



**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
AKTIENGESELLSCHAFT**

ANNUAL FINANCIAL REPORT AS OF MARCH 31, 2008

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**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
AKTIENGESELLSCHAFT**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2008**

(TRANSLATION FOR CONVENIENCE PURPOSES)

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The consolidated financial statements of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft as of March 31, 2008 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (2) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
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CONSOLIDATED INCOME STATEMENT

(in € 1,000)	Note	Financial year ended March 31,	
		2008	2007
Revenues	1	485,744	467,403
Cost of sales	2	(396,458)	(395,932)
Gross Profit		89,286	71,471
Selling costs	2	(23,097)	(22,945)
General and administrative costs	2	(21,734)	(20,421)
Other operating result	4	(1,227)	4,534
Non-recurring items	5	(1,113)	10
Operating profit		42,115	32,649
Financial income	6	11,377	6,570
Financial expense	6	(8,253)	(7,105)
Financial result		3,124	(535)
Profit before tax		45,239	32,114
Income tax expense	7	(3,949)	(809)
Profit for the year		41,290	31,305
Thereof equity holders of the Company		42,691	31,813
Thereof minority interest		(1,401)	(508)
Earnings per share for profit attributable to equity holders of the Company	24		
- Basic earnings per share (in €)		1.83	1.28
- Diluted earnings per share (in €)		1.83	1.28

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CONSOLIDATED BALANCE SHEET

(in € 1,000)	Note	March 31,	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	8	297,750	240,268
Intangible assets	9	8,347	11,566
Financial assets	13	119	193
Overfunded retirement benefits	18	424	774
Deferred tax assets	7	9,391	7,089
Other non-current assets	10	2,461	2,281
		318,492	262,171
Current assets			
Inventories	11	51,714	49,815
Trade and other receivables	12	93,751	95,290
Financial assets	13	20,044	16,106
Non-current assets held for sale	14	2,151	3,865
Current income tax receivables		84	100
Cash and cash equivalents	15	9,364	24,597
		177,108	189,773
Total assets		495,600	451,944
EQUITY			
Share capital	23	45,658	49,529
Other reserves		(39,714)	(14,924)
Retained earnings		219,817	185,617
Equity attributable to equity holders of the Company		225,761	220,222
Minority interest		530	545
Total equity		226,291	220,767
LIABILITIES			
Non-current liabilities			
Financial liabilities	17	39,301	17,072
Provision for employee benefits	18	10,830	10,890
Other provisions	19	--	200
Deferred tax liabilities	7	7,280	6,872
Other long-term liabilities	16	1,852	2,598
		59,263	37,632
Current liabilities			
Trade and other payables	16	75,790	67,961
Financial liabilities	17	130,126	121,814
Current income tax payables		2,418	1,109
Other provisions	19	1,712	2,661
		210,046	193,545
Total liabilities		269,309	231,177
Total equity and liabilities		495,600	451,944

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CONSOLIDATED CASH FLOW STATEMENT

(in € 1,000)	Financial year ended March 31,	
	2008	2007
Cash flows from operating activities		
Profit for the year	41,290	31,305
Adjustments to reconcile profit for the year to cash generated from operations:		
Depreciation, amortisation and impairment less reversal of impairment of fixed assets and assets held for sale	37,695	38,840
Income tax expense	3,949	809
Financial expense/(income)	(3,124)	535
(Gains)/losses from the sale of fixed assets	789	121
Release of government grants	(2,597)	(5,699)
Other non-cash expense/(income), net	220	3,368
Changes in working capital:		
- Inventories	(4,156)	(7,769)
- Trade and other receivables	(1,906)	(8,515)
- Trade and other payables	3,575	3,447
- Provisions for other liabilities and charges	(869)	1,042
Cash generated from operations	<u>74,866</u>	<u>57,484</u>
Interest paid	(7,737)	(5,186)
Interest received	292	316
Income tax paid	<u>(5,593)</u>	<u>(3,011)</u>
Net cash generated from operating activities	<u>61,828</u>	<u>49,603</u>
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(103,363)	(95,178)
Proceeds from sale of property, plant and equipment and intangible assets	481	33,308
Purchases of financial assets	--	(216)
Proceeds from sale of financial assets	4,513	22,718
Proceeds from sale of assets held for sale	--	223
Proceeds from loans granted	--	3,120
Acquisition of subsidiaries, net of cash acquired	--	(1,265)
Net cash used in investing activities	<u>(98,369)</u>	<u>(37,290)</u>
Cash flows from financing activities		
Proceeds from borrowings	74,570	68,500
Repayments of borrowings	(42,910)	(34,070)
Proceeds from government grants	2,477	590
Others, net	--	(184)
Proceeds from the exercise of stock options	651	808
Payments for the purchase of treasury shares	(4,590)	(42,864)
Dividends paid	<u>(7,249)</u>	<u>(7,372)</u>
Net cash generated from/(used in) financing activities	<u>22,949</u>	<u>(14,592)</u>
Net decrease in cash and cash equivalents	<u>(13,592)</u>	<u>(2,279)</u>
Cash and cash equivalents at beginning of the year	24,597	28,343
Exchange gains/(losses) on cash and cash equivalents	(1,641)	(1,467)
Cash and cash equivalents at end of the year	<u>9,364</u>	<u>24,597</u>

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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, 2006	91,272	(3,341)	161,843	249,774	538	250,312
Fair value gains/(losses) net of tax of available-for-sale financial assets	--	(933)	--	(933)	--	(933)
Currency translation differences	--	(10,650)	--	(10,650)	(10)	(10,660)
Net income/(expense) recognised directly in equity	--	(11,583)	--	(11,583)	(10)	(11,593)
Profit for the year	--	--	31,813	31,813	(508)	31,305
Total recognised income and expense in 2006/07	--	(11,583)	31,813	20,230	(518)	19,712
Stock option plan:						
- Value of employee services	89	--	--	89	--	89
- Change in stock options	375	--	--	375	--	375
Change in treasury stock net of tax	(42,207)	--	--	(42,207)	--	(42,207)
Dividend relating to 2005/06	--	--	(7,372)	(7,372)	--	(7,372)
Minority interest through acquisition and reclassification of losses attributable to minority interest	--	--	(667)	(667)	525	(142)
March 31, 2007	49,529	(14,924)	185,617	220,222	545	220,767
Fair value gains/(losses) net of tax of available-for-sale financial assets	--	7	--	7	--	7
Currency translation differences	--	(24,797)	156	(24,641)	(12)	(24,653)
Net income/(expense) recognised directly in equity	--	(24,790)	156	(24,634)	(12)	(24,646)
Profit for the year	--	--	42,691	42,691	(1,401)	41,290
Total recognised income and expense in 2007/08	--	(24,790)	42,847	18,057	(1,413)	16,644
Stock option plan:						
- Value of employee services	66	--	--	66	--	66
- Change in stock options	(182)	--	--	(182)	--	(182)
Change in treasury stock net of tax	(3,755)	--	--	(3,755)	--	(3,755)
Dividend relating to 2006/07	--	--	(7,249)	(7,249)	--	(7,249)
Minority interest through acquisition and reclassification of losses attributable to minority interest	--	--	(1,398)	(1,398)	1,398	--
March 31, 2008	45,658	(39,714)	219,817	225,761	530	226,291

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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. The listing on the Vienna Stock Exchange is planned (see also Note 27 “Material events after the balance sheet date”).

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 are measured at their fair values.

According to the framework and IFRS disclosure requirements, some items were combined or presented separately this year and prior year figures were adjusted accordingly for better comparison. Changes in measurement methods were not made.

a. Consolidation principles

The balance sheet date for all consolidated companies is March 31, 2008 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, 2007), its consolidation was performed on the basis of the interim financial statements as of March 31, 2008.

The consolidated financial statements have been approved for issue by the Board of Directors on May 13, 2008. The separate 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, 2008. The separate financial statements of the Company can be modified by the Supervisory Board and – in case of presentation to the Annual General Meeting – by the Company’s equity holders. This could also affect the presentation of the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

In addition to the Company itself, the consolidated financial statements comprise the following fully consolidated subsidiaries as of 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 Pvt. 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 Ltd., China (hereinafter referred to as AT&S China),
- DCC - Development Circuits & Components GmbH, Austria,
- AT&S Klagenfurt Leiterplatten GmbH, Austria,
- AT&S Asia Pacific Ltd., Hong Kong (hereinafter referred to as AT&S Asia Pacific),
- AT&S Japan K.K., Japan,
- AT&S ECAD Technologies Ltd., India (hereinafter referred to as AT&S ECAD),
- AT&S ECAD Technologies Inc., USA,
- AT&S Korea Co. Ltd., South Korea (formerly Tofic Co., Ltd., hereinafter referred to as AT&S Korea),
- AT&S Americas LLC, USA (hereinafter referred to as AT&S Americas),

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 immaterial, intercompany results in non-current assets and inventories are eliminated. Uniform accounting and valuation methods are applied to all consolidated subsidiaries.

The Group considers transactions with minorities as transactions with equity holders of the Group. When minority interests are acquired, the difference between the purchase price and the attributable share of net assets acquired in the subsidiary is deducted from equity. Gains or losses on the sale of minorities are also recognised in equity. When sales are made to minorities, the difference between the purchase price and the attributable share in net assets of the subsidiary sold is also recognised in equity.

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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 subsidiaries

With the exception of equity positions (historical exchange rate), the balance sheets of AT&S India, AT&S China, AT&S Asia Pacific, AT&S Japan K.K., AT&S ECAD, AT&S ECAD Technologies Inc., AT&S Korea and AT&S Americas 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 in the income statement.

d. 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.

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e. 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 assets and liabilities, as well as tax loss carryforwards and amortisations of goodwill.

Deferred taxes on unrealised gains/losses from securities available for sale recognised in equity are also recognised in equity and not in the income statement.

In accordance with 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.

Deferred taxes arising on temporary differences relating to participating interests in subsidiaries are recognised unless the temporary differences will not reverse in the foreseeable future.

f. Property, plant and equipment

Items of property, plant and equipment are measured 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 charged on a pro rata temporis basis. Land is not subject to depreciation.

The depreciation method is uniform for the Group and 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. In the past financial year, as of January 1, 2007 previous estimates of expected useful lives for certain machinery and technical equipment were reviewed and reassessed based on recent experience. This mainly relates to machinery and equipment with originally assessed 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 8 "Property, plant and equipment").

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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 financing 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.

g. Intangible assets

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.

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Research and development costs

Research costs are expensed as incurred and charged to cost of sales. Development expenditure is also expensed as incurred. An intangible asset arising from development shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

No capitalised development costs have been considered in these consolidated financial statements.

h. Impairment losses and reversals of impairment losses of property, plant and equipment, intangible assets and non-current assets held for sale

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

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, with the exception of goodwill, a reversal of impairment up to amortized cost is made.

i. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less variable costs necessary to make the sale. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense.

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j. Trade and other 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.

k. Financial assets

The purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. The fair values recognised in the balance sheet generally correspond to market prices of financial assets. Except for financial assets “at fair value through profit or loss”, they are recognised initially including transaction costs.

Financial assets are divided into categories explained below. The classification depends on the respective purpose of the financial asset and is reviewed annually.

Financial assets at fair value through profit or loss

Financial instruments acquired primarily for the purpose of earning a profit from short-term fluctuations 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, excluding transaction costs, 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”. This relates primarily to securities held for trading. Derivative financial instruments also fall into this category, unless hedge accounting is applied (refer to 1. Derivative financial instruments).

Securities held to maturity

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. In the balance sheet the respective assets are recognised under the item “trade and other receivables”.

Financial assets available for sale

Financial assets available for sale, on the one hand, relate to 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.

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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 asset is impaired, if there are indications that the fair value is below its carrying amount. In particular, this is the case, if the decrease in fair value is of such extent that the acquisition cost is unlikely to be recovered in the foreseeable future. Recoverability is reviewed annually at the balance sheet date.

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

l. 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. 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 values. 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”.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash, time deposits, deposits held at call with banks and short-term, highly liquid investments with an original maturity of up to three months or less (commercial papers and money market funds).

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n. Minority interests

Minority interests include the following:

- 22.68% in AT&S Klagenfurt Leiterplatten GmbH,
- 13.31% in AT&S ECAD,
- 2.73% in AT&S Korea.

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 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 an 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 fulfil 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 "Overfunded retirement benefits".

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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, referred to as 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 (10% of the present value of the obligation or the fair value of plan assets) are charged or credited to income over the expected average remaining working lives of the employees covered by the plan; those not exceeding the corridor are not recognised.

Termination benefits

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 who joined Austrian companies up to and including 2002 direct obligations of the company exist, which account for the major part of the Group's termination benefit obligations. In accordance with IAS 19 these liabilities are calculated using the projected unit credit method, taking into consideration the corridor method and represent termination benefit obligations not covered by plan assets. Actuarial gains or losses exceeding the corridor are charged or credited to income over the expected average remaining working lives of the employees covered by the plan. For employees who joined as of January 1, 2003 the termination benefit obligation is fulfilled by regular contributions to a staff provision fund ("Mitarbeitervorsorgekasse"). These contributions are included in personnel expenses. The Group has no further payment obligations once the contributions have been paid.

For employees of the companies in India obligations for termination benefits are covered by life insurances.

Furthermore, termination benefit obligations exist for employees in South Korea.

Other employee benefits

Other employee benefits include provisions for anniversary bonuses and relate to employees in Austria and China.

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

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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 23 “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 16 “Trade and other payables”.

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. Contingent liabilities, contingent assets and other financial obligations

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.

t. New accounting regulations

The IFRS already mandatory at the balance sheet were adopted in the preparation of the consolidated financial statements. The IASB issued a number of amendments to existing standards, as well as new standards and interpretations which are mandatory for accounting periods 2007/08. These regulations were also adopted by the EU and relate to the following areas:

- IAS 1: Amendment to Capital Disclosures
- IFRS 7: Financial Instruments: Disclosures
- IFRIC 10: Interim Financial Reporting and Impairment
- IFRIC 11: Group and Treasury Share Transactions pursuant to IFRS 2

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

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The first-time adoption of IFRS 7 and of the amendments to IAS 1 requires new disclosure regulations on financial instruments, but does not result in a change regarding the classification and measurement of the financial instruments included in the consolidated financial statements or the disclosures on taxes, as well as trade and other payables.

The IASB adopted further standards or amendments to standards and interpretations which are not yet mandatory for the accounting period 2007/08. 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:

IFRS 8: Operating Segments
(mandatory for accounting periods beginning on or after January 1, 2009)

The Company will adopt this standard for the first time in the financial year beginning on April 1, 2009. The first-time adoption will not have an impact on the Group's assets and liabilities, financial position and results of operations.

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

IFRIC 12: Service Concession Arrangements
(mandatory for accounting periods beginning on or after January 1, 2008)

IAS 23: Borrowing Costs
(applicable to borrowing costs relating to qualifying assets to be capitalised for the first time on or after January 1, 2009)

IFRIC 13: Customer Loyalty Programmes
(mandatory for accounting periods beginning on or after July 1, 2008)

IFRIC 14: The Limit on a Defined Benefit Asset: Minimum Funding Requirements and their Interaction
(mandatory for accounting periods beginning on or after July 1, 2008)

IAS 1: Presentation of Financial Statements
(revised September 2007 - mandatory for accounting periods beginning on or after January 1, 2009)

IFRS 3: Business Combinations
(revised January 2008 - mandatory for accounting periods beginning on or after July 1, 2009)

IAS 27: Consolidated and Separate Financial Statements in accordance with IFRS
(revised January 2008 - mandatory for accounting periods beginning on or after July 1, 2009)

IFRS 2: Share-based Payment
(revised January 2008 - mandatory for accounting periods beginning on or after January 1, 2009)

IAS 32: Financial Instruments: Disclosures
(revised February 2008 - mandatory for accounting periods beginning on or after January 1, 2009)

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

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C. 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 past experiences and additional factors, including expectations regarding future events that seem reasonable under given circumstances. In the 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.h. "Summary of significant accounting policies: Impairment and reversal of an impairment loss of property, plant and equipment, 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 9 "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 Korea's goodwill by TEUR 745. Neither a discount rate 10% higher than the management's estimate nor a growth rate 10% lower would result in impairment.

Projected benefit obligations

On March 31, 2008 a reduction of the discount rate (actuarial parameter) from 5.25% to 4.75% would affect the projected retirement and termination benefit obligations as follows:

(in € 1,000)	<u>Retirement benefits</u>	<u>Termination benefits</u>
Increase of present value of benefit obligation	740	842

Reference is made to Note 18 "Provisions for employee benefits".

Measurement of deferred taxes

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. A potential reduction of currently scheduled tax rates for AT&S China based on regulations for special high-technology companies would lower deferred tax assets by EUR 1.4 million at the balance sheet date.

Deferred tax assets in the amount of EUR 8.9 million were not recognised for tax loss carryforwards in the Group. If they were subsequently expected to be realised, these deferred tax assets would have to be recognised. Reference is made to Note 7 "Income taxes".

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 and measurements of inventory. Reference is made to Note 4 "Other operating result", Note 5 "Non-recurring items" and Note 19 "Other provisions".

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II. RISK REPORT

Financial risks

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.1. "Summary of significant accounting policies: Derivative financial instruments" and in Note 20 "Derivative financial instruments". The Group uses derivative financial instruments, such as forward contracts, options and swaps, exclusively for hedging purposes.

Liquidity risk

At the balance sheet date the Group has liquidity reserves in the amount of TEUR 76,367. Cash and cash equivalents, trading securities and securities available for sale account for TEUR 22,926 thereof and existing unused credit lines for TEUR 53,441 thereof.

The Company is authorized, subject to approval by the Supervisory Board, to issue up to 11,300,000 new shares of authorized capital as well as convertible bonds amounting to a total of TEUR 100,000, as well as to sell treasury shares (at the balance sheet date the Group holds 2,577,412 treasury shares).

Moreover, the Group has a high cash flow from operating activities at its disposal.

With regard to liquidity risks, reference is also made to the detailed disclosures in Note 17 "Financial liabilities".

Market risks

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 13 "Financial assets" and Note 15 "Cash and cash equivalents".

On the liabilities side, 67% of the borrowings are subject to fixed interest rates, and most of the remaining variable interest rate loans (33%) have maturities of less than one year. Reference is made to Note 17 "Financial liabilities".

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.

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Due to its Asian subsidiaries the Group is exposed to local currency risks. 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 and Sensitivity analyses

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 potential 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.

If the interest rates at the balance sheet date had been 100 basis points higher (or lower, respectively), based on the financing structure at the balance sheet date the annual result of the Group would have been EUR 1.2 million (2006/07: EUR 0.6 million) lower (or higher, respectively), provided all other variables had remained constant. This would have mainly been due to higher (or lower, respectively) interest expenses for variable interest financial liabilities. Further components of equity would not be directly affected. The impact of this interest rate sensitivity analysis is based on the assumption that the interest rates would deviate during the entire financial year by 100 basis points.

If the exchange rate of the euro against all other currencies had risen (or fallen, respectively) by 1% at the balance sheet date, the annual result of the Group would have been EUR 0.4 million (2006/07: EUR 0.2 million) lower (or higher, respectively), provided all other variables had remained constant. This would have mainly been due to the measurement of trade receivables denominated in US dollars and derivative financial instruments at fair value. Further components of equity would not be directly affected in the sense of this exchange rate sensitivity analysis.

If the exchange rate of the US dollar against all other currencies had risen (or fallen, respectively) by 1% at the balance sheet date, the annual result of the Group would have been EUR 0.9 million (2006/07: EUR 0.2 million) higher (or lower, respectively), provided all other variables had remained constant. This would have mainly been due to the measurement of trade receivables denominated in US dollars, as well as trade payables and derivative financial instruments at fair value. Further components of equity would not be directly affected in the sense of this exchange rate sensitivity analysis.

In the exchange rate sensitivity analysis the respective impact on the result is calculated on the basis of foreign currency net positions at the balance sheet date and the development of net cash flows expected according to budget for the next 12 months, taking into account derivative financial instruments. Funding within the Group between group companies and exchange rate related differences from the translation of financial statements into the group currency are not accounted for.

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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 mobile devices segment, increasingly focuses on the areas automotive and industrial. 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.

A major portion of revenue in the Group is generated from two multinational groups operating in the mobile devices segment. The Group has significant receivables from these customers, which at March 31, 2008 account for 33% of total trade receivables (March 31, 2007: 39%) The credit standing of these customers is monitored.

The monitoring of the credit risk is generally based on regular credit assessments and on taking out credit insurances for customers in the Group.

Reference is made to the detailed disclosures in Note 12 "Trade and other receivables".

Technology risks

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 programme. The Group has therefore made research and development expenditure at a high level particularly in the past financial year, focusing on new processes, products and design solutions. The existing technology network was also expanded further. 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.

Capital risk management

The objectives of the Group with respect to capital management, on the one hand, include securing the going concern in order to be able to provide the equity holders with dividends and the other stakeholders with appropriate services, and on the other hand, maintaining an appropriate capital structure in order to optimize capital costs. To that end, the Group, as required, adjusts the dividend payments to equity holders, makes capital repayments to equity holders (redemption of treasury shares), issues new shares or changes its portfolio of assets.

As is customary in the industry, the Group monitors its capital based on net gearing, calculated from the ratio of net financial liabilities to equity. Net financial liabilities are calculated from financial liabilities (plus net provisions for employee benefits) less cash and cash equivalents (as well as current other financial assets excluding derivative financial instruments).

Unchanged on the prior year, basically the Group pursues the strategy of maintaining a net gearing of up to 80% in order to be able to borrow at reasonable cost. Net gearing as of March 31, 2008 amounted to 69% (March 31, 2007: 50%).

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III. SEGMENT REPORTING

Segment information is presented according to the following criteria:

Geographical segmentation

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:

- Mobile devices
- Industrial
- 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 segmentation

Financial year 2007/08:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	371,673	114,071	--	485,744
Intercompany sales		142,562	(142,562)	--
Total revenues	371,673	256,633	(142,562)	485,744
Segment result/Operating profit	13,755	47,966	(19,606)	42,115
Financial result				3,124
Profit before income tax				45,239
Income tax expense				(3,949)
Profit for the year				41,290
Total assets	164,566	343,968	(12,934)	495,600
Liabilities	65,918	65,226	138,165	269,309
Capital expenditures	8,448	102,674	298	111,420
Depreciation/amortisation of property, plant and equipment and intangible assets	10,151	24,436	1,394	35,981

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Significant effects on the segment result:

(in € 1,000)	Europe	Asia	Not allocated and consolida- tion	Group
Impairments	1,714	137	--	1,851
Non-recurring items	--	1,113	--	1,113
Reversals of impairments	--	272	--	272

Reference is made to Note 5 “Non-recurring items”, Note 8 “Property, plant and equipment” and Note 9 “Intangible assets”.

Financial year 2006/07:

(in € 1,000)	Europe	Asia	Not allocated and consolida- tion	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	138,109	231,177
Capital expenditures	10,205	85,025	--	95,230
Depreciation/amortisation of property, plant and equipment and intangible assets	17,999	20,841	--	38,840

Significant effects on the segment result:

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

Reference is made to Note 5 “Non-recurring items”, Note 8 “Property, plant and equipment” and Note 9 “Intangible assets”.

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b. Business segment information

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

(in € 1,000)	Financial year ended March 31	
	2008	2007
Mobile devices	323,371	280,382
Industrial	102,377	100,082
Automotive	50,234	41,133
Other	9,762	45,806
	485,744	467,403

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.

The breakdown by segment is made according to customer allocation customary in the industry and differs from the presentation in the prior year financial statements, where the breakdown was made by production method. The mobile devices segment mainly includes telecommunications. The prior year figures were adjusted for better comparison.

Revenue broken down by country is as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Austria	22,022	25,628
Germany	120,033	122,359
Hungary	44,626	43,617
Other EU	31,862	47,831
Asia	203,237	167,075
Canada, USA	57,977	50,307
Other	5,987	10,586
	485,744	467,403

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IV. NOTES TO THE INCOME STATEMENT

1. Revenue

(in € 1,000)	Financial year ended March 31	
	2008	2007
Main revenue	485,430	467,076
Incidental revenue	314	327
	<u>485,744</u>	<u>467,403</u>

2. Types of expenses

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

(in € 1,000)	Financial year ended March 31	
	2008	2007
Cost of materials	204,888	217,667
Personnel expenses	115,592	114,167
Depreciation/amortisation	35,003	38,080
Change in inventories	(2,816)	(8,877)
Energy	21,288	16,950
Maintenance	8,102	7,676
Transportation costs	8,519	9,018
Purchased services incl. leased personnel	29,677	25,027
Other	21,036	19,590
	<u>441,289</u>	<u>439,298</u>

3. Research and development costs

The Group incurred research and development costs in the amount of TEUR 8,651 and TEUR 2,618 in the financial years 2007/08 and 2006/07, 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 as other expenses. The increase over the prior year, apart from the expansion of respective activities in the subsidiaries, is due to more comprehensive cost allocations.

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4. Other operating result

(in € 1,000)	Financial year ended March 31	
	2008	2007
Income from the reversal of government grants	2,064	5,252
Expenses/income from foreign exchange differences	(1,475)	373
Losses from the sale of non-current assets	(789)	(121)
Impairments/reversals of impairments of property, plant and equipment *)	135	(510)
Impairments/reversals of impairments of intangible assets **)	--	(250)
Impairments of assets held for sale ***)	(1,714)	--
Start-up losses ****)	(2,058)	(2,629)
Insurance reimbursements	15	11
Miscellaneous other income	2,595	2,408
	<u>(1,227)</u>	<u>4,534</u>

*) Reference is made to Note 8 "Property, plant and equipment".

**) Reference is made to Note 9 "Intangible assets".

***) Reference is made to Note 14 "Non-current assets held for sale".

****) The start-up losses are due to the construction of the third plant in 2007/08 and the second plant in 2006/07 in China.

5. Non-recurring items

Non-recurring items include the following:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Impairments of goodwill	(1,113)	--
Income from the reversal of provisions for restructuring	--	12
Other costs	--	(2)
	<u>(1,113)</u>	<u>10</u>

Reference is made to Note 9 "Intangible assets" and Note 19 "Other provisions".

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6. Financial result

(in € 1,000)	Financial year ended March 31	
	2008	2007
Interest income from financial assets at fair value	660	546
Other interest income	292	316
Gains from the sale of cash equivalents	881	291
Gains from the disposal of securities available for sale	--	1,068
Realised gains from derivative financial instruments, net	4,513	1,045
Gains from the measurement of derivative financial instruments at fair value, net	4,169	2,703
Gains from foreign exchange differences, net	862	--
Other financial income	--	601
Financial income	11,377	6,570
Interest expense on borrowings	(7,650)	(4,832)
Interest expense from finance leases	(144)	(242)
Losses from foreign exchange differences, net	--	(1,533)
Other financial expenses	(459)	(498)
Financial expenses	(8,253)	(7,105)
Financial result	3,124	(535)

7. Income taxes

The income tax expense is broken down as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Current income taxes	7,059	3,651
Deferred taxes	(3,110)	(2,842)
Total income tax expense	3,949	809

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The difference between the Group's actual tax expense and the theoretical amount that would arise using the Austrian statutory tax rate is as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Expected tax expense at standard Austrian rate	11,310	8,029
Effect of different tax rates in foreign countries	(10,080)	(6,570)
Non-creditable foreign withholding taxes	1,867	174
Effect of change in previously unrecognised tax losses and temporary differences	3,268	405
Effect of the change in tax laws	(1,744)	--
Effect of permanent differences	(1,007)	(804)
Effect of taxes from prior periods	329	(417)
Other tax effects, net	6	(8)
Total tax expense	3,949	809

Deferred tax assets and liabilities consist of the following:

(in € 1,000)	March 31	
	2008	2007
Deferred tax assets		
Tax loss carryforwards including taxable goodwill	5,411	4,467
Non-current assets	3,163	1,895
Inventories	1,155	356
Trade receivables	302	7
Retirement, termination benefit and other employee benefit obligations	1,001	549
Other non-current liabilities	967	1,531
Start-up losses	--	124
Other	682	617
Deferred tax assets	12,681	9,546
Deferred tax liabilities		
Non-current assets	(3,407)	(3,706)
Unrealised gains from securities available for sale, recognised in equity and not taken through profit or loss	(19)	(13)
Provisions for termination benefits	(775)	(805)
Foreign currency valuation	(1,621)	(644)
Temporary differences arising from shares in subsidiaries	(1,152)	--
Other taxable temporary differences	(3,573)	(4,002)
Other	(23)	(159)
Deferred tax liabilities	(10,570)	(9,329)
Deferred tax assets, net	2,111	217

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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:

(in € 1,000)	March 31	
	2008	2007
Deferred tax assets:		
- non-current	6,761	5,810
- current	2,630	1,279
	<u>9,391</u>	<u>7,089</u>
Deferred tax liabilities:		
- non-current	(5,123)	(6,161)
- current	(2,157)	(711)
	<u>(7,280)</u>	<u>(6,872)</u>
Deferred tax assets, net	<u>2,111</u>	<u>217</u>

At March 31, 2008 the Group has tax loss carryforwards and taxable goodwill amounting to a total of TEUR 54,911 (at March 31, 2007 TEUR 20,852). For loss carryforwards amounting to TEUR 34,757 (at March 31, 2007 TEUR 4,584) thereof no deferred tax assets were recognised in the amount of TEUR 8,866 (at March 31, 2007 TEUR 1,160), since it is unlikely that they could be realised in the foreseeable future. TEUR 4,789 of which accounts for the measurement of treasury shares, which would result in the need to recognise deferred taxes in consolidated equity, not affecting net income.

Deferred taxes changed as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Carrying amount at the beginning of the financial year	217	(4,225)
Currency translation differences	(1,228)	(52)
Acquisition of subsidiaries	--	1,488
Income in the income statement	3,110	2,842
Income taxes recognised in equity	12	164
Carrying amount at the end of the financial year	<u>2,111</u>	<u>217</u>

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V. NOTES TO THE BALANCE SHEET

8. Property, plant and equipment

(in € 1,000)	Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and of- fice equipment	Prepayments and construc- tion in pro- gress	Total
Net carrying amount					
March 31, 2007	33,574	180,135	6,140	20,419	240,268
Exchange differences	(3,603)	(12,978)	(243)	(1,589)	(18,413)
Additions	17,056	88,192	2,251	3,379	110,878
Disposals	--	673	207	--	880
Transfers	--	776	--	(776)	--
Impairment	--	137	--	--	137
Reversals of impairment	--	272	--	--	272
Depreciation, current	2,025	29,957	2,256	--	34,238
Net carrying amount					
March 31, 2008	45,002	225,630	5,685	21,433	297,750

At March 31, 2008

Gross carrying amount	50,888	495,038	21,531	21,433	588,890
Accumulated depreciation	5,886	269,408	15,846	--	291,140
Net carrying amount	45,002	225,630	5,685	21,433	297,750

(in € 1,000)	Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and of- fice equipment	Prepayments and construc- tion in pro- gress	Total
Net carrying amount					
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 subsidiar- ies	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, current	2,411	32,507	2,302	--	37,220
Net carrying amount					
March 31, 2007	33,574	180,135	6,140	20,419	240,268

At March 31, 2007

Gross carrying amount	37,888	434,054	22,134	20,419	514,495
Accumulated depreciation	4,314	253,919	15,994	--	274,227
Net carrying amount	33,574	180,135	6,140	20,419	240,268

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The value of the land included in land, plants and buildings amounts to TEUR 1,470 (TEUR 1,802 as at March 31, 2007).

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

Effects of changes in useful lives

The adjustments of useful lives due to recent experiences in the prior year have a positive effect of TEUR 8,327 on the result in the financial year 2007/08 (TEUR 2,847 in 2006/07) as compared to the originally assumed useful lives. Reference is made to Note I.B.f. "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 137 in the financial year 2007/08 (TEUR 510 in the financial year 2006/07). The determination of this amount was based on available estimates for the sale of these assets under market conditions and arm's length transactions.

Reversals of impairment

An impairment loss recognised for a machine in the financial year 2006/07 was reversed in the financial year 2007/08 in the amount of TEUR 272. This reversal of impairment is due to a favourable change in the basis used to determine the recoverable amount in connection with the acquisition of a replacement machine.

Finance leases

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

(in € 1,000)	March 31	
	2008	2007
Machinery and technical equipment	9,636	9,963
Accumulated depreciation	(5,651)	(4,217)
Net carrying amount	<u>3,985</u>	<u>5,746</u>

(in € 1,000)	March 31	
	2008	2007
Tools, fixtures, furniture and office equipment	29	46
Accumulated depreciation	(22)	(26)
Net carrying amount	<u>7</u>	<u>20</u>

Reference is made to Note 17 "Financial liabilities".

Sale and lease-back

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 in the financial year 2006/07.

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Collateralisation

In connection with the collateralisation of various financing agreements property, plant and equipment in the amount of TEUR 2,680 (TEUR 3,610 at March 31, 2007) was mortgaged. Part of property, plant and equipment was acquired through finance leases. Reference is made to Note 17 "Financial liabilities".

9. Intangible assets

(in € 1,000)	Industrial property and similar rights and assets, and li- censes in such rights and assets	Goodwill	Other intan- gible assets	Total
Net carrying amount March 31, 2007	3,065	8,486	15	11,566
Exchange differences	(31)	(1,463)	--	(1,494)
Additions	440	--	102	542
Transfers	389	--	--	389
Impairment	--	1,113	--	1,113
Amortisation, current	754	--	11	765
Net carrying amount March 31, 2008	<u>2,331</u>	<u>5,910</u>	<u>106</u>	<u>8,347</u>

At March 31, 2008

Gross carrying amount	13,051	5,910	134	19,095
Accumulated amortisation	10,720	--	28	10,748
Net carrying amount	<u>2,331</u>	<u>5,910</u>	<u>106</u>	<u>8,347</u>

(in € 1,000)	Industrial property and similar rights and assets, and li- censes in such rights and assets	Goodwill	Other intan- gible assets	Total
Net carrying amount 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
Transfers	116	--	(41)	75
Impairment	250	--	--	250
Amortisation, current	848	--	12	860
Net carrying amount March 31, 2007	<u>3,065</u>	<u>8,486</u>	<u>15</u>	<u>11,566</u>

At March 31, 2007

Gross carrying amount	13,192	8,486	35	21,713
Accumulated amortisation	10,127	--	20	10,147
Net carrying amount	<u>3,065</u>	<u>8,486</u>	<u>15</u>	<u>11,566</u>

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

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Impairment

Impairments in the financial year 2007/08 relate to the impairment of goodwill of AT&S ECAD based on impairment tests for goodwill explained below.

In the past financial year 2006/07 some intangible assets that fulfilled the criteria for impairment were written down to their recoverable amount. The impairment loss 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 AT&S Korea 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 AT&S Korea 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	AT&S Korea
Gross profit margin ¹	25.6%	14.5%
Growth rate ²	3.0%	3.0%
Discount rate ³	16.9%	16.0%

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 accounts for specific risks relating to the relevant business segments.

The impairment test resulted in an impairment of the entire goodwill of AT&S ECAD in the amount of TEUR 1,113. Goodwill of AT&S Korea remained unchanged.

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10. Other non-current assets

(in € 1,000)	March 31	
	2008	2007
Prepayments	1,577	1,740
Deposits made	861	128
Other non-current receivables	23	413
Carrying amount	<u>2,461</u>	<u>2,281</u>

The prepayments relate to long-term rent prepayments for the factory premises in China.

11. Inventories

(in € 1,000)	March 31	
	2008	2007
Raw materials and supplies	17,974	18,895
Work in progress	13,334	12,819
Finished goods	20,406	18,101
Carrying amount	<u>51,714</u>	<u>49,815</u>

The write-down of inventories amounted to TEUR 4,340 at March 31, 2008 (TEUR 4,121 at March 31, 2007).

In connection with various financing agreements inventories in the amount of TEUR 750 (TEUR 1,953 at March 31, 2007) serve as collateral. Reference is made to Note 17 "Financial liabilities".

12. Trade and other receivables

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

(in € 1,000)	March 31	
	2008	2007
Trade receivables	78,229	76,611
VAT receivables	8,799	9,146
Energy tax refunds	2,264	1,299
Deposits	244	190
Insurance reimbursements	1,010	4,458
Prepayments	633	709
Public grants, not yet received	166	248
Other receivables	3,314	3,517
Impairments	(908)	(888)
	<u>93,751</u>	<u>95,290</u>

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Maturity of receivables

All receivables at March 31, 2008 and March 31, 2007 have remaining maturities of less than one year.

Factoring

In the financial year 2007/08, at the balance sheet date receivables in the amount of TEUR 11,059 were transferred to a bank under a genuine factoring arrangement.

In connection with various financing agreements trade receivables amounting to TEUR 43,200 (TEUR 43,200 at March 31, 2007) serve as collateral. Reference is made to Note 17 "Financial liabilities".

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

Development of periods overdue and write-downs

At March 31, 2008

(in € 1,000)	Carrying amount	thereof: not im- paired and not over- due or insured, resp.	thereof: not impaired and not insured and overdue for the following periods			
			less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
Trade and other receivables	93,751	91,855	1,425	110	40	321

At March 31, 2007

(in € 1,000)	Carrying amount	thereof: not im- paired and not over- due or insured, resp.	thereof: not impaired and not insured and overdue for the following periods			
			less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
Trade and other receivables	95,290	92,578	2,116	319	110	167

There were no indications at the balance sheet date that trade and other receivables which are neither impaired nor overdue would not be paid.

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Impairment of trade and other receivables changed as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Impairment at the beginning of the financial year	888	380
Acquisition of subsidiaries	--	3
Utilization	(434)	(76)
Reversal	(119)	--
Addition	590	588
Currency translation differences	(17)	(7)
Impairment at the end of the financial year	908	888

13. Financial assets

The carrying amounts of financial assets are as follows:

(in € 1,000)	March 31, 2008	thereof non-current	thereof current
Financial assets at fair value through profit or loss	19,969	--	19,969
Available-for-sale financial assets	194	119	75
	20,163	119	20,044

(in € 1,000)	March 31, 2007	thereof non-current	thereof current
Financial assets at fair value through profit or loss	16,119	74	16,045
Available-for-sale financial assets	180	119	61
	16,299	193	16,106

Financial assets at fair value through profit or loss

The fair values of the financial assets at fair value through profit or loss correspond to their carrying amounts and are as follows:

(in € 1,000)	March 31	
	2008	2007
Bonds	13,391	13,477
Derivative financial instruments*)	6,578	2,642
	19,969	16,119

*) Reference is made to Note 20 "Derivative financial instruments".

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All bonds held are denominated in euro. With regard to bonds in the amount of TEUR 12,497 (TEUR 12,432 at March 31, 2007) a repurchase agreement with a short term to maturity was concluded. Reference is made to Note 17 "Financial liabilities".

Securities held to maturity

(in € 1,000)	March 31	
	2008	2007
Acquisition cost at the beginning of the financial year	1,000	1,000
Measurement	(1,000)	(1,000)
Carrying amount at the end of the financial year	--	--

Securities held to maturity are convertible bonds issued by Adcon Telemetry AG, Klosterneuburg. Due to ongoing insolvency proceedings relating to Adcon Telemetry AG these convertible bonds were fully written off.

The securities held to maturity are denominated in euro.

Available-for-sale financial assets

(in € 1,000)	March 31	
	2008	2007
Available-for-sale securities, at fair value	171	157
Other available-for-sale financial assets	23	23
Carrying amount	194	180

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Available-for-sale securities, at fair value developed as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Carrying amount at the beginning of the financial year	157	21,823
Additions	--	--
Disposals	--	(20,043)
Unrealised gains/(losses) from the current period, recognised in equity	21	(30)
Reclassification of (gains) included in equity	--	(1,067)
Currency translation differences	(7)	(526)
Carrying amount at the end of the financial year	<u>171</u>	<u>157</u>

All available-for-sale securities are denominated in euro.

Other financial assets available for sale relate to an investment and are measured at cost.

14. Non-current assets held for sale

(in € 1,000)	Financial year ended March 31	
	2008	2007
Carrying amount at the beginning of the financial year	3,865	3,986
Disposals	--	(121)
Impairment	(1,714)	--
Carrying amount at the end of the financial year	<u>2,151</u>	<u>3,865</u>

Non-current assets held for sale relate to the land and building of AT&S Verwaltungs GmbH & Co KG, Germany. In the financial year 2007/08 an impairment was recognised after the sales negotiations had not resulted in an effective sale.

Assets held for sale mainly relate to the Europe segment.

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15. Cash and cash equivalents

(in € 1,000)	March 31	
	2008	2007
Bank balances and cash on hand	7,848	10,410
Time deposits	794	179
Highly liquid investments with a total ma- turity of less than three months	--	13,814
	8,642	24,403
Restricted cash	722	194
Carrying amount	9,364	24,597

At March 31, 2008 restricted cash relates to AT&S Korea, AT&S ECAD and AT&S India (at March 31, 2007 to AT&S China).

The reported carrying amounts correspond to the respective fair values.

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16. Trade and other payables

(in € 1,000)	March 31, 2008	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	47,165	47,165	--	--
Government grants	1,207	215	700	292
Liabilities from stock options	63	--	63	--
Liabilities to fiscal authorities and other public taxing bodies	3,385	3,385	--	--
Social security payables	1,917	1,917	--	--
Liabilities from unconsumed vacations	5,121	5,121	--	--
Payables to employees	10,595	10,595	--	--
Other liabilities	8,189	7,392	797	--
Carrying amount	<u>77,642</u>	<u>75,790</u>	<u>1,560</u>	<u>292</u>

(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	--	--
Government grants	1,409	221	750	438
Liabilities from stock options	600	--	600	--
Liabilities to fiscal authorities and other public taxing bodies	2,888	2,888	--	--
Social security payables	1,958	1,958	--	--
Liabilities from unconsumed vacations	4,877	4,877	--	--
Payables to employees	11,687	11,687	--	--
Other liabilities	8,946	8,136	810	--
Carrying amount	<u>70,559</u>	<u>67,961</u>	<u>2,160</u>	<u>438</u>

The carrying amounts of the reported liabilities approximate the respective fair values.

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.

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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 of these options entitles the holder to 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 compensation.

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.

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The following table summarises information about all stock options granted until March 31, 2008.

	Date of grant April 1, 2005	Date of grant April 1, 2006	Date of grant April 1, 2007
Exercise price	€ 15.46	17.99	22.57
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	--
Number of options granted	--	--	149,000
Number of options forfeited	4,000	15,000	20,000
Number of options exercised	2,000	--	--
Number of options expired	--	--	--
March 31, 2008	118,500	128,000	129,000
Weighted average remaining life of stock options	0.6 years	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 granted as of April 1, 2005 amounts to TEUR 34 as of March 31, 2008 and TEUR 678 as of March 31, 2007 and will be accounted for over their lives. The fair value of stock options granted as of April 1, 2006 amounts to TEUR 53 as of March 31, 2008 and TEUR 729 as of March 31, 2007 and will be accounted for over their lives. The fair value of stock options granted as of April 1, 2007 amounts to TEUR 56 as of March 31, 2008 and will be accounted for over their lives. Reference is made to Note 28 "Related party transactions".

The following figures may deviate from those subsequently realised in the market for all stock options granted as of April 1, 2005, as of April 1, 2006 and as of April 1, 2007:

Risk-free interest rate	3.07% - 3.33%
Volatility	37.74%
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.

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(in € 1,000)	March 31, 2008	Remaining maturity			Interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Export loans	36,475	36,475	--	--	4.9
Loans from state authorities:					
- European Recovery Program	256	128	128	--	1.5
- Public authorities	578	353	225	--	2.0 - 2.5
Other bank borrowings	128,012	89,373	38,639	--	2.5 - 6.4
Liabilities from finance leases	3,507	3,507	--	--	5.98
Derivative financial instruments*)	599	290	309	--	
Carrying amount	169,427	130,126	39,301		

(in € 1,000)	March 31, 2007	Remaining maturity			Interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
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
Other bank borrowings	92,813	80,890	11,923	--	3.0 - 6.5
Liabilities from finance leases	5,628	1,948	3,680	--	2.8 - 3.4
Derivative financial instruments*)	931	54	877		
Carrying amount	138,886	121,814	17,072	--	

*) Reference is made to Note 20 "Derivative financial instruments".

Other bank borrowings mainly relate to the financing of the plants in China and 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.

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In the financial year 2007/08 additional funds (on the basis of a G4 guarantee of the Republic of Austria) were raised for the expansion of the China plant, which have to be repaid according to the repayment schedule mainly in semi-annual instalments until March 31, 2011. Interest for the residual term is mainly fixed and in part variable. The main contract terms are as follows:

- maintain the 100% share in AT&S China,
- existence of the G4 guarantee,
- not assume encumbrances with regard to the investments.

The contractually agreed (undiscounted) interest and redemption payments of the financial liabilities are as follows in the next financial years:

(in € 1,000)	Export loans	Loans from state authorities	Other bank borrowings	Liabilities from finance leases	Derivative financial instruments
2008/09					
Redemption	36,475	481	89,373	3,507	290
Fixed interest	12	9	1,780	--	--
Variable interest	1,789	--	910	--	--
2009/10					
Redemption	--	168	21,500	--	290
Fixed interest	--	5	1,010	--	--
Variable interest	--	--	102	--	--
2010/11					
Redemption	--	152	14,000	--	19
Fixed interest	--	3	479	--	--
Variable interest	--	--	--	--	--
2011/12					
Redemption	--	33	3,139	--	--
Fixed interest	--	--	13	--	--
Variable interest	--	--	--	--	--

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.

(in € 1,000)	Carrying amounts		Estimated fair values	
	March 31		March 31	
	2008	2007	2008	2007
Export loans	36,475	38,334	36,629	35,991
Loans from state authorities	834	1,180	814	1,139
Other bank borrowings	128,012	92,813	127,702	95,052
Liabilities from finance leases	3,507	5,628	3,507	5,628
Derivative financial instruments	599	931	599	931
	<u>169,427</u>	<u>138,886</u>	<u>169,251</u>	<u>138,741</u>

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

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

(in € 1,000)	March 31	
	2008	2007
Euro	165,618	132,596
Korean won	2,680	3,589
U.S. dollar	34	1,937
Japanese yen	338	576
Indian rupee	757	188
	169,427	138,886

Bank borrowings are secured as follows:

- by property, plant and equipment amounting to TEUR 2,680 (at March 31, 2007: TEUR 3,610). Reference is made to Note 8 “Property, plant and equipment”;
- By inventories and trade receivables amounting to TEUR 43,950 (at March 31, 2007: TEUR 45,153). Reference is made to Note 11 “Inventories” and Note 12 “Trade and other receivables”;
- By securities amounting to TEUR 12,497 (at March 31, 2007: TEUR 12,432). Reference is made to Note 13 “Financial assets”;
- By assignment of rights from the hedge against political risk for the location in China amounting to TEUR 66,250 at March 31, 2008 (at March 31, 2007: TEUR 26,250), as well as for the site in South Korea amounting to TEUR 3,139 (at March 31, 2007: TEUR 4,485).

Lines of credit at March 31, 2008 are as follows:

(in € 1,000)	Credit lines	Used
Export credit lines – committed	41,861	36,475
Other credit lines – committed	106,901	87,345
Credit lines – uncommitted	70,000	41,500
	218,762	165,321

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Leases

Total future minimum lease payments from finance and non-cancellable operating leases at March 31, 2008 are as follows:

(in € 1,000)	Finance leases	Operating leases
Not later than 1 year	3,582	3,881
Between 1 and 5 years	--	12,370
Later than 5 years	--	21,687
Total minimum lease payments	3,582	37,938
Future finance charges on finance leases	(75)	
Present value of minimum lease payments under finance leases	<u>3,507</u>	

Of which not later than 1 year 3,507

Operating leases

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

The obligations from operating leases 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 8 "Property, plant and equipment".

Non-cancellable leasing and rental expenses are as follows:

(in € 1,000)	Financial year ended March 31	
	2008	2007
Leasing and rental expenses	<u>3,531</u>	<u>2,572</u>

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18. Provisions for employee benefits

The provisions for employee benefits relate to pension, termination and other employee benefits.

Defined Contribution Plans

The majority of the Group's employees in Austria and part of its employees in India 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 amounted to TEUR 347 in the financial year 2007/08 and to TEUR 561 in the financial year 2006/07.

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

The employees in India are entitled to termination benefits upon retirement or, under certain circumstances, upon leaving the company, the amount of which depends on 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

Employees in Austria and Korea 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, upon leaving the company. In Austria the termination benefits range from 2 to 12 months of final monthly salary depending on years of service, in Korea a fixed amount is paid depending also on years of service.

For employees who joined on or after January 1, 2003 regular contributions are paid to a staff provision fund ("Mitarbeitervorsorgekasse"). The contributions for the financial year 2007/08 amounted to TEUR 352 and for the financial year 2006/07 to TEUR 267.

Other benefit obligations

The employees of the companies in Austria and in China 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.

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Expenses for (defined benefit) retirement, termination and other employee benefits consist of the following:

(in € 1,000)	Retirement benefits		Termination benefits		Other employee benefits	
	Financial year ended		Financial year ended		Financial year ended	
	March 31		March 31		March 31	
	2008	2007	2008	2007	2008	2007
Current service cost	204	205	1,329	1,084	352	387
Interest expense	402	364	527	470	85	69
Exchange differences	--	--	--	(13)	--	(16)
Past service cost	195	194	--	241	--	--
Actuarial loss/(gain)	25	19	177	70	(152)	(79)
Expected return on plan assets	(363)	(292)	(14)	(10)	--	--
Total expenses	463	490	2,019	1,842	285	361

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

Amounts accrued in the **balance sheet** are:

(in € 1,000)	March 31	
	2008	2007
(Overfunded) retirement benefits	(424)	(774)
Underfunded retirement benefits	878	1,188
Underfunded termination benefits	7,983	7,866
Other employee benefits	1,969	1,836
Provisions for employee benefits	10,830	10,890
Accrued retirement, termination and other employee benefits, net	10,406	10,116

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

(in € 1,000)	Retirement benefits March 31		Termination benefits March 31	
	2008	2007	2008	2007
Present value of funded obligations	7,811	7,670	383	344
Fair value of plan assets	(8,042)	(7,009)	(160)	(168)
	(231)	661	223	176
Present value of unfunded obligations	825	919	11,948	11,145
Unrealised actuarial gains/(losses)	55	(777)	(4,188)	(3,455)
Unrecognised past service cost	(195)	(389)	--	--
Liabilities/(receivables) in the balance sheet, net	454	414	7,983	7,866
thereof receivables (overfunded benefits)	(424)	(774)	--	--
thereof provisions (underfunded benefits)	878	1,188	7,983	7,866

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

(in € 1,000)	Funded retirement benefits		Unfunded retirement benefits	
	Financial year ended March 31,		Financial year ended March 31,	
	2008	2007	2008	2007
Movement in projected benefit obligation				
Benefit obligation at beginning of year	5,974	5,501	1,188	1,070
Exchange differences	--	(5)	--	--
Current service cost	147	146	57	59
Interest expense	358	305	43	59
Past service cost	195	194	--	--
Actuarial loss/(gain)	1	19	24	--
Reclassification of unfunded retirement benefit obligations to funded retirement benefit obligations	487	--	(487)	
Benefits paid	(197)	(186)	--	--
Benefit obligation at end of year	<u>6,965</u>	<u>5,974</u>	<u>825</u>	<u>1,188</u>
Movement in plan assets				
Fair value of plan assets at beginning of year	6,748	5,897		
Exchange differences	--	(5)		
Contributions to plan assets	422	750		
Expected return on plan assets	363	292		
Benefits paid	(197)	(186)		
Fair value of plan assets at end of year	<u>7,336</u>	<u>6,748</u>		
Funded status				
Funded retirement benefits	<u>(371)</u>	<u>(774)</u>		
thereof overfunded	(424)	(774)		
thereof underfunded	53	--		

Plan assets amounting to TEUR 7,336 at March 31, 2008 and to TEUR 6,748 at March 31, 2007 have been transferred into a pension fund. The diversification of the portfolio is as follows:

(in %)	Financial year ended March 31,	
	2008	2007
Debt securities	41%	44%
Equity securities	35%	37%
Real estate	4%	4%
Cash and cash equivalents	20%	15%
	<u>100%</u>	<u>100%</u>

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

(in € 1,000)	Funded termination benefits Financial year ended March 31,		Unfunded termination benefits Financial year ended March 31,	
	2008	2007	2008	2007
Movement in projected benefit obligation				
Benefit obligation at beginning of year	338	305	7,694	7,350
Exchange differences	(35)	(20)	(107)	(2)
Current service cost	33	29	1,296	1,055
Interest cost	25	21	502	449
Actuarial loss/(gain)	46	--	143	70
Obligations assumed as a result of acquisitions	--	--	--	241
Reclassification of unfunded termination benefit obligations to funded termination benefit obligations	--	28	--	(28)
Benefits paid	(19)	(25)	(1,774)	(1,441)
Benefit obligation at end of year	388	338	7,754	7,694
Movement in plan assets				
Fair value of plan assets at beginning of year	166	127		
Exchange differences	(15)	(9)		
Contributions to plan assets	(8)	64		
Actual return on plan assets	14	10		
Actuarial loss/(gain)	12	--		
Benefits paid	(10)	(26)		
Fair value of plan assets at end of year	159	166		
Funded status funded termination benefits	229	172		

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

(in € 1,000)	Financial year ended March 31,	
	2008	2007
Benefit obligation at beginning of year	1,836	1,503
Exchange differences	(55)	(16)
Current service cost	352	386
Interest expense	86	69
Actuarial loss/(gain)	(152)	(79)
Benefits paid	(98)	(27)
Accrued obligation for other employee benefits at end of year	1,969	1,836

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The actuarial assumptions are as follows:

	Retirement benefits		Termination benefits		Other employee benefits (anniversary bonuses)	
	March 31		March 31		March 31	
	2008	2007	2008	2007	2008	2007
Discount rate	5.25%	4.75% - 8%	5.25% - 8%	4.75% - 8%	4% - 8%	4.75%
Expected return on plan assets	5.13%	5.14%	8%	8%	--	--
Expected rate of compensation increase	2.5%	2.25%	3.25% - 7%	3% - 6.5%	3.25% - 10%	3%
Expected rate of pension increase	2.25%	2%	--	--	--	--
Retirement age (women/men)	--/58-65	--/58-65	Individual according to 2003 pension reform	Individual according to 2003 pension reform	--	--

19. Other provisions

(in € 1,000)	Total	Warranty	Restructuring			Other
			Closure Augsburg plant	Relocation Fohnsdorf plant		
March 31, 2007	2,861	188	168	1,023		1,482
Utilisation	(1,779)	(70)	(64)	(497)		(1,148)
Reversal	(24)	--	--	--		(24)
Addition	733	561	--	--		172
Exchange differences	(79)	(55)	--	--		(24)
March 31, 2008	1,712	624	104	526		458

(in € 1,000)	March 31	
	2008	2007
thereof non-current	--	200
thereof current	1,712	2,661
	1,712	2,861

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 past 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.

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Provision for the relocation of the Fohnsdorf plant

The relocation of the production from Fohnsdorf, Austria, to nearby Leoben-Hinterberg, Austria, was completed in January 2006.

The provision relates to costs from contractual obligations amounting to TEUR 306 (March 31, 2007: TEUR 785) and other costs amounting to TEUR 220 (March 31, 2007: TEUR 238). With regard to the impact on the result, reference is made to Note 5 "Non-recurring items".

Other

Other provisions are provisions for onerous contracts.

20. Derivative financial instruments

The derivative financial instruments mainly include foreign currency options, currency swaps, interest rate swaps and forward contracts. 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.

The fair values of the derivative financial instruments are as follows:

(in € 1,000)	March 31, 2008		March 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Forward contracts at fair value	2,558	--	2,113	38
Currency swaps at fair value	3,476	--	72	16
Currency options at fair value	544	--	457	--
Interest rate swaps at fair value	--	599	--	877
	<u>6,578</u>	<u>599</u>	<u>2,642</u>	<u>931</u>
Net of current portion:				
Forward contracts at fair value	2,558	--	2,087	38
Currency swaps at fair value	3,476	--	24	16
Currency options at fair value	544	--	457	--
Interest rate swaps at fair value	--	290	--	--
Non-current portion	<u>--</u>	<u>309</u>	<u>74</u>	<u>877</u>

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

Currency	March 31, 2008		March 31, 2007	
	Nominal amount (in 1,000 local currency)	Fair value (in € 1,000)	Nominal amount (in 1,000 local currency)	Fair value (in € 1,000)
U.S. dollar	70,267	6,578	89,442	2,617
Japanese yen	--	--	50,000	(29)
		6,578		2,588

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

Currency	March 31, 2008		March 31, 2007	
	Nominal amount (in 1,000 local currency)	Fair value (in € 1,000)	Nominal amount (in 1,000 local currency)	Fair value (in € 1,000)
Euro	10,000	(599)	10,000	(877)

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

	in months
Forward contracts	10
Currency swaps	12
Currency options	3
Interest rate swaps	27

At March 31, 2008, the fixed interest rate for interest rate swaps is 2.9%. The floating interest rate is based on EUR swap rates (CMS - constant maturity swap rates).

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21. Additional disclosures on financial instruments

The carrying amounts and amounts stated of financial instruments by measurement category are presented as follows at March 31, 2008:

(in € 1,000)	Fair values through profit or loss	Fair values in equity	(Amortised) cost	Carrying amounts
Assets				
Non-current assets				
Financial assets	--	96	23	119
Current assets				
Trade and other receivables	--	--	93,751	93,751
Financial assets	19,969	75	--	20,044
Cash and cash equivalents	--	--	9,364	9,364
Liabilities				
Non-current liabilities				
Financial liabilities	309	--	38,992	39,301
Current liabilities				
Trade payables	--	--	47,165	47,165
Financial liabilities	290	--	129,836	130,126

22. Contingent liabilities and other financial commitments

At March 31, 2008 the Group has other financial commitments amounting to TEUR 20,413 (TEUR 54,959 at March 31, 2007) in connection with contractually binding investment projects. Regarding non-cancellable leasing and rental agreements reference is made to Note 17 "Financial liabilities". At the balance sheet date the Group has contingent liabilities to customs authorities and from bank guarantees in the amount of TEUR 350 (TEUR 112 at March 31, 2007). Other guarantees or contingencies relating to the ordinary business operations do not exist at the balance sheet date.

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23. Share capital

	Outstanding shares (in 1,000 shares)	Ordinary shares (in € 1,000)	Share premium (in € 1,000)	Stock options (in € 1,000)	Treasury shares, net of tax (in € 1,000)	Share capital (in € 1,000)
March 31, 2006	25,842	30,800	82,827	391	(22,746)	91,272
Capital reduction	--	(2,310)	(20,046)	--	22,356	--
Stock option plans:						
Value of services rendered	--	--	--	89	--	89
Change in stock options	--	--	484	(109)	--	375
Change in treasury shares	(2,304)	--	--	--	(42,207)	(42,207)
March 31, 2007	23,538	28,490	63,265	371	(42,597)	49,529
Stock option plans:						
Value of services rendered	--	--	--	66	--	66
Change in stock options	--	--	29	(211)	--	(182)
Change in treasury shares	(215)	--	--	--	(3,755)	(3,755)
March 31, 2008	23,323	28,490	63,294	226	(46,352)	45,658

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 Company's success.

Outstanding shares

The number of shares issued amounts to 25,900,000 after the reduction of the share capital. At March 31, 2008, 2,577,412 treasury shares were held by the Group, 23,322,588 shares were outstanding.

Ordinary shares

At March 31, 2008, 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.

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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 set the issue conditions and the conversion method and to exclude the existing shareholders' subscription rights.

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 up to TEUR 2,970 by issuing up to 2,700,000 new no-par value 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 was passed at 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. Furthermore, 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 are fully entitled to dividends for the financial year in which they were issued.

Treasury shares

At the 11th Annual General Meeting on July 5, 2005, at the 12th Annual General Meeting on July 4, 2006 and again at the 13th Annual General Meeting on July 3, 2007 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.

For this purpose, between May 15, 2006 and March 31, 2008, the Group purchased 2,632,432 shares at the prevailing price amounting to a total of TEUR 47,484. In the financial year 2007/08 52,400 shares were used for servicing the Company's stock option plan.

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At the 13th Annual General Meeting on July 3, 2007 the Management Board in accordance with § 65 (1b) AktG was authorised, for a period of five years as of the date the resolution was passed, i.e. up to and including July 3, 2012, upon approval by the Supervisory Board, to sell the purchased treasury shares also in a different way than via the stock exchange or by public offer, in particular as consideration for the acquisition of subsidiaries, investments, companies or businesses and in doing so – if required – exclude the existing shareholders' subscription rights in accordance with §§ 169 to 179 AktG; this authorization can be exercised in its entirety or in several parts.

Dividend per share

In the financial year 2007/08 a dividend of EUR 0.31 was paid per share (in the financial year 2006/07 EUR 0.29).

Stock option plans

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 payment".

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.

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The following table summarises information about all stock options granted until March 31, 2008.

	April 1, 2004	April 1, 2003	April 1, 2002
Exercise price	€ 16.81	€ 8.63	€ 14.18
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 expired	--	--	--
March 31, 2007	64,000	28,000	--
Number of options granted	--	--	--
Number of options forfeited	3,500	--	--
Number of options exercised	24,000	28,000	--
Number of options expired	--	--	--
March 31, 2008	36,500	--	--
Weighted average remaining life of stock options	0.4 years	--	--

The weighted average price of the exercised stock options at the time of exercise was EUR 12.61.

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, 2004 amounts to TEUR 465 and will be accounted for spread over their terms. Reference is made to Note 28 "Related party transactions".

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

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

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

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VI. OTHER DISCLOSURES

24. Earnings per share

Earnings per share is calculated in accordance with IAS 33 “Earnings Per Share”.

Weighted average of outstanding shares

The number of shares issued is 25,900,000. At March 31, 2008 2,577,412 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 23.4 million in the financial year 2007/08 and to 24.8 million in the financial year 2006/07.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounted to 23.4 million in the financial year 2007/08 and to 24.9 million in the financial year 2006/07.

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

	Financial year ended March 31	
	2008	2007
(in 1,000)		
Weighted average number of shares outstanding - basic	23,385	24,825
Diluting effect of options	--	60
Weighted average number of shares outstanding - diluted	<u>23,385</u>	<u>24,885</u>

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.

	Financial year ended March 31	
	2008	2007
Profit for the year (in € 1,000)	42,691	31,813
Weighted average number of outstanding shares - basic (in 1,000)	23,385	24,825
Basic earnings per share (in €)	1.83	1.28

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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.

	Financial year ended March 31	
	2008	2007
Profit for the year (in € 1,000)	42,691	31,813
Weighted average number of outstanding shares - diluted (in 1,000)	23,385	24,885
Diluted earnings per share (in €)	1.83	1.28

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

25. Proposal on profit distribution

According to the provisions of the Austrian Stock Corporation Act (“Aktengesetz”) the local financial statements of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft as of March 31, 2008 prepared under Austrian GAAP serve as the basis for the distribution of dividends. These financial statements as of March 31, 2008 reported retained earnings amounting to TEUR 13,526 (March 31, 2007: TEUR 31,459).

The payment of dividend is subject to approval by the Annual General Meeting. The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 0.34 per outstanding share from the retained earnings totalling TEUR 13,526 and to carry forward the remaining balance to new account.

26. Acquisitions and liquidations

Acquisitions

In the 52nd Supervisory Board Meeting on March 13, 2008 the proposal for a capital increase at AT&S Korea Co. Ltd. (formerly Tofic Co., Ltd.) was approved. The capital increase in the amount of KRW 24,000 million or approx. EUR 15 million was carried out in March 2008. Since the minority shareholders waived their subscription rights, the share of the Company in AT&S Korea now amounts to 97.27%.

Incorporations

Based on the authorization by the Supervisory Board granted by circular resolution the distribution company AT&S Americas was incorporated in the USA in March 2008.

Liquidations

In the 45th Supervisory Board Meeting on June 14, 2006 the resolution on the liquidation of AT&S Scandinavia AB, Sweden, was passed. The liquidation was carried out in the financial year 2007/08.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
AKTIENGESELLSCHAFT**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. Material events after the balance sheet date

Change of stock exchange

By a resolution adopted by the Management Board on May 7, 2008 – subject to the approval by the Supervisory Board – it was decided to apply for the listing of the Company’s shares at the Vienna Stock Exchange and for the delisting at the Frankfurt Stock Exchange. In this context, the Company seeks a listing at the Vienna Stock Exchange in the Prime Market segment. According to plan, upon the approval by the Frankfurt Stock Exchange of the delisting the share would be listed for three months in Germany as well as in Austria, and after that period exclusively in Vienna.

Bond issue

On May 13, 2008 the Management Board passed the resolution to issue a bond in the form of a public offering pursuant to § 3 (1) No. 9 of the Austrian Capital Market Act (“Kapitalmarktgesetz”) without a prospectus with a volume of EUR 80 million and the option to further increase this amount and a maturity of five years in the subsequent weeks, depending on the market environment.

Property of AT&S Verwaltungs GmbH & Co KG

On May 13, 2008 a mutually binding contract of sale offer with a condition precedent relating to the land and building of AT&S Verwaltungs GmbH & Co KG was concluded. According to this offer, the buyer is obliged to accept the offer by April 20, 2009 at the latest, if he has been provided with a defined minimum amount of legally binding offers for lease and rental agreements. The net purchase price is determined within a margin and is based on the net minimum return.

Reference is made to Note 14 “Non-current assets held for sale”.

28. 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 GmbH) or by Supervisory Board members (Dörflinger Management und Beteiligungs GmbH) respectively. The fees charged are as follows:

(in € 1,000)	Financial year ended	
	March 31	
	2008	2007
AIC Androsch International Management Consulting GmbH	367	369
Dörflinger Management & Beteiligungs GmbH	6	14
	<u>373</u>	<u>383</u>

Furthermore, certain manufacturing processes of AT&S Korea have been outsourced. Parts of these external manufacturing services were carried out by persons affiliated with minority shareholders, totalling TEUR 1,251 in the financial year 2007/08 (TEUR 1,441 in the financial year 2006/07). The outstanding liabilities as of March 31, 2008 amounted to TEUR 382 (March 31, 2007: TEUR 303).

Members of the Management Board and the Supervisory Board

In the financial year 2007/08 and until the date of issuance of these consolidated financial statements the following persons served on the **Management Board**:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Dr. Harald SOMMERER (Chairman)
- Dkfm. Steen Ejlskov HANSEN
- Ing. Heinz MOITZI

In the financial year 2007/08 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
- Dipl.-Ing. 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:

(in € 1,000)	Number of granted stock options March 31,		Personnel expenses Financial year ended March 31, (in € 1,000)	
	2008	2007	2008	2007
Dr. Harald Sommerer	140,000	132,000	119	205
Dkfm. Steen Ejlskov Hansen	105,000	84,000	92	143
Ing. Heinz Moitzi	90,000	60,000	122	100
Total Management Board	335,000	276,000	333	448
Total other executive employees	77,000	83,500	131	71
	<u>412,000</u>	<u>359,500</u>	<u>464</u>	<u>519</u>

Reference is made to Note 16 “Trade and other payables” and Note 23 “Share capital”.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(in € 1,000)	Financial year ended March 31, 2008			Financial year ended March 31, 2007		
	fixed	variable*	total	fixed	variable*	total
Ing. Willibald Dörflinger	--	--	--	--	(5)	(5)
Dr. Harald Sommerer	456	463	919	456	374	830
Dkfm. Steen Ejlskov Hansen	366	232	598	366	223	589
Ing. Heinz Moitzi	266	156	422	266	142	408
Executive employees	2,977	719	3,716	2,987	810	3,797
			5,655			5,619

* 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)	Financial year ended March 31	
	2008	2007
Dr. Harald Sommerer	184	134
Dkfm. Steen Ejlskov Hansen	13	20
Executive employees	15	32
	212	186

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

(in € 1,000)	Termination benefits Financial year ended March 31		Retirement benefits Financial year ended March 31	
	2008	2007	2008	2007
	Management Board and executive employees	205	118	529

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

(in € 1,000)	Financial year ended March 31, 2008			Financial year ended March 31, 2007		
	fixed	variable	total	fixed	variable	total
Dkfm. Dr. Hannes Androsch	18	11	29	17	10	27
Ing. Willibald Dörflinger	9	5	14	9	5	14
Dr. Erich Schwarzbichler	15	5	20	14	5	19
Dr. Georg Riedl	9	5	14	9	5	14
Dipl.-Ing. Albert Hochleitner	9	5	14	7	5	12
Dkfm. Karl Fink	9	5	14	8	5	13
	69	36	105	64	35	99

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholdings of Management Board and Supervisory Board members and their relatives at March 31, 2008:

	Shares	Options	Total shares and options	% capital
Management Board members	43,172	335,000	378,172	1.46
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	120,600	--	120,600	0.47
Private foundation Androsch	5,570,666	--	5,570,666	21.51
Total private foundations	10,265,954	--	10,265,954	39.64
Relatives of Board members	7,500	--	7,500	0.03
	10,771,774	335,000	11,106,774	42.88

29. Number of staff

Average number of staff in the financial year:

	Financial year ended March 31	
	2008	2007
Waged workers	4,919	4,170
Salaried employees	1,354	1,188
	6,273	5,358

The calculation of the number of staff includes an average of 2,547 temporary workers for the financial year 2007/08 and an average of 1,603 for the financial year 2006/07.

Leoben-Hinterberg, May 13, 2008

The Management Board:

Dr. Harald Sommerer
m.p.

Dkfm. Steen Ejlskov Hansen
m.p.

Ing. Heinz Moitzi
m.p.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
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GROUP MANAGEMENT REPORT

Company profile

AT&S is one of the market leaders in the industry worldwide and the largest manufacturers of printed circuit boards in Europe and India. In addition to simple printed circuit boards, AT&S in particular offers highly complex electronic connecting elements, which accounts for a great portion of the product portfolio of AT&S as a result of the growing customer need for miniaturisation on part of the customers. In this context, the HDI/Microvia technology is of particular importance, which is used mainly in mobile devices such as mobile phones or PDAs. The demand for these technologically complex products is already increasing also from the area industrial and medical technology.

With a global presence in Asia and Europe AT&S supplies internationally operating corporations such as Nokia, Siemens, Sony-Ericsson, Motorola, RIM and Hella. At the same time, AT&S also serves the demand from smaller companies and 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 printed circuit boards by flexibility, command of latest technologies and supply reliability is reflected by various awards, such as the recent Supplier Award from Sony.

AT&S manufactures a broad range of printed circuit boards: single-sided, double-sided (with or without plated-through holes), multi-layer (up to 22 layers), HDI-Microvia, flexible, rigid-flexible and semi-flexible. The service spectrum includes various technologies for the treatment of printed circuit boards using various base materials.

In addition to the development and manufacture of printed circuit boards for large and small series as well as prototypes, AT&S as comprehensive solution provider offers its customers various additional services, such as design and assembling of printed circuit boards. The offer is complemented by trading (trade in printed circuit boards), which is already doing well in the market.

Business development and climate

In the financial year 2007/08 the AT&S Group again managed to stay ahead of competitors. With total revenues of EUR 485.7 million, prior year revenues of EUR 467.4 million were exceeded by EUR 18.3 million or 3.9%.

The mobile devices segment, which has been characterised by strong sales in the past, with EUR 323.4 million contributed the major portion of net sales. With a share of sales amounting to EUR 102.4 million, the industrial segment positioned itself as the second largest business segment within the AT&S Group. Sales of EUR 50.2 million could be generated with automotive customers.

In the past financial year the AT&S Group generated an operating result of EUR 42.1 million, which is EUR 9.5 million above the prior year figure of EUR 32.6 million. Regarding sales, the Group managed to increase its sales profitability by 2 percentage points in the past financial year to 8.8 percentage points, which corresponds to an increase of 6.8% year-on-year.

This year's result of the Group at EUR 41.3 million represents the highest figure since the foundation of the Group. Compared to the prior year, the group result could be raised by EUR 10 million or 31.9%, respectively.

At the balance sheet date March 31, 2008 the equity of the AT&S Group amounted to EUR 225.8 million. The equity ratio of the capital and reserves attributable to the Company's equity holders was 45.6% and thus approx. 3 percentage points below the respective prior year figure of 48.7%. For the

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
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GROUP MANAGEMENT REPORT

past financial year 2007/08 the return on equity was 18.9%, which corresponds to an increase of 4.5 percentage points over the prior year figure of 14.4%.

In the financial year 2007/08 net debts of AT&S increased EUR 45.7 million over the prior year figure of EUR 110.6 million to EUR 156.3 million. The rise in net debts results primarily from additional borrowings to finance the investments in China. Thus, the net gearing rose 19 percentage points from 50.2% in the prior year to 69.2%.

In the course of the investment activities of AT&S a total of EUR 111.4 million was invested in intangible assets and in property, plant and equipment.

The average number of staff (including hired labour) employed by AT&S amounted to 6,273, and thus was by 915 staff higher than in the previous year (2006/07: 5,358). The most significant staff increases occurred at the Asian locations.

Well trained and motivated staff is a key factor in keeping up with international competition. Therefore, AT&S pays special attention to training and education programs which are designed to promote intercultural skills in addition to professional competencies. This is accompanied by a transparent and performance-oriented compensation system (economic value added) that promotes the entrepreneurial thinking and acting of staff.

Sustained management and economical use of available resources are of the highest priority for AT&S. That is why in the financial year 2007/08 the Group at all locations had been working on further improving environmental measures and on optimizing the use of energy and resources. A logical consequence of this was that all locations passed the monitoring audit in accordance with ISO 14001 in February / March 2008 without any deviations.

AT&S China was granted the “Excellent Environmental Data Maintenance Company 2007” award by the Minghong Environment Protection Bureau (MHEPB), China, for its efforts in environmental management.

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.

Corporate structures

As of March 31, 2008 the share capital of AT&S 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 AG are as follows at the balance sheet date:

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AKTIENGESELLSCHAFT**

GROUP MANAGEMENT REPORT

	<u>Shares</u>	<u>% capital</u>	<u>% voting rights</u>
Dörflinger private foundation: Franz Josefs Kai 5 A-1010 Vienna	4,574,668	17.66%	19.61%
Dkfm. Dr. Hannes Androsch: Neustift am Walde 44 A-1190 Vienna	445,853	1.72%	1.91%
Androsch private foundation: Franz Josefs Kai 5 A-1010 Vienna	5,570,666	21.51%	23.89%

Thus, 25.8% of the voting rights are under the control of Dkfm. Dr. Hannes Androsch.

At the balance sheet date 2,577,412 treasury shares are held under the share repurchase program. The share repurchase program adopted on July 3, 2007 authorises the Management Board to repurchase up to 10% of the share capital of AT&S AG on the market until January 2, 2009.

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.

Subsidiaries and representative offices

- In order to meet the growing capacity demands, additional capacities were created at the wholly owned subsidiary AT&S (China) Company Limited. In addition to the commissioning of a fourth production line in plant II, the ramp-up of the third plant was already started.
- In order to document the integration of the Korean affiliate by name, Tofic Co. Ltd. was renamed to AT&S Korea Co. Ltd. The equity of the company was also increased by KRW 24 billion (approx. EUR 15 million) by the issue of new shares in March 2008, which were fully subscribed for by AT&S. Thus, the investment in AT&S Korea could be raised to 97.3%.
- In the financial year 2007/08 the share capital of the wholly owned subsidiary AT&S Asia Pacific Limited was increased by HKD 350 million (approx. EUR 32 million). The liquid funds generated

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
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GROUP MANAGEMENT REPORT

by the capital increase enabled AT&S Asia Pacific Limited to meet the financing need caused by the capacity expansion of the Asian group companies.

- As of March 12, 2008 a new subsidiary was incorporated in San Jose, CA, USA. The main task of AT&S Americas LCC is to adequately service existing customers (such as Apple and Motorola) locally. With this presence AT&S underscores its willingness to offer the highest possible service level for US customers.

Research and development

Within AT&S, the research and development (R&D) area is the driving force in the identification of new technological connection solutions. On the one hand, this 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 printed circuit boards are also identified and developed internally.

The developments were advanced in the four competence centers of AT&S – processes, materials, new technologies and laboratory. In doing so, the existing international research and development networks which the four centres can draw on are of great help.

In order to maintain its position among the global technology leaders also in the future, AT&S is co-operating with numerous international research institutions. Among other things, AT&S supports the research carried out by the new Christian Doppler laboratory at the Vienna University of Technology aimed at developing the printed circuit board of the future.

In the financial year 2007/08 research activities focused on the integration of construction elements and the development of rigid-flex solutions.

Outlook

For the financial year 2008/09 AT&S expects to win further market shares and thus to continue its growth. The capacities of the third plant in Shanghai will be expanded as planned and the construction of a new plant in Nanjangud, India, will be started. Due to the current macroeconomic risks associated with the financial crisis and the development of the US dollar the Company at this point is not able to make an exact forecast.

Leoben-Hinterberg, May 13, 2008

The Management Board

Dr. Harald Sommerer, m.p.

Dkfm. Steen Ejlskov Hansen, m.p.

Ing. Heinz Moitzi, m.p.

Auditor's Report (Report of Independent Auditor)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AT&S Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, for the financial year from April 1, 2007 to March 31, 2008. These consolidated financial statements comprise the consolidated balance sheet as at March 31, 2008, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year ended March 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (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.

Auditor's Responsibility

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.

Auditor's Report (Report of Independent Auditor)

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, 2008, and of its financial performance and its cash flows for the financial year from April 1, 2007 to March 31, 2008 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 13, 2008

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Mag. Dr. Aslan Milla
Austrian Certified Public Accountant

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

FINANCIAL STATEMENTS AND MANAGEMENT REPORT

AS OF MARCH 31, 2008

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We draw attention to the fact that the English translation of these financial statements in accordance with the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

**BALANCE SHEET AS OF MARCH 31, 2008
(Prior year figures for comparison)**

ASSETS	March 31, 2008 EUR	March 31, 2007 EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Industrial property and similar rights and assets, and licenses in such rights and assets	1.871.766,20	2.475.893,75
2. Prepayments	101.584,72	0,00
	1.973.350,92	2.475.893,75
II. Tangible assets		
1. Land and buildings on leasehold land	316.834,72	197.428,44
2. Technical equipment and machinery	29.491.960,00	31.335.056,91
3. Other equipment, factory and office equipment	2.548.557,51	2.927.198,83
4. Prepayments	130.619,97	99.479,97
	32.487.972,20	34.559.164,15
III. Financial assets		
1. Shares in affiliated companies	183.758.491,11	139.798.569,68
2. Loans to affiliated companies	46.208.958,99	49.017.446,67
3. Participating interests	22.500,00	22.500,00
4. Securities	92.003,81	92.003,81
5. Other loans	501.161,40	96.801,43
	230.583.115,31	189.027.321,59
	265.044.438,43	226.062.379,49
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	5.169.883,05	4.998.634,80
2. Unfinished goods	5.868.903,92	5.537.330,65
3. Finished goods and merchandise	14.941.540,04	14.043.424,84
	25.980.327,01	24.579.390,29
II. Receivables and other assets		
1. Trade receivables	55.629.939,00	60.943.867,47
2. Receivables from affiliated companies	24.720.164,32	3.103.189,55
3. Other assets	8.478.546,62	12.069.437,02
	88.828.649,94	76.116.494,04
III. Securities and shares		
1. Other securities and shares	13.325.869,07	13.476.669,07
2. Treasury shares	26.521.569,55	41.923.616,15
	39.847.438,62	55.400.285,22
IV. Cash on hand, bank balances	1.435.715,93	1.592.323,49
	156.092.131,50	157.688.493,04
C. PREPAID EXPENSES AND DEFERRED CHARGES	1.060.370,56	956.520,21
TOTAL ASSETS	422.196.940,49	384.707.392,74

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

**BALANCE SHEET AS OF MARCH 31, 2008
(Prior year figures for comparison)**

SHAREHOLDERS' EQUITY AND LIABILITIES	March 31, 2008 EUR	March 31, 2007 EUR
A. SHAREHOLDERS' EQUITY		
I. Share capital	28.490.000,00	28.490.000,00
II. Capital reserves Appropriated	93.340.702,50	93.340.702,50
III. Revenue reserves		
1. Statutory reserve	2.849.000,00	2.849.000,00
2. Reserve for treasury shares	26.521.569,55	41.923.616,15
IV. Unappropriated retained earnings, <i>thereof prior period unappropriated retained earnings brought forward</i>	13.526.408,34 <u>24.209.734,18</u>	31.458.776,97 <u>69.811.497,17</u>
	164.727.680,39	198.062.095,62
B. PUBLIC GRANTS	1.080.769,18	1.208.713,91
C. PROVISIONS		
1. Provisions for severance payments	7.253.704,60	7.176.990,00
2. Provisions for pensions	824.794,00	867.267,00
3. Tax provisions	636.621,49	2.490.585,28
4. Other provisions	<u>20.521.912,46</u>	<u>21.773.588,23</u>
	29.237.032,55	32.308.430,51
D. ACCOUNTS PAYABLE		
1. Bank loans	159.873.552,97	124.039.975,17
2. Trade payables	11.263.733,54	12.360.850,22
3. Payables to affiliated companies	49.466.514,47	9.669.413,35
4. Other liabilities	6.547.657,39	7.057.913,96
<i>of which taxes</i>	1.437.724,72	1.997.008,67
<i>of which social security payables</i>	<u>1.605.818,79</u>	<u>1.620.422,36</u>
	227.151.458,37	153.128.152,70
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	 <u><u>422.196.940,49</u></u>	 <u><u>384.707.392,74</u></u>
 CONTINGENT LIABILITIES	 <u>6.945.687,67</u>	 <u>2.976.371,50</u>

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

**INCOME STATEMENT FOR PERIOD FROM
APRIL 1, 2007 TO MARCH 31, 2008
(Prior year for comparison)**

	2007/08	2006/07
	<u>EUR</u>	<u>EUR</u>
1. Net sales	374.708.853,05	391.480.753,07
2. Increase or decrease in finished and unfinished goods	-1.445.439,68	-1.112.518,52
3. Other own work capitalized	11.216,53	24.262,97
4. Other operating income		
a) Income from the retirement of fixed assets excluding financial assets	400.312,18	4.768.984,90
b) Income from the reversal of provisions	1.330.712,29	244.589,98
c) Other	13.885.738,08	11.845.749,05
5. Cost of materials and purchased services		
a) Cost of materials	-247.355.811,26	-253.703.369,78
b) Cost of purchased services	-18.708.639,05	-16.324.543,66
6. Personnel expenses		
a) Wages	-34.242.461,16	-35.624.188,99
b) Salaries	-29.572.060,05	-29.105.730,73
c) Expenses for severance payments and contributions to staff provision funds	-1.766.789,80	-1.543.980,84
d) Expenses for pensions	-175.635,88	-1.318.044,32
e) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-17.039.256,25	-16.849.786,98
f) Other social benefits	-184.683,40	-165.447,72
7. Depreciation and amortization		
a) of fixed intangible and tangible assets	-10.040.870,54	-15.130.992,32
b) less amortization of public investment grants	184.220,59	2.046.198,99
8. Other operating expenses		
a) Taxes not included in line 17	-317.430,09	-266.295,89
b) Other	-37.031.163,53	-36.482.495,26
9. Subtotal of lines 1 to 8 (Operating result)	<u>-7.359.187,97</u>	<u>2.783.143,95</u>
10. Income from participating interests	3.563.635,00	33.042.087,54
<i>of which from affiliated companies</i>	<i>3.563.635,00</i>	<i>33.042.087,54</i>
11. Other interest and similar income	2.842.531,57	2.555.573,41
<i>of which from affiliated companies</i>	<i>2.048.051,16</i>	<i>1.809.103,70</i>
12. Income from the disposal of fixed financial assets and current securities as well as from securities of the externally managed portfolio	6.512.529,98	4.634.454,78
13. Expenses on fixed financial assets and current securities as well as on securities of the externally managed portfolio thereof	-22.188.268,24	-18.368.959,14
a) Amounts written off	-19.307.767,00	-1.000.782,40
b) Relating to affiliated companies thereof amounts written off	-2.880.501,24	-17.181.177,74
<i>thereof amounts written off</i>	<i>-2.704.051,05</i>	<i>-16.693.328,66</i>
14. Interest and similar expenses		
a) Interest and similar expenses	-9.297.535,70	-5.012.506,70
<i>of which relating to affiliated companies</i>	<i>-84.697,99</i>	<i>-165.926,58</i>
b) less amortization of public interest subsidies	1.890,07	29.514,36
15. Subtotal of lines 10 to 14 (Financial result)	<u>-18.565.217,32</u>	<u>16.880.164,25</u>
16. Net operating loss/income (balance to be brought forward)	-25.924.405,29	19.663.308,20

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

1. GENERAL INFORMATION

The financial statements of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as AT&S for short) as of March 31, 2008 were prepared in accordance with the provisions of the Austrian Commercial Code (UGB) as amended. The generally accepted accounting principles as well as the general norm to present a true and fair view of the Company's assets and liabilities, its financial position and results of operations were adhered to.

In the valuation of assets and liabilities in particular the Company's going concern was presumed and the principle of individual valuation adhered to. The principle of prudence was observed by taking into account all identifiable risks and impending losses. Only those profits realized at the closing date were recognized. The valuation methods applied so far were retained.

If assets or liabilities are attributable to several items of the balance sheet, they are disclosed under the respective items.

2. GROUP RELATIONS And RESTRUCTURINGS

Since March 31, 1999 AT&S has performed the function of parent company as defined by Section 244 UGB.

In the fiscal years from 1999/2000 to 2003/04, applying the provisions of Section 245a UGB, consolidated financial statements were prepared in accordance with US Generally Accepted Accounting Principles, supplemented by disclosures and comments required by the Austrian Commercial Code, as well as a management report for the Group.

Since the fiscal year 2004/05, applying the provisions of Section 245a UGB, consolidated financial statements were prepared in accordance with internationally accepted accounting standards (International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)), supplemented by disclosures and comments required by the Austrian Commercial Code, as well as a management report for the Group.

A detailed overview of the group structure at the balance sheet date can be found in the enclosure to the notes. AT&S prepares the consolidated financial statements for the largest group of companies.

The main restructuring measures of the fiscal year are presented in the following:

- In the fiscal year, the share capital of AT&S Asia Pacific Limited, Hong Kong, China, was increased in the amount of EUR 31,794,548.68.

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- By transfer agreement dated March 6, 2006 (effective as of April 20, 2006) 59% of the shares in Tofic Co. Ltd., Ansan City, South Korea, were acquired with retroactive effect as of April 1, 2006 and subsequently a capital increase in the amount of KRW 4,000 million was carried out, increasing the share held by AT&S to 86.3%. In the fiscal year 2007/08 an additional capital increase in the amount of KRW 24,000 million was carried out, increasing the share held by AT&S to 97.27%. In addition, by shareholders' resolution dated February 5, 2008 the company was renamed to AT&S Korea Co., Ltd.
- In the fiscal year 2006/07, as a result of the negative market development in Sweden, the Company decided against continuing the distribution activities of AT&S Scandinavia AB, Saltsjöbaden, Stockholm, Sweden. The liquidation was concluded in the current fiscal year.
- By registration dated March 15, 2008 the American distribution subsidiary AT&S Americas LLC in San Jose, California, was entered in the commercial register.

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3. ACCOUNTING AND VALUATION METHODS

3.1. Fixed assets

Intangible and tangible assets are reported at acquisition or production cost plus incidental acquisition cost less scheduled amortization/depreciation.

Scheduled amortization/depreciation is charged on a straight-line basis over the useful life of an asset.

	Useful life
Intangible assets	4 - 10 years
Buildings on leasehold land	12 - 50 years
Technical equipment and machinery	5 - 15 years
Other equipment, factory and office equipment	4 - 10 years

For additions during the first half of the fiscal year, the full annual amortization/depreciation was charged, for additions during the second half of the fiscal year, half of the annual amortization/depreciation was charged. The amortization/depreciation for additions is charged depending on the date of initial use.

The option to immediately write off low-value assets pursuant to Section 226 (3) UGB was used.

Financial assets were stated at acquisition cost or, in accordance with the lower-of-cost-or-market principle, at the lower current value (market value) at the balance sheet date.

3.2. Current assets

Raw materials and supplies are stated at acquisition cost, taking into account the strict lower-of-cost-or-market principle. Since the stock of spare parts for machinery and equipment is subject only to minor changes regarding quantity, value and composition and the total value is of subordinate importance, a fixed value is reported for these stocks. Continuous acquisitions are expensed as incurred. The fixed value for spare parts included in the balance sheet item "raw materials and supplies" amounts to EUR 1,525,187.44 (prior year: EUR 1,525,187.44). The stock of spare parts was reviewed in the fiscal year 2006/07. Cash discounts received, bonuses, as well as freight charges and customs duties were taken into account.

Unfinished and finished goods were reported at production cost.

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The production costs of unfinished and finished goods as of March 31, 2008 were calculated on the basis of full costs, as is provided for as an option in Section 203 (3) UGB.

Receivables and other assets are stated at nominal values. Individual valuation allowances were set up for identifiable default risks.

Foreign currency receivables are recognized at the exchange rate prevailing at the date of the original transaction or the lower bank buying rate at the balance sheet date.

Current securities and treasury shares are stated at acquisition cost or the lower market values at the balance sheet date. In connection with current securities, write-ups in the amount of EUR 65,260.20 were not made for tax reasons.

3.3. Reserve for treasury shares

Pursuant to Section 225 (5) UGB in connection with Section 65 (1) No. 8 AktG (Austrian Stock Corporation Act) a reserve was set up for treasury shares.

3.4. Provisions

Provisions for severance payments are calculated in accordance with the measurement provisions of IFRS (IAS 19) on the basis of a discount rate of 5.25% (prior year: 4.75%) and a pensionable age pursuant to the provisions of the 2003 pension reform, as well as taking into account the company-specific turnover rate by making corresponding deductions. The calculation was made in accordance with the provisions of the expert opinion KFS/RL 2 and 3 dated May 5, 2004 by the Institute of Business Administration, Tax Law and Organization of the Chamber of Public Accountants and Tax Advisors.

Provisions for pensions are calculated in accordance with the measurement provisions of IFRS (IAS 19) on the basis of a discount rate of 5.25% (prior year: 4.75%) and the mortality tables AVÖ 1999-P. The pensionable age was determined pursuant to the provisions of the 2003 pension reform. As of December 31, 1996, December 31, 2001, March 31, 2003, March 31, 2005, March 31, 2007 and March 31, 2008 pension obligations were partially transferred to APK-Pensionskasse Aktiengesellschaft, Vienna.

Provisions for anniversary bonuses are calculated in accordance with the measurement provisions of IFRS (IAS 19) on the basis of entitlements arising from collective agreements using a discount rate of 5.25% (prior year: 4.75%), as well as taking into account the company-specific turnover rate by making corresponding deductions.

In accordance with statutory requirements **other provisions** were calculated taking into account all identifiable risks and uncertain liabilities.

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3.5. *Accounts payable*

Accounts payable are stated at the amount repayable.

Foreign currency payables are recognized at the exchange rate prevailing at the date of the original transaction or the higher bank selling rate at the balance sheet date.

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4. BREAKDOWN AND COMMENTS ON ITEMS OF THE BALANCE SHEET

4.1. Fixed assets

For details on the development of items of fixed assets refer to Page 9. The land value included in land and buildings amounts to EUR 14,293.44 (prior year: EUR 14,293.44).

Assets with acquisition costs of less than EUR 400 each (Section 13 EStG (Austrian Income Tax Act) – low-value assets) are recognized under the item “other equipment, factory and office equipment” as additions, disposals and write-offs. In the fiscal year the related write-offs amounted to EUR 218,605.61.

By resolution of the supervisory board dated July 14, 2006 it was decided to liquidate AT&S Scandinavia AB, Saltsjöbaden, Stockholm, Sweden. In the fiscal year 2006/2007 the share in the amount of EUR 438,406.74 was written off. By a general meeting resolution dated May 31, 2007 the liquidation balance sheet and the distribution scheme were decided upon. In the current fiscal year losses in the amount of EUR 50,035.10 were covered and the company was liquidated.

The share in AT&S Verwaltungs GmbH & Co KG, Augsburg, Germany, was written down by EUR 892,956.58. Thus, the book value in the amount of EUR 1,955,236.99 corresponds to the amount of the company’s equity less the existing intercompany receivable.

The share in AT&S ECAD Technologies Limited, Bangalore, India, was fully written off in the amount of EUR 1,761,059.37.

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Statement of changes in fixed assets

	Acquisition/Production cost				Balance as of March 31, 2008 EUR	Accumulated depreciation/ amortization EUR	Book valule March 31, 2008 EUR	Book value March 31, 2007 EUR	Depreciation/ amortization fiscal year EUR
	Balance as of April 1, 2007 EUR	Additions EUR	Disposals EUR	Transfers EUR					
I. Intangible assets									
1. Industrial property and similar rights and assets, and licenses in such rights and assets	11,748,437.27	378,142.91	493,855.01	0.00	11,632,725.17	9,760,958.97	1,871,766.20	2,475,893.75	598,465.08
2. Prepayments	0.00	101,584.72	0.00	0.00	101,584.72	0.00	101,584.72	0.00	0.00
Subtotal	11,748,437.27	479,727.63	493,855.01	0.00	11,734,309.89	9,760,958.97	1,973,350.92	2,475,893.75	598,465.08
II. Tangible assets									
1. Land and buildings on leasehold land	267,409.64	141,652.56	0.00	0.00	409,062.20	92,227.48	316,834.72	197,428.44	22,246.28
2. Technical equipment and machinery	226,662,109.40	6,140,052.47	6,456,900.17	77,700.00	226,422,961.70	196,931,001.70	29,491,960.00	31,335,056.91	8,046,406.38
3. Other equipment, factory and office equipment <i>thereof low-value assets</i>	16,163,818.39	1,119,578.48	2,147,705.98	0.00	15,135,690.89	12,587,133.38	2,548,557.51	2,927,198.83	1,373,752.80
		218,605.61	218,605.61						218,605.61
4. Prepayments	99,479.97	108,840.00	0.00	-77,700.00	130,619.97	0.00	130,619.97	99,479.97	0.00
Subtotal	243,192,817.40	7,510,123.51	8,604,606.15	0.00	242,098,334.76	209,610,362.56	32,487,972.20	34,559,164.15	9,442,405.46
III. Financial assets									
1. Shares in affiliated companies	209,573,250.51	46,663,972.48	488,441.84	0.00	255,748,781.15	71,990,290.04	183,758,491.11	139,798,569.68	2,704,051.05
2. Loans to affiliated companies	49,017,446.67	1,848,470.04	4,656,957.72	0.00	46,208,958.99	0.00	46,208,958.99	49,017,446.67	0.00
3. Participating interests	22,500.00	0.00	0.00	0.00	22,500.00	0.00	22,500.00	22,500.00	0.00
4. Securities	92,003.81	0.00	0.00	0.00	92,003.81	0.00	92,003.81	92,003.81	0.00
5. Other loans	96,801.43	404,359.97	0.00	0.00	501,161.40	0.00	501,161.40	96,801.43	0.00
Subtotal	258,802,002.42	48,916,802.49	5,145,399.56	0.00	302,573,405.35	71,990,290.04	230,583,115.31	189,027,321.59	2,704,051.05
T o t a l	513,743,257.09	56,906,653.63	14,243,860.72	0.00	556,406,050.00	291,361,611.57	265,044,438.43	226,062,379.49	12,744,921.59

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4.2. Additional disclosures pursuant to Section 238 No. 2 UGB

	Book value March 31, 2008 EUR	Amount of share %	Amount of equity EUR	Result of prior fiscal year EUR	Book value March 31, 2007 EUR
Shares in affiliated companies					
AT&S Verwaltungs GmbH & Co KG, Augsburg, Germany	1,955,236.99	100	986,065.00	-1,867,170.00 ¹⁾	2,848,193.57
AT&S Deutschland GmbH, Nörvenich, Ger- many	7,966,000.00	100	1,189,104.00	85,639.00 ¹⁾	7,966,000.00
AT&S India Private Limited, Nanjangud, India	10,898,516.89	100	14,142,094.00	2,121,170.00 ¹⁾	10,898,516.89
AT&S (China) Company Limited, Shanghai, China	64,992,100.00	100	150,762,836.00	41,277,771.00 ¹⁾	64,992,100.00
AT&S Klagenfurt Leiterplatten GmbH, Kla- genfurt	300,000.00	77.32	2,629,303.37	617,831.47 ²⁾	300,000.00
DCC - Development Circuits & Components GmbH, Vienna	209,735.00	100	1,786,836.02	254,704.46 ²⁾	209,735.00
AT&S Asia Pacific Limited, Hong Kong, China	77,875,865.92	100	87,081,965.00	14,206,228.00 ¹⁾	46,081,317.24
AT&S Scandinavia AB, Saltsjöbaden, Stockholm, Sweden	0.00	-	0.00	469,721.00 ⁴⁾	0.00
AT&S ECAD Technologies Limited, Bangalore, India	0.00	86.69	298,220.00	-1,299,059.00 ¹⁾	1,761,059.37
AT&S Korea Co., Ltd. (formerly Tofic Co. Ltd.), Ansan City, South Korea	19,561,036.31	97.27	4,181,657.00	-10,632,145.00 ¹⁾	4,741,647.61
Total	<u>183,758,491.11</u>				<u>139,798,569.68</u>
Shares					
IS Industrie-Service Dienstleistungs GmbH, Fohnsdorf	22,500.00	45	45,719.77	-7,841.52 ³⁾	22,500.00

1) Financial statements as of March 31, 2008 in accordance with International Financial Reporting Standards (IFRS)

2) Financial statements as of March 31, 2008 in accordance with the Austrian Commercial Code (UGB)

3) Preliminary financial statements as of December 31, 2007 in accordance with UGB

4) By general meeting resolution dated May 31, 2007 the liquidation balance sheet and the distribution scheme were decided upon. The reported result in the amount of TEUR 469,721 corresponds to the total loss coverage of AT&S.

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4.3. Loans pursuant to Section 227 UGB

Under the item “loans to affiliated companies” an amount of EUR 11,775,660.00 (prior year: TEUR 4,724) is due within one year.

4.4. Receivables and other assets

4.4.1. Receivables from affiliated companies

	March 31, 2008 EUR	March 31, 2007 EUR
From trade		
AT&S Deutschland GmbH, Nörvenich, Germany	0.00	377,756.51
AT&S (China) Company Limited, Shanghai, China	4,422,008.69	467,051.74
AT&S India Private Limited, Nanjangud, India	516,402.61	1,019,043.24
AT&S Klagenfurt Leiterplatten GmbH, Klagenfurt	388,825.16	184,780.87
AT&S Japan K.K., Tokyo, Japan	8,545.19	54,633.97
DCC - Development Circuits & Components GmbH, Vienna	840,206.70	512,284.02
AT&S Asia Pacific Limited, Hong Kong, China	16,331,452.04	44,192.68
AT&S ECAD Technologies Limited, Bangalore, India	1,522.99	3,154.06
AT&S KOREA CO., LTD. (formerly Tofic Co. Ltd.), Ansan City, South Korea	192,045.94	12,288.46
C2C Technologie für Leiterplatten GmbH, Leoben	4,500.00	0.00
From other		
DCC - Development Circuits & Components GmbH, Vienna	1,500,000.00	0.00
From tax allocation		
AT&S Klagenfurt Leiterplatten GmbH, Klagenfurt	1,750.00	0.00
DCC - Development Circuits & Components GmbH, Vienna	512,905.00	428,004.00
Book value	24,720,164.32	3,103,189.55

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4.4.2. Additional disclosures pursuant to 225 (3) and Section 226 (5) UGB

	Book value as of March 31, 2008 EUR	thereof with remaining ma- turity of more than one year EUR
Trade receivables	55,629,939.00	0.00
Receivables from affiliated companies	24,720,164.32	0.00
Other assets	8,478,546.62	0.00
Total	88,828,649.94	0.00

	Book value as of March 31, 2007 EUR	thereof with remaining ma- turity of more than one year EUR
Trade receivables	60,943,867.47	0.00
Receivables from affiliated companies	3,103,189.55	0.00
Other assets	12,069,437.02	47,950.00
Total	76,116,494.04	47,950.00

4.4.3. Income affecting cash flow after the balance sheet date

Other assets include the following material income that will affect cash flow only after the balance sheet date:

	March 31, 2008 EUR	March 31, 2007 EUR
Energy tax refund	2,069,380.79	1,299,469.79
HTP Fohnsdorf GmbH	65,760.00	156,180.00
Public grants	153,835.95	248,494.35
Subsidy partial retirement	216,078.48	356,721.46
Tax-free bonuses	249,161.80	496,523.49
Advances to staff	112,350.00	125,850.00
Vendor rebates	0.00	297,000.00
Insurance compensation	1,009,709.81	4,228,225.47
Total	3,876,276.83	7,208,464.56

NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

4.5. Shareholders' equity

4.5.1. Share capital

On April 20, 2006 the management board, executing the authorization granted by the 11th annual general meeting dated July 5, 2005 and subsequent to the approval by the supervisory board by circular resolution dated April 7, 2006, in accordance with Section 192 (3) AktG decided to retract 2,100,000 treasury shares of the treasury shares repurchased pursuant to Section 65 (1) No. 8 AktG against the release of a reserve in accordance with Section 225 (5) sentence 2 UGB and thus lower the share capital. The retraction of 2,100,000 treasury shares was made on May 3, 2006. Thus, the share capital amounts to EUR 28,490,000 and is made up of 25,900,000 no-par value shares with a notional value of EUR 1.10 per share.

4.5.1.1. Authorized capital

By a resolution passed at the 11th annual general meeting on July 5, 2005 the management board was authorized to increase the share capital by a nominal amount of up to EUR 12,430,000 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 particular the issue price, object of contribution in kind, content of share rights, exclusion of subscription rights etc.) in agreement with the supervisory board. The supervisory board was authorized to adopt changes to the articles of association that arise from the issuance of shares from the authorized capital.

Pursuant to Section 174 (2) AktG (Austrian Stock Corporation Act) the management board at the 11th annual general meeting on July 5, 2005 was authorized, subject to approval by the supervisory board, to issue convertible bonds in a total nominal amount of up to EUR 100,000,000, if required in several tranches, until July 4, 2010, to set all conditions, the issue and the procedure for converting the convertible bonds as well as to exclude the subscription rights of existing shareholders.

4.5.1.2. Conditional capital increases

At the 9th annual general meeting on July 3, 2003, the management board, subject to approval by the supervisory board, in accordance with Section 159 (3) AktG was authorized to carry out a conditional capital increase until July 3, 2008 to grant stock options to the members of the management board, executive employees and employees of the Company and affiliated companies by up to EUR 2,970,000 by issuing up to 2,700,000 new no-par bearer shares paid for in cash (authorized conditional capital).

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At the 11th annual general meeting on July 5, 2005 the management board was authorized to increase the share capital by up to EUR 12,430,000 by issuing up to 11,300,000 new ordinary bearer shares to grant subscription or conversion rights to the creditors of the convertible bonds and determine the requirements pursuant to Section 160 (2) AktG, as well as set the further details of the conditional capital increase and its execution and to decide on the authorization of the supervisory board to adopt changes to the articles of association arising from the issuance of shares from the conditional capital. The newly issued shares of the conditional capital increase entitle to full dividend for the fiscal year in which they were issued.

4.5.2. Treasury shares/reserve for treasury shares

At the 13th annual general meeting on July 3, 2007, in accordance with Section 65 (1) No. 8 AktG the management board was reauthorized to acquire treasury shares of the Company in an extent of up to 10% of the Company's share capital within 18 months as of the date the resolution was passed, with the purchase price per no-par value share to be acquired not to be less than EUR 1.10 and not to be more than EUR 110 per share, and to retract the purchased treasury shares without further shareholders' resolution or to use them for the Company's stock option program.

Furthermore, at the 13th annual general meeting on July 3, 2007 the management board in accordance with Section 65 (1b) AktG was authorized for a period of five years as of the date the resolution was passed, thus until July 3, 2012 (July third two thousand and twelve), subject to the approval by the supervisory board and without any further resolution of the general meeting, to sell the purchased treasury shares of the Company also in another way than over the stock exchange or through a public offer, in particular as consideration for the acquisition of companies, enterprises or businesses or other assets or shares in companies, enterprises or businesses and in doing so – if required – exclude the subscription right of existing shareholders in accordance with Section 65 (1b) in connection with Sections 169 to 171 AktG. The authorization can be exercised in full or in parts.

At the balance sheet date AT&S Austria Technologie & Systemtechnik Aktiengesellschaft holds 2,577,412 treasury shares.

Development of the item treasury shares	Shares	Book value EUR	Capital share in %	
Opening balance 4/1/2007	2,361,951	41,923,616.15	9.12	
Acquisition of treasury shares from the open market	267,861	4,589,620.79	1.03	1)
Exercise of share options	-52,400	-834,700.39	-0.20	1)
Write-down treasury shares as of 3/31/2008		-19,156,967.00		
Closing balance 3/31/2008	2,577,412	26,521,569.55	9.95	1)

1) The capital share was calculated based on the number of no-par value shares (25,900,000 shares).

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4.5.2.1. Stock option plan 1

Based on the stock option plan approved at the supervisory board meeting on June 15, 2000 103,000 stock options at an exercise price of EUR 43.90 each were issued on August 1, 2000, 108,000 stock options at an exercise price of EUR 33.34 each on April 1, 2001, 105,500 stock options at an exercise price of EUR 14.18 each on April 1, 2002, 122,500 stock options at an exercise price of EUR 8.63 each on April 1, 2003 and 146,500 stock options at an exercise price of EUR 16.81 each on April 1, 2004. The stock option plan was limited in time, the last grant date was April 1, 2004.

Number and breakdown of options granted	Ing. Willibald Dörflinger	Dr. Harald Sommerer	Dkfm. Steen E. Hansen	Executive employees	Total
	options	options	options	options	options
April 1, 2003	40,000	40,000	0	42,500	122,500
thereof expired	-40,000	0	0	-22,200	-62,200
thereof exercised	0	-40,000	0	-20,300	-60,300
April 1, 2004	40,000	40,000	30,000	36,500	146,500
thereof expired	-40,000	0	0	-29,400	-69,400
thereof exercised	0	-20,000	-15,000	-5,600	-40,600
Total	0	20,000	15,000	1,500	36,500

Each stock option entitles to acquire one ordinary share of AT&S.

Valuation of the stock options at the balance sheet date:

At the balance sheet date March 31, 2008 the market price was below the exercise price of the stock options granted on April 1, 2004. Thus, no provision was set up for obligations from stock option plan 1.

Fair value of options granted:

Grant on:	4/1/2004
Fair value at the respective grant date	EUR 6.07

The fair value of options granted at the respective grant date was determined using the Black-Scholes option pricing model. This determination under the Black-Scholes option pricing model is based on tradable options that are not subject to any exercise restriction and fully transferable.

NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

Exercise price:

The exercise price is determined at the date of the respective grant and is calculated from the average price of all daily quotations of the AT&S share on the German Stock Exchange Frankfurt over a period of three calendar months preceding the date of the respective grant. A markup of 10% is added to this average price.

Exercise period:

The stock options granted gradually vest as follows:

- 20% of the stock options granted are exercisable between July 1 and September 30 of the second year after the respective grant.
- 30% of the stock options granted are exercisable between July 1 and September 30 of the third year after the respective grant.
- 50% of the stock options granted are exercisable between July 1 and September 30 of the fourth year after the respective grant.

The stock options cannot be exercised within a blackout period.

Conditions for the exercise:

The options can only be exercised by the holders of the options who have a valid employment/service relationship with a company of the AT&S Group at the time of exercise. Unvested or non-exercised options forfeit with no indemnification as of the date the employment/service relationships of the holders end. The options are not transferable and not pledgeable.

4.5.2.2. Stock option plan 2

Due to the expiration of stock option plan 1 (2000 to 2004) stock option plan 2 (SOP 2005 from 2005 to 2008) was adopted at the supervisory board meeting on November 8, 2004. Stock options can be granted between April 1, 2005 and April 1, 2008.

Each of these options entitles

- either to acquire a no-par value share of AT&S at the exercise price or
- instead of shares a cash compensation in the amount of the difference between the exercise price and the closing price of the AT&S share at the Frankfurt Stock Exchange or the Stock Exchange of the primary listing of the AT&S share, respectively, at the date the option is exercised can be demanded by the holder of the option.

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Under the "SOP 2005" 187,000 stock options at an exercise price of EUR 15.46 each were granted on April 1, 2005, 148,000 stock options at an exercise price of EUR 17.99 each on April 1, 2006 and 149,000 stock options at an exercise price of EUR 22.57 each on April 1, 2007.

Exercise price:

The exercise price of the stock options is determined at the respective grant date and corresponds to the average closing price of the AT&S share at the Frankfurt Stock Exchange or the Stock Exchange of the primary listing of the AT&S share, respectively, during the six calendar months preceding the respective grant, plus a markup of 10% based on this average. The closing price in Xetra trading or a comparable successor system is taken as the share price. The exercise price, however, corresponds at least to the pro rata amount of share capital attributable to the share of AT&S.

Exercise period:

The stock options granted gradually vest as follows:

- 20% of the stock options granted can be exercised after expiration of two year after they were granted.
- 30% of the stock options granted can be exercised after expiration of three year after they were granted.
- 50% of the stock options granted can be exercised after expiration of four year after they were granted.

The stock options cannot be exercised within a blackout period.

Conditions for the exercise:

The options can only be exercised by the holders of the options who have a valid employment/service relationship with a company of the AT&S Group at the time of exercise. The options are not transferable and not pledgeable.

Number and breakdown of options granted	Ing. Willibald Dörflinger	Dr. Harald Sommerer	Dkfm. Steen E. Hansen	Ing. Heinz Moitzi	Executive employees	Total
	options	options	options	options	options	options
April 1, 2005	40,000	40,000	30,000	30,000	47,000	187,000
thereof expired	-40,000	0	0	0	-26,500	-66,500
thereof exercised	0	0	0	0	-2,000	-2,000
April 1, 2006	0	40,000	30,000	30,000	48,000	148,000
thereof expired	0	0	0	0	-20,000	-20,000
April 1, 2007	0	40,000	30,000	30,000	49,000	149,000
thereof expired	0	0	0	0	-20,000	-20,000
Total	0	120,000	90,000	90,000	75,500	375,500

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

Valuation of stock options at the balance sheet date:

At the balance sheet date March 31, 2008 the market price was below the exercise price of the stock options granted on April 1, 2005, April 1, 2006 and April 1, 2007. Thus, no provision was set up for stock option plan 2 for obligations from the stock option program.

Fair value of stock options granted:

Grant on:	4/1/2005	4/1/2006	4/1/2007
Fair value as of March 31, 2008	EUR 0.281	EUR 0.414	EUR 0.433

These stock options are valued at the respective balance sheet date using the Monte Carlo method.

4.6. Provisions

4.6.1. Other provisions

Breakdown:

	March 31, 2008	March 31, 2007
	EUR	EUR
Unconsumed vacation	4,231,193.75	4,267,700.05
Other personnel expenses	2,990,620.00	3,661,318.06
Vacation pay/Christmas remuneration	2,614,837.14	2,607,621.10
Uncertain liabilities	6,152,994.00	3,967,994.00
Anniversary bonuses	1,153,199.00	1,240,346.00
Stock options	0.00	1,159,480.00
Plant relocation Fohnsdorf	525,963.23	1,022,539.27
Impending losses derivative financial instruments	599,121.11	886,049.48
Compensatory time	859,365.19	826,005.49
Impending losses from pending transactions	106,193.27	620,217.50
Warranty and damage cases	647,908.90	435,849.61
APK pension fund	0.00	231,453.00
Legal and consulting fees	212,331.45	218,350.32
Insurance	0.00	171,000.00
Cash discount debtors	128,965.42	155,843.50
Services R&D	100,945.00	100,037.85
Other provisions < EUR 125,000	198,275.00	201,783.00
Total	20,521,912.46	21,773,588.23

The item “uncertain liabilities” includes a provision for research and development risks as well as other uncertain liabilities.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

4.7. Accounts payable

4.7.1. Payables to affiliated companies

	March 31, 2008 EUR	March 31, 2007 EUR
From financing		
DCC - Development Circuits & Components GmbH, Vienna	2,000,000.00	0.00
AT&S Asia Pacific Limited, Hong Kong, China	19,900,000.00	0.00
From trade		
AT&S (China) Company Limited, Shanghai, China	14,230,587.74	5,248,875.16
AT&S India Private Limited, Nanjangud, India	1,627,835.08	918,552.24
AT&S Klagenfurt Leiterplatten GmbH, Klagenfurt	2,002,372.64	1,646,187.21
AT&S Asia Pacific Limited, Hong Kong, China	9,430,788.00	925,324.65
C2C Technologie für Leiterplatten GmbH, Leoben	18,500.40	32,500.81
DCC - Development Circuits & Components GmbH, Vienna	51,782.49	845,693.22
AT&S Scandinavia AB, Saltsjöbaden, Stockholm, Sweden	0.00	4,167.64
AT&S ECAD Technologies Limited, Bangalore, India	21,636.00	2,340.00
AT&S Korea Co., Ltd. (formerly Tofic Co. Ltd.), Ansan City, South Korea	183,012.12	45,604.56
AT&S Japan K.K., Tokyo, Japan	0.00	167.86
Book value	49,466,514.47	9,669,413.35

4.7.2. Additional disclosures on accounts payable

Item:	Book value on March 31, 2008 EUR	Remaining time to maturity		
		of less than one year EUR	of more than one year and less than five years EUR	of more than five years EUR
Bank loans	159,873,552.97	121,234,158.97	38,639,394.00	0.00
Trade payables	11,263,733.54	11,263,733.54	0.00	0.00
Payables to affiliated companies	49,466,514.47	49,466,514.47	0.00	0.00
Other liabilities	6,547,657.39	6,322,457.39	225,200.00	0.00
Total	227,151,458.37	188,286,864.37	38,864,594.00	0.00

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

Item:	Book value on March 31, 2007 EUR	Remaining time to maturity		
		of less than one year EUR	of more than one year and less than five years EUR	of more than five years EUR
Bank loans	124,039,975.17	112,117,247.17	11,922,728.00	0.00
Trade payables	12,360,850.22	12,360,850.22	0.00	0.00
Payables to affiliated companies	9,669,413.35	9,669,413.35	0.00	0.00
Other liabilities	7,057,913.96	6,721,413.96	336,500.00	0.00
Total	153,128,152.70	140,868,924.70	12,259,228.00	0.00

4.7.3. Expenses affecting cash flow after the balance sheet date

The following material expenses are included under “other liabilities” that will affect cash flow only after the balance sheet date:

	March 31, 2008 EUR	March 31, 2007 EUR
Health insurance fund	1,605,818.79	1,620,422.36
APK-Pensionskasse Aktiengesellschaft (pension fund)	28,725.19	28,658.61
Commission claims	72,109.56	158,699.23
Insurances	182,387.24	27,914.66
Tax office	1,340,802.85	1,897,177.81
Wages and salaries	918,545.70	1,204,091.35
Municipalities	96,921.87	99,830.86
Total	4,245,311.20	5,036,794.88

4.8. Collateral securities

	Book value on March 31, 2008 EUR	thereof secured by collateral EUR
Bank loans	159,873,552.97	117,886,723.00
Prior year:	124,039,975.17	79,166,918.00

Export receivables and the transfer of claims and rights from the shareholder loans to AT&S (China) Company Limited, Shanghai, China, and AT&S Korea Co., Ltd. (formerly Tofic Co. Ltd.), Ansan City, South Korea, serve as collateral securities to banks. In the fiscal year re-purchase agreements were concluded, with current securities serving as collateral.

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

4.9. *Contingent liabilities*

	Balance 3/31/2008 EUR	of which to affili- ated companies EUR
From guarantees	6,945,687.67	6,945,687.67

4.7.1. AT&S India Private Limited

In the fiscal year 2002/03 a guarantee agreement was concluded between Deutsche Bank AG, Bangalore, India, and AT&S:

- Assumption of liability for a working capital credit in the amount of INR 180 million (EUR 2.9 million); the amount outstanding as of the balance sheet date is EUR 0.01 million (prior year: EUR 0.5 million).
- Assumption of liability for a forward contract in the amount of EUR 1.4 million; the amount outstanding as of the balance sheet date is EUR 0 (prior year: EUR 0.2 million).

4.7.2. AT&S Asia Pacific Limited

AT&S issued an indemnification letter to Bank Austria Creditanstalt AG, Vienna, for AT&S Asia Pacific Limited, Hong Kong, China, relating to financial futures, especially currency futures in the form of non-deliverable forwards.

4.7.3. C2C Technologie für Leiterplatten GmbH

A surety contract was concluded between Raiffeisenlandesbank Oberösterreich and AT&S, in which AT&S assumed the liability for an ERP loan in the amount of EUR 700,000. At the balance sheet date EUR 256,000 (prior year: EUR 384,000) of this loan is still outstanding.

4.7.4. AT&S (China) Company Limited

In the fiscal year 2006/07 a guarantee agreement was concluded between China Construction Bank, Shanghai, China and AT&S:

- Assumption of liability for a credit facility in the amount of EUR 25 million (prior year: EUR 25 million); the amount outstanding at the balance sheet date is EUR 6.7 million (prior year: EUR 1.9 million).

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

4.10. Obligations from the use of tangible assets not recorded in the balance sheet

	of the following fiscal year EUR	of the next five fiscal years EUR
Obligations from sale-and-lease-back transactions	2,478,480.00	12,392,400.00
Obligations from rental agreements	658,109.00	2,303,605.00
Obligations from leasing agreements	3,686,604.00	3,905,574.00
Total	6,823,193.00	18,601,579.00

4.11. Other financial obligations

At the balance sheet date orders in the amount of EUR 1.6 million (prior year: EUR 1.0 million) were outstanding for investments in replacements and business expansion.

4.12. Derivative financial instruments

AT&S enters into derivative financial instruments to hedge against potential interest and exchange rate fluctuations and to partially cover existing as well as expected, but not yet determined foreign currency payables or foreign currency receivables. The currency-related products open as of March 31, 2008 are due within the next 12 months. The fair value corresponds to the market value and amounts to EUR 5,698,357.99.

	Nominal value March 31, 2008	Market value in EUR March 31, 2008	Book value in EUR March 31, 2008
Currency-related products			
Currency forwards	USD 20,212,500.00	2,478,211.71	0.00
Swaps	USD 41,362,249.50	3,274,945.40	-242.98
Options	USD 7,500,000.00	544,079.01	0.00
Interest-related products			
Swaps	EUR 10,000,000.00	-598,878.13	-598,878.13
Total		5,698,357.99	-599,121.11

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

	Nominal value March 31, 2007	Market value in EUR March 31, 2007	Book value in EUR March 31, 2007
Currency-related products			
Currency forwards	USD 69,628,824.50	1,978,542.59	-8,404.86
Swaps	USD 480,000.00	63.00	0.00
Options	USD 18,000,000.00	456,534.50	-314.56
Interest-related products			
Swaps	EUR 10,000,000.00	-877,330.06	-877,330.06
Total		1,557,810.03	-886,049.48

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

5. BREAKDOWN OF INCOME STATEMENT ITEMS

	<u>2007/08</u> EUR	<u>2006/07</u> EUR
1. Net sales		
Foreign	348,044,883.54	361,689,796.69
Domestic	26,663,969.51	29,790,956.38
	<u>374,708,853.05</u>	<u>391,480,753.07</u>

2. Personnel expenses

a) Expenses for severance payments and contributions to staff provision funds

Management board and executive employees	109,743.31	91,050.13
Other staff	1,657,046.49	1,452,930.71
	<u>1,766,789.80</u>	<u>1,543,980.84</u>

Expenses for severance payments and contributions to staff provision funds include expenses for severance payments in the amount of EUR 1,524,722.48.

b) Expenses for pensions

Management board and executive employees	181,743.13	840,500.66
Other staff	-6,107.25	477,543.66
	<u>175,635.88</u>	<u>1,318,044.32</u>

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

6. SUPPLEMENTARY DISCLOSURES PURSUANT TO UGB

6.1. Capitalizable deferred taxes

The option to capitalize deferred profit taxes on temporary differences between the net income according to commercial law and the net income according to tax law was not used. The capitalizable amount pursuant to Section 198 (10) UGB is EUR 2,236,878 (prior year: EUR 1,497,225).

6.2. Taxes on income

Pursuant to the 2005 Tax Reform Act, Federal Law Gazette (BGBl.) I 2004/57, the corporate income tax rate has been 25% since January 1, 2005.

Pursuant to Section 9 (8) KStG (Austrian Corporate Income Tax Act) 1988 AT&S as group parent formed a group of companies with the following subsidiaries (group members):

- AT&S Klagenfurt Leiterplatten GmbH
- DCC - Development Circuits & Components GmbH
- AT&S Deutschland GmbH (until FY 2006/07)
- AT&S Korea Co., Ltd. (formerly Tofic Co. Ltd.), Ansan City, South Korea (as of FY 2007/08)

This results in a reduction of income taxes in the amount of EUR 2,998,898.75. AT&S as group parent charged corporate income tax in the amount of EUR 86,651 to the Austrian group members.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

6.3. Board members and staff

The average number of staff employed in the fiscal year was:

	<u>2007/08</u>	<u>2006/07</u>
Waged workers	1,278	1,392
Salaried employees	543	536
Total	<u>1,821</u>	<u>1,928</u>

Members of the management board and the supervisory board:

In the fiscal year the following persons served on the **management board**:

- Dr. Harald SOMMERER (chairman)
- Dkfm. Steen Ejlskov HANSEN
- Ing. Heinz MOITZI

The following persons were appointed as **members of the supervisory board** in the fiscal year:

- 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

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NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

Total emoluments paid to members of the management board:

	2007/08			2006/07		
	fixed	variable*)	total	fixed	variable*)	total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Ing. Willibald Dörflinger	0	0	0	0	-5	-5
Dr. Harald Sommerer	456	463	919	456	374	830
Dkfm. Steen E. Hansen	366	232	598	366	223	589
Ing. Heinz Moitzi	266	156	422	266	142	408
Total	1,088	851	1,939	1,088	734	1,822

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

	2007/08	2006/07
	TEUR	TEUR
Dr. Harald Sommerer	184	134
Dkfm. Steen Ejlskov Hansen	13	20
	<u>197</u>	<u>154</u>

Total number of stock options granted as of the balance sheet date after deduction of expired stock options of members of the management board:

	March 31,	
	2008	2007
Dr. Harald Sommerer	140,000	132,000
Dkfm. Steen Ejlskov Hansen	105,000	84,000
Ing. Heinz Moitzi	90,000	60,000
Total	<u>335,000</u>	<u>276,000</u>

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2008

As of March 31, 2008 the exercise price of the stock options granted to the management board as of April 1, 2004 in the amount of EUR 16.81 (35,000 options), as of April 1, 2005 in the amount of EUR 15.46 (100,000 options), as of April 1, 2006 in the amount of EUR 17.99 (100,000 options) and as of April 1, 2007 in the amount of EUR 22.57 (100,000 options) is above the market price at the balance sheet date (EUR 10.29).

Emoluments paid to **members of the supervisory board** amounted to EUR 105,410 (prior year: EUR 99,204).

Shareholdings of the management board and supervisory board members as of March 31, 2008:

	Shares		
	Balance 3/31/2008	Balance 3/31/2007	Change
Management board			
Dr. Harald Sommerer	41,500	40,000	1,500
Sommerer Privatstiftung	120,600	100,600	20,000
Ing. Heinz Moitzi	1,672	1,672	0
Dependents of board members	7,500	7,500	0
Supervisory board			
Dkfm. Dr. Hannes Androsch	445,853	445,853	0
Androsch Privatstiftung	5,570,666	5,570,666	0
Dörflinger Privatstiftung	4,574,688	4,574,688	0
Dr. Georg Riedl	9,290	9,290	0
Johann Fuchs	4	4	0
Gerhard Fürstler	1	1	0

Leoben-Hinterberg, May 13, 2008

The Management Board:

Dr. Harald SOMMERER m.p.

Dkfm. Steen Ejlskov HANSEN m.p.

Ing. Heinz MOITZI m.p.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

**MANAGEMENT REPORT TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR 2007/08**

General / company profile

AT&S is one of the largest manufacturers of printed circuit boards worldwide and is considered market leader in Europe. The product portfolio of AT&S, in addition to simple printed circuit boards, mainly includes highly complex electronic connecting elements, which as a result of the growing need for miniaturization on part of the customers account for a great portion of the portfolio of AT&S. The focus here is on the HDI/Microvia technology, which is mainly used in mobile end devices, such as mobile phones or PDAs. Increased demand for these complex products also comes from the industrial and medical segments.

With a global presence in Asia and Europe, AT&S supplies internationally operating corporations such as Nokia, Siemens, Sony-Ericsson, Motorola, Research In Motion, 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 printed circuit boards by flexibility, command of latest technologies and supply reliability is reflected by various awards, such as currently the Supplier Award from Sony.

In addition to the development and manufacture of printed circuit boards, AT&S as comprehensive solution provider also renders a number of additional services, such as design and population of printed circuit boards. The range of services is rounded off by the development of prototypes, the express service and trading (trade in printed circuit boards), which represent an optimal complement to the core business of AT&S.

Business development and position

In the past fiscal year 2007/08 AT&S was able to generate net sales totaling EUR 374.7 million, which corresponds to a decline of 4.3% over the prior year. The operating result declined by EUR 10.1 million over the prior year to EUR -7.4 million.

At the balance sheet date March 31, 2008 the equity base of AT&S amounted to EUR 164.7 million, as compared to EUR 198.1 million at March 31, 2007. At the end of the past fiscal year the equity ratio was 39% and thus 12.5 percentage points below the respective prior year figure of 51.5%.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

**MANAGEMENT REPORT TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR 2007/08**

In the fiscal year 2007/08 the net debt of AT&S increased EUR 35.6 million over the prior year figure of EUR 120.7 million to EUR 156.3 million. The increase in net debt mainly results from additionally borrowed funds to finance the capital increases at subsidiaries of AT&S AG.

With regard to investing activities of AT&S, a total of EUR 8.0 million was spent on fixed intangible and tangible assets.

In the past fiscal year the average number of staff employed by AT&S was 1,821 and thus 107 staff less than in the prior year (2006/07: 1,928).

At AT&S professional human resources development and sustained support for employees are critical factors to remain successful on the market. This is why AT&S provides customized internal and external training measures for its staff. In addition, a transparent and performance-oriented compensation package (economic value added) encourages the entrepreneurial thinking and acting of the employees.

Sustained economic activities and the economical use of the available resources are of the highest priority for AT&S. That is why in the past fiscal year 2007/08 environmental measures were further improved at all sites and efforts were made to optimize the use of energy and resources. A logic consequence of this was that all sites passed the review audit in accordance with ISO 14001 in February / March 2008 without deviations.

Financial risks

Risk management is carried out by the central treasury under policies approved by the management board. Responsibilities, authorizations and limits are governed by internal guidelines. Treasury identifies, evaluates and hedges financial risks in close cooperation with the operative units of AT&S. 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.

Derivative financial instruments, such as currency forwards, options and swaps are used exclusively for hedging purposes.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT
LEOBEN-HINTERBERG**

**MANAGEMENT REPORT TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR 2007/08**

Liquidity risks

AT&S has liquidity reserves amounting to EUR 50.7 million, EUR 2.4 million of which accounts for cash and cash equivalents as well as trading and available-for-sale securities and EUR 48.3 million for available unused credit facilities.

	2007/08	2006/07	Changes	
	TEUR	TEUR	absolute	in %
Net cash flow from operating activities	7,944	-6,420	14,364	223.74
Net cash flow from investing activities	-58,850	-59,123	273	0.46
Net cash flow from financing activities	50,749	35,975	14,774	41.07

Market risks

Interest rate risks

On the assets side of the balance sheet, minor interest rate risks exist with regard to securities. Most of the other liquid resources are invested short-term and all securities are available for sale.

On the liabilities side, 68% of the borrowings are subject to fixed interest rates, and most of the remaining variable interest rate loans (32%) have maturities of less than one year.

Currency risks

All currency-related risks are constantly monitored to guard against currency risks. Within AT&S transaction risks are initially managed by closing positions (netting), in some cases derivative financial instruments are used to hedge open positions.

Evaluation of market risks by VAR

AT&S 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 potential 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 potential loss resulting from a 1% change in price (currency rate or interest rate) in relation to the foreign currency or interest net position is determined. Correlations between different risk elements are not accounted for in this analysis.

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Credit risk

In connection with its strong growth in the past few years, AT&S 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 meet market requirements and increasingly on customers in the CEM and ODM (original design manufacturer) sectors.

Corporate structures

As of March 31, 2008, the subscribed share capital of AT&S 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 AG are as follows at the balance sheet date:

	<u>Shares</u>	<u>% capital</u>	<u>% voting rights</u>
Dörflinger-Privatstiftung: Franz-Josefs-Kai 5 A-1010 Vienna	4,574,688	17.66%	19.61%
Dkfm. Dr. Hannes Androsch: Neustift am Walde 44 A-1190 Vienna	445,853	1.72%	1.91%
Androsch Privatstiftung: Franz-Josefs-Kai 5 A-1010 Vienna	5,570,666	21.51%	23.89%

Thus, 25.8% of the voting rights are under the influence of Dkfm. Dr. H. Androsch.

At the balance sheet date 2,577,412 treasury shares are held under the share repurchase program. The share repurchase program adopted on July 3, 2007 to repurchase up to 10% of the share capital of AT&S AG on the market will expire on January 2, 2009.

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.

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Until July 4, 2010 the management board is authorized, with the approval of the supervisory board, to increase the share capital by up to EUR 12,430,000 by issuing 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 is authorized to issue convertible bonds of up to EUR 100,000,000 until July 4, 2010, 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 authorized to increase the share capital by up to EUR 12,430,000 by issuing up to 11,300,000 new bearer shares.

Subsidiaries and representative offices

- In order to meet the growing capacity demands, additional capacities were created at the wholly owned subsidiary AT&S (China) Company Limited. In addition to the commissioning of a fourth production line in plant II, the ramp-up of the third plant was already started.
- In order to document the integration of the Korean affiliate by name, Tofic Co. Ltd. was renamed to AT&S Korea Co. Ltd. The equity of the company was also increased by KRW 24 billion (approx. EUR 15 million) by the issue of new shares in March 2008, which were fully subscribed for by AT&S. Thus, the investment in AT&S Korea could be raised to 97.27%.
- In the fiscal year 2007/08 the share capital of the wholly owned subsidiary AT&S Asia Pacific Limited was increased by HKD 350 million (approx. EUR 32 million). The liquid funds generated by the capital increase enabled AT&S Asia Pacific to meet the financing need caused by the capacity expansion of the Asian group companies.
- As of March 15, 2008 a new subsidiary was incorporated in San Jose, CA, USA. The main task of AT&S Americas LCC is to adequately service existing customers (such as Apple and Motorola) locally. With this presence AT&S underscores its willingness to offer an as high as possible service level for US customers.

Research and development

Within AT&S, research and development (R&D) is the driving force in the identification of new technological connection solutions. On the one hand, this includes the optimization of current processes and materials up to their implementation in production and, on the other hand, innovative technologies to revolutionize the manufacture of printed circuit boards are also identified and developed internally.

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The developments are advanced across the four competence centers of AT&S – processes, materials, new technologies and laboratory. In doing so, the existing international research and development networks which the four centers can draw on are of great advantage.

In order to maintain its position among the global technology leaders also in the future, AT&S is cooperating with numerous international research institutions. Among other things, AT&S, supports the research of the new Christian Doppler laboratory at the Vienna University of Technology aimed at developing the printed circuit board of the future.

In the fiscal year 2007/08 research activities focused on the integration of components and the development of rigid-flex solutions.

Material events after the close of the fiscal year

On May 7, 2008, the management board – subject to the approval by the supervisory board – decided to apply for the listing of the Company's shares on the Vienna Stock Exchange and for the delisting from the Frankfurt Stock Exchange. In this context, the Company seeks a listing on the Vienna Stock Exchange in the Prime Market segment.

On May 13, 2008 the management board decided to issue a bond with a volume of EUR 80 million and a maturity of five years by public offering.

Outlook

For the fiscal year starting April 2008 management expects a stable development with sales remaining unchanged.

Leoben-Hinterberg, May 13, 2008

The Management Board

Dr. Harald Sommerer m.p.

Dkfm Steen Ejlskov Hansen m.p.

Ing. Heinz Moitzi m.p.

We draw attention to the fact that the English translation of these financial statements is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's report

We have audited the accompanying financial statements including the accounting system of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, for the fiscal year from April 1, 2007 to March 31, 2008. The Company's management is responsible for the accounting, the preparation and content of these financial statements and of the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report corresponds with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and whether we can state that the management report corresponds with the financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and present fairly, in all material respects, the financial position of the Company as of March 31, 2008 and the results of its operations for the fiscal year from April 1, 2007 to March 31, 2008 in accordance with Austrian Generally Accepted Accounting Principles. The management report corresponds with the financial statements.

Vienna, May 13, 2008

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Mag. Dr. Aslan Milla
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

**AT&S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK
AKTIENGESELLSCHAFT**

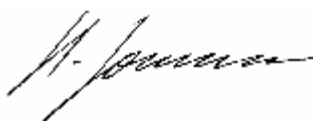
STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

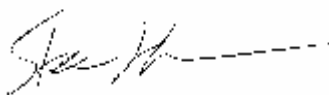
We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Leoben-Hinterberg, May 13, 2008

The Management Board



Harald Sommerer
Chairman of the Board



Steen Hansen
Member of the Board



Ing. Heinz Moitzi
Member of the Board