AT&S

Quarterly Financial Report 01

2008/2009

HYBRID GROWTH *by Birgit Knoechl*

Key figures

(in € million, earnings per share in €)	Quarter 1 2008/09	Quarter 1 2007/08
Total revenues	115.2	114.7
Gross profit	15.9	18.8
Gross profit margin	13.8%	16.4%
EBIT (operating profit)	5.6	7.8
EBIT margin	4.9%	6.8%
EBITDA	15.7	15.9
EBITDA margin	13.6%	13.8%
Net income for period	5.0	9.2
Earnings per share *	0.22	0.40
Total assets/equity & liabilities	495.8	478.5
CAPEX, net	11.7	25.8
Equity ratio	46.9%	47.5%
Net debt	145.7	123.7
Net gearing	62.7%	54.5%
ROE **	8.8%	16.8%
Payroll (incl. leased personnel)	6,338	5,972

* Calculated on the basis of the weighted average number of shares outstanding at 30 June 2008 (23,322,588 shares) and at 30 June 2007 (23,498,132 shares), in accordance with IFRS.
** Calculated on the basis of the average shareholders' equity for the period, annualised.

Highlights

- Despite tumbling US dollar, revenues up 0.4% to EUR 115.2m, margins down because of seasonal weakness and overall economic climate.
- AT&S continues to pursue its growth strategy, with further expansion of capacity in China and India.
- AT&S boosts the industrialisation of embedding technology: objective is to integrate new functions into the printed circuit boards and improve performance.
- AT&S cooperating with Solland Solar: development of an innovative solar module design with high energy efficiency and low costs.
- Annual General Meeting: all resolutions passed with at least 93% approval. Share repurchase programme extended until 3 January 2011.
- AT&S stock to list only in Vienna as of 14 September 2008.

Statement of the Board of Management

Dear shareholders,

Despite an overall weak start to the year, AT&S posted revenues of EUR 115.2m in the first quarter of financial 2008/09, once again improving on its performance in the same period in the previous year. During this period the US dollar dropped by around 16%, which acted as a significant brake on the growth of revenues in dollar-oriented business sectors. Prices for large parts of Mobile Devices business, but also in Industrial and Automotive (together in aggregate roughly 75% of total sales), are dependent on the US dollar, because AT&S's competitors are almost without exception located in countries whose currencies follow the dollar.

In addition to the macroeconomic uncertainties, there were the seasonal fluctuations to which our business is exposed. As a general rule, the first and the fourth quarters of the financial year are characterised by low capacity utilisation and a poorer product mix, while the second and third quarters show excellent capacity utilisation. For a high fixed cost business like AT&S's, reduced capacity utilisation means immediate pressure on margins. The seasonal effect in the first three months of financial 2008/09 was particularly extreme, so that the pressure on margins was exceptionally high.

Revenues up in spite of US dollar decay, margins impacted by seasonal factors

AT&S posted revenues of EUR 115.2m for the first quarter of financial 2008/09, up 0.4% on the same period last year. Mobile Devices generated about 63% of AT&S's sales, while Industrial/Medical contributed roughly 24%, and Automotive customers roughly 11%. DCC/Trading and Design accounted for about 3% of the total.

Gross profit dropped to EUR 15.9m, a decrease of 15%, with the gross profit margin also correspondingly lower, at 13.8%.

EBIT of EUR 5.6m was down 28% year on year, and the EBIT margin declined from 6.8% to 4.9%.

AT&S's pretax profit for the first three months was EUR 5.3m, a fall of 42%. Net income for the period came out at EUR 5.0m, 45% lower than in the comparable period last year. The effective rate of taxation for the first quarter was 4.6%, and earnings per share were EUR 0.22, a decline of 45% compared with the first three months of 2007/08.

With net debt of EUR 145.7m at 30 June 2008 (EUR 123.7m a year earlier) the gearing ratio was 62.7%. Since 31 March 2008, net debt has fallen back by EUR 10.6m.

As at 30 June 2008, AT&S employed 6,338 people at its production sites in Austria, India, China and Korea, and in a total of 17 sales offices.

Expansion in Asia

Production capacity built up in Asia over recent years has played a major role in the AT&S success story. Last year the second plant in Shanghai became fully operational, and work began on the ramp-up of the third facility. Further capacity increases in China and the construction of a second production facility in Nanjangud, India, will provide the basis for future growth. Given that the existing site in India is running at full capacity and demand from our Industrial and Automotive customers for standard multilayer and double-sided printed circuit boards is increasing, AT&S is investing about EUR 36m in the new production facilities. The new development reinforces AT&S's position as the largest producer of PCBs in India. The new plant is scheduled for completion in financial 2009/10.

AT&S boosts the industrialisation of embedding technology

In the past 15 years, AT&S has established its reputation in the industry worldwide as a technology leader in miniaturisation. As the initiator and consortium leader of the international, EU sponsored Hermes project, AT&S is working with famous international business partners from industry, the automobile sector and aviation.

The name Hermes (High density integration by Embedded chips for Reduced sized Modules and Electronic Systems) stands for the next technical innovation in printed circuit boards – a new packaging solution for semiconductors, which goes far beyond existing interconnection capabilities. As the new technology is commercialised, numerous opportunities for applications in medicine (new generations of hearing aids, heart pacemakers, blood sugar measuring devices, etc.) and in functional modules such as GPS, WLAN, Bluetooth, camera modules, etc. will appear. The future of mobile device products is not simply in miniaturisation, but also in integrating new functions and in enhancing overall performance. Hermes will make these performance improvements possible.

Hermes is Europe's answer to developments in the high tech chip embedding segment in Asia, and is intended to set new standards in order to establish itself in Europe. The project is being carried out at AT&S's Leoben-Hinterberg facility.

AT&S Leoben is expanding into special products and prototypes

It is AT&S's declared strategy to focus the existing Austrian facilities on the requirements and demands of the European market, because the weakness of the US dollar and high wage settlements in Austria represent significant challenges for volume production. The SPP unit – Special Products and Prototypes – moved from Fohnsdorf to Leoben-Hinterberg some three years ago, and since then has made itself a reputation for its quick turnaround times and special products. Circuit boards for the automobile industry, used for example in non-manipulable digital tachographs, or for special applications in the aerospace industry, are only the most obvious examples from a vast range of individual applications. In addition to speed, the unit is above all much in demand because of its top quality standards. This is the best possible way to meet the requirements of our Industrial and Automotive customers in Europe, and to win further market share.

AT&S cooperating with Solland Solar

Growth and diversification are core AT&S themes, since the skill and expertise gained in circuit board manufacture can well be transferred to other industrial sectors. This is the logic behind AT&S's cooperative venture with Solland Solar, a German-Dutch manufacturer of standard and back-contacted solar cells. The goal is to develop an innovative solar module design with both greater energy efficiency and lower costs, using processes and materials that are standard in the printed circuit board industry but are not yet used in photovoltaics. The first step is to create a properly functioning prototype, followed by review of the new design with a view to possible commercialisation.

Outlook

Based on the available customer forecasts, the Group expects the coming quarter to produce higher capacity utilisation and a better product mix.

However, in light of the current macroeconomic risks presented by the financial crisis and the weakness of the US dollar, we are not able at this point to give any precise guidance. From the present perspective, it is to be expected that the earnings of financial 2008/09 as a whole will not reach the record levels of the previous financial year.

With best regards

Harald Sommerer
Chairman of the Board

Steen Hansen
Member of the Board

Heinz Moitzi
Member of the Board

Directors' Holdings and Dealings

	STOCKS				OPTIONS			
	Holdings as at 31 March 2008	Change	Holdings as at 30 June 2008	% capital	Holdings as at 31 March 2008	Change	Holdings as at 30 June 2008	Average strike price
Harald Sommerer[1]	41,500		41,500	0.16%	140,000	40,000	180,000	€ 17.80
H.S. Private Foundation	120,600		120,600	0.47%				
Total – Sommerer	162,100		162,100	0.63%				
Steen Hansen[1]	0		0	0.00%	105,000	30,000	135,000	€ 17.80
Heinz Moitzi[1]	1,672		1,672	0.01%	90,000	30,000	120,000	€ 17.92
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	4,574,688		4,574,688	17.66%				
Total – Dörflinger	4,574,688		4,574,688	17.66%				
Erich Schwarzbichler	0		0	0.00%				
Georg Riedl	9,290		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	1		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/dealings	**10,771,774**	**0**	**10,771,774**	**41.59%**	**335,000**	**100,000**	**435,000**	
Treasury stock[2,3]	2,577,412	0	2,577,412	9.95%				
Other shares in issue	12,550,814		12,550,814	48.46%				
Total	**25,900,000**		**25,900,000**	**100.00%**	**335,000**		**435,000**	

[1] Options under stock option plan.
[2] The nominal value of treasury stock at 30 June 2008 was EUR 2,835,153.
[3] Repurchased shares are used for the employee participation scheme or stock option plans and for possible acquisitions.

Investor Relations

Share price

AT&S's shares have been quoted on the Frankfurt Stock Exchange since 1999. After a strong start to financial 2008/09 with an intraday high of EUR 13.49 on 19 May 2008, the share closed on 30 June 2008 at EUR 10.96, which was 8% up on the price at the beginning of April. This meant that AT&S stock had outperformed the TecDAX, which was 1% down over the period.

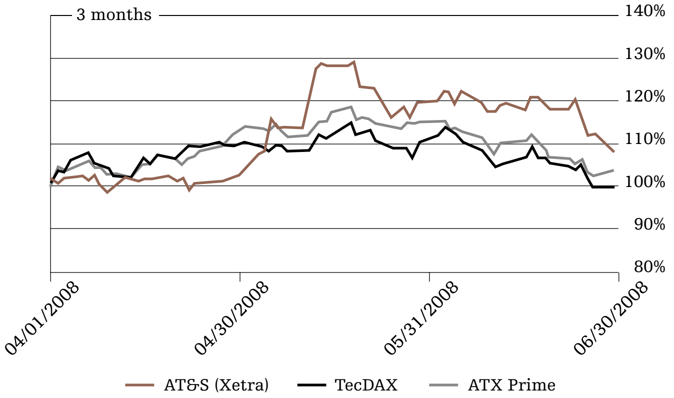
AT&S moves to its home stock exchange in Vienna

In May 2008 AT&S's Management Board decided to move the Company's listing to its home stock exchange in Vienna, and to delist from the Frankfurt Stock Exchange. This decision reflects the improved standing of the Vienna Stock Exchange: it has in recent years acquired an international reputation and importance, with greatly improved liquidity. And what is important for AT&S – its focus is on small and midcap investors. Since 20 May 2008 AT&S has been listed on the Vienna Stock Exchange's Prime Market: the opening price on its first day of trading was EUR 13.00. On 23 June 2008 the AT&S share was included in the ATX Prime index. At the end of the first quarter of financial 2008/09 AT&S stock was quoted at EUR 10.80. Its performance in Vienna has paralleled the ATX Prime, which lost 13% over the period. The shares will be double listed for some months, and as of 14 September 2008 will be listed only in Vienna.

As a result of moving to the Vienna Stock Exchange, AT&S is currently engaged in changing from the German to the Austrian Corporate Governance Code. The Group aims to comply with the current version of the Austrian Code in all respects.

.

AT&S against the TecDAX and ATX Prime



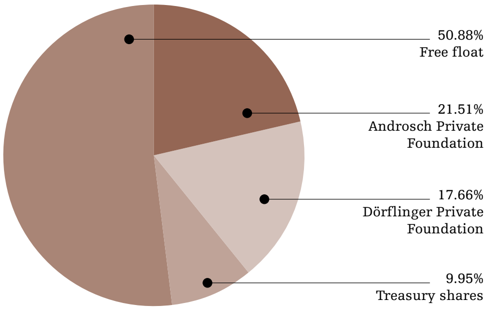
Face-to-face communication creates trust

In addition to its mandatory reporting, in the first quarter of financial 2008/09 AT&S once again made direct contact with investors and analysts. There was an investors' lunch in Vienna in May, and another roadshow, which this time took AT&S to Frankfurt.

AT&S's 14th Annual General Meeting was held on 3 July 2008 at Leoben Congress Centre, and around 80 interested investors took part. All resolutions were approved by over 93% of stockholders. The items on the agenda included the recommended payment of a dividend of EUR 0.34 per share, the discharge of Management and Supervisory Boards from liability, the compensation of members of the Supervisory Board, appointment of auditors for financial 2008/09, and the amendment of the articles of incorporation with respect to the Annual General Meeting. The articles were amended to comply with the Austrian Corporate Governance Code, so that shareholders now have a period of at least 21 days in which to deposit their shares. The Management Board's power to acquire, apply, and retire treasury stock was extended until 3 January 2011. Up to a total of 10% of the issued share capital may be repurchased. Treasury stock is acquired for the purpose of meeting obligations under employee participation and stock options schemes; it may also be disposed of other than through the stock exchange or by means of a public offering, in particular for the purpose of conversion of convertible bonds or for possible acquisitions.

At 30 June 2008 AT&S held 2,577,412 own shares, representing 9.95% of the issued share capital. About 51% of the shares are in the free float. In the first quarter of financial 2008/09 no shares were repurchased.

Shareholdings



Interested investors will find more in-depth information on our website www.ats.net.

Key stock figures (in €)

	30 June 2008 Frankfurt Exchange	30 June 2008 Vienna Exchange	30 June 2007 Frankfurt Exchange
Earnings per share	0.22	0.22	0.40
High	13.49	13.56	20.44
Low	9.84	10.80	16.10
Close	10.96	10.80	18.60

AT&S stock

	Frankfurt Exchange	Vienna Exchange
Security ID number	922230	969985
ISIN code	AT0000969985	AT0000969985
Symbol	AUS	ATS
Reuters RIC	ATSV.DE	ATS.VI
Bloomberg	AUS:GR	ATS:AV

Financial calendar

Quarter 2 2008/09	21 October 2008
Quarter 3 2008/09	27 January 2009
Annual results 2008/09	14 May 2009
15th Annual General Meeting	2 July 2009

Investor relations

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

Interim Financial Report (IFRS)

Consolidated Income Statement

(in € 1,000)	1 April–30 June 2008	2007
Revenues	115,197	114,682
Cost of sales	(99,288)	(95,870)
Gross Profit	15,909	18,812
Selling costs	(5,724)	(5,447)
General and administrative costs	(5,377)	(5,429)
Other operating result	823	(169)
Operating profit	5,631	7,767
Financial income	1,792	2,925
Financial expense	(2,151)	(1,637)
Financial result	(359)	1,288
Profit before tax	5,272	9,055
Income tax expense	(243)	160
Profit for the period	**5,029**	**9,215**
Thereof equity holders of the Company	5,041	9,375
Thereof minority interest	(12)	(160)
Earnings per share for profit attributable to equity holders of the Company		
- Basic earnings per share (in €)	0.22	0.40
- Diluted earnings per share (in €)	0.22	0.40
Weighted average number of shares outstanding – basic (in thousands)	23,323	23,498
Weighted average number of shares outstanding – diluted (in thousands)	23,323	23,543

Consolidated Balance Sheet

(in € 1,000)	30 June 2008	31 March 2008
ASSETS		
Non-current assets		
Property, plant and equipment	298,641	297,750
Intangible assets	8,054	8,347
Financial assets	119	119
Overfunded retirement benefits	329	424
Deferred tax assets	10,042	9,391
Other non-current assets	2,547	2,461
	319,732	318,492
Current assets		
Inventories	52,141	51,714
Trade and other receivables	92,932	93,751
Financial assets	18,341	20,044
Non-current assets held for sale	2,151	2,151
Current income tax receivables	90	84
Cash and cash equivalents	10,396	9,364
	176,051	177,108
Total assets	**495,783**	**495,600**
EQUITY		
Share capital	45,680	45,658
Other reserves	(38,008)	(39,714)
Retained earnings	224,873	219,817
Equity attributable to equity holders of the Company	232,545	225,761
Minority interest	523	530
Total equity	**233,068**	**226,291**
LIABILITIES		
Non-current liabilities		
Financial liabilities	111,332	39,301
Provisions for employee benefits	10,994	10,830
Deferred tax liabilities	7,466	7,280
Other long-term liabilities	2,612	1,852
	132,404	59,263
Current liabilities		
Trade and other payables	78,400	75,790
Financial liabilities	48,235	130,126
Current income tax payables	2,309	2,418
Other provisions	1,367	1,712
	130,311	210,046
Total liabilities	**262,715**	**269,309**
Total equity and liabilities	**495,783**	**495,600**

Consolidated Cash flow Statement

	1 April–30 June	
(in € 1,000)	2008	2007
Cash flows from operating activities		
Profit for the period	5,029	9,215
Adjustments to reconcile profit for the period to cash generated from operations:		
Depreciation, amortisation and impairment less reversal of impairment of fixed assets and assets held for sale	10,035	8,093
Income tax expense	243	(160)
Financial expense/(income)	359	(1,288)
(Gains)/losses from the sale of fixed assets	(37)	10
Release from government grants	(55)	(144)
Other non-cash expense/(income), net	553	822
Changes in working capital:		
- Inventories	(489)	(4,722)
- Trade and other receivables	427	(2,686)
- Trade and other payables	7,143	7,946
- Other provisions	(311)	269
Cash generated from operations	22,897	17,355
Interest paid	(1,721)	(1,560)
Interest received	100	67
Income tax paid	(1,001)	(1,038)
Net cash generated from operating activities	**20,275**	**14,824**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(11,766)	(25,800)
Proceeds from sale of property, plant and equipment and intangible assets	38	44
Proceeds from sale of financial assets	1,746	324
Net cash used in investing activities	**(9,982)**	**(25,432)**
Cash flows from financing activities		
Proceeds from borrowings	80,046	19,756
Repayments of borrowings	(90,005)	(14,627)
Proceeds from government grants	832	408
Proceeds from the exercise of stock options	–	6
Payments for the purchase of treasury shares	–	(2,796)
Net cash generated from/(used in) financing activities	**(9,127)**	**2,747**
Net increase/(decrease) in cash and cash equivalents	**1,166**	**(7,861)**
Cash and cash equivalents at beginning of the year	9,364	24,597
Exchange gains/(losses) on cash and cash equivalents	(134)	(100)
Cash and cash equivalents at end of period	**10,396**	**16,636**

Consolidated Statement of Changes in Equity

(in € 1,000)	Share capital	Other reserves	Retained earnings	**Equity attributable to equity holders of the Company**	Minority interest	**Total equity**
March 31, 2007	**49,529**	**(14,924)**	**185,617**	**220,222**	**545**	**220,767**
Currency translation differences	–	392	–	**392**	–	**392**
Net income/(expense) recognised directly in equity	–	392	–	**392**	–	**392**
Profit for the period	–	–	9,375	**9,375**	(160)	**9,215**
Total recognised income and expense	**–**	**392**	**9,375**	**9,767**	**(160)**	**9,607**
Stock option plan:						
- Value of employee services	20	–	–	**20**	–	**20**
- Change in stock options	1	–	–	**1**	–	**1**
Change in treasury stock net of tax	(2,636)	–	–	**(2,636)**	–	**(2,636)**
Minority interest through reclassifications of losses attributable to minority interest	–	–	(170)	**(170)**	170	**–**
June 30, 2007	**46,914**	**(14,532)**	**194,822**	**227,204**	**555**	**227,759**
March 31, 2008	**45,658**	**(39,714)**	**219,817**	**225,761**	**530**	**226,291**
Currency translation differences	–	1,706	23	**1,729**	(3)	**1,726**
Net income/(expense) recognised directly in equity	–	1,706	23	**1,729**	(3)	**1,726**
Profit for the period	–	–	5,041	**5,041**	(12)	**5,029**
Total recognised income and expense	**–**	**1,706**	**5,064**	**6,770**	**(15)**	**6,755**
Stock option plan:						
- Value of employee services	22	–	–	**22**	–	**22**
Minority interest through reclassifications of losses attributable to minority interest	–	–	(8)	**(8)**	8	**–**
June 30, 2008	**45,680**	**(38,008)**	**224,873**	**232,545**	**523**	**233,068**

Segment Report

a. Geographical segmentation

1st Quarter of financial year 2008/09:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	92,959	22,238	–	115,197
Intercompany sales	–	40,096	(40,096)	–
Total revenues	92,959	62,334	(40,096)	115,197
Segment result/Operating profit	(982)	10,091	(3,478)	5,631
Financial result				(359)
Profit before income tax				5,272
Income tax expense				(243)
Profit for the period				**5,029**
Total assets	150,771	350,445	(5,433)	495,783
Total liabilities	69,821	57,523	135,371	262,715
Capital expenditures	2,328	4,497	223	7,048
Depreciation/amortisation of property, plant and equipment and intangible assets	2,577	7,194	264	10,035

1st Quarter of financial year 2007/08:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	89,769	24,913	–	114,682
Intercompany sales	–	37,497	(37,497)	–
Total revenues	89,769	62,410	(37,497)	114,682
Segment result/Operating profit	3,634	11,912	(7,779)	7,767
Financial result				1,288
Profit before income tax				9,055
Income tax expense				(160)
Profit for the period				**9,215**
Total assets	163,001	301,602	13,875	478,478
Total liabilities	61,429	49,700	139,590	250,719
Capital expenditures	1,290	29,711	166	31,167
Depreciation/amortisation of property, plant and equipment and intangible assets	2,512	5,198	383	8,093

b. Business segment information

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

(in € 1,000)	1 April–30 June 2008	2007
Mobile Devices	72,365	74,841
Industrial	27,149	24,946
Automotive	12,489	12,413
Other	3,194	2,482
	115,197	**114,682**

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.

Revenue broken down by country is as follows:

(in € 1,000)	1 April–30 June 2008	2007
Austria	5,330	5,288
Germany	28,807	31,395
Hungary	12,007	9,791
Other EU	8,444	6,595
Asia	36,174	46,401
Canada, USA	22,070	11,629
Other	2,366	3,583
	115,197	**114,682**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim report for the quarter ended 30 June 2008 has been prepared in accordance with the standards (IFRS and IAS) of the International Accounting Standards Board (IASB), including IAS 34, and the interpretations (IFRIC and SIC) as adopted by the European Union.

There are no differences in accounting and valuation policies compared with those applied in the financial year ended 31 March 2008.

The consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements and should be read in conjunction with the annual consolidated statements published for the year ended 31 March 2008.

The consolidated interim statements for the three months ended 30 June 2008 are unaudited and have not been the subject of external audit review.

Notes to the income statement

Revenues

Net sales in the first quarter of the financial year 2008/09 rose by EUR 0.5m to EUR 115.2m, an increase of 0.4% in comparison with the same period last year. This meant that the especially robust sales for the first quarter of last financial year were matched – in spite of a US dollar exchange rate that was on average 16% lower.

The principal contributory factor was increased volumes, largely made possible by the additional capacity provided by the third facility in China, which began operations in 2007/08. Volumes achieved by our Korean subsidiary and some of our facilities in Austria were also significantly higher. The partial transfer of production of HDI circuit boards to Asia meant a reduction in volumes in this area for Austria compared with the same period last year. Price changes caused in part by changes in exchange rates, particularly the USD/EUR rate, meant that revenue gains were minimal compared with volume increases.

Gross profit

Compared with the first quarter of 2007/08, the gross profit margin fell from 16.4% to 13.8%, with gross profit coming out EUR 2.9m lower.

The lower gross margin highlights the problem of reduced average selling prices. That the third China plant, which was commissioned last year, had not yet quite reached full capacity, and that some of the production facilities in Austria suffered from capacity underutilisation so that fixed costs were a much heavier burden, also combined to push down the margin. Teething troubles at our factory in Korea continue to depress gross profit, though to a much lesser extent than in the first quarter of last financial year.

Operating profit

The EUR 2.1m reduction in operating profit in first quarter 2008/09 compared with the same period last year chiefly reflects the fall in gross profit. The relatively smaller variance in comparison with the change in gross profit is mainly attributable to a reduction in other operating expenses, which last year were boosted by start-up losses caused by the commissioning of the third plant in China.

The increase in selling costs reflects the growth-driven needs for more staff; administrative expenses are down slightly year on year.

Financial result

Lower financial income than in the first three months of 2007/08 was largely the result of changes in exchange rates. Both the earnings contribution of hedging operations and the exchange rate gains on bank finance were lower than last year.

The higher net debt compared with a year ago led to an increase in financing expense. The financial result for the first quarter of the financial year was EUR 1.6m worse than last year, resulting in net financing expense.

Income tax expense

Compared with the same period last year, the effective tax rate for the Group has risen. The increase in relation to the consolidated profit before tax was mainly a consequence of the different proportions of Group earnings contributed by individual companies with different tax rates, together with the effects of the various different tax regimes to which the Group is subject. Compared with the first quarter of last financial year, lower amounts of tax loss carryforwards have been recognised.

Notes to the balance sheet

Financial position

Net debt was reduced by EUR 10.6m compared with the position at 31 March 2008 and the balance at the end of the quarter was EUR 145.7m, with a net gearing ratio of 63%. High operating cash inflows in the current first quarter enabled financial liabilities to be reduced. A five-year EUR 80m bond was placed on 27 May 2008, shifting financing from short to longer-term and improving the financial structure. Net debt was EUR 22.0m higher than a year ago, mainly financing the investments in China.

Despite the lower quarterly total recognised income and expense consolidated equity grew by a similar amount as in the comparable period last year, when the repurchase of treasury shares contributed to reducing equity. The improvement in the currency translation reserve in the first quarter of 2008/09 was significantly higher than last year and was mainly the result of favourable exchange rate movements of a functional currency, the renminbi yuan (CNY), against the euro. The loss in value of the Indian rupee (INR) reduced the net improvement.

Treasury shares

Most recently in the 13th Annual General Meeting of 3 July 2007 the Management Board was authorised for a period of 18 months from the date of the resolution to acquire treasury shares up to a maximum amount of 10% of the share capital. The authorisation was extended again in the 14th Annual General Meeting of 3 July 2008 for a period of 30 months from the passage of the new resolution. In the same Annual General Meeting the Management Board was also authorised – for a period of five years and with the approval of the Supervisory Board – to dispose of treasury shares other than through the stock exchange or by means of a public offering, in particular for the purpose of conversion of convertible bonds or for possible acquisitions.

No further treasury shares were acquired under the share repurchase scheme in the first quarter of this financial year. At 30 June 2008 and taking into account the stock options exercised, the Group held the same number of treasury shares – 2,577,412 shares, or 9.95% of the share capital – as at 31 March 2008 with an acquisition cost of EUR 46.6 million.

Notes to the cash flow statement

Net cash generated from operating activities rose by EUR 5.5m compared with the same period last year. Given the EUR 4.2m reduction in consolidated net income, the principal reason for the increase in net cash inflow was the marked positive changes in working capital. In addition, operating cash flows were not affected by the higher depreciation and amortisation charges resulting from the commissioning of the third facility in China.

Net cash used in investing activities amounted to EUR 10.0m, compared with EUR 25.4m in the same period last year. Capital expenditure amounted to EUR 11.8m, of which EUR 8.5m was spent on expansion of the site in China. The significant difference in net cash used chiefly reflects the higher level of investments in first quarter of last financial year. Proceeds from hedging operations in the current first quarter was also higher year on year.

The net financing outflows of EUR 9.1m in the first three months of 2008/09 were mainly the result of the repayment of financial liabilities out of the net cash inflows from operating activities.

Other information

Dividends

After the end of the first quarter of financial 2008/09 the Annual General Meeting of 3 July 2008 resolved on a dividend of EUR 0.34 per share out of retained earnings as at 31 March 2008.

Change in stock exchanges

Since 20 May 2008 AT&S has been listed on the Vienna Stock Exchange's Prime Market, and after a period of double listing on its previous exchange in Frankfurt will be listed in Vienna exclusively from 14 September 2008.

Related party transactions

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

In the same period, expenditure for third-party manufacturing services provided by enterprises associated with the minority shareholders in AT&S Korea amounted to EUR 262,000.

Group Interim Management Report

Business developments and performance

The first quarter of the financial year 2008/09 did not live up to AT&S's expectations. Revenues were in excess of the exceptionally high sales in the same period last year, but the pressure on prices caused by the decline of the US dollar and the market environment in general, together with the rising costs of raw materials, energy and labour, meant that the desired levels of earnings were not achieved. Mobile Devices, which traditionally generates high turnover, once again contributed the largest share of sales, with EUR 72.4m, even if in comparison with last year the amount was slightly lower. What was especially gratifying was the very sharp 9% increase in revenues from industrial business. Increases in sales in the USA and Canada highlight the Group's growing presence in those markets.

The seasonal variation in the first quarter of this financial year was particularly marked in comparison with what our strategy had allowed for, and combined with the continuing weakness of the US dollar, it meant that sales fell short of Management's original expectations. However the strong influence of the dollar on production factors in Asia meant that the dollar exchange rate had a more limited impact on the operating results of our facilities in Asia than on our European plants. The overall pressure on prices internationally was all the more clearly reflected in the margins achieved on production in Europe. And particularly for the production of HDI circuit boards in Austria, capacity utilisation was too low, which also depressed earnings.

Significant risks, uncertainties and opportunities

There were no material changes in types of risks to which the Group was exposed during the first quarter of financial 2008/09 compared with those described in the notes to the 2007/08 consolidated financial statements under II. Risk Report. Interest rate risk was further reduced during the quarter by the bond issue. Currency futures and options were used to protect against the effects of currency fluctuations on net US dollar exposures.

For AT&S's three major businesses (Mobile Devices, Industrial and Automotive), the opportunities and risks attaching to developments in the external environment continue to be compatible with the market growth we forecast, but as a consequence of the macroeconomic uncertainties generated by the financial crisis in the USA the detailed outcomes are increasingly difficult to predict. We continue to see interesting opportunities for AT&S in services, and particularly in design and assembly services.

AT&S is also pursuing possibilities of expansion and growth in the solar industry. Initial activities involve the development of an innovative design for a solar module with enhanced energy efficiency; the work is part of a cooperative venture with a producer of standard and back-contacted solar cells.

Outlook

The Group management report for 2007/08 already stressed the difficulty of predicting how the economy would develop worldwide, and deliberately refrained from any detailed forecasts for the financial year 2008/09. Current projections do however show better capacity utilisation for the second quarter of the current financial year, and a better product mix, which should result in higher gross margins than in the first quarter. Consolidated net income for the current financial year is expected to be down on the record results achieved in 2007/08.

Leoben-Hinterberg, 24 July 2008

The Management Board

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

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

Public Relations and Investor Relations
Hans Lang
Tel: +43 1 68 300-9259
E-mail: ir@ats.net

Editorial office
Nikolaus Kreidl
Sandra Meder

Publisher and responsible for contents
AT&S Austria Technologie
& Systemtechnik AG
Fabriksgasse 13
8700 Leoben
Austria

Design
section.d design.communication GmbH

Artist cooperation
section.a art.design.consulting GmbH

HYBRID GROWTH by Birgit Knoechl

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

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