AT&S

Half Year Financial Report

2008/2009

HYBRID GROWTH *by Birgit Knoechl*

Key Figures

(in € million, earning per share in €)	First half 2008/09	First half 2007/08
Total revenues	234.2	241.7
Gross profit	39.1	43.8
Gross profit margin	16.7%	18.1%
EBIT (operating profit)	20.6	22.2
EBIT margin	8.8%	9.2%
EBITDA	41.3	38.6
EBITDA margin	17.6%	16.0%
Net income for the period	18.6	21.6
Earnings per share*	0.80	0.94
Total assets/equity & liabilities	544.3	506.9
CAPEX, net	29.5	59.8
Equity ratio	47.7%	44.1%
Net debt	171.9	150.6
Net gearing	66.3%	67.4%
ROE **	15.3%	19.8%
Payroll (incl. leased personnel)	6,390	6,250

* Calculated on the basis of the weighted average number of shares outstanding as of 30 September 2008 (23,322,588 shares) and 30 September 2007 (23,426,015 shares) in accordance with IFRS.
** Calculated on the basis of the average shareholders' equity for the period, annualised.

Highlights

- Sales down slightly due to macroeconomic climate and weak US dollar, net income for second quarter 2008/09 up significantly to EUR 13.6m.
- Recognition for AT&S in China: 62% of second quarter sales already generated in Asia.
- Groundwork for new facility in India: AT&S continues to build on long-term successes in Asia.
- Start-up of new sales company in San Jose, California: alongside Europe and Asia, activities also now intensified in the USA.
- AT&S Solutions and Hitachi High-Technologies Europe working together on innovative GPS/AGPS module.
- AT&S shares traded exclusively on Austrian Stock Exchange since 15 September 2008.

Statement of the Board of Management

Dear shareholders,

Reports on the financial crisis dominate the media at present. In financial 2008/09 results for the first quarter – which is in any event heavily affected by seasonal fluctuation – were strongly influenced by the overall economic climate, with sales and margins coming under particular pressure. Typically, the first and the fourth quarters of the financial year are periods of low capacity operation, while the second and third quarters show excellent capacity utilisation. As the second quarter progressed the product mix improved again, and all facilities were soon reporting capacities well filled.

Sales decline slightly, earnings up considerably in second quarter

Second quarter sales were down 6% on the previous year, to EUR 119.0m, reflecting the macroeconomic situation. The almost 10% fall in value of the US dollar, averaged over the quarter, was a significant factor: for a major part of our business (roughly 75% of all revenues) prices are dependent on the dollar. Total sales for the first half year amounted to EUR 234.2m (down 3%).

Gross profit for the second quarter of EUR 23.2m was 7% less than a year ago. The figure for the first half was down 11% on the previous year's level, to EUR 39.1m. The gross margin for the second quarter was 19.5%, and for the first half 16.7%.

EBIT benefited from valuation effects associated with the rise in the US dollar and the Chinese renminbi yuan against the euro towards the end of September. Second quarter EBIT of EUR 14.9m was up 4% on the same period last year. EBIT for the first half year of EUR 20.6m was down 7% on first half 2007/08, largely due to the weaker first quarter. The EBIT margin was 12.6% for the second quarter and 8.8% for the first half year.

Earnings before tax in the second quarter increased by 7% to EUR 15.0m, while for the first half of the year the total was EUR 20.3m (down 12%).

Net income for the second quarter was up 9% on the same period last year, reaching a new record high of EUR 13.6m. Net income for the first half amounted to EUR 18.6m (down 14%).

Earnings per share were EUR 0.58 in the second quarter and EUR 0.80 in the first half year.

Net debt at 30 September 2008 amounted to EUR 171.9m (EUR 150.6m a year earlier), with net gearing at 66.3%. The increase in net borrowings of EUR 15.6m since 31 March 2008 is largely attributable to capital investment in extension of the Shanghai and Nanjangud plants and the payment of dividends. In the first quarter of financial 2008/09 AT&S placed a five-year EUR 80 million bond, exchanging short-term for longer-term debt and improving its financial structure.

During the first half year AT&S employed an average of 6,390 people at its production sites in Austria, China, India and Korea, and in a total of 17 sales offices.

Sales by segment

Mobile devices accounted for 62% of sales in the first half of 2008/09, while the industrial/medical sector contributed roughly 25%, and the automotive industry roughly 11%. In addition to developing and manufacturing printed circuit boards, Solutions offers our customers a range of additional services, including design and assembly of circuit boards. This business accounted for 3% of total sales.

AT&S Solutions develops novel GPS/AGPS module

AT&S Solutions' most recent successes make clear that it is an ideal addition to our core business. For Hitachi High-Technologies Europe GmbH, AT&S has developed a new GPS/AGPS module. Among recent developments in the field, the AT&S eMD3620 GPS module is in the forefront, with rapid, outstandingly accurate geographical positioning and navigation even under difficult local conditions. What we have created is a plug-and-play version, which thanks to integrated software is instantly functional and ready for immediate use. Our overall aim was to provide a complete solution at an attractive price.

The module was developed as an all-in-one solution for use in portable appliances as well as in the automotive industry. The main applications are in navigation systems, and in tracking systems or fleet management. AT&S Solutions took care of the entire hardware development, together with the production and population of the printed circuit boards. Hitachi High-Technologies Europe GmbH will market the module through its worldwide distribution network.

AT&S among top 30 foreign investors in Shanghai

One of the reasons for our success is our installed production capacity in Asia. Although AT&S has not been in Shanghai for long, we have achieved considerable success during our seven years' presence in the Chinese market. In financial 2005/06, Asia accounted for just 34% of sales. Today the figure has risen to 62%. Shanghai is one of the mainstays of our growth strategy. With total investment of around USD 500m and over 3,300 employees in Shanghai, AT&S is Austria's largest industrial investor in China.

According to the book “Better Together – Records of Shanghai Foreign Investment Development” published in July 2008, AT&S is among the top 30 foreign investors in Shanghai, alongside household names such as Coca-Cola, Unilever and Siemens. When one considers that more than 40,000 international companies are active in Shanghai, this ranking is a tribute to our performance so far, and its recognition is a fresh incentive for the future.

Foundations laid for new facility in India

Our investment in expanding capacity in India clearly demonstrates our commitment to our successful, long-term growth strategy. Capacity utilisation at the existing facility in Nanjangud is excellent, and demand for standard multilayer and double-sided circuit boards is growing all the time. The new plant will permit us to build on our market leadership in India and provide a solid foundation for future growth. The official foundation stone ceremony took place on 5 August 2008.

We shall be investing a total of around EUR 37m in the new production site in financial 2008/09 and 2009/10. The facility is scheduled for completion in July 2009. The new capacity is also forecast to make its initial contribution to Group revenues in 2009/10: starting with EUR 18m in its first year, the facility will generate sales of about EU 37m in a full year. The new plant is going up next to the existing factory, and will specialise in multilayer circuit boards for automotive, medical and industrial customers.

AT&S establishes new sales and marketing subsidiary in San Jose, California

AT&S has a well-established presence in Europe and Asia and is now stepping up its involvement in the USA. AT&S Americas LLC opened for business in San Jose, California, on 1 August 2008. This reinforces our global sales and marketing network, which serves some 500 customers across three continents. San Jose was chosen as the logical location for the new office because of the numerous high-tech enterprises in the neighbourhood – such as Apple, Intel and Cisco. Although in many cases production has migrated to Asia, many vital product and procurement decisions continue to be made in the corporate headquarters of the numerous US technology giants.

The new sales office means improved local support for existing customers, and for prospective customers it means better quality technical advice and direct access to solutions competence.

Outlook

The effects of the financial crisis on the real economy can not be precisely assessed at present, though losses in the capital markets and the resultant problems for banks will in all probability have a negative effect on the future growth of the markets AT&S serves. Our outstanding positioning and our healthy capital structure should however help us win additional market shares next year.

In spite of currently satisfactory levels of capacity utilisation, we will be keeping a close eye on market developments and will tailor capacity expansion appropriately. We must react quickly and appropriately to changes in the market environment. This means that neither structural adjustments within the Group nor effects on the value of the goodwill at AT&S Korea can be excluded. At present we are not prepared to give any precise guidance.

With best regards

Harald Sommerer
Chairman of the Board

Steen Hansen
Member of The Board

Heinz Moitzi
Member of the Board

Directors’ Holdings and Dealings

	SHARES				OPTIONS			
	Holdings 30 June 2008	Change	Holdings 30 Sept. 2008	Capital %	Holdings 30 June 2008	Change	Holdings 30 Sept. 2008	Average strike price
Harald Sommerer [1]	41,500		41,500	0.16%	180,000	(20,000)	160,000	€ 17.92
H.S. Private Foundation	120,600		120,600	0.47%				
Total – Sommerer	162,100		162,100	0.63%				
Steen Hansen [1]	0		0	0.00%	135,000	(15,000)	120,000	€ 17.92
Heinz Moitzi [1]	1,672		1,672	0.01%	120,000	0	120,000	€ 17.92
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%				
Wilibald 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%				
Wolfgang Fleck [2]	0		0	0.00%				
Johann Fuchs	4		4	0.00%				
Gerhard Fürstler [2]	1		1	0.00%				
Markus Schumy	0		0	0.00%				
Maximilian Sommerer	2,500		2,500	0.01%				
Niklas Sommerer	2,500		2,500	0.01%				
Clemens Sommerer	2,500		2,500	0.01%				
Total directors holdings/dealings	**10,771,774**	**0**	**10,771,774**	**41.59%**	**435,000**	**(35,000)**	**400,000**	
Treasury stock [3, 4]	2,577,412	0	2,577,412	9.95%				
Other shares in issue	12,550,814		12,550,814	48.46%				
Total	**25,900,000**		**25,900,000**	**100.00%**	**435,000**		**400,000**	

[1] Harald Sommerer and Steen Hansen: 20,000 and 15,000 options respectively under the Stock Option Plan lapsed (not exercised).
[2] As of 17 September 2008 Wolfgang Fleck replaced Gerhard Fürstler as Works Council delegate.
[3] The nominal value of treasury stock at 30 September 2008 was EUR 2,835,153.
[4] Repurchased shares are used for the employee participation scheme or for stock option plans, and for possible acquisitions.

AT&S Share

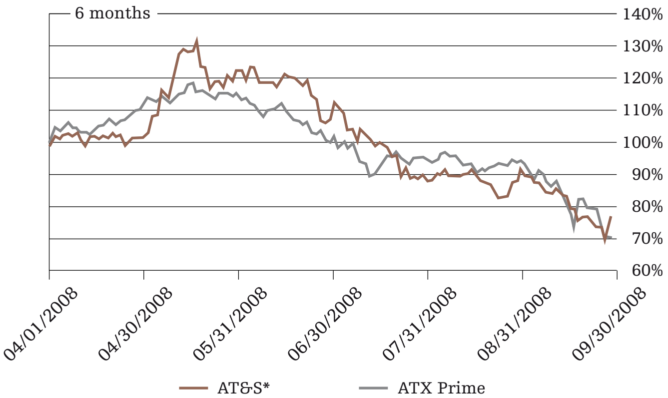
AT&S shares traded exclusively on Vienna Stock Exchange

AT&S has been listed on the Vienna Stock Exchange in the Prime Market segment since 20 May 2008. At the same time, application was filed for delisting and withdrawal of AT&S stock from the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The stock was delisted with effect from Sunday, 14 September 2008. The last day of trading in AT&S stock on the Frankfurt Stock Exchange was Friday, 12 September 2008. AT&S stock has been exclusively listed on the Vienna Stock Exchange since Monday, 15 September 2008.

Share price

The collapse of international stock markets triggered by the financial crisis has not passed AT&S stock by. After a strong start to financial 2008/09 with an intraday high of EUR 13.56 on 21 May 2008, the share closed on 30 September 2008 at EUR 7.70, which was 24% down on the price at the beginning of April. The performance of AT&S stock largely paralleled the decline in the ATX Prime, which was 30% down over the period. Overall, AT&S stock slightly outperformed the index.

AT&S against the ATX Prime



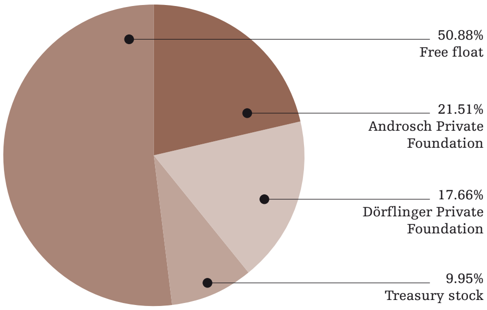
* Due to change in listing: 1 April 2008 to 19 May 2008 performance of AT&S stock on the Frankfurt Stock Exchange and from 20 May 2008 on the Vienna Stock Exchange.

AT&S is confident of shareholders' backing

AT&S played host to about 80 shareholders at the 14th Annual General Meeting held at Leoben Congress Centre on 3 July 2008. All resolutions were approved by over 93% of shareholders. For more information please refer to the report on the first quarter.

During these turbulent times AT&S is making every effort to boost confidence by strengthening personal ties with investors and analysts. Shareholders and potential investors are being given the opportunity to talk to AT&S management at numerous one-on-one meetings. This year the annual Capital Markets Day will take place on 15 December 2008.

Shareholdings



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

Key stock figures (€)

	30 September 2008	30 September 2007
Earnings per share	0.80	0.94
High	13.56	20.44
Low	7.40	16.00
Close	7.70	18.23

AT&S stock

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

Financial calendar

3rd Quarter 2008/09	27 January 2009
Annual results 2008/09	14 May 2009
15th Annual General Meeting	2 July 2009

Investor relations

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Interim Financial Report (IFRS)

Consolidated Income Statement

(in € 1,000)	1 July–30 September 2008	2007	1 April–30 September 2008	2007
Revenues	119,028	127,016	234,225	241,698
Cost of sales	(95,816)	(102,015)	(195,104)	(197,886)
Gross Profit	23,212	25,001	39,121	43,812
Selling costs	(5,825)	(5,373)	(11,549)	(10,820)
General and administrative costs	(5,772)	(5,223)	(11,148)	(10,651)
Other operating result	3,323	22	4,146	(147)
Operating profit	14,938	14,427	20,570	22,194
Financial income	5,811	3,527	7,517	4,859
Financial expense	(5,711)	(3,878)	(7,777)	(3,923)
Financial result	100	(351)	(260)	936
Profit before tax	15,038	14,076	20,310	23,130
Income tax expense	(1,472)	(1,669)	(1,715)	(1,508)
Profit for the period	**13,566**	**12,407**	**18,595**	**21,622**
Thereof equity holders of the Company	13,583	12,645	18,624	22,021
Thereof minority interest	(17)	(238)	(29)	(399)
Earnings per share for profit attributable to equity holders of the Company				
- Basic earnings per share (in €)	0.58	0.54	0.80	0.94
- Diluted earnings per share (in €)	0.58	0.54	0.80	0.94
Weighted average number of shares outstanding – basic (in thousands)	23,323	23,355	23,323	23,426
Weighted average number of shares outstanding – diluted (in thousands)	23,323	23,377	23,323	23,449

Consolidated Balance Sheet

(in € 1,000)	30 September 2008	31 March 2008
ASSETS		
Non-current assets		
Property, plant and equipment	328,649	297,750
Intangible assets	7,760	8,347
Financial assets	122	119
Overfunded retirement benefits	235	424
Deferred tax assets	11,305	9,391
Other non-current assets	2,788	2,461
	350,859	318,492
Current assets		
Inventories	62,120	51,714
Trade and other receivables	107,711	93,751
Financial assets	14,862	20,044
Non-current assets held for sale	2,151	2,151
Current income tax receivables	146	84
Cash and cash equivalents	6,474	9,364
	193,464	177,108
Total assets	**544,323**	**495,600**
EQUITY		
Share capital	45,680	45,658
Other reserves	(16,643)	(39,714)
Retained earnings	230,365	219,817
Equity attributable to equity holders of the Company	259,402	225,761
Minority interest	502	530
Total equity	**259,904**	**226,291**
LIABILITIES		
Non-current liabilities		
Financial liabilities	111,219	39,301
Provisions for employee benefits	11,261	10,830
Deferred tax liabilities	9,002	7,280
Other long-term liabilities	2,387	1,852
	133,869	59,263
Current liabilities		
Trade and other payables	74,639	75,790
Financial liabilities	71,540	130,126
Current income tax payables	3,119	2,418
Other provisions	1,252	1,712
	150,550	210,046
Total liabilities	**284,419**	**269,309**
Total equity and liabilities	**544,323**	**495,600**

Consolidated Cash Flow Statement

(in € 1,000)	1 April–30 September 2008	2007
Cash flows from operating activities		
Profit for the period	18,595	21,622
Adjustments to reconcile profit for the period to cash generated from operations:		
Depreciation, amortisation and impairment less reversal of impairment of fixed assets and assets held for sale	20,689	16,368
Income tax expense	1,715	1,508
Financial expense/(income)	260	(936)
(Gains)/losses from the sale of fixed assets	(110)	(113)
Release from government grants	(759)	(1,063)
Other non-cash expense/(income), net	1,001	108
Changes in working capital:		
- Inventories	(8,039)	(5,378)
- Trade and other receivables	(10,853)	(9,292)
- Trade and other payables	956	10,111
- Other provisions	(449)	117
Cash generated from operations	23,006	33,052
Interest paid	(2,810)	(3,535)
Interest received	171	146
Income tax paid	(1,363)	(2,209)
Net cash generated from operating activities	**19,004**	**27,454**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(29,639)	(60,011)
Proceeds from sale of property, plant and equipment and intangible assets	179	194
Purchase of financial assets	(3)	–
Proceeds from sale of financial assets	3,015	2,564
Net cash used in investing activities	**(26,448)**	**(57,253)**
Cash flows from financing activities		
Proceeds from borrowings	80,465	71,756
Repayments of borrowings	(69,508)	(34,542)
Proceeds from government grants	1,454	1,123
Proceeds from the exercise of stock options	–	483
Payments for the purchase of treasury shares	–	(3,891)
Dividends paid	(7,930)	(7,249)
Net cash generated from financing activities	**4,481**	**27,680**
Net decrease in cash and cash equivalents	**(2,963)**	**(2,119)**
Cash and cash equivalents at beginning of the year	9,364	24,597
Exchange gains/(losses) on cash and cash equivalents	73	(764)
Cash and cash equivalents at end of period	**6,474**	**21,714**

Consolidated Statement of Changes in Equity

(in € 1,000)	Share capital	Other reserves	Retained earnings	Equity attributable to equity holders of the Company	Minority interest	Total equity
31 March 2007	**49,529**	**(14,924)**	**185,617**	**220,222**	**545**	**220,767**
Currency translation differences	–	(8,185)	–	**(8,185)**	52	**(8,133)**
Net income/(expense) recognised directly in equity	–	(8,185)	–	**(8,185)**	52	**(8,133)**
Profit for the period	–	–	22,021	**22,021**	(399)	**21,622**
Total recognised income and expense	**–**	**(8,185)**	**22,021**	**13,836**	**(347)**	**13,489**
Stock option plan:						
- Value of employee services	36	–	–	**36**	–	**36**
- Change in stock options	(182)	–	–	**(182)**	–	**(182)**
Change in treasury stock net of tax	(2,780)	–	–	**(2,780)**	–	**(2,780)**
Dividend relating to 2006/07	–	–	(7,249)	**(7,249)**	–	**(7,249)**
Minority interest through reclassifications of losses attributable to minority interest	–	–	(346)	**(346)**	346	**–**
30 September 2007	**46,603**	**(23,109)**	**200,043**	**223,537**	**544**	**224,081**
31 March 2008	**45,658**	**(39,714)**	**219,817**	**225,761**	**530**	**226,291**
Currency translation differences	–	23,071	45	**23,116**	7	**23,123**
Net income/(expense) recognised directly in equity	–	23,071	45	**23,116**	7	**23,123**
Profit for the period	–	–	18,624	**18,624**	(29)	**18,595**
Total recognised income and expense	**–**	**23,071**	**18,669**	**41,740**	**(22)**	**41,718**
Stock option plan:						
- Value of employee services	22	–	–	**22**	–	**22**
Dividend relating to 2007/08	–	–	(7,930)	**(7,930)**	–	**(7,930)**
Minority interest through acquisition and reclassifications of losses attributable to minority interest	–	–	(191)	**(191)**	(6)	**(197)**
30 September 2008	**45,680**	**(16,643)**	**230,365**	**259,402**	**502**	**259,904**

Segment Report

a. Geographical segmentation

1st Half of financial year 2008/09:

(in € 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	176,432	57,793	–	234,225
Intercompany sales	–	78,362	(78,362)	–
Total revenues	176,432	136,155	(78,362)	234,225
Segment result/Operating profit	1,671	28,022	(9,123)	20,570
Financial result				(260)
Profit before income tax				20,310
Income tax expense				(1,715)
Profit for the period				**18,595**
Total assets	150,869	391,736	1,718	544,323
Total liabilities	50,121	62,574	171,724	284,419
Capital expenditures	4,915	17,526	779	23,220
Depreciation/amortisation of property, plant and equipment and intangible assets	5,170	14,986	533	20,689

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
Total liabilities	58,699	51,011	173,078	282,788
Capital expenditures	3,818	60,457	199	64,474
Depreciation/amortisation of property, plant and equipment and intangible assets	5,042	10,587	739	16,368

b. Business segment information

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

(in € 1,000)	1 April–30 September 2008	2007
Mobile Devices	144,984	161,235
Industrial	57,891	49,899
Automotive	24,987	24,722
Other	6,363	5,842
	234,225	**241,698**

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

Revenue broken down by country is as follows:

(in € 1,000)	1 April–30 September 2008	2007
Austria	10,626	10,600
Germany	56,274	60,983
Hungary	25,363	19,007
Other EU	17,008	14,947
Asia	86,060	105,046
Canada, USA	32,592	27,333
Other	6,302	3,782
	234,225	**241,698**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim report for the six months ended 30 September 2008 has been prepared in accordance with the standards (IFRS and IAS) of the International Accounting Standards Board (IASB), including IAS 34, and interpretations (IFRIC and SIC) as adopted by the European Union.

There are no differences in accounting and valuation policies compared with those applied in the financial year ended 31 March 2008.

The consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements and should be read in conjunction with the annual consolidated statements published for the year ended 31 March 2008.

The consolidated interim statements for the six months ended 30 September 2008 are unaudited and have not been the subject of external audit review.

Notes to the income statement

Revenues

Revenues in the first half of the financial year 2008/09 of EUR 234.2m were nearly the same as in the same period last year. The difference was EUR 7.5m, or 3.1%, and is largely attributable to the US dollar exchange rate, which was an average of more than 12% lower. The comparison quarter by quarter with last year shows that, following an increase in net sales in the first quarter, the effects of global economic developments slowed revenue growth in the second quarter.

Net sales in the first half of this financial year were nonetheless high, because volumes compared with last year had once again increased; this expansion of output was made possible primarily by the third China plant, which went into production during financial 2007/08. Volumes in individual facilities in Austria also grew. Volumes of HDI circuit boards produced in Austria, on the other hand, were significantly reduced in comparison with last year, as a result of the partial transfer of production to Asia. Prices changes caused among other things by changes in the USD/EUR exchange rate meant that overall revenue fell back slightly, despite volume increases.

Gross profit

Compared with the first half of 2007/08, the gross profit margin fell from 18.1% to 16.7%, with gross profit coming out EUR 4.7m lower.

The lower gross margin highlights the problem of reduced average selling prices. Lower capacity utilisation in some of the production facilities in Austria and the resulting heavier burden of fixed costs also contributed to this outcome. The start-up period at our factory in Korea continues to depress gross profit, though to a much lesser extent than in the first half of last financial year.

Compared with the first quarter of financial 2008/09, capacity utilisation in the second quarter improved, particularly in production facilities in China, with the result that the consolidated gross margin of 19.5% was even close to that of the same quarter last year, when revenues were high. The improvement of EUR 7.3m in the gross margin for second quarter 2008/09 in comparison with the first quarter was particularly marked.

Operating profit

The EUR 1.6m reduction in operating profit in first half 2008/09 compared with the same period last year chiefly reflects the fall in gross profit. The relatively smaller difference compared with the change in gross profit is largely accounted for by the very positive other operating result, which is chiefly made up of exchange gains from the continuing improvement of the US dollar against the euro in the second quarter of the financial year. Last year's figure was also depressed by start-up losses in connection with the commissioning of the third plant in China.

The increase in selling costs reflects the expansion-driven needs for more staff, and administrative costs are also up slightly year on year, as a result of special projects.

Financial result

Lower financial income than in the first six months of 2007/08 was largely the result of changes in exchange rates. The appreciation of the US dollar against the euro since the end of the last financial year meant that both the positive contribution from exchange rate hedges and exchange gains on bank financing were smaller.

The higher net debt compared with a year ago led to an increase in financing expense. The financial result for the first half of the financial year was EUR 1.2m worse than last year, resulting in net financing expense. In contrast, the financial result for the second quarter was positive, mainly as a result of the appreciation of a functional currency, the renminbi yuan (CNY).

Income tax expense

Compared with the same period last year, the effective tax rate for the Group has risen. The increase in relation to the consolidated profit before tax is mainly a consequence of the different 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. And compared with the first half of last financial year, lower amounts of deferred taxes on tax loss carryforwards have been recognised.

Notes to the balance sheet

Financial position

Net debt rose to EUR 171.9m, an increase of EUR 15.6m compared with the position at the end of the last financial year. The increase was largely due to the assumption of long-term financial liabilities. A five-year EUR 80m bond with an interest rate of 5.5% was placed on the Vienna Stock Exchange's Third Market on 27 May 2008, shifting financing from short to longer-term and improving the financial structure. The relatively greater increase in equity compared with net debt meant that the net gearing ratio fell from 69% at 31 March 2008 to 66%. Net debt was EUR 21.9m higher than a year ago, mainly financing the investments in China. The net gearing ratio fell slightly over the same period.

Against the background of first half consolidated net income lower than last year's, the considerable improvement in consolidated equity was principally attributable to favourable exchange translation differences. The growth of the foreign currency translation reserve in the first half of this financial year chiefly reflected the exchange rate movements of two functional currencies, the renminbi yuan (CNY) and Hong Kong dollar (HKD), against the euro. The loss in value of the Korean won (KRW) reduced the net improvement. Final total recognised income and expense for the first half of the financial year was EUR 41.7m, compared with EUR 13.5m a year earlier.

Treasury shares

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

No further treasury shares were acquired under the share repurchase scheme in the first half of this financial year. At 30 September 2008 and taking into account the stock options exercised, the Group held the same number of treasury shares – 2,577,412 shares, or 9.95% of the issued share capital – as at 31 March 2008, with a total acquisition cost of EUR 46.6 million.

Notes to the cash flow statement

Net cash generated from operating activities in the first half of financial 2008/09 fell by EUR 8.5m compared with the same period last year. In addition to consolidated net income that was EUR 3.0m lower, the major factor was the net application of funds required for working capital. The increases in sales and production towards the end of the first half year resulted in increases in receivables and inventories, while the increase in current liabilities caused by higher production was cancelled out by higher payments for capital investments.

Net cash used in investing activities amounted to EUR 26.4m compared with EUR 57.3m in the same period last year. The significant reduction in net cash used chiefly reflects the higher level of investments in first half of financial 2007/08. Capital expenditure amounted to EUR 29.6m (first half 2007/08: EUR 60.0m), of which EUR 21.7m (first half 2007/08: EUR 55.4m) was spent on expansion of the site in China.

The net financing inflows of EUR 4.5m in the first six months of the financial year were mainly the result of taking on financial liabilities, although the additional financing requirements were significantly lower than last year because of the reduction in investment activities. Also, no further treasury shares were acquired. The dividend distribution was somewhat higher than last year.

Other information

Dividends paid

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

Change in stock exchanges

Since 20 May 2008 AT&S has been listed on the Vienna Stock Exchange's Prime Market, and – after a period of double listing on its previous exchange in Frankfurt – since 15 September 2008 is listed on the Vienna Exchange exclusively.

Related party transactions

In the first half of the current financial year fees of EUR 181,000 payable to AIC Androsch International Management Consulting GmbH were incurred in connection with various projects.

In the same period, expenditure for third-party manufacturing services provided by enterprises associated with the minority shareholders in AT&S Korea amounted to EUR 393,000.

Group Interim Management Report

Business developments and performance

The first quarter of the financial year 2008/09 initially did not live up to AT&S's expectations. As a result of the macroeconomic developments, the seasonal variation which as a general rule means low capacity utilisation in the first and fourth quarters of the financial year and excellent capacity utilisation in the second and third quarters was particularly marked. In the course of the second quarter the product mix improved and capacities in the plants were better utilised, leading to an improvement in earnings. Given the heavy dependency of the business on the US dollar, the improvement in the dollar exchange rate in the second quarter also had a positive effect. The general economic situation worldwide is however affecting AT&S's markets, so that the planned growth in sales revenues in comparison with last year has not taken place, with the average exchange rate for the US dollar in the first half year still significantly lower than a year ago.

The major part of sales – EUR 145m, or 62% – continues to be generated by Mobile Devices despite the overall reduction, although the Industrial Business Unit recorded a significant increase in sales with an overall share of 25%, and is becoming increasingly important. The largest share of sales – now approaching 60% – is produced in AT&S's Asian plants, and especially in Shanghai. AT&S is reckoned to be Austria's largest industrial investor in China, and is numbered among the top 30 foreign investors in Shanghai. Increases in sales in the USA and Canada highlight the Group's growing presence in those markets.

The overall cost advantages enjoyed by Asia combined with the strong influence of the dollar on factors of production in Asia meant that the dollar exchange rate had a more limited impact on the operating results of our facilities in Asia than on our European plants. The overall pressure on prices internationally was all the more clearly reflected in the margins achieved on production in Europe. And particularly for the production of HDI circuit boards in Austria, capacity utilisation in the first half year was too low, which also depressed earnings. In contrast, capacity utilisation in AT&S's particularly profitable works in China in the second quarter was even increased, so that quarterly consolidated net income reached the record level of EUR 13.6m.

Significant risks, uncertainties and opportunities

There were no material changes in the types of risks to which the Group was exposed during the first half of financial 2008/09 compared with those described in the notes to the 2007/08 consolidated financial statements under II. Risk Report. The current uncertainties in the banking sector have led to tensions in the credit markets generally, particularly in the form of increases in financing interest rates. Any specific effects of interest rate risks on AT&S have been further reduced by the issue of its bond in the first quarter of the current financial year. Currency futures and options are used to protect against the effects of currency fluctuations on net US dollar exposures.

With respect to the opportunities and risks attaching to developments in the external environment, it can not be assumed that for financial 2008/09 as a whole there will be market growth in all the sectors served by AT&S's major Business Units (Mobile Devices, Industrial and Automotive). The increasing importance of the industrial segment is being catered for by expansion of the facilities in India, in order to be able pursue growth using the most modern technology and taking advantage of cost efficiencies. The precise effects of the macroeconomic risks resulting from the current financial crisis in the USA are, however, increasingly difficult to assess, and especially so for the fourth quarter of financial 2008/09. The Group will therefore be keeping a close eye on market developments, and will if necessary tailor capacity appropriately. Even in the event of negative real growth of the economy, AT&S's outstanding positioning and healthy capital structure should help it to win additional market shares.

AT&S is also pursuing possibilities of expansion and growth in the solar industry. Initial activities involve the development of an innovative design for a solar module with enhanced energy efficiency; the work is part of a cooperative venture with Solland Solar, a producer of standard and back-contacted solar cells.

Outlook

The Group Management Report for 2007/08 already stressed the difficulty of predicting how the economy would develop worldwide, and refrained from any detailed forecasts for the financial year 2008/09. The expected improvement in the earnings position in the second quarter as a result of higher capacity utilisation and a better product mix did in fact take place, but the effects of the financial crisis on the real economy in the second half of the financial year can not be assessed at present. Taking these uncertainties into account, consolidated net income for the current financial year is expected to be down on the record results achieved in 2007/08.

Leoben-Hinterberg, 21 October 2008

The Management Board

Harald Sommerer m.p.
Steen Ejlskov Hansen m.p.
Heinz Moitzi m.p.

Statement of All Legal Representatives

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Leoben-Hinterberg, 21 October 2008

The Management Board

Harald Sommerer
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