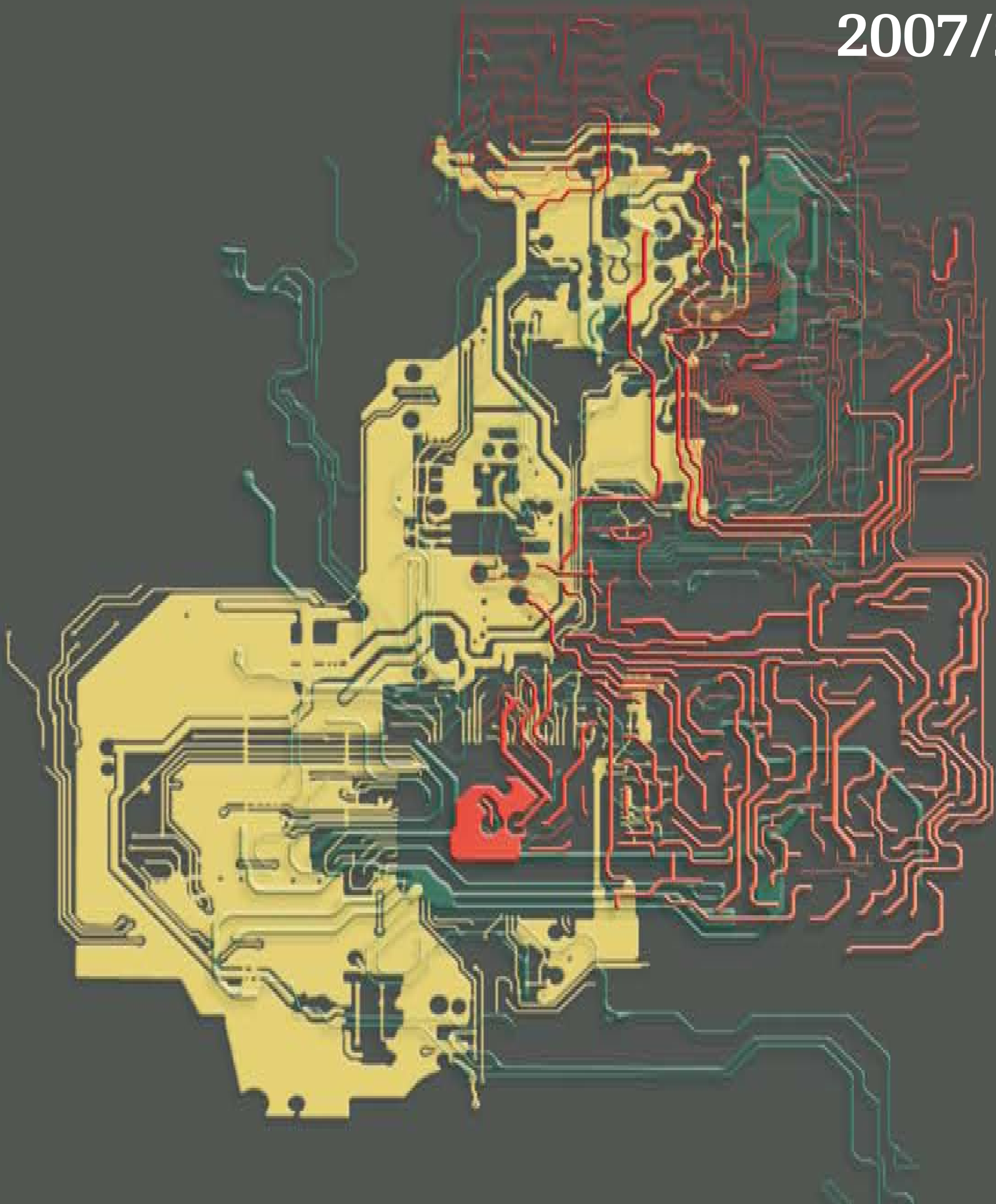
AT&S

Half Year Financial Report
2007/2008



SYNAPS *by Javier Pérez Gil*

Key Figures

(in € million, earnings per share in €)	First half 2007/08	First half 2006/07
Total revenues	241.7	232.5
Gross profit	43.8	39.8
Gross profit margin	18.1%	17.1%
EBIT (operating profit)	22.2	18.8
EBIT margin	9.2%	8.1%
EBITDA	38.6	38.3
EBITDA margin	16.0%	16.5%
Net income for the period	21.6	18.3
Earnings per share*)	0.94	0.73
Total assets/equity & liabilities	506.9	472.2
CAPEX, net	59.8	49.8
Equity ratio	44.1%	50.3%
Net debt	150.6	103.2
Net gearing	67.4%	43.4%
ROE **)	19.8%	15.2%
Payroll (incl. leased personnel)	6,250	5,393

*) Calculated on the basis of the weighted average number of shares outstanding as of September 30, 2007 (23,426,015 shares) and September 30, 2006, (25,447,618 shares) in accordance with IFRS.
**) Calculated on the basis of the average shareholders' equity for the period, annualized.

Highlights

- AT&S increases operating profit and earnings per share by 18% and 29% respectively in first half of 2007/08.
- Weak US dollar depressed revenues, impact on earnings marginal thanks to strategic alignment and hedging activities.
- AT&S sets milestone in Shanghai – second site in full swing, ramp-up of third facility already underway.
- AT&S Telecoms supplies four of top five mobile telephone manufacturers.
- AT&S accepts Sony supplier award.
- Automobile electronics are on the rise – a trend that AT&S is clearly profiting from, as technology leader.
- AT&S excellently positioned in the European industrial sector.
- Optical data transfer for the mobile phones of tomorrow – AT&S is delighted with award for Fraunhofer Institute for Silicate Research (ISC) for an AT&S initiated project to integrate optical wave guides into PCBs.
- AT&S annual report receives red dot award.

Statement of the Board of Management

Dear shareholders,

The printed circuit board market continued to grow very vigorously in the first half of 2007/08, as reflected in the heavy demand registered by all three AT&S businesses – Telecoms, Automotive and Industrial. Overall, growth of 4% is forecast for the PCB market in 2007. As one of the leading companies in the PCB industry, AT&S is well placed to take advantage of these developments. Capacity utilization was excellent at all facilities.

AT&S creates additional capacity in Shanghai

Increases in capacity in China, where now the third plant is being ramped up, are progressing rapidly and as planned, guaranteeing that AT&S is well prepared to cater for the rapid growth of the mobile telephone market. Forecasts for 2007 are for global handset sales of about 1.1 billion units, a 10% jump compared with the previous year.

We are very proud of our sales performance – our customer portfolio includes four of the five top mobile phone manufacturers, making it the broadest based in the industry. We have also been successful in strengthening our position in the highly demanding Japanese market again. AT&S's outstanding achievements in China were recognized with a Supplier Award from Sony.

High demand for HDI circuit boards from automobile industry

AT&S's Automotive business is feeling the benefits of the automotive industry's increasing reliance on electronics. Standard printed circuit boards can no longer meet the increasingly complex technological requirements, and AT&S is a leading supplier of technologically advanced, HDI (high density interconnection) circuit boards. AT&S, until now a niche supplier to this segment, is in a strong position to establish itself as supplier to the mass markets of the future.

Outstanding position in the European industrial market

By aligning its Austrian sites to European industrial and medical niche markets, AT&S has quickly established a solid reputation in the European quick turn around business. These additional services round out AT&S's portfolio and underpin its positioning as a full-range solutions provider. The current high capacity utilization at all sites demonstrates the correctness of this strategy.

Revenue gains for new DCC/Trading and Design business forecast for second half of the year

Only the new, project-oriented Service business, which focuses on design and assembly services and PCB trading activities, fell short of the previous year's performance in the first half of financial 2007/08. This was due to cancellation of two major orders. AT&S is expecting a significant upswing in this business over the rest of the financial year.

Weak US dollar depresses revenues but has little effect on earnings

Revenue gains in all three core businesses – Telecoms, Industrial and Automotive – were an impressive confirmation of AT&S's continuing appetite for growth, and the Group's performance in these areas more than made up for the dip in Services' sales. The only damper on revenue growth was caused by the weakness of the US dollar, with a startling 7% drop against the euro since the start of the financial year. As a manufacturer in the largely dollar oriented printed circuit board industry, AT&S naturally felt the effects of this decline. Prices for a significant part of the telecoms business are US dollar dependent, as our competitors are almost exclusively from countries whose currencies are linked to the dollar. That said, AT&S has now established a significant proportion of production for the telecoms market in the extended US dollar area. Since the remaining currency positions were hedged, the impact of the US dollar exchange losses was largely confined to revenues and had a much smaller effect on earnings.

Operating profit up 18%, earnings per share of EUR 0.94 a new record

In the first half of 2007/08 AT&S's revenues advanced to EUR 241.7m, up 4% compared with the same period a year earlier. This was attributable to a strong performance even in the face of a weak US dollar and an underperforming services business. Second quarter revenues of EUR 127.0m were more or less at the same level as in the same period a year earlier.

Revenue by market segment was as follows: 67% was contributed by Telecoms, the bulk coming from handheld products, 21% by Industrial/Medical, and 10% by Automotive. The new DCC/Trading and Design businesses accounted for 2%.

The gross profit for the first half year was EUR 43.8m, 10% higher than in the comparable period last year, while for the second quarter it was up by 5%, to EUR 25m. The gross margin for the first half reached 18.1%, and 19.7% in the second quarter.

AT&S recorded a sharp increase in first half EBIT: at EUR 22.2m, it was up 18% on the same period a year earlier. For the second quarter, AT&S's EBIT was EUR 14.4m, an improvement of 11% over the comparable period last year. The EBIT margin was 9.2% for the first half, and 11.4% for the second quarter.

Pretax earnings in the first six months of the financial year were EUR 23.1m (up 27%), and EUR 14.1m in the second quarter (up 15%).
Net income advanced to EUR 21.6m, up 18% compared with the same period last year. In the second quarter net income was EUR 12.4m, a year on year increase of 7%.
First half earnings per share (EPS) were EUR 0.94, an increase of 29%. Second quarter EPS were EUR 0.54 (up 15%).

With net debt of EUR 150.6m at September 30, 2007 (EUR 103.2m a year earlier) the gearing ratio was 67.4%. The increase in the gearing ratio chiefly relates to expansion of capacity in Shanghai, the payment of dividends and share repurchases.

With the expansion of facilities in China, the headcount has increased apace: As at September 30, 2007, AT&S employed 6,250 people – with Asia and Europe accounting for about 65% and 35% of the total respectively.

Outlook

The ramp-up of the fourth production line at Shanghai 2 will be completed by the end of November. The start of 2008 will see production begin at the first line in Shanghai 3. This additional capacity will further strengthen our competitive position internationally.

The weak performance of the services business in the first half of 2007/08 is expected to pick up over the rest of the financial year, with a significantly improved contribution to revenues and earnings.

In the coming months AT&S expects to continue to be exposed to considerable uncertainties as a result of currency fluctuations. Management sees increasing uncertainty attaching to revenue trends expressed in euro, and has therefore decided to suspend revenue guidance until further notice.

Based on its positive performance over the first half of the year and the success of its hedging activities, AT&S continues to be optimistic about the outlook for the Group's net income and EPS, and reaffirms guidance for the latter of EUR 1.60–1.70.

Research & development at the cutting edge

AT&S's research and development activities, with their constant supply of new and innovative solutions, create the right framework for its policy of sustained growth. For several years now, AT&S has been working on a concept for integrating optical connections into printed circuit boards. This would make mobile telephones and PDAs faster, and the associated miniaturization would make them smaller and less cumbersome. In this research project AT&S is working closely with renowned research institutes including Joanneum Research, Institutes at the Graz University of Technology and Vienna University of Technology and the Fraunhofer Society.

The process developed by AT&S adopts an innovative approach that can also be used in mass production. It involves writing the optical wave guides directly onto the preassembled components using a special laser structuring process. Ruth Houbertz-Krauss of the Fraunhofer Institute for Silicate Research (ISC) in Würzburg, Germany has developed a special optical material that can be used in this laser structuring process. We are especially delighted that her work on the project has been recognized with the coveted Fraunhofer award.

This new internationally unique manufacturing process gives AT&S a significant development lead and further extends its materials, technology and production leadership.

This forward-looking mindset, coupled with our robust and sustainable growth strategy, gives us every confidence that we will continue to drive forward our expansion in the coming years even in the face of the disadvantages associated with the current weakness of the US dollar.

With best regards

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

Directors’ Holdings and Dealings

	STOCKS				OPTIONS			
	Holdings June 30, 2007	Change	Holdings Sept. 30, 2007	% Capital	Holdings June 30, 2007	Change	Holdings Sept. 30, 2007	Average strike price
Harald Sommerer [1)]	41,500		41,500	0.16%	172,000	(40,000)	132,000	€ 18.59
H.S. Private Foundation	100,600	20,000	120,600	0.47%				
Total – Sommerer	142,100		162,100	0.63%				
Steen Hansen [2)]	0		0	0.00%	114,000	(9,000)	10,500	€ 18.41
Heinz Moitzi	1,672		1,672	0.01%	90,000		90,000	€ 18.67
Hannes Androsch	445,853		445,853	1.72%				
Androsch Private Foundation	5,570,666		5,570,666	21.51%				
Total – Androsch	6,016,519		6,016,519	23.23%				
Willibald Dörflinger	0		0	0.00%				
Dörflinger Private Foundation	4,574,688		4,574,688	17.66%				
Total – Dörflinger	4,574,688		4,574,688	17.66%				
Erich Schwarzbichler	0		0	0.00%				
Georg Riedl	9,290		9,290	0.04%				
Albert Hochleitner	0		0	0.00%				
Karl Fink	0		0	0.00%				
Markus Schumy	0		0	0.00%				
Johann Fuchs	4		4	0.00%				
Gerhard Fürstler	1		1	0.00%				
Maximilian Sommerer	2,500		2,500	0.01%				
Niklas Sommerer	2,500		2,500	0.01%				
Clemens Sommerer	2,500		2,500	0.01%				
Total directors holdings/dealings	10,751,774	20,000	10,771,774	41.59%	376,000	(49,000)	327,000	
Treasury stock [3) 4)]	2,519,991	12,661	2,523,652	9.78%				
Other shares in issue	12,628,235		12,595,574	48.63%				
Total	25,900,000		25,900,000	100.00%	376,000	(49,000)	327,000	

1) Options (pursuant to Stock Option Plan): exercise of 40,000 stock options between July and September 2007.
2) Options (pursuant to Stock Option Plan): exercise of 9,000 stock options between July and September 2007.
3) The nominal value of treasury stock at September 30, 2007 was EUR 2,785,917.
4) Repurchased shares are used for the employee participation scheme or stock option plans and for possible acquisitions.

Investor Relations

The personal touch builds trust

In the first half of 2007/08 AT&S once again showed its commitment to building on personal relations with investors and analysts. AT&S played host to about 80 interested shareholders at the 13th Annual General Meeting held at Congress Leoben on July 3, 2007. All resolutions were passed with over 99% of the votes, further details are contained in the report for the first quarter of 2007/08.

The roadshows in the quarter just ended focused on the German-speaking world, with Management visiting investors in Cologne, Düsseldorf and Geneva. AT&S also met with interested investors and analysts at the Erste Bank investors conference in October in Bad Stegersbach.

AT&S annual report wins red dot design award

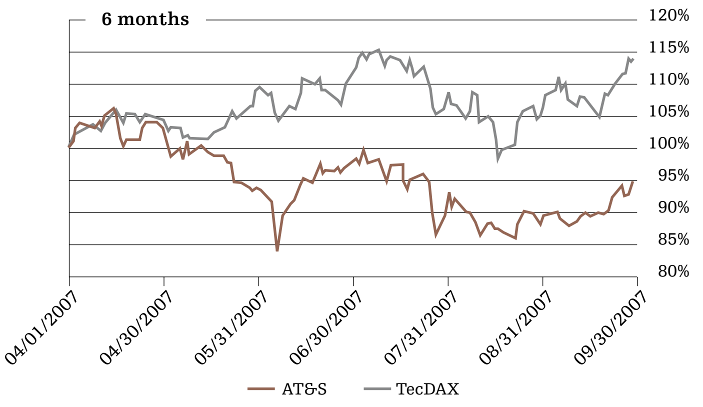
It is also particularly worth mentioning that the 2006/07 AT&S annual report scooped the coveted red dot design award.

Share price

The performance of AT&S stock in the first half of 2007/08 fell slightly short of expectations. Uncertainties triggered by the US property crisis meant that shares were sold as the market slipped, and then prices failed to recover fully in the upswing. Following a downwards trend between mid May and mid June, AT&S stock moved sideways against the TecDAX. At the end of the second quarter the AT&S share closed at EUR 18.23, roughly 5% short of the price at the start of April.

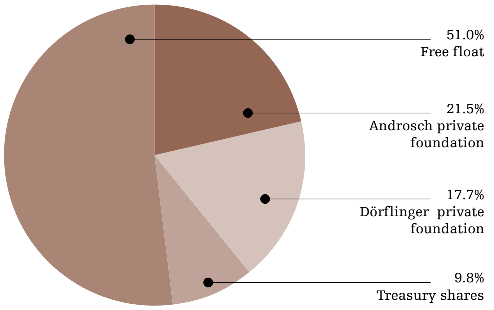
Liquidity too was disappointing, with average volumes of 59,214 shares, or EUR 1,073,074, changing hands daily. AT&S ranked 29th in the TecDAX in terms of liquidity, but from the point of view of market capitalization the Group has improved its standing since the end of the first quarter by moving into 34th place.

AT&S against the TecDAX



At the end of the second quarter, five analysts continued to rate AT&S stock "buy", one rated it "overweight", and the verdict of a further four research reports was "hold".

Shareholdings



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

Key stock figures

	September 30, 2007	September 30, 2006
Earnings per share	€ 0.94	€ 0.73
High/low (6 months)	€ 20.44/16.00	€ 20.99/13.73
Close	€ 18.23	€ 20.00
Average daily volume (shares traded)	59,124	63,306
Average daily volume (EUR)	1,073,074	1,088,589

AT&S share

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

Financial calendar

Q3 2007/08	January 24, 2007
Annual results 2007/08	May 14, 2008
14th Annual General Meeting	July 3, 2007

Investor Relations

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Interim Financial Report (IFRS)

Consolidated Income Statement

(in € 1,000)	July 1, - September 30, 2007	2006	April 1, - September 30, 2007	2006
Net sales	126,914	127,401	241,509	231,978
Other revenues	102	263	189	488
Total revenues	127,016	127,664	241,698	232,466
Cost of sales	(102,015)	(103,761)	(197,886)	(192,708)
Gross profit	25,001	23,903	43,812	39,758
Selling costs	(5,373)	(5,762)	(10,820)	(11,440)
General and administrative costs	(5,223)	(5,280)	(10,651)	(9,886)
Other gains, net	22	102	(147)	372
Operating profit	14,427	12,963	22,194	18,804
Financial income	3,527	987	4,859	2,838
Financial expense	(3,878)	(1,696)	(3,923)	(3,452)
Financial result	(351)	(709)	936	(614)
Profit before income tax	14,076	12,254	23,130	18,190
Income tax expense	(1,669)	(635)	(1,508)	131
Profit for the period	**12,407**	**11,619**	**21,622**	**18,321**
Thereof minority interest	(238)	(62)	(399)	(148)
Thereof equity holders of the Company	12,645	11,681	22,021	18,469
Earnings per share for profit attributable to equity holders of the Company:				
Basic earnings per share (in €)	0.54	0.47	0.94	0.73
Diluted earnings per share (in €)	0.54	0.46	0.94	0.72
Weighted average number of shares outstanding – basic (in thousands)	23,355	25,155	23,426	25,448
Weighted average number of shares outstanding – diluted (in thousands)	23,377	25,227	23,449	25,519

Consolidated Balance Sheet

(in € 1,000)	September 30, 2007	March 31, 2007
ASSETS		
Non-current assets		
Property, plant and equipment	281,615	240,268
Intangible assets	11,016	11,566
Long-term investments	119	119
Other non-current assets	3,112	3,129
Deferred tax assets	8,362	7,089
	304,224	262,171
Current assets		
Inventories	54,736	49,815
Assets held for sale	3,864	3,864
Trade receivables	87,280	75,723
Other current assets	21,395	22,236
Securities available for sale at fair value	62	61
Financial assets at fair value through profit or loss	13,594	13,477
Restricted cash	104	194
Cash and cash equivalents	21,610	24,403
	202,645	189,773
Total assets	**506,869**	**451,944**
EQUITY		
Share capital	46,603	49,529
Fair value and other reserves	(23,109)	(14,924)
Retained earnings	201,331	186,559
Unallocated losses attributable to minority interest	(1,288)	(942)
Capital and reserves attributable to equity holders of the Company	223,537	220,222
Minority interest	544	545
Total equity	224,081	220,767
LIABILITIES		
Non-current liabilities		
Long-term borrowings	56,299	16,195
Retirement, termination benefit and other benefit obligations	10,991	10,890
Provisions	-	200
Other long-term liabilities	3,485	3,475
Deferred tax liabilities	6,947	6,872
	77,722	37,632
Current liabilities		
Short-term borrowings	118,777	121,760
Trade payables	55,991	38,194
Tax payables	2,031	1,109
Provisions	2,785	2,661
Other short-term liabilities	25,482	29,821
	205,066	193,545
Total liabilities	282,788	231,177
Total equity and liabilities	**506,869**	**451,944**

Consolidated Cash Flow Statement

(in € 1,000)	April 1, - September 30, 2007	2006
Cash flows from operating activities		
Profit for the period	21,622	18,321
Adjustments to reconcile profit for the period to net cash generated from operating activities:		
Depreciation, amortisation and impairment less reversal of impairment	16,368	19,488
Other, net	(572)	(5,697)
Proceeds from the disposal of financial assets at fair value through profit or loss	-	6,420
Changes in working capital	(4,442)	(16,195)
Other long-term liabilities	222	239
Cash generated from operations	33,198	22,576
Interest paid	(3,535)	(2,440)
Income tax paid	(2,209)	(1,498)
Net cash generated from operating activities	**27,454**	**18,638**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(60,011)	(50,161)
Proceeds from sale of property, plant and equipmenmt	194	339
Proceeds from hedging transactions	2,564	976
Purchase of securities available for sale	-	(216)
Proceeds from sale of securities available for sale	-	21,300
Acquisition of subsidiaries, net of cash acquired	-	(1,215)
Change in loans granted	-	3,175
Net cash used in investing activities	**(57,253)**	**(25,802)**
Cash flows from financing activities		
Proceeds from borrowings	71,756	40,663
Repayments of borrowings	(34,542)	(21,128)
Others	1,123	526
Proceeds from the exercise of stock options	483	808
Payments for the acquisition of treasury shares	(3,891)	(17,363)
Dividens paid	(7,249)	(7,372)
Net cash generated from/(used in) financing activities	**27,680**	**(3,866)**
Effects of exchange rate changes on cash	(764)	(651)
Decrease in cash, cash equivalents and restricted cash	**(2,883)**	**(11,681)**
Movement in cash, cash equivalents and restricted cash		
At beginning of period	24,597	28,343
Decrease	(2,883)	(11,681)
At end of period	**21,714**	**16,662**

Consolidated Statement of Changes in Equity

(in € 1,000)	Share capital	Fair value and other reserves	Retained earnings	Unallocated losses attributable to minority interest	**Capital and reserves attributable to equity holders of the Company**	Minority interest	**Total equity**
March 31, 2006	**91,272**	**(3,341)**	**163,197**	**(1,354)**	**249,774**	**538**	**250,312**
Profit for the period			18,469		**18,469**	(148)	**18,321**
Reclassification of losses attributable to minority interest				(218)	**(218)**	218	**-**
Takeover of minority interests			7		**7**	(99)	**(92)**
Securities available for sale, net of tax:							
- Change in unrealized gains		(35)			**(35)**	-	**(35)**
- Reclassification adjustment for gains that are part of profit for the period		(1,052)			**(1,052)**	-	**(1,052)**
- Tax on fair value		162			**162**	-	**162**
Change of foreign currency translation adjustment		(5,478)			**(5,478)**	(32)	**(5,510)**
Stock option plan:							
- Value of employee services	380				**380**	-	**380**
- Exercised stock options	432				**432**	-	**432**
Change in treasury stock	(17,363)				**(17,363)**	-	**(17,363)**
Dividend relating to 2005/06			(7,372)		**(7,372)**	-	**(7,372)**
September 30, 2006	**74,721**	**(9,744)**	**174,301**	**(1,572)**	**237,706**	**477**	**238,183**
March 31, 2007	**49,529**	**(14,924)**	**186,559**	**(942)**	**220,222**	**545**	**220,767**
Profit for the period			22,021		**22,021**	(399)	**21,622**
Reclassification of losses attributable to minority interest				(346)	**(346)**	346	**-**
Change of foreign currency translation adjustment		(8,185)			**(8,185)**	52	**(8,133)**
Stock option plan:							
- Value of employee services	36				**36**	-	**36**
- Change in stock options	(182)				**(182)**	-	**(182)**
Change in treasury stock	(2,780)				**(2,780)**	-	**(2,780)**
Dividend relating to 2006/07			(7,249)		**(7,249)**	-	**(7,249)**
September 30, 2007	**46,603**	**(23,109)**	**201,331**	**(1,288)**	**223,537**	**544**	**224,081**

Segment Report

a. Geographical segment

1st Half of financial year 2007/08:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	187,889	53,809	-	241,698
Intercompany sales	-	74,638	(74,638)	-
Total revenues	187,889	128,447	(74,638)	241,698
Segment result/Operating profit	7,752	28,115	(13,673)	22,194
Financial result				936
Profit before income tax				23,130
Income tax expense				(1,508)
Profit for the period				**21,622**
Total assets	166,348	325,385	15,136	506,869
Liabilities	58,699	51,011	397,159	506,869
Capital expenditures	3,818	60,457	199	64,474
Depreciation/amortisation of tangible and intangible non-current assets	5,042	10,587	739	16,368

1st Half of financial year 2006/07:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	197,731	34,735	-	232,466
Intercompany sales	-	56,178	(56,178)	-
Total revenues	197,731	90,913	(56,178)	232,466
Segment result/Operating profit	16,104	17,135	(14,435)	18,804
Financial result				(614)
Profit before income tax				18,190
Income tax expense				131
Profit for the period				**18,321**
Total assets	216,280	247,500	8,445	472,225
Liabilities	73,137	41,199	357,889	472,225
Capital expenditures	4,706	46,065	164	50,935
Depreciation/amortisation of tangible and intangible non-current assets	9,192	9,446	850	19,488

b. Business segment

The Group’s sales are broken down as follows:

(in € 1,000)	April 1, - September 30, 2007	2006
Telecommunications	161,235	141,211
Industry	49,899	48,675
Automotive	24,722	20,042
Other	5,653	22,050
	241,509	**231,978**

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

Sales broken down by country are as follows:

(in € 1,000)	April 1, - September 30, 2007	2006
Austria	10,600	14,346
Germany	60,983	62,035
Hungary	19,007	24,641
Other EU-Countries	14,947	27,521
Asia	105,046	73,105
Canada, USA	27,333	23,452
Other	3,593	6,878
	241,509	**231,978**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim financial report for the six months ended September 30, 2007 has been prepared in accordance with the standards (IFRS and IAS) of the International Accounting Standards Board (IASB), including IAS 34, and interpretations (IFRIC and SIC) as adopted by the European Union.

There are no differences in accounting and valuation policies compared with those applied in the financial year ended March 31, 2007.

The consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements and should be read in conjunction with the consolidated annual statements published for the year ended March 31, 2007.

The consolidated interim statements for the six months ended September 30, 2007 are unaudited and have not been the subject of external audit review.

Changes in consolidated Group

AT&S Scandinavia AB, Sweden was liquidated in the second quarter of the current financial year, following approval by the Supervisory Board Meeting of June 14, 2006.

Notes to the income statement

Net sales

Net sales in the first half of 2007/08 rose in comparison with the same period last year by EUR 9.5m to EUR 241.5m, an increase of 4.1%.

The main factors behind the rise were increased volumes, largely made possible by the additional capacity provided by the second facility in China, which began operations in 2006/07. Tofic, too, almost doubled its volumes. In line with strategy, lower volumes than in the previous year at the original Austrian sites were to some extent offset by more favorable product mixes. Changes in exchange rates, particular the USD/EUR rate, meant that revenue gains were smaller than volume increases.

Second quarter revenues of EUR 126.9m fell just short of the high level achieved in the same period last year, but represented a EUR 12.3m (10.8%) increase on the first quarter of financial 2007/08.

Gross profit

The gross profit margin for the first half year increased to 18.1%, compared with 17.1% a year earlier. On the higher revenues, this meant an increase in gross profit of more than EUR 4m.

This encouraging performance was chiefly a result of the improvements in cost structure brought about by expansion of capacity in China, a larger proportion of high value products particularly in the telecoms sector, and the extension, as of January 1, 2007, of the useful lives for depreciation purposes of certain machinery, plant and equipment to reflect the Group's actual operating experience. At Tofic, the start-up phase continues to depress earnings.

As in 2006/07, the increase in the second quarter gross profit margin compared with the preceding quarter was particularly pronounced.

Operating profit

The EUR 3.4m increase in operating profit compared with the same period last year chiefly reflects the increase in gross profit. Selling and distribution costs were held down as a result of savings on transportation costs. The increase in administrative costs was attributable to the higher staffing levels required in order to keep pace with growth. The year-on-year change in other gains, net, reflected both a decline in public sector funding and the lower start-up costs incurred in the first half of the financial year for the third production facility in China as compared with those for the second facility last year.

Financial result

The Group's foreign currency hedging gains in the first half of the year contributed EUR 1.6m more than the same period last year, and – in contrast to the first half of 2006/07 – exchange rate changes made a positive contribution to the Group's finances. This produced a significantly better result than last year's high financial income, which was chiefly attributable to the sale of securities.

Interest expense has increased EUR 1.2m year-on-year. The net financial result for the first half of 2007/08 was EUR 1.5m better than in the same period last year.

Income tax expense

Compared with the same period last year, there has been an increase in the effective tax rate for the Group. The increase in relation to the consolidated profit before tax is mainly a consequence of the different proportions of Group earnings contributed by individual companies with differing tax rates and the various different tax regimes to which the Group is subject.

Notes to the balance sheet

Financial position

Net debt increased year on year by EUR 47.4m to EUR 150.6m, largely as a result of taking up additional short and long-term financial liabilities. Net debt was up EUR 40.0m compared with March 31, 2007. The change in consolidated net equity in the period was positive, in contrast to the position a year ago. The decline in consolidated equity during 2006/07 was primarily the result of the repurchase of AT&S's own shares. The negative change in the foreign currency translation adjustment in the first half of this financial year chiefly reflected the unfavorable movements of two functional currencies, the renminbi yuan (CNY) and Hong Kong dollar (HKD), against the euro.

Treasury shares

In the 11th Annual General Meeting on July 5, 2005 and the 12th Annual General Meeting on July 4, 2006, and again at the 13th Annual General Meeting on July 3, 2007, the Management Board was authorized in each instance to acquire up to 10% of the Company's authorized share capital within 18 months of the respective resolutions.

A total of 223,101 treasury shares were acquired under the share repurchase scheme in the first half of 2007/08 at a cost of EUR 3.9m. On September 30, 2007, after taking into account the effect of stock options exercised, the Group held a total of 2,532,652 treasury shares with a total cost of EUR 45.9m.

Notes to the cash flow statement

Net cash generated from operating activities in the first half of 2007/08 increased by EUR 8.8m compared with the same period last year. With consolidated net profit for the period up by EUR 3.3m, the improvement is chiefly attributable to a change in working capital more favorable by EUR 11.8m than in the same period a year ago.

Net cash used in investing activities amounted to EUR 57.3m (H1 2006/07: EUR 25.8m.) Capital expenditure amounted to EUR 60.0m, of which EUR 55.4m was spent on expansion of the site in China. The significant difference in net cash used chiefly reflects the disposal of securities in the first half of 2006/07. Capital expenditure was also up on same period a year earlier.

Net cash inflows from financing activities of EUR 27.7m were chiefly the result of the increase in financial liabilities incurred to finance the investments in China. Share repurchases were significantly down year on year.

Other information

Dividends paid

As resolved in the Annual General Meeting of July 3, 2007, a dividend of EUR 0.31 per share was paid in the first half of the current financial year.

Related party transactions

In connection with various projects, fees amounting to EUR 186,000 (rounded) and EUR 2,000 (rounded) were payable to AIC Androsch International Management Consulting Ges. m.b.H. and Dörflinger Management- und Beteiligungs GmbH respectively in the first half of 2007/08.

Expenditure for third-party manufacturing services provided by enterprises associated with the minority shareholders in Tofic amounted to EUR 832,000 (rounded) in the first half of the current financial year.

Group Interim Management Report

Business developments and performance

The first half of financial 2007/08 has been highly satisfactory for AT&S: total Group revenues for the period were up EUR 9.2m to EUR 241.7m. The traditionally high-revenue telecoms business made the largest contribution to consolidated revenues, with sales of EUR 161.2m, and generated the largest increase in sales. The sharp increase of 23% in revenues from automotive business was particularly gratifying.

Due to the weakness of the US dollar, however, sales fell short of management's expectations. The changes in the US dollar exchange rate had only a minor effect on Group operating profit owing to the expansion of the Group's production activities in Asia and the strong overall influence of the US dollar on procurement markets in the region. Successful hedging activities, reflected in the financial result, ensured that consolidated net income for the first half year, at EUR 21.6m, was at least in line with expectations.

Significant risks, uncertainties and opportunities

There were no material changes in the risks to which the Group was exposed in the first half of financial 2007/08 as compared with those described under II. Risk Report in the notes to the 2006/07 consolidated financial statements.

Overall market growth continues to be predicted in AT&S's three main business areas (telecoms, industrial and automotive), with corresponding opportunities for AT&S. There are additional opportunities for the second half of the current financial year in the Group's new areas of business, such as trading and design services.

Outlook

In response to the weakness of the US dollar to date and the continuing unpredictability of exchange rate movements in the second half of the current financial year, Management has withdrawn its original revenue guidance for 2007/08. However, in light of the satisfactory Group profit for the first half year and current budgets, earnings per share of EUR 1.60–1.70 continue to be expected.

Responsibility statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements for the first half of the financial year, the six months ended September 30, 2007, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Leoben-Hinterberg, October 24, 2007

The Management Board

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