AT&S

Quarterly Financial Report 03

2008/2009

HYBRID GROWTH *by Birgit Knoechl*

Key Figures

(in € million, earning per share in €)	Quarter 1–3 2008/09	Quarter 1–3 2007/08
Total revenues	351.4	368.3
Gross profit	59.2	67.6
Gross profit margin	16.8%	18.3%
EBIT (operating result)	2.3	33.8
EBIT margin	0.7%	9.2%
EBITDA	43.9	60.1
EBITDA margin	12.5%	16.3%
Net income for the period	-4.9	33.3
Earnings per share*	-0.20	1.46
Total assets/equity & liabilities	545.7	513.7
CAPEX, net	47.1	83.3
Equity ratio	44.1%	45.0%
Net debt	189.6	157.2
Net gearing	78.8%	68.0%
ROE **	-2.7%	20.2%
Payroll (incl. leased personnel)	6,374	6,452

* Calculated on the basis of the weighted average number of shares outstanding as of 31 December 2008 (23,322,588 shares) and 31 December 2007 (23,405,141 shares) in accordance with IFRS.
** Calculated on the basis of the average shareholders' equity for the period, annualised.

Highlights

- **Positive EBIT for first nine months despite major non-recurring items in third quarter**
- **Effects of troubled economic situation already being felt**
- **Capacity adjustment at Leoben-Hinterberg site in Austria**
- **Writedown of goodwill at AT&S Korea; no longer any goodwill in AT&S balance sheet**

Statement of the Management Board

Dear shareholders,

We are living in demanding times. The current macroeconomic disturbances began with a real estate crisis in America. With interest rates at historically low levels for years, US banks had been giving loans without paying adequate attention to borrowers' credit status. As rates began to rise, many borrowers were unable to keep up with their repayments, and the banks found themselves saddled with massive bad debts. With securitisation and global trading, loans and lending risk nowadays rarely stay with the originating banks, so that the effects of defaults are soon felt all over the world.

From today's perspective, it is clear that housing was only the first of the speculative bubbles to burst. Misjudgements by rating agencies, ill considered incentives and the debt-fuelled economic growth of recent years, all coupled with increased use of mark-to-market valuation, led to unusually large and rapid price increases in asset categories across the board. These valuation requirements for businesses introduced by new financial reporting standards and the Basel II guidelines for banks combined to compound the effects – in both directions, as we are now realising.

Mutual distrust among financial institutions around the world began to burgeon as the first banks became insolvent and got under state control. Interbank lending slowed to a trickle, and new loans to businesses and consumers were only available on extremely restrictive terms. Collapsing asset values and restrictive lending policies have now undermined consumers' and investors' confidence around the globe. With revenues and profits shrinking, businesses are responding by slashing costs and introducing measures to reduce workforces. A local real estate problem has mushroomed into a global liquidity, demand and credit crisis.

Already in the first quarter of financial 2008/09, it was clear to AT&S that the prospects for the real economy were increasingly gloomy. Our results for the following three months were still strong, but in the third quarter, in mid-November, we experienced a sudden, sharp downturn in customer order intake. November is generally one of the strongest months in the AT&S financial year, before demand falls off again in December in anticipation of the impending holiday season. This meant capacity under-utilisation in November rather than full capacity operation, with the trend worsening in December; high fixed costs mean that this directly impacts the Group's profitability. In addition, there were also major non-recurring items.

Non-recurring items

Migration of volume orders to Asia has become progressively more noticeable in recent years, and this development has been exacerbated by the weakness of the US dollar, with which many Asian currencies are aligned. These currency effects alone pushed production costs in Asia significantly lower than anything achievable in Austria. The general tendency to relocate production to Asian factories recently reached a level that made it necessary to make adjustments to capacity at AT&S's Austrian facility in Leoben-Hinterberg. Production capacity, measured in surface area of printed circuit boards manufactured, was reduced from 215,000 m² to 130,000 m². Some of the equipment no longer needed here will be transferred to the new plant in India, reducing investment costs there by about EUR 7.4m. In the course of the restructuring process, 293 of AT&S's own staff and 159 contract workers are being made redundant. After restructuring, the facility will employ about 900 people. The costs of this reorganisation mean a EUR 20.2m charge in third quarter 2008/09, with approximately half of the amount payable immediately.

AT&S Korea achieved a positive EBIT for the first time in October 2008, and its future development is viewed very positively. Its business plan has however had to be adapted to the global economic climate. This resulted in goodwill writedowns of EUR 5.6m, and tax loss carryforwards amounting to EUR 1.4m also had to be written off.

Strong operating performance

AT&S's positive EBIT after the first nine months of the financial year – despite the heavy one-time expenses – is impressive testimony to the Group's strong operating performance. Adjusted for non-recurring items, results for the period were as follows:

- EBIT was EUR 28.1m, with an EBIT margin of 8%
- EBITDA was up 0.7% on the same period a year earlier, to EUR 60.5m. The EBITDA margin was 17.2%
- Consolidated net income was EUR 22.3m
- Earnings per share were EUR 0.97

Third quarter EBIT after adjustment for non-recurring items was EUR 7.5m, with an EBIT margin of 6.4%. Adjusted EBITDA came to EUR 19.2m, and the EBITDA margin was 16.4%. Consolidated net profit was EUR 3.7m after adjustments, which translates into earnings per share of EUR 0.17.

Outlook – weathering the economic crisis

AT&S has not been left unscathed by the economic crisis. Global demand for printed circuit boards will shrink considerably in 2009, and downward pressure on prices can be expected to increase in a number of different areas. Management is fully aware of the need to concentrate on two main strategic thrusts: strictest cost containment, and intensification of efforts to win profitable orders.

Groupwide and at every level, an extensive program of cost savings is already in operation. Restructuring at Leoben-Hinterberg will also reduce the cost basis. Extreme caution will be exercised with respect to capital expenditure in the coming financial year. In China and India we have ample space and equipment available to be able to build up additional capacity very swiftly as soon as customer demand revives.

AT&S is a technology leader in the printed circuit board industry – a position we intend to extend despite the economic crisis. We will continue to drive the development of innovative rigid-flex PCB technologies forward, and we are working at full speed to industrialise processes for embedding chips in printed circuit board inner layers. This is the purpose of the EU-funded Hermes project which AT&S initiated: the Group works on industrial implementation of embedding technologies in close cooperation with leading international partners in automotive, aviation and other industries.

Despite ongoing consolidation of the market, the circuit board industry in Europe is still extremely fragmented, with over 300 companies fighting for market share. Many of them were only moderately successful even in a booming market, and benefited in the past from easy access to financing. Bank loans were relatively cheap, and there were numerous private equity ventures with fresh capital to place. In the current climate, investors are paying closer attention to the soundness of their investments, so that funding for some companies is drying up. The result is a marked quickening in market rationalisation – a thoroughly healthy development.

AT&S's finances are in good shape, and it enjoys technological leadership and a unique strategic position, with facilities in Europe and Asia – we expect it to emerge a winner from the present crisis.

With best regards

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

Directors' Holdings and Dealings

	SHARES				OPTIONS			
	Holdings 30 Sept. 2008	Change	Holdings 31 Dec. 2008	Capital %	Holdings 30 Sept. 2008	Change	Holdings 31 Dec. 2008	Average strike price
Total – Sommerer	162,100	2,277	164,377	0.63%				
Harald Sommerer [1]	41,500	2,277	43,777	0.17%	180,000	0	180,000	€ 17.92
H.S. Private Foundation	120,600		120,600	0.47%				
Steen Hansen [1]	0	2,000	2,000	0.01%	120,000	0	120,000	€ 17.92
Heinz Moitzi [1]	1,672		1,672	0.01%	120,000	0	120,000	€ 17.92
Total – Androsch	6,016,519		6,016,519	23.23%				
Hannes Androsch	445,853		445,853	1.72%				
Androsch Private Foundation	5,570,666		5,570,666	21.51%				
Total – Dörflinger	4,574,688		4,574,688	17.66%				
Wilibald Dörflinger	0		0	0.00%				
Dörflinger Private Foundation	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%				
Wolfgang Fleck [2]	0		0	0.00%				
Johann Fuchs	4		4	0.00%				
Gerhard Fürstler [2]	1		1	0.00%				
Markus Schumy	0		0	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**	**4,277**	**10,776,051**	**41.61%**	**420,000**	**0**	**420,000**	
Treasury stock [3,4]	2,577,412	0	2,577,412	9.95%				
Other shares in issue	12,550,814		12,546,537	48.44%				
Total	**25,900,000**		**25,900,000**	**100.00%**	**420,000**		**420,000**	

[1] Harald Sommerer and Steen Hansen: 20,000 and 15,000 options respectively under the Stock Option Plan lapsed (not exercised).
[2] As of 17 September 2008 Wolfgang Fleck replaced Gerhard Fürstler as Works Council delegate.
[3] The nominal value of treasury stock at 31 December 2008 was EUR 2,835,153.
[4] Repurchased shares are used for the employee participation scheme or for stock option plans, and for possible acquisitions.

AT&S Share

AT&S Capital Markets Day

The annual Capital Markets Day took place on 15 December 2008. The main focus of the event was the effects of the economic crisis on AT&S and the industry as a whole, and the measures and strategies best suited to managing in this climate. Presentations of the latest technological and project breakthroughs are an important part of the Group's efforts to underpin its position as technology leader in the industry.

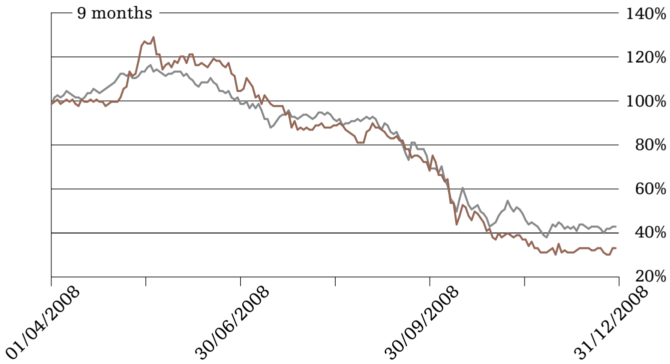
Investor relations

AT&S continued to maintain close contacts with investors in the third quarter. There was a series of individual meetings in Austria, and on 3 November 2008 AT&S participated in a roadshow in Linz organised by Börse-Express and the Aktienforum. The event enabled AT&S to present itself to around 120 primarily private investors.

Share price

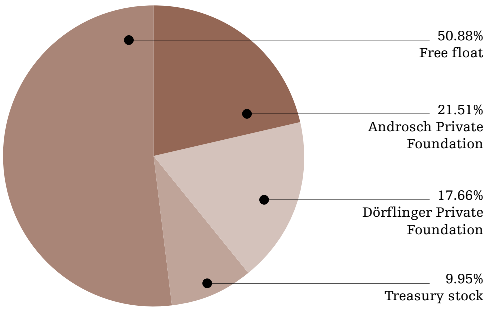
The slump on international stock markets triggered by the financial and economic crisis did not pass by the AT&S stock. After a strong start to financial 2008/09 with a high of EUR 13.56 (intraday) on 21 May 2008, the share price was EUR 3.30 at 31 December 2008, down 67% on the price at the start of April. The ATX Prime was down 57% over the same period.

AT&S against the ATX Prime



* Due to change in listing: 1 April 2008 to 19 May 2008 performance of AT&S stock on the Frankfurt Stock Exchange and from 20 May 2008 on the Vienna Stock Exchange.

Shareholdings



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

Key stock figures (€)

	31 December 2008	31 December 2007
Earnings per share	-0.20	1.46
High	13.56	20.44
Low	2.90	13.50
Close	3.30	15.99

AT&S stock

	Vienna Stock Exchange
Security ID number	969985
ISIN code	AT0000969985
Symbol	ATS
Reuters RIC	ATSV.VI
Bloomberg	ATS AV

Financial calendar

Annual results 2008/09	14 May 2009
15th Annual General Meeting	2 July 2009

Investor relations

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Interim Financial Report (IFRS)

Consolidated Income Statement

(in € 1,000)	1 October–31 December 2008	2007	1 April–31 December 2008	2007
Revenues	117,134	126,634	351,359	368,332
Cost of sales	(97,097)	(102,870)	(292,201)	(300,756)
Gross Profit	20,037	23,764	59,158	67,576
Selling costs	(5,792)	(6,072)	(17,341)	(16,892)
General and administrative costs	(4,704)	(5,453)	(15,853)	(16,104)
Other operating result	(2,017)	517	2,130	370
Non-recurring items	(25,761)	(1,132)	(25,761)	(1,132)
Operating result	(18,237)	11,624	2,333	33,818
Financial income	502	4,228	8,018	9,088
Financial expense	(3,223)	(2,635)	(10,999)	(6,559)
Financial result	(2,721)	1,593	(2,981)	2,529
Profit before tax	(20,958)	13,217	(648)	36,347
Income tax expense	(2,503)	(1,549)	(4,218)	(3,057)
Profit/(Loss) for the period	**(23,461)**	**11,668**	**(4,866)**	**33,290**
Thereof equity holders of the Company	(23,277)	12,147	(4,653)	34,168
Thereof minority interest	(184)	(479)	(213)	(878)
Earnings per share for profit attributable to equity holders of the Company				
- Basic earnings per share (in €)	-1.00	0.52	-0.20	1.46
- Diluted earnings per share (in €)	-1.00	0.52	-0.20	1.46
Weighted average number of shares outstanding – basic (in thousands)	23,323	23,364	23,323	23,405
Weighted average number of shares outstanding – diluted (in thousands)	23,323	23,368	23,323	23,409

Consolidated Balance Sheet

(in € 1,000)	31 December 2008	31 March 2008
ASSETS		
Non-current assets		
Property, plant and equipment	337,429	297,750
Intangible assets	2,243	8,347
Financial assets	122	119
Overfunded retirement benefits	141	424
Deferred tax assets	10,131	9,391
Other non-current assets	2,758	2,461
	352,824	318,492
Current assets		
Inventories	58,930	51,714
Trade and other receivables	106,494	93,751
Financial assets	15,289	20,044
Non-current assets held for sale	2,151	2,151
Current income tax receivables	168	84
Cash and cash equivalents	9,841	9,364
	192,873	177,108
Total assets	**545,697**	**495,600**
EQUITY		
Share capital	45,680	45,658
Other reserves	(11,869)	(39,714)
Retained earnings	206,918	219,817
Equity attributable to equity holders of the Company	240,729	225,761
Minority interest	499	530
Total equity	**241,228**	**226,291**
LIABILITIES		
Non-current liabilities		
Financial liabilities	104,060	39,301
Provisions for employee benefits	9,830	10,830
Other provisions	7,907	–
Deferred tax liabilities	9,492	7,280
Other long-term liabilities	2,234	1,852
	133,523	59,263
Current liabilities		
Trade and other payables	64,792	75,790
Financial liabilities	101,240	130,126
Current income tax payables	3,279	2,418
Other provisions	1,635	1,712
	170,946	210,046
Total liabilities	**304,469**	**269,309**
Total equity and liabilities	**545,697**	**495,600**

Consolidated Cash Flow Statement

(in € 1,000)	1 April–31 December 2008	2007
Cash flows from operating activities		
Profit/(loss) for the period	(4,866)	33,290
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	41,540	26,252
Income tax expense	4,218	3,057
Financial expense/(income)	2,981	(2,529)
(Gains)/losses from the sale of fixed assets	(102)	143
Release from government grants	(961)	(2,370)
Other non-cash income, net	6,810	1,425
Changes in working capital:		
- Inventories	(4,762)	(7,162)
- Trade and other receivables	(10,867)	(10,145)
- Trade and other payables	(8,805)	8,946
- Other provisions	(73)	101
Cash generated from operations	25,113	51,008
Interest paid	(4,158)	(5,708)
Interest received	222	213
Income tax paid	(2,016)	(3,670)
Net cash generated from operating activities	**19,161**	**41,843**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(47,368)	(83,650)
Proceeds from sale of property, plant and equipment and intangible assets	284	367
Purchase of financial assets	(3)	–
Proceeds from sale of financial assets	2,083	3,493
Net cash used in investing activities	**(45,004)**	**(79,790)**
Cash flows from financing activities		
Proceeds from borrowings	121,170	76,874
Repayments of borrowings	(88,777)	(39,248)
Proceeds from government grants	1,575	2,397
Proceeds from the exercise of stock options	–	651
Payments for the purchase of treasury shares	–	(4,540)
Dividends paid	(7,930)	(7,249)
Net cash generated from financing activities	**26,038**	**28,885**
Net increase/(decrease) in cash and cash equivalents	**195**	**(9,062)**
Cash and cash equivalents at beginning of the year	9,364	24,597
Exchange gains/(losses) on cash and cash equivalents	282	(1,099)
Cash and cash equivalents at end of period	**9,841**	**14,436**

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
31 March 2007	**49,529**	**(14,924)**	**185,617**	**220,222**	**545**	**220,767**
Currency translation differences	–	(12,843)	190	**(12,653)**	(4)	**(12,657)**
Net income/(expense) recognised directly in equity	–	(12,843)	190	**(12,653)**	(4)	**(12,657)**
Profit for the period	–	–	34,168	**34,168**	(878)	**33,290**
Total recognised income and expense	**–**	**(12,843)**	**34,358**	**21,515**	**(882)**	**20,633**
Stock option plan:						
- Value of employee services	51	–	–	**51**	–	**51**
- Change in stock options	(182)	–	–	**(182)**	–	**(182)**
Change in treasury stock net of tax	(2,494)	–	–	**(2,494)**	–	**(2,494)**
Dividend relating to 2006/07	–	–	(7,249)	**(7,249)**	–	**(7,249)**
Minority interest through reclassifications of losses attributable to minority interest	–	–	(863)	**(863)**	863	**–**
31 December 2007	**46,904**	**(27,767)**	**211,863**	**231,000**	**526**	**231,526**
31 March 2008	**45,658**	**(39,714)**	**219,817**	**225,761**	**530**	**226,291**
Currency translation differences	–	27,845	56	**27,901**	8	**27,909**
Net income/(expense) recognised directly in equity	–	27,845	56	**27,901**	8	**27,909**
Loss for the period	–	–	(4,653)	**(4,653)**	(213)	**(4,866)**
Total recognised income and expense	**–**	**27,845**	**(4,597)**	**23,248**	**(205)**	**23,043**
Stock option plan:						
- Value of employee services	22	–	–	**22**	–	**22**
Dividend relating to 2007/08	–	–	(7,930)	**(7,930)**	–	**(7,930)**
Minority interest through acquisition and reclassifications of losses attributable to minority interest	–	–	(372)	**(372)**	174	**(198)**
31 December 2008	**45,680**	**(11,869)**	**206,918**	**240,729**	**499**	**241,228**

Segment Report

a. Geographical segmentation

First three quarters of financial year 2008/09:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	263,022	88,337	–	351,359
Intercompany sales	–	121,503	(121,503)	–
Total revenues	263,022	209,840	(121,503)	351,359
Segment result/Operating result	(22,777)	36,419	(11,309)	2,333
Financial result				(2,981)
Profit before income tax				(648)
Income tax expense				(4,218)
Loss for the period				**(4,866)**
Total assets	152,304	386,286	7,107	545,697
Total liabilities	62,383	43,396	198,690	304,469
Capital expenditures	7,193	33,270	738	41,201
Depreciation/amortisation of property, plant and equipment and intangible assets	11,375	29,351	814	41,540

First three quarters of financial year 2007/08:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	279,693	88,639	–	368,332
Intercompany sales	–	106,457	(106,457)	–
Total revenues	279,693	195,096	(106,457)	368,332
Segment result/Operating result	12,221	36,178	(14,581)	33,818
Financial result				2,529
Profit before income tax				36,347
Income tax expense				(3,057)
Profit for the period				**33,290**
Total assets	164,039	355,110	(5,468)	513,681
Total liabilities	60,174	70,433	151,548	282,155
Capital expenditures	5,575	84,586	255	90,416
Depreciation/amortisation of property, plant and equipment and intangible assets	7,612	17,540	1,100	26,252

b. Business segment information

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

(in € 1,000)	1 April–31 December 2008	2007
Mobile Devices	226,415	249,423
Industrial	78,680	74,793
Automotive	35,040	36,487
Other	11,224	7,629
	351,359	**368,332**

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–31 December 2008	2007
Austria	15,449	15,834
Germany	79,884	88,884
Hungary	40,982	30,190
Other EU	23,523	23,263
Asia	133,173	161,553
Canada, USA	53,142	43,148
Other	5,206	5,460
	351,359	**368,332**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim report for the three quarters ended 31 December 2008 has been prepared in accordance with the standards (IFRS and IAS) of the International Accounting Standards Board (IASB), including IAS 34, and 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 nine months ended 31 December 2008 are unaudited and have not been the subject of external audit review.

Notes to the income statement

Revenues

Revenues in the first three quarters of the financial year 2008/09 fell by EUR 17.0m to EUR 351.4m, a decline of 4.6% compared with the same period last year. During the first half of the financial year there was still an increase in volumes as compared with the previous year, and it was mainly the lower average exchange rate of the US dollar that reduced revenues. However, in the third quarter sales of printed circuit board production were significantly lower than the same period last year. Revenues from the Service business (assembly, trading, design) were up significantly, especially in the third quarter, so that the net total decline in revenues was only 4.6%.

The geographical distribution shows AT&S's production expanding in Asia, largely as a result of additional capacity provided by the third facility in China, which began operations in 2007/08. Volumes in individual facilities in Austria were also more or less stable compared with last year. The Leoben-Hinterberg site, however, showed a significant drop in volumes, due to the ongoing transfer of HDI circuit board production to Asia. To bring about long-term changes in production capacities in the Leoben-Hinterberg plant, during the third quarter restructuring measures were agreed on, and their implementation began.

Gross profit

Compared with the same period last year, the gross profit margin in the first three quarters fell from 18.3% to 16.8%, with gross profit on lower revenues declining by EUR 8.4m.

The lower gross margin is on the one hand a reflection of reduced average selling prices, while on the other it is a consequence of lower capacity utilisation in the Austrian production facilities, particularly at the Leoben-Hinterberg site, and the resulting heavier proportionate burden of fixed costs. In contrast, the negative impact on gross profit of the plant in Korea was significantly lower than last year.

Non-recurring items

The non-recurring items in 2008/09 were the impairment of goodwill at AT&S Korea, totalling EUR 5.6m, and the restructuring costs of EUR 20.2m for the Leoben-Hinterberg facility. The writedown of goodwill at AT&S Korea was made necessary by the adjustment of the company's long-term business plan to take account of changed market conditions. The restructuring costs for Leoben-Hinterberg consist of staff costs resulting from an agreed social plan for the adjustment of personnel capacities, impairment for plant and machinery no longer needed, and additions to provisions for mainly long-term contractual obligations.

Operating result

Starting from a lower gross profit, operating result for the first three quarters of financial 2008/09 was particularly affected by non-recurring items in the third quarter, and dropped to EUR 2.3m after EUR 33.8m for the same period last year. Other operating result comes mainly from exchange rate fluctuations between the US dollar and the euro. Last year's figure was also depressed by start-up losses in connection with the commissioning of the third plant in China.

The increase in selling costs reflects the need for more staff for intensified sales and marketing activities; administrative costs are down year on year due to lower staff costs.

Financial result

Lower financial income than in the first nine months of 2007/08 was largely the result of changes in exchange rates. The appreciation of the US dollar against the euro since the end of the last financial year meant that there was net expense from currency hedging instruments, while in the previous year there was a net gain.

The increase in financial expense is mainly due to the increase in expenditure for currency hedging instruments, while the higher net debt compared to a year ago resulted in slightly higher interest expense. The financial result for the first three quarters of 2008/09 was EUR 5.5m worse than in the same period 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 is mainly a consequence of the varying proportions of Group earnings contributed by individual companies with different tax rates, together with the effects of the various different tax regimes to which the Group is subject. For a large part of the tax loss carryforwards no deferred taxes have been recognised, since the likelihood of their realisation in the near future is low. In addition, a provision of EUR 1.4m was made against deferred taxes on loss carryforwards at the end of the last financial year.

Notes to the balance sheet

Financial position

Net debt rose to EUR 189.6m, an increase of EUR 33.3m compared with the position at the end of the last financial year. The increase was largely due to the assumption of long-term financial liabilities. A five-year EUR 80m bond with an interest rate of 5.5% was placed on the Vienna Stock Exchange's Third Market on 27 May 2008, shifting financing from short to longer term and improving the financial structure. The high amount needed for net working capital in the third quarter meant that short-term financial liabilities also rose. The net gearing ratio compared with the position at the end of financial 2007/08 rose from 69% to 79% in spite of the significant increase in equity. Net debt has increased by EUR 32.4m compared with the end of third quarter 2007/08.

Against the background of consolidated net income considerably lower than last year's, the improvement in consolidated equity was principally attributable to favourable exchange translation differences. The growth of the foreign currency translation reserve in the current financial year chiefly reflected the changes in exchange rates of two functional currencies, the renminbi yuan (CNY) and Hong Kong dollar (HKD), against the euro. The final total recognised income and expense for the first three quarters of the financial year was EUR 23.2m, compared with EUR 21.5m a year earlier.

Treasury shares

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

No further treasury shares were acquired under the share repurchase scheme in the first three quarters of this financial year. At 31 December 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 issued share capital – as at 31 March 2008, with a total acquisition cost of EUR 46.6m.

Notes to the cash flow statement

Net cash generated from operating activities in the first three quarters of 2008/09 fell by EUR 22.7m compared with the same period last year. The decline of EUR 38.2m in consolidated net income is largely attributable to non-cash expenses in the period under review. In addition to the impairment of goodwill, these consist in the main of restructuring expenses and higher depreciation on the expanded plants in China. The higher net cash used for working capital had a corresponding negative effect on operating cash flow.

Net cash used in investing activities amounted to EUR 45.0m (2007/08: EUR 79.8m). The significant reduction in net cash used chiefly reflects the higher level of investments in the comparable period in financial 2007/08. Capital expenditure amounted to EUR 47.4m (first three quarters 2007/08: EUR 83.7m), of which EUR 34.4m (first three quarters 2007/08: EUR 76.8m) was spent on expansion of the site in China.

Net cash generated from financing activities of EUR 26.0m in the first three quarters of the current financial year were mainly the result of taking on financial liabilities, although the additional financing requirements for investment activities were significantly lower than last year. Also, no further treasury shares were acquired. The dividend distribution was somewhat higher than last year.

Other information

Dividends paid

As resolved in the Annual General Meeting of 3 July 2008, a dividend of EUR 0.34 per share out of retained earnings as at 31 March 2008 was paid in the second quarter of the current financial year.

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 – is listed since 15 September 2008 on the Vienna Exchange exclusively.

Related party transactions

In the first three quarters of the current financial year fees of EUR 275,000 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 415,000.

Group Interim Management Report

Business developments and performance

The first quarter of the financial year 2008/09 did not initially live up to AT&S's expectations. As a result of the macroeconomic developments, the seasonal variation, which as a general rule means low capacity utilisation in the first and fourth quarters of the financial year and excellent capacity utilisation in the second and third quarters, was particularly marked. In the course of the second quarter the product mix improved and capacities in the plants were better utilised, leading to an improvement in earnings. In the third quarter, global disturbances of the financial markets and the resulting effects on the real economy, and on AT&S's core circuit board manufacturing business in particular, led to a marked decline in revenues. The missing sales, which have become most noticeable since November, could only in part be made good by additional Service business (design, assembly and trading).

The strong dependency of AT&S's business on the US dollar and the more than 5% lower average dollar exchange rate also had a negative impact on revenue performance.

Despite the downturn in sales, the bulk of revenues – EUR 226m, or 64% – continued to be generated by Mobile Devices. The Industrial Business Unit recorded a marked increase in sales, pushing its share up to 22% and underlining its increasing importance as the Group's second largest business segment. The largest share of sales – now approaching 60% – is produced in AT&S's Asian plants, and especially in Shanghai. AT&S is reckoned to be Austria's largest industrial investor in China, and is numbered among the top 30 foreign investors in Shanghai. Increases in sales in the USA and Canada highlight the Group's growing presence in those target markets. Sales in Asia, on the other hand, have registered a considerable drop.

General pressure on prices internationally has had an increasing impact on margins in Europe. In recent years production capacity in Asia has been expanded and volume orders in Mobile Devices in particular have been transferred to China. The current decline in demand as a result of the global economic situation further encouraged this trend, and made long-term adjustments to capacity in the Group's Leoben-Hinterberg works essential. As part of the restructuring program, production capacity at Leoben-Hinterberg has been adjusted to 40% lower production volumes. The restructuring costs of EUR 20.2m represent a burden on operating results for the third quarter of financial 2008/09.

Significant risks, uncertainties and opportunities

There were no material changes in the types of risks to which the Group was exposed during the first three quarters of financial 2008/09 compared with those described in the notes to the 2007/08 consolidated financial statements under II. Risk Report. The present uncertainties in the banking sector have led to tensions in the credit markets in general, particularly in the form of increases in financing interest rates. The bond issue in the first quarter of the current financial year contributed in particular to a reduction in liquidity risk, and served also to limit the potential practical consequences of interest rate risk for the Group. Currency futures and options are used to protect against the effects of exchange rate fluctuations on net US dollar exposures. At this point, it is not clear to what extent the financial crisis will have an impact on the availability of external funding, but the intention is to use long-term financing agreements to further reduce liquidity risk.

With respect to opportunities and risks attaching to developments in the external environment for financial 2008/09 as a whole, it must be assumed that markets will contract not only for mobile devices, but in the automotive sector as well. The increasing importance of the industrial segment is being catered for by expansion of the facilities in India, in order to be able pursue growth using the most modern technology and while keeping costs to a minimum. It will however be necessary to keep a close eye on developments in the industrial markets as well, in order to be able to adapt investment plans as and when required. As a general principle, the uncertainties affecting credit markets mean that even closer attention must be paid to maintaining the Group's healthy financial structure and its satisfactory liquidity.

In the medium term, it is to be expected that weaker market participants will drop out of the race, and businesses with strong credit ratings and good market positioning, such as AT&S, will have a chance to gain market share.

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 Solland Solar, a producer of standard and back-contacted solar cells. Solar business is planned to start on a relatively modest scale in Leoben-Hinterberg in the next financial year.

Outlook

The Group Management Report for 2007/08 already stressed the difficulty of predicting how the economy would develop worldwide, and refrained from any detailed forecasts for the financial year 2008/09. Following an improvement in the earnings position in the second quarter as compared with the first quarter of 2008/09, in the third quarter the impact of the worldwide financial crisis on the real economy resulted in a marked fall in demand for AT&S's products and services. Present developments suggest that revenues for financial 2008/09 will be lower than the record levels achieved in the previous financial year. Based on the latest sales projections, consolidated net income for the whole of the current financial year will be lower than the record results achieved in 2007/08, even ignoring the one-time effects of the restructuring program and the impairment of goodwill.

Leoben-Hinterberg, 27 January 2009

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