

AT&S

INTERIM REPORT
THIRD QUARTER

2019/20

FIRST CHOICE

FOR
ADVANCED
APPLICATIONS

HIGHLIGHTS Q1-3 2019/20

- AT&S remains strategically well on track
- Market upheavals and economic climate have adverse effects on earnings figures so far this year
- Nine-month revenue down slightly by 4.7%, EBITDA margin still within the target range at 20.8%
- AT&S adjusted outlook for the financial year 2019/20 due to coronavirus
- Medium-term guidance continues to apply

KEY FIGURES

	Unit	Q1-3 2018/19	Q1-3 2019/20	Change in %
Revenue	€ in millions	790.1	753.2	(4.7 %)
EBITDA	€ in millions	220.5	156.4	(29.1 %)
EBITDA margin	%	27.9 %	20.8 %	–
EBIT	€ in millions	121.5	47.7	(60.8 %)
EBIT margin	%	15.4 %	6.3 %	–
Profit/(loss) for the period	€ in millions	92.3	25.2	(72.7 %)
ROCE	%	13.8 %	4.0 %	–
Net CAPEX	€ in millions	63.2	145.5	>100%
Cash flow from operating activities	€ in millions	153.2	176.7	15.3 %
Operating free cash flow	€ in millions	90.0	31.2	(65.3 %)
Earnings per share	€	2.21	0.49	(78.0 %)
Employees ¹⁾	–	9,842	10,223	3.9 %

BALANCE SHEET DATA

		31 Mar 2019	31 Dec 2019	
Total assets	€ in millions	1,784.1	1,902.9	6.7 %
Total equity	€ in millions	803.5	752.6	(6.3 %)
Equity ratio	%	45.0 %	39.6 %	–
Net debt	€ in millions	150.3	185.8	23.6 %

¹⁾ incl. contract staff, average

ECONOMIC REPORT

BUSINESS DEVELOPMENTS AND SITUATION

In the first nine months of the financial year 2019/20, AT&S held its ground well in a challenging market environment. With revenue of € 753.2 million, the level of € 790.1 million recorded in the comparative period of the previous year was not reached (deviation -4.7%). Increases in sales volume in the IC substrates and Medical & Healthcare segments had a positive effect. The Automotive segment maintained the level of the previous year despite a difficult market environment. The weaker development was primarily attributable to changes in the product mix in the Mobile Devices segment and to a continued decline in demand in the Industrial segment. In addition, the Automotive and Industrial segments were also confronted with higher price pressure.

Exchange rate effects, especially the stronger US dollar, had a positive impact of € 24.7 million or 3.1% on the development of revenue.

EBITDA declined by -29.1% from € 220.5 million to € 156.4 million. The reasons for the current earnings figures can, on the one hand, be found in the market, leading to an underutilisation of the production capacity and a lower operating performance. On the other hand, substantial future investments for the strategic expansion of the business led to higher expenses.

In preparation for future technology generations and in line with the modularisation strategy, AT&S increasingly invests in research & development. These expenditures make the company future-proof and significantly expand the earnings potential in the medium term.

The EBITDA margin amounted to 20.8% down 7.1 percentage points on the prior-year value of 27.9%. EBIT decreased from € 121.5 million to € 47.7 million. The EBIT margin was 6.3% (previous year: 15.4%).

Finance costs – net declined from € -2.6 million to € -3.3 million which resulted predominantly from exchange rate differences.

Due to the lower operating result, profit for the period dropped by € 67.1 million from € 92.3 million to € 25.2 million.

BUSINESS DEVELOPMENT BY SEGMENTS

The AT&S Group breaks its operating activities down into three segments: Mobile Devices & Substrates, Automotive, Industrial, Medical, and Others. For further information on the segments and segment reporting please refer to the Annual Report 2018/19.

Mobile Devices & Substrates segment

The segment's revenue decreased by € 11.1 million or -1.9% from € 601.5 million to € 590.4 million. The dampening effects of changes in the product mix for mobile devices were only partially offset by a volume increase in the IC substrates segment.

EBITDA decreased by -27.1% from € 177.2 million to € 129.2 million due to a less favourable product mix, lower sales volume and the resulting underutilisation. Overall, this resulted in an EBITDA margin of 21.9%, which was lower than the prior-year figure of 29.5%. EBIT amounted to € 39.9 million, down € 53.2 million on the prior-year value of € 93.1 million. The EBIT margin was at 6.8% (previous year: 15.5%).

Automotive, Industrial, Medical segment

The segment's revenue, at € 259.3 million was down -4.2% on the prior-year figure of € 270.6 million. Strong demand was recorded above all in the Medical & Healthcare sector in the first nine months. The Automotive and Industrial segments were faced with a difficult environment, which led to increased price pressure in both segments and also caused lower demand in the Industrial segment.

The segment's EBITDA, at € 24.1 million, was down € 14.2 million on the prior-year value of € 38.3 million. Due to these effects, the EBITDA margin fell by 4.8 percentage points from 14.1% to 9.3%. EBIT dropped by -71.8% from € 24.5 million to € 6.9 million.

FINANCIAL POSITION

Total assets increased by 6.7% from € 1,784.1 million to € 1,902.9 million in the first nine months. Additions to assets and technology upgrades amounting to € 191.3 million were offset by depreciation of € 108.7 million. The additions to assets led to cash CAPEX of € 145.5 million. Moreover, exchange rate effects reduced fixed assets by € 27.4 million. Cash and cash equivalents amounted to € 432.7 million (31 March 2019: € 326.8 million). In addition to cash and cash equivalents, AT&S has financial assets of € 191.9 million and unused credit lines of € 236.5 million to finance the future investment programme and short-term repayments.

Equity decreased by -6.3% from € 803.5 million at the balance sheet date to € 752.6 million. The profit of the period of € 25.2 million was largely offset by negative currency effects of € 39.3 million, which resulted from the translation of net asset positions of subsidiaries, the dividend payout of € 23.3 million, and the payout to the hybrid bond owners of € 8.3 million. In addition, the measurement of post-employment benefits (€ -4.1 million) and the change in hedging instruments for cash flow hedges (€ -1.0 million) had a negative impact on equity. Based on this decline in equity and the higher total assets, the equity ratio, at 39.6%, was 5.4 percentage points lower than at 31 March 2019; but remains at a high level. Net debt rose by € 35.5 million or 23.6% from € 150.3 million to € 185.8 million.

Cash flow from operating activities amounted to € 176.7 million in the first nine months of 2019/20 (previous year: € 153.2 million). Cash inflows were offset by cash outflows for net investments of € 145.5 million (previous year: € 63.2 million), resulting in operating free cash flow of € 31.2 million (previous year: € 90.0 million).

SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

In order to finance the further expansion of the Chongqing site, a long-term loan with a volume totalling € 300.0 million was concluded under an OeKB equity financing programme in January 2020.

OUTLOOK

The spreading of the coronavirus disease is currently impacting the production of AT&S in China. Due to this development, revenue will fall short of expectations in the fourth quarter of the current financial year. AT&S therefore adjusted its revenue and earnings forecast (previously: revenue at the prior-year level of € 1,028.0 million; EBITDA margin between 20% and 25%) and expects revenue to amount to € 960 million, with an EBITDA margin in the range of 18% to 20%.

Subject to staff availability, the plants in Shanghai and Chongqing II will start production in the week of 10 February 2020 after extended New Year's holidays. The Chongqing I plant resumed production at reduced capacity after the New Year's celebrations as planned. AT&S currently considers the following aspects to influence the development in the coming months: a deterioration of the current general conditions, the provision of production materials and personnel, processes in the supply chain and the demand situation.

The figures projected for investments for the year are more precise now: Expenditures for basic investments (maintenance and technology upgrades) still range between € 80 and 100 million. Expenditures for capacity and technology expansions which depend on the market development are expected to total € 40 million (forecast H1: € 100 million). The funds will largely be used to start the second expansion phase of the module business in Chongqing II. Investments of € 130 million (previously: up to € 180 million) can be expected for the capacity expansion in the area of IC substrates. The Group's capital expenditures will therefore total up to € 270 million (H1: up to € 340 million) for this financial year. The adjustments merely result from short-term management and, consequently, shifts of periods between financial years. The total investment volume for the IC substrate capacity expansion (Chongqing I and III) remains unaffected.

Medium-term guidance

The medium-term guidance continues to apply: As part of the strategy "More than AT&S", the Group expects revenue to double to € 2 billion in the next five years. This corresponds to a compound annual growth rate (CAGR) of roughly 15%. Taking

into account a stable base business, this growth is based above all on the full expansion of the plants in Chongqing. Due to the stronger focus on high-end applications, the historical trend of continuous and sustainable margin improvement can be continued, and an EBITDA margin in the range of 25% to 30% can be achieved in the medium term. The Group's medium-term ROCE target is more than 12%.

Leoben-Hinterberg, 04 February 2020

The Management Board

Andreas Gerstenmayer m.p.
Monika Stoisser-Göhring m.p.
Heinz Moitzi m.p.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

€ in thousands	1 Oct - 31 Dec 2019	1 Oct - 31 Dec 2018	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018
Revenue	262,917	273,257	753,234	790,114
Cost of sales	(227,752)	(210,355)	(662,857)	(634,059)
Gross profit	35,165	62,902	90,377	156,055
Distribution costs	(7,539)	(7,248)	(22,768)	(23,222)
General and administrative costs	(11,749)	(9,082)	(30,406)	(26,205)
Other operating income	4,276	3,205	13,426	15,697
Other operating costs	(1,830)	(192)	(2,937)	(797)
Other operating result	2,446	3,013	10,489	14,900
Operating result	18,323	49,585	47,692	121,528
Finance income	1,650	1,909	8,918	10,567
Finance costs	(7,767)	(4,397)	(12,216)	(13,150)
Finance costs – net	(6,117)	(2,488)	(3,298)	(2,583)
Profit before tax	12,206	47,097	44,394	118,945
Income taxes	(6,537)	(10,213)	(19,192)	(26,689)
Profit for the period	5,669	36,884	25,202	92,256
Attributable to owners of hybrid capital	2,095	2,095	6,263	6,263
Attributable to owners of the parent company	3,574	34,789	18,939	85,993
Earnings per share attributable to equity holders of the parent company (in € per share):				
– basic	0.09	0.90	0.49	2.21
– diluted	0.09	0.90	0.49	2.21
Weighted average number of shares outstanding – basic (in thousands)	38,850	38,850	38,850	38,850
Weighted average number of shares outstanding – diluted (in thousands)	38,850	38,850	38,850	38,850

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in thousands	1 Oct - 31 Dec 2019	1 Oct - 31 Dec 2018	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018
Profit for the period	5,669	36,884	25,202	92,256
Items to be reclassified:				
Currency translation differences, net of tax	(15,637)	15,535	(39,261)	(9,584)
Gains/(losses) from the fair value measurement of hedging instruments for cash flow hedges, net of tax	2,526	(1,969)	(1,030)	(1,708)
Items not to be reclassified:				
Remeasurement of post-employment obligations, net of tax	–	–	(4,109)	–
Other comprehensive income for the period	(13,111)	13,566	(44,400)	(11,292)
Total comprehensive income for the period	(7,442)	50,450	(19,198)	80,964
Attributable to owners of hybrid capital	2,095	2,095	6,263	6,263
Attributable to owners of the parent company	(9,537)	48,355	(25,461)	74,701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in thousands	31 Dec 2019	31 Mar 2019
ASSETS		
Property, plant and equipment	871,118	777,742
Intangible assets	47,734	60,121
Financial assets	193	193
Deferred tax assets	30,168	35,555
Other non-current assets	25,385	24,664
Non-current assets	974,598	898,275
Inventories	108,477	84,465
Trade and other receivables and contract assets	192,454	229,045
Financial assets	191,923	239,752
Current income tax receivables	2,762	5,728
Cash and cash equivalents	432,659	326,841
Current assets	928,275	885,831
Total assets	1,902,873	1,784,106
EQUITY		
Share capital	141,846	141,846
Other reserves	(1,956)	42,444
Hybrid capital	172,887	172,887
Retained earnings	439,853	446,274
Equity attributable to owners of the parent company	752,630	803,451
Total equity	752,630	803,451
LIABILITIES		
Financial liabilities	704,458	679,076
Provisions for employee benefits	54,791	48,409
Deferred tax liabilities	5,247	5,547
Other liabilities	16,304	16,196
Non-current liabilities	780,800	749,228
Trade and other payables	253,689	179,954
Financial liabilities	106,107	37,967
Current income tax payables	7,005	9,331
Other provisions	2,642	4,175
Current liabilities	369,443	231,427
Total liabilities	1,150,243	980,655
Total equity and liabilities	1,902,873	1,784,106

CONSOLIDATED STATEMENT OF CASH FLOWS

€ in thousands	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018
Operating result	47,692	121,528
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	108,699	98,946
Gains/losses from the sale of fixed assets	735	37
Changes in non-current provisions	6,647	834
Non-cash expense/(income), net	(12,108)	(10,988)
Interest paid	(8,721)	(8,748)
Interest received	5,216	3,153
Income taxes paid	(12,074)	(25,674)
Cash flow from operating activities before changes in working capital	136,086	179,088
Inventories	(26,450)	(10,101)
Trade and other receivables and contract assets	32,362	(15,083)
Trade and other payables	36,033	163
Other provisions	(1,366)	(857)
Cash flow from operating activities	176,665	153,210
Capital expenditure for property, plant and equipment and intangible assets	(145,517)	(63,320)
Proceeds from the sale of property, plant and equipment and intangible assets	42	76
Capital expenditure for financial assets	(47,933)	(206,401)
Proceeds from the sale of financial assets	93,603	13,951
Cash flow from investing activities	(99,805)	(255,694)
Proceeds from borrowings	78,809	354,711
Repayments of borrowings	(18,034)	(135,025)
Proceeds from government grants	1,321	3,597
Dividends paid	(23,310)	(13,986)
Hybrid coupon paid	(8,313)	(8,313)
Cash flow from financing activities	30,473	200,984
Change in cash and cash equivalents	107,333	98,500
Cash and cash equivalents at beginning of the year	326,841	270,729
Exchange gains/(losses) on cash and cash equivalents	(1,515)	10,958
Cash and cash equivalents at end of the period	432,659	380,187

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ in thousands	Share capital	Other reserves	Hybrid capital	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
31 Mar 2018	141,846	27,505	172,887	369,153	711,391	–	711,391
Adjustments IFRS 15, IFRS 9	–	–	–	10,393	10,393	–	10,393
01 Apr 2018	141,846	27,505	172,887	379,546	721,784	–	721,784
Profit for the period	–	–	–	92,256	92,256	–	92,256
Other comprehensive income for the period	–	(11,292)	–	–	(11,292)	–	(11,292)
thereof currency translation differences	–	(9,584)	–	–	(9,584)	–	(9,584)
thereof change in hedging instruments for cash flow hedges, net of tax	–	(1,708)	–	–	(1,708)	–	(1,708)
Total comprehensive income for the period	–	(11,292)	–	92,256	80,964	–	80,964
Dividends paid relating to 2017/18	–	–	–	(13,986)	(13,986)	–	(13,986)
Hybrid coupon paid	–	–	–	(8,313)	(8,313)	–	(8,313)
31 Dec 2018	141,846	16,213	172,887	449,503	780,450	–	780,450
31 Mar 2019	141,846	42,444	172,887	446,274	803,451	–	803,451
Profit for the period	–	–	–	25,202	25,202	–	25,202
Other comprehensive income for the period	–	(44,400)	–	–	(44,400)	–	(44,400)
thereof currency translation differences, net of tax	–	(39,261)	–	–	(39,261)	–	(39,261)
thereof remeasurement of post-employment obligations, net of tax	–	(4,109)	–	–	(4,109)	–	(4,109)
thereof change in hedging instruments for cash flow hedges, net of tax	–	(1,030)	–	–	(1,030)	–	(1,030)
Total comprehensive income for the period	–	(44,400)	–	25,202	(19,198)	–	(19,198)
Dividends paid relating to 2018/19	–	–	–	(23,310)	(23,310)	–	(23,310)
Hybrid coupon paid	–	–	–	(8,313)	(8,313)	–	(8,313)
31 Dec 2019	141,846	(1,956)	172,887	439,853	752,630	–	752,630

SEGMENT REPORTING

€ in thousands	Mobile Devices & Substrates		Automotive, Industrial, Medical		Others		Elimination/ Consolidation		Group	
	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018
Segment revenue	590,396	601,539	259,290	270,613	–	4,213	(96,452)	(86,251)	753,234	790,114
Internal revenue	(70,562)	(68,300)	(25,890)	(17,951)	–	–	96,452	86,251	–	–
External revenue	519,834	533,239	233,400	252,662	–	4,213	–	–	753,234	790,114
Operating result before depreciation/amortisation	129,211	177,206	24,091	38,271	3,089	4,997	2.91038304567337E-11	–	156,391	220,474
Depreciation/amortisation incl. appreciation	(89,271)	(84,110)	(17,208)	(13,752)	(2,220)	(1,084)	1.45519152283669E-11	–	(108,699)	(98,946)
Operating result	39,940	93,096	6,883	24,519	869	3,913	–	–	47,692	121,528
Finance costs - net	–	–	–	–	–	–	–	–	(3,298)	(2,583)
Profit/(loss) before tax	–	–	–	–	–	–	–	–	44,394	118,945
Income taxes	–	–	–	–	–	–	–	–	(19,192)	(26,689)
Profit/(loss) for the period	–	–	–	–	–	–	–	–	25,202	92,256
Property, plant and equipment and intangible assets ¹⁾	760,128	711,119	151,237	122,043	7,487	4,701	–	–	918,852	837,863
Additions to property, plant and equipment and intangible assets	163,151	35,447	25,232	20,498	2,965	2,269	–	–	191,348	58,214

¹⁾ Previous year values as of 31 March 2019

INFORMATION BY GEOGRAPHIC REGION

Revenues broken down by customer region, based on customer's headquarters:

€ in thousands	1 Apr - 31 Dec 2019	1 Apr - 31 Dec 2018
Austria	11,751	15,079
Germany	105,472	131,911
Other European countries	57,295	60,120
China	17,706	10,463
Other Asian countries	42,026	43,965
Americas	518,984	528,576
Revenue	753,234	790,114

Property, plant and equipment and intangible assets broken down by domicile:

€ in thousands	31 Dec 2019	31 Mar 2019
Austria	101,872	73,275
China	759,788	711,064
Others	57,192	53,524
Property, plant and equipment and intangible assets	918,852	837,863

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