom EN ElectronicNetwork Ender Electronic Endress & Hauser Enics Sweden EPCOS EPIQ EPIS Automation ePS electronic Ericsson Erni Elektroapparate Escatec ETAS ETM ELEKTROTECHNISCHE ETR-PS Euro Wire & Cable Services EUROFUNK KAPPACHER Eurotron component EVG EVI Audio Faber Electronics FALCOM Wireless FB Elektronik FCI OEN Connectors Feistkorn & Wolf FESTO FH Joanneum FIBCOM Fico Filtronic Broadband Flextronics FlipChip International FMS electronic FMT Fernmeldetechnik Fordahl Forschungszentrum Jülich FORSTER Foxconn Freescale Semicoductor Frequentis Fritz Kuebler FS Forth-Systeme FUBA Automotive GASSNER GB Montagetechnik GBS Geldbearbeitungssysteme GCD printlayout GE Medical Systems GE TRANSPORTATION SYSTEMS GEBRUEDER LOEPFE General Electric Gerhard Höllinger GES Manufacturing Services GESIG GETS GLOBAL SIGNALLING Giant Electronics Gigatherm Gillette Gleichmann Electronics GNS GOHLKE Elektronik GRABNER INSTRUMENTS GRAF ELEKTRONIK GROUP SENSE PDA Grundig Business Systems G-Tek Electronics GTN Guangdong Whirlpool Electrical Gugler Elektronik HAEUSERMANN Hale Electronic HAMEG Instruments Hansen Tel HASEC ELEKTRONIK HE System Electronic Hechinger Electronic HEIM Systems Helbako Hella Helmut Hund HELMUT MAUELL HEMA Herkules Elektronik HIMACHAL FUTURISTIC COMMUNICATIONS HIND RECTIFIERS HIQUEL HIRSCHMANN HONEYWELL HP FABRICS HS-ELECTRONIC HTS PCB Huawei Technologies Hurst & Schröder Hydrometer Electronic HY-TECH I V SCHALTUNGEN IBS Industrieel Multimedia IC-HAUS IDENCOM IEC Electronics IFAP IFM Electronic IGM ROBOTERSYSTEME IHF-Elektronik IHLEMANN ILFA Imaginum IMM Elektronik INCAP Corporation Incap Electronics Kuressaare Infineon Technologies Ing. Buero W. Kanis INSTRUMENTATION INSYS Microelectronics Intedis INTEL INTER CONTROL Intersema Sensoric INTRACOM IPG Laser IRCONA i-RED Infrarot Systeme IS-ELEKTRONIK Iskra EMS ITI ITK Dr. Kassen Jabil Circuit JANZ Automationsssysteme JENOPTIK Jumo Jurong Hi-Tech KÄHLIG ANTRIEBSTECHNIK Kapsch KATEK Kathrein Burgstaedt KATHREIN WERKE Kaynes Technology KEBA Keith & Koep Keller Kemet Electronics KEYTRONIX Kiekert KINETIC COMMUNICATIONS Kirstein Kishimoto Sangyo Kitron KNAPP Knauer Knorr-Bremse KONTRON Kostal Industrie Elektrik Kristronics Krone Communication Kuhnke Supply Chain Kunshan Fushijin Kurz Gerhard KV-Elektronik KWS Electronic KYOCERA ZhenHua Communication Equipment Laird Technologies Landis & Gyr LARSEN & TOUBRO LATSCHBACHER LEACH International Lear Legend Legrand-Bticino Leica Camera LENZING TECHNIK Leopold KOSTAL LEUTRON VISION Leuze Electronic LEXEDIS LINKWELL TELESYSTEMS LIPI DATA SYSTEM LIPPERT LNT Automation Logotronic Lust Antriebstechnik LUST HYBRID TECHNIK Magneti Marelli MAN Roland Druckmaschinen Manner Sensortelemetrie Marquardt MATRIX VISION Maxon Motors Mayerhofer MC Assembly MEDIATRONIX MEDIORNET MEN Mikro Elektronik Merge Optics MESSTECHNIK SCHALLER Metro Count Metz-Werke mfTEC Fasching Micro Modular Technologies MICRO SYSTEMS ENGINEERING Microdul Microelectronic Packaging MICROSENS microtec Microtune MIDAS COMMUNICATION MIPOT MKE ML&S Modelleisenbahn ModemTec Moeller Gebäudeautomation MORION MOTOROLA MPD MP-ELEKTRONIK MSC Freiburg MSC Microcomputers Systems M-System Elektronik MTM Power Messtechnik Murr-Elektronik Murrelektronik N.V. Nederlandsche Apparatenfabriek NAMTAI Electronic NAP AUTOMOTIVE PRODUKTE Napino Auto & Electronics NEDAP NELCO NEONSEVEN NERA NETWORKS NeST Power Electronics NETSTAL MASCHINEN Neumüller Elektronik NEUTRON MIKROELEKTRONIK Neways Neunkirchen NICE NOKIA NOVOTECH ELEKTRONIK Novotechnik NSE NXP Semiconductors Option ORION TELE-EQUIPMENTS OSA OPTO LIGHT OSRAM Otto Bock OTTRONIC Regeltechnik OVP Orava OWASYS Panasonic Electronic Devices PANTA PANTEL ELEKTRONIK paratus electronic PayTec PB communication Pemstar Perlos Philips Medizin Systeme Philips Investment Company Philips Semiconductors Phonak AG PHYTEC Messtechnik PIE Professionelle Industrielle PILZ Pocitace Elektronika Software PolarComp Preh Prettl Elektronik Prettl Kabelkonfektion Privatquelle Gruber ProCom PRODUCTWARE PRO-HAN ProSourcing PST Industria Punch Technix PUNJAB COMMUNICATION Qimonda Qingdao Haier Qualcomm QUANTUM EMBEDDED SYSTEMS Racom Radiocrafts RAFI RAKON Rangsons RAWE ELECTRONIC RCS Sistemas de Controlo Remote REISSMANN Sensortechnik Research in Motion RIEDEL Riese Electronic RINKLIN Elektronik Robust Plastik Assembling Rogg Polycell ROHDE & SCHWARZ Roke Manor Research Rowa Kunststoffe RSF ELEKTRONIK RSG-ELOTECH Rueegger Elektronik Ruwido S E G S. Siedle & Soehne S.I. Manufacturing SAGEM COMMUNICATION Saia-Burgess Samsung Semiconductor Samtel Color SANMINA SC HELLA ELECTRONICS SCANFIL SCHIEBEL Antriebstechnik Schwaiger Schweers Intec Schweizer SCT SEIDEL ELEKTRONIK SELEX COMMUNICATIONS Sennheiser Electronic Sensopart Industriesensorik SensorDynamics SFO Technologies SG Automotive SGS TEKNIKS Shanghai Suoguang SHENZHEN FUTAIHONG PRECISION Shenzhen Huawei Communication Shimadzu SICK SICK STEGMANN Sieb und Meyer Siebe Appliance Controls Siegert Electronic Siemens Siemens VDO SIGMATEK SILVER INDUSTRIAL SIMEA SIRI POWER PRODUCTS SKF SkiData SKM ELECTRONIC SKP TECHNIK SMA Technologie SMILE ELECTRONICS SMT & Hybrid SMT SOLECTRON Sona Koyo Steering Systems SONCEBOZ Sony Sony Ericsson SORCUS COMPUTER SpaceControl Sporteye Austria & Technik in Form SRT Resistor Technology ST Microelectronics Stabil Produkt Steca STELLWAG & PARTNER STI ELIN Inverter STILL STMicroelectronics Stollmann E+V StreamUnlimited Strom telecom SUN Electronic Technologies SUN-ELECTRONICS SWAROVSKI & CO Swissbit Germany SysCom electronic SystIng Andreas Kunschke Taditel TATA CONSULTANCY SERVICES TB ING. CHR. OCHMANN TCL Mobile Communication Teba Elektronik tech2be Gründerzentrum Techfaith Intelligent Handset Techfaith Wireless TECHNOSERT Tecnomec Tecnotron Elektronik TECTRON TECWINGS Teleca Systems Teledyne Electronics Technologies TESLA Think dig High Tech THOMAS REITERER ELEKTRONIK ThyssenKrupp Aufzugswerke Titan Time Products Tommy-Invest TONFUNK TOPCALL International Tower Electronic Components TQ-Systems track IT TREICHEL Elektronik Tricumed Medizintechnik TRIDONIC Optoelectronics TridonicAtco Troll Elektronik TRW TT Electronic Manufacturing Systems TTC TELEKOMUNIKACE TTE TURCK Beierfeld TVS Electronics TYCO ELECTRONICS UAB KITRON U-Freight ULTRATRONIK UniControls United Tri-Tech VA TECH ELIN VA TECH SAT VALEO VARIOSYSTEMS vbe Kamm Vectron International VEGA Grieshaber VERTU VICOS Videoton Autoelektronika Videoton Holding VILLI glas VISHAY BCcomponents VOIGT ELECTRONIC Vossloh Information Technologies Vossloh-Schwabe Wahl-Optoparts WALTRON Electronic-Gerätebau WaveTronics WEHRLE AUTOELEKTRONIK WEISTECH TECHNOLOGY WEP PERIPHERALS WERMA Signaltechnik WERNER TURCK Westkuestensysteme Whirlpool Sweden Wild Elektronik und Kunststoff WILHELM RUTENBECK WimTec WINDHAGER Zentralheizung Wipotec Wittmann Kunststoffgeraete Wittronic WKK Technology WMA ENGINEERING WWSemicon ZAVT ZELISKO ZENTRO-ELEKTRIK ZIZALA Zollner Elektronik ZRÜST ZVK Zellner Verbindungskabel ZYDACRON

Vision/Mission

AT&S Delivers Success – more than a slogan: a promise

To ensure we keep this promise, all parts of the Group must work together in harmony, like the cogs in a finely-tuned machine. To achieve this, we are constantly working on refining our processes.

Success through performance

Our employees are crucial to the success of the Group. Their motivation, flexibility and knowledge are among the most important elements of the Group's overall performance. It is AT&S's task to create a working environment which permits the full potential of each individual to be realized.

Ethical aspects, such as strict respect for human rights, equality and non-discrimination, are of course fundamental, and the Group attaches great importance to safety and cleanliness in the workplace, as well as to employees' health and physical well-being.

AT&S aims to motivate its employees by setting ambitious targets for the business and defining individual objectives, while providing a progressive working atmosphere in which a team-based cross-functional approach contributes to breaking down the barriers of hierarchy.

We offer each of our employees a range of training and further education programs in order to promote their continuing development and enhance the group's skills. One-on-one feedback sessions and regular performance reviews are an essential part of the process.

We share success

Since we believe that top performances should be recognized and rewarded, AT&S allows its employees to participate in the Group's financial success by means of a profit-sharing scheme. AT&S Delivers Success – strong performance results in this promise being kept, which is also a major contribution to AT&S's longer-term prosperity.

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Statement of the Board of Management

Record sales of EUR 467m in financial 2006/07 and earnings per share of EUR 1.28 confirmed AT&S's expansion strategy.

Dear shareholders,

This annual report presents the financial statements for financial 2006/07, in which we continued to build on the successes of previous years. Sales of EUR 467.4m were up 25% on the previous year, and the highest in the Group's history. Earnings per share of EUR 1.28 underline AT&S's impressive profitability. It should be noted, too, that the trading environment for the printed circuit board industry was extremely challenging last year. Consumer markets were buoyant, with the mobile telephone market recording growth of about 19%, but the high-tech end of the market – our primary focus – experienced a short-term dip in demand. By the end of the financial year, however, the market for highly complex printed circuit boards had rallied significantly. As technology leader we are ideally positioned in this market segment.

The increase in the Group's profitability in this difficult operating climate is largely due to the excellent performance of the two plants in Shanghai, the second of which entered into service in August 2006. The improved year-on-year earnings in India and the positive start to the Group's new DCC/Trading and Design operations also made a useful contribution.

AT&S becomes total solutions provider

The gratifying growth of sales was primarily driven by the telecommunications sector, which with 60% accounted for by far the largest proportion of revenues. AT&S has a market share of 14% in this segment and its customer portfolio includes all the major mobile telephone manufacturers, with the exception of Samsung. None of our competitors in the industry can claim such a broadly based customer portfolio. Our philosophy is to apply our services to increase our customers' successes, which in turn contributes to our own. This is not only the correct approach in the telecommunications business, but is also being introduced in our other areas of business more and more frequently. It has guided the expansion of our activities in the industrial and medical technology sectors that are primarily served by our Austrian facilities: this area now accounts for some 21% of consolidated revenues, a total increase of more than 20% on last financial year. We are also extremely well positioned in the automotive sector, which is currently experiencing a noticeable trend towards HDI boards, a technology in which we have a decisive lead. A total of 9% of Group sales were accounted for by automotive customers.

Our additional services, DCC/Trading and Design, are increasingly important to us in our role as solutions provider: in 2006/07 they contributed 10% to Group revenues. This development clearly demonstrates that the new operations are a meaningful complement to our core business of manufacturing printed circuit boards.

Strong Asian line-up with sites in China, India and Korea

The trend towards relocation of mass production to Asia has been evident in the printed circuit board industry for several years now. Pressure on prices is making it more and more difficult for purely European companies to compete with Asian suppliers. At AT&S we identified this development early, and our plants in China, India and now Korea have given us an increasingly solid basis in Asia over recent years. The acquisition of our Korean subsidiary, Tofic, has not only provided an entry to the market for flexible printed circuit boards but has also enriched our customer portfolio, particularly with respect to Korean mobile telephone manufacturers. In this difficult market environment we are now in an ideal position in technological terms, and we also enjoy something of a unique position with production facilities on two continents.

The ramp-up of the second site in Shanghai in the summer of 2006 was achieved much earlier than expected and marks the continuation of our expansion strategy in Asia. The first line went into full production immediately, even though the ramp-up phase was scheduled and budgeted to last a minimum of six to eight weeks. In the meantime we have already implemented the second production line,

SYNAPS *by Javier Pérez Gil*

Serving customers from a single location is not consistent with a diversified and global corporate strategy. AT&S enjoys a unique position in the printed circuit board industry, with production facilities in Asia and Europe.

with the third planned for the coming financial year. Thanks to this faster ramp-up, the earnings position also improved most satisfactorily. The second plant in Shanghai consolidates our position as the largest Austrian investor in China. At about EUR 300m, AT&S Shanghai accounts for a significant proportion of all Austrian investment in China.

Austrian plants geared towards Europe's markets of the future

Our presence in Asia is increasingly vital, given that the Far East already accounts for around 70% of the global USD 45bn PCB market. Serving customers from a single location is however not consistent with a diversified and internationally aligned corporate strategy – from a risk perspective alone it could not be justified. More positively, successful interaction between regional strategies is of major importance. While the appeal of production in Asia lies in the low cost of mass production, in Western Europe the focus is on niche strategies, e.g., for the automotive, industrial and medical sectors, and on technologically highly advanced products for the telecommunications industry. That said, the potential and size of the European market should not be underestimated, as annual sales still amount to over USD 3bn. In this market environment our closeness to many of our customers, our all-round technical competence, quality and security of supply and our additional services – including one-stop-shopping, design solutions and supply chain expertise – are distinct advantages.

The necessary investments have been made over recent years to ensure that the Austrian facilities are properly positioned. As part of the relocation of the former Fohnsdorf plant to Leoben-Hinterberg, a total of EUR 13m was invested to prepare Leoben-Hinterberg for optimal production of prototypes and small batches in addition to HDI boards. What was once the Fohnsdorf operation now enjoys greatly improved conditions as a separate production unit, Special Products & Prototypes (SPP), supplying Europe's markets of the future in the industrial electronics sector. The change for the better is clearly reflected in significant improvements in performance in financial 2006/07. The year 2007 will see the Leoben-Hinterberg site celebrate its 25th anniversary, and we can be proud of everything that we have achieved here.

Investing in our future – research and development

In terms of technology, AT&S has for many years been synonymous with innovation and efficiency. We shall continue to invest heavily in research and development to defend our strong competitive advantage in the face of stiff competition from Asia, and to continue to extend our technological leadership. We are therefore extremely proud that our R&D efforts won us two different awards in 2006/07.

In October 2006 our research & development activities earned the Austrian Province of Styria's research prize for nanosciences and nanotechnology, and AT&S China won the 2006 Advanced Technology Foreign-Funded Enterprises Prize. These awards clearly show that AT&S already has a reputation for advanced technology and high value products in Asia as well as in Europe. Each new technology brings potential advantages to help AT&S master the challenges of the coming years.

Outlook for financial 2007/08

Forecasts reveal an unmistakable trend towards slimmer mobile phones and a higher proportion of 3G handsets. In light of these developments, we are confident that the demand for highly complex printed circuit boards will continue to grow in the future. There should be no doubt about AT&S's prospects for growth and its high earnings potential.

In the coming years we will maintain our focus on pushing ahead with our expansion strategy. We shall be looking to grow further, both organically and through carefully chosen acquisitions and joint ventures, and intend to become the world's most profitable and competitive solutions provider. The commissioning of the second plant in Shanghai in 2006/07 produced a renewed burst of growth. The purpose of the overseas operations is not to shift production out of Austria but to safeguard the long-term future of the domestic facilities by supporting them with suitable supplementary activities, while at the same time enhancing the Group's overall competitiveness. For a well positioned Group like AT&S, there will continue to be opportunities to gain additional market shares.

For financial 2007/08 we are forecasting sales in the range of EUR 540–550m, and earnings per share of between EUR 1.60 and EUR 1.70. Growth forecasts (sales up by more than 15%, earnings per share by about 30%) are based on purely organic growth, mainly at our Asian production facilities, and assume a stable EUR/USD exchange rate.

As always at the end of a financial year we would like to express our gratitude to everyone at AT&S. We would also like to thank all other stakeholders – our customers and suppliers, R&D partners and stockholders – for the confidence placed in us.

AT&S is looking to grow further, both organically and through carefully chosen acquisitions and joint ventures, and intends to become the world's most profitable and competitive solutions provider.

The Board of Management

Harald Sommerer
Chairman of the Board

Steen Hansen
Member of the Board

Heinz Moitzi
Member of the Board

The Board of Management

Harald Sommerer
Chairman

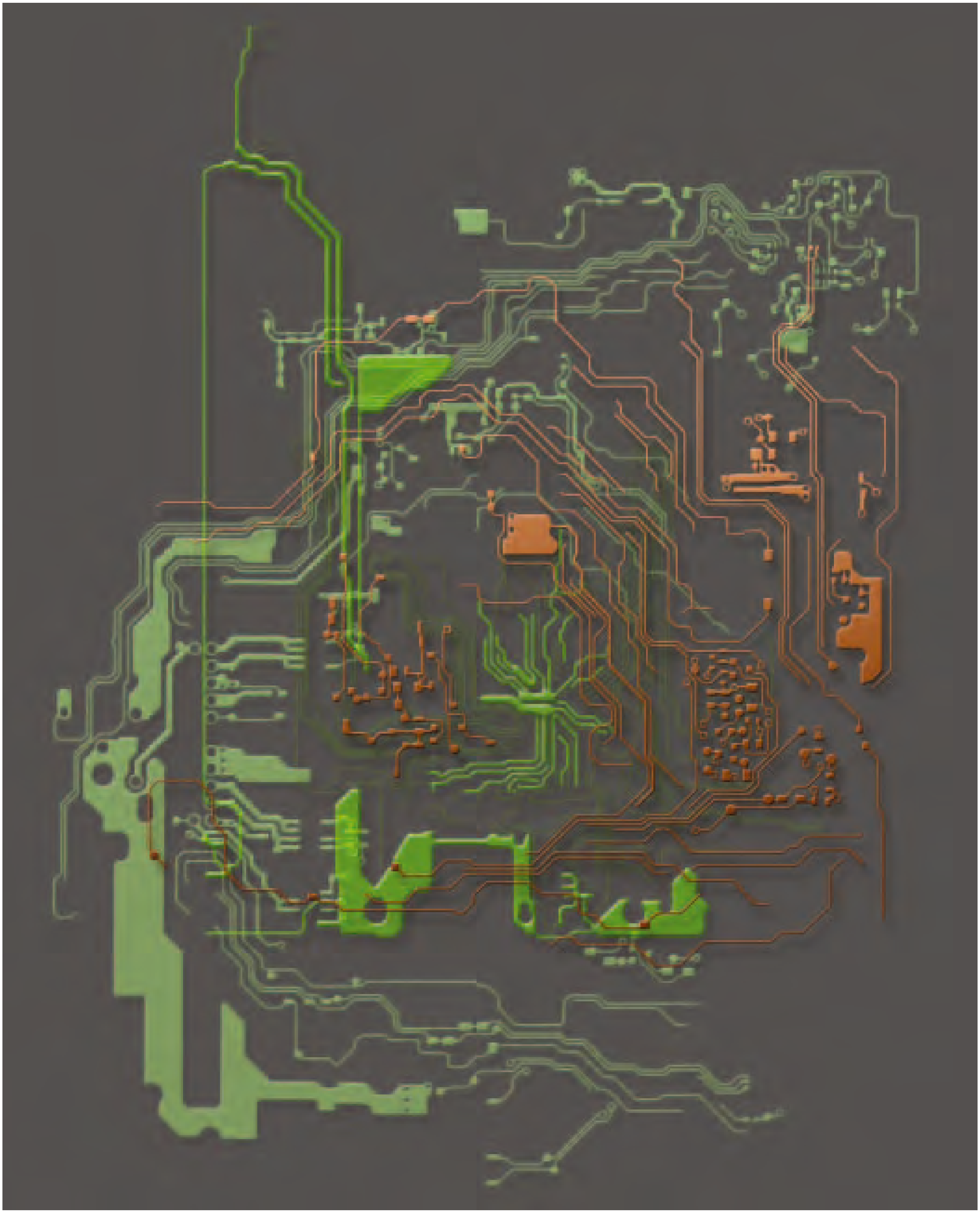
After completing a master's degree at Vienna University of Economics and Business Administration in 1990, Harald Sommerer obtained his doctorate with a thesis on "Financial innovations – opportunities for financial management in a volatile environment and the application of these instruments in Austria." He attended the Kellogg School of Management in Chicago from 1995 to 1997. Harald Sommerer began his career at the Creditanstalt banking group where he worked between 1991 and 1995, before moving to Bain & Company.
He joined AT&S as Chief Financial Officer in 1997, and in this position played a leading role in the IPO in 1999. Since 2005, Sommerer has been Chairman of the Board of Management, with responsibility for sales and marketing, communications, human resources, trading, strategy and business development, and Development Circuits and Components (DCC), a subsidiary.

Steen Hansen
Chief Financial Officer

Steen Hansen has had an international education, which includes a diploma from the Business School of Copenhagen (1981–1983) and a business diploma from the University of South Africa (1984–1988). He started his career at The East Asiatic Company in Denmark where he worked in an international capacity from 1979 to 1994. He then moved to Germany, where he was with Rasmussen & Schlötz (1994–1996), the ACO Group (1996–1999) and Roto Frank (1999–2003).
In 2004, he was appointed Chief Financial Officer at AT&S. He is responsible for finance, controlling, IT, tax, legal matters, internal audit, purchasing, order management, logistics, and supply chain development.

Heinz Moitzi
Chief Technical Officer

After completing the higher technical college of electrical engineering, Heinz Moitzi was technician in measurement engineering at the Leoben University of Mining and Metallurgy. He began his AT&S career back in 1981. Originally head of the mechanical engineering and electroplating departments, Heinz Moitzi was promoted to production manager and ultimately plant manager at Hinterberg. He was project manager and COO at AT&S Shanghai from 2001 to 2004, and was then appointed Vice President for Production. In 2005, Heinz Moitzi was appointed Chief Technical Officer. He is responsible for production, quality management, and research & development.



SYNAPS *by Javier Pérez Gil*

Interview with the Chairman of the Board of Management

AT&S's unwavering adherence to its expansion strategy in recent years means that today it can offer its customers a global service. AT&S's technology and quality leadership makes it a valuable partner.

Mr. Sommerer, what were the major milestones for you in the 2006/07 financial year?

There were a number of events in financial 2006/07 of key importance for the future of AT&S. The successful expansion in China and the ramp-up at the second plant in Shanghai are worthy of particular mention. We have also sharpened the focus on the integration of Tofic, which we acquired in 2005/06. With that company we acquired new customers for the AT&S Group and a new area of expertise, flexible printed circuit boards, on which we can build. In Austria the successful relocation of the Fohnsdorf facility is worthy of note, as is the turnaround in India. Overall, AT&S Group has significantly improved its performance in terms of supply accuracy, quality and flexibility – in line with our slogan, "AT&S delivers success."

Can AT&S continue to be successful as a European company serving the electronics industry? What action will AT&S take to ensure that it remains competitive?

AT&S is no longer a purely European company. We identified the trend early on and constructed facilities for volume production in Asia. The critical factor was that we accepted the reality of the situation, and took the necessary steps at the right time. The capacities available to us in India, China and South Korea enable us, as a Group with global operations, to provide our customers with the highest levels of service. But this does not mean that Europe will not continue to offer potential in the future. While the strategic realignment of the Austrian sites to focus on the remaining European niche markets is in some areas well advanced, it will continue to present AT&S with a challenge.

Where do you see AT&S's strengths and weaknesses?

Our unwavering adherence to our expansion strategy in recent years means that today we can offer our customers a global service. This – and our technological and quality leadership – makes us a valuable partner to our customers and suppliers. In a world of just-in-time supply, exact day delivery standards are increasingly important. And we are proud that here too AT&S has an outstanding reputation in the marketplace. In addition to these measurable criteria, our partnership attitude gives customers confidence in their security of supply and is another major contributory factor to the Group's success. AT&S is a financially robust business with a demonstrable willingness to invest in the future.

On the weaknesses side, I would have to say that we have yet to capitalize fully on all the potential available to us as a result of our greater size. With growth comes the need to improve efficiency in many areas. There are many projects underway which are designed to cut delivery times and increase the flexibility of our production operations.

What sets you apart from your competitors?

The strengths we talked about earlier put us in a position to steadily increase our market shares and acquire new customers. In the telecommunications business in particular we are proud to say that we have a broader based customer portfolio than any of our competitors.

AT&S's range of technologies and its design and assembly know-how, coupled with its supply chain management expertise, put it in the best possible position to provide its customers with attractive and value-for-money solutions.

AT&S has grown significantly in recent years. What are your plans for future growth?

We expect markets to continue to grow, but growth of the AT&S Group will outpace the markets, fueled by consolidation of the industry and technological advances. In financial 2007/08, growth will be driven by the newly constructed capacities in China. A number of further growth projects extending beyond the end of the year are currently in the planning stage.

This year you have improved the balance sheet structure – what are your objectives here?

Every business aims to reduce working capital to a minimum and to increase sales and earnings on the smallest possible capital base. On the financing side, we have consciously increased leverage by buying back shares to create a more advantageous capital structure.

In the run-up to Christmas there was increased demand for cheaper mobile phones. What impact did this have on AT&S? Will multi-purpose handsets continue their success in future?

AT&S is in a very strong position, especially at the high-tech end of the market, thanks to its technological leadership. Our share of the low-tech market, where margins are significantly tighter, is much lower. Which is why the swing to lower-priced mobile phones in the pre-Christmas period had a negative impact on our earnings. In the meantime there are clear indications that this was a short-term phenomenon and that the share of the mobile telephone market accounted for by handsets with highly complex printed circuit boards will increase significantly faster in future than the low-tech segment.

So are you satisfied with the annual results?

On balance, we are well pleased with our results. We posted year-on-year revenue gains of 25% and an increase in earnings of 11%. This was achieved despite the unfavorable sales mix in the last quarter, the energies invested in the India turnaround, our aggressive expansion in China and budgeted startup losses for the new factory in Korea. I believe we can all be proud of the fact that we managed to increase our earnings – notwithstanding these one-time costs, which are an investment in our future.

What are the goals for financial 2007/08?

For 2007/08 the aim is once again growth and higher earnings. We are currently aiming to expand sales to EUR 540–550m and advance earnings per share to between EUR 1.60 and EUR 1.70.

What developments have you observed in the industry? What are the challenges AT&S should be prepared to face in the coming years?

The fierce pressure on prices will continue to challenge the industry in the years to come. We will meet the challenge with increases in efficiency, and also by building up capacity in low-wage countries. But above all, we see the overwhelming logic of the trend towards total solutions providers. Our range of technologies and our design and assembly know-how, coupled with our supply chain management expertise, put us in the best possible position to provide our customers with attractive and value-for-money solutions to secure their and our own continued success.

SYNAPS *by Javier Pérez Gil*

Statement by the Chairman of the Supervisory Board

AT&S attaches great importance to global strategy. Interesting customers are not confined to the Far East – they can also be found in Europe and the USA. Thinking and operating globally are a must, not least in the interests of risk diversification.

With sales of EUR 467.4m and profits of EUR 31.3m, AT&S can once again look back on a highly successful financial year and be proud that it is still one of the most profitable manufacturers of printed circuit boards. AT&S benefits from its global strategy and its broadly based customer portfolio. Customers include multinationals operating in Asia, Europe and the USA, and also numerous smaller enterprises for whom AT&S manufactures prototypes and small batches.

Review of financial 2006/07

AT&S's policy is for its Austrian plants to specialize in profitable niche markets, such as the industrial and medical technology sectors, to enhance their ability to compete and to contribute to the Group's continued healthy and efficient growth. The past financial year has again confirmed the correctness of this approach. At the same time, the Group continued to pursue its expansion drive in Asia, the highlight being the successful ramp-up of the second plant in Shanghai, which had an extremely positive impact on consolidated earnings. AT&S now employs some 3,000 people in China and remains on course to meet its strategic aim of generating half of Group sales in Asia.

AT&S's performance in 2006/07 was affected by lower order books and a dip in capacity utilization for production of highly complex printed circuit boards in the run-up to Christmas. The result was that the Group did not fully achieve its profit targets. The latest demand forecasts for 2007/08 tell us that we can expect a return to high capacity utilization and a marked improvement in the product mix.

Global strategy confirmed as the correct decision

AT&S's international operations, with plants in China, India and Korea, will be of crucial importance if it is to defend its position as a leading European electronics company. Without these international interests AT&S would not be able to survive as a purely European – actually Austrian – enterprise in the long-term. Additional operations in the USA or Eastern Europe are also conceivable in future. Nonetheless, we should not forget that Asia, and in particular the Far East, currently represents about 70% of the global market for printed circuit boards, which is currently worth some USD 45bn. In contrast to suppliers based in Asia, AT&S pursues a global strategy. Interesting customers are not confined to the Far East; they can also be found in Europe and the USA. Not least in the interests of risk diversification, thinking and operating globally are a must.

AT&S's standing in European markets is improving: as a market leader, we benefit disproportionately from consolidation in the industry. Containing costs, absolute reliability as a supplier and the highest quality standards will however remain the priorities if AT&S is to continue to outclass its competitors. I am personally convinced that customers in Europe will continue to consider it important to have reliable European suppliers and not to succumb to tempting but potentially risky offers from Asia. Prices can indeed be lower, but the overall costs may be very expensive.

Outlook

In the years to come, growth will come not only from technological advances and qualitative improvements in mobile telephony and navigation systems but also from opening up new markets. The global market for printed circuit boards currently amounts to over USD 45bn and has by no means reached its full potential.

AT&S is the largest manufacturer of printed circuit boards and technology leader in Europe and India. The aim is to defend and extend this position. Long term, this will depend on a more business-friendly environment in Europe and the elimination of bureaucratic red tape and regulatory obstacles. However, I am confident that AT&S will succeed not just in becoming the world's most competitive manufacturer of printed circuit boards but also in developing into a significantly larger and more profitable business – provided that it is relentless in the pursuit of its expansion and rationalization strategy.

During the past financial year the Supervisory Board held four ordinary meetings, at which the Company's business objectives and the actions needed to attain them were discussed in full detail with the Board of Management.

In 2006/07 the Company again complied in all respects with the German Corporate Governance Code and Corporate Governance Declaration. A statement to this effect is posted on the corporate website.

The annual financial statements and management report of Austria Technologie & Systemtechnik Aktiengesellschaft (AT&S) for financial 2006/07 were audited by PWC Wirtschaftsprüfung AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, Austria, who awarded them an unqualified audit certificate.

Finally, I should like to say a special word of thanks to the Board of Management and the staff for their outstanding performance, and to the employee representatives for the exemplary spirit of cooperation shown.

Vienna, May 2007
The Supervisory Board

Hannes Androsch
Chairman of the Supervisory Board

AT&S will succeed in becoming the world's most competitive manufacturer of printed circuit boards – provided it is relentless in pursuit of expansion and increased efficiency.

Corporate Governance

AT&S considers itself duty and honor bound to adhere strictly to all corporate governance rules: these are the cornerstones of shareholder confidence in proper management and control of the business.

Corporate governance as the basis of fair and responsible management

As a stock exchange listed company, AT&S has explicitly committed itself to fair and responsible management and the greatest possible transparency – in the interests of investors and other members of the financial community. It has underlined its commitment by adopting the German Corporate Governance Code and by signing the even more detailed German Corporate Governance Declaration, committing itself voluntarily to compliance with all the "shall" recommendations as well as certain "should" suggestions of the Code. In addition, AT&S has voluntarily drawn up internal insider rules and guidelines, with which all AT&S staff have to comply, and has posted these on its website.

Strict adherence by AT&S to all corporate governance rules

The Board of Management and the Supervisory Board declare that all corporate governance rules have been complied with in full during the past financial year, and will continue to be so in future. In particular:

- Board of Management and Supervisory Board: the Board of Management works in close cooperation with the Supervisory Board to further the best interests of the Group.
- Compensation of Board of Management: The compensation of the Board of Management comprises both fixed and variable components, the latter consisting of stock options based on economic value added (EVA). More details of Board of Management compensation are shown on page 101 et seq. of the notes to the consolidated financial statements.
- Compensation of the Supervisory Board: The members of the Supervisory Board receive both fixed and performance related compensation. AT&S has undertaken to disclose the compensation of individual members of the Supervisory Board, together with all benefits granted for services as consultants or agents. Details of Supervisory Board compensation are shown on page 102 of the notes to the consolidated financial statements.
- Directors' dealings: Pursuant to section 15a German Securities Trading Act (WpHG), purchases and sales of shares in the Company by members of Management and Supervisory Boards are immediately reported in writing to the Federal Financial Supervisory Authority (BaFin) and posted on the internet. Details of directors' holdings and dealings for financial 2006/07 are shown on page 22.
- Annual General Meeting: The Annual General Meeting is transmitted live on the internet. AT&S cooperates with the Austrian Shareholder Association (IVA) to give AT&S shareholders the opportunity to exercise their votes online via proxies.

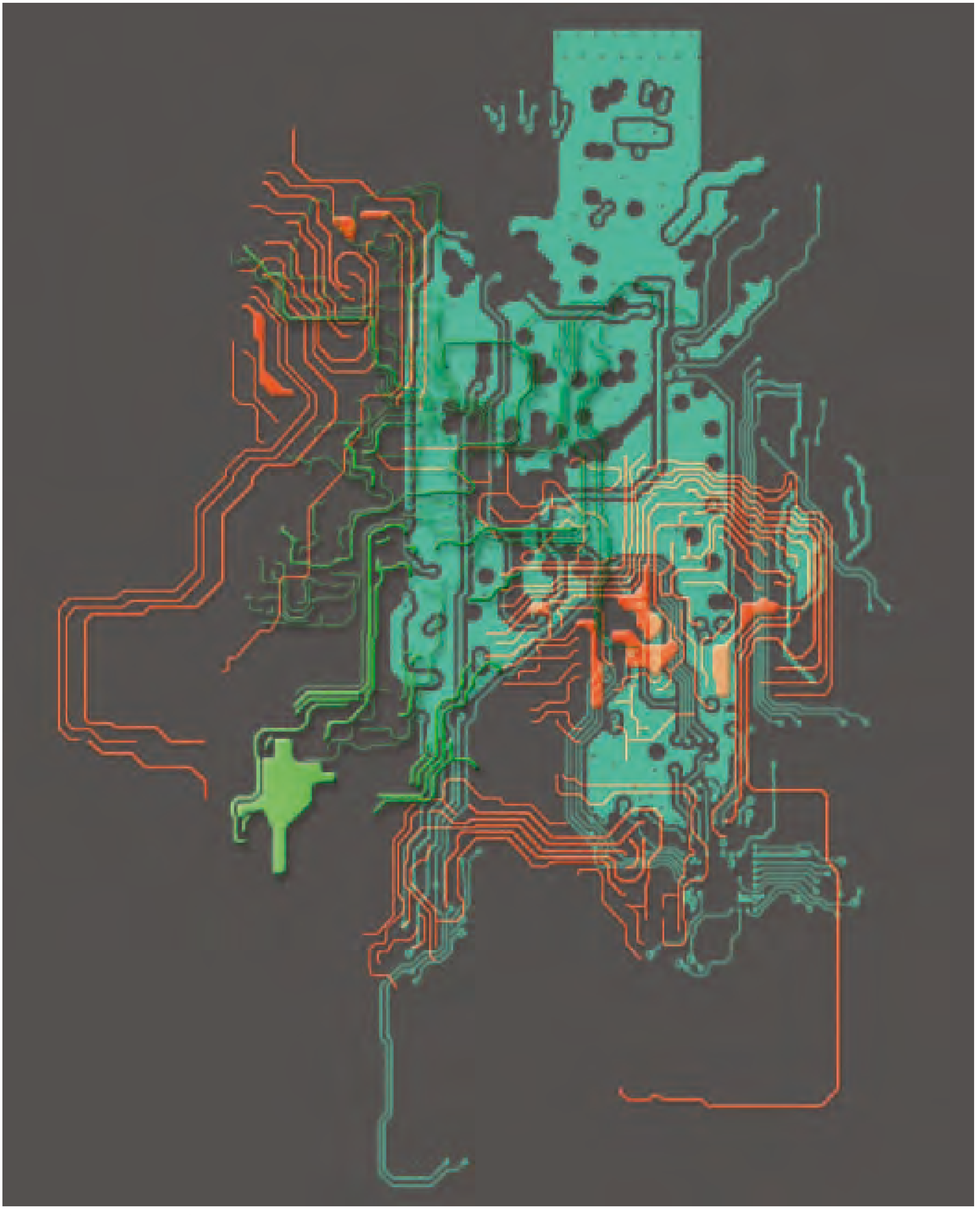
Corporate governance reinforcing shareholder confidence

AT&S sees strict compliance with corporate governance rules as an important element in providing the Group with responsible management and control, and as a means of building confidence with all its stakeholders – such as investors in Austria and internationally, customers, employees, media representatives and the general public.

Although AT&S has set an impressive example of best practice by signing the Declaration on Corporate Governance, Management will continue to work to improve the Company's standards of corporate governance and transparency, thereby enhancing the attractiveness of its stock for international investors.

Code of Business Ethics – clear guidelines for ethical and socially responsible behavior

In addition to the principles of Corporate Governance, AT&S has published a Code of Business Ethics which contains clear and simple guidelines for ethical and socially responsible behavior by the Group in all business contexts. The Code applies to all AT&S activities worldwide, and employees are expected to observe it at all times in their day-to-day work. The Group's basic rules governing compliance and insider information, and its environmental protection policies, are also detailed here.



SYNAPS *by Javier Pérez Gil*

Directors' Holdings and Dealings

	SHARES				OPTIONS			
	Holdings March 31, 2006	Change	Holdings March 31, 2007	% capital	Holdings March 31, 2006	Change	Holdings March 31, 2007	Average strike price
Harald Sommerer [1]	37,500	2,500	40,000	0.15%	132,000	0	132,000	€ 15.52
H.S. Private Foundation	77,100	23,500	100,600	0.39%				
Total – Sommerer	114,600		140,600	0.54%				
Steen Hansen [2]	0		0	0.00%	60,000	24,000	84,000	€ 16.75
Heinz Moitzi [3]	1,672		1,672	0.01%	30,000	30,000	60,000	€ 16.73
Hannes Androsch	445,853		445,853	1.72%				
Androsch Private Foundation	5,570,666		5,570,666	21.51%				
Total – Androsch	6,016,519		6,016,519	23.23%				
Willibald Dörflinger	0		0	0.00%				
Dörflinger Private Foundation	5,574,688	(1,000,000)	4,574,688	17.66%				
Total – Dörflinger	5,574,688		4,574,688	17.66%				
Erich Schwarzbichler	0		0	0.00%				
Georg Riedl	19,290	(10,000)	9,290	0.04%				
Albert Hochleitner	0		0	0.00%				
Karl Fink	0		0	0.00%				
Markus Schumy	0		0	0.00%				
Johann Fuchs	4		4	0.00%				
Gerhard Fürstler	50	(49)	1	0.00%				
Maximilian Sommerer	2,500		2,500	0.01%				
Niklas Sommerer	2,500		2,500	0.01%				
Clemens Sommerer	2,500		2,500	0.01%				
Total – directors holdings and dealings	**11,734,323**	**(984,049)**	**10,750,274**	**41.51%**	**222,000**	**54,000**	**276,000**	
Own shares [4] [5] [6]	2,158,180	203,771	2,361,951	9.12%				
Other shares in issue	14,107,497		12,787,775	49.37%				
Total [5]	**28,000,000**	**(2,100,000)**	**25,900,000**	**100.00%**	**222,000**	**54,000**	**276,000**	

1) Options (according to Stock Option Plan): new allocation of 40,000 stock options on April 1, 2006, (seventh allocation). From July through September 2006, 50% of the options from the third allocation of April 1, 2002, 30% of the options from the fourth allocation of April 1, 2003, and 20% of the options from the fifth allocation of April 1, 2004, matured, making a total of 40,000 stock options.
2) Options (according to Stock Option Plan): allocation of 30,000 stock options on April 1, 2006, (third allocation). From July through September 2006, 20% of the options from the first allocation of April 1, 2004, matured, making a total of 6,000 stock options.
3) Options (according to Stock Option Plan): allocation of 30,000 stock options on April 1, 2006, (second allocation).
4) The nominal value of treasury stock at March 31, 2007, was EUR 2,598,146.
5) Cancellation of 2.1 million treasury shares on May 3, 2006, and consequent reduction in issued capital to 25.9 million shares.
6) Resumption of share repurchase program as of May 15, 2006. Treasury stock is acquired for the purpose of meeting obligations under employee participation and stock options schemes, and for possible acquisitions.

AT&S Stock

Transparency, timeliness and equal treatment of all investors is the paramount goal

The goal of AT&S Investor Relations is to provide its investors and other market participants with up-to-date information simultaneously and transparently, in order to strengthen and increase the confidence that its investors and the financial community have in the Group. Communication channels are tailored to each individual target group – private and institutional investors, analysts, and the general public.

The AT&S website, www.ats.net, acts as a central information platform, where the Group's publications, its stock exchange announcements, the current share price and investment banks' reports and recommendations are available for download 24 hours a day. Press conferences to announce the quarterly results are broadcast live over the internet, as is the Annual General Meeting, at which AT&S in cooperation with a recognized shareholder association provides proxy voting arrangements for its shareholders.

Key importance of personal communications

Even the highest quality internet presence is no substitute for personal contact with investors and analysts: during financial 2006/07 AT&S once again organized numerous roadshows – in Paris, London, New York and Montreal, and in major financial centers in Germany and Northern Europe – in order to strengthen relationships with institutional investors and make new contacts. There were major investor conferences in Austria and Germany, and the Group was again represented at Vienna's *Gewinnmesse*, an investor oriented trade fair. When quarterly results are published, Management arranges conference calls with the investment banks that publish research reports on AT&S to ensure that close contacts are maintained. AT&S's annual Analysts Day took place in November 2006, when the main focus was on the Group's strategic goals and technological developments.

Stock price in financial 2006/07

AT&S's shares have been quoted on the Frankfurt Stock Exchange since 1999, and since March 2003 the stock forms part of the technology sector index, TecDax. Especially in the second and third quarters, the stock price performed extremely satisfactorily, putting on around 40% over the first nine months. The intraday high of EUR 23.80 on January 9, 2007, was the highest the stock had traded for more than five years. However, the price received a setback following the profits warning on January 10, 2007: there was unexpected capacity underutilization, and the Christmas trade failed to meet expectations. At the end of the financial year the stock price stood at EUR 19.40, a gain of 17% compared with a year earlier, which roughly matched the performance of the TecDax. Longer term, the performance of AT&S stock is very satisfactory: an increase of 150% over the last four years (2003–2007).

In terms of liquidity, the stock's performance during the last financial year was excellent: an average of 92,441 shares daily traded, with a value of EUR 1,743,537, which was more than double last year's volume.

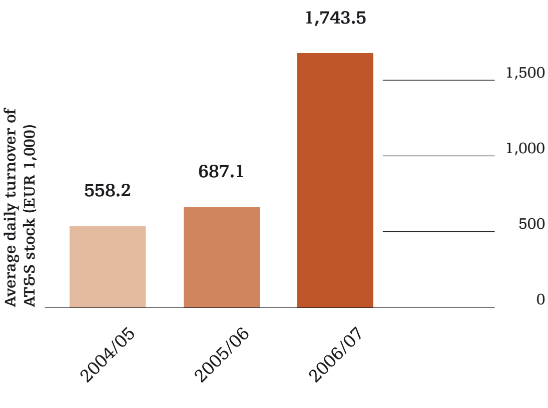
AT&S's position in the TecDax has been significantly strengthened: it ranked 22nd in terms of liquidity and 31st in terms of market capitalization.

AT&S share flying high – in 2006/07 AT&S stock recorded gains of 17%, and liquidity more than doubled.

In light of excellent performance and good growth prospects for coming years, AT&S management is proposing an increase in the dividend to EUR 0.31.

AT&S compared with TecDax and Nasdaq Composite

Liquidity



AT&S share – overview

	2006/07	2005/06	2004/05
High	€ 23.80	€ 18.06	€ 16.38
Low	€ 13.73	€ 10.55	€ 11.50
Year end close (March 31)	€ 19.40	€ 16.79	€ 11.80
Average daily volume (shares traded)	92,441	45,943	39,450
Average daily volume (EUR)	1,743,537	687,064	558,223

Dividends

AT&S bases its dividend policy on cash earnings. On the basis of the financial year's outstanding business performance and the prospects of continuing growth in the coming years, the Board of Management will recommend to the Annual General Meeting for financial 2006/07 a dividend of EUR 0.31 per share on the shares in issue. This will be the highest dividend in the history of AT&S.

Share repurchase program

Following the cancellation of 2.1 million treasury shares on May 3, 2006, and the consequent reduction in issued capital to 25.9 million shares, the Board of Management resumed its share repurchase program on May 15, 2006. The relevant resolution of the 12th Annual General Meeting authorizes the repurchase of up to 10% of the issued share capital (2.59 million shares) before January 4, 2008. At March 31, 2007, AT&S held 2.36 million shares, representing 9.12% of the issued share capital.

These measures form part of AT&S's longer-term strategy to optimize the balance sheet structure of the Group and to give investors a greater share in the Group's success.

Total shareholder return of 19% in financial 2006/07

The total shareholder return, which includes both the dividends paid out and the increase in the market price of the stock, shows the owners' total return: it was approximately 19% in financial 2006/07. The total shareholder return since stock market listing amounted to 58%.

Award for AT&S's financial communications

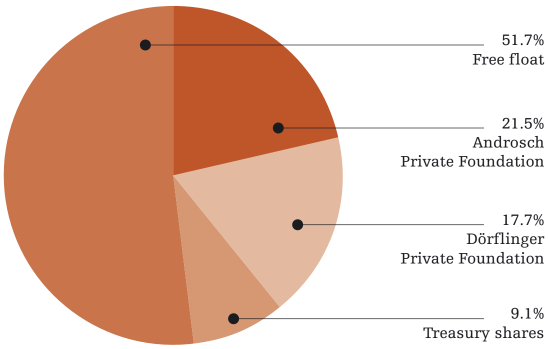
AT&S's financial communications achieved a notable success in 2006: it received the prestigious investor relations prize, awarded by the periodical *Capital* in conjunction with the Society of Investment Professionals in Germany (DVFA), with top ranking in the TecDax.

Outstanding research coverage

The number of analysts covering AT&S is exceptional in comparison with both the rest of the TecDax and other Austrian enterprises of similar size. During the past financial year another world-leading investment bank, Deutsche Bank, included AT&S in its research coverage. In 2006/07 a total of ten banks regularly issued investment analyses on AT&S.

In 2006/07, the following analysts published research reports on AT&S:
– Bank Austria/Creditanstalt: Alexander Hodosi
– Berenberg Bank: Tobias Fahrenholz
– Citigroup Smith Barney: Robin Nazarzadeh
– Deutsche Bank: Uwe Schupp
– DZ Bank: Adrian Pehl
– Erste Bank: Andras Szalkai
– Landesbank Baden-Württemberg: Stephan Wittwer
– Raiffeisen Centrobank: Leopold Salcher
– Sal. Oppenheim: Nicolas von Stackelberg
– WestLB: Thomas Langer

Shareholdings



AT&S stock

Security ID number	922230
ISIN code	AT0000969985
Frankfurt Stock Exchange symbol	AUS
Reuters RIC	ATSV.DE
Bloomberg	AUS:GR

Financial calendar

13th Annual General Meeting	July 3, 2007
Dividend pay date	July 25, 2007
Quarter 1 2007/08	July 26, 2007
Quarter 2 2007/08	October 24, 2007
Quarter 3 2007/08	January 24, 2008
Annual results 2007/08	May 14, 2008

Investor Relations

Hans Lang
Tel: +43 1 68 300-9259
E-Mail: ir@ats.net

Total shareholder return of 19% in financial 2006/07, 58% since initial listing.

AT&S Worldwide

With plants in Austria, China, India and Korea and numerous international sales offices, AT&S has a global presence and is capable of supplying its customers anywhere in the world.

Members of the Supervisory Board

Hannes Androsch *Chairman of the Supervisory Board*
Willi Dörflinger *Deputy Chairman of the Supervisory Board*
Erich Schwarzbichler *Deputy Chairman of the Supervisory Board*
Karl Fink *Member of the Supervisory Board*
Albert Hochleitner *Member of the Supervisory Board*
Georg Riedl *Member of the Supervisory Board*
Johann Fuchs *Works Council delegate*
Gerhard Fürstler *Works Council delegate*
Markus Schumy *Works Council delegate*

Group companies

- AT&S Austria Technologie & Systemtechnik AG
- AT&S Asia Pacific Ltd
- AT&S China Company Ltd
- AT&S Deutschland GmbH
- AT&S Display Systems Entwicklung & Produktion GmbH
- AT&S ECAD Technologies Pvt. Ltd.
- AT&S India Private Ltd
- AT&S Italia Srl
- AT&S Japan KK
- AT&S Klagenfurt Leiterplatten GmbH
- AT&S Scandinavia AB
- AT&S Verwaltungs GmbH & Co KG
- C2C Technologie für Leiterplatten GmbH
- DCC Development Circuits & Components GmbH
- IS Industrie-Service Dienstleistungs GmbH
- Tofic Co. Ltd.

Locations

Leoben / Austria
Fehring / Austria
Klagenfurt / Austria
Shanghai / China
Nanjangud / India
Ansan / Korea

Sales and distribution offices

Australia	Hungary
Austria	India
China	Ireland
Czech Republic	Japan
France	South Korea
Germany	Spain
Hong Kong	USA

Group Profile and Strategy

AT&S is a highly successful solutions supplier to the telecommunications, automotive, industrial and medical technologies sectors. The strategic goal is to become the best-performing provider of interconnection applications worldwide.

Market leader in Europe and India, one of the leading manufacturers of printed circuit boards worldwide

Austria's AT&S Group is market leader in Europe and India, and ranks among the world's largest and technologically most advanced producers of printed circuit boards. AT&S manufactures over 300 million circuit boards a year. The Group is outstandingly well positioned in the highest tech segment, HDI microvia technology, which is primarily used in handheld applications but also increasingly in medical technology and the automotive sector. Almost every fourth mobile phone in Europe is equipped with printed circuit boards made by AT&S, and the Group's worldwide market share is currently around 14%. AT&S is equally successful in industrial and medical technology, and supplies more than 10% of all PCBs used in automobiles produced in Europe.

AT&S's customer portfolio includes multinational suppliers such as Nokia, Motorola, Research In Motion (RIM), BenQ-Siemens, Sony-Ericsson, Hella, Valeo, Philips, Siemens VDO and General Electric, and smaller companies for whom the Group produces prototypes and small batches.

Outstanding position as global player

With about 5,500 employees at its facilities in Austria (Leoben, Fehring, Klagenfurt), India (Nanjangud), China (Shanghai) and Korea (Ansan), its procurement and distribution company in Hong Kong, its own design center in Bangalore (India) and Nörvenich (Germany) and numerous international sales offices, AT&S has a truly global presence and is capable of supplying its customers anywhere in the world. The Group's objective with this production and distribution structure is to be able to provide every customer, no matter what its size, with completely individualized service.

The strategic aim – best performing global provider of interconnection applications

AT&S's business philosophy gives prominence to the total cost leadership approach. This approach looks beyond pure price considerations, extending to aspects such as quality, reliability, efficiency and services: the aim is to produce an end product of the highest possible quality at the lowest possible cost.

A combination of adhering strictly to this approach and constantly optimizing operating processes has enabled AT&S to record uninterrupted profits over recent years and to generate the resources needed for continuation of the Group's strategy with its associated capital investments.

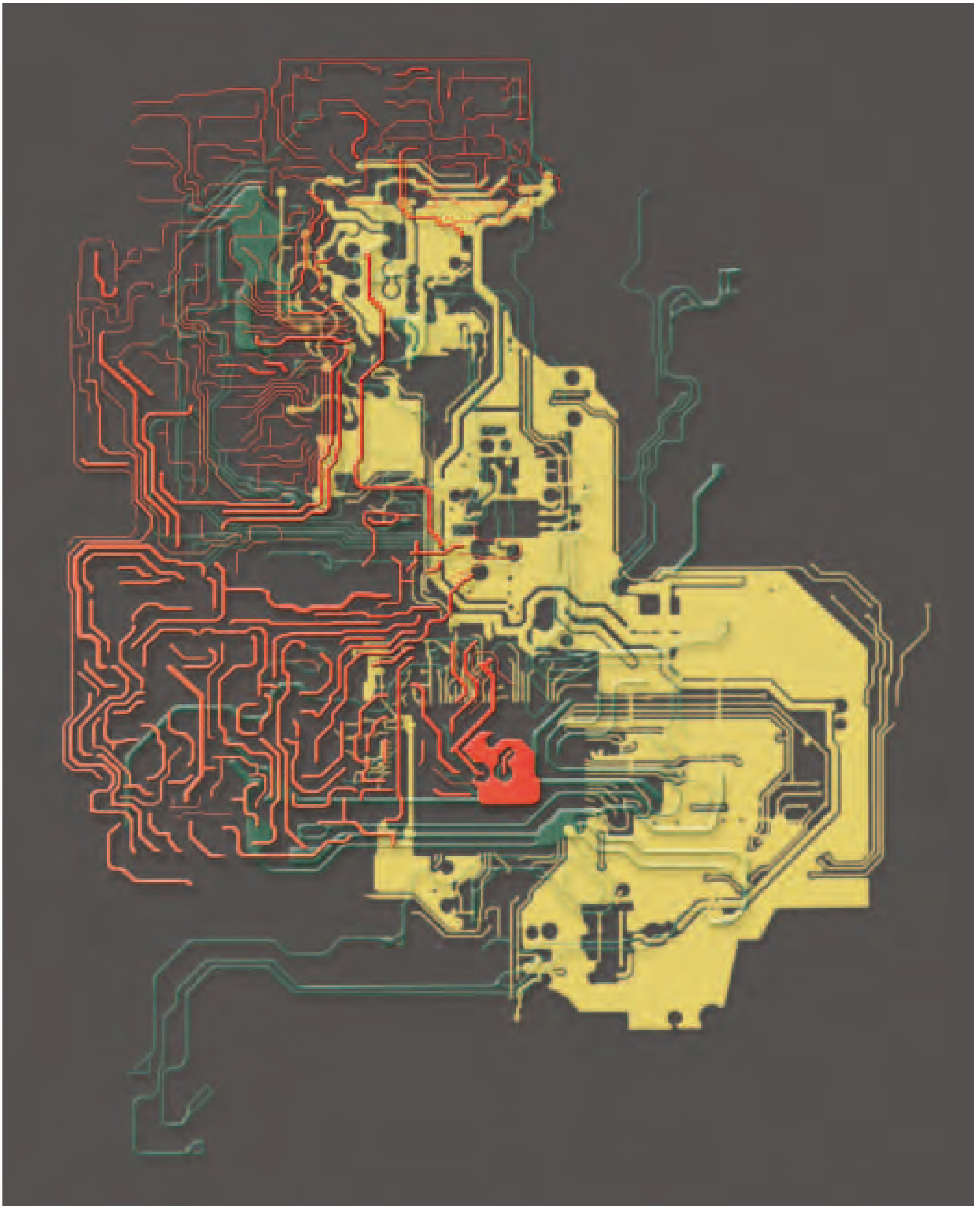
It is AT&S's declared goal to further extend its role as a technology pioneer, to drive the Group's growth forward and – as a global player – to be the world's strongest-performing producer of interconnection applications.

Record results testify to successful policy of sustainable growth

In 2006/07 AT&S's sales revenues of EUR 467.4m were the highest in the Group's history, outperforming the total for the previous year by 25%. For 2007/08, Management is forecasting revenues in the range of EUR 540–550m: AT&S is well on the way to achieving its strategic targets.

Inclusion in TecDax index of technology shares

AT&S stock was first listed on the Frankfurt Stock Exchange in 1999 and has been included in the TecDax index of technology shares since March 2003.



SYNAPS *by Javier Pérez Gil*

Sales & Marketing

AT&S's first priority in all its activities is an uncompromising focus on the customers' needs. The key to successful customer relationships is a long-term approach to partnership.

Our mission: our customers' success

In the final analysis, our customers' success is a major part of AT&S's success: the Group's first priority in all its activities is therefore an uncompromising focus on the customers' needs. With the increasing complexity of the final product, it becomes all the more important to understand the customers' wishes extremely well in order to be able to meet their requirements. AT&S provides custom-tailored, cost-optimized solutions employing a broad range of technologies and services to help its customers achieve ever greater successes.

Our partnership approach: the key to success

The key to successful customer relationships is a long-term approach to partnerships, which require constant nurturing. The only remaining way in which enterprises in the printed circuit board industry today can differentiate themselves from their competitors is by working very closely with customers and providing products and ancillary services specifically customized to their requirements. AT&S's customer-focused teams are constantly working to reconcile technical challenges and customer requirements and to couple them with the necessary additional services. The objective is to deliver better products and services, to ensure that product quality is of the highest and that overall performance is optimally efficient. AT&S currently supplies some 450–500 customers: in future it intends to focus even more closely on existing core customers and to provide them with even better service.

In financial 2006/07 AT&S once again received a number of awards for outstanding performance – at the Sony-Ericsson supplier day in Beijing it was the only printed circuit board manufacturer to be awarded the Supplier Recognition Award.

Areas of expertise: success means understanding the requirements

As a growing international enterprise, AT&S meets the requirements of its customers globally through its worldwide distribution and service network. Its product portfolio includes a range of different telecommunications and handheld applications, automotive applications and industrial and medical technology products.

AT&S Telecom

In the telecom/handheld industry, AT&S has established itself as the technology partner of choice for many of the most famous names, and now enjoys a 14% share of the global market. The core products in the portfolio are based on HDI microvia technology and are used in mobile telephones, PDAs, digital cameras, and portable music players, etc. In the coming years the challenge will come from continuing miniaturization and the growing complexity of the products, together with the new modular architecture of the applications. As technology leader, AT&S is optimally positioned to benefit from future opportunities.

AT&S Industrial

AT&S has sharpened its focus on profitable niche markets in medicine, measurement and control engineering, industrial electronics, and defense and aerospace with the aim of safeguarding the future of the Austrian facilities. The focus is principally on HDI microvia technology, and on flexible or multi-layer PCBs. AT&S is also working on ongoing improvement and development of new production processes and on major development projects, such as printed circuit boards with integrated resistances and capacitors.

AT&S Automotive

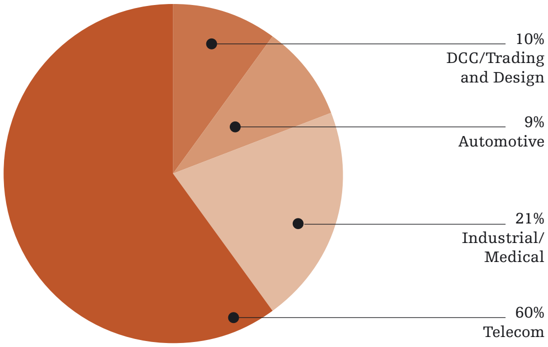
AT&S is equally skilled and as much in demand as a partner for electromechanical interconnects in the automobile industry. In its European target market it has already established itself with a market share of 13%. In addition to standard, flexible and rigid-flexible printed circuit boards, there is an increasing trend here towards HDI microvia and special technologies such as IMS (Intermetallic Substrate) for LED applications.

Additional services: our services are a major contribution to our customers' success

In addition to the development and manufacture of printed circuit boards, as a total service provider AT&S offers its customers a range of additional services, including design, the population of circuit boards, specialized prototype development and express services.

Sales by industry

The telecom's share of total sales in financial 2006/07 was a dominant 60%. Industrial customer business grew by a total of more than 20% compared with last financial year, and generated 21% of revenues in 2006/07. The automotive segment contributed 9% and the balance of 10% was made up of additional services supplied by DCC and Design. In future AT&S will continue to focus on market and customer requirements and ongoing technological development of products and processes as the means to continuing growth.



AT&S has established itself as a technology partner to the telecommunications, automotive, industrial and medical technologies sectors. Value-added services are a major contribution to our customers' success.

Staff

In 2006/07 AT&S employed a total of 5,500 people – more than ever before. Their motivation and skills are a critical success factor in achieving a global competitive advantage.

Highly motivated and skilled employees are the key to success

One of the key factors behind AT&S's success as an innovator in the high-tech sector is the expertise and enthusiasm of its employees. It is their ideas, motivation and energy that help us translate our "AT&S delivers success" slogan into reality. In return, we provide our employees with a modern and innovative working environment, international career opportunities and customized training programs.

A transparent, performance-related pay system encourages entrepreneurial thinking and behavior on the part of AT&S employees. Beginning with financial 2006/07, AT&S has changed its profit participation and bonus schemes so that they are now based exclusively on the financial performance of the Group as a whole. For employees there is now a direct link between the profitability of the enterprise and their personal income. Regular market surveys are used to ensure that AT&S's compensation levels are attractive and competitive compared with the relevant market.

A Stock Option Plan in which 15 senior executives participate serves to ensure that management attitudes are aligned with shareholder interests.

Global presence offers international career prospects

AT&S's international presence offers staff numerous career opportunities in Austria and internationally. Movement between different locations is strongly encouraged, particularly in the interest of the continuing development of the Group's Asian operations. In this region of rapid economic growth, there are currently almost 40 employees seconded to AT&S companies with a variety of challenging responsibilities.

International focus in training and education

AT&S's global structure requires the integration of diverse cultures and regionally differentiated management approaches. The ongoing exchange of experience internationally and the transfer of know-how between our various locations play a major role in promoting closer links. English language training helps simplify and encourage the process and is actively supported throughout the Group, and there are a growing number of seminars and workshops aimed at increasing intercultural awareness and skills.

International training and education programs in the past financial year were largely focused on the areas of relevance to the further expansion of the Shanghai facilities. Targeted staff development activities in India have enabled AT&S to strengthen the local team to the point that the number of expatriates could be progressively reduced. At the Group's newest subsidiary in Korea, Tofic, AT&S has strongly promoted training and language courses locally, to ensure that the company is properly integrated into the existing corporate structure and to facilitate the transfer of technical knowledge at the operative level.

As in past years, the Group continues to attach great importance to training and further education in its European locations in order to develop the potential of its employees and maintain the existing high level of skills and expertise. In addition to the essential technical training, AT&S emphasizes the core importance of management education.

Further increase in headcount – around 5,500 employees worldwide

At the end of the financial year AT&S employed a total of 5,464 people (including agency workers), more than ever before. The number of employees in Europe, 2,152, was more or less the same as last year. With the acquisition of Tofic and the commissioning of the second plant in Shanghai the number of employees in Asia had risen to 3,312, an increase of 43%. The average headcount for 2006/07 was 5,359.

SYNAPS *by Javier Pérez Gil*

Research & Development

In terms of technology, AT&S is synonymous with innovation and efficiency. AT&S takes selective account of current developments and invests heavily in R&D so that it can continue to expand its market share.

Leading edge research and development for future interconnection technologies

Research and development (R&D) at AT&S is the driving force behind the identification of new technological options for interconnection solutions. These consist on the one hand of optimized versions of current processes and materials and their implementation in production, and on the other of novel technologies to revolutionize the production of circuit boards. These technologies have first to be identified and then developed.

Research focuses in financial 2006/07

The research objectives for financial 2006/07 were selected with specific customer requirements in mind. The project portfolio is made up of longer-term technology development projects, such as optical data transmission inside the circuit board or rigid-flexible HDI solutions, and short-term optimization projects.

Core research themes last year were:

- evaluation of new manufacturing processes, including prototype production and support in pre-series production,
- evaluation of existing materials in new processes and evaluation of new materials,
- integration of active and passive construction elements in the board, e.g., resistors embedded on inner layers of PCBs and the embedding of capacitors,
- development of flexible interconnection solutions.

These core themes were the subject of cross-cutting research by the four AT&S competence centers – Processes, Materials, New Technologies and Laboratory.

Distinctions for AT&S research and development

AT&S was awarded two prizes for excellence in R&D in financial 2006/07. In October 2006 it received the Austrian Province of Styria's research prize for nanosciences and nanotechnology. The award was for the two-photon absorption structuring process with which optical wave guides can be incorporated in polymers, i.e., circuit boards. The development of an optic demonstrator has made digital transfers of up to four gigabits possible, and the technology represents a potential competitive advantage for AT&S in the coming years.

In addition, AT&S China received the 2006 Advanced Technology Foreign-Funded Enterprises Prize awarded by the Shanghai Foreign Investment Commission.

International research network

In order to drive technological development forward, AT&S maintains a research center in Leoben-Hinterberg and a laboratory at the Shanghai site that specializes in materials evaluation and benchmarking. The Group also has its international R&D network and cooperates with a number of research laboratories in Austria (e.g., the Kplus Centers in Leoben and Wiener Neustadt, or the Christian Doppler Laboratories in Graz and at Vienna's Technical University). Collaborative arrangements in China have been initiated, with the aim of supporting AT&S research and development and complementing its activities in Europe.

Future technological trends

PCBs for mobile applications are following an established path towards ever more complex wiring, smaller and thinner structures, and the support of more highly integrated semiconductor construction elements. At the same time, there is already an identifiable tendency for printed circuit boards to evolve away from simple interconnection applications towards "intelligent" active components in electronic systems. Research activities at AT&S take selective account of current developments and are therefore an essential component of the Group's continuing success.

Integrated Quality, Environmental and Health & Safety Management

AT&S has bundled quality, environmental and health & safety issues together in an integrated management system, so as to be able to document the relevance of these factors for external purposes as well. Taking advantages of synergies and sharing resources makes for leaner and more efficient management than with separate, independent systems.

Financial 2006/07 was a year of major challenges in quality and environmental management.

Quality management – critical success factor in printed circuit board production

Highly complex PCB series are generally tailored to customers' individual requirements. A wide variety of technical competence is required in order to be able to meet customers' needs. In turn, the technical skills and expertise need to be combined with a seamless, smoothly functioning system of preventive quality management and subsequent corrective quality management. For top quality customer service, proactive, state-of-the-art technical support from the outset is essential, and the quality of the Group's service must continue to be extended and improved. In 2006/07 the excellent quality of AT&S products and its outstanding customer service received recognition in the form of several awards by industry leaders. Major new customers have also been acquired in Japan, a market famous for the dominance of quality considerations.

Certification at the highest level

AT&S's integrated, certified quality, environmental and health & safety management system not only ensures that customer requirements are met but also contributes to economical use of available resources. The Group's successful recertification to the highest standards in all three areas, ISO 9001-2000, ISO/TS 16949, ISO 14001 and OHSAS 18001, and compliance with the RoHS Directive, which prohibits the use of materials containing lead in electronics components, underlines its importance to AT&S. The Group has also received excellent reviews in customer audits in all the sectors in which it operates.

Continuing to lead the world with high quality standards

The major technical challenges of the coming years are further miniaturization, the optimization of process parameters and the development of new materials. To meet the challenges, new or improved analytical and test procedures will need to be developed. Improvements to process and project management for series production are being pushed forward in close cooperation with AT&S's long-term partners. The increasingly collaborative approach to research and development will ensure that the Group's quality performance will continue to be world class.

In order to achieve this goal, staff must be kept trained to the highest quality standards as well. This involves a further increase in training courses in quality tools and methods. As an example, in financial 2006/07 AT&S initiated a pilot project (including Green Belt training program) which will now be used in adapted form throughout the Group. Stepping up process related improvements

The excellent quality of AT&S products and its outstanding customer service are the key to its success in the PCB industry. This is why the Group gives the highest priority to quality management.

AT&S attaches particular importance to sustainable use of resources. In 2006/07 the Group once again demonstrated its responsible approach in this area.

and controls in all key areas of production will also ensure short ramp-up times and rapid qualification, similar to the success achieved in commissioning the second plant in Shanghai, and will also mean stable yields.

Environmental management – sustainable use of resources

Given the global damage to the environment and climate change, increased efficiency in energy use with a consequent reduction in greenhouse gases is a core theme in environmental management. In terms of volume, the most important greenhouse gas is carbon dioxide (CO_2). What AT&S can contribute to the reduction of greenhouse gas emissions and thus to the achievement of Kyoto targets is in the nature of things small, but the Group is under an obligation to behave responsibly in the interests of sustainability. Environmental programs focusing on energy efficiency have therefore been adopted at various AT&S locations.

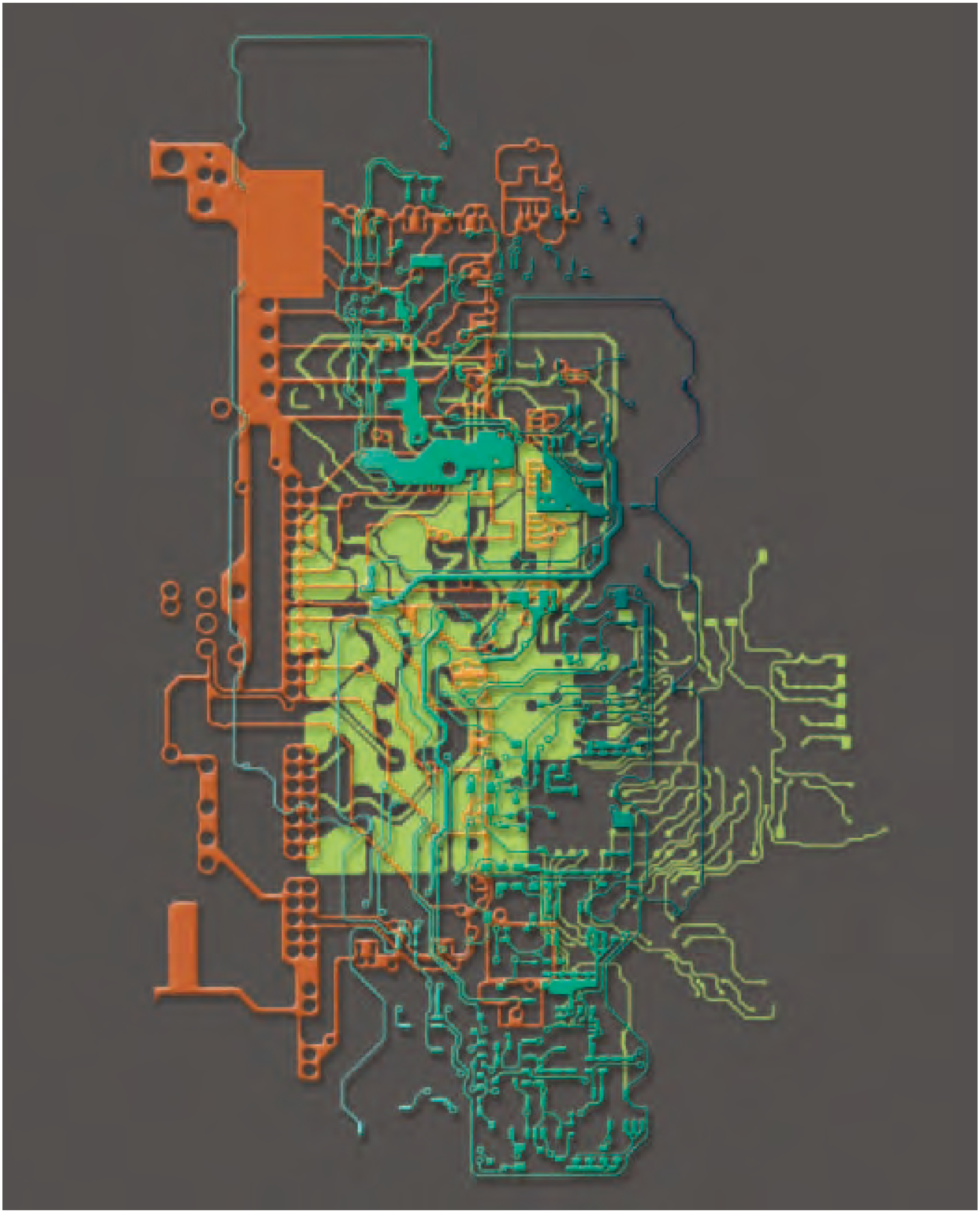
Examples include:

- Intelligent lighting and air conditioning systems: the use of movement sensors and time switches, adjustment of room temperatures in air-conditioned rooms to reflect outside temperature, etc.
- Reduction of truck journeys: with further process optimization roughly 15,000 transport kilometers were saved, equivalent to approximately 33 kg of No_x and 2 kg of particulate matter.
- Water recycling: Water recycling at Nanjangud has resulted in water savings of $60m^3$/day. Lightly contaminated rinse water is cleaned using reverse osmosis and recycled.

Comparison of individual sites using environmental indicators

AT&S makes use of a range of indicators to benchmark the individual sites. This allows for meaningful comparison in spite of the different products they manufacture. AT&S's overall environmental performance is determined on the basis of five selected indicators: paper and board consumption, solid waste, wastewater, water consumption and chemical consumption. As a result of the ramp-up of the second plant in Shanghai, which has considerably increased production capacity, and of technological changes, consumption and waste have risen slightly. AT&S's conservative use of resources is most clearly demonstrated in relation to wastewater: the amount produced has fallen steadily over the last four years.

These activities are part of AT&S's ongoing success and represent responsible use of resources: thanks are due to all staff, who by adopting the quality spirit ensure that AT&S continues to evolve as a global player.



SYNAPS *by Javier Pérez Gil*

Supply Chain Management

Supplier reliability and quality are vital to our customers. Just-in-time deliveries call for highly skilled supply chain management.

Supply chain management – critical success factor in printed circuit board production

Supply chain management (SCM) is a critical success factor both in price competition internationally and in maintaining customer loyalty. Full cooperation along the entire length of the value-adding supply chain is required for the production of consistently high quality products at competitive prices within an acceptable timeframe.

Global network of customers and suppliers

For AT&S, the function of supply chain management is to fit the processes together efficiently and to create the best possible relationships with customers and suppliers. The importance of effective groupwide organization can be seen from the following statistics: AT&S's international logistics networks links it to around 500 customers and roughly 1,000 suppliers, of which about 35 are key suppliers. In 2006/07 an average of 1,500 shipments and 1,000 different parts numbers per week were dispatched.

Customer loyalty and cost efficiencies for the customers

In the age of just-in-time production, when goods or components are only delivered as required for further processing or for sale in order to keep inventories to a minimum, exact day delivery is more and more crucial. A production and distribution system of this kind in an extremely volatile market such as the printed circuit board industry, which is characterized by high product diversity and very short order times, requires a high degree of flexibility combined with all-round competence in supply chain management.

In the past financial year, APO Production Planning and Demand Scheduling (PPDS) in combination with global availability controls has for the first time enabled AT&S to deploy a planning system in all its Austrian facilities that matches detailed production plans to plant capacities and checks availability with respect to each individual order. This has greatly improved the customer service rate. The next phase is the introduction of this system in China, which is planned for the coming financial year.

Cost efficiencies through global sourcing

In order to achieve the greatest possible cost efficiency in procurement, AT&S sources supplies globally: the highest priority is to ensure that the global supplier portfolio is used and coordinated optimally. Continuing standardization is conferring greater flexibility and reducing dependence on individual suppliers. New supplier markets in Asia and Eastern Europe are playing an increasingly important role, with the Group's global sourcing for Asia being managed by its procurement center in Hong Kong. Global tenders for transport services have also a great potential for savings.

The key requirement for successful supply chain management is close cooperation between all the participants along the value chain.

Market Environment

Growth forecasts for the printed circuit board industry

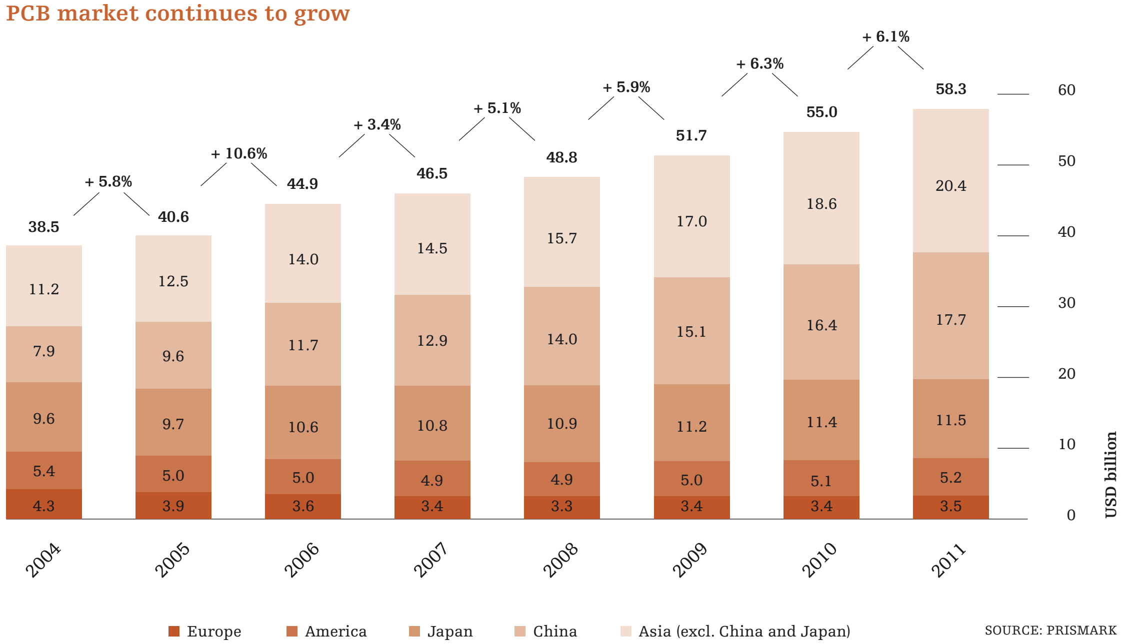
The global market for printed circuit boards will continue to grow in coming years. After increasing 10.6% to USD 45bn in 2006, sales are forecast to rise by 3.4% in 2007, but growth will vary considerably from region to region. The Asian markets, where China took market leadership from Japan in 2006, are booming, while European and American markets are stagnating. Overall, forecasts predict average annual industry growth of 5.3% for 2006–2011, led by Asia (not including Japan) with 8.2%, and followed by Japan with 1.7% and the United States and Europe with less than 1%.

Asian predominance, with niches in Europe

Continued heavy downward pressure on prices from Asian competitors means that mass production will continue to relocate to Asia. The value of printed circuit boards produced in Asia (not including Japan) is currently USD 26bn per year, or 57% of the global demand, and the share is expected to advance to about 65% by 2011. The majority of AT&S's competitors are therefore located in Asia. In Europe the greatest potential for growth is offered by design, prototyping and niche markets such as industrial and medical technology.

Predictions for the printed circuit board industry promise further increases for 2007, but growth will vary considerably from region to region.

PCB market continues to grow



SOURCE: PRISMARK

Growth in the mobile telephone market will continue to be fast-paced: in 2007 mobile telephones sales are expected to top the one billion mark.

Technology used in printed circuit board industry increasingly complex

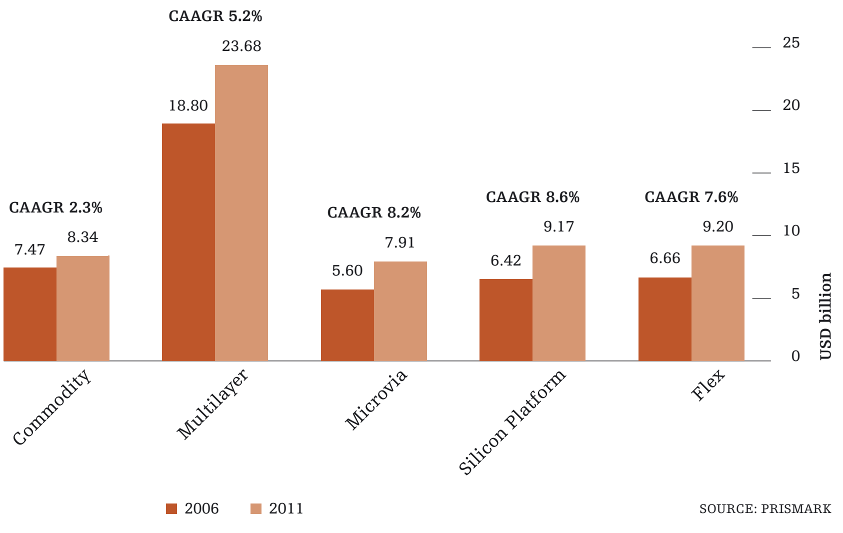
Continuing miniaturization and the large variety of functions in final products makes highly complex printed circuit boards and new technologies increasingly necessary. In coming years demand for flexible and microvia PCBs will intensify, in both of which areas AT&S has a strong standing, thanks to its technological leadership.

Market growth in end markets

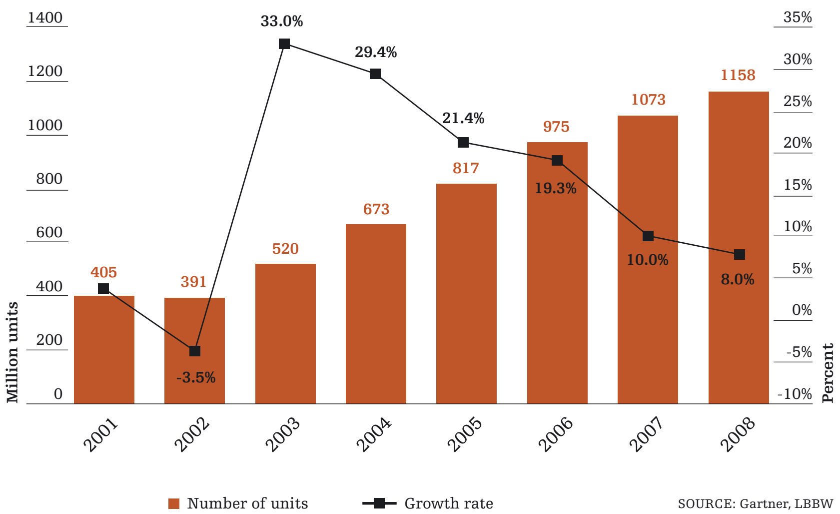
AT&S's core market, mobile telephones, will continue to grow strongly. In 2007 over one billion mobile telephones are expected to be sold worldwide, an increase of 10%. Growth will be driven primarily by Africa, China, India and the rest of Asia, while the markets in Europe and North America are already saturated. The importance of emerging markets as opposed to established Western markets will continue to grow in the future. The share of the global market accounted for by North America and Western Europe may sink from its current level of about 30% to 25%.

PCB market (by technologies)

Higher growth in demand for highly complex boards



Worldwide mobile telephone market



AT&S's forward-looking approach permits it to respond early to market developments. With facilities in Asia and Europe, the Group has a strong footing in both volume production and niche business.

In coming years growth in the saturated markets will come mainly from UMTS handsets and GSM and UMTS mobile phones with integrated music players and high performance digital cameras. In emerging markets, too, where the bulk of demand is at present accounted for by the lower price brackets, the role of handsets with MP3 players and cameras, particularly those manufactured by Western market leaders, will become increasingly important for future replacement business.

We are not waiting for the future to happen, we are shaping it

In the past AT&S has always anticipated change, with quick response times to developments in its markets. Its current investments in Europe and Asia make the Group one of the most successful PCB manufacturers worldwide, with a strong footing both in volume production and in European niche markets. The acquisition of ECAD and Tofic in 2005/06 also means that AT&S is very well positioned in design and flexible board markets. AT&S will need to retain its forward-looking attitude if it is to continue to play a leading role in the highly challenging PCB industry. The key to successful future development lies in building on existing strengths to use new opportunities.

Analysis of Results of Operations and Financial Conditions

With sales of EUR 467m in 2006/07, AT&S recorded year-on-year revenue gains of 25%. Profitability (EBIT) was up 24% despite investment in expansion.

Profitability

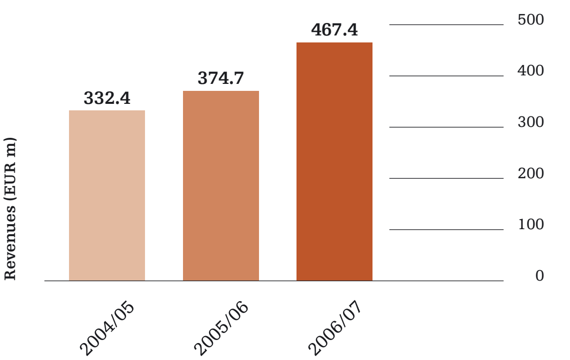
Income statements

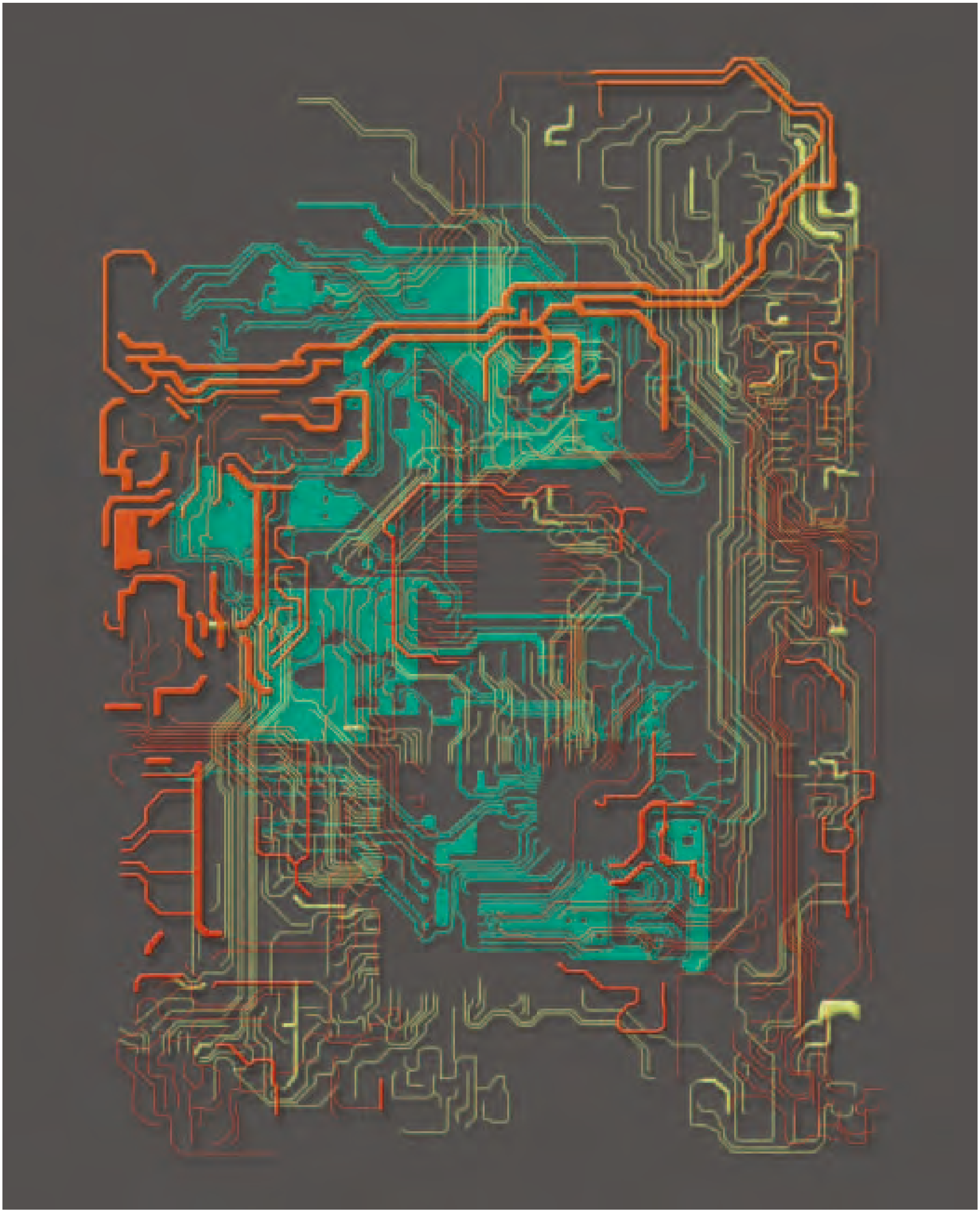
(EUR m)	2006/07	%*)	2005/06	%*)	Change
Total revenues	467.4	100.0%	374.7	100.0%	24.7%
Cost of sales	(395.9)	(84.7%)	(313.2)	(83.6%)	26.4%
Gross profit	71.5	15.3%	61.5	16.4%	16.3%
Selling costs	(23.0)	(4.9%)	(21.1)	(5.6%)	9.0%
General and administrative costs	(20.4)	(4.4%)	(19.3)	(5.2%)	5.7%
Other gains, net	4.5	1.0%	5.0	1.3%	(10.0%)
Non-recurring items	0.0	0.0%	0.2	0.1%	(100.0%)
Operating profit	32.6	7.0%	26.3	7.0%	24.0%
Financial result	(0.5)	(0.1%)	(5.6)	(1.5%)	(91.1%)
Profit before income tax	32.1	6.9%	20.7	5.5%	55.1%
Income tax expense	(0.8)	(0.2%)	7.6	2.1%	(110.5%)
Profit for the year	**31.3**	**6.7%**	**28.3**	**7.6%**	**10.6%**
Thereof minority interest	(0.5)	(0.1%)	(0.8)	0.2%	0.1%
Thereof equity holders of the Company	31.8	6.8%	27.5	28.1%	7.5%

*) % of total revenues.

Revenues

AT&S's total revenues in financial 2006/07 reached a new record level of EUR 467.4m. This was chiefly attributable to increases in sales volumes, especially from the second Shanghai plant, to revenues from the DCC/Trading business and to the acquisition of Tofic as of April 1, 2006. Despite unexpected capacity underutilization in the second half of December 2006 and in January 2007 and an overall unsatisfactory product mix in the fourth quarter of the financial year, sales increased by an impressive 25% year on year.



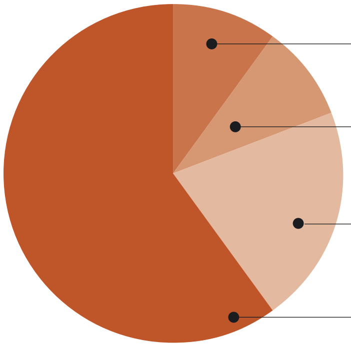


SYNAPS *by Javier Pérez Gil*

By identifying market trends early and responding to them, and by extending capacity where needed, AT&S has consistently succeeded in expanding revenues over recent years.

In financial 2006/07 60% of revenues came from the telecommunications sector (handheld products), 21% was generated by the industrial/medical sector and 9% was contributed by the automotive sector. The new businesses, DCC/Trading and Design, produced good results, accounting already for 10% of total revenues. This success demonstrates that these activities are a sensible complement to AT&S's core business, the production of printed circuit boards.

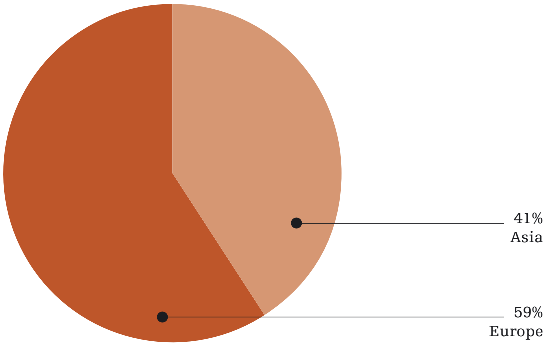
Revenues by industry



The highly satisfactory sales of 2006/07 continued the trend of recent years. By identifying market trends early and responding to them and by extending capacity where needed, AT&S has managed to consistently expand revenues over recent years. During the financial year the Group again invested in the further expansion of production capacity – some EUR 95.2m.

The ramp-up of the first of the two production lines in the second China plant together with Tofic's output helped make it possible for about 40% of sales revenues to come from Asian markets.

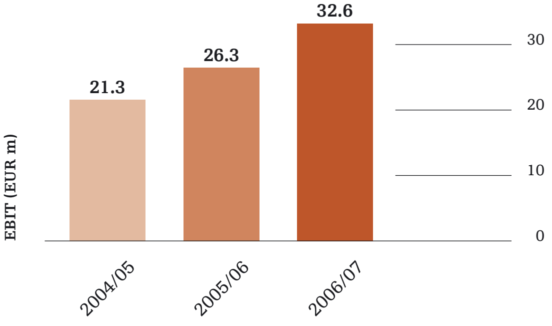
Revenues by region



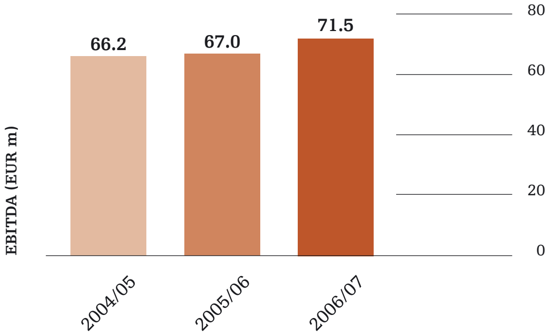
The acquisition of Tofic, which was included in consolidation for the first time in the first quarter of financial 2006/07, has also enabled AT&S to enter the market for flexible PCBs successfully.

Earnings

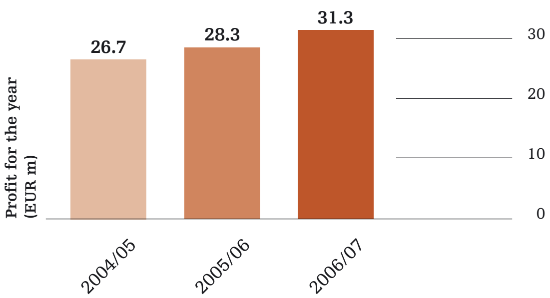
Earnings in 2006/07 once again underlined AT&S's high profitability: EBIT of EUR 32.6m was 24% up on the previous year, and the EBIT margin was 7.0%.

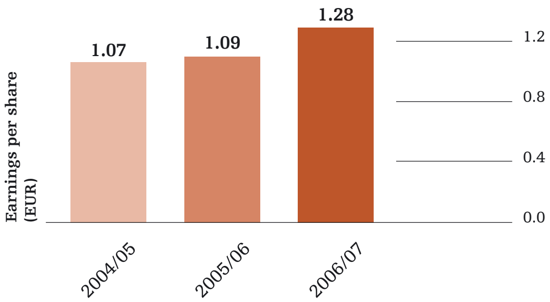


EBITDA of EUR 71.5m and the EBITDA margin of 15.3% were both at high levels for the printed circuit board industry, as in earlier years.



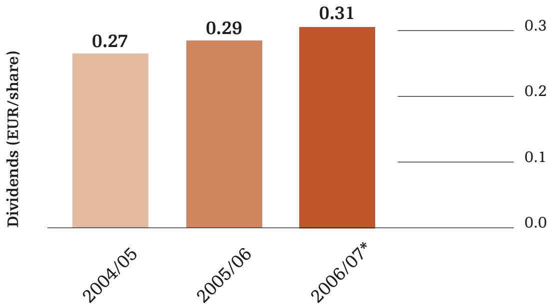
In 2006/07 Group profit for the year was up 11% to EUR 31.3m and earnings per share were EUR 1.28. This represents an increase of 17%, calculated on the basis of the reduced number of shares in issue following the share buyback.





Dividends

In the light of this excellent performance and the growth prospects for the coming years, management is proposing an increase in dividend from last year's EUR 0.29 to EUR 0.31 per share on the shares in issue. This will be the highest dividend in the history of AT&S.



* Proposal for the Annual General Meeting on July 3, 2007.

Earnings per share of EUR 1.28 underline AT&S's impressive profitability. This very satisfactory performance is reflected in a proposal to increase the dividend to EUR 0.31.

At March 31, 2007, AT&S's equity ratio was 48.7% and the net gearing ratio was 50.2%.

Financial standing

Balance sheets (summary)

(EUR m)	March 31, 2007	March 31, 2006	% of total as of March 31, 2007	Change
Non-current assets	262.1	230.7	58%	14%
Current assets	189.8	206.6	42%	(8%)
ASSETS	**451.9**	**437.3**	**100%**	**3%**
Equity	220.8	250.3	49%	(12%)
Non-current liabilities	37.6	59.5	8%	(37%)
Current liabilities	193.5	127.5	43%	52%
TOTAL EQUITY AND LIABILITIES	**451.9**	**437.3**	**100%**	**3%**

Non-current assets represented 58% of AT&S's total assets of EUR 451.9m at March 31, 2007, with roughly 53% being property, plant and equipment. Total assets increased by 10% compared with the previous year, chiefly as a result of expansion of capacities in China. The net increase was reduced by the disposal of the properties on which the production facilities in Leoben-Hinterberg and Fehring are sited in a EUR 33.6m sale and leaseback transaction.

Current assets were down 8% compared with the previous year, and represented 42% of total assets. The 2006/07 capital investment program meant that cash, cash equivalents and securities were reduced by 45%, while trade receivables increased by 7% as a result of the growth of sales, though the effect of the increase was partly reduced (EUR 9m) by nonrecourse factoring.

Total equity fell by 12%, and the equity ratio declined from 57.1% to 48.7%. The decline in comparison with the end of the previous financial year was mainly the result of the share repurchase and the change in the foreign currency translation adjustment item, which does not affect income and expense.

During financial 2006/07 there were negative exchange rate movements of AT&S's functional currencies against the euro: about 7% for the Indian rupee (INR), 6% for the Chinese renminbi yuan (CNY), 10% for the Hong Kong dollar (HKD) and 6% for the Korean won (KRW).

Long-term debt declined by about 37%. This is chiefly the result of a reduction in long-term liabilities to banks from EUR 32.6m to EUR 16.2m.

Short-term liabilities to banks rose from EUR 62.2m to EUR 121.8m, largely to finance AT&S declared growth strategy, and to finance the share repurchase program, which was the principle cause of the increase in short-term debt.

Net debt at March 31, 2007, was EUR 110.6m as a result of the reduction in cash, cash equivalents and securities, and the assumption of short-term liabilities to banks during the financial year. The net gearing ratio was 50.2% (2004/05: 13.9%).

Cash flow

Net cash generated from operating activities increased by EUR 0.6m compared with last year, mainly as a result of the improvement in cash generated from operations.

Net cash used in investing activities was EUR 37.3m (2005/06: EUR 34.3m). Capital expenditure was EUR 95.2m, most of which was in respect of construction of the second facility in China. The proceeds of disposal of property, plant and equipment amounted to EUR 34.1m and included the proceeds of the EUR 32.8m sale and leaseback transaction.

The disposal proceeds of available-for-sale securities were EUR 21.5m.

The outflows for the purchase of Tofic Co. Ltd., net of cash and cash equivalents acquired, came to EUR 1.1m, while the payments for the remaining 49.9% of DCC – Development Circuits & Components GmbH, Austria, and the 35% of C2C Technologie für Leiterplatten GmbH, Austria, amounted to EUR 0.2m.

Net cash used in financing activities of EUR 14.6m mainly related to the share repurchases, dividend payments and the assumption of financial liabilities.

Optimization of balance sheet structure

On May 3, 2006, a total of 2.1 million own shares were cancelled, reducing the number of shares in issue to 25.9 million. Following the reduction, the share capital amounted to EUR 28.5m. AT&S resumed its share buyback program on May 15, 2006, and at March 31, 2007, held 2,361,951 own shares, or 9.1% of the issued share capital. These measures are part of a longer-term strategy aimed at optimizing AT&S's balance sheet structure.

AT&S resumed its stock buyback program as part of the process of optimizing the balance sheet structure. At March 31, 2007, the company held 9.1% of the issued share capital as treasury stock.

Outlook

Based on growth projections for highly complex PCBs, Management is forecasting revenues in the range of EUR 540–550m for 2007/08 and earnings per share of between EUR 1.60 and EUR 1.70.

Challenges and outlook for 2007/08

The majority of expert opinions assume that growth in the mobile telephone industry and the electronics industry as a whole will continue. The trend towards ever slimmer mobile telephones and 3G handsets will see demand for highly complex printed circuit boards increase. From today's perspective it is clear that poor capacity utilization for technically complex printed circuit boards in December 2006 and January 2007, and the unfavorable product mix in the fourth quarter, were attributable to short-term market developments.

Market consolidation continues

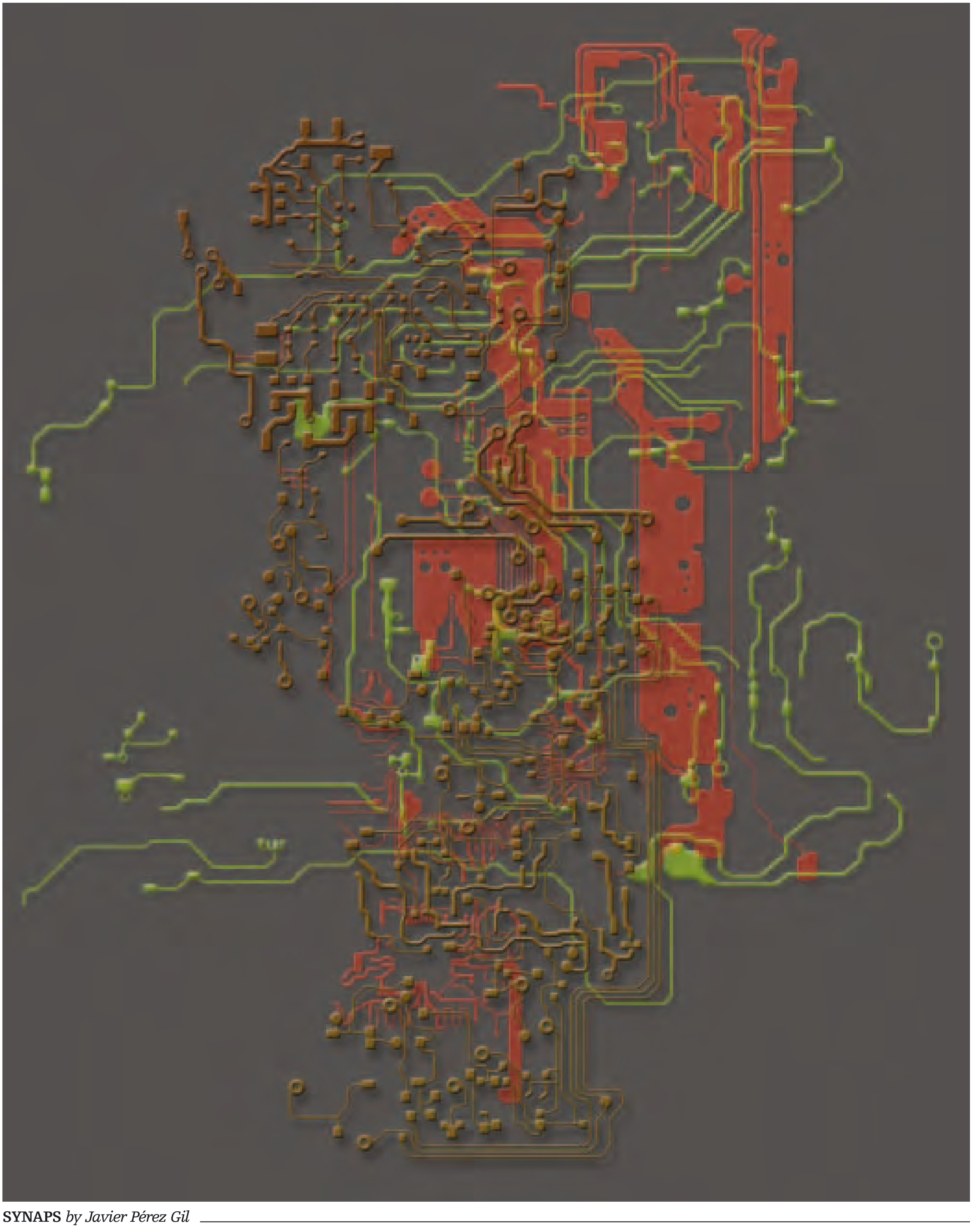
The process of consolidation will continue in 2007/08, and Asia will continue to lead growth of mass production in the printed circuit board industry. Companies that can offer consistently high quality, good delivery performance and custom solutions will continue to displace weaker suppliers. In this operating environment well positioned companies such as AT&S are presented with an opportunity to claim additional market shares.

US dollar still unstable

The EUR/USD exchange rate and exchange rates of Asian currencies to the dollar remain difficult to forecast. AT&S sales and margins have suffered in recent years as the Asian currencies pegged to the U.S. dollar have accompanied it in its decline. This is further cause for the Group to continue to optimize its cost base in the face of the strong competition from Asia, and to profit from the niche markets in Europe where there is less Asian competition. The expansion of capacity in Asia has helped AT&S counter the unfavorable effects of falling USD exchange rates.

Sales and earnings forecast to grow in 2007/08

For the financial year beginning on April 1, 2007, AT&S Management is forecasting sales in the range of EUR 540–550m, and earnings per share of between EUR 1.60 and EUR 1.70. Growth forecasts (sales up by more than 15%, earnings per share up by about 30%) are based on organic growth only, mainly at our Asian production facilities, and assume a stable EUR/USD exchange rate.



SYNAPS *by Javier Pérez Gil*

Consolidated Financial Statements as of March 31, 2007

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Consolidated Income Statements

(in € 1,000)	Note		Year ended March 31, 2007	2006
Net sales		€	467,076	374,302
Other revenues			327	396
Total revenues			467,403	374,698
Cost of sales	2		(395,932)	(313,197)
Gross profit			71,471	61,501
Selling costs	2		(22,945)	(21,131)
General and administrative costs	2		(20,421)	(19,263)
Other gains, net	3		4,534	5,022
Non-recurring items	5		10	213
Operating profit			32,649	26,342
Financing income	1		6,570	6,879
Financing expense	1		(7,105)	(12,467)
Financial result			(535)	(5,588)
Profit before income tax			32,114	20,754
Income tax expense	6		(809)	7,566
Profit for the year		**€**	**31,305**	**28,320**
Thereof minority interest		€	(508)	171
Thereof equity holders of the Company		€	31,813	28,149
Earnings per share for profit attributable to equity holders of the Company:	25			
Basic earnings per share (in €)			1.28	1.09
Diluted earnings per share (in €)			1.28	1.09

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheets

(in € 1,000)	Note		March 31, 2007	2006
ASSETS				
Non-current assets				
Property, plant and equipment	7	€	240,268	217,424
Intangible assets	8		11,566	4,540
Long-term investments	9		119	1,191
Other non-current assets	10		3,129	3,603
Deferred tax assets	6		7,089	3,975
			262,171	230,733
Current assets				
Inventories	11		49,815	41,415
Assets held for sale	12		3,865	3,986
Trade receivables	13		75,723	70,475
Other current assets	14		22,235	18,244
Securities available for sale at fair value	15		61	20,655
Financial assets at fair value through profit or loss	16		13,477	20,110
Short-term loans	28		–	3,326
Restricted cash	17		194	5,612
Cash and cash equivalents	17		24,403	22,731
			189,773	206,554
Total assets		**€**	**451,944**	**437,287**
EQUITY				
Share capital	24	€	49,529	91,272
Fair value and other reserves			(14,924)	(3,341)
Retained earnings	24		186,559	163,197
Unallocated losses attributable to minority interest			(942)	(1,354)
Capital and reserves attributable to equity holders of the Company			220,222	249,774
Minority interest			545	538
Total equity			220,767	250,312
LIABILITIES				
Non-current liabilities				
Long-term borrowings	19		16,195	32,648
Retirement, termination benefits and other benefit obligations	20		10,890	10,101
Provisions	21		200	678
Other long-term liabilities	18		3,475	7,898
Deferred tax liabilities	6		6,872	8,200
			37,632	59,525
Current liabilities				
Short-term borrowings	19		121,760	62,201
Trade payables	18		38,194	34,360
Tax payables			1,109	2,600
Provisions	21		2,661	1,627
Other short-term liabilities	18		29,821	26,662
			193,545	127,450
Total liabilities			231,177	186,975
Total equity and liabilities		**€**	**451,944**	**437,287**

Contingent liabilities and commitments: Note 23

The accompanying notes are an integral part of the financial statements.

Consolidated Cash Flow Statements

(in € 1,000)	Note		Year ended March 31, 2007	2006
Cash flows from operating activities				
Profit for the year		€	31,305	28,320
Adjustments to reconcile profit for the year to net cash generated from operating activities:				
Depreciation, amortisation and impairment less reversal of impairment			38,840	40,678
Other, net			(7,140)	(6,236)
Payments for additions to financial assets at fair value through profit or loss			–	(6,204)
Proceeds from the disposal of financial assets at fair value through profit or loss			6,420	7,392
Changes in working capital			(11,795)	(3,324)
Other long-term liabilities			170	71
Cash generated from operations			57,800	60,697
Interest paid			(5,186)	(3,958)
Income tax paid			(3,011)	(7,772)
Net cash generated from operating activities		**€**	**49,603**	**48,967**
Cash flows from investing activities				
Capital expenditure for property, plant and equipment and intangible assets		€	(95,178)	(53,171)
Proceeds from sale of property, plant and equipment			33,308	273
Proceeds from sale of assets held for sale			223	–
Proceeds from/(Payments for) hedging transactions			1,197	2,859
Purchase of securities available for sale			(216)	(3,834)
Proceeds from sale of securities available for sale			21,521	24,411
Acquisition of subsidiaries, net of cash acquired	27		(1,265)	(1,606)
Proceeds from sale/(purchase) of other financial investments			–	30
Change in loans granted			3,120	(3,296)
Net cash used in investing activities		**€**	**(37,290)**	**(34,334)**
Cash flows from financing activities				
Proceeds from borrowings		€	68,500	4,840
Repayments of borrowings			(34,070)	(25,883)
Others			406	1,432
Proceeds from the exercise of stock options			808	377
Payments for the acquisition of treasury shares			(42,864)	–
Dividends paid			(7,372)	(6,971)
Net cash used in financing activities		**€**	**(14,592)**	**(26,205)**
Effects of exchange rate changes on cash			(1,467)	2,155
Decrease in cash, cash equivalents and restricted cash		**€**	**(3,746)**	**(9,417)**
Movement in cash, cash equivalents and restricted cash				
At beginning of year		€	28,343	37,760
Decrease			(3,746)	(9,417)
At end of year		**€**	**24,597**	**28,343**

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Equity

(in € 1,000)		Share capital	Fair value and other reserves	Retained earnings	Unallocated losses attributable to minority interest	Capital and reserves attributable to equity holders of the Company	Minority interest	Total equity
March 31, 2005	**€**	**90,871**	**(11,032)**	**142,019**	**(1,399)**	**220,459**	**336**	**220,795**
Profit for the year				28,149		**28,149**	171	**28,320**
Reclassification of losses attributable to minority interest					45	**45**	(45)	**–**
Acquisition of subsidiaries						**–**	83	**83**
Securities available for sale, net of tax:								
– Change in unrealised gains			690			**690**	–	**690**
– Reclassification adjustment for (gains) that are part of profit for the year			(285)			**(285)**	–	**(285)**
– Tax on fair value			(226)			**(226)**	–	**(226)**
Change of foreign currency translation adjustment			7,512			**7,512**	(7)	**7,505**
Stock option plan:								
– Value of employee services		24				**24**	–	**24**
– Exercised stock options		41				**41**	–	**41**
Change in treasury stock		336				**336**	–	**336**
Dividend relating to 2004/05				(6,971)		**(6,971)**	–	**(6,971)**
March 31, 2006	**€**	**91,272**	**(3,341)**	**163,197**	**(1,354)**	**249,774**	**538**	**250,312**
Profit for the year				31,813		**31,813**	(508)	**31,305**
Reclassification of losses attributable to minority interest					412	**412**	(412)	**–**
Takeover of minority interests				(1,079)		**(1,079)**	937	**(142)**
Securities available for sale, net of tax:								
– Change in unrealised gains			(30)			**(30)**	–	**(30)**
– Reclassification adjustment for (gains) that are part of profit for the year			(1,067)			**(1,067)**	–	**(1,067)**
– Tax on fair value			164			**164**	–	**164**
Change of foreign currency translation adjustment			(10,650)			**(10,650)**	(10)	**(10,660)**
Stock option plan:								
– Value of employee services		89				**89**	–	**89**
– Exercised stock options		375				**375**	–	**375**
Change in treasury shares		(42,207)				**(42,207)**	–	**(42,207)**
Dividend relating to 2005/06				(7,372)		**(7,372)**	–	**(7,372)**
March 31, 2007	**€**	**49,532**	**(14,924)**	**186,559**	**(942)**	**220,222**	**545**	**220,767**

The accompanying notes are an integral part of the financial statements.

Notes to 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") is incorporated in Austria. The company is headquartered in Austria, Fabriksgasse 13, A-8700 Leoben-Hinterberg.

The Group manufactures and sells printed circuit boards and provides related services primarily to the telecommunication, automotive and electronics industries. The Group sells its products directly to original equipment manufacturers and, to a lesser extent, to contract electronic manufacturers primarily located in Europe. The company has been listed in the Prime Standard segment of the Frankfurt Stock Exchange, Germany, since July 16, 1999.

According to § 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) as adopted by the European Union (EU), set by the International Accounting Standards Board (IASB).

B. Summary of significant accounting policies

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

a. Consolidation

The balance sheet date for all consolidated companies is March 31, 2007, with the following exception: due to the legal situation in China the reporting year of AT&S China corresponds to the calendar year (December 31, 2006), its consolidation was performed on the basis of the interim financial statements as of March 31, 2007.

The consolidated financial statements have been approved for issue by the Board of Directors on May 10, 2007. The individual financial statements of the Company, which are included in the consolidation after reconciliation to the applicable accounting policies, will be presented for approval to the Supervisory Board on June 12, 2007. The individual financial statements of the Company can be amended by the Supervisory Board and – in case of presentation to the Annual General Meeting – by the Company's equity holders. This could also effect the presentation of the consolidated financial statements.

Subsidiaries

In addition to the Company itself, the consolidated financial statements comprise the following fully consolidated subsidiaries, since that date the Company had the power to govern the financial and operating policies of the subsidiary, regularly accompanied by a voting interest of more than 50%:

- AT&S India Ltd., India (hereinafter referred to as AT&S India),
- AT&S Verwaltungs GmbH & Co KG, Germany,
- AT&S Deutschland GmbH, Germany,
- C2C Technologie für Leiterplatten GmbH, Austria,
- AT&S (China) Company Limited, China (hereinafter referred to as AT&S China),
- DCC – Development Circuits & Components GmbH, Austria,
- AT&S Klagenfurt Leiterplatten GmbH, Austria,
- AT&S Asia Pacific Limited, Hong Kong (hereinafter referred to as AT&S Asia Pacific),
- AT&S Scandinavia AB, Sweden,
- AT&S Japan K.K., Japan,
- AT&S ECAD Technologies Limited, India (hereinafter referred to as AT&S ECAD),
- Tofic Co. Ltd., South Korea (hereinafter referred to as TOFIC).

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of transaction, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Consolidation policies
All significant intercompany accounts 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.

Investments in subsidiaries are consolidated in accordance with IAS 27 "Consolidated and Separate Financial Statements". Intercompany accounts receivable and payable as well as expenses and income are eliminated. Unless insignificant, intercompany results of fixed assets and inventories are eliminated. Uniform accounting and valuation methods are applied to all consolidated subsidiaries.

b. Segment reporting

A geographical segment is a distinct activity of a company which offers or provides products or services within a specific economic environment and which is faced with risks and rewards that differ from other business activities in other economic environments.

A business segment is a distinct activity of a company which produces or provides an individual good or service or a group of similar goods or services and which is faced with risks and rewards that differ from those of other business segments.

c. Foreign currencies

The reporting currency of the Group is the euro (EUR). The functional currency of the foreign subsidiaries is the respective local currency.

Foreign companies
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 Scandinavia AB, AT&S Japan K.K., AT&S ECAD and TOFIC are translated at the exchange rates on the balance sheet date. The income statements are translated at the average exchange rates of the reporting period. Translation adjustments are recognised in equity and not taken through profit or loss.

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 "securities available for sale", are taken through profit or loss. Translation differences from "securities available for sale" are recognised directly in equity and not taken through profit or loss.

d. Critical accounting estimates and assumptions

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

Impairment of goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy I.B.i. "Summary of significant accounting policies: impairment and reversal of an impairment loss of non-current tangible and intangible assets and assets held for sale". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Reference is made to Note 8 "Intangible assets".

If from a sensitivity perspective the expected gross profit margin was 10% below the gross profit margin estimated by management, the Group would have to reduce the carrying amount of AT&S ECAD's goodwill by TEUR 530. For TOFIC it would remain unchanged. Neither a discount rate 10% higher than the management's estimate nor a growth rate 10% lower would result in a decline in value at AT&S ECAD and TOFIC.

Projected benefit obligations

On March 31, 2007, a reduction of the discount rate (actuarial parameter) from 4.75% to 4.25% would effect the projected retirement and termination benefit obligations as follows:

(in € 1,000)		Retirement benefits	Termination benefits
Increase of present value of benefit obligation	€	769	817

Reference is made to Note 20 "Retirement, termination benefit and other benefit obligations".

Government grants in China

In 2005/06 the Group reported non-current assets from government grants in relation to allowances on future income tax expenses in China (Note 10 "Other non-current assets") based on a written consent by the local authorities, which are recognised as income on an accrual basis. The Management Board assesses compliance to this consent as reasonably certain, probably and reliable. Due to the change of the legal situation and framework in the financial year 2006/07, this consent was revoked and, as a result, the receivables from public grants were released to the income statement in the financial year 2006/07.

Other estimates and assumptions

Further estimates relate to impairments of non-current assets, the measurement of derivative financial instruments, the relocation of the Fohnsdorf (Austria) plant, allowances for doubtful accounts, inventory valuation and the valuation of deferred taxes on loss carryforwards. Reference is made to Note 5 "Non-recurring items", Note 7 "Property, plant and equipment" and Note 21 "Provisions".

e. Revenue recognition

Net sales

Net sales are recognised, net of sales taxes and discounts, according to the applicable Incoterms, when the title passes to the customer. Costs associated with product shipment and handling are classified as selling costs.

Interest income
Interest income is recognised on a pro rata temporis basis, taking into account the effective interest rate of the asset.

f. Income taxes
The income tax burden is based on the profit before income tax and accounts for deferred taxes.

The Group provides for income taxes using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date.

Temporary differences arise from the measurement of specific non-current assets, retirement benefits, termination benefits and other benefit obligations, unrealised gains/losses from securities available for sale, other liabilities and taxable amortisations of goodwill.

Deferred taxes on unrealised gains/losses from securities available for sale recognised in equity are also recognised in equity and not taken through profit or loss.

According to IFRS, deferred 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.

g. Property, plant and equipment
Property, plant and equipment are recognised at historical cost. Expenditure directly attributable to the acquisition and subsequent expenditure are capitalised, repairs and maintenance costs, however, are expensed as incurred. Borrowing costs directly attributable to the construction of an asset are expensed in the period in which they are incurred. From the time of their availability for use, the assets are depreciated on a straight-line basis over their expected useful lives. Depreciation is effected on a pro rata temporis basis. Land is not subject to depreciation.

The depreciation method is uniform for the Group and is based on the following useful lives:

Plants and buildings	15–50 years
Machinery and technical equipment	5–15 years
Tools, fixtures, furniture and office equipment	5–10 years

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

As of January 1, 2007, previous estimates of expected useful lives for certain machinery and technical equipment were reviewed and redetermined due to new experience values. This mainly relates to machinery and equipment with originally determined useful lives of 5–7 years, which were extended by an average of 2.0–2.5 years. The effects of this change in estimates are recognised prospectively (refer to Note 7 “Property, plant and equipment”).

Expected costs for dismantling and removing assets are capitalised as part of acquisition costs and accounted for by a provision, provided that there is a legal or factual obligation against third parties and that a reasonable estimate can be made.

According to IAS 17 “Leases”, leased assets for which the Group bears substantially all the risks and rewards of ownership are capitalised at their fair value or the lower present value of the minimum lease payments. 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 will be 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 liability. Current lease payments are split into repayment and finance costs.

Leased assets under all other lease agreements are classified as operating leases and attributed to the lessor. Lease payments are expensed as incurred.

Government grants relating to the purchase of property, plant and equipment as well as investment premiums are included in current and non-current liabilities as other liabilities and are credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

Profits or losses resulting from the closure or retirement of non-current assets, which arise from the difference between the recoverable and the carrying amounts are credited or charged to the income statement.

h. Intangible assets

Research and development costs

Research costs are expensed as incurred and charged to cost of sales. Development expenditure is also expensed as incurred. Development expenditure is capitalised only if the expected future operating cash flows derived from such expenditure exceed the costs incurred and cover the respective development costs. In addition, all conditions stipulated by IAS 38 "Intangible Assets" have to be fullfilled. No capitalised development costs have been considered in these consolidated financial statements.

Patents, trademarks and licenses

Expenditures on acquired patents, trademarks and licenses are capitalised at cost, including incidental acquisition expenses, and amortised on a straight-line basis over their useful lives, generally between 4 and 10 years. Amortisation terms and methods are reviewed annually at the end of the financial year.

Goodwill

Goodwill, which represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition, is included in intangible assets.

i. Impairment and reversal of an impairment loss of non-current tangible and intangible assets and assets held for sale

The Group regularly reviews the carrying amounts of its tangibles and intangibles for possible impairment. If the recoverable amount of an asset is below its carrying amount, an impairment amounting to the difference is recognised. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use corresponds to the estimated future cash flows which are expected from the continued use of the asset and its disposal at the end of its useful life.

Goodwill is tested annually for impairment. If events during the financial year or changes in circumstances indicate that goodwill might be impaired, an impairment test will be carried out immediately. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Non-current assets are classified as held for sale and measured at the lower of their carrying amounts or fair values less costs to sell, if their carrying amount will be recovered by sale rather than by continuing use in the business.

If the reason for the impairment recognised in the past no longer exists, apart from Goodwill, a reversal of impairment charges up to the historical cost – adjusted for depreciation or amortisation – is considered.

j. 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, but excludes interest expense.

k. Trade receivables
Receivables are reported at nominal values, less any allowances for doubtful accounts. Foreign currency receivables are translated at the exchange rate prevailing at the balance sheet date. Risk management provides for all recognisable credit and country-specific risks.

l. Securities
The Group recognises all securities transactions on settlement date.

Securities available for sale
Securities available for sale are instruments which management intends to sell as a reaction to or due 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 expected time 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 profits and losses, net of tax, are recognised in equity and not taken through profit or loss until they are sold or considered as impaired.

Interest income and dividends from securities available for sale are included in the income statement under "Financial result".

When a security available for sale is sold, the accumulated unrealised profit or loss recognised in equity is included in "Financial result" in the reporting period.

When a security available for sale is considered impaired, the accumulated unrealised loss recognised in equity is charged to the income statement under "Financial result". An impairment exists, if there are indications that 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 the balance sheet date.

Financial assets at fair value through profit or loss
Financial instruments acquired primarily for the purpose of earning a profit from short-term fluctuations of 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 cost, in subsequent periods at their respective fair values. Realised and unrealised profits and losses are credited or charged to the income statement under "Financial result".

m. Cash and cash equivalents and restricted cash
Cash and cash equivalents and restricted cash 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 or less (commercial papers, money market funds).

n. Minority interests
Minority interests include the following:
- 22.68% in AT&S Klagenfurt Leiterplatten GmbH,
- 13.31% in AT&S ECAD,
- 13.67% in TOFIC.

Losses from minority interests can exceed the share in equity of these companies attributable to these interests. The exceeding amount and any additional losses attributable to minority interests are offset against the majority interest in the total equity, with the exception of the amount for which the minorities have a binding obligation to compensate for the losses.

o. Provisions
Provisions are recognised, if the Group has a legal or constructive obligation to third parties, which is based on past events, if it is probable that an outflow of resources will be required to settle this obligation and if the amount can be estimated reliably. The provisions are remeasured at each balance sheet date and 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. Employee benefits

Retirement benefit 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 earmarked entity (fund). These contributions are charged to personnel expenses. No provision has to be set up, as there are no additional obligations beyond the fixed amounts.

For members of the Management Board and certain executive employees the Group has a defined benefit plan, under which the pension obligations are valued by qualified and independent actuaries at each balance sheet date. The Group's obligation is to fulfill the benefits committed to current and former members of the 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 case of a funded pension scheme. The present value of the pension liability is determined on the basis of years of service, expected compensations and pension adjustments.

To the extent that the plan assets do not cover the obligation, the net liability is accrued under retirement provisions. If the net assets exceed the pension obligation, the exceeding amount is reported under "Other non-current assets".

Personnel expenses reported in the respective financial year are based on expected values and include the acquired claims, the interest expense, the actuarial gains or losses using the corridor method as well as the investment results of the assets provided for coverage.

At each balance sheet date due to the change in actuarial assumptions (turnover rate, current market interest rate of blue chip fixed income corporate bonds, compensation level and actual returns on plan assets) adjustments in value result, which are termed actuarial gains or losses. These actuarial results are reported in accordance with IAS 19 "Employee Benefits" using the corridor method. Actuarial gains or losses exceeding the corridor are charged or credited to income over the affected employees' expected average remaining working lives.

Termination benefits (leaving indemnities)

Provisions for termination benefits have to be paid primarily on termination of employment by the employer or on the retirement of an employee according to labour regulations. At each balance sheet date the liabilities are remeasured by qualified and independent actuaries.

For employees of AT&S India obligations for termination benefits are covered by a life insurance.

For Austrian employees up to and including 2002 direct obligations are existing. In accordance with IAS 19 these liabilities are calculated using the projected unit credit method, taking into consideration the corridor method. Actuarial gains or losses exceeding the corridor are charged or credited to income over the affected employees' expected average remaining working lives. For employees as of January 1, 2003, this obligation is fulfilled by contributions to termination benefit funds. These contributions are included in personnel expenses. The Group has no further payment obligations once the contributions have been paid.

Other employee benefits
Other employee benefits include provisions for anniversary bonuses and mainly relate to Austrian and Chinese employees.

Anniversary bonuses are special lump-sum payments stipulated in the Collective Agreement and dependent on compensation and years of service. Eligibility is determined by a certain number of service years. The respective liability is calculated similarly to the method used for termination benefits, based on the same parameters, however, without taking the corridor method into consideration. At each balance sheet date the liabilities are remeasured by qualified and independent actuaries.

q. Share-based payments
The Group operates a stock option plan which is settled by the issue of treasury shares, as well as a stock option plan which is settled alternatively in cash or in treasury shares. These stock option plans are accounted for in accordance with IFRS 2 “Share-based Payment”.

The fair value of the work performed by employees in return for the stock options granted to them is recognised as expense. The Group accounts for a corresponding increase in equity, if the work performed is compensated by the issue of treasury shares. Reference is made to Note 24 “Share capital”. The Group accounts for an increase in liability, if it is settled alternatively in cash or in treasury shares. Reference is made to Note 18 “Trade payables and other liabilities”.

r. Liabilities
At their initial recognition liabilities are 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 middle exchange rate prevailing at the balance sheet date.

s. Derivative financial instruments
The Group enters into derivative financial instruments to hedge against foreign currency fluctuations related to transactions in foreign currencies – in particular the U.S. dollar, the Japanese yen, the Indian rupee and the Chinese renminbi yuan. These instruments mainly include forward contracts, foreign currency options and foreign exchange swap contracts and are entered into in order to protect the Group against exchange rate fluctuations – by fixing future exchange rates for foreign currency assets and liabilities. Further, the Group manages its interest rate risk by using interest rate swaps. Value fluctuations of the hedged positions are compensated by corresponding value fluctuations of the derivatives. The Group does not hold any financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Hedge accounting pursuant to IAS 39 “Financial Instruments: Recognition and Measurement” is not applied, unrealised gains and losses from derivative financial instruments, therefore, are credited or charged to the income statement under “Financial result”.

t. Contingent liabilities, contingent assets and commitments
Contingent liabilities are not recognised in the balance sheet, but disclosed in the notes to the 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 it is likely that an economic benefit will result.

u. Recent accounting pronouncements

The IASB published a number of changes to existing standards as well as new standards and interpretations which are mandatory as of 2006. The standard also to be applied in the EU and relate to the following issues:

IAS 19:	Employees Benefits Amendments relating to actuarial gains and losses, multi-employer plans as well as disclosures
IAS 21:	Effects of Changes in Foreign Exchange Rates
IAS 39:	Financial Instruments: Recognition and Measurement Amendments concerning cash flow hedge accounting of future intragroup hedges, fair value option and financial guarantee contracts
IFRS 1:	First-time Adoption of International Financial Reporting Standards Amendments
IFRS 4:	Amendments Relating to Financial Guarantee Contracts
IFRS 6:	Exploration for and Evaluation of Mineral Resources
IFRIC 4:	Determining whether an Arrangement Contains a Lease
IFRIC 5:	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6:	Liabilities Arising from Participating in a Special Market: Waste Electrical and Electronic Equipment
IFRIC 7:	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8:	Scope of IFRS 2
IFRIC 9:	Reassessment of Embedded Derivatives

The first-time adoption of these regulations had no material effect on the Group's financial position, cash flows and results of operations.

The IASB adopted further standards or amendments to standards and interpretations which are not yet mandatory for the financial year 2006/07. The following standards and interpretations had been adopted by the EU by the time these consolidated financial statements were prepared and published in the official journal:

IAS 1:	Amendment to Capital Disclosures
IFRS 7:	Financial Instruments: Disclosures

The Group analysed the effects of IFRS 7 as well as the changes to IAS 1 and came to the conclusion that the material additional disclosures will include a sensitivity analysis of market risks as well as further disclosures in the notes relating to capital. The Group will adopt IFRS 7 as well as the amendments to IAS 1 for the first time in the financial year 2007/08.

The following standards or amendments to standards and interpretations were adopted by the IASB or IFRIC, respectively, however, at the time these consolidated financial were prepared had not yet been adopted by the EU:

IFRS 8:	Operative Segments (mandatory for accounting periods beginning on or after January 1, 2009)
IFRIC 10:	Interim Financial Reporting and Impairment (mandatory for accounting periods beginning on or after November 1, 2006)
IFRIC 11:	Group and Treasury Share Transactions pursuant to IFRS 2 (mandatory for accounting periods beginning on or after March 1, 2007)
IFRIC 12:	Service Concession Arrangements (mandatory for accounting periods beginning on or after January 1, 2008)
IAS 23:	Borrowing Costs (revised 2007) (mandatory for accounting periods beginning on or after January 1, 2009)

The effects of these new standards cannot yet be estimated reliably.

II. Risk Report

Financial Risk

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Management Board. Responsibilities, authorisations and limits are governed by internal guidelines. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operative units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

Detailed information on credit risks and derivative financial instruments is contained in Note I.B.s. "Summary of significant accounting policies: derivative financial instruments" and in Note 22 "Derivative financial instruments". The Group uses derivative financial instruments, such as forward contracts, options and swaps, exclusively for hedging purposes. According to IAS 39, they are not qualified and accounted for as hedging instruments.

Liquidity Risk

The Group has liquidity reserves amounting to TEUR 92,981. Cash and cash equivalents, trading securities and securities available for sale totalled TEUR 38,231, and there were an additional TEUR 54,750 in existing, unused credit lines.
The Company is authorised, subject to approval by the Supervisory Board, to issue up to 12,950,000 new shares of authorised capital as well as convertible bonds amounting up to TEUR 100,000.
Moreover, the Group has high cash flows from operating activities at its disposal.

Market Risk

Interest Rate Risk

The main interest rate risk on the assets side of the balance sheet relates to investments in securities. Most of the other liquid resources are invested short-term and all securities are available for sale. Reference is made to Note 9 "Long-term investments" and Note 15 "Securities available for sale at fair value, current".
On the liabilities side, 23% of the borrowings are subject to fixed interest rates, and most of the remaining variable interest rate loans (77%) have maturities of less than one year.

Currency Risk

Transaction, translation and economic risk are constantly monitored to guard against currency risk. Transaction risk is mostly internally managed by closing positions (netting), in some cases derivative financial instruments are used to hedge open positions.

Due to its Asian subsidiaries the Group is exposed to local currency risk. As a result of legal restrictions and the illiquidity of the currencies in question, local hedging transactions are possible only to a limited extent. Wherever possible, the risk is transferred to Europe and hedged there.

Evaluation of Market Risks by VAR

The Group applies the value at risk concept (VAR) to quantify the interest rate and currency risks. VAR is a measure for the market price risk and shows the highest possible loss that can occur over a certain period of time, taking into account the correlations between different risk elements.
In addition, by a so-called GAP analysis the possible loss resulting from a 1% change in price (currency rate or interest rate) with regard to the foreign currency or interest net position is determined. Correlations between different risk elements are not accounted for in this analysis.

Credit Risk

In the context of its strong growth in the past few years, the Group has established strong and long-term relations with key customers, resulting in a certain concentration on the customer side. In order to guard against this potential risk, the Group encourages the further diversification in the customer, industry and product mix and, apart from the telecommunications sector, increasingly focuses on the areas automotive and industry. In order to increase the existing customer portfolio, the focus is on the acquisition of new customers, on the development of the distribution network to better correspond to market requirements and increasingly on customers in the CEM and ODM (original design manufacturer) sectors. Reference is made to Note 13 "Trade receivables".

Technology Risk

In order to guard against losing its technological lead, the Group gives high priority to innovation, and hence to maintaining a highly active research and development program. The Group has therefore maintained research and development expenditure in the financial year 2006/07 at a high level, focusing on new processes, products and design solutions. The existing technology network has also been further expanded. Through its research and development effort, the Group is in a position to spot technological trends early and to help shape them, and then to rapidly commercialise the products that emerge.

III. Segment Report

Segment information is presented according to the following criteria:

Geographical segment

The geographical segmentation is the primary reporting format and is performed according to the location of the assets held by the Group in Europe and Asia.

Business segment

Business segments represent the secondary reporting format. The Group principally operates in the following business areas:
- Telecommunications
- Industry
- Automotive

All other business areas of minor importance are included in "Other".

Transfers and transactions between the segments are performed under market conditions, as they would be applied to transactions with independent third parties.

a. Geographical segment

Financial year 2006/07:

(in € 1,000)		Europe	Asia	Not allocated and consolidation	Group
External sales	€	389,295	78,108	–	467,403
Intercompany sales		–	112,265	(112,265)	–
Total revenues	€	389,295	190,373	(112,265)	467,403
Segment result/Operating profit	€	26,759	29,148	(23,258)	32,649
Financial result					(535)
Profit before income tax					32,114
Income tax expense					(809)
Profit for the year	**€**				**31,305**
Total assets	€	158,735	275,941	17,268	451,944
Liabilities	€	56,602	36,466	358,876	451,944
Capital expenditures	€	10,205	85,025	–	95,230
Depreciation/amortisation of tangible and intangible non-current assets	€	17,999	20,841	–	38,840

The accompanying notes are an integral part of the financial statements.

Significant effects on the segment result:

(in € 1,000)		Europe	Asia	Not allocated and consolidation	Group
Impairments	€	250	510	–	760
Non-recurring items	€	10	–	–	10

Reference is made to Note 5 "Non-recurring items".

Financial year 2005/06:

(in € 1,000)		Europe	Asia	Not allocated and consolidation	Group
External sales	€	322,106	52,592	–	374,698
Intercompany sales		–	79,978	(79,978)	–
Total revenues	€	322,106	132,570	(79,978)	374,698
Segment result/Operating profit	€	21,215	26,690	(21,563)	26,342
Financial result					(5,588)
Profit before income tax					20,754
Income tax expense					7,566
Profit for the year	**€**				**28,320**
Total assets	€	207,300	196,875	33,112	437,287
Liabilities	€	73,090	27,961	336,236	437,287
Capital expenditures	€	12,506	44,338	725	57,569
Depreciation/amortisation of tangible and intangible non-current assets	€	23,807	15,935	1,755	41,497

Significant effects on the segment result:

(in € 1,000)		Europe	Asia	Not allocated and consolidation	Group
Impairments	€	–	434	–	434
Non-recurring items	€	(213)	–	–	(213)

Reference is made to Note 5 "Non-recurring items".

The accompanying notes are an integral part of the financial statements.

b. Business segment

The Group's sales are broken down as follows:

(in € 1,000)		Year ended March 31, 2007	2006
Telecommunications	€	330,207	255,401
Industry		62,656	52,005
Automotive		50,245	42,139
Other		23,968	24,757
	€	**467,076**	**374,302**

Total assets are used jointly by all business segments. Thus a breakdown according to industry as well as an allocation of capital expenditures cannot be presented.

Sales broken down by country are as follows:

(in € 1,000)		Year ended March 31, 2007	2006
Austria	€	25,628	22,600
Germany		122,359	121,941
Hungary		43,617	82,952
Nordic countries		25,025	31,295
Asia		167,075	54,944
Canada		22,259	20,090
Other		61,113	40,480
	€	**467,076**	**374,302**

IV. Notes to the Income Statement

1. Financial result

(in € 1,000)		Year ended March 31, 2007	2006
Interest income	€	316	917
Gains on the disposal of financial assets at fair value through profit or loss and cash equivalents		291	–
Dividend income from financial assets at fair value through profit or loss, securities available for sale and cash equivalents		546	923
Gains on the disposal of securities available for sale		1,068	239
Gains from derivative financial instruments		3,748	–
Gains from foreign exchange differences		–	4,800
Other financial income		601	–
Finance income	€	6,570	6,879
Interest expense on borrowings	€	(4,832)	(3,578)
Interest expense from finance leases		(242)	(324)
Losses from foreign exchange differences		(1,533)	–
Losses from derivative financial instruments		–	(7,591)
Losses on the disposal of financial assets at fair value through profit or loss and cash equivalents		–	(52)
Other financial expense		(498)	(922)
Finance expenses	€	(7,105)	(12,467)
Financial result	**€**	**(535)**	**(5,588)**

2. Expenses by nature

(in € 1,000)		Year ended March 31, 2007	2006
Cost of materials	€	217,667	152,171
Personnel expenses		114,167	102,968
Depreciation/amortisation		38,080	41,497
Change in inventories		(8,877)	(1,261)
Energy		16,950	13,677
Maintenance		7,676	8,044
Transportation costs		9,018	9,190
Purchased services incl. leased personnel		25,027	9,693
Other		19,590	17,612
	€	**439,298**	**353,591**

3. Other gains, net

(in € 1,000)		Year ended March 31, 2007	2006
Income from reversal of government grants	€	5,252	3,760
Expenses from foreign exchange differences		373	(790)
Loss from sale of non-current assets		(121)	–
Impairment on property, plant and equipment *)		(510)	(434)
Impairment on intangible assets ***)		(250)	–
Start-up losses **)		(2,629)	(1,139)
Insurance reimbursement		11	714
Other gains		2,408	2,911
	€	**4,534**	**5,022**

*) Reference is made to Note 7 "Property, plant and equipment".
**) Start-up losses are related to the construction of the second plant in China.
***) Reference is made to Note 8 "Intangible assets".

4. Research and development costs

The Group incurred research and development costs in the amount of TEUR 2,618 and TEUR 2,988 in the financial years 2006/07 and 2005/06 respectively. The above amounts represent costs which can be directly allocated and which are expensed as incurred and have been charged to cost of sales.

5. Non-recurring items

In connection with the relocation of the plant in Fohnsdorf, Austria, non-recurring items amounting to TEUR 10 and TEUR 213 were incurred in the financial year 2006/07 and 2005/06 respectively.

In this connection non-recurring items include the following:

(in € 1,000)		Year ended March 31, 2007	2006
Reversal of impairment	€	–	1,257
Unused amounts of provisions for restructuring reversed		12	321
Other costs		(2)	(1,365)
	€	**10**	**213**

Reference is made to Note 7 "Property, plant and equipment" and Note 21 "Provisions".

6. Income taxes

Income taxes consist of the following:

(in € 1,000)		Year ended March 31, 2007	2006
Current – Austria	€	513	(1,180)
Current – Foreign countries		3,138	760
Total current taxes	€	3,651	(420)
Deferred – Austria	€	(292)	(4,855)
Deferred – Foreign countries		(2,550)	(2,291)
Total deferred taxes	€	(2,842)	(7,146)
Total income tax expense/(income)	**€**	**809**	**(7,566)**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Austrian statutory tax rate as follows:

		Year ended March 31,	
(in € 1,000)		2007	2006
Expected tax expense at standard Austrian rate	€	8,029	5,189
Effect of different tax rates in foreign countries		(6,570)	(7,635)
Non-creditable foreign withholding taxes		174	–
Effect of change in previously unrecognised taxable losses and temporary differences		405	(2,263)
Effect of tax from prior periods		(417)	(2,823)
Other items, net		(812)	(34)
Total income tax expense/(income)	**€**	**809**	**(7,566)**

Deferred tax assets and liabilities consist of the following:

		March 31,	
(in € 1,000)		2007	2006
Deferred tax assets			
Tax loss carryforwards including taxable goodwill	€	4,467	2,438
Other non-current liabilities		1,531	1,912
Start-up losses		124	189
Measurement of non-current assets		1,895	1,535
Measurement of inventories		356	379
Retirement, termination benefit and other benefit obligations		549	221
Measurement of trade receivables		7	–
Other		617	74
Deferred tax assets	€	9,546	6,748
Deferred tax liabilities			
Measurement of non-current assets	€	(3,706)	(5,655)
Other taxable temporary differences		(4,002)	(3,521)
Unrealised gains from securities available for sale, recognised in equity and not taken through profit or loss		(13)	(458)
Termination benefits		(805)	(383)
Prepaid pension costs		–	(98)
Foreign currency valuation		(644)	(244)
Other		(159)	(614)
Deferred tax liabilities	€	(9,329)	(10,973)
Deferred tax assets/(liabilities), net	**€**	**217**	**(4,225)**

Deferred tax assets and liabilities are netted, if a legally enforceable right exists to set off the actual tax credits against the actual tax liabilities and if they are levied by the same tax authority.

The offset amounts are as follows:

		March 31,	
(in € 1,000)		**2007**	**2006**
Deferred tax assets:			
- non-current	€	5,810	2,200
- current		1,279	1,775
	€	7,089	3,975
Deferred tax liabilities:			
- non-current	€	(6,161)	(7,798)
- current		(711)	(402)
	€	(6,872)	(8,200)
Deferred tax assets/ (liabilities), net	**€**	**217**	**(4,225)**

At March 31, 2007, the Group has tax loss carryforwards and taxable goodwill amounting to a total of TEUR 20,852 (at March 31, 2006, TEUR 12,513). For loss carryforwards amounting to TEUR 4,584 (at March 31, 2006, TEUR 5,424), for which it is not probable that they will be utilised against future taxable profits, deferred tax assets have not been recognised.

V. Notes to the Balance Sheet

7. Property, plant and equipment

(in € 1,000)		Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and office equipment	Prepayments and construction in progress	Total
Net book value March 31, 2006	€	49,748	132,466	5,791	29,419	217,424
Exchange differences		(1,391)	(5,799)	(142)	(1,587)	(8,919)
Acquisitions of subsidiaries		4,460	3,463	302	6	8,231
Additions		13,652	57,735	2,358	20,699	94,444
Disposals		32,746	280	81	–	33,107
Transfers		2,262	25,567	214	(28,118)	(75)
Impairment		–	510	–	–	510
Depreciation		2,411	32,507	2,302	–	37,220
Net book value March 31, 2007	**€**	**33,574**	**180,135**	**6,140**	**20,419**	**240,268**
At March 31, 2007						
Gross book value	€	37,888	434,054	22,134	20,419	514,495
Accumulated depreciation		4,314	253,919	15,994	–	274,227
Net book value	**€**	**33,574**	**180,135**	**6,140**	**20,419**	**240,268**

(in € 1,000)		Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and office equipment	Prepayments and construction in progress	Total
Net book value March 31, 2005	€	50,128	134,635	5,852	1,196	191,811
Exchange differences		1,403	7,059	133	684	9,279
Acquisitions of subsidiaries		84	–	121	–	205
Reversal of impairment		44	1,153	57	–	1,254
Additions		696	25,121	2,315	28,689	56,821
Disposals		–	468	198	5	671
Transfers		–	1,145	(50)	(1,145)	(50)
Reclassification of non-current assets held for sale		(81)	(40)	–	–	(121)
Impairment		–	434	–	–	434
Depreciation		2,526	35,705	2,439	–	40,670
Net book value March 31, 2006	**€**	**49,748**	**132,466**	**5,791**	**29,419**	**217,424**
At March 31, 2006						
Gross book value	€	75,630	366,380	20,579	29,572	492,161
Accumulated depreciation		25,882	233,914	14,788	153	274,737
Net book value	**€**	**49,748**	**132,466**	**5,791**	**29,419**	**217,424**

The accompanying notes are an integral part of the financial statements.

The value of the land included in land, plants and buildings amounts to TEUR 1,802 (TEUR 2,885 as at March 31, 2006).

Depreciation of the current financial year is recognised in cost of sales, selling costs, and general administrative costs.

Changes due to changes in useful lives

The changes due to the extension of useful lives have a positive effect of TEUR 2,847 in the financial year 2006/07. Reference is made to Note I.B.g. "Property, plant and equipment".

Impairment

For some property, plant and equipment, which fulfilled the criteria for impairment, an impairment to their recoverable amount had to be recognised. The impairment charge amounted to TEUR 510 in the financial year 2006/07 and to TEUR 434 in the financial year 2005/06. The determination of this amount was based on available estimates for the sale of these assets under conditions of market and third-party transactions.

Reversal of impairment

An impairment loss for certain property, plant and equipment amounting to TEUR 1,254, which was recognised in the financial year 2004/05, was reversed in the financial year 2005/06. This reversal of impairment is due to a favourable change in the basis used to determine the recoverable amount in connection with the relocation of the plant in Fohnsdorf, Austria. Reference is made to Note 5 "Non-recurring items" and Note 21 "Provisions".

Finance leases

The following amounts for leased non-current assets from finance leases are recorded under "Property, plant and equipment":

		March 31,	
(in € 1,000)		2007	2006
Machinery and technical equipment	€	9,963	9,743
Accumulated depreciation		(4,217)	(2,526)
Net book value	**€**	**5,746**	**7,217**

		March 31,	
(in € 1,000)		2007	2006
Tools, fixtures, furniture and office equipment	€	46	49
Accumulated depreciation		(26)	(15)
Net book value	**€**	**20**	**34**

Reference is made to Note 19 "Borrowings and financing agreements".

Sale and Leaseback

In December 2006 the Company sold land, plants and buildings in Leoben-Hinterberg and Fehring to a property leasing company, and leased them back as operating lease under a sale and lease back agreement over the non-cancellable lease term of 180 months (15 years). A book profit of TEUR 54 resulted from this sale and lease back transaction.

Collateralisation

In connection with the collateralisation of various financing agreements property, plant and equipment to the amount of TEUR 3,610 (TEUR 37 at March 31, 2006) was mortgaged. Part of property, plant and equipment was purchased through finance leases. Reference is made to Note 19 "Borrowings and financing agreements".

8. Intangible assets

(in € 1,000)		Industrial property and similar rights and assets, and licenses in such rights and assets	Goodwill	Other intangible assets	Total
Net book value March 31, 2006	€	3,282	1,185	73	4,540
Exchange differences		(23)	(550)	(5)	(578)
Acquisitions of subsidiaries		2	7,851	–	7,853
Additions		786	–	–	786
Disposals		–	–	–	–
Transfers		116	–	(41)	75
Impairment		250	–	–	250
Amortisation		848	–	12	860
Net book value March 31, 2007	**€**	**3,065**	**8,486**	**15**	**11,566**
At March 31, 2007					
Gross book value	€	13,192	8,486	35	21,713
Accumulated amortisation		10,127	–	20	10,147
Net book value	**€**	**3,065**	**8,486**	**15**	**11,566**

(in € 1,000)		Industrial property and similar rights and assets, and licenses in such rights and assets	Goodwill	Other intangible assets	Total
Net book value March 31, 2005	€	3,204	–	–	3,204
Exchange differences		(5)	(39)	(1)	(45)
Acquisitions of subsidiaries		143	1,224	38	1,405
Reversal of impairment		3	–	–	3
Additions		710	–	44	754
Disposals		–	–	–	–
Transfers		50	–	–	50
Amortisation		823	–	8	831
Net book value March 31, 2006	**€**	**3,282**	**1,185**	**73**	**4,540**
At March 31, 2006					
Gross book value	€	12,435	1,185	81	13,701
Accumulated amortisation		9,153	–	8	9,161
Net book value	**€**	**3,282**	**1,185**	**73**	**4,540**

Additions to goodwill result from the excess of the cost of the business combination over the fair value of TOFIC's identifiable net assets. Reference is made to Note 27 "Acquisitions and liquidations".

Amortisation of the financial year is charged to cost of sales, selling costs and general administrative costs.

Impairment

Intangible assets that fulfilled the criteria for impairment were impaired to their recoverable amounts in the financial year 2006/07. Impairment amounted to TEUR 250.

The determination of this amount was based on available estimates for the sale of these assets under conditions of market and third-party transactions.

Impairment test for goodwill

For the purpose of the impairment test, goodwill is allocated to the cash-generating units AT&S ECAD and TOFIC within the Asia segment.

The value in use was derived from future cash flows which are based on a detailed budgeting adopted by the management. In order to determine the value in use of AT&S ECAD, a detailed planning horizon of three years was used. The value in use of TOFIC is based on a seven-year detailed planning.

The cash flows after the planning horizon were projected based on assumed growth rates, which are derived from the average long-term growth rates of the industry in which the two companies operate.

Key assumptions used for value-in-use calculation:

	AT&S ECAD	TOFIC
Gross profit margin[1]	40.6%	14.1%
Growth rate[2]	4.0%	3.0%
Discount rate[3]	15.7%	14.0%

[1] Budgeted gross profit margin
[2] Weighted average growth rate for the projection of cash flows according to the 3- or 7-year planning horizon
[3] Pre-tax discount rate

Management determined budgeted gross profit margin based on past performance and its expectations for the future market development. The growth rate applied reflects industry expectations. The discount rate used is pre-tax and considers specific risks relating to the relevant business segments.

The impairment test did not result in an impairment of goodwill of AT&S ECAD and TOFIC.

9. Long-term investments

Net carrying amounts of long-term investments are as follows:

		March 31,	
(in € 1,000)		2007	2006
Securities available for sale at fair value			
- Equity securities	€	96	92
- Investment funds		–	1,076
	€	96	1,168
Other investments		23	23
	€	**119**	**1,191**

Securities available for sale at fair value, non-current, mainly relate to the securities prescribed by the Austrian Tax Law and are held as coverage for the provisions for termination and retirement benefits in 2005/06.

All securities available for sale, non-current, are denominated in euro.

Securities available for sale at fair value

(in € 1,000)		2006/07	2005/06
Net carrying amount at the beginning of the financial year	€	21,823	41,161
Exchange differences		(526)	621
Additions		–	3,836
Disposals		(20,043)	(24,200)
Unrealised gains/(losses) of current year, recognised in equity		(30)	690
Reclassification of (gains) recognised in equity		(1,067)	(285)
Net carrying amount at year-end	**€**	**157**	**21,823**
Thereof non-current		96	1,168
Thereof current *)		61	20,655
	€	**157**	**21,823**

*) Reference is made to Note 15 "Securities available for sale at fair value, current".

Securities held to maturity

(in € 1,000)		2006/07	2005/06
Gross carrying amount at the beginning of the financial year	€	1,000	1,000
Valuation		(1,000)	(1,000)
Net carrying amount at year-end	**€**	–	–

Securities held to maturity represent convertible bonds issued by Adcon Telemetry AG with a maturity up to the year 2007. Due to ongoing insolvency proceedings relating to Adcon Telemetry AG these convertible bonds were fully written off.

All securities held to maturity are denominated in euro.

10. Other non-current assets

		March 31,	
(in € 1,000)		2007	2006
Prepaid pension costs *)	€	774	396
Prepayments		1,740	1,887
Receivables from hedging transactions *)		74	8
Other		541	1,312
	€	**3,129**	**3,603**

*) Reference is made to Note 22 "Derivative financial instruments" and Note 20 "Retirement, termination benefits and other benefit obligations".

The item "Other" comprises government grants amounting to TEUR 881 as of March 31, 2006. These grants result from contractual allowances on future income tax expenses from the local authorities in relation to AT&S China. Reference is made to I.B.d. "Critical accounting estimates and assumptions".

11. Inventories

		March 31,	
(in € 1,000)		2007	2006
Raw materials and supplies	€	18,895	15,044
Work in progress		12,819	10,623
Finished goods		18,101	15,748
	€	**49,815**	**41,415**

The write-down of inventories amounted to TEUR 4,121 (TEUR 4,110 at March 31, 2006).

In connection with various financing agreements inventories in the amount of TEUR 1,953 (TEUR 2,127 at March 31, 2006) serve as collateral. Reference is made to Note 19 "Borrowings and financing agreements".

12. Assets held for sale

(in € 1,000)		2006/07	2005/06
Carrying amount at the beginning of the year	€	3,986	3,865
Reclassification from property, plant and equipment		–	121
Disposals		(121)	–
Impairment		–	–
Carrying amount at year-end	**€**	**3,865**	**3,986**

The contract for the sale of land and building of AT&S Verwaltungs GmbH & Co KG, Germany, (carrying amount: TEUR 3,865) was notarised in March 2006 and came into force under certain suspensive conditions. As the suspensive conditions were not met, the purchase agreement was wound up. It is planned to sell the property in the financial year 2007/08. As of March 31, 2007, concrete sales negotiations are scheduled for the first quarter of the financial year 2007/08.

Assets held for sale mainly relate to the segment Europe.

13. Trade receivables

		March 31,	
(in € 1,000)		2007	2006
Trade receivables	€	76,611	70,855
Allowances for doubtful accounts		(888)	(380)
	€	**75,723**	**70,475**

Maturity of receivables

All receivables at March 31, 2007, and March 31, 2006, have remaining maturities of less than one year.

Factoring

In the financial year 2006/07 receivables in the amount of TEUR 9,027 were transferred to a bank under a genuine factoring arrangement.

Risk of default

A major part of the Group's net sales is generated from two multinational groups of the telecommunications industry. The Group has substantial trade receivables from these customers amounting to 39% of its total trade receivables at March 31, 2007 (36% at March 31, 2006).
The creditworthiness of these customers is monitored. The credit risk is assessed on a regular basis and credit insurances for part of the Group's other customers are concluded.

In connection with various financing agreements trade receivables amounting to TEUR 43,200 (TEUR 41,340 at March 31, 2006) serve as collateral. Reference is made to Note 19 "Borrowings and financing agreements".

The carrying amounts of trade receivables approximately correspond to their fair values.

14. Other current assets

		March 31,	
(in € 1,000)		2007	2006
Sales tax refund	€	9,146	6,160
Refund of energy taxes		1,299	2,968
Income tax refund		100	2,162
Receivables from deposits		190	871
Compensation from insurances		4,458	653
Prepayments		709	564
Receivables from hedging transactions *)		2,568	555
Government grants, not yet received		248	363
Other		3,517	3,948
	€	**22,235**	**18,244**

*) Reference is made to Note 22 "Derivative financial instruments".

15. Securities available for sale at fair value, current

The fair values of current securities available for sale are as follows:

		March 31,	
(in € 1,000)		2007	2006
Debt securities	€	–	7,875
Equity securities		–	4,689
Investment funds		61	6,020
Other investments		–	2,071
	€	**61**	**20,655**

Reference is made to Note 9 "Long-term investments".

An external asset management company was charged with managing the portfolio of securities available for sale. The entire portfolio was sold in the financial year 2006/07. The fair value of the portfolio amounted to TEUR 15,290 at March 31, 2006. This portfolio includes different types of investments in various currencies.

The remaining current securities available for sale are denominated in euro.

The maturities of debt securities at March 31, 2007 and 2006, are as follows:

		March 31,	
(in € 1,000)		2007	2006
Less than 1 year	€	–	482
Between 1 and 5 years		–	6,153
Between 5 and 10 years		–	1,240
	€	**–**	**7,875**

16. Financial assets at fair value through profit or loss

The fair values of financial assets at fair value through profit or loss are as follows:

		March 31,	
(in € 1,000)		2007	2006
Debt securities	€	13,477	20,110

All debt securities are denominated in euro. A genuine repurchase agreement in the amount of TEUR 12,432 was concluded for a short-term period with the Company transferring the securities. Reference is made to Note 19 "Borrowings and financing agreements".

17. Cash and cash equivalents and restricted cash

		March 31,	
(in € 1,000)		2007	2006
Bank balances and cash on hand	€	10,410	12,658
Time deposits		179	248
Cash equivalents		13,814	9,825
	€	24,403	22,731
Restricted cash		194	5,612
	€	**24,597**	**28,343**

Restricted cash relates to AT&S China and AT&S India.

18. Trade payables and other liabilities

(in € 1,000)		March 31, 2007	Remaining maturity Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	€	38,194	38,194	–	–
Other liabilities:					
Government grants		1,409	221	750	438
Payables from hedging transactions *)		931	54	877	–
Liabilities from stock options		600	–	600	–
Other liabilities		30,356	29,546	810	–
Total other liabilities	€	33,296	29,821	3,037	438
	€	**71,490**	**68,015**	**3,037**	**438**

(in € 1,000)		March 31, 2006	Remaining maturity Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	€	34,360	34,360	–	–
Other liabilities:					
Government grants		7,452	1,612	2,121	3,719
Payables from hedging transactions *)		1,556	420	1,136	–
Liabilities from stock options		170	–	170	–
Other liabilities		25,382	24,630	752	–
Total other liabilities	€	34,560	26,662	4,179	3,719
	€	**68,920**	**61,022**	**4,179**	**3,719**

*) Reference is made to Note 22 “Derivative financial instruments”.

Government grants

Government grants relate to grants for property, plant and equipment and are released to income on a straight-line basis over the useful life of the respective asset.

The conditions to be met mainly include the following:
- Obligation to employ a minimum number of staff,
- Obligation to hold subsidised property, plant and equipment for a certain minimum term,
- Obligation to continue business operations for the entire term of the subsidy.

Other liabilities

Other liabilities include the following substantial payables:
- Payables to tax and other state authorities amounting to TEUR 2,888 (March 31, 2006: TEUR 1,802),
- Social security payables amounting to TEUR 1,958 (March 31, 2006: TEUR 1,881),
- Liabilities for unconsumed vacation amounting to TEUR 4,877 (March 31, 2006: TEUR 4,695) and
- Other current liabilities to employees amounting to TEUR 11,687 (March 31, 2006: TEUR 10,863).

The carrying amounts of trade payables and other liabilities approximately correspond to their fair values.

Liabilities from stock options

At the Supervisory Board Meeting held on November 8, 2004, a stock option plan was approved, which allows the Company to grant stock options to the Management Board and executive employees, which can be settled in cash or by issuing equity instruments. Reference is made to Note I.B.q. “Share-based payments”.

Each option entitles the right to either:
- purchase a share (equity-settled share-based payment transactions) or
- be settled in cash (cash-settled share-based payment transactions) at the remaining amount between exercise price and the closing rate of AT&S shares at the Frankfurt stock exchange or on the stock exchange with the main quotation of AT&S shares respectively at the date the option is exercised by the beneficiary.

The stock options may be granted between April 1, 2005, and April 1, 2008, at an exercise price representing the average AT&S share price over a period of six months prior to the date of grant plus 10%. The exercise price corresponds at least to the nominal value of a share of 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. Options not exercised can be exercised after the expiration of the subsequent waiting period. Options not exercised within five years after grant date forfeit without substitution.

After expiration of the waiting period, but not during blocking period, the options can be entirely or partially exercised.

The Group applies the provisions of IFRS 2 “Share-based Payment” to measure stock option plans.

The following table summarises information about all stock options granted until March 31, 2007:

		Date of grant April 1, 2005	Date of grant April 1, 2006
Exercise price	€	15.46	17.99
March 31, 2005		–	–
Number of options granted		187,000	–
Number of options forfeited		53,500	–
Number of options exercised		–	–
Number of options expired		–	–
March 31, 2006		133,500	–
Number of options granted		–	148,000
Number of options forfeited		9,000	5,000
Number of options exercised		–	–
Number of options expired		–	–
March 31, 2007		**124,500**	**143,000**
Weighted average remaining life of stock options		1.6 years	2.6 years

The stock options are reported at fair value at the respective balance sheet date using the Monte Carlo method based on model assumptions. The fair value of those stock options, which were granted at April 1, 2005, amounted to TEUR 678 as of March 31, 2007, and TEUR 590 as of March 31, 2006, and will be accounted for over their lives. The fair value of stock options granted as of April 1, 2006, amounts to TEUR 729 and will be accounted for over their lives. Reference is made to Note 29 "Related party transactions".

The following figures may deviate from those subsequently realised in the market for all stock options granted at April 1, 2005, and April 1, 2006:

Risk-free interest rate	3.93%–3.98%
Volatility	35.48%
Dividend per share	0.33
Weighted average lives of options	3.6 years
Expected life of the options (in months)	28.5–52.5

Volatility is calculated based on daily share prices from January 1, 2003 until the balance sheet date.

19. Borrowings and financing agreements

(in € 1,000)		March 31, 2007	Remaining maturity Less than 1 year	Between 1 and 5 years	More than 5 years	Interest rate in %
Export loans	€	38,334	38,334	–	–	3.8–6.4
Loans from state authorities:						
- European Recovery Program		384	128	256	–	1.5
- Public authorities		796	460	336	–	2.0–2.5
Current portion of long-term borrowings		21,703	21,703	–	–	–
Other borrowings		71,110	59,187	11,923	–	3.0–6.5
Liabilities from finance leases		5,628	1,948	3,680	–	2.8–3.4
	€	**137,955**	**121,760**	**16,195**	**–**	

(in € 1,000)		March 31, 2006	Remaining maturity Less than 1 year	Between 1 and 5 years	More than 5 years	Interest rate in %
Export loans	€	37,449	37,449	–	–	2.3–2.4
Loans from state authorities:						
- European Recovery Program		3,607	3,082	525	–	1.0–3.5
- Public authorities		561	217	344	–	2.0–2.5
Current portion of long-term borrowings		17,567	17,567	–	–	–
Other borrowings		28,162	1,812	26,350	–	3.9–4.6
Liabilities from finance leases		7,503	2,074	5,429	–	2.8–3.4
	€	**94,849**	**62,201**	**32,648**	**–**	

Other borrowings mainly relate to the financing of the plant in Shanghai, China und South Korea. The loan repayment follows an agreed repayment schedule and ends at June 30, 2008. The interest rate is fixed over the remaining term of the loan. The main obligations and commitments to the creditor are as follows:

- to hold 100% of the shares in AT&S China throughout the duration of the credit agreement and to exercise operative control and management over AT&S China,
- to provide evidence of all required licenses, rights etc. for the planned operations of AT&S China on an annual basis,
- the ratio of consolidated net debt and consolidated EBITDA should not exceed 4.5 : 1,
- no additional debt shall be incurred apart from that relating to daily business transactions,
- no contingent liabilities or credits exceeding 5% of the consolidated balance sheet total shall be taken on or granted.

The maturities of non-current financing liabilities (including current portion) in the following financial years are as follows:

Financial year	in € 1,000	in %
2007/08	24,239	60
2008/09	10,742	27
2009/10	2,210	5
2010/11	104	0
2011/12	3,139	8
After 2011/12	–	–
	40,434	**100**

The loans from state authorities and bank borrowings in part carry interest rates that differ from market interest rates. For this reason differences between their fair values and carrying amounts can arise.

The determination of the fair values of non-current loans are based on the current effective interest rates on loans with similar maturities that would be available to the Group.

The carrying amounts of financing liabilities according to currencies are as follows:

		March 31,	
(in € 1,000)		2007	2006
Euro	€	131,665	90,061
Korean won		3,589	–
U.S. dollar		1,937	2,946
Japanese yen		576	–
Indian rupee		188	1,842
	€	**137,955**	**94,849**

Current and non-current bank liabilities are secured as follows:
- By fixed assets amounting to TEUR 3,610 (at March 31, 2006: TEUR 37); reference is made to Note 7 “Property, plant and equipment”.
- By inventories and trade receivables amounting to TEUR 45,153 (at March 31, 2006: TEUR 43,467); reference is made to Note 11 “Inventories” and Note 13 “Trade receivables”.
- By securities amounting to TEUR 12,432 (at March 31, 2006: TEUR 0); reference is made to Note 16 “Financial assets at fair value through profit or loss”.
- By assignment of rights from the hedge against political risk for the location in China amounting to TEUR 26,250 at March 31, 2007, and March 31, 2006, as well as for the site in South Korea amounting to TEUR 4,485 (at March 31, 2006: TEUR 0).

		Carrying amounts March 31,		Estimated fair values March 31,	
(in € 1,000)		2007	2006	2007	2006
Loans from state authorities	€	1,180	4,168	1,139	4,149
Other bank borrowings		131,147	83,178	131,043	83,916
	€	**132,327**	**87,346**	**132,182**	**88,065**

Lines of credits at March 31, 2007, are as follows:

(in € 1,000)		Credit lines	Used
Export credit lines – secured	€	38,765	37,786
Other credit lines – secured		46,862	47,030
Credit lines – unsecured		101,450	47,511
	€	**187,077**	**132,327**

Leases

Total future minimum lease payments from finance and non-cancellable operating leases at March 31, 2007, are as follows:

(in € 1,000)		Finance leases	Operating leases
Not later than 1 year	€	2,120	3,944
Between 1 and 5 years		3,745	10,662
Later than 5 years		–	24,420
Total minimum lease payments	€	5,865	**39,026**
Future finance charges on finance leases		(237)	
Present value of minimum lease payments under finance leases	**€**	**5,628**	
Of which not later than 1 year	€	2,088	
Of which between 1 and 5 years		3,540	
Of which later than 5 years		–	

Operating leases

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

The obligations from operating leases are affected by a sale and lease back transaction concluded in the financial year 2006/07 for land, plant and buildings of the Company. Reference is made to Note 7 “Property, plant and equipment”.

Non-cancellable leasing and rental expenses are as follows:

		Year ended March 31,	
(in € 1,000)		2007	2006
Leasing and rental expense	€	2,572	1,454

20. Retirement, termination benefits and other benefit obligations

Defined Contribution Plans

The majority of the Group’s Austrian and part of its Indian employees are covered by a defined contribution plan. Employer contributions are determined on the basis of a certain percentage of current salary and the Company’s profit for the year. Contributions under these plans were TEUR 561 in the financial year 2006/07 and TEUR 555 in the financial year 2005/06.

Defined Benefit Plans

The Group operates non-contributory defined benefit plans for the board members and other executive employees. The board members’ and other executive employees’ plans are funded and unfunded.

Retirement benefits of board members and executive employees are based on their salaries and years of service.

Funded termination benefits (leaving indemnities)

Indian employees are under certain circumstances entitled to termination benefits which are dependent upon years of service and compensation level.

The termination benefits range between half of a monthly salary per year of service and a fixed maximum.

The obligations are covered by a life insurance.

Unfunded termination benefits (leaving indemnities)

Austrian employees are entitled to receive termination benefits, which are based upon years of service and compensation levels and are generally payable upon retirement and under certain circumstances on dismissal.

The termination benefits range from 2 to 12 months of final monthly salary depending on years of service.

For employees who joined on or after January 1, 2003, regular contributions are paid into a termination benefits fund. The contributions in the financial year 2006/07 amounted to TEUR 267 and for the financial year 2005/06 to TEUR 193.

Other benefit obligations, anniversary bonuses

The employees of the Austrian and the Chinese companies are entitled to anniversary bonuses for long-term service, the eligibility to and amount of which are stipulated in the Collective Agreement.

These benefits are calculated similarly to the method used for termination benefits, based on the same parameters, however, without taking the corridor method into consideration.

Expenses for retirement, termination benefits and other benefit obligations consist of the following:

(in € 1,000)		Retirement benefits Year ended March 31, 2007	2006	Termination benefits Year ended March 31, 2007	2006	Other benefit obligations, anniversary bonuses Year ended March 31, 2007	2006
Current service cost	€	205	175	1,084	797	387	132
Interest cost		364	348	470	415	69	51
Exchange differences		–	–	(13)	9	(16)	–
Past service cost		194	–	–	–	–	–
Obligations assumed as a result of acquisitions		–	–	241	–	–	–
Actuarial loss/(gain)		19	–	70	–	(79)	66
Actual return on plan assets		(292)	(283)	(10)	(8)	–	–
Total expenses	**€**	**490**	**240**	**1,842**	**1,213**	**361**	**249**

Expenses for retirement, termination benefits and other benefit obligations are recognised in cost of sales, selling costs and administrative costs.

In the financial year 2006/07 expenses for retirement benefits include expenses for former members of the Management Board in the amount of TEUR 0. In the financial year 2005/06 expenses amounting to TEUR 29 were recognised.

Retirement benefits and termination benefits in the balance sheet are as follows:

		Retirement benefits March 31,		Termination benefits March 31,	
(in € 1,000)		2007	2006	2007	2006
Present value of funded obligations	€	7,670	6,778	11,489	9,744
Fair value of plan assets		(7,009)	(6,052)	(168)	(127)
	€	661	726	11,321	9,617
Present value of unfunded obligations		919	823	–	–
Unrealised actuarial gains/(losses)		(777)	(875)	(3,455)	(2,089)
Unrecognised past service cost		(389)	–	–	–
Liabilities/(receivables) in the balance sheet, net	€	414	674	**7,866**	**7,528**

Defined benefit pension plans and obligations for termination benefits are accounted for using the corridor method.

The aggregate movement in projected retirement benefit obligations, the movement in plan assets and funded status are as follows:

		Funded retirement benefits March 31,		Unfunded retirement benefits March 31,	
(in € 1,000)		2007	2006	2007	2006
Movement in projected benefit obligation					
Benefit obligation at beginning of year	€	5,501	5,296	1,070	959
Exchange differences		(5)	7	–	–
Current service cost		146	122	59	53
Interest cost		305	290	59	58
Past service cost		194	–	–	–
Actuarial loss/(gain)		19	–	–	–
Benefits paid		(186)	(214)	–	–
Benefit obligation at end of year	€	5,974	5,501	**1,188**	**1,070**
Movement in plan assets					
Fair value of plan assets at beginning of year	€	5,897	5,821		
Exchange differences		(5)	7		
Contributions to plan assets		750	–		
Actual return on plan assets		292	283		
Benefits paid		(186)	(214)		
Fair value of plan assets at end of year	€	6,748	5,897		
Funded status					
(Prepaid) pension costs	**€**	**(774)**	**(396)**		

Plan assets amounting to TEUR 6,748 at March 31, 2007, and to TEUR 5,897 at March 31, 2006, have been transferred into a pension fund. The diversification of the portfolio is as follows:

	March 31,	
(in %)	2007	2006
Debt securities	44%	58%
Equity securities	37%	33%
Real estate	4%	3%
Cash	15%	6%
	100%	**100%**

The aggregate movement in projected termination benefits, the change in plan assets and funded status are as follows:

		Funded termination benefits March 31,		Unfunded termination benefits March 31,	
(in € 1,000)		2007	2006	2007	2006
Movement in projected benefit obligation					
Benefit obligation at beginning of year	€	305	271	7,350	7,389
Exchange differences		(20)	14	(2)	–
Current service cost		29	30	1,055	767
Interest cost		21	20	449	395
Actuarial loss/(gain)		–	–	70	–
Obligations assumed as a result of acquisitions		–	–	241	–
Reclassification of unfunded retirement benefit obligations to funded retirement benefit obligation		28	–	(28)	–
Benefits paid		(25)	(30)	(1,441)	(1,201)
Benefit obligation at end of year	€	338	305	**7,694**	**7,350**
Movement in plan assets					
Fair value of plan assets at beginning of year	€	127	103		
Exchange differences		(9)	5		
Contributions to plan assets		64	41		
Actual return on plan assets		10	8		
Benefits paid		(26)	(30)		
Fair value of plan assets at end of year	€	166	127		
Funded status					
Accrued termination benefits	**€**	**172**	**178**		

The aggregate movement in other benefit obligations, anniversary bonuses is as follows:

		March 31,	
(in € 1,000)		2007	2006
Benefit obligation at beginning of year	€	1,503	1,267
Exchange differences		(16)	–
Current service cost		386	132
Interest cost		69	52
Actuarial loss/(gain)		(79)	66
Benefits paid		(27)	(14)
Accrued obligation for other benefit obligations, anniversary bonuses	**€**	**1,836**	**1,503**

Amounts recognised in the balance sheet are:

(in € 1,000)	March 31, 2007	March 31, 2006
Prepaid pension benefits	€ (774)	(396)
Unfunded pension benefits	1,188	1,070
Accrued termination benefits	172	178
Unfunded termination benefits	7,694	7,350
Other benefit obligations, anniversary bonuses	1,836	1,503
Accrued retirement, termination benefits and other benefit obligations, net	**€ 10,116**	**9,705**

Prepaid pension costs are included in "Other non-current assets", underfunded or unfunded retirement benefits, obligations for termination benefits and other employee benefits are recognised under "Retirement, termination benefits and other benefit obligations".

The actuarial assumptions are as follows:

	Retirement benefits March 31,		Termination benefits March 31,		Other benefit obligations, anniversary bonuses March 31,	
	2007	2006	2007	2006	2007	2006
Discount rate	4.75%–8%	4.75%–8%	4.75%–8%	4.75%–8%	4.75%	4.75%
Expected return on plan assets	5.14%	4.88%	8%	8%	–	–
Expected rate of compensation increase	2.25%	2.25%	3%–6.5%	3%–6.5%	3%	3%
Expected rate of pension increase	2%	2%	–	–	–	–
Retirement age (women/men)	–/58–65	–/58–65	Individual according to 2004 pension reform	Individual according to 2004 pension reform	–	–

21. Provisions

(in € 1,000)		Total	Warranty	Restructuring: Closure Augsburg plant	Restructuring: Relocation Fohnsdorf plant	Other
March 31, 2006	€	2,305	121	226	1,682	276
Utilisation		(981)	–	(58)	(647)	(276)
Reversal		(12)	–	–	(12)	–
Addition		1,556	74	–	–	1,482
Exchange differences		(7)	(7)	–	–	–
March 31, 2007	**€**	**2,861**	**188**	**168**	**1,023**	**1,482**

(in € 1,000)		March 31, 2007	March 31, 2006
Of which non-current	€	200	678
Of which current		2,661	1,627
	€	**2,861**	**2,305**

Warranty provision
The provision for warranties relates to the costs for expected complaints about products still under warranty. The accrued amount is the best estimate of these costs based on experience.

Provision for the closure of the Augsburg plant
Due to the economic decline of the Original Equipment Manufacturer Industry (OEM-industry), which had a direct impact on the printed circuit board industry, the Company decided on October 4, 2001, to close down the plant in Augsburg, Germany, in order to improve the Group's cost structure. This decision had an economic impact on both limited partnerships, AT&S Augsburg GmbH & Co KG and AT&S Verwaltungs GmbH & Co KG.

The provision relates to costs arising from contractual obligations.

Provision for the relocation of the Fohnsdorf plant
On March 2, 2005, the Management Board of the Company passed the resolution to relocate the production of the plant in Fohnsdorf, Austria, to the nearby plant in Leoben-Hinterberg, Austria. The relocation started in spring 2005 and was finalised in January 2006.

The provision relates to costs from contractual obligations amounting to TEUR 785 (March 31, 2006: TEUR 1,260) and other costs amounting to TEUR 238 (March 31, 2006: TEUR 422). Reference is made to Note 5 "Non-recurring items".

Other provisions are provisions for onerous contracts.

22. Derivative financial instruments

The Group enters into derivative financial instruments, in particular foreign currency options, currency swaps, interest rate swaps and forward contracts to hedge interest rates and currency fluctuations and to cover part of the existing and expected, but not yet fixed obligations in foreign currencies. Acquisition of assets, trade receivables and payables and payments related to borrowings are the main items hedged.

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 was settled at the balance sheet date.

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

		March 31, 2007		March 31, 2006	
(in € 1,000)		Assets	Liabilities	Assets	Liabilities
Forward contracts at fair value	€	2,113	38	262	196
Currency swaps at fair value		72	16	192	87
Currency options at fair value		457	–	109	211
Interest rate swaps at fair value		–	877	–	1,062
	€	2,642	931	563	1,556
Net of current portion:					
Forward contracts at fair value	€	2,087	38	254	130
Currency swaps at fair value		24	16	192	79
Currency options at fair value		457	–	109	211
Interest rate swaps at fair value		–	–	–	–
Non-current portion	**€**	**74**	**877**	**8**	**1,136**

The nominal amounts and the fair values of derivative financial instruments relating to hedges against currency fluctuations according to currencies are as follows at balance sheet date:

	March 31, 2007		March 31, 2006	
Currency	Nominal amount (in 1,000 in local currency)	Fair value (in € 1,000)	Nominal amount (in 1,000 in local currency)	Fair value (in € 1,000)
U.S. dollar	89,442	2,617	67,526	149
Japanese yen	50,000	(29)	859,500	(80)
		2,588		**69**

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

	March 31, 2007		March 31, 2006	
Currency	Nominal amount (in 1,000 in local currency)	Fair value (in € 1,000)	Nominal amount (in 1,000 in local currency)	Fair value (in € 1,000)
Euro	10,000	(877)	10,000	(1,062)

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

	in months
Forward contracts	16
Currency swaps	19
Currency options	6
Interest rate swaps	39

At March 31, 2007, the fixed interest rate for interest swaps is 2.9%. The floating interest rate is based on EUR-Swap rates (CMS – Constant Maturity Swap rates).

23. Contingent liabilities and commitments

At March 31, 2007, the Group has commitments amounting to TEUR 54,959 (March 31, 2006: TEUR 54,253) in connection with contractually binding investment projects. Regarding non-cancelable leasing and rental agreements, reference is made to Note 19 “Borrowings and financing agreements”. At the balance sheet date contingent liabilities from bank guarantees amounting to TEUR 112 (March 31, 2006: TEUR 562) exist. Other guarantees or contingencies related to the ordinary business operations do not exist.

24. Share capital

	Outstanding shares (in 1,000 shares)	Ordinary shares (in € 1,000)	Share premium (in € 1,000)	Stock options (in € 1,000)	Treasury stocks, at cost (in € 1,000)	Share capital (in € 1,000)
March 31, 2005	25,810	30,800	82,760	393	(23,082)	90,871
Stock option plan						
value of employee services	–	–	–	24	–	24
exercised stock options	–	–	67	(26)	–	41
Change in treasury stock	32	–	–	–	336	336
March 31, 2006	25,842	30,800	82,827	391	(22,746)	91,272
Capital reduction	–	(2,310)	(20,046)	–	22,356	–
Stock option plan						
value of employee services	–	–	–	89	–	89
exercised stock options	–	–	484	(109)	–	375
Change in treasury stock	(2,304)	–	–	–	(42,207)	(42,207)
March 31, 2007	**23,538**	**28,490**	**63,265**	**371**	**(42,597)**	**49,529**

Retraction of treasury shares

Based on an authorisation granted at the 11th Annual General Meeting on July 5, 2005, and the Supervisory Board's approval by circular resolution, the Management Board of the Company as of April 20, 2006, decided to retract 2,100,000 treasury shares that had been repurchased between January 1, 2002, and April 30, 2003, and thereby reduce the share capital. 2,100,000 treasury shares were retracted on May 3, 2006. Thus the share capital amounts to TEUR 28,490 and is made up of 25,900,000 no-par value shares with a notional amount of EUR 1.1 per share.

The capital reduction is part of the Company's longer-term strategy to optimise the balance sheet structure of the Company and to provide the shareholders with a greater share in the success of the Company.

Outstanding shares

The number of shares issued amounts to 25,900,000 after the reduction of the share capital. At March 31, 2007, 2,361,951 treasury shares were held, 23,538,049 shares were outstanding.

Ordinary shares

At March 31, 2007, the registered share capital amounted to TEUR 28,490 and was made up of 25,900,000 no-par value shares with a notional value of EUR 1.1 per share.

Authorised share capital

By a resolution passed at the 11th Annual General Meeting on July 5, 2005, the Management Board was authorised to increase the share capital by a nominal amount of up to TEUR 12,430 until July 4, 2010, if required in several tranches, upon approval by the

Supervisory Board by issuing up to 11,300,000 no-par value bearer shares paid for in cash or contribution in kind, partially or entirely excluding the existing shareholders' subscription rights, and to set the detailed issue conditions in agreement with the Supervisory Board. The Supervisory Board is authorised to adopt changes to the articles of association that are due to the issuance of shares from the authorised capital.

Convertible bonds

A resolution passed at the 11th Annual General Meeting on July 5, 2005, authorised the Management Board upon approval by the Supervisory Board to issue convertible bonds in accordance with § 174 (2) AktG (Austrian Stock Corporation Act) at a maximum nominal value of TEUR 100,000 (in several tranches) until July 4, 2010, to exclude the existing shareholders' subscription rights and to set the issue conditions and the conversion method.

Conditional capital increase

A resolution passed at the 9th Annual General Meeting on July 3, 2003, authorised the Management Board upon approval by the Supervisory Board to perform a conditional capital increase in accordance with § 159 (3) AktG (Austrian Stock Corporation Act) of a maximum of TEUR 2,970 by issuing up to 2,700,000 new no-par bearer shares paid for in cash by July 3, 2008 (authorised conditional share capital), related to grants of stock options to Management Board, executive and other employees of the Company and its affiliated companies.

A resolution passed the 11th Annual General Meeting on July 5, 2005, to perform a conditional capital increase in accordance with § 160 (2) AktG (Austrian Stock Corporation Act) and to grant stock options and conversion rights to creditors of convertible bonds by a nominal amount of TEUR 12,430 by issuing up to 11,300,000 new common bearer shares. Further, the Management Board was authorised to set the further details of the conditional capital increase. The Supervisory Board is authorised to adopt changes (due to the issuance of shares from the conditional capital increase) to the articles of association. The new issued shares resulting from the conditional capital increase have full entitlement to dividends for the financial year in which they were issued.

Treasury shares

At the 11th Annual General Meeting on July 5, 2005, the Management Board in accordance with § 65 (1) 8 AktG (Austrian Stock Corporation Act) was authorised to acquire treasury shares of up to 10% of the share capital within 18 months as of the date the resolution was passed (the purchase price per no-par value share to be acquired shall not be below EUR 1.10 and shall not exceed EUR 110) and to retract the treasury shares acquired, without being subject to an additional shareholders' resolution, or to use them for the Group's stock option plan. This authorisation was revoked at the 12th Annual General Meeting on July 4, 2006. At the same time, the Management Board was authorised – in accordance with § 65 (1) 8 AktG (Austrian Stock Corporation Act) – to acquire up to 10% of the treasury shares (the purchase price per no-par value share to be acquired shall not be below EUR 1.1 and shall not exceed EUR 110) within 18 months of the date the resolution was passed and to retract the treasury shares acquired, without being subject to an additional shareholders' resolution, or to use them for the Company's stock option plan.

For this purpose between May 15, 2005, and March 31, 2007, the Group purchased 2,364,571 shares at the prevailing price amounting to a total of TEUR 43,254. In the financial year 2006/07 60,800 shares were used for servicing the Company's stock option plan.

Distributable amounts

According to Austrian Commercial Law, at March 31, 2007, the Company can pay out dividends totaling TEUR 31,459 (TEUR 92,918 at March 31, 2006). The payment of dividends is limited to certain parts of retained earnings and other reserves of the Company and is subject to approval by the annual general meeting.

The reconciliation of consolidated retained earnings and other reserves to distributable amount at March 31, 2007, compared to the previous year is as follows:

		March 31,	
(in € 1,000)		2007	2006
Retained earnings and other reserves, Group	€	186,557	163,197
Accumulated negative result of subsidiaries		11,433	10,764
Reserves not available for dividends		(44,773)	(3,080)
Reconciliation to Austrian accounting standards		(121,758)	(77,963)
Distributable amount	**€**	**31,459**	**92,918**

Dividend per share
In the financial year 2006/07 a dividend of EUR 0.29 was paid per share (in the financial year 2005/06 EUR 0.27).

Stock option plan
At the Supervisory Board Meeting held on June 15, 2000, a stock option plan was approved, which allows the Company to grant stock options settled by equity instruments to the Management Board and executive employees. Reference is made to Note I.B.q. “Share-based payments”.

The stock options may be granted between August 1, 2000, and April 1, 2004, at a price representing the average AT&S share price over a period of three months prior to the date of grant plus 10%. 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. Options can only be exercised within a period of three months beginning July 1 of the respective financial year. The options are not negotiable or tradable. Each option carries the right to purchase a share (equity-settled share-based payment transactions).

The Group applies the provisions of IFRS 2 “Share-based Payment” to measure stock option plans.

The following table summarises information about all stock options granted until March 31, 2007:

	April 1, 2004	April 1, 2003	April 1, 2002
Exercise price	€ 16.81	€ 8.63	€ 14.18
March 31, 2005	146,500	122,500	84,400
Number of options granted	–	–	–
Number of options forfeited	58,500	56,700	40,200
Number of options exercised	–	14,600	17,700
Number of options lapsed	–	–	–
March 31, 2006	88,000	51,200	26,500
Number of options granted	–	–	–
Number of options forfeited	7,400	5,500	–
Number of options exercised	16,600	17,700	26,500
Number of options lapsed	–	–	–
March 31, 2007	**64,000**	**28,000**	–
Weighted average remaining life of options	1.0 years	0.4 years	–

The weighted average price of the exercised stock options at the time of exercise was EUR 15.27.

In the context of its transition provisions IFRS 2 stipulates the accounting of stock options which were granted before January 1, 2005. An option exists either to account for only those stock options granted after November 7, 2002, or for all granted stock options. The Group opted to account for only those stock options which were granted after November 7, 2002.

The stock options are reported at fair value at the respective date of grant using the Black-Scholes option pricing model based on model assumptions. The fair value of those stock options which were granted at April 1, 2003, and April 1, 2004, amounted to TEUR 686 and will be accounted for spread over their terms. Reference is made to Note 29 “Related party transactions”.

The following figures may deviate from those subsequently realised on the market.

	Date of grant	
	April 1, 2004	April 1, 2003
Risk-free interest rate	2.34%–2.72%	2.57%–3.17%
Volatility	53.4%–63.6%	66.7%–70.1%
Dividend per share	0.22	0.22
Weighted average lives of options	3.7 years	3.7 years
Expected life of the options (in months)	28.5–52.5	28.5–52.5

Volatility is calculated based on daily share prices over the past three years.

VI. Other Disclosures

25. Earnings per share

Earnings per share is computed according to IAS 33 "Earnings per Share".

Weighted average of outstanding shares

The number of shares issued is 25,900,000. At March 31, 2007, 2,361,951 treasury shares were held, which were deducted in the calculation of earnings per share.

The weighted average number of outstanding shares for the basic earnings per share calculation amounted to EUR 24.8 million in the financial year 2006/07 and EUR 25.8 million in the financial year 2005/06.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounted to EUR 24.9 million in the financial year 2006/07 and to EUR 25.9 million in the financial year 2005/06.

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

	Year ended March 31,	
(in 1,000)	2007	2006
Weighted average number of shares outstanding – basic	24,825	25,829
Diluting effect of options	60	39
Weighted average number of shares outstanding – diluted	**24,885**	**25,868**

Basic earnings per share

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

		Year ended March 31,	
		2007	2006
Profit for the year (in € 1,000)		31,813	28,149
Weighted average number of outstanding shares – basic (in 1,000)		24,825	25,829
Basic earnings per share	€	**1.28**	**1.09**

Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit for the period attributed to the equity holders of the Company by the weighted average number of outstanding shares including the number of potentially outstanding ordinary shares of the respective period. Potentially outstanding ordinary shares comprise the additional shares to be issued for exercisable options and are included in diluted earnings per share under the assumption that these shares are diluted.

		Year ended March 31,	
		2007	2006
Profit for the year (in € 1,000)		31,813	28,149
Weighted average number of outstanding shares – diluted (in 1,000)		24,885	25,868
Diluted earnings per share	€	**1.28**	**1.09**

According to IAS 33 the treasury shares which are held to fulfill the stock option plan do not dilute the outstanding shares.

26. Proposal on profit distribution

According to the provisions of the Austrian Stock Corporation Act ("Aktiengesetz") the local financial statements of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft as of March 31, 2007, prepared under Austrian GAAP serve as the basis for the distribution of dividends.

These financial statements reported retained earnings amounting to TEUR 31,459.

The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 0.31 per outstanding share or 28.2% respectively of the retained earnings totaling TEUR 31,459 and to carry forward the remaining balance to new account.

27. Acquisitions and liquidations

With effect as of April 1, 2006, 59% of the shares in Tofic Co. Ltd., domiciled in Ansan City, South Korea, were taken over in the first step and in the second step a capital increase was carried out. This increased the Company's share in TOFIC to 86.3%. The share capital amounts to KRW 6,000 million after the capital increase. The acquired company has been included in the consolidated group as of April 1.

TOFIC is a Seoul-based manufacturer of flexible circuit boards with a strong focus on the high-technology segment. Customers of TOFIC mainly include Korean manufacturers of mobile phones as well as some suppliers for Japanese telecommunications companies.

Details of net assets acquired and goodwill are as follows:

(in € 1,000)		
Purchase considerations:		
- Cash paid	€	1,001
- Direct costs relating to the acquisition		348
Total purchase consideration	€	1,349
Fair value of net assets acquired		3,836
Negative minority interest taken over		2,666
Goodwill	**€**	**7,851**

Assets and liabilities arising from the acquisition are as follows:

(in € 1,000)		Fair value	Acquiree's carrying amount
Cash and cash equivalents	€	226	226
Property, plant and equipment		8,231	7,849
Intangible assets		2	2
Non-current financial investments		42	42
Inventories		1,779	1,779
Net deferred tax assets		1,489	–
Trade receivables and other current assets		2,500	2,500
Non-current liabilities to banks		(8,215)	(8,215)
Termination benefits		(241)	(241)
Other non-current liabilities		(67)	(67)
Current liabilities to banks		(4,638)	(4,638)
Trade payables and other liabilities		(7,610)	(7,610)
Net assets	€	(6,502)	**(8,373)**
Minority interests (41%)		2,666	
Net assets acquired	**€**	**(3,836)**	

(in € 1,000)		
Purchase considerations settled in cash	€	1,349
Cash and cash equivalents in subsidiary acquired		(226)
Cash outflow on acquisition	**€**	**1,123**

The accompanying notes are an integral part of the financial statements.

Acquisitions

In the 44th Supervisory Board Meeting on March 15, 2006, the application for approval of the takeover of the remaining 49.9% of the shares in DCC – Development Circuits & Components GmbH, Austria, from Siemens Aktiengesellschaft, Austria, was adopted as of April 1, 2006. The shares were acquired for TEUR 92.

In the 47th Supervisory Board Meeting on December 13, 2006, the application for approval of the takeover of the remaining 35% of the shares in C2C Technologie für Leiterplatten GmbH, Austria, from Backhaus Beteiligungs GmbH i.L., Germany, was adopted as of January 3, 2007. The shares were acquired for TEUR 50.

Liquidations

In the 44th Supervisory Board Meeting on March 15, 2006, due to the negative market development in Italy, the resolution was passed to close down the distribution company AT&S Italia S.r.l. domiciled in Milan/Italy as of March 31, 2006. The liquidation was carried out in the financial year 2006/07.

In the 45th Supervisory Board Meeting on June 14, 2006, the resolution on the liquidation of AT&S Display Systems Entwicklung & Produktion GmbH, Austria, was passed. The liquidation was carried out in the financial year 2006/07.

28. Events after the balance sheet date

Granting of stock options

Relating to the stock option plan described in Note 18 "Trade payables and other liabilities" 149,000 stock options were granted on April 1, 2007.

Discontinued operations after balance sheet date

On June 14, 2006, a resolution was passed in the 45th Supervisory Board Meeting to liquidate the distribution company AT&S Scandinavia AB, Sweden. The liquidation will take place in the financial year 2007/08.

29. Related party transactions

In connection with various acquisitions and projects the Group received services from two consulting companies, which are held by the chairman of the Supervisory Board (AIC Androsch International Management Consulting Ges.m.b.H. and CONSULTATIO Wirtschaftsprüfung GmbH & Co KEG) or by Supervisory Board members (Rechtsanwälte Riedl & Ringhofer and Dörflinger Management- und Beteiligungs GmbH) respectively. The fees charged are as follows:

		Year ended March 31,	
(in € 1,000)		2007	2006
AIC Androsch International Management Consulting Ges.m.b.H.	€	369	364
Rechtsanwälte Riedl & Ringhofer		–	26
Dörflinger Management- und Beteiligungs GmbH		14	5
	€	**383**	**395**

The Group achieved in the financial year 2005/06 proceeds amounting to TEUR 57 by sale of assets to Dörflinger Management- und Beteiligungs GmbH. There were no outstanding liabilities at March 31, 2007, and March 31, 2006.

Certain manufacturing processes of TOFIC are outsourced and were taken over in the course of the acquisition of the company and continued. Part of these external manufacturing services were carried out by persons affiliated with minority shareholders, totalling TEUR 1,441. The outstanding liabilities as of March 31, 2007, amounted to TEUR 303.

Members of the Management Board and the Supervisory Board

In the financial year 2006/07 and until the date of issuance of these consolidated financial statements the following persons served on the Management Board:

- Dr. Harald Sommerer (Chairman)
- Dkfm. Steen Ejlskov Hansen
- Ing. Heinz Moitzi

In the financial year 2006/07 the following persons were elected members of the Supervisory Board:
- Dkfm. Dr. Hannes Androsch (Chairman)
- Ing. Willibald Dörflinger (First Deputy Chairman)
- Dr. Erich Schwarzbichler (Second Deputy Chairman)
- Dr. Georg Riedl
- DI Albert Hochleitner
- Dkfm. Karl Fink

Delegated by the Works Council:
- Johann Fuchs
- Gerhard Fürstler
- Markus Schumy

The number of granted stock options and personnel expenses from stock options granted are as follows:

	Number of granted stock options March 31,			(in € 1,000) Personnel expenses Year ended March 31,	
	2007	2006		2007	2006
Ing. Willibald Dörflinger	–	–	€	–	(115)
Dr. Harald Sommerer	132,000	132,000		205	136
Dkfm. Steen Ejlskov Hansen	84,000	60,000		143	89
Ing. Heinz Moitzi	60,000	30,000		100	38
Total Management Board	276,000	222,000	€	448	148
Total other executive employees	83,500	77,200		71	46
	359,500	**299,200**	**€**	**519**	**194**

Reference is made to Note 18 "Trade payables and other liabilities" and Note 24 "Share capital".

Total emoluments paid to the members of the Management Board and to executive employees:

		Year ended March 31, 2007			Year ended March 31, 2006		
(in € 1,000)		fixed	variable *)	total	fixed	variable *)	total
Ing. Willibald Dörflinger	€	–	(5)	(5)	253	59	312
Dr. Harald Sommerer		456	374	830	434	362	796
Dkfm. Steen Ejlskov Hansen		366	223	589	337	206	543
Ing. Heinz Moitzi		266	142	408	255	184	439
Executive employees		2,987	810	3,797	3,093	967	4,060
	€			**5,619**			**6,150**

The accompanying notes are an integral part of the financial statements.

*) The following payments in kind from stock options are included in the variable emoluments paid to members of the Management Board and executive employees:

(in € 1,000)		Year ended March 31, 2007	2006
Dr. Harald Sommerer	€	134	56
Dkfm. Steen Ejlskov Hansen		20	–
Executive employees		32	22
	€	**186**	**78**

Expenses for termination benefits and retirement benefits for members of the Management Board and executive employees are as follows:

		Termination benefits Year ended March 31,		Retirement benefits Year ended March 31,	
(in € 1,000)		2007	2006	2007	2006
Management Board and executive employees	€	118	72	497	237

Total remuneration and services rendered personally by members of the Supervisory Board:

		Year ended March 31, 2007			Year ended March 31, 2006		
(in € 1,000)		fixed	variable	total	fixed	variable	total
Dkfm. Dr. Hannes Androsch	€	17	10	27	18	14	32
Ing. Willibald Dörflinger		9	5	14	7	5	12
Dr. Erich Schwarzbichler		14	5	19	13	7	20
Dr. Georg Riedl		9	5	14	9	7	16
DI Albert Hochleitner		7	5	12	7	5	12
Dkfm. Karl Fink		8	5	13	7	5	12
Mag. Hans-Jörg Kaltenbrunner		–	–	–	2	2	4
Ass.-Prof. Mag. Dr. Gerhard Nauer		–	–	–	2	2	4
	€	**64**	**35**	**99**	**65**	**47**	**112**

Shareholdings of Management Board and Supervisory Board members and their relatives at March 31, 2007:

	Shares	Options	Total shares and Options	% Capital
Management Board members	41,672	276,000	317,672	1.23
Supervisory Board members:				
Dkfm. Dr. Hannes Androsch	445,853	–	445,853	1.72
Other members of the Supervisory Board	9,295	–	9,295	0.03
Total Supervisory Board members	455,148	–	455,148	1.75
Private foundations:				
Private foundation Dörflinger	4,574,688	–	4,574,688	17.66
Private foundation Sommerer	100,600	–	100,600	0.39
Private foundation Androsch	5,570,666	–	5,570,666	21.51
Total Private foundations	10,245,954	–	10,245,954	39.56
Relatives of Board members	7,500	–	7,500	0.03
	10,750,274	**276,000**	**11,026,274**	**42.57**

30. Number of employees

Average number of employees in the financial year:

	Year ended March 31, 2007	Year ended March 31, 2006
Waged workers	4,170	3,397
Salaried employees	1,188	938
	5,358	**4,335**

The calculation of the number of staff includes an average of 1,603 temporary workers for the financial year 2006/07 and an average of 951 for the financial year 2005/06, respectively.

Leoben-Hinterberg, May 10, 2007

The Management Board:

Dr. Harald Sommerer m.p.
Dkfm. Steen Ejlskov Hansen m.p.
Ing. Heinz Moitzi m.p.

The accompanying notes are an integral part of the financial statements.

Group Management Report

AT&S is market leader in Europe and one of the largest manufacturers of printed circuit boards worldwide. The product portfolio of AT&S, in addition to simple circuit boards, mainly includes highly complex electronic connecting elements, which as a result of the growing need for miniaturisation on part of the customers account for a great portion of the portfolio of AT&S. In the sophisticated technology segment HDI/Microvia circuit boards in particular, which are mainly used in mobile end devices such as mobile phones or PDAs as well as increasingly in industrial and medical technology, AT&S was able to successfully compete with top providers.

With a global presence in Asia and Europe AT&S supplies internationally operating corporations such as Nokia, Siemens, Sony-Ericsson, Motorola, RIM, Hella, but also smaller companies, for which it produces prototypes and small series. With its current production capacities AT&S was able to expand its volume production as well as the European niche business. The fact that AT&S stands out for its quality as manufacturer of circuit boards by flexibility, command of latest technologies and supply reliability is reflected by various awards, such as, e.g., the "Supplier Recognition Award" from Sony-Ericsson.

The two new business segments Trading and DCC (trade in populated circuit boards) also managed to do well in the market and contribute to the positive performance of AT&S. Both segments represent an optimal complement to the core business of AT&S.

Business development and climate

In the financial year 2006/07 AT&S was again able to prove its performance capability. Overall, the Group generated net sales in the amount of EUR 467.4 million, which compared to prior year net sales of EUR 374.7 million corresponds to an increase of EUR 92.7 million or a rise of 24.7%.

The telecommunications industry, which has been characterised by strong sales in the past, with EUR 330.2 million contributed the major portion of net sales. At the same time major sales could be generated from the industrial/medical area with EUR 87.0 million and from automotive customers with EUR 50.2 million.

In the past financial year the group result at EUR 31.3 million could also be increased by 10.5% over the prior year figure. With this result the AT&S Group again generated the highest sales since the origin of the company.

At the balance sheet date March 31, 2007, the equity of the AT&S Group amounted to EUR 220.8 million. At the end of the financial year the equity ratio of the capital and reserves attributable to the Company's equity holders reached 48.7% and thus was 8.4% below the respective prior year figure of 57.1%.

With regard to investment activities, AT&S spent a total of EUR 95.2 million on fixed intangible and tangible assets. In the financial year 2006/07 AT&S under a sale and lease back transaction sold its properties in Leoben-Hinterberg and Fehring and was able to generate liquid funds of approximately EUR 32.8 million.

With the principles of social responsibility AT&S commits itself to fair labour conditions as well as to employment protection, health care and environmental protection.

Professional human resource development and sustainable support of employees are critical factors for success. AT&S attaches importance to internal and external training. The Group provides a transparent and performance-oriented compensation package (Economic Value Added) to employees, which is supposed to stimulate a high level of self-responsibility and entrepreneurship.

The average number of staff (including hired labour) employed by AT&S amounted to 5,358 and thus was by 1,023 staff higher than in the previous year (2005/06: 4,335). Staff was mainly increased at Asian sites.

AT&S sees responsible treatment of the resources as a special request. Certifications of all sites according to the international environmental management standard ISO 14001:2004 demonstrates AT&S's commitment to the protection of the environment.

Regarding the use of financial instruments and the comments on financial risk management, reference is made to the disclosures in the notes to the consolidated financial statements.

For significant risks and uncertainties of AT&S reference is made to the Risk report in the notes to the consolidated financial statements.

The accompanying group managment report is an integral part of the financial statements.

Corporate structures

As of March 31, 2007, the subscribed share capital amounts to EUR 28,490,000 and is made up of 25,900,000 voting shares with a notional value of EUR 1.10 per share.

Significant shareholdings in AT&S are as follows at the balance sheet date:

	Shares	% capital	% voting rights
Dkfm. Dr. Hannes Androsch: Neustift am Walde 44 A-1190 Vienna	445,853	1.72%	1.89%
Private foundation Androsch: Franz-Josefs-Kai 5 A-1010 Vienna	5,570,666	21.51%	23.67%

Thus 25.56% of the voting rights are under the influence of Dr. Hannes Androsch.

Private foundation Dörflinger:	4,574,688	17.66%	19.44%

At the balance sheet date 2,361,951 treasury shares are held under the share repurchase program. The share repurchase program adopted on July 4, 2006, authorises the Management Board to repurchase up to 10% of the share capital of AT&S on the market until January 3, 2008.

In order to grant stock options to members of the Management Board, executive employees and staff, the Management Board can carry out a conditional capital increase by up to EUR 2,970,000 through the issue of new bearer shares until July 3, 2008.

Until July 4, 2010, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 12,430,000 through the issue of up to 11,300,000 no-par value bearer shares, partially or entirely excluding the subscription rights of existing shareholders.

With the approval of the Supervisory Board the Management Board can issue convertible bonds of up to EUR 100,000,000, if required excluding the subscription rights of existing shareholders. To grant subscription or exchange rights to the creditors of the convertible bond, the Management Board is authorised to increase the share capital by up to EUR 12,430,000 through the issue of up to 11,300,000 new bearer shares.

Investments and representative offices

- The successful ramp-up of the second plant at the wholly owned subsidiary AT&S (China) Company Ltd. in Shanghai could be carried out much faster than expected. With the investment in the second plant AT&S could also strengthen its position as the largest Austrian investor in China.

- With effect as of April 1, 2006, 59% of the shares in Tofic Co. Ltd., based in Ansan City, South Korea, were taken over. By the immediately ensuing capital increase the shareholding of AT&S in TOFIC could be raised to 86.3%. With the Korean investment AT&S now has a production site for flexible circuit boards which represents an important milestone in the implementation of its growth and diversification strategy.

- In the course of the internationalisation strategy by shareholders' resolutions dated June 14, 2006, the equity capital of the wholly owned subsidiary AT&S Asia Pacific Ltd. in Hong Kong was raised by EUR 30.5 million. The additional financial resources shall be used for the Asian companies AT&S China and TOFIC to further finance their growth.

- With retroactive effect as of April 1, 2006, the remaining 49.9% of the shares in DCC – Development Circuits & Components GmbH were taken over by AT&S. This increase in shareholding provides AT&S with the opportunity to directly offer its customers development and manufacturing services.

- In January 2007 the investment in C2C Technologie für Leiterplatten GmbH was raised by 35% to 100%. With the takeover of the shares AT&S now has full control over the company, which primarily holds patents for efficiency increase in the manufacture of printed circuit boards.

- Due to the particularities of the Swedish circuit board market, the resolution was passed at the Annual General Meeting on September 25, 2006, to prematurely wind up and liquidate AT&S Scandinavia AB.

- In the course of the revised internationalisation strategy of AT&S it was decided in June 2006 to close down the representative office in Russia (Moscow).

Research and development

The area research and development (R&D) is the driving force in the identification of new technological connection solutions. This, on the one hand, includes the optimisation of current processes and materials up to their implementation in production and, on the other hand, innovative technologies to revolutionise the manufacture of circuit boards are also identified and developed internally.

The developments were advanced across the four competence centers of AT&S – Processes, Materials, New Technologies and Laboratory. In doing so, the four centers can also draw on international research and development networks. Furthermore, a laboratory was established at AT&S Shanghai, which in particular deals with materials benchmarking and characterisation.

In the financial year 2006/07 research activities focused on the integration of construction elements and the development of rigid-flex solutions. In addition, AT&S won two awards for its competences in the R&D area. In October 2006 AT&S was awarded the research prize for nanosciences and nanotechnology from the Province of Styria and the structuring procedure "two-photon absorption" with which optical wave guides can be realised in polymer materials, i.e. in circuit boards, was also awarded a prize.

Outlook

For the financial year 2007/08 beginning as of April 2007 the management expects sales of EUR 540 to 550 million and a profit per share of EUR 1.60 to EUR 1.70. The growth expectations (increase in sales of more than 15% and a rise in profit per share of 30%) are based on organic growth, particularly in the Asian plants of AT&S.

Leoben-Hinterberg, May 10, 2007

The Management Board:

Dr. Harald Sommerer m.p.
Dkfm. Steen Ejlskov Hansen m.p.
Ing. Heinz Moitzi m.p.

PRICEWATERHOUSECOOPERS

Auditor's Report

We have audited the accompanying consolidated financial statements of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, for the financial year from April 1, 2006, to March 31, 2007. These consolidated financial statements comprise the balance sheet as at March 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended March 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of March 31, 2007, and of its financial performance and its cash flows for the financial year from April 1, 2006, to March 31, 2007, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Report on the Management Report

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, May 10, 2007

PwC Wirtschaftsprüfung AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:
Mag. Werner Krumm
Certified Public Accountant

Glossary

CAAGR	Compounded average annual growth rate
COO	Chief Operating Officer
Customer service rate	Number of deliveries on time and satisfying customer quantity tolerances as percentage of total deliveries
DCC	Development Circuits and Components wholly-owned AT&S subsidiary, providing project management for assembly contracts
DVFA	Society of Investment Professionals in Germany
EBIT	Earnings before interest and taxes, operating profit
EBIT margin	EBIT as a percentage of total revenues
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA margin	EBITDA as a percentage of total revenues
EPS	Earnings per share
EVA	Economic value added
HDI	High density interconnection printed circuit boards with structures smaller than 100 micrometers (0.1 mm)
IMS	Intermetallic substrate
ISO	International Organization for Standardization
ISO 14001	Environmental management standard
ISO 9001-2000	Quality management standard
ISO/TS 16949	ISO specification reflecting the requirements of major international automotive manufacturers
IVA	Austrian Shareholder Association
Kyoto targets	Mandatory targets for greenhouse gas emissions named after Kyoto in Japan, where the Climate Conference took place
LED	Light emitting diode
OHSAS	Occupational Health and Safety Assessment Series: health and safety in the workplace management standards
PCB	Printed circuit board
PDA	Personal digital assistant
PPDS	APO Production Planning and Demand Scheduling SAP software for supply chain management
R&D	Research & development
RoHS	Reduction of Hazardous Substances Directive
SCM	Supply chain management
SPP	Special products and prototypes, formerly Fohnsdorf production
TecDax	Index of the 30 largest technology stocks listed on the Frankfurt Stock Exchange
Total shareholder return	Stock yield, calculated as $\frac{\text{(closing stock price – opening stock price) + dividend}}{\text{opening stock price}}$
Trading	AT&S functions as a middleman, procuring circuit boards that it does not manufacture itself from its business partners in Asia for European customers
Yield	Yield as percentage of total production

Contacts

AT&S Austria Technologie &
Systemtechnik AG
Am Euro Platz 1
1120 Vienna
Austria
Tel: +43 1 68 300-0
Fax: +43 1 68 300-9290

Public Relations and Investor Relations

René Berger
Hans Lang
Tel: +43 1 68 300-9259
E-Mail: ir@ats.net

Responsible for contents

René Berger
Sylvia Fauland
Sandra Willibacher

Imprints

AT&S Austria Technologie &
Systemtechnik AG
Fabriksgasse 13
8700 Leoben
Austria

Consultants

Pleon Publico
Public Relations & Lobbying

Design

section.d design.communication GmbH

Artist cooperation

section.a art.consulting GmbH

SYNAPS by Javier Pérez Gil

Printed by

Druckerei Kenad & Danek Ges.m.b.H.

SYNAPS *by Javier Pérez Gil*

Javier Pérez Gil created the ten-part series "Synaps" for the 2006/07 annual report. By placing different circuit board structures on top of each other on a picture, compositions arise which are reminiscent of - circuit diagrams, street maps or timetables: Symbols of modern networks.

The artist, who was born in Spain in 1970 and currently lives in Vienna, works exclusively with print/graphic media. The source material for his pictures has various origins. The "circuit board" theme, with which he has been occupied for several years, fascinates him above all because of the interaction of high technological precision, aesthetic clarity and relevance to society of these mostly invisible objects.

For "Synaps", Javier Pérez Gil scans various circuit boards and lets digital collages be created by means of the laborious procedure of "morphing" (sectional views, overlays, folds, mutations). He views every intervention, each change, every interference as a potential starting point for unexpected further development. This flexibility finds expression in the structural as well as the aesthetic complexity of his work.

The title "Synaps" refers on the one hand to the contact points, which take on concrete form in the picture development process, and on the other hand to the basic structure of the human thought process, which is also based on new and often unexpected aspects within an existing system.

The aim of the cooperation between artists and AT&S which was initiated by section.a 6 years ago, is to create a world of images for annual reports, beginning with the circuit board theme. These images convey the dynamics of communications technology and enable an unconventional, emotional approach to the technological product represented by the circuit board.

AT&S Austria Technologie &
Systemtechnik Aktiengesellschaft
Fabriksgasse 13
8700 Leoben
Austria
www.ats.net