AT&S

Quarterly Financial Report 03

2010/2011

Key figures

(if not otherwise stated, all figures in EUR 1,000)	IFRS Q1–3 2010/11 before non-recurring items[1]	after non-recurring items[1]	IFRS Q1–3 2009/10 before non-recurring items[2]	after non-recurring items[2]
CONSOLIDATED INCOME STATEMENT				
Revenues		364,808		272,523
thereof produced in Asia		70.5%		68.2%
thereof produced in Europe		29.5%		31.8%
EBITDA	76,368	73,758	36,831	18,751
EBITDA margin	20.9%	20.2%	13.5%	6.9%
EBIT	40,263	37,586	4,771	(31,762)
EBIT margin	11.0%	10.3%	1.8%	(11.7%)
Net income	32,246	29,569	(3,825)	(40,358)
Shareholders' interest in net income	32,382	29,705	(3,480)	(40,013)
Cash earnings	68,487	65,878	28,580	10,500
CONSOLIDATED BALANCE SHEET				
Total assets		603,032		464,317
Total equity		247,243		189,284
Shareholders' equity		246,888		188,794
Net debt		186,624		158,851
Net gearing		75.5%		83.9%
Net working capital		90,073		78,474
Net working capital per revenues		18.5%		21.6%
Equity ratio		41.0%		40.8%
CONSOLIDATED CASH FLOW STATEMENT				
Net cash generated from operating activities (OCF)		42,591		30,387
CAPEX, net		82,901		12,387
GENERAL INFORMATION				
Payroll (incl. subcontract staff), end of period		7,505		5,805
Payroll (incl. subcontract staff), average		6,858		5,560
KEY STOCK FIGURES				
Earnings per share (EUR)	1.39	1,27	(0.15)	(1.72)
Cash earnings per share (EUR)	2.94	2,82	1.23	0.45
Market capitalisation, end of period		400,682		147,865
Market capitalisation per shareholders' equity		162.3%		78.1%
Weighted average number of shares outstanding		23,322,588		23,322,588
KEY FINANCIAL FIGURES				
ROE[3]	18.9%	17.7%	(2.3%)	(18.8%)
ROCE[3]	11.3%	10.6%	1.0%	(8.5%)
ROS	8.8%	8.1%	(1.4%)	(14.8%)

[1] Non-recurring items include the costs of closing the Vienna office and the costs for the advanced resignment of Board Member Steen Hansen.
[2] Non-recurring items include the restructuring costs for Leoben-Hinterberg.
[3] Calculated on the basis of average equity and average capital.

Highlights

- *Excellent results for first three quarters*
- *Ramp-up of eleventh new state-of-the-art HDI line in Shanghai in October*
- *Insulated metallic substrates technology (IMS) improves heat conductivity in LEDs*
- *AT&S ranked among top 500 growth companies in Europe*
- *Sustainability: AT&S uses CO_2 emissions to measure global footprint*

Statement of the Management Board

Dear colleagues,
Dear shareholders,

The results for the first nine months of financial 2010/11 have far surpassed our expectations. The performance of Mobile Devices has been especially satisfactory, but demand from auto suppliers has also been much stronger than foreseen. Booming Christmas sales, the uninterrupted demand for smartphones and the recovery of the automobile component industry have all had a positive impact on our performance. In addition to Europe and America, we are now registering ever-increasing demand from Asian markets – for us, a clear indication that the global economy is enjoying a sustained rally and has put the crisis behind it. Our customers have benefited, and so have we. Our facilities in Austria and Asia put us in an ideal position to satisfy this revived demand, and all our plants are enjoying excellent levels of capacity utilisation. In Austria alone, an additional 100 people have been employed. On top of this, the additional expansion of capacity in China is being pushed through more rapidly than originally planned: in October we ramped up the eleventh new, state-of-the-art HDI production line, and two more will be going into operation in the next six months. We are full of confidence in the future.

Results of ordinary business activities

Overall, the first nine months of financial 2010/11 have turned out much better than expected. Net earnings were slightly down in December as a result of the holidays, and the production mix was slightly less rich, but cumulative sales of around EUR 365m were markedly better than originally forecast.

Earnings before interest and tax (EBIT) for the first nine months of financial 2010/11 (adjusted for non-recurring expenses) came to EUR 40.3m, corresponding to earnings per share of some EUR 1.39. Since the enormous demand for high-end printed circuit boards for mobile phones can still not be satisfied in full, the additional expansion of capacity in Shanghai has the highest priority. The worldwide recovery of Automotive and in Industrial business is also highly satisfactory, leading as it has to additional orders for India and Austria.

One negative factor at present is the continuing upward pressure on commodity prices, and there are still uncertainties concerning foreign exchange rates. The departure of Board Member Steen Hansen has also meant an additional provision for non-recurring expenditure of some EUR 1.9m. This takes the cumulative total of non-recurring expenses in the first nine months to around EUR 2.7m, but the EBIT margin for the period is still a healthy 10.3%.

The key figures for the first nine months of financial 2010/11 were as follows:

- Sales revenues of EUR 364.8m
- Gross profit of EUR 71.6m
  for a margin of 19.6%
- EBITDA* of EUR 76.4m
  for a margin of 20.9%
- Operating profit* of EUR 40.3m
  for a margin of 11.0%
- Profit before income taxes of EUR 36.5m
  for a margin of 10.0%
- Consolidated net income of EUR 29.6m
  for a margin of 8.1%
- Earnings per share of EUR 1.27
- No. of shares outstanding (average)**: 23,323

* adjusted for non-recurring items
** thousands of shares

Financing
The maturities of the total financial liabilities of EUR 204.6m were as follows:

Less than 1 year:	EUR	108.8m
1–2 years:	EUR	6.2m
2–3 years:	EUR	86.1m
3–4 years:	EUR	3.5m

As can be clearly seen from the cash flow statement, financing from internal resources is on the rise, but the volume of investment in connection with the expansion program is naturally also increasing. In the first nine months of the financial year around 60% of net investment requirements were met out of own resources, and 40% were covered out of borrowings. The ramp-up costs for Line 11 in Shanghai and for the expansion in India have now all been covered – there are no more to come.

Model of sustainability
AT&S is one of the first printed circuit board manufacturers in the world to decide to measure and publish its global CO_2 footprint, thus setting an example to the industry. We are confident that we shall achieve our target – on average 52kg/m² – by the end of the financial year. This will be a tremendous achievement, and impressive evidence of how seriously we stick to our principle of husbanding natural resources.

LED technology on the advance
Back in the early 1990s, LED technology was used in simple signal components (e.g., for video recorders or control panels). The lighting industry is now changing very rapidly, with the transition from light bulbs to LED lighting technology already in full swing. AT&S was quick to recognise the importance of LED technology for energy efficiency in new applications, and has designated the sector as one of its target markets. According to McKinsey, market research shows that the LED industry will grow rapidly: its projections suggest a sixfold increase in the value of sales of LED lighting devices in Europe from EUR 300m today to EUR 1.9bn in 2015.

As a technology pioneer, we are concentrating particularly on special products for Europe and Asia. Our strength lies in collaborating with our customers in implementing innovative ideas. Insulated metallic substrates technology (IMS) plays a key role, because the thermal conductivity of the substrate provides an efficient means of dissipating the heat generated, thus prolonging the life of the LED. The printed circuit board also increases light reflectivity.

We are also working on the assumption that – just as with mobile phone technology – miniaturisation and increasing functionality will play a crucial role in LED lighting. This is why we see LED lighting technology as a market with a very promising future, which we shall be developing in partnership with industry leaders such as OSRAM. AT&S is already excellently positioned to produce special printed circuit boards for advanced LED applications. The focus will be on high value circuit boards that dissipate heat efficiently and prolong the life of the LEDs. In recent years the share of printed circuit boards for LED applications at AT&S has doubled from year to year, and the trend is expected to continue over the next two years.

TOP 500 growth enterprises in Europe
We were delighted to learn from the President of Europe's 500 in December that we are ranked among the top 500 growth companies in Europe. This award is testimony to our strategic focus on sustained and profitable growth. Europe's 500 has been selecting the top 500 growth companies in Europe since 1996, and since 2009 Dun & Bradstreet has been helping to compile the list.

Outlook
We are confident that in the immediate future we shall meet the forecasts that we have communicated to the financial markets. Our net sales revenues for the full financial year will be in the EUR 470–500m range, even though the fourth quarter is traditionally among the weakest because of the Chinese New Year. Allowing for current trends in commodity prices and the present volatility of exchange rates, the EBIT margin will also be in the published range – higher than 9%. With an investment volume of around EUR 130m, we are predicting that the net gearing ratio will stay in the target zone of under 80%.

In the medium term, though, AT&S Group has a number of challenges to face. In all our markets – mobile phones, auto suppliers and medical technology – we see strong demand for high-end printed circuit boards. We are expecting the demand for top-of-the-line circuit boards to grow by up to 10% a year for the next two years. We are currently evaluating possible locations for a new plant in Asia. We are expecting our team of experts to come up with concrete results in the not-too-distant future.

With best regards

Andreas Gerstenmayer Chairman	Thomas Obendrauf Chief Financial Officer	Heinz Moitzi Chief Technical Officer

Corporate governance information

For personal reasons, Steen Hansen, AT&S's CFO since 2004, resigned his Management Board appointment on 8 October 2010. The Supervisory Board accepted his resignation. Thomas Obendrauf was appointed to succeed Mr Hansen, and took up his duties immediately. Mr Obendrauf's appointment as CFO and member of AT&S's Management Board comes after many years of extensive experience at AT&S. He joined the Group in 2001, and during the last five years has been responsible for the organisation and expansion of AT&S (China) Co. Ltd. in Shanghai.

The Supervisory Board has therefore resolved that clauses 1 and 3 of the AT&S Management Board Rules and Procedures shall be amended so that Thomas Obendrauf replaces Steen Hansen.

The Supervisory Board has also amended the Rules and Procedures of the Supervisory Board by replacing clause 4(3) with a new clause, as follows:

"The Chairman of the Supervisory Board or the Management Board acting on his behalf shall give members of the Supervisory Board notice of meetings in writing, by telegram, telephone (in this case receipt of notice is to be confirmed in writing by the recipient), fax or e-mail. The period of notice shall be at least a week, which shall not include the day of the meeting itself or, except in the case of e-mail, the day on which the notice is given. The notice shall contain details of the time and place of the meeting, and the proposed agenda. For notification by post the date of franking shall be deemed to be the date of notice, and in other cases the date of delivery. In cases of particular urgency the above provisions may be waived, provided that all members of the Supervisory Board have demonstrably been notified."

This amendment enables notice of Supervisory Board meetings to be sent by e-mail, which should significantly speed up and simplify the process of calling meetings.

You can download the current version of the Rules and Procedures (in German) from our website (www.ats.net).

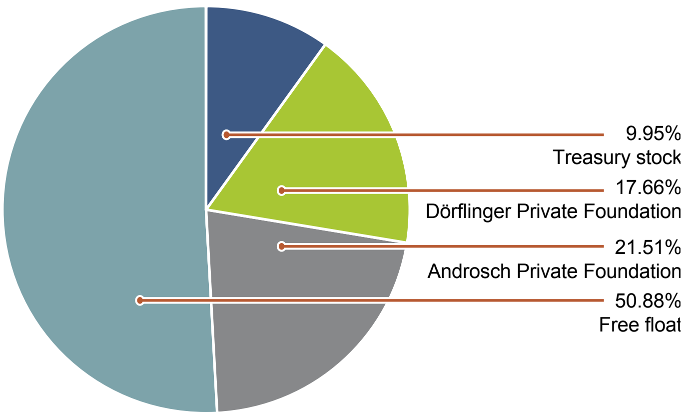
Directors' holdings and dealings

In accordance with the provisions of the Stock Option Scheme, in December 2010 Harald Sommerer exercised his option and sold 40,000 shares. Since he is no longer an executive officer for the purposes of section 48d Austrian Stock Exchange Act (BörseG), this ends his disclosure obligations. Stock options held by members of the Management Board were as follows (Supervisory Board members do not receive stock options):

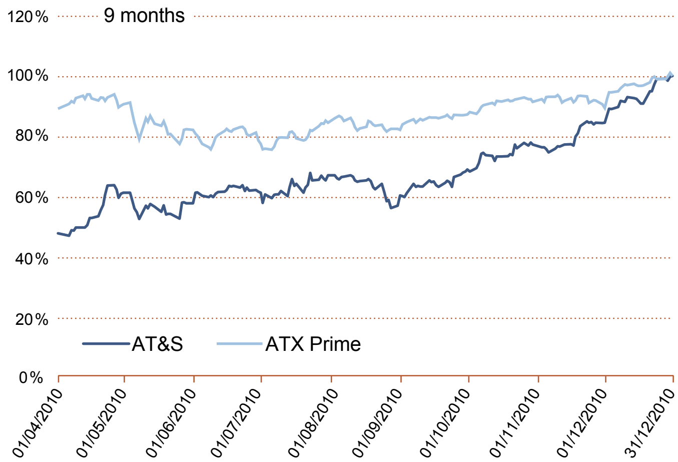
	2006	2007	2008	2009	2010	**Total**
Andreas Gerstenmayer					40,000	**40,000**
Heinz Moitzi	30,000	30,000	30,000	30,000	30,000	**150,000**
Steen E. Hansen	30,000	30,000	30,000	30,000	30,000	**150,000**
Exercise price (EUR)	17.99	22.57	15.67	3.86	7.45	

AT&S stock

Shareholdings



AT&S against the ATX Prime



Share price in the first three quarters

Business performance during the first nine months corresponded exactly to the forecasts published for the financial markets at the beginning of the year. Since the third quarter is traditionally one of the year's strongest, analysts were slightly disappointed with the performance of the Mobile Devices business in December. This was purely the result of a change in the product mix, in line with normal fluctuations in orders in the printed circuit board business, but it did mean that the rapid increase in the share price suffered a slight check.

At the end of September 2010, LBWW discontinued its coverage of AT&S stock because of internal restructuring measures. Happily, UniCredit took up the coverage in November, and immediately put us on their list of the six most highly recommended stocks. We are now being followed by three banking houses with both local and international perspectives. We are making every effort to widen our coverage internationally, and are currently focusing our attention on Asia – in addition of course to Germany, Austria and Switzerland.

The share's closing price of EUR 17.18 at the end of the December was its highest of the year, making it one of Austria's best performing stocks in 2010. Market capitalisation grew to around EUR 401m. Trading volumes have increased to match, with an average of 45,000 shares traded daily.

Key stock figures for the first six months

EUR	31 December 2010	31 December 2009
Earnings per share	1.27	-1.72
High	17.18	7.40
Low	8.04	2.99
Close	17.18	6.34

AT&S stock

	Vienna Stock Exchange
Security ID number	969985
ISIN code	AT0000969985
Symbol	ATS
Reuters RIC	ATSV.VI
Bloomberg	ATS AV
Indexes	ATX Prime, WBI SME

Financial calendar

Shanghai Investors Day	21.03.2011
Paris Roadshow	01.04.2011
Zürs Institutional Investors Conference	15.04.2011
Publication of annual results 2010/11	10.05.2011
New York Roadshow	06.06.2011
Vienna C.I.R.A. Austrian Small Cap Day	16.06.2011
17th Annual General Meeting	07.07.2011

Investor Relations

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Interim Financial Report (IFRS)

Consolidated Income Statement

(in EUR 1,000)	1 October - 31 December 2010	1 October - 31 December 2009	1 April - 31 December 2010	1 April - 31 December 2009
Revenues	122,127	101,236	364,808	272,523
Cost of sales	(96,688)	(80,467)	(293,252)	(240,492)
Gross Profit	25,439	20,769	71,556	32,031
Selling costs	(6,558)	(4,667)	(18,475)	(13,837)
General and administrative costs	(6,464)	(3,984)	(16,990)	(13,417)
Other operating result	2,362	1,417	4,172	(6)
Non-recurring items	(1,952)	-	(2,677)	(36,533)
Operating result	12,827	13,535	37,586	(31,762)
Financial income	2,009	1,281	6,122	4,485
Financial expense	(2,844)	(2,150)	(7,258)	(11,130)
Financial result	(835)	(869)	(1,136)	(6,645)
Profit before tax	11,992	12,666	36,450	(38,407)
Income tax expense	(1,525)	(3,102)	(6,881)	(1,951)
Profit/(loss) for the period	**10,467**	**9,564**	**29,569**	**(40,358)**
thereof equity holders of the parent company	10,560	9,673	29,705	(40,013)
thereof minority interests	(93)	(109)	(136)	(345)
Earnings per share for profit attributable to equity holders of the parent company (in EUR per share):				
- basic	0.45	0.41	1.27	(1.72)
- diluted	0.45	0.41	1.26	(1.71)
Weighted average number of shares outstanding – basic (in thousands)	23,323	23,323	23,323	23,323
Weighted average number of shares outstanding – diluted (in thousands)	23,484	23,375	23,484	23,375

Consolidated Statement of Comprehensive Income

(in EUR 1,000)	1 October - 31 December 2010	1 October - 31 December 2009	1 April - 31 December 2010	1 April - 31 December 2009
Profit/(loss) for the period	**10,467**	**9,564**	**29,569**	**(40,358)**
Currency translation differences	12,761	6,212	11,094	(18,853)
Fair value gains/(losses) of available-for-sale financial assets, net of tax	–	4	2	19
Fair value gains/(losses) of cash flow hedges, net of tax	93	(9)	117	(55)
Other comprehensive income for the period	**12,854**	**6,207**	**11,213**	**(18,889)**
Total comprehensive income for the period	**23,321**	**15,771**	**40,782**	**(59,247)**
thereof equity holders of the parent company	23,412	15,880	40,916	(58,902)
thereof minority interests	(91)	(109)	(134)	(345)

Consolidated Balance Sheet

(in EUR 1,000)	31 December 2010	31 March 2010
ASSETS		
Non-current assets		
Property, plant and equipment	396,271	308,527
Intangible assets	1,722	2,037
Financial assets	96	99
Overfunded retirement benefits	326	620
Deferred tax assets	13,462	11,124
Other non-current assets	4,198	3,622
	416,075	326,029
Current assets		
Inventories	61,015	38,700
Trade and other receivables	108,055	90,976
Financial assets	14,051	14,214
Current income tax receivables	48	117
Cash and cash equivalents	3,788	13,354
	186,957	157,361
Total assets	**603,032**	**483,390**
EQUITY		
Share capital	45,680	45,680
Other reserves	9,651	(1,560)
Retained earnings	191,557	164,184
Equity attributable to equity holders of the parent company	246,888	208,304
Minority interests	355	489
Total equity	**247,243**	**208,793**
LIABILITIES		
Non-current liabilities		
Financial liabilities	95,721	105,197
Provisions for employee benefits	11,863	11,369
Other provisions	12,268	12,769
Deferred tax liabilities	6,037	4,664
Other liabilities	2,378	1,618
	128,267	135,617
Current liabilities		
Trade and other payables	107,620	60,436
Financial liabilities	108,839	70,455
Current income tax payables	5,105	2,611
Other provisions	5,958	5,478
	227,522	138,980
Total liabilities	**355,789**	**274,597**
Total equity and liabilities	**603,032**	**483,390**

Consolidated Cash Flow Statement

(in EUR 1,000)	1 April - 31 December 2010	2009
Cash flows from operating activities		
Profit/(loss) for the period	29,569	(40,358)
Adjustments to reconcile profit for the period to cash generated from operations:		
Depreciation, amortisation and impairment of fixed assets	36,173	50,513
Changes in non-current provisions	219	7,091
Income tax expense	6,881	1,951
Financial expense/(income)	1,136	6,645
(Gains)/losses from the sale of fixed assets	119	198
Release from government grants	(3,197)	(1,396)
Other non-cash expense/(income), net	1,781	(1,298)
Changes in working capital:		
- Inventories	(21,267)	4,260
- Trade and other receivables	(16,225)	9,267
- Trade and other payables	19,252	5,137
- Other provisions	408	13
Cash generated from operations	54,849	42,023
Interest paid	(7,626)	(2,397)
Interest and dividends received	351	81
Income tax paid	(4,983)	(9,320)
Net cash generated from operating activities	**42,591**	**30,387**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(83,075)	(12,866)
Proceeds from sale of property, plant and equipment and intangible assets	174	480
Disposal of subsidiaries, net of cash disposed	–	174
Purchases of financial assets	(3,393)	(2,287)
Proceeds from sale of financial assets	1,787	2,706
Net cash used in investing activities	**(84,507)**	**(11,793)**
Cash flows from financing activities		
Proceeds from borrowings	54,926	39,242
Repayments of borrowings	(23,434)	(50,920)
Proceeds from government grants	3,040	744
Dividends paid	(2,332)	(4,198)
Net cash generated from/(used in) financing activities	**32,200**	**(15,132)**
Net increase/(decrease) in cash and cash equivalents	**(9,716)**	**3,462**
Cash and cash equivalents at beginning of the year	13,354	7,031
Exchange gains/(losses) on cash and cash equivalents	150	(19)
Cash and cash equivalents at end of period	**3,788**	**10,474**

Consolidated Statement of Changes in Equity

(in EUR 1,000)	Share capital	Other reserves	Retained earnings	**Equity attributable to equity holders of the parent company**	Minority interests	**Total equity**
31 March 2009	**45,680**	**561**	**205,999**	**252,240**	**494**	**252,734**
Total comprehensive income for the period	–	(18,889)	(40,013)	**(58,902)**	(345)	**(59,247)**
Dividend relating to 2008/09	–	–	(4,198)	**(4,198)**	–	**(4,198)**
Reclassifications of losses attributable to minority interests	–	–	(346)	**(346)**	346	**–**
Changes in consolidated Group	–	–	–	–	(5)	**(5)**
31 December 2009	**45,680**	**(18,328)**	**161,442**	**188,794**	**490**	**189,284**
31 March 2010	**45,680**	**(1,560)**	**164,184**	**208,304**	**489**	**208,793**
Total comprehensive income for the period	–	11,211	29,705	**40,916**	(134)	**40,782**
Dividend relating to 2009/10	–	–	(2,332)	**(2,332)**	–	**(2,332)**
31 December 2010	**45,680**	**9,651**	**191,557**	**246,888**	**355**	**247,243**

Segment Reporting

1 April - 31 December 2010

(in EUR 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	260,798	104,010	–	364,808
Intercompany sales	1	153,244	(153,245)	–
Total revenues	260,799	257,254	(153,245)	364,808
Non-recurring items	–	–	(2,677)	(2,677)
Operating result	11,669	36,004	(10,087)	37,586
Financial result				(1,136)
Profit before income tax				36,450
Income tax expense				(6,881)
Profit for the period				**29,569**
Total assets	113,118	488,797	1,117	603,032
Total liabilities	68,201	93,096	194,492	355,789
Capital expenditures	3,459	105,141	350	108,950
Depreciation/amortisation of property, plant and equipment and intangible assets	3,630	32,005	538	36,173

1 April - 31 December 2009

(in EUR 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	189,505	83,018	–	272,523
Intercompany sales	18	102,786	(102,804)	–
Total revenues	189,523	185,804	(102,804)	272,523
Non-recurring items	(36,533)	–	–	(36,533)
Operating result	(45,663)	19,479	(5,578)	(31,762)
Financial result				(6,645)
Profit before income tax				(38,407)
Income tax expense				(1,951)
Profit/(loss) for the period				**(40,358)**
Total assets	112,507	354,785	(2,975)	464,317
Total liabilities	71,068	39,126	164,839	275,033
Capital expenditures	1,838	6,079	853	8,770
Depreciation/amortisation of property, plant and equipment and intangible assets	22,473	27,004	1,036	50,513

Additional information

Revenue broken down by industries is as follows:

	1 April - 31 **December**	
(in EUR 1,000)	2010	2009
Mobile Devices	209,592	159,961
Industrial	109,205	79,867
Automotive	43,915	29,507
Other	2,096	3,187
	364,808	**272,523**

Revenue broken down by country is as follows:

	1 April - 31 **December**	
(in EUR 1,000)	2010	2009
Austria	17,819	12,482
Germany	92,110	61,542
Hungary	31,734	28,380
Other European countries	22,965	19,792
Asia	104,827	100,708
Canada, USA, Mexico	92,379	47,857
Other	2,975	1,763
	364,808	**272,523**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim report for the three quarters ended 31 December 2010 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.

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 financial statements for the year ended 31 March 2010.

There are no differences in accounting and valuation policies compared with those applied in the financial year ended 31 March 2010.

The consolidated interim statements for the nine months ended 31 December 2010 are unaudited and have not been the subject of external audit review.

Notes to the income statement

Revenues

Sales revenues in the first three quarters of the financial year 2010/11 grew in comparison with the same period last year by EUR 92.3m to EUR 364.8m. This 34% improvement is largely attributable to higher volumes of printed circuit board sales, although a higher value technology mix and the greater average strength of the USD during the reporting period also had a positive effect. Income from service business (assembly, trading, design) fell, as some of these activities were phased out. On a quarterly basis, sales in the third quarter were nearly on par with the second quarter with only a 5% variance, after a 13% increase from first to second quarter. Compared to the same period last year, sales in the third quarter were up by 21%.

From a geographical or segment point of view, the increase in production compared with last year came largely from the Asian plants. The Asian segment registered an increase of 38.5% in comparison with the first nine months of last year, and the European segment was up 24% (in both cases ignoring intra-group sales). On a quarterly basis, the third quarter shows an increase in both segments compared with the same period last year, with Europe up 22% and Asia up 20%. Compared with the second quarter of the current financial year Europe is down by 24% and Asia is up 4%. The share of sales contributed by production facilities in Asia in the first three quarters of the financial year 2010/11 accounted for 71% of the total, which is higher than in the previous year. It should however be noted that the relocation of HDI printed circuit board production from Leoben-Hinterberg to China during the second phase of restructuring took place towards the end of the first quarter of financial 2009/10.

Gross profit

With significantly higher sales revenues, gross profit of EUR 71.6m for the first three quarters was up EUR 39.5m on last year, and the gross profit margin advanced from 11.8% to 19.6%.

The improvement in gross margin is attributable to the excellent utilisation of existing production capacities in the Group's plants, both in Austria and in Asia. During the previous financial year the gross profit margin was depressed by lower sales, combined with significant overcapacity and considerable gross loss at Leoben-Hinterberg in the first quarter. Gross profit for the third quarter was more or less the same as in the second quarter of the current financial year and was EUR 4.7m higher than in the same period last year, as the result of the higher sales.

Non-recurring items

In the first quarter of the current financial year it was decided to make further adjustments to the Group's administrative structure and with effect from the end of 2010 to close the Vienna office, which up until that point had been responsible for the major group and headquarters functions. The headquarters function has moved back to Leoben, where the Company's registered office and the Leoben-Hinterberg plant are located. On 8 October 2010, Steen Hansen resigned from his Management Board appointment and the management contract is terminated by mutual agreement with effect from 31 January 2011. The stock options granted to Mr Hansen to date under the stock option scheme vest as of the date of termination of the contract and may be exercised until 31 January 2012 at the latest.

The non-recurring net expense of EUR 0.73m relates to the closure of the Vienna office and consists mainly of staff costs arising from the social plan agreed as a consequence of the decision. Non-recurring expenses arising from the premature termination of the Management Board appointment in the form of severance and separation compensation, attributable pensionable service and other entitlements amounted to about EUR 1.95m.

The preceding year's non-recurring items related to the extensive restructuring activities and cost-savings programs. In particular, projects were initiated to increase the efficiency of the Austrian plants, mainly relating to the Leoben-Hinterberg site. Volume production in Leoben-Hinterberg was transferred to Shanghai in its entirety, and production capacities were correspondingly reduced.

Operating result

The operating profit for the first three quarters of the financial year 2010/11 reflects the significantly improved gross profit and is also less affected by non-recurring items. Operating results compared with the same period in financial 2009/10 improved by EUR 69.3m from an operating loss of EUR 31.8m to an operating profit of EUR 37.6m. The operating profit adjusted for non-recurring items rose by EUR 35.5m to EUR 40.3m, as compared with EUR 4.8m a year earlier.

Selling and general administrative costs were higher than last year, reflecting the increased transport costs resulting from higher sales and variable, profit-related elements of remuneration (bonus system and share options). The other operating results for the period under review consisted mainly of income from government grants net of expenses from exchange rate losses and start-up losses from our second plant in India. Last year, other operating income and other operating expense balanced each other out.

The segment results were significantly better compared with the same period last year, both in Europe and in Asia. The adjusted segment EBIT before non-recurring items, the relevant measure of segment performance, recovered from a loss of EUR 9.1m to a profit of EUR 11.7m for Europe. In Asia segment profit advanced from EUR 19.5m to EUR 36.0m. The Europe segment was last year also burdened with restructuring expenses.

Financial result

The financial income in the first three quarters of financial 2010/11 was mainly the result of the revaluation of the renminbi yuan (CNY) against the euro to reflect appreciation since 31 March 2010 and the associated valuation gains on the financing of the factory in China. Last year the decline of the US dollar against the euro resulted in valuation adjustment income on currency hedges.

Financial expenses consisted in the main of interest expense of EUR 6.3m, compared with EUR 5.7m a year earlier. In the previous year the decline of the functional currency CNY against the EUR resulted in corresponding valuation adjustment expense on the financing of the factory in China.

Income tax expense

The change in the effective rate of tax on a consolidated basis as compared with the same period last year is principally a consequence of the varying proportions of Group earnings contributed by individual companies with different tax rates, together with the effects of the various different tax regimes to which the Group is subject. Taxes on income are also significantly affected by the measurement of deferred taxation. Especially for the bulk of tax loss carryforwards, no deferred tax assets have been recognised, since the likelihood of their being realisable in the foreseeable future is low.

Notes to the comprehensive income statement

Currency translation differences

Currency translation differences chiefly reflect changes in exchange rates of Group functional currencies, the renminbi yuan (CNY) and Hong Kong dollar (HKD), against the Group reporting currency, the euro. In the current financial year favourable variances in the first quarter were cancelled out in the second quarter. In the third quarter and consequently for the financial year so far, appreciation of the CNY and HKD against the EUR resulted in the recognition of income. In the first three quarters of the previous financial year, changes in exchange rates resulted in significant exchange translation losses.

Notes to the balance sheet

Financial position

Net debt rose to EUR 186.6m, an increase of EUR 38.6m compared with the position at 31 March 2010. Financing requirements have increased mainly in connection with the expansion of the plants in India and China. Net working capital was also higher as a result of the growth of sales, and at the end of the third quarter also because of production brought forward in anticipation of the Chinese New Year. In spite of the increase in net debt, the net gearing ratio of 75% was nonetheless only slightly higher than the 71% at the end of last financial year, since there was also a healthy increase in equity.

The Group's consolidated equity has increased considerably from EUR 208.8m to EUR 247.2m in the first three quarters of this financial year. The consolidated net income together with the positive net currency translation difference resulted in consolidated total comprehensive income of EUR 40.8m. In the same period last year consolidated equity was down by a material amount as a result of the negative total comprehensive income of EUR -59.2m.

Treasury shares

In the 16th Annual General Meeting of 7 July 2010 the Management Board was again authorised for a period of 30 months from the date of the resolution to acquire the Company's own shares up to a maximum amount of 10% of the share capital. The Management Board was also again authorised – for a period of five years (i.e., until 6 July 2015) and subject to the approval of the Supervisory Board – to dispose of treasury shares otherwise than through the stock exchange or by means of a public offering, and in particular for the purpose of enabling the exercise of employee stock options or the conversion of convertible bonds, or as consideration for acquisitions of businesses or other assets.

No further treasury shares were acquired under the share repurchase scheme in the first three quarters of this financial year. At 31 December 2010 and taking into account the stock options exercised, the Group held the same number of treasury shares – 2,577,412 shares, or 9.95% of the issued share capital – as at 31 March 2010, with a total acquisition cost of EUR 46.6m.

Notes to the cash flow statement

The net cash inflow from operating activities of EUR 42.6m was higher than last year's EUR 30.4m as a result of higher profit for the period, although the increase was less pronounced than that of profit for the period for a number of reasons. Last year's loss was largely a reflection of non-cash expenses such as impairment writedowns on property, plant and equipment and additions to long-term provisions required by the restructuring programs. Working capital requirements rose in the first three quarters of the current financial year as a result of the ongoing growth in sales and consequent increase in inventories, while last year they fell significantly as a consequence of the decline in business.

Net cash used in investing activities amounted to EUR 84.5m (2009/10: EUR 11.8m). The increase compared with last year reflects the ongoing expansion of the Group's plants. Payments for investments in the first three quarters of financial 2010/11 amounted to EUR 83.1m, and mainly related to the expansion of production capacity in China and the construction of a second production facility at the Indian site. The investments last year were largely in replacement equipment and the second production facility in India.

The net cash inflow from financing activities in the first three quarters of the financial year of EUR 32.2m largely reflects financial liabilities incurred for investment in expanding production capacity. The bulk of the investments were however financed from net cash inflows from operating activities and from cash and cash equivalents. The dividend distribution in the current financial year was significantly lower than that in the previous year.

Other information

Dividends paid

As resolved in the Annual General Meeting of 7 July 2010, a dividend of EUR 0.10 per share amounting to EUR 2,332,000 out of retained earnings as at 31 March 2010 was paid during the current financial year.

Related party transactions

In connection with various projects, in the first three quarters of financial 2010/11 fees amounting to EUR 321,000 were payable to AIC Androsch International Management Consulting GmbH and fees of EUR 11,000 were payable to Riedl & Ringhofer (lawyers).

Leoben-Hinterberg, 25 January 2011

The Management Board

Andreas Gerstenmayer m.p.
Thomas Obendrauf m.p.
Heinz Moitzi m.p.

Group Interim Management Report

Business developments and performance

As Mobile Devices represents a high proportion of AT&S's total sales, the Group's business is naturally subject to seasonal variations. Typically, the first and fourth quarters of the financial year are periods of low capacity utilisation, with excellent utilisation in the second and third quarters. In the financial year 2010/11 there was already a significant increase in sales in the first quarter as compared to the same period in the previous year. In the second quarter there was a further increase in sales. In the third quarter sales of EUR 122.1m were more or less on a par with second quarter sales, and were considerably higher than in the same period last year. Sales for the first three quarters were up 34% compared with the same period last year, to EUR 364.8m. In financial 2009/10 the challenging economic climate had a negative impact on the first two quarters in particular, although an upward trend was already noticeable in the third quarter.

The result is that sales revenues have not only returned to the levels at which they were before the financial and economic crisis, but are now actually growing again. As part of the planned expansion, in the third quarter of the current financial year a further HDI production line entered service in China and the current building phase of the second plant in India has been ramped up on schedule. The marked increase in sales meant that capacity utilisation in the first three quarters was high.

The bulk of sales in the first nine months of this financial year – EUR 209.6m, or 57% – continued to be generated by Mobile Devices. The Industrial business has also performed very satisfactorily, and is showing strong growth partly as a result of the expanded product range and new customers. Industrial business contributed 30% of sales. The Automotive sales for the first three quarters by were up nearly 50% year on year. This was chiefly attributable to the fact that the slump in sales caused by the economic crisis was felt most acutely by vehicle manufacturers during the financial year 2009/10. The project-driven Services business (design, assembly and trading) has declined sharply due to the discontinuation of various activities in the segment. The share of sales contributed by each sector in the third quarter was largely unchanged compared with previous quarters, although Industrial showed an increase in sales well above average.

In the Group's target markets, the transfer of the industry from Europe to Asia is a continuing long-term trend. However, changes in the mix of customers and in product allocations among OEMs and CEMs have meant a further increase in the importance of sales revenues from manufacturers in Canada, the USA and Mexico. This trend had already emerged during the last financial year. The proportion of sales in this market in the first three quarters of financial 2010/11 rose to 25% from 18% a year earlier, while the share contributed by Asia fell back from 37% to 29%. Sales to European customers are also showing a great deal of promise. As a result of gains in market shares, they represent the same proportion of Group sales as in the same period a year ago, or in the case of sales to German customers an even higher proportion.

In response to the overall pressure on prices internationally and the general relocation of the printed circuit board industry to Asia, AT&S's production capacities in Asia have been expanded over the past few years, and Mobile Devices volume orders have increasingly been transferred to China. After the implementation of far-reaching restructuring measures during last financial year in order to ensure the long-term profitability of the business, all volume production was transferred from Leoben-Hinterberg to Asia. Leoben-Hinterberg now concentrates exclusively on small batches and short-term special orders, just as the other Austrian sites, Fehring and Klagenfurt, already do.

Subsequently, there was a strong upsurge in orders from European customers, not least as a result of market rationalisation. The original restructuring plan was adjusted in September of last financial year to reflect the recovery in demand and the resultant fuller capacity utilisation. In the first nine months of the current financial year, production volumes once again significantly outpaced original expectations for the Leoben-Hinterberg site. With volumes increasing at Fehring as well, sales of printed circuit boards manufactured in the Austrian plants in the first three quarters have even exceeded the previous year's totals – despite the relocation of volume production. The combination of sales growth and the significantly lower cost base has brought marked increases in earnings compared with the previous year, particularly at Leoben-Hinterberg.

Capacity utilisation in the first three quarters was also at maximum in Shanghai, AT&S's largest plant by a considerable margin. The volume increase was boosted by the relocation of capacity from Leoben-Hinterberg. Increased earnings in the Group compared with the previous year are to a very large extent attributable to the performance of the production facility in China. In the first three quarters of the current financial year the operating profit of EUR 40.3m after adjustment for non-recurring items represented an improvement of EUR 35.5m over the same period a year earlier. The operating profit adjusted for non-recurring items was EUR 15.4m in the second quarter, an increase of EUR 5.3m compared with the first quarter. In spite of lower sales, third quarter operating profit of EUR 14.8m nearly reached the same level as in the second quarter.

Significant risks, uncertainties and opportunities

There were no material differences in the categories of risk exposure in the course of the first three quarters of financial 200/11 compared with those described in detail in the notes to the 2009/10 consolidated financial statements under II. Risk Report. Credit markets have stabilised. The effect of any additional surcharges by the banks on financing costs as compared with earlier years is currently mitigated by the generally low level of interest rates. AT&S's interest rate risk is relatively low as a result of the high proportion of fixed interest financial liabilities. The risks are primarily in relation to short-term financing.

In order to reduce liquidity risk, during the last financial year long-term financing was taken up and more extensive long-term credit facilities were agreed, the larger part of which have so far not been used and are therefore available for current investment activities. In the current financial year additional short-term credit facilities were agreed in order to cover the need to finance the higher levels of working capital made necessary by increased volumes of business. In addition to this, in the Annual General Meeting of 7 July 2010 the Management Board was authorised (as a continuation of previous arrangements) to issue up to 12,950,000 new shares out of authorised capital, and convertible bonds up to a nominal value of EUR 100,000,000, and to sell treasury shares. Exercise of the powers so conferred is subject to approval by the Supervisory Board and is valid until July 2015.

In spite of the higher working capital requirements resulting from higher volumes of business, in the first three quarters of financial 2010/11 significantly positive operating cash flows were achieved. Given the projections of continuing net cash inflows from operating activities and the comprehensive financing arrangements, enough liquidity is available to cover all currently planned and potential future investments.

Currency futures and options continue to be used to protect net US dollar exposures against the effects of exchange rate risks.

The net gearing ratio of 75% at the end of the first three quarters of the current financial year is hardly changed from the 71% at the start, and is still under the target limit of 80%. The healthy operating cash flow resulting from the excellent consolidated earnings enabled investment activities to be largely financed from internal resources. In addition to the consolidated net income, currency translation differences from the appreciation of the CNY and the HKD against the euro and the consequent boost to equity contributed to the improvement of the ratio.

Provided the favourable earnings situation continues and exchange rates remain stable, on the basis of the current detailed investment projections it is assumed that the gearing ratio will remain essentially within the target limit of 80% or will only temporarily exceed it.

With respect to the opportunities and risks attaching to developments in the external environment for financial 2010/11 as a whole, worldwide sales of the printed circuit board industry as compared with the previous financial year will increase. In the first three quarters, internal and external growth expectations for AT&S were exceeded by a considerable margin, with the continuing strength of the US dollar on average having a correspondingly positive effect on sales revenues. The global economic situation and the macroeconomic background in the medium term are difficult to assess at present. While sales are still buoyed by strong demand, rising commodity prices and continuing uncertainties in foreign exchange markets continue to be matters of concern.

Customer demand poses a particular challenge to AT&S at present. In order to ensure that sufficient capacity is available, the factories in China and India are currently being expanded, planned expansion is now being brought forward, and some investments are being made earlier than originally planned. In the third quarter, the eleventh HDI production line in China went into production and the second facility in India was ramped up. AT&S's record of sustained growth has been recognised by Europe's 500: it is one of the top 500 growth enterprises in Europe.

In the current financial year, intensive research and development activities have culminated in a major technological success, demonstrating once again AT&S's world-class innovative ability: during the second quarter AT&S was one of the first manufacturers in the world to implement embedded component packaging technology (ECP®) in series production. Special opportunities have also been identified in the market for LEDs, and AT&S has designated this as one of its new target markets. Insulated metallic substrates technology (IMS) plays a key role here, by providing an efficient means of dissipating the heat generated in operation and thus prolonging the life of LEDs. AT&S's LED development activities are also being carried out in partnership with leading industrial partners in the lighting technology industry. In photovoltaics AT&S is concentrating on its core competences as a high-tech supplier and is focusing primarily on the production and continuing development of energy efficient backsheet contact foils.

Outlook

Following the successful implementation of the restructuring and cost reduction programs, the necessary strategic adjustments in production have now mainly been concluded. The focus is now clearly on expanding capacities in Asia as rapidly as possible. In the third quarter there were still some changes in the structure of administration, resulting in particular from the transfer of Group Headquarters from Vienna to Leoben-Hinterberg and the associated personnel changes. One such consequence was that on 8 October 2010, Steen Hansen resigned from his Management Board appointment and the management contract is terminated by mutual agreement with effect from 31 January 2011. Thomas Obendrauf was then appointed as CFO and member of the Management Board.

Sales figures for the first three quarters of financial 2010/11 suggest an overall growth trend, and on the basis of sales to date, the current order book and customer requirements, total sales for the whole financial year are expected to be considerably higher than originally budgeted. The forecast – at this point, as in the First Half-Year Report – is for total annual revenues in the EUR 470–500m range, a year-on-year increase of some 25–35%.

In order to be able to keep pace with faster growth in all its businesses and service its customers adequately, AT&S is stepping up expansion of its production facilities. Depending on how rapidly installation proceeds, present expectations are that investment expenditure for the whole of financial 2010/11 will be in the region of EUR 130m, of which roughly EUR 100m will be invested in the plant in China and roughly EUR 17m in the plant in India.

The higher capacity utilisation and more efficient use of available capacities are expected to have a positive impact on operating profit. On this basis, Management is forecasting an EBIT margin of over 9%.

Leoben-Hinterberg, 25 January 2011

The Management Board

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