First choice for advanced applications

Conference Call - H1 2019/20
November 07, 2019
FIRST CHOICE FOR ADVANCED APPLICATIONS
Growth opportunities in all segments
Future trends still intact

Communication
- Increased digital networking (IoT)
- Additional functionality
  - 5G
  - Artificial Intelligence

Consumer / Computer
- New applications
  (smartwatch, speakers, robots, VR, ...)
- Edge & cloud computing
- Networking
- Big data / data server

Automotive
- Autonomous driving
  - RADAR, LiDAR, camera
  - 5G
  - Artificial Intelligence
  - Electrification of the drive
  - Increasing electronics share per vehicle

Industrial / Medical
- Automation
  - Machine-to-machine communication (5G)
  - Artificial Intelligence
  - Mobile therapy and diagnostic devices

High end market growth ~10% CAGR (until 2024)
Current market environment

- Trade frictions (US-China) and political environment (Brexit) create uncertainties in the market
- Weakness in automotive market is mainly created by uncertainties about the future of the powertrain
- Growth in electronic content compensates for declining car unit sales
- 5G infrastructure (base station and satellites) currently being built up, mobile devices to follow in significant volumes from 2020 onwards
- Artificial Intelligence applications drive demand for data processing and memory
- Miniaturization and modularization trend continues
PCB & IC substrates market

Forecast for the total PCB & IC substrates market until 2024: CAGR of 5.6%

- **IC substrates**
  - Mid-term increase in server demand
  - Cloud computing drives data center expansions
  - Networking and AI processors trigger demand for high-value IC substrates

- **Medical**
  - Applications in medical show continued growth (e.g. hearing aids)

- **Automotive**
  - Decrease in unit car sales can be compensated by rising electronic content
  - Future PCB business is strongly driven by autonomous driving (e.g. RADAR, LIDAR, cameras), vehicle-to-X communication and electrification

- **Consumer**
  - Market trend towards wireless connectivity of smart devices enabling IoT drives the need for high-end PCBs and substrates for module applications

- **Communication**
  - Despite a flat development in 2019 smartphone unit sales, high-end PCB demand for mainboards and modules will grow due to 5G, AI and sensors
  - AI processors, enhanced wireless connectivity and sensors increase demand

- **Computer**
  - PC/notebook unit sales slightly declining in 2019
  - Increased functionalities (AI, 5G) and miniaturizations drive high-end PCB growth

Source: Prismark, June 2019; Yole (for IC Substrates), May 2019
Modularization

(Smartphone) PCB evolution driven by modules replacing single components

- OEM advantages drive modularization
  - Increased functionality
  - Smaller electronics → larger battery
  - Lower system cost
  - Faster time to market

- Opportunities for AT&S
  - Module PCB/Substrates addressable in addition to mainboards
  - Assembly (e.g. ECP) and functional test offer larger value share per unit

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Module integration services market

Total market growth is forecast at ~12% p.a. between 2019 and 2024

- Major driver is the general modularization trend to reduce time to market, size and cost for electronic products
- AI and 5G requirements further drive module integration
- Market revenue includes services for PCB/substrate, module assembly and test

Strategic applications
- RF/wireless
  - 5G communication modules for smartphones, consumer devices, automotive, and machine-to-machine communication provide growth opportunities by integration of RF functions
- Sensor and camera
  - Sensor and camera modules provide strong growth opportunities
- Power
  - Power modules include both low voltage power management for consumer devices as well as power inverters for data centers, industrial machinery and electrified vehicles

Source: AT Kearney (8/2018), AT&S (9/2019)
Highlights in H1 2019/20
AT&S well positioned for the future

- Operations and strategy on the right track

- Macroeconomic environment weighs on revenue and earnings in H1
  - Lower ramp of new smartphone generation and unfavourable product mix in Mobile Devices
  - Uncertainty in automotive industry with regard to the powertrain impacts PCB demand
  - Weaker market environment in the Industrial and Automotive segment causes temporary higher price pressure

- Broad customer and application portfolio help to partly compensate for market fluctuations
  - Continued strong demand for IC substrates
  - Medical & Healthcare with robust trend

- Strengthened position in Mobile Devices through further extension of customer and application portfolio
Financials in H1 2019/20

AT&S held up well in a challenging environment

- Revenue at € 490.3 million (PY: € 516.9 million)
  - Positively impacted by FX effects
- EBITDA at € 101.1 million (PY: € 138.3 million)
  - Ongoing preparations for future applications demand higher R&D expenses (e.g. run-up costs for modularization and miniaturization)
  - EBITDA margin with 20.6% (PY: 26.8%) still above target margin of 20 – 25%
- EBIT at € 29.4 million (PY: € 71.9 million)
  - Deviation from EBITDA development explained by higher depreciation
- Operating free cash flow mainly impacted by higher capex for IC substrates and technology upgrades
Revenue and EBITDA development

### Revenue split by segment: H1 2019/20
- **Mobile Devices & Substrates**: 33%
- **Automotive, Industrial, Medical**: 67%

### Revenue split by region*: H1 2019/20
- **Americas**: 16%
- **Germany/Austria**: 8%
- **Asia**: 8%
- **Other European countries**: 68%* based on customer’s headquarters
Business Development – Mobile Devices & Substrates

<table>
<thead>
<tr>
<th>€ in millions (unless otherwise indicated)</th>
<th>H1 2018/19</th>
<th>H1 2019/20</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>391.5</td>
<td>379.5</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Revenue with external customers</td>
<td>346.7</td>
<td>329.8</td>
<td>-4.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>111.2</td>
<td>79.2</td>
<td>-28.8%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>28.4%</td>
<td>20.9%</td>
<td></td>
</tr>
</tbody>
</table>

- IC substrate continued to show strong demand
- Revenue and earnings positively impacted by FX effects
- Unfavourable product mix in Mobile Devices
- Lower ramp of new smartphone generation led to underutilization in Mobile Devices in Q2
- Currently satisfying capacity utilization in Mobile Devices due to additional customers and applications

Revenue* and EBITDA

<table>
<thead>
<tr>
<th>€ in millions; * Revenue with external customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2018/19: 208.9</td>
</tr>
<tr>
<td>Revenue: 71.9</td>
</tr>
</tbody>
</table>
## Business Development – Automotive, Industrial, Medical

<table>
<thead>
<tr>
<th>€ in millions (unless otherwise indicated)</th>
<th>H1 2018/19</th>
<th>H1 2019/20</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>178.9</td>
<td>178.6</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Revenue with external customers</td>
<td>167.6</td>
<td>160.6</td>
<td>-4.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>24.4</td>
<td>18.9</td>
<td>-22.6%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>13.6%</td>
<td>10.6%</td>
<td></td>
</tr>
</tbody>
</table>

### Revenue* and EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018/19</th>
<th>Q3 2018/19</th>
<th>Q4 2018/19</th>
<th>Q1 2019/20</th>
<th>Q2 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>84.3</td>
<td>85.0</td>
<td>86.2</td>
<td>78.9</td>
<td>81.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>12.4</td>
<td>13.9</td>
<td>14.4</td>
<td>10.9</td>
<td>8.0</td>
</tr>
</tbody>
</table>

- Medical & Healthcare with robust trend
- Automotive on same level as last year
- Overall challenging market environment in Industrial and Automotive led to temporary higher price pressure and underutilization

€ in millions; * Revenue with external customers

AT&S – Conference Call H1 2019/20
## Financials H1 2019/20

### STATEMENT OF PROFIT OR LOSS

<table>
<thead>
<tr>
<th>€ in thousands</th>
<th>H1 2018/19</th>
<th>H1 2019/20</th>
<th>Change YoY</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>516,857</td>
<td>490,317</td>
<td>(5.1%)</td>
<td>Impacted by lower ramp of new smartphone generation, unfavourable product mix and positive FX effects.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>138,262</td>
<td>101,064</td>
<td>(26.9%)</td>
<td>Unfavourable product mix and underutilization in Mobile Devices, higher R&amp;D costs for future applications.</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>26.8%</td>
<td>20.6%</td>
<td>(6.2pp)</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>71,943</td>
<td>29,369</td>
<td>(59.2%)</td>
<td>Higher depreciation partly due to first-time application of IFRS 16.</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>13.9%</td>
<td>6.0%</td>
<td>(7.9pp)</td>
<td></td>
</tr>
<tr>
<td>Finance costs – net</td>
<td>(95)</td>
<td>2,819</td>
<td>&gt;100%</td>
<td>Driven by higher interest income, positive FX effects and lower gross interest expenses.</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>55,372</td>
<td>19,533</td>
<td>(64.7%)</td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>€ 1.32</td>
<td>€ 0.40</td>
<td>(70.0%)</td>
<td></td>
</tr>
</tbody>
</table>
# Financials H1 2019/20

## STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>€ in thousands</th>
<th>31 Mar 2019</th>
<th>30 Sep 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>803,451</td>
<td>768,385</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,784,106</td>
<td>1,809,660</td>
<td>1.4%</td>
</tr>
<tr>
<td>Net debt</td>
<td>150,258</td>
<td>233,697</td>
<td>55.5%</td>
</tr>
<tr>
<td>Net working capital</td>
<td>160,537</td>
<td>188,939</td>
<td>17.7%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>45.0%</td>
<td>42.5%</td>
<td>(2.5%)</td>
</tr>
</tbody>
</table>

- **Negative FX effects and dividend payout**
- **Higher capex, impact of IFRS 16**
- **Effect out of lower equity and higher total assets**
Financials H1 2019/20

<table>
<thead>
<tr>
<th>STATEMENT OF CASH FLOWS</th>
<th>H1 2018/19</th>
<th>H1 2019/20</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>58,024</td>
<td>62,184</td>
<td>7.2%</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(130,932)</td>
<td>(97,349)</td>
<td>25.6%</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>249,798</td>
<td>(36,888)</td>
<td>(&gt;100%)</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>176,890</td>
<td>(72,053)</td>
<td>(&gt;100%)</td>
</tr>
</tbody>
</table>

Operating free cash flow\(^1\) | 20,107 | (29,801) | (>100%) |

Free cash flow\(^2\) | (72,908) | (35,165) | 51.8% |

\(^1\) Cash flow from operating activities minus Net CAPEX
\(^2\) Cash flow from operating activities minus cash flow from investing activities

Mainly driven by higher trade payables and lower income taxes paid
Higher net capex but lower temporary net investment in financial assets
HY 2018/19 impacted by issuance of promissory note
Lower operating profit and higher net capex

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Net CAPEX

Increase in capex due to IC substrates investment and technology upgrades

Year | CAPEX (€ in millions)
-----|---------------------
2014/15 | 164.8
2015/16 | 254.3
2016/17 | 240.7
2017/18 | 141.7
2018/19 | 100.8
H1 2018/19 | 37.9
H1 2019/20 | 92.0

€ in millions

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Expansion of IC substrates capacities
IC substrates business becomes an even more important pillar

- AT&S already operating successfully in China since 2001
  - Since 2013 site in Chongqing with two plants for IC substrates and new technologies
  - First high-end IC substrates manufacturer in China
- Strategic focus on business with IC substrates for high-performance computing modules
- Investment volume of up to one billion euros planned for the next five years
- Close cooperation with a leading semiconductor player
  - Excellent track record in ramping new technologies and production capacities
  - Outstanding process know-how, productivity and efficiency combined with highest quality
- Relevant revenues out of phase III (CHQ III) should arrive in FY 2022/23
Development of IC substrate business in Chongqing

IC substrates capacities

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019/20</td>
<td>100%</td>
<td>Start main building structure CHQ III</td>
</tr>
<tr>
<td>FY 2020/21</td>
<td>190%</td>
<td>Equipment move in and installation</td>
</tr>
<tr>
<td>FY 2021/22</td>
<td>220%</td>
<td>Process and equipment characterization</td>
</tr>
<tr>
<td>FY 2022/23</td>
<td>360%</td>
<td>Certification</td>
</tr>
<tr>
<td>FY 2023/24</td>
<td>500%</td>
<td>Full capacities on stream</td>
</tr>
</tbody>
</table>

Decision for IC substrates expansion for HPC

Additional capacities out of phase II (CHQ I)

Additional capacities out of phase III (CHQ III)
Drivers behind the investment in IC substrates
Globally generated data grow by more than 30% p.a. until 2025

- Artificial Intelligence and communication generate a flood of data and requires more efficient data processing
  - Smart applications and devices with an increasing number of low cost sensors
  - Decreasing storage costs per gigabyte due to memory technology advances
  - Data sharing enabled by higher data rates, bandwidth (3G → 4G → 5G)
  - Autonomous driving generates a flood of data due to necessary applications like RADAR, LIDAR...

- More powerful processors require larger form factor, higher layer count and thus higher value IC substrates
Securing profitable growth in tomorrow
Medium-term guidance

- Step towards module integration and “More than AT&S”
  - Group revenue to double to € 2 billion (CAGR of roughly 15%)
  - EBITDA margin of 25% to 30%
  - ROCE target above 12%

- Significant financing capabilities and solid finance structure to manage the investment
  - Strong operating cash flows
  - High level of existing liquid funds (e.g. promissory note loan)
  - Continuous optimization of financing structure
FIRST CHOICE
FOR ADVANCED APPLICATIONS
Outlook for 2019/20
Revenues and EBITDA outlook continues to be confirmed

- Broad product portfolio and past investments in new technologies compensate for market fluctuations
  - Better market environment leads to satisfying capacity utilization for Mobile Devices
  - IC Substrates remain on high level
  - Lower demand in Automotive and Industrial segments causes ongoing price pressure
  - Medical segment continue to show good demand

- Management Board expects revenue to remain stable and an EBITDA margin in the range of 20 to 25%

- Investment (CAPEX) activity in the current year
  - Maintenance investments and minor technology upgrades in the amount of € 80 to 100 million
  - Depending on the market development, an additional € 100 million for capacity and technology expansions
  - Investments in IC substrates up to € 180 million
  - Due to current progress of the Chongqing investment total Group CAPEX of up to € 340 million expected

- AT&S delivers solid results even in challenging market environment
Thank you for your attention!
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