



AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK  
AKTIENGESELLSCHAFT

## ANNUAL FINANCIAL REPORT AS OF 31 MARCH 2014

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The consolidated financial statements, the financial statements and the Management Reports of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft and the Auditor's Reports have been translated into English. In case of different interpretations the German original is valid.



AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK  
AKTIENGESELLSCHAFT

## CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2014

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The consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft as of 31 March 2014 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (2) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

# Consolidated Statement of Profit or Loss

€ in thousands	Note	2013/14	2012/13 <sup>1)</sup>
Revenue	1	589,909	541,673
Cost of sales	2	(471,096)	(464,567)
<b>Gross profit</b>		<b>118,813</b>	<b>77,106</b>
Distribution costs	2	(30,901)	(28,195)
General and administrative costs	2	(24,143)	(18,821)
Other operating result	4	(6,835)	1,275
Non-recurring items	5	(3,004)	–
<b>Operating result</b>		<b>53,930</b>	<b>31,365</b>
Finance income	6	316	527
Finance costs	6	(11,406)	(15,354)
Finance costs - net		(11,090)	(14,827)
Profit before tax		42,840	16,538
Income taxes	7	(4,621)	(1,965)
<b>Profit for the year</b>		<b>38,219</b>	<b>14,573</b>
Attributable to owners of the parent company		38,168	14,572
Attributable to non-controlling interests		51	1
Earnings per share attributable to equity holders of the parent company (in € per share):	24		
- basic		1.24	0.62
- diluted		1.21	0.62

# Consolidated Statement of Comprehensive Income

€ in thousands	2013/14	2012/13 <sup>1)</sup>
<b>Profit for the year</b>	<b>38,219</b>	<b>14,573</b>
Items to be reclassified:		
Currency translation differences	(42,697)	22,285
(Losses) from the fair value measurement of available-for-sale financial assets, net of tax	–	(28)
Gains/(losses) from the fair value measurement of hedging instruments for cash flow hedges, net of tax	(225)	68
Items not to be reclassified:		
Remeasurement of post-employment obligations	(728)	(2,526)
<b>Other comprehensive income for the year</b>	<b>(43,650)</b>	<b>19,799</b>
<b>Total comprehensive income for the year</b>	<b>(5,431)</b>	<b>34,372</b>
Attributable to owners of the parent company	(5,480)	34,368
Attributable to non-controlling interests	49	4

<sup>1)</sup> Adjusted taking into account IAS 19 revised.

# Consolidated Statement of Financial Position

€ in thousands	Note	31 Mar 2014	31 Mar 2013 <sup>1)</sup>	1 Apr 2012 <sup>1)</sup>
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment	8	435,103	437,763	454,466
Intangible assets	9	9,145	1,952	2,451
Financial assets	13	96	96	96
Deferred tax assets	7	25,538	21,323	16,819
Other non-current assets	10	13,976	9,657	8,730
		483,858	470,791	482,562
Current assets				
Inventories	11	59,434	62,417	64,909
Trade and other receivables	12	110,999	111,802	115,483
Financial assets	13	836	770	768
Current income tax receivables		799	657	617
Cash and cash equivalents	14	260,133	80,226	29,729
		432,201	255,872	211,506
<b>Total assets</b>		<b>916,059</b>	<b>726,663</b>	<b>694,068</b>
<b>EQUITY</b>				
Share capital	22	141,846	45,914	45,535
Other reserves	23	(1,297)	42,351	22,555
Retained earnings		250,133	216,630	209,521
Equity attributable to owners of the parent company		390,682	304,895	277,611
Non-controlling interests		(2)	(51)	(55)
<b>Total equity</b>		<b>390,680</b>	<b>304,844</b>	<b>277,556</b>
<b>LIABILITIES</b>				
Non-current liabilities				
Financial liabilities	16	325,863	168,665	188,729
Provisions for employee benefits	17	24,755	22,277	18,868
Other provisions	18	9,736	10,437	11,422
Deferred tax liabilities	7	6,738	6,386	5,701
Other liabilities	15	3,244	3,948	3,641
		370,336	211,713	228,361
Current liabilities				
Trade and other payables	15	101,908	77,348	98,037
Financial liabilities	16	46,076	129,837	84,399
Current income tax payables		3,986	1,299	3,551
Other provisions	18	3,073	1,622	2,164
		155,043	210,106	188,151
<b>Total liabilities</b>		<b>525,379</b>	<b>421,819</b>	<b>416,512</b>
<b>Total equity and liabilities</b>		<b>916,059</b>	<b>726,663</b>	<b>694,068</b>

<sup>1)</sup> Adjusted taking into account IAS 19 revised.

# Consolidated Statement of Cash Flows

€ in thousands

2013/14

2012/13 <sup>1)</sup>

## Cash flows from operating activities

Profit for the year	38,219	14,573
Adjustments to reconcile profit for the year to cash generated from operating activities:		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	73,245	70,991
Changes in non-current provisions	1,917	(206)
Income taxes	4,621	1,965
Finance costs/income	11,090	14,827
Gains/losses from the sale of fixed assets	461	777
Release of government grants	(1,153)	(808)
Other non-cash expense/(income), net	(2,485)	(692)
Changes in working capital:		
- Inventories	(474)	4,154
- Trade and other receivables	(9,766)	1,585
- Trade and other payables	9,828	(15,095)
- Other provisions	1,511	(551)
Cash generated from operating activities	127,014	91,520
Interest paid	(14,153)	(13,102)
Interest and dividends received	278	494
Income taxes paid	(8,380)	(7,239)
<b>Net cash generated from operating activities</b>	<b>104,759</b>	<b>71,673</b>

## Cash flows from investing activities

Capital expenditure for property, plant and equipment and intangible assets	(90,906)	(43,959)
Proceeds from the sale of property, plant and equipment and intangible assets	630	3,500
Proceeds from the sale of available-for-sale financial assets	-	35
Capital expenditure for financial assets	(12)	(292)
Proceeds from the sale of financial assets	-	167
<b>Net cash used in investing activities</b>	<b>(90,288)</b>	<b>(40,549)</b>

## Cash flows from financing activities

Changes in other financial liabilities	76,532	23,921
Proceeds from government grants	1,345	1,475
Dividends paid	(4,665)	(7,463)
Proceeds from capital increase	79,179	-
Sale of treasury shares	16,753	-
<b>Net cash generated from financing activities</b>	<b>169,144</b>	<b>17,933</b>

## Net increase in cash and cash equivalents

<b>Net increase in cash and cash equivalents</b>	<b>183,615</b>	<b>49,057</b>
Cash and cash equivalents at beginning of the year	80,226	29,729
Exchange gains/(losses) on cash and cash equivalents	(3,708)	1,440
<b>Cash and cash equivalents at end of the year</b>	<b>260,133</b>	<b>80,226</b>

<sup>1)</sup> Adjusted taking into account IAS 19 revised.

# Consolidated Statement of Changes in Equity

€ in thousands	Share capital	Other reserves	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
<b>01 Apr 2012 <sup>1)</sup></b>	<b>45,535</b>	<b>22,555</b>	<b>209,521</b>	<b>277,611</b>	<b>(55)</b>	<b>277,556</b>
Profit for the year	–	–	14,572	14,572	1	14,573
Other comprehensive income for the year	–	19,796	–	19,796	3	19,799
<i>thereof currency translation differences</i>	–	22,282	–	22,282	3	22,285
<i>thereof remeasurement of post-employment obligations</i>	–	(2,526)	–	(2,526)	–	(2,526)
<i>thereof change in available-for-sale financial assets, net of tax</i>	–	(28)	–	(28)	–	(28)
<i>thereof change in hedging instruments for cash flow hedges, net of tax</i>	–	68	–	68	–	68
Total comprehensive income for the year 2012/13	–	19,796	14,572	34,368	4	34,372
Dividends paid relating to 2011/12	–	–	(7,463)	(7,463)	–	(7,463)
Change in treasury shares, net of tax	379	–	–	379	–	379
<b>31 Mar 2013 <sup>1)</sup></b>	<b>45,914</b>	<b>42,351</b>	<b>216,630</b>	<b>304,895</b>	<b>(51)</b>	<b>304,844</b>
Profit for the year	–	–	38,168	38,168	51	38,219
Other comprehensive income for the year	–	(43,648)	–	(43,648)	(2)	(43,650)
<i>thereof currency translation differences</i>	–	(42,695)	–	(42,695)	(2)	(42,697)
<i>thereof remeasurement of post-employment obligations</i>	–	(728)	–	(728)	–	(728)
<i>thereof change in available-for-sale financial assets, net of tax</i>	–	–	–	–	–	–
<i>thereof change in hedging instruments for cash flow hedges, net of tax</i>	–	(225)	–	(225)	–	(225)
Total comprehensive income for the year 2013/14	–	(43,648)	38,168	(5,480)	49	(5,431)
Dividends paid relating to 2012/13	–	–	(4,665)	(4,665)	–	(4,665)
Sale of treasury shares, net of tax	16,753	–	–	16,753	–	16,753
Capital increase	79,179	–	–	79,179	–	79,179
<b>31 Mar 2014</b>	<b>141,846</b>	<b>(1,297)</b>	<b>250,133</b>	<b>390,682</b>	<b>(2)</b>	<b>390,680</b>

<sup>1)</sup> Adjusted taking into account IAS 19 revised.

# Notes to the Consolidated Financial Statements

## I. General Information

A. GENERAL AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as “the Company”, and with its subsidiaries referred to as “the Group”) was incorporated in Austria. The Company is headquartered in Austria, Fabriksgasse 13, 8700 Leoben-Hinterberg.

The Group manufactures and distributes printed circuit boards and provides related services primarily in the segments mobile devices, industrial & automotive, and advanced packaging. The products are manufactured in the European and Asian market and are directly distributed to original equipment manufacturers (OEM) as well as to contract electronic manufacturers (CEM).

Since 20 May 2008 the Company has been listed in the Prime Market segment of the Vienna Stock Exchange, Austria, and, after a period of double listing on the previous exchange in Frankfurt am Main, Germany, has been traded exclusively at the Vienna Stock Exchange since 15 September 2008. Prior to changing the stock exchange, the Company had been listed at the Frankfurt Stock Exchange since 16 July 1999.

According to § 245a of the Austrian Commercial Code (UGB) the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS and IAS) and interpretations (IFRIC and SIC) as adopted by the European Union (EU), set by the International Accounting Standards Board (IASB).

B. ACCOUNTING AND MEASUREMENT POLICIES The consolidated financial statements have been prepared under the historical cost convention, except for securities and derivative financial instruments, which are measured at their fair values.

a. CONSOLIDATION PRINCIPLES The balance sheet date for all consolidated companies is 31 March 2014 with the following exceptions: Due to the legal situation in China, the financial year of AT&S (China) Company Limited and AT&S (Chongqing) Company Limited corresponds to the calendar year (balance sheet date: 31 December 2013), meaning that they were consolidated on the basis of the interim financial statements as of 31 March 2014.

The consolidated financial statements were approved for issue by the Management Board on 7 May 2014. The separate financial statements of the Company, which are included in the consolidation after adoption of the applicable accounting standards, will be presented for approval to the Supervisory Board on 2 June 2014. The separate financial statements of the Company can be modified by the Supervisory Board and – in case of presentation to the Annual General Meeting – by the Company’s shareholders in a way that might also affect the presentation of the consolidated financial statements.

GROUP OF CONSOLIDATED ENTITIES In addition to the Company itself, the consolidated financial statements comprise the following fully consolidated subsidiaries as of the date the Company had the

power to govern the financial and operating policies of the subsidiary, regularly accompanied by a voting interest of more than 50%:

- AT&S Asia Pacific Limited, Hong Kong (hereinafter referred to as AT&S Asia Pacific), share 100%
- AT&S (China) Company Limited, China (hereinafter referred to as AT&S China), 100% subsidiary of AT&S Asia Pacific
- AT&S (Chongqing) Company Limited, China (hereinafter referred to as AT&S Chongqing), 100% subsidiary of AT&S Asia Pacific
- AT&S Japan K.K., Japan, 100% subsidiary of AT&S Asia Pacific
- AT&S (Taiwan) Co., Ltd., Taiwan (hereinafter referred to as AT&S Taiwan), 100% subsidiary of AT&S Asia Pacific
- AT&S India Private Limited, India (hereinafter referred to as AT&S India), share 100%
- AT&S Korea Co., Ltd., South Korea (hereinafter referred to as AT&S Korea), share 98.76%
- AT&S Americas LLC, USA (hereinafter referred to as AT&S Americas), share 100%
- AT&S Deutschland GmbH, Germany, share 100%
- AT & S Klagenfurt Leiterplatten GmbH in Liqu., Austria, share 100%

In the financial year 2013/14, the subsidiaries C2C Technologie für Leiterplatten GmbH and DCC Development Circuits & Components GmbH were liquidated and deconsolidated. The subsidiary AT & S Klagenfurt Leiterplatten GmbH in Liqu. is in liquidation at the balance sheet date.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the equity interests issued and the liabilities incurred and/or assumed at the acquisition date. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. For each business combination, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets and, accordingly, recognise the full or proportional goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

When the Group ceases to have control or significant influence over a company, any retained interest in the entity is remeasured to its fair

value, with the change in carrying amount recognised in profit or loss. The fair value is the fair value determined at initial recognition of an associate, joint venture or financial asset. In addition, any amounts recognised in other comprehensive income in respect of that entity are accounted for as if the parent company had directly disposed of the related assets or liabilities. This means that a profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

**METHODS OF CONSOLIDATION** All significant intercompany balances and transactions have been eliminated so that the consolidated financial statements present the accounting information of the Group as if it was one single company.

Capital consolidation is made in accordance with IAS 27 “Consolidated and Separate Financial Statements”. Intercompany accounts receivable and payable as well as expenses and income are eliminated. Unless immaterial, intercompany results in non-current assets and inventories are eliminated. Furthermore, uniform accounting and measurement methods are applied to all consolidated subsidiaries.

The Group considers transactions with non-controlling interests as transactions with equity holders of the Group. When non-controlling interests are acquired, the difference between the acquisition costs and the attributable share of net assets acquired in the subsidiary is deducted from equity. Gains or losses on the sale of non-controlling interests are also recognised in equity.

In this report, all comparable figures resulting from the change in the accounting and measurement methods were adjusted.

**b. SEGMENT REPORTING** An operating segment is a component of an entity that engages in business activities and whose operating results are reviewed regularly by the entity’s chief operating decision-maker. Business activities involve earning revenues and incurring expenses, and these may also relate to business transactions with other operating segments of the entity. Separate financial information is available for the individual operating segments.

In the financial year 2011/12 the Management Board – with the Supervisory Board’s approval – decided to improve the Group’s organisational structure with the aim of adapting its operational processes even more effectively to its customers’ needs. Three business units were created: Mobile devices, industrial & automotive, and advanced packaging.

The business unit mobile devices is responsible for the production of printed circuit boards for mobile end-user devices such as smartphones, tablets, digital cameras and portable media players. The printed circuit boards for these applications are largely produced in our Shanghai (AT&S China) facility.

The business unit industrial & automotive supplies customers in the fields of automotive supplies, industrial applications, medical technology, aerospace and other sectors. Production for this business segment takes place at our plants in India, Korea and Austria.

The business unit advanced packaging specialises in new, technologically highly advanced applications. A variety of components are integrated directly into printed circuit boards in order to enable further reductions in the size of end-user devices while also enhancing the functionality. This new technology is useful in a wide range of applications. This business unit is still under development and is therefore not yet shown separately, but is included in “Others”.

Since the internal reporting was adjusted to suit that structure, the segment reporting format was changed accordingly.

**c. FOREIGN CURRENCIES** The Group’s presentation currency is the euro (€). The functional currency of the foreign subsidiaries is the respective local currency.

**FOREIGN SUBSIDIARIES** With the exception of equity positions (historical exchange rate), the balance sheets of AT&S India, AT&S China, AT&S Asia Pacific, AT&S Japan K.K., AT&S Korea, AT&S Americas, AT&S Chongqing and AT&S Taiwan are translated at the exchange rates on the balance sheet date. The profit and loss statements are translated at the average exchange rates of the financial year. The effect of changes in the exchange rate with regard to the foreign subsidiaries’ net assets is recognised directly in equity.

**FOREIGN CURRENCY TRANSACTIONS** In the financial statements of each of the Group’s entities foreign currency items are translated at the exchange rates prevailing on the day of the transaction. Monetary items are translated at the respective exchange rate ruling at the balance sheet date; non-monetary items which were recognised according to the historical cost principle are carried at the rate of their initial recognition. Translation adjustments from monetary items, with the exception of “available-for-sale financial assets”, are recognised in profit or loss. Translation differences from “available-for-sale financial assets” are recognised directly in equity.

**d. REVENUE RECOGNITION** Revenue comprises the fair value of considerations received in the course of the Group’s ordinary activities. Revenue is recognised net of VAT, discounts and price reductions, and after elimination of intercompany sales. Revenue is realised as follows:

**REVENUE FROM PRODUCT SALES** Revenue from product sales is recognised when significant risks and rewards associated with the goods sold are transferred to the buyer. This is usually the case when the ownership is transferred.



**INTEREST AND DIVIDEND INCOME** Interest income is recognised on a pro rata temporis basis, taking into account the effective interest rate of the asset. Dividend income from financial assets is recognised in profit or loss when the Group's right to receive payments is established.

**e. INCOME TAXES** The income tax burden is based on the profit for the year and accounts for deferred income taxes.

The Group provides for deferred income taxes using the balance-sheet oriented method. Under this method, the expected tax effect on differences arising between the carrying amounts in the consolidated financial statements and the taxable carrying amounts are taken into account by recognising deferred tax assets and tax liabilities. These differences will be reversed in the future. The deferred income tax effect is determined using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income taxes and liabilities arise from the measurement of specific assets and liabilities, as well as tax loss carryforwards and amortisation of goodwill.

Deferred taxes on not yet realised profits/losses of available-for-sale financial assets and on not yet realised profits/losses from hedging instruments for cash flow hedges that are recognised in equity are also directly recognised in equity.

In accordance with IFRS, deferred income tax assets on loss carryforwards have to be recognised to the extent that it is probable that they will be utilised against future taxable profits.

Deferred taxes arising on temporary differences relating to participating interests in subsidiaries are recognised unless the temporary differences will not reverse in the foreseeable future.

**f. PROPERTY, PLANT AND EQUIPMENT** Items of property, plant and equipment are measured at cost. Expenditure directly attributable to the acquisition and subsequent expenditure are capitalised, repairs and maintenance costs, however, are expensed as incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the acquisition or production costs of this asset.

From the time of their availability for use, the assets are depreciated on a straight-line basis over their expected useful lives. Depreciation is charged on a pro rata temporis basis. Land is not subject to depreciation.

Scheduled depreciation is based on the following useful lives applicable throughout the Group:

Plants and buildings	10–50 years
Machinery and technical equipment	4–15 years
Tools, fixtures, furniture and office equipment	3–15 years

Depreciation periods and methods are reviewed annually at the end of the financial year.

Expected costs for dismantling and removing assets are capitalised as part of acquisition costs and accounted for by a provision, provided that there is a legal or factual obligation against third parties and that a reasonable estimate can be made.

In accordance with IAS 17 "Leases", leased property, plant and equipment for which the Group bears substantially all the risks and rewards of ownership and which in economic terms constitute asset purchases with long-term financing are capitalised at their fair value or the lower present value of the minimum lease payments. Scheduled depreciation is effected over the useful life of the asset. If at the beginning of the lease it is not sufficiently certain that the title will pass to the lessee, the leased asset will be depreciated over the shorter of the two periods, the lease term or useful life. Financial obligations resulting from future lease payments are discounted and carried as liability. Current lease payments are split into repayment and financing costs.

Leased assets under all other lease and rental agreements are classified as operating leases and attributed to the lessor. Lease payments are recognised as an expense.

Profits or losses resulting from the closure or retirement of non-current assets, which arise from the difference between the net realisable value and the carrying amounts, are recognised in profit or loss.

#### **g. INTANGIBLE ASSETS**

**PATENTS, TRADEMARKS AND LICENSES** Expenditure on acquired patents, trademarks and licenses is capitalised at cost, including incidental acquisition expenses, and amortised on a straight-line basis over their useful lives, generally between 2 and 10 years. Amortisation terms and methods are reviewed annually at the end of the financial year.

**RESEARCH AND DEVELOPMENT COSTS** Research costs are expensed as incurred and charged to cost of sales. Development costs are also expensed as incurred.

An intangible asset arising from development is recognised if, and only if, an entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits is verifiable.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

**h. IMPAIRMENT LOSSES AND WRITE-UPS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND NON-CURRENT ASSETS HELD FOR SALE** The Group regularly reviews property, plant and equipment and intangible assets for possible impairment. If evidence for impairment exists, an impairment test is carried out without delay. Property, plant and equipment in progress and intangible assets in the development phase are tested annually for impairment. If the recoverable amount of the respective asset is below its carrying amount, an impairment loss amounting to the difference is recognised. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use corresponds to the estimated future cash flows expected from the continued use of the asset and its disposal at the end of its useful life.

Goodwill is tested annually for impairment. If events during the financial year or changes in circumstances indicate that goodwill might be impaired, an impairment test will be carried out immediately. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Non-current assets are classified as held for sale and measured at the lower of their carrying amounts or fair values less costs to sell if their carrying amount will be largely recovered by sale rather than by continuing use in the business.

If the reason for the impairment recognised in the past no longer exists, with the exception of goodwill, a reversal of impairment up to amortised cost is made.

**i. INVENTORIES** Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less variable costs necessary to make the sale. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Interest is not recognised.

**j. TRADE AND OTHER RECEIVABLES** Receivables are reported at nominal values, less any allowances for doubtful accounts. Foreign currency receivables are translated at the average exchange rate prevailing at the balance sheet date. Risk management provides for all recognisable credit and country-specific risks.

**k. FINANCIAL ASSETS** Financial assets are recognised and derecognised using settlement date accounting. The fair values recognised in the statement of financial position generally correspond to market prices of financial assets. Except for financial assets at fair value through profit or loss they are recognised initially including transaction costs.

Financial assets are divided into categories explained below. The classification depends on the respective purpose of the financial asset and is reviewed annually.

**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** Financial instruments acquired primarily for the purpose of earning a profit from short-term fluctuations of prices or trader margins are classified as financial assets at fair value through profit or loss. At the time of their acquisition they are stated at cost, excluding transaction costs, in subsequent periods at their respective fair values. Realised and unrealised gains and losses are recognised in profit or loss in "Finance costs - net". This relates primarily to securities held for trading. Derivative financial instruments also fall into this category, unless hedge accounting is applied (refer to l. Derivative financial instruments).

**SECURITIES HELD TO MATURITY** Securities held to maturity are recognised at amortised cost using the effective interest rate method. Any impairment is recognised in profit or loss.

**LOANS AND RECEIVABLES** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the statement of financial position the respective assets are recognised under the item "Trade and other receivables".

**AVAILABLE-FOR-SALE FINANCIAL ASSETS** Available-for-sale financial assets relate to securities available-for-sale. Securities available-for-sale are instruments which management intends to sell as a reaction to or due to expected liquidity requirements or expected changes in interest rates, exchange rates or share prices. Their classification as non-current or current assets depends on the expected time to be held.

At the time of acquisition they are stated at cost, including transaction costs, in subsequent periods at their respective fair values. Unrealised gains and losses, net of income tax, are recognised in other comprehensive income and not taken through profit or loss until they are sold or considered as impaired.

Interest income and dividends from available-for-sale securities are recognised in profit or loss under “Finance costs - net”.

When a security available-for-sale is sold, the accumulated unrealised gain or loss previously recognised in equity is included in profit or loss in “Finance costs - net” in the reporting period.

When an available-for-sale security is considered impaired, the accumulated unrealised loss previously recognised in equity is recognised in profit or loss in “Finance costs - net”. An asset is impaired, if there are indications that the fair value is below its carrying amount. In particular, this is the case if the decrease in fair value is of such extent that the acquisition cost is unlikely to be recovered in the foreseeable future. Recoverability is reviewed annually at every balance sheet date.

Furthermore, those financial assets are recognised under available-for-sale financial assets that have not been allocated to any of the other categories described. If the fair value of non-listed equity instruments cannot be determined reliably, these financial assets will be measured at cost. Impairment losses, if any, are recognised in profit or loss, and the respective impairment losses are not reversed.

**I. DERIVATIVE FINANCIAL INSTRUMENTS** The Group enters, if possible, into derivative financial instruments to hedge against foreign currency fluctuations related to transactions in foreign currencies – in particular the US dollar. These instruments mainly include forward contracts, foreign currency options and foreign exchange swap contracts and are entered into in order to protect the Group against exchange rate fluctuations by fixing future exchange rates for foreign currency assets and liabilities.

Further, the Group manages its interest rate risk by using interest rate swaps.

The Group does not hold any financial instruments for speculative purposes.

The first-time recognition at the conclusion of the contract and the subsequent measurement of derivative financial instruments is made at their fair values. “Hedge accounting” in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, according to which changes in fair values of hedging instruments are recognised in equity, is applied when there is an effective hedging relationship pursuant to IAS 39 for hedging instruments for cash flow hedges. The assessment of whether the derivative financial instruments used in the hedging relationship are highly effective in offsetting the changes in cash flows of the hedged item is documented at the inception of the hedging relationship and on an ongoing basis. When “hedge accounting” in equity is not applicable, unrealised gains and losses from derivative financial instruments are recognised in profit or loss in “Finance costs – net”.

**m. CASH AND CASH EQUIVALENTS** Cash and cash equivalents comprise cash, time deposits, deposits held at call with banks and short-term, highly liquid investments with an original maturity of up to three months or less (commercial papers and money market funds).

**n. NON-CONTROLLING INTERESTS** Non-controlling interests are as follows:

- 1.24% relates to the equity interest in AT&S Korea

The profit for the year and other comprehensive income are attributed to the owners of the parent company and the non-controlling interests. The allocation to the non-controlling interests is made even if this results in a negative balance of the non-controlling interests.

**o. PROVISIONS** Provisions are recognised if the Group has a legal or constructive obligation to third parties, which is based on past events, if it is probable that an outflow of resources will be required to settle this obligation and if the amount can be estimated reliably. The provisions are remeasured at each balance sheet date and adjusted accordingly.

Non-current provisions are reported at the discounted amount to be paid at each balance sheet date if the interest effect resulting from the discounting is material.

**p. PROVISIONS FOR EMPLOYEE BENEFITS**

**PENSION OBLIGATIONS** The Group operates various defined contribution and defined benefit pension schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a special purpose entity (fund). These contributions are charged to staff costs. No provision has to be set up, as there are no additional obligations beyond the fixed amounts.

For individual members of the Management Board and certain executive employees, the Group has a defined benefit plan that are measured by qualified and independent actuaries at each balance sheet date. The Group’s obligation is to fulfil the benefits committed to current and former members of the Management Board and executive employees as well as their dependents. The pension obligation calculated according to the projected unit credit method is reduced by the plan assets of the fund in case of a funded pension scheme. The present value of the future pension benefit is determined on the basis of years of service, expected remuneration and pension adjustments.

To the extent that the plan assets of the fund do not cover the obligation, the net liability is accrued under pension provisions. If the net assets exceed the pension obligation, the exceeding amount is capitalised under “Overfunded pension benefits”.

Staff costs recognised in the respective financial year are based on expected values and include the service costs and the net debt's net interest. Remeasurements of the net debt are recognised in other comprehensive income and comprise gains and losses arising from the remeasurement of post-employment obligations.

**PROVISIONS FOR SEVERANCE PAYMENTS** Pursuant to Austrian labour regulations, provisions for severance payments have to be paid primarily on termination of employment by the employer or on the retirement of an employee. At each balance sheet date the liabilities are measured by qualified and independent actuaries.

For employees who joined Austrian companies up to and including 2002 direct obligations of the Company exist, which account for the major part of the Group's severance payment obligations. In accordance with IAS 19 these liabilities are calculated using the projected unit credit method as described above and represent severance payment obligations not covered by plan assets. For employees who joined the Company as of 1 January 2003, the severance payment obligation is fulfilled by regular contributions to a staff provision fund ("Mitarbeiter-Vorsorgekasse"). These contributions are included in staff costs. The Company has no further payment obligations once the contributions have been paid.

For employees of the company in India obligations for severance payments are covered by life insurances. Furthermore, severance payment obligations exist for employees in South Korea and China. These obligations are measured in accordance with IAS 19 using the projected unit credit method as described above and represent severance payment obligations not covered by plan assets.

**OTHER EMPLOYEE BENEFITS** Other employee benefits include provisions for anniversary bonuses and relate to employees in Austria and China.

Anniversary bonuses are special one-off payments stipulated in the Collective Agreement which are dependent on remuneration and years of service. Eligibility is determined by a certain uninterrupted number of service years. The respective liability is calculated in accordance with the projected unit credit method based on the same parameters used for severance payments, however, without taking into consideration the corridor method.

Staff costs recognised in the respective financial year include entitlements acquired, interest expense and the actuarial results. At each balance sheet date the liabilities are measured by qualified and independent actuaries.

**q. STOCK OPTION PLANS** The Group has issued stock option plans that are settled either in cash or in treasury shares, with the choice of settlement being with the entitled employees. These stock

option plans are accounted for in accordance with IFRS 2 "Share-based Payment".

The share-based payments are structured in a way that both settlement alternatives have the same fair value. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Liabilities arising from stock option plans are recognised initially and at each balance sheet date until settlement at fair value using an option price model and are recognised in profit or loss. Reference is made to Note 15 "Trade and other payables".

**r. LIABILITIES** Liabilities are initially measured at fair value less transaction cost and in subsequent periods at amortised cost using the effective interest rate method. Foreign currency liabilities are translated at the average exchange rate prevailing at the balance sheet date.

**s. GOVERNMENT GRANTS** Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in liabilities as deferred government grants; they are recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets. Government grants relating to costs and property, plant and equipment are recognised in the profit or loss in the other operating result.

**t. CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER FINANCIAL OBLIGATIONS** Contingent liabilities are not recognised in the statement of financial position, but disclosed in the notes to the financial statements. They are not disclosed if an outflow of resources with economic benefit is unlikely.

A contingent asset is not recognised in the consolidated financial statements, but disclosed if the inflow of an economic benefit is likely.

**u. FIRST-TIME APPLICATION OF ACCOUNTING STANDARDS** The following new and/or amended standards and interpretations were applied for the first time in the financial year and pertain to the International Financial Reporting Standards (IFRS) as adopted by the EU.

**IAS 1:** The amendment to IAS 1, "Presentation of Financial Statements", relates to the presentation of other comprehensive income. The material amendment is that entities are required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The

Group has made the respective adjustments with regard to the presentation of other comprehensive income.

IAS 19: The International Accounting Standards Board (IASB) published amendments to IAS 19, "Employee Benefits", in June 2011 (revised in 2011, IAS 19 revised). IAS 19 revised replaces the expected return on plan assets and the interest expenses with regard to the pension obligation with a uniform net interest component. Actuarial gains and losses, effects arising from the limit on net assets (asset ceiling) and the actual return on plan assets (unless recognised under net interest)

are to be recognised through other comprehensive income (OCI) in equity as remeasurements in the period in which they incur. The corridor approach previously applied by the Group to spread actuarial gains and losses over future periods is no longer applicable. IAS 19 revised requires the retrospective application and presentation of the effects on the opening balance sheet arising with regard to the first-time adoption. The effects on the consolidated financial statements are as follows:

Corrections with regard to the items in the consolidated statement of profit or loss

€ in thousands	31 Mar 2014	31 Mar 2013
Staff costs	(393)	(471)
Operating result	393	471
<b>Profit for the year</b>	<b>393</b>	<b>471</b>
Attributable to owners of the parent company	393	471
Attributable to non-controlling interests	–	–
Earnings per share	–	–

Corrections with regard to the items in the consolidated statement of comprehensive income

€ in thousands	31 Mar 2014	31 Mar 2013
Profit for the year	393	471
Remeasurement of net debt arising from defined benefit obligations	(745)	(2,526)
Other comprehensive income for the year	(745)	(2,526)
<b>Total comprehensive income for the year</b>	<b>(352)</b>	<b>(2,055)</b>
Attributable to owners of the parent company	(352)	(2,055)
Attributable to non-controlling interests	–	–

Corrections with regard to the items in the consolidated statement of financial position

€ in thousands	31 Mar 2014	31 Mar 2013	01 Apr 2012
Overfunded pension benefits	(273)	(538)	(581)
<b>Assets</b>	<b>(273)</b>	<b>(538)</b>	<b>(581)</b>
Equity	(7,961)	(7,609)	(5,554)
Attributable to owners of the parent company	(7,961)	(7,609)	(5,554)
Attributable to non-controlling interests	–	–	–
Non-current liabilities	–	–	–
Financial liabilities	–	–	–
Provisions	7,688	7,071	4,973
Deferred tax liabilities	–	–	–
<b>Liabilities</b>	<b>(273)</b>	<b>(538)</b>	<b>(581)</b>

IFRS 7: The disclosure requirements with regard to netting agreements have been significantly broadened in order to provide for an easier comparison of entities preparing their financial statements in

accordance with IFRS or US GAAP. The Group currently does not carry out any netting activities and is also not engaged in any netting

agreements. Thus, additional disclosures with regard to netting agreements are omitted.

IFRS 10, IAS 27: IFRS 10, “Consolidated Financial Statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard becomes effective only as of 1 January 2014. However, the Group early adopted the standard with effect from 1 April 2013. Due to the new IFRS 10, IAS 27, “Investments in Associates and Joint Ventures”, was amended. The introduction of IFRS 10, “Consolidated Financial Statements”, did not have any effect on the Group’s scope of consolidation.

IFRS 11, IAS 28: IFRS 11, “Joint Arrangements”, focuses on the rights and obligations of the parties to such an arrangement rather than on the arrangement’s legal form. There are two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A party to a joint operation recognises its share in the assets, liabilities, income and expenses. However, a joint venture grants the parties to the arrangement rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The new standard and the early adoption of IFRS 11 (within the AT&S Group) resulted in an amendment of IAS 28, “Investments in Associates and Joint Ventures”. Since the AT&S Group is not engaged in joint arrangements and does not hold any shares in associates, there is no need for the AT&S Group to make any adjustments in the

consolidated financial statements that would result from the introduction of IFRS 11 and the amendment to IAS 28.

IFRS 12: IFRS 12, “Disclosure of interests in other entities”, includes the revised disclosure requirements of IAS 27 or IFRS 10, IAS 31 or IFRS 11 and IAS 28 in one single standard and expands the disclosures with regard to subsidiaries in which non-controlling interests are significant. The introduction of IFRS 12, which was early adopted by the AT&S Group, did not result in any changes in the notes to the consolidated financial statements of the AT&S Group, since the non-controlling interests in the Group’s equity are immaterial.

IFRS 13: IFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. The standard does not have any impact on the measurement of assets and liabilities of the Group. Additionally required disclosures are included in the relevant notes to the assets and liabilities with regard to which the fair value was determined.

v. FUTURE AMENDMENTS TO ACCOUNTING standards The IASB and IFRIC issued additional standards and interpretations not yet effective in the financial year 2013/14.

These have already been in part adopted by the European Union. The following standards and interpretations have already been published by the time these consolidated financial statements were prepared and are not yet effective; they have not been adopted early in the preparation of these consolidated financial statements:

	Standard/Interpretation (Content of the regulation)	Effective date <sup>1)</sup>	EU <sup>2)</sup>	Expected impacts
IFRS 9	Financial instruments (amends the classification and measurement of financial instruments)	01 Jan 2018	No	Changes in fair values of financial instruments currently classified as “available-for-sale” by the Group will (in part) be recognised in profit or loss in the future.
IAS 32	Financial instruments: presentation (clarifies provision with regard to offsetting)	01 Jan 2014	Yes	The new standard is not expected to have an impact on the consolidated financial statements.
IFRS 10, IFRS 12, IAS 27	Consolidated financial statements, Disclosure of interest in other entities, Separate financial statements (introduces an exception from the consolidation obligation with regard to investment entities)	01 Jan 2014	Yes	The new standard is not expected to have an impact on the consolidated financial statements.
IAS 36	Impairment of assets (provides information on required disclosures)	01 Jan 2014	Yes	The new standard is not expected to have an impact on the consolidated financial statements.
IAS 39	Financial instruments: recognition and measurement (introduces requirements that facilitate the continuation of hedge accounting in the case of a novation of OTC derivatives)	01 Jan 2014	Yes	The new standard is not expected to have an impact on the consolidated financial statements.
IAS 19	Employee benefits (clarifies requirements with regard to employee contributions to a defined contribution plan)	01 Jul 2014	No	The new standard is not expected to have an impact on the consolidated financial statements.
IFRIC 21	Levies (provides guidance on when to recognise a provision for levies)	01 Jan 2014	No	The new standard is not expected to have an impact on the consolidated financial statements.
IFRS 14	Regulatory deferral accounts (provides information on how to account for regulatory deferral accounts for first-time adopters of IFRS)	01 Jan 2016	No	The new standard is not expected to have an impact on the consolidated financial statements.

<sup>1)</sup> The Group intends to apply the new regulations for the first time in the fiscal year beginning subsequent to the effective date.

<sup>2)</sup> Status of adoption by the EU.

### C. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group uses estimates and assumptions to determine the reported amounts of assets, liabilities, revenue and expenses, as well as other financial liabilities, and contingent assets and liabilities. All estimates and assumptions are reviewed on a regular basis and are based on past experiences and additional factors, including expectations regarding future events that seem reasonable under given circumstances. In the future actual results may differ from these estimates. Management believes that the estimates are reasonable.

**CALCULATION OF THE PRESENT VALUES OF PROJECTED EMPLOYEE BENEFIT OBLIGATIONS** The present value of non-current employee benefits depends on various factors that are based on actuarial assumptions (refer to I.B.p. “Provisions for employee benefits”).

These actuarial assumptions used to calculate the pension expenses and the expected defined benefit obligations were subjected to stress tests as described in the following: An increase in the interest rate, in the expected remuneration and/or in future pensions for the Austrian entities by the percentage points stated in the table below would affect the present values of the projected pension and severance payment obligations as follows as of 31 March 2014:

	Interest rate	Increase in remuneration	Increase in pensions
€ in thousands	+ 0.50%	+ 0.25%	+ 0.25%
Pension obligation	(1,063)	13	574
Severance payments	(945)	505	–

A decrease in the same parameters for the Austrian companies would have the following effects on the present value of pension and severance payment obligations at 31 March 2014:

	Interest rate	Increase in remuneration	Increase in pensions
€ in thousands	- 0.50%	- 0.25%	- 0.25%
Pension obligation	1,199	(13)	(543)
Severance payments	1,033	(485)	–

Reference is made to Note 17 “Provisions for employee benefits”.

**MEASUREMENT OF DEFERRED INCOME TAX ASSETS AND CURRENT TAX LIABILITIES** Deferred income tax assets and liabilities are determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the

deferred income tax liability is settled. A future change in tax rates would also have an impact on the deferred tax capitalised at the balance sheet date.

Deferred income tax assets in the amount of € 41.8 million were not recognised for income tax loss carryforwards in the Group of € 162.4 million. The major part of these non-capitalised tax loss carryforwards may be carried forward for an unlimited period of time. If they were subsequently expected to be realised, these deferred income tax assets would have to be recognised and a related tax income to be reported. Reference is made to Note 7 "Income taxes".

Moreover, a different interpretation of tax laws by fiscal authorities could also lead to a change in income tax liabilities.

Other estimates and assumptions Further estimates relate to impairments of non-current assets and provisions, as well as the measurement of derivative financial instruments, allowances for doubtful accounts receivable and measurements of inventory. Reference is particularly made to Note 4 "Other operating result", Note 8 "Property, plant and equipment" and Note 18 "Other provisions".



## II. Segment Reporting

The segment information has been adapted according to the Management Approach Concept to the changed organisational structure, which is in use for the internal group reporting and is presented in the following (refer to I.B.b. "Segment reporting").

The primary reportable segments consist of the business units Mobile Devices, Industrial & Automotive and Advanced Packaging. The business unit Advanced Packaging is being established and has not yet reached the quantitative threshold for a separate reporting and is displayed in "Others". The Group management as well as the financial activities are basically not divided into the mentioned segments and are also included in "Others".

The key indicator for the operative management is the operating result. The reconciliation to consolidated amounts also includes the corresponding consolidation.

Transfers and transactions between the segments are executed at arm's length, as with independent third parties. The segment reporting is prepared in accordance with the principles set out in I.B. "Summary of significant accounting policies".

### FINANCIAL YEAR 2013/14

€ in thousands	Mobile Devices	Industrial & Automotive	Others	Elimination/ Consolidation	Group
Segment revenue	378,278	272,882	7,473	(68,724)	589,909
Intersegment revenue	(56,971)	(7,678)	(4,075)	68,724	–
Revenue from external customers	321,307	265,204	3,398	–	589,909
<b>Operating result</b>	<b>43,388</b>	<b>13,229</b>	<b>(2,701)</b>	<b>14</b>	<b>53,930</b>
Finance costs - net					(11,090)
Profit before tax					42,840
Income taxes					(4,621)
<b>Profit for the year</b>					<b>38,219</b>
Property, plant and equipment and intangible assets	386,319	47,888	10,041	–	444,248
Investments	94,275	7,940	8,883	–	111,098
Depreciation/amortisation	63,368	8,275	1,602	–	73,245
Non-recurring items	–	3,004	–	–	3,004

## FINANCIAL YEAR 2012/13 <sup>1)</sup>

€ in thousands	Mobile Devices	Industrial & Automotive	Others	Elimination/ Consolidation	Group
Segment revenue	334,650	243,745	2,079	(38,801)	541,673
Intersegment revenue	(37,364)	(1,147)	(290)	38,801	–
Revenue from external customers	297,286	242,598	1,789	–	541,673
<b>Operating result</b>	<b>21,175</b>	<b>11,967</b>	<b>(2,394)</b>	<b>617</b>	<b>31,365</b>
Finance costs - net					(14,827)
Profit before tax					16,538
Income taxes					(1,965)
<b>Profit for the year</b>					<b>14,573</b>
Property, plant and equipment and intangible assets	383,203	49,095	7,417	–	439,715
Investments	29,667	4,246	1,544	–	35,457
Depreciation/amortisation	60,833	7,949	2,209	–	70,991
Non-recurring items	–	–	–	–	–

<sup>1)</sup> Adjusted in application of IAS 19 revised.

**INFORMATION BY GEOGRAPHIC REGION** The following presentation of revenue is given based on ship-to-region. Non-current assets (property, plant and equipment and intangible assets) are presented by the domicile of the Company and the subsidiaries.

Revenues by customer-ship-to-region :

€ in thousands	2013/14	2012/13
Austria	20,386	19,884
Germany	126,373	125,589
Other European countries	73,171	70,800
Asia	310,881	255,046
Americas	59,098	70,354
	<b>589,909</b>	<b>541,673</b>

Non-current assets by domicile:

€ in thousands	31.03.2014	31.03.2013
Austria	33,473	26,056
China	386,279	383,157
Others	24,496	30,502
	<b>444,248</b>	<b>439,715</b>

### III. Notes to the Consolidated Statement of Profit or Loss

#### 1. REVENUE

€ in thousands	2013/14	2012/13
Main revenue	589,608	541,363
Incidental revenue	301	310
	<b>589,909</b>	<b>541,673</b>

2. TYPES OF EXPENSES The expense types of cost of sales, distribution costs and general and administrative costs are as follows:

€ in thousands	2013/14	2012/13 <sup>1)</sup>
Cost of materials	204,884	205,180
Staff costs	121,324	109,804
Depreciation/amortisation	67,818	70,970
Purchased services incl. leased personnel	39,713	34,019
Energy	33,483	32,398
Maintenance (incl. spare parts)	34,044	29,879
Transportation costs	11,052	10,372
Rental and leasing expenses	4,987	5,214
Other	8,835	13,747
	<b>526,140</b>	<b>511,583</b>

<sup>1)</sup> Adjusted according to IAS 19 revised

In the financial years 2013/14 and 2012/13, the item "Other" mainly relates to travel expenses, insurance expenses, IT service costs, legal and consulting fees, as well as changes in inventories.

3. RESEARCH AND DEVELOPMENT COSTS In the financial year 2013/14 the Group incurred research and development costs in the amount of € 25,977 thousand (financial year 2012/13: € 24,684 thousand). The stated amounts represent only costs which can be directly allocated and which are recognised in the income statement under cost of sales. In these consolidated financial statements, development costs of € 140 thousand were capitalised.

#### 4. OTHER OPERATING RESULT

€ in thousands	2013/14	2012/13
Income from the reversal of government grants	321	626
Government grants for expenses	3,009	1,537
Expenses from exchange differences	(1,328)	(489)
Gains/(losses) from the sale of non-current assets	(461)	(777)
Impairments of property, plant and equipment <sup>1)</sup>	(4,996)	–
Start-up losses	(4,931)	(890)
Miscellaneous other income	1,551	1,268
	<b>(6,835)</b>	<b>1,275</b>

<sup>1)</sup> Reference is made to Note 8 "Property, plant and equipment".

In the financial years 2013/14 and 2012/13, government grants for expenses mainly relate to export refunds as well as research and development premiums. In both financial years the start-up losses relate to the construction of the plant in Chongqing, China. As in the financial year 2012/13, the item "miscellaneous other income" mainly relates to subsequent incoming receivables and the derecognition of other liabilities written off.

#### 5. NON-RECURRING ITEMS

€ in thousands	2013/14	2012/13
Staff costs	2,194	–
Net costs arising from other contractual obligations	810	–
	<b>3,004</b>	<b>–</b>

In the financial year 2013/14, costs incurred in the amount of € 3,004 thousand for the closure of the plant in Klagenfurt. Of this amount, € 2,194 thousand relate to social plan payments, and € 810 thousand relate to costs incurred for the reconstruction of rented buildings. In the financial year 2012/13, non-recurring items did not exist.

## 6. FINANCE COSTS - NET

€ in thousands	2013/14	2012/13
Interest income from financial assets at fair value through profit or loss and available-for-sale financial assets	32	5
Other interest income	245	489
Gains from the sale of cash equivalents	39	3
Gains from the sale of available-for-sale financial assets	–	30
<b>Finance income</b>	<b>316</b>	<b>527</b>
Interest expense on bank borrowings and bonds	(10,392)	(13,860)
Realised losses from derivative financial instruments, net	(178)	(125)
Foreign exchange losses, net	(311)	(1,037)
Other financial expenses	(525)	(332)
<b>Finance costs</b>	<b>(11,406)</b>	<b>(15,354)</b>
<b>Finance costs - net</b>	<b>(11,090)</b>	<b>(14,827)</b>

## 7. INCOME TAXES

The income taxes are broken down as follows:

€ in thousands	2013/14	2012/13
Current income taxes	11,022	5,185
Deferred taxes	(6,401)	(3,220)
<b>Total tax expense</b>	<b>4,621</b>	<b>1,965</b>

The difference between the Group's actual tax expense and the theoretical amount that would arise using the Austrian corporate income tax rate is as follows:

€ in thousands	2013/14	2012/13
Expected tax expense at Austrian tax rate	10,710	4,017
Effect of different tax rates in foreign countries	(487)	(1,700)
Non-creditable foreign withholding taxes	1,496	201
Effect of change in previously unrecognised tax losses and temporary differences	1,407	(1,966)
Effect of the change in tax rate	(3,292)	(922)
Effect of permanent differences	(5,229)	2,323
Effect of taxes from prior periods	9	13
Other tax effects, net	7	(1)
<b>Total tax expense</b>	<b>4,621</b>	<b>1,965</b>

The effect of the change in tax rates mainly results from the applicable general tax rate in China of 25% with regard to the subsidiary AT&S (China) compared to the beneficial tax rate of 15% that had previously been applicable.

Deferred income tax assets and liabilities consist of the following items of the statement of financial position and loss carryforwards:

€ in thousands	31 Mar 2014	31 Mar 2013
Deferred income tax assets		
Incom tax loss carryforwards including taxable goodwill	2,278	6,201
Non-current assets	16,158	13,357
Inventories	2,448	1,946
Trade and other receivables	14	26
Provisions for employee benefits	3,130	880
Trade and other payables	2,684	654
Temporary differences arising from shares in subsidiaries	306	629
Losses not yet realised from hedging instruments for cash flow hedges, recognised in equity	–	30
Others	1,072	1,292
<b>Deferred income tax assets</b>	<b>28,090</b>	<b>25,015</b>
Deferred income tax liabilities		
Non-current assets	(2,517)	(2,765)
Provisions for employee benefits	–	(135)
Other provisions	–	(115)
Trade payables	–	(659)
Temporary differences arising from shares in subsidiaries	(6,663)	(6,300)
Gains not yet realised from securities available-for-sale, recognised in equity	(1)	(1)
Others	(109)	(103)
<b>Deferred income tax liabilities</b>	<b>(9,290)</b>	<b>(10,078)</b>
<b>Deferred income tax assets, net</b>	<b>18,800</b>	<b>14,937</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes and liabilities relate to taxes levied by the same taxation authority. The amounts after setting off deferred income tax assets against deferred liabilities are as follows:

€ in thousands	31 Mar 2014	31 Mar 2013
Deferred income tax assets:		
- non-current	15,979	16,141
- current	9,559	5,182
	<b>25,538</b>	<b>21,323</b>
Deferred income tax liabilities:		
- non-current	(75)	–
- current	(6,663)	(6,386)
	<b>(6,738)</b>	<b>(6,386)</b>
<b>Deferred income tax assets, net</b>	<b>18,800</b>	<b>14,937</b>

At 31 March 2014 the Group has income tax loss carryforwards and tax-deductible amortisation of goodwill amounting to a total of € 164,586 thousand (at 31 March 2013: € 174,218 thousand), which

Income taxes in connection with the components of other comprehensive income are as follows:

€ in thousands	2013/14			2012/13		
	Income/ (expense) before taxes	Tax income/ (expense)	Income/ (expense) after taxes	Income/ (expense) before taxes	Tax income/ (expense)	Income/ (expense) after taxes
Currency translation differences	(42,697)	–	(42,697)	22,285	–	22,285
Gains/(losses) from the fair value measurement of available-for-sale financial assets	–	–	–	(41)	13	(28)
Gains/(losses) on the measurement of hedging instruments for cash flow hedges	(300)	75	(225)	90	(22)	68
Remeasurements of post-employment obligations	(728)	–	(728)	(2,526)	–	(2,526)
<b>Other comprehensive income</b>	<b>(43,725)</b>	<b>75</b>	<b>(43,650)</b>	<b>19,808</b>	<b>(9)</b>	<b>19,799</b>

for the most part can be carried forward for an unlimited period of time. For loss carryforwards amounting to € 162,421 thousand (at 31 March 2013: € 154,895 thousand), included in this figure, deferred income tax assets in the amount of € 41,484 thousand (at 31 March 2013: € 39,315 thousand) were not recognised since it is unlikely that they will be realised in the foreseeable future. Of this amount, deferred income tax assets in the amount of € 0 (at 31 March 2013: € 1,052 thousand) account for the measurement of treasury shares. Thus income tax assets would have to be recognised directly in the Group's equity.

Deferred income taxes (net) changed as follows:

€ in thousands	2013/14	2012/13
Carrying amount at the beginning of the financial year	14,937	11,118
Currency translation differences	(2,613)	608
Income recognised in profit or loss	6,401	3,220
Income taxes recognised in equity	75	(9)
<b>Carrying amount at the end of the financial year</b>	<b>18,800</b>	<b>14,937</b>

## IV. Notes to the Consolidated Statement of Financial Position

### 8. PROPERTY, PLANT AND EQUIPMENT

€ in thousands	Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and office equipment	Prepayments and construction in progress	Total
Carrying amount 31 Mar 2013	54,412	343,964	4,542	34,845	437,763
Exchange differences	(3,975)	(21,761)	(307)	(6,158)	(32,201)
Change in scope of consolidation	–	(84)	–	–	(84)
Additions	187	10,368	2,212	89,487	102,254
Disposals	(14)	(978)	(13)	–	(1,005)
Transfers	21	2,527	19	(2,567)	–
Impairment	–	(4,996)	–	–	(4,996)
Depreciation, current	(3,635)	(61,405)	(1,588)	–	(66,628)
<b>Carrying amount 31 Mar 2014</b>	<b>46,996</b>	<b>267,635</b>	<b>4,865</b>	<b>115,607</b>	<b>435,103</b>
At 31 Mar 2014					
Gross carrying amount	73,719	786,139	22,517	115,607	997,982
Accumulated depreciation	(26,723)	(518,504)	(17,652)	–	(562,879)
<b>Carrying amount</b>	<b>46,996</b>	<b>267,635</b>	<b>4,865</b>	<b>115,607</b>	<b>435,103</b>

€ in thousands	Land, plants and buildings	Machinery and technical equipment	Tools, fixtures, furniture and office equipment	Prepayments and construction in progress	Total
Carrying amount 31 March 2012	55,713	359,465	5,166	34,122	454,466
Exchange differences	2,326	15,253	45	1,713	19,337
Additions	107	16,313	1,121	17,554	35,095
Disposals	(36)	(926)	(50)	–	(1,012)
Transfers	–	18,544	–	(18,544)	–
Depreciation, current	(3,698)	(64,685)	(1,740)	–	(70,123)
<b>Carrying amount 31 Mar 2013</b>	<b>54,412</b>	<b>343,964</b>	<b>4,542</b>	<b>34,845</b>	<b>437,763</b>
At 31 Mar 2013					
Gross carrying amount	79,484	837,580	22,081	34,845	973,990
Accumulated depreciation	(25,072)	(493,616)	(17,539)	–	(536,227)
<b>Carrying amount</b>	<b>54,412</b>	<b>343,964</b>	<b>4,542</b>	<b>34,845</b>	<b>437,763</b>

The value of the land included in “Land, plants and buildings” amounts to € 1,509 thousand (at 31 March 2013: € 1,576 thousand).

Depreciation of the current financial year is recognised in cost of sales, distribution costs, and general and administrative costs.

In the financial year 2013/14, borrowing costs of € 531 thousand were capitalised with regard to qualifying assets (in the financial year 2012/13: € 0 thousand). A financing rate of 3.62% was applied.

**IMPAIRMENT** Impairment of machinery and technical equipment amounted to € 4,996 thousand (in the financial year 2012/13: € 0 thousand) in the financial year 2013/14. This impairment was made for the prototype line that may no longer be used.

**ENCUMBRANCES** In connection with the provision of collateral for various financing agreements, property, plant and equipment in the amount of € 0 thousand (at 31 March 2013: € 1,684 thousand) have been pledged as collateral. Reference is made to Note 16 “Financial liabilities”.

## 9. INTANGIBLE ASSET

€ in thousands	Industrial property and similar rights and assets, and licenses in such rights and assets	Capitalized development costs	Goodwill	Prepayments	Other intangible assets	Total
Carrying amount 31 Mar 2013	1,952	–	–	–	–	1,952
Exchange differences	(21)	(6)	–	–	–	(27)
Additions	484	146	–	7,692	522	8,844
Disposals	(3)	–	–	–	–	(3)
Impairment	(375)	–	–	–	–	(375)
Amortisation, current	(724)	–	–	–	(522)	(1,246)
<b>Carrying amount 31 Mar 2014</b>	<b>1,313</b>	<b>140</b>	<b>–</b>	<b>7,692</b>	<b>–</b>	<b>9,145</b>
At 31 Mar 2014						
Gross carrying amount	14,681	140	6,307	7,692	–	28,820
Accumulated amortisation	(13,368)	–	(6,307)	–	–	(19,675)
<b>Carrying amount</b>	<b>1,313</b>	<b>140</b>	<b>–</b>	<b>7,692</b>	<b>–</b>	<b>9,145</b>

€ in thousands	Industrial property and similar rights and assets, and licenses in such rights and assets	Capitalized development costs	Goodwill	Prepayments	Other intangible assets	Total
Carrying amount 31 Mar 2012	2,451	–	–	–	–	2,451
Exchange differences	7	–	–	–	–	7
Additions	362	–	–	–	–	362
Amortisation, current	(868)	–	–	–	–	(868)
<b>Carrying amount 31 Mar 2013</b>	<b>1,952</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,952</b>
At 31 Mar 2013						
Gross carrying amount	14,486	–	6,478	–	–	20,964
Accumulated amortisation	(12,534)	–	(6,478)	–	–	(19,012)
<b>Carrying amount</b>	<b>1,952</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,952</b>

Amortisation of the current financial year is charged to cost of sales, distribution costs and general and administrative costs.

**IMPAIRMENTS** In the financial year 2013/14, impairment amounted to € 375 thousand (in the financial year 2012/13: € 0 thousand) and was recognised for licences that may no longer be used.

## 10. OTHER NON-CURRENT ASSETS

€ in thousands	31 Mar 2014	31 Mar 2013
Prepayments	5,467	6,011
Deposits made	4,190	3,646
Other non-current receivables	4,319	–
<b>Carrying amount</b>	<b>13,976</b>	<b>9,657</b>

Prepayments relate to long-term rent prepayments for the factory premises in China. Other non-current receivables comprise input tax reimbursements in China for the plant Chongqing under construction.

## 11. INVENTORIES

€ in thousands	31 Mar 2014	31 Mar 2013
Raw materials and supplies	21,839	25,769
Work in progress	15,576	16,282
Finished goods	22,019	20,366
<b>Carrying amount</b>	<b>59,434</b>	<b>62,417</b>

The balance of inventory write-downs of recognised as an expense amounts to € 9,899 thousand as of 31 March 2014 (€ 9,806 thousand at 31 March 2013). As in the previous year, no material write-downs resulted from the measurement of inventories at net realisable value in the financial year 2013/14.

## 12. TRADE AND OTHER RECEIVABLES

The carrying amounts of trade and other receivables are as follows:

€ in thousands	31 Mar 2014	31 Mar 2013
Trade receivables	94,118	90,919
VAT receivables	5,993	11,521
Other receivables from authorities	3,889	3,728
Prepayments	3,724	3,187
Energy tax refunds	2,245	1,508
Deposits	656	420
Other receivables	456	600
Impairments	(82)	(81)
	<b>110,999</b>	<b>111,802</b>

At 31 March 2014 as well as 31 March 2013, other receivables mainly include receivables resulting from prepaid expenses and accrued charges.

In connection with various financing agreements trade receivables amounting to € 32,000 thousand (at 31 March 2013:

€ 32,000 thousand) serve as collateral. Reference is made to Note 16 “Financial liabilities”.

Taking into account impairment, the carrying amounts of trade and other receivables approximate their fair values.

REMAINING MATURITIES OF RECEIVABLES All receivables at 31 March 2014 and 31 March 2013 have remaining maturities of less than one year.



DEVELOPMENT OF PAST DUE RECEIVABLES AND IMPAIRMENTS  
OF TRADE RECEIVABLES

31 Mar 2014:		thereof: not impaired and not past due or insured	thereof: not impaired and not insured and past due for the following periods			
€ in thousands	Carrying amount		less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
<b>Trade receivables</b>	<b>94,118</b>	<b>93,298</b>	<b>678</b>	<b>60</b>	<b>–</b>	<b>–</b>

31 Mar 2013:		thereof: not impaired and not past due or insured	thereof: not impaired and not insured and past due for the following periods			
€ in thousands	Carrying amount		less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
<b>Trade receivables</b>	<b>90,919</b>	<b>89,784</b>	<b>1,004</b>	<b>50</b>	<b>–</b>	<b>–</b>

There were no indications at the balance sheet date that not impaired and overdue trade receivables would not be paid.

Impairments of trade receivables have developed as follows:

€ in thousands	2013/14	2012/13
Impairments at the beginning of year	81	83
Utilisation	(70)	–
Addition	83	–
Currency translation differences	(12)	(2)
<b>Impairments at the end of year</b>	<b>82</b>	<b>81</b>

13. FINANCIAL ASSETS The carrying amounts of the financial assets are as follows:

€ in thousands	31 Mar 2014	thereof non-current	thereof current
Financial assets at fair value through profit or loss	836	–	836
Available-for-sale financial assets	96	96	–
	<b>932</b>	<b>96</b>	<b>836</b>

€ in thousands	31 Mar 2013	thereof non-current	thereof current
Financial assets at fair value through profit or loss	770	–	770
Available-for-sale financial assets	96	96	–
	<b>866</b>	<b>96</b>	<b>770</b>

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

€ in thousands	31 Mar 2014	31 Mar 2013
<b>Bonds</b>	<b>836</b>	<b>770</b>

All bonds are denominated in euro (nominal currency).

AVAILABLE-FOR-SALE FINANCIAL ASSETS

€ in thousands	2013/14	2012/13
Carrying amount at the beginning of year	96	132
Disposals	–	(5)
Realised gains/(losses) from the current period, removed from equity	–	(30)
Exchange differences	–	(1)
<b>Carrying amount at the end of year</b>	<b>96</b>	<b>96</b>

All available-for-sale financial assets are denominated in euro.

14. CASH AND CASH EQUIVALENTS

€ in thousands	31 Mar 2014	31 Mar 2013
Bank balances and cash on hand	260,132	80,225
Restricted cash	1	1
<b>Carrying amount</b>	<b>260,133</b>	<b>80,226</b>

At 31 March 2014 and at 31 March 2013 restricted cash relates to AT&S India.

The reported carrying amounts correspond to the respective fair values.

## 15. TRADE AND OTHER PAYABLES

€ in thousands	31 Mar 2014	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	66,184	66,184	–	–
Government grants	3,457	312	2,981	164
Liabilities to fiscal authorities and other state authorities	3,195	3,195	–	–
Liabilities to social security authorities	1,912	1,912	–	–
Liabilities from unconsumed vacations	3,875	3,875	–	–
Liabilities from stock options	195	130	65	–
Liabilities to employees	19,697	19,697	–	–
Other liabilities	6,637	6,603	34	–
<b>Carrying amount</b>	<b>105,152</b>	<b>101,908</b>	<b>3,080</b>	<b>164</b>

€ in thousands	31 Mar 2013	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	55,129	55,129	–	–
Government grants	3,417	317	1,693	1,407
Liabilities to fiscal authorities and other state authorities	1,520	1,520	–	–
Liabilities to social security authorities	1,912	1,912	–	–
Liabilities from unconsumed vacations	3,582	3,582	–	–
Liabilities from stock options	180	119	61	–
Liabilities to employees	9,051	9,051	–	–
Other liabilities	6,505	5,718	787	–
<b>Carrying amount</b>	<b>81,296</b>	<b>77,348</b>	<b>2,541</b>	<b>1,407</b>

The carrying amounts of the reported liabilities approximate the respective fair values.

**GOVERNMENT GRANTS** Government grants mainly relate to grants for land-use rights and property, plant and equipment and are released to profit or loss according to the useful life of the related property, plant and equipment.

Furthermore, the Group has received grants for project costs for several research projects, which are recognised in income on a pro rata basis according to the costs incurred and the grant ratio, or, if necessary, the accrual amount is included in the liabilities, respectively.

**LIABILITIES FROM STOCK OPTIONS** At the Supervisory Board Meeting held on 8 November 2004 a stock option plan (2005-2008) was approved, which allows the Company to grant stock options to the Management Board, managing directors and executive employees, which can be settled in cash or by issuing equity instruments.

Each of these options entitles the holder to the right to either:

- purchase a share (equity-settled share-based payment transactions) or
- be settled in cash (cash-settled share-based payment transactions) at the remaining amount between exercise price and the closing rate of AT&S shares at the stock exchange with the main quotation of AT&S shares at the date the option is exercised by the beneficiary.

The stock options may be granted between 1 April 2005 and 1 April 2008.

The exercise price is determined at the respective date of grant, representing the average AT&S share price over a period of six calendar months prior to the date of grant plus 10%. The exercise price, however, corresponds at least to the nominal value of a share of the Company.

Granted options vest gradually with 20% of the options after two years, 30% of the options after three years and 50% of the options after four years. The stock options may be exercised in full or in part after completion of the vesting period, not however during a restricted period. Options not exercised can be exercised after the expiration of the subsequent waiting period. Options not exercised within five

years after the grant date become invalid and forfeit without compensation.

In the 1st meeting of the nomination and compensation committee of the Supervisory Board on 17 March 2009 an additional stock option plan was approved, after it had been submitted for examination in the 55th Supervisory Board Meeting on 16 December 2008. This stock option plan 2009-2012 for the grant of stock options to be settled either in cash or equity instruments to members of the Management

Board, managing directors and executive employees is consistent with the stock option plan 2005-2008.

The stock options may be granted in the period between 1 April 2009 and 1 April 2012. A new stock option plan starting with 1 April 2013 was not completed.

The following table shows the development of the stock options in the financial years 2013/14 and 2012/13.

	Date of grant				
	1 April 2012	1 April 2011	1 April 2010	1 April 2009	1 April 2008
Exercise price (in €)	9.86	16.60	7.45	3.86	15.67
31 Mar 2012	–	118,500	100,000	51,900	62,000
Number of options granted	118,500	–	–	–	–
Number of options forfeited	–	–	–	–	–
Number of options exercised	–	–	10,000	10,000	–
Number of options expired	30,000	30,000	1,500	1,500	62,000
31 Mar 2013	88,500	88,500	88,500	40,400	–
Number of options granted	–	–	–	–	–
Number of options forfeited	–	–	–	–	–
Number of options exercised	–	–	–	39,200	–
Number of options expired	–	–	–	1,200	–
<b>31 Mar 2014</b>	<b>88,500</b>	<b>88,500</b>	<b>88,500</b>	<b>–</b>	<b>–</b>
Remaining contract period of stock options	3 years	2 years	1 year	-	-
Fair value of granted stock options at the balance sheet date (in € thousands)					
31 Mar 2013	65	7	46	118	–
<b>31 Mar 2014</b>	<b>94</b>	<b>13</b>	<b>130</b>	<b>–</b>	<b>–</b>

Reference is made to Note 27 “Related party transactions”.

The weighted average share price on the day of execution of all options executed in the financial year 2013/14 is € 8.45 (in the financial year 2012/13: € 9.55).

These stock options are measured at fair value at the respective balance sheet date using the Monte Carlo method and based on model assumptions and valuation parameters stated below. These may differ from the values realised on the market for all stock options granted as of 1 April 2010, 1 April 2011 and 1 April 2012:

Risk-free interest rate	0.17-0.45%
Volatility	35.56-38.03%

Volatility is calculated based on the daily share prices from 3 October 2011 until the balance sheet date.

The fair value of the stock options granted is recognised as expense over their term.

At 31 March 2014 the stock options exercisable intrinsic value is € 59 thousand (at 31 March 2013: € 47 thousand).

At 31 March 2014, 45,000 stock options are exercisable from the grant of 1 April 2010. At 31 March 2013, 16,150 stock options were exercisable from the grant of 1 April 2009.

**OTHER LIABILITIES** Other liabilities mainly include debtors with credit balances, accrued legal, audit and consulting fees, as well as other accruals.

## 16. FINANCIAL LIABILITIES

€ in thousands	31 Mar 2014	Remaining maturity			Interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Bonds	101,305	1,822	99,483	–	5.00
Export loans	32,000	32,000	–	–	0.74
Loans from state authorities:					
- State authorities	510	177	333	–	0.75-2.00
Other bank borrowings	237,704	12,077	182,830	42,797	1.50-6.40
Derivative financial instruments <sup>*)</sup>	420	–	241	179	
Carrying amount	371,939	46,076	282,887	42,976	

€ in thousands	31 Mar 2013	Remaining maturity			Interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Bonds	184,810	85,527	99,283	–	5.00-5.50
Export loans	32,000	32,000	–	–	0.84
Loans from state authorities:					
- State authorities	409	161	248	–	2.00-2.50
Other bank borrowings	81,165	12,031	46,134	23,000	2.00-6.15
Derivative financial instruments <sup>*)</sup>	118	118	–	–	
Carrying amount	298,502	129,837	145,665	23,000	

<sup>\*)</sup> Reference is made to Note 19 "Derivative financial instruments".

The bond with a total nominal amount of EUR 100 million was placed by the Company on 18 November 2011 with a term to maturity of five years and is listed on the Second Regulated Market of the Vienna Stock Exchange. The bond has a denomination of € 1,000 and the annual fixed interest in the amount of 5.00% of the nominal value is payable on 18 November of each year in arrears.

The bond is subject to the following terms and conditions:  
The bondholders do not have an ordinary cancellation right. An extraordinary cancellation right has been agreed in case of the following events occurring at the Company or one of its main subsidiaries:

- Cessation of payments or announcement of insolvency or over-indebtedness,
- Bankruptcy or other insolvency proceedings (exception: court settlement) or liquidation,
- Significant deterioration of the financial position and performance due to the discontinuation of the major part of operations, sale of major parts of assets or non-arm's length transactions with related parties
- Change of control as stipulated in the Austrian Takeover Act (Übernahmegesetz), if this significantly affects the ability to meet the bond obligations.

Other bank borrowings include long-term financing in addition to the current liquidity needs.

In order to refinance the capital need for the plant in Chongqing, a long-term loan was raised under an OeKB equity financing program. The loan will be repaid in semi-annual instalments between September 2014 and February 2020. 80% of the loan carries a fixed interest rate and 20% a variable interest rate, with the variable portion scheduled to be repaid first. The main contract terms are as follows:

- Net debt/EBITDA max. 3
- Equity ratio at least 30%
- Change of control

In order to secure planned investments in Chongqing and to further optimise the funding of the Group, a promissory note loan was successfully placed in the total amount of € 158 million in February 2014. The loan comprises several tranches with terms to maturity of five, seven and ten years carrying variable and fixed interest rates. The loan was entered into in euro and US dollars. The variable interest rate denominated in euros was hedged in full by interest rate swaps.

The main contract terms are as follows:

- Equity ratio at least 35%
- Net Debt/EBITDA >3 (step-Up covenant)
- Change of control within the meaning of the Austrian Takeover Act if this change of control significantly affects the ability to meet the loan obligations.

If the step-up covenant is exceeded, the margin increases by 75 basis points.

The contractually agreed (undiscounted) interest and redemption payments of the financial liabilities at 31 March 2014 in consideration of interest rate hedging are as follows in the next financial years:

€ in thousands	Bonds	Export loans	Loans from state authorities	Other bank borrowings	Derivative financial instruments
2014/15					
Redemption	–	32,000	177	11,504	–
Fixed interest	5,000	–	5	4,183	–
Variable interest	–	240	–	3,134	–
2015/16					
Redemption	–	–	–	11,500	–
Fixed interest	5,000	–	5	4,121	–
Variable interest	–	–	–	2,985	–
2016/17					
Redemption	100,000	–	184	11,500	–
Fixed interest	5,000	–	5	3,748	–
Variable interest	–	–	–	2,967	–
2017/18					
Redemption	–	–	150	22,462	–
Fixed interest	–	–	–	3,334	–
Variable interest	–	–	–	2,967	–
2018/19					
Redemption	–	–	–	138,076	241
Fixed interest	–	–	–	2,920	–
Variable interest	–	–	–	2,530	–
after 2018/19					
Redemption	–	–	–	43,000	179
Fixed interest	–	–	–	1,832	–
Variable interest	–	–	–	1,319	–

With the exception of the export loan, which will probably be prolonged again, no significant deviations from the agreed interest and capital payments are expected regarding term or amount.

At the prior-year balance sheet date 31 March 2013 the contractually agreed (undiscounted) interest and redemption payments of the financial liabilities in consideration of interest rate hedging were as follows for the next financial years:

€ in thousands	Bonds	Export loans	Loans from state authorities	Other bank borrowings	Derivative financial instruments
2013/14					
Redemption	80,000	32,000	161	12,031	118
Fixed interest	9,400	–	6	2,492	–
Variable interest	–	273	–	370	–
2014/15					
Redemption	–	–	177	11,634	–
Fixed interest	5,000	–	2	2,127	–
Variable interest	–	–	–	230	–
2015/16					
Redemption	–	–	–	11,500	–
Fixed interest	5,000	–	1	2,066	–
Variable interest	–	–	–	23	–
2016/17					
Redemption	100,000	–	71	11,500	–
Fixed interest	5,000	–	1	1,662	–
Variable interest	–	–	–	–	–
2017/18					
Redemption	–	–	–	11,500	–
Fixed interest	–	–	–	1,219	–
Variable interest	–	–	–	–	–
after 2017/18					
Redemption	–	–	–	23,000	–
Fixed interest	–	–	–	1,089	–
Variable interest	–	–	–	–	–

The bonds, export loans, loans from state authorities and other bank borrowings in part carry interest rates that differ from market interest rates. For this reason differences between their fair values and carrying amounts can arise.

€ in thousands	Carrying amounts		Fair values	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Bonds	101,305	184,810	106,000	200,924
Export loans	32,000	32,000	32,000	32,000
Loans from state authorities	510	409	516	414
Other bank borrowings	237,704	81,165	239,037	89,671
Derivative financial instruments	420	118	420	118
	<b>371,939</b>	<b>298,502</b>	<b>377,973</b>	<b>323,127</b>

The calculation of the fair values is based on the discounted value of future payments using current market interest rates, or are determined based on quoted prices.

The carrying amounts of financial liabilities according to currencies are as follows:



€ in thousands	31 Mar 2014	31 Mar 2013
Euro	359,401	295,842
US Dollar	10,016	883
Chinese Renminbi Yuan	2,522	134
Korean Won	–	1,631
Japanese Yen	–	12
	<b>371,939</b>	<b>298,502</b>

Bank borrowings are secured as follows:

- through property, plant and equipment in the amount of € 0 thousand (at 31 March 2013: € 1,684 thousand). Reference is made to Note 8 “Property, plant and equipment”;
- by trade receivables amounting to € 32,000 thousand (at 31 March 2013: € 32,000 thousand). Reference is made to Note 12 “Trade and other receivables”.

The Group’s unused credit lines are as follows:

€ in thousands	31 Mar 2014	31 Mar 2013
Export credit lines - secured	8,000	8,000
Other credit lines - secured	230,510	163,071
Credit lines - unsecured	20,000	20,000
	<b>258,510</b>	<b>191,071</b>

LEASES Total future minimum lease payments recognised from non-cancellable operating leases and rental expenses are as follows:

€ in thousands	31 Mar 2014	31 Mar 2013
Less than 1 year	2,102	2,707
Between 1 and 5 years	7,350	8,407
Later than 5 years	4,228	4,468
	<b>13,680</b>	<b>15,582</b>

The Group entered into various operating lease agreements for the rental of office space, properties and production facilities, as well as factory and office equipment and technical equipment.

The obligations from operating leases are affected by a sale and lease back transaction concluded in the financial year 2006/07 for the properties and buildings in Leoben-Hinterberg and Fehring, Austria, with a non-cancellable lease period until December 2021. The stated amounts also include € 5,967 thousand at 31 March 2014 (at 31 March 2013: € 6,770 thousand) attributable to minimum lease payments from the operating lease for no longer used building spaces in Leoben-Hinterberg, which has already been included in the statement of financial position as other provisions. Reference is made to Note 18 “Other provisions”.

The payments recognised as expense for non-cancellable lease and rental expenses are as follows:

€ in thousands	2013/14	2012/13
<b>Leasing and rental expenses</b>	<b>3,123</b>	<b>2,914</b>

**17. PROVISIONS FOR EMPLOYEE BENEFITS** The provisions for employee benefits relate to pension, severance payments and other employee benefits.

**DEFINED CONTRIBUTION PLANS** The majority of the Group's employees in Austria and part of its employees in India are covered by defined contribution plans that have been transferred to a pension fund. For employees in Austria, the pension plans are supplemented by death and endowment insurances. Employer contributions are determined on the basis of a certain percentage of current remuneration. Employer contributions under these plans amounted to € 475 thousands in the financial year 2013/14 and to € 503 thousand in the financial year 2012/13.

**DEFINED BENEFIT PLANS** The Group operates defined benefit plans for several members of the management board and other executive employees with no employee contribution required. The board members' and other executive employees' plans are partially funded through assets in pension funds and partially unfunded. Pension benefits of board members and executive employees are based on their salaries and years of service. Essentially, the Group is exposed to risks arising from these obligations as the Group cannot reliably establish future salary and pension benefits increases owing to longevity and inflation.

**FUNDED SEVERANCE PAYMENTS** The employees in India are entitled to severance payments upon retirement or, under certain circumstances, upon leaving the company, the amount of which depends on years of service and the remuneration received by the respective

member of staff. The severance payments range between half of a monthly remuneration per year of service and a fixed maximum. Severance payment obligations are covered by a life insurance. Essentially, the Group is exposed to risks arising from these obligations as the Group cannot reliably establish future remuneration increases owing to inflation.

**UNFUNDED SEVERANCE PAYMENTS** Employees in Austria, South Korea and China are entitled to receive severance payments, which are based upon years of service and remuneration received by the respective member of staff and are generally payable upon retirement and, under certain circumstances, upon leaving the company. In Austria the severance payments range from 2 to 12 months of final monthly salary, in South Korea and China a fixed amount is paid depending also on years of service and salary. Essentially, the Group is exposed to risks arising from these obligations as the Group cannot reliably establish future remuneration increases owing to inflation.

For employees who joined on or after 1 January 2003 in Austria, regular contributions are paid to a staff provision fund ("Mitarbeitervorsorgekasse") without any further obligations on part of the Group. The contributions for the financial year 2013/14 amounted to € 267 thousand and for the financial year 2012/13 to € 263 thousand.

**OTHER EMPLOYEE BENEFITS** The employees of the companies in Austria and in China are entitled to anniversary bonuses for long-term service, in Austria the eligibility to and amount of which are stipulated in the Collective Agreement.

**EXPENSES** for (defined benefit) pension obligations, severance payments and other employee benefits consist of the following:

€ in thousands	Retirement benefits		Severance payments		Other employee benefits	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Current service cost	91	69	1,497	1,192	1,060	868
Interest expense	138	185	524	546	144	132
Settlements	–	–	–	172	–	–
Actuarial losses/(gains)	–	–	–	–	152	797
<b>Expenses recognised in profit for the period</b>	<b>229</b>	<b>254</b>	<b>2,021</b>	<b>1,910</b>	<b>1,356</b>	<b>1,797</b>
Actuarial losses/(gains)	472	1,083	255	1,490	–	–
<b>Expenses recognised in other comprehensive income</b>	<b>472</b>	<b>1,083</b>	<b>255</b>	<b>1,490</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>701</b>	<b>1,337</b>	<b>2,276</b>	<b>3,400</b>	<b>1,356</b>	<b>1,797</b>

Expenses for retirement, severance payments and other employee benefits are recognised in profit and loss under cost of sales, distribution costs and general and administrative costs.

Amounts accrued in the STATEMENT OF FINANCIAL POSITION are:

€ in thousands	31 Mar 2014	31 Mar 2013
Funded pension benefits	3,091	2,545
Unfunded pension benefits	1,226	1,175
Unfunded severance payments	16,505	14,657
Funded severance payments	66	107
Other employee benefits	3,867	3,793
<b>Provisions for employee benefits</b>	<b>24,755</b>	<b>22,277</b>

Pension obligations and severance payments are as follows:

€ in thousands	Retirement benefits		Severance payments	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Present value of funded obligations	13,010	11,949	674	723
Fair value of plan assets	(9,919)	(9,404)	(608)	(616)
Funded status funded obligations	3,091	2,545	66	107
Present value of unfunded obligations	1,226	1,175	16,505	14,657
<b>Provisions recognised in the statement of financial position</b>	<b>4,317</b>	<b>3,720</b>	<b>16,571</b>	<b>14,764</b>

The present value of projected pension benefits, the movement in plan assets (held to cover the pension benefits) and funded status are as follows:

€ in thousands	Funded retirement benefits		Unfunded retirement benefits	
	2013/14	2012/13	2013/14	2012/13
Present value of pension obligation				
Present value at beginning of year	11,949	10,078	1,175	1,053
Current service cost	91	69	–	–
Interest expense	444	450	43	47
Remeasurement from the change in financial assumptions	898	1,300	64	99
Remeasurement from adjustments based on past experience	(238)	217	5	172
Benefits paid	(134)	(165)	(61)	(196)
<b>Present value at end of year</b>	<b>13,010</b>	<b>11,949</b>	<b>1,226</b>	<b>1,175</b>
Fair value of plan assets				
Fair value at beginning of year	9,404	8,376		
Contributions	42	176		
Investment result	257	706		
Interest income	350	311		
Benefits paid	(134)	(165)		
<b>Fair value at end of year</b>	<b>9,919</b>	<b>9,404</b>		
<b>Funded status funded pension benefits</b>	<b>3,091</b>	<b>2,545</b>		

At 31 March 2014, the average maturity of funded pension benefits is 17 years and of unfunded pension benefits 13 years.

Plan assets held to cover the pension obligations have been transferred to pension funds. The diversification of the portfolio is as follows:

in %	31 Mar 2014	31 Mar 2013
Debt securities	34%	36%
Equity securities	44%	41%
Real estate	5%	6%
Cash and cash equivalents	17%	17%
	<b>100%</b>	<b>100%</b>

A significant portion of plan assets is traded in an active market.

The aggregate movement in funded and unfunded severance payments is as follows:

€ in thousands	Funded severance payments		Unfunded severance payments	
	2013/14	2012/13	2013/14	2012/13
Present value of severance payment obligation				
Present value at beginning of year	723	614	14,657	12,954
Exchange differences	(116)	(15)	(23)	37
Service cost	45	45	1,452	1,147
Interest cost	49	49	519	549
Remeasurement from the change in demographic assumptions	(2)	–	(528)	–
Remeasurement from the change in financial assumptions	(64)	–	889	–
Remeasurement from adjustments based on past experience	55	46	(88)	1,444
Settlements	–	–	–	172
Benefits paid	(16)	(16)	(373)	(1,646)
<b>Present value at end of year</b>	<b>674</b>	<b>723</b>	<b>16,505</b>	<b>14,657</b>
Fair value of plan assets				
Fair value at beginning of year	616	589		
Exchange differences	(100)	(9)		
Contributions	57	–		
Investment result	7	–		
Interest income	44	52		
Benefits paid	(16)	(16)		
<b>Fair value at end of year</b>	<b>608</b>	<b>616</b>		
<b>Funded status funded severance payments</b>	<b>66</b>	<b>107</b>		

At 31 March 2014, the average maturity of unfunded severance payments is 13 years.

The aggregate movement in other employee benefits (anniversary bonuses) is as follows:

€ in thousands	2013/14	2012/13
Present value at beginning of year	3,793	3,141
Exchange differences	(96)	66
Service cost	1,060	868
Interest expense	144	132
Remeasurement from the change in demographic assumptions	(53)	–
Remeasurement from the change in financial assumptions	49	430
Remeasurement from adjustments based on past experience	155	367
Benefits paid	(1,185)	(1,211)
<b>Present value at end of year</b>	<b>3,867</b>	<b>3,793</b>

At 31 March 2014, the average maturity of other employee benefits is 11 years.

The following actuarial parameters were used for the measurement at the balance sheet date:

	Retirement benefits		Severance payments		Other employee benefits (anniversary bonuses)	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Discount rate	3.30%	3.75%	3.57%	3.96%	3.40%	3.51%
Expected rate of remuneration increase	2.25%	2.25%	3.32%	3.31%	5.38%	6.70%
Expected rate of pension increase	2%	2%	–	–	–	–
Retirement age	65	65	Individual according to respective local legislation	Individual according to respective local legislation	–	–

## 18. OTHER PROVISIONS

€ in thousands	Total	Warranty	Restructuring	Others
Carrying amount 31 Mar 2013	12,059	405	11,210	444
Utilisation	(4,535)	(471)	(3,444)	(620)
Reversal	–	–	–	–
Addition	5,302	995	3,004	1,303
Interest effect	46	–	46	–
Exchange differences	(63)	(36)	–	(27)
<b>Carrying amount 31 Mar 2014</b>	<b>12,809</b>	<b>893</b>	<b>10,816</b>	<b>1,100</b>

€ in thousands	Total	Warranty	Restructuring	Others
Carrying amount 31 Mar 2012	13,586	732	12,347	507
Utilisation	(1,350)	(112)	(789)	(449)
Reversal	(705)	(350)	–	(355)
Addition	865	137	–	728
Interest effect	(348)	–	(348)	–
Exchange differences	11	(2)	–	13
<b>Carrying amount 31 Mar 2013</b>	<b>12,059</b>	<b>405</b>	<b>11,210</b>	<b>444</b>

€ in thousands	31 Mar 2014	31 Mar 2013
thereof non-current	9,736	10,437
thereof current	3,073	1,622
<b>Carrying amount</b>	<b>12,809</b>	<b>12,059</b>

**WARRANTY PROVISION** The provision for warranty relates to the costs for already existing and expected complaints about products still under warranty. The accrued amount is the best estimate of these costs based on past experience and actual facts, which due to the uncertainty as to amount and timing are not yet recognised as liabilities.

**PROVISION FOR THE RESTRUCTURING** This provision relates to future vacancy costs for no longer used building space based on the non-cancellable property lease obligation. The provision was largely recognised in the amount of the present value of the expenses expected to be incurred until the end of the non-cancellable property lease obligation in December 2021. A provision for the closure of the plant in Klagenfurt was also recognised in the financial year 2013/14.

**OTHER PROVISIONS** Other provisions relate to provisions for other onerous contracts.

**19. DERIVATIVE FINANCIAL INSTRUMENTS** The derivative financial instruments mainly relate to foreign exchange swap contracts and interest rate swaps. Hedged items are primarily trade receivables and payables, as well as payments in connection with loans.

The carrying amounts of the Group's derivative financial instruments correspond to their fair values. The fair value corresponds to the amount that would be incurred or earned, if the transaction was settled at the balance sheet date.

The fair values of the derivative financial instruments are as follows at the balance sheet date:

€ in thousands	31 Mar 2014		31 Mar 2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps at fair value	-	420	-	118
<b>Total market values</b>	<b>-</b>	<b>420</b>	<b>-</b>	<b>118</b>
Net of current portion:				
Interest rate swaps at fair value	-	-	-	118
<b>Current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118</b>
<b>Non-current portion</b>	<b>-</b>	<b>420</b>	<b>-</b>	<b>-</b>

The nominal amounts and the fair values of derivative financial instruments relating to hedges against interest rate fluctuations are as follows at the balance sheet date, presented by currency:

Currency	31 Mar 2014		31 Mar 2013	
	Nominal amount (in 1,000 local currency)	Market value (in EUR 1,000)	Nominal amount (in 1,000 local currency)	Market value (in EUR 1,000)
Euro	92,000	(420)	9,300	(118)

The remaining terms of derivative financial instruments are as follows at the balance sheet date:

in months	31 Mar 2014	31 Mar 2013
Interest rate swaps	59 - 83	12

At 31 March 2014, the fixed interest rates for interest rate swaps are 1.01% and 1.405%, the variable interest rate is based on the 6-month EURIBOR.

## 20. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

**CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY** The carrying amounts and fair values of financial instruments included in several items in the statement of financial position by measurement category are as follows at the balance sheet date. Unless otherwise stated, carrying amounts correspond approximately to the fair values:

31 Mar 2014	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
€ in thousands				
<b>Assets</b>				
Non-current assets				
Financial assets	AFSFA	2	96	96
<b>Current assets</b>				
Trade receivables less impairments	LAR		94,036	94,036
Other receivables	LAR		456	456
Other receivables	–		16,507	16,507
Trade and other receivables			110,999	110,999
Financial assets	FAAFVPL	1	836	836
Cash and cash equivalents	LAR	1	15,321	15,321
Cash and cash equivalents	LAR		244,812	244,812
Cash and cash equivalents			260,133	260,133
<b>Liabilities</b>				
Bonds	FLAAC	1	101,305	106,000
Other financial liabilities	FLAAC	2	270,214	271,553
Derivative financial instruments	DHI	2	420	420
Non-current and current financial liabilities			371,939	377,973
Trade payables	FLAAC		66,184	66,184
Other payables	FLAAC		19,697	19,697
Other payables	–		19,271	19,271
Trade and other non-current and current payables			105,152	105,152
<b>Aggregated by measurement categories</b>				
<b>Assets</b>				
Loans and receivables	LAR <sup>1)</sup>		354,625	
Available-for-sale financial assets	AFSFA <sup>2)</sup>		96	
Financial assets at fair value through profit or loss	FAAFVPL <sup>3)</sup>		836	
<b>Liabilities</b>				
Financial liabilities at amortised costs	FLAAC <sup>4)</sup>		457,400	
Derivatives as hedging instruments	DHI <sup>5)</sup>		420	



31 Mar 2013

€ in thousands	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs		Carrying amount	Fair value
		Level		
<b>Assets</b>				
<b>Non-current assets</b>				
Financial assets	AFSFA	2	96	96
<b>Current assets</b>				
Trade receivables less impairments	LAR		90,838	90,838
Other receivables	LAR		600	600
Other receivables	–		20,364	20,364
Trade and other receivables			111,802	111,802
Financial assets	FAAFVPL	1	770	770
Cash and cash equivalents	LAR	1	–	–
Cash and cash equivalents	LAR		80,226	80,226
Cash and cash equivalents			80,226	80,226
<b>Liabilities</b>				
Bonds	FLAAC	2	184,810	200,924
Other financial liabilities	FLAAC	2	113,574	122,085
Derivative financial instruments	DHI	2	118	118
Non-current and current financial liabilities			298,502	323,127
Trade payables	FLAAC		55,129	55,129
Other payables	FLAAC		9,051	9,051
Other payables	–		17,116	17,116
Trade and other non-current and current payables			81,296	81,296
<b>Aggregated by measurement categories</b>				
<b>Assets</b>				
Loans and receivables	LAR <sup>1)</sup>		171,664	
Available-for-sale financial assets	AFSFA <sup>2)</sup>		96	
Financial assets at fair value through profit or loss	FAAFVPL <sup>3)</sup>		770	
<b>Liabilities</b>				
Financial liabilities at amortised costs	FLAAC <sup>4)</sup>		362,564	
Derivatives as hedging instruments	DHI <sup>5)</sup>		118	

<sup>1)</sup> Loans and receivables;<sup>2)</sup> Available-for-sale financial assets;<sup>3)</sup> Financial assets at fair value through profit or loss;<sup>4)</sup> Financial liabilities at amortised cost;<sup>5)</sup> Derivatives as hedging instruments

Three valuation hierarchies have to be distinguished in the fair value measurement.

- Level 1: The fair values are determined based on quoted market prices in an active market for identical financial instruments.
- Level 2: If quoted market prices in active markets are not available, the fair values are determined based on the results of a measurement method that is based to the greatest possible extent on market prices.
- Level 3: In this case, the fair values are determined using measurement models which are not based on observable market data.

NET RESULTS RELATING TO FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY Net gains or net losses relating to financial assets and liabilities by measurement category are as follows:

€ in thousands	2013/14	2012/13
Loans and receivables	(2,065)	(450)
Financial assets at fair value through profit or loss	(87)	(89)
Available-for-sale financial assets	8	37
Financial liabilities at amortised cost	(9,768)	(14,897)
	<b>(11,912)</b>	<b>(15,399)</b>

The net results relating to financial instruments include dividend income, interest income and expenses, foreign exchange gains and losses, realised gains and losses on the disposal and sale, as well as income and expenses recognised in profit or loss from the measurement of financial instruments.

€ -1,420 thousand in net income (net expense) (in 2012/13: € -942 thousand in net expense) of the total net result from financial instruments is included in the operating result, and € -10,492 thousand (in 2012/13: € -14.457 thousand in net expense) in "Finance costs – net".

## FINANCIAL RISKS

In the following, the financial risks, which comprise the financing risk, the liquidity risk, the credit risk, and the foreign exchange risk, are addressed. In the Management Report for the Group, further risk categories and the related processes and measures are outlined.

Risk management of financial risks is carried out by the central treasury department (Group Treasury) under policies approved by the Management Board. Responsibilities, authorisations and limits are governed by internal guidelines. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

**FINANCING RISK** The financing risk relates to securing the long-term funding of the Group and to fluctuations in the value of financial instruments.

On the asset side, the Group is exposed to low interest rate risks with regard to its securities portfolio. Other liquid funds are mainly invested short-term, and the entire securities portfolio is available for sale. Reference is made to Note 13 "Financial assets" and Note 14 "Cash and cash equivalents".

On the liabilities side, 84% (in the previous year 84%) of the total bonds and bank borrowings are subject to fixed interest rates, taking into account interest rate hedging instruments, and most of the remaining 16% variable interest rate loans (in 2012/13: 16%) have maturities between one and five years. Reference is made to Note 16 "Financial liabilities".

The financial liabilities of the Group are linked with loan commitments that are customary in the market. These commitments are reviewed on a quarterly basis. In the case of non-compliance with the commitment, the lenders have a right of notice.

**LIQUIDITY RISK** In the Group, liquidity risk refers to the circumstance of insolvency. Therefore, sufficient liquidity shall be available at all times to be able to meet the current payment obligations on time.

At 31 March 2014 the Group has liquidity reserves in the amount of € 519.6 million (at 31 March 2013: € 272.1 million), € 261.1 million (at 31 March 2013: € 81 million) of which is accounted for by cash (equivalents) and securities held for trading and available-for-sale securities, and € 258.5 million (at 31 March 2013: € 191.1 million) by available unused credit facilities. Thus, the liquidity reserves increased by € 247.5 million year-on-year, with € 180.2 million (at 31 March 2013: € 91.8 million) included in the current reserves, which relate to AT&S China and are subject to specific liquidity requirements.

The Group has a clearly positive operating cash flow. The net cash flow from operating activities for the financial year 2013/14 amounts to € 104.8 million (in 2012/13: € 71.7 million). Thus, the investments made in the reporting year could be financed from the operating cash flow.

**CREDIT RISK** In the Group, credit risk refers to the potential payment default by customers. The Group always managed to establish strong partnerships with its largest customers. 51% of the Group's total revenue was attributable to its five largest customers.

The share in trade receivables outstanding at the balance sheet date roughly corresponds to the shares in revenue of the individual customers. The credit risk is kept at a minimum, on the one hand, by regular billing of delivered products and, on the other hand, by credit

assessments and credit insurances. In case of identifiable financial difficulties, deliveries would only be made against advance payment.

Reference is made to the detailed disclosures in Note 12 "Trade and other receivables".

**FOREIGN EXCHANGE RISK** As a globally operating entity, the AT&S Group is exposed to foreign exchange risk. "Natural hedges" exist in part through local added value created at the various plants. In the Group transaction risks are initially managed by closing positions (netting). Open positions are continuously analysed and hedged by using different hedging instruments such as forward contracts, currency options and currency swaps.

Sensitivity analyses are performed to assess the foreign exchange risk, with – all else being equal – the effects of percentage changes of foreign exchange rates being simulated against each other.

**FINANCIAL MARKET RISKS** Detailed information on financial market risks and derivative financial instruments is contained in Note I.B.I. "Summary of significant accounting policies: Derivative financial instruments" and in Note 19 "Derivative financial instruments". The Group uses derivative financial instruments, such as forward contracts, options and swaps, exclusively for hedging purposes.

**EVALUATION OF FINANCIAL MARKET RISKS BY SENSITIVITY ANALYSES** The Group applies sensitivity analyses to quantify the interest rate and currency risks. In so-called GAP analyses the potential change in profit/loss resulting from a 1% change in price (exchange rate or interest rate) with regard to the foreign currency or interest net position is determined. Correlations between different risk elements are not accounted for in these analyses. The impact on profit/loss is determined taking into account income tax effects on the profit for the year after tax.

If the interest rates at the balance sheet date had been 100 basis points higher (or lower, respectively), based on the financing structure at the balance sheet date the profit for the year would have been € 0.6 million lower (or higher, respectively) (in 2012/13: € 0.5 million), provided all other variables had remained constant. This would have mainly been due to higher (or lower, respectively) interest expenses

for variable interest financial liabilities. Further components of equity would not be directly affected through this sensitivity analysis. The result of this interest rate sensitivity analysis is based on the assumption that the interest rates would deviate during an entire financial year by 100 basis points and the new interest rates would have to be applied to the amount of equity and liabilities at the balance sheet date.

A change in the euro exchange rate of 1% against the US dollar would have had an impact on the profit for the year in the amount of € 1.1 million (in 2012/13: € 0.8 million). This effect would have been due to the measurement of trade receivables and payables as well as financial balances and derivative financial instruments measured at fair value.

Furthermore, reference is made to the detailed disclosures in Note 12 "Trade and other receivables".

**CAPITAL RISK MANAGEMENT** The objectives of the Group with respect to capital management, on the one hand, include securing the going concern in order to be able to provide the equity holders with dividends and the other stakeholders with appropriate services, and on the other hand, maintaining an appropriate capital structure in order to optimise capital costs. Therefore, the amount of the dividend payments is adjusted to the respective requirements, capital is repaid to equity owners (withdrawal of treasury shares), new shares are issued or the portfolio of other assets is changed.

As is customary in the industry, the Group monitors its capital based on net gearing, calculated from the ratio of net financial liabilities to equity. Net financial liabilities are calculated from financial liabilities less cash and cash equivalents as well as financial assets. The individual amounts for calculating the net financial liabilities and equity have to be taken directly from the consolidated statement of financial position.

Unchanged on the previous year, the Group basically pursues the strategy to keep the gearing ratio under 80% in the medium and long-term, with short-term excesses being accepted. Net gearing as of 31 March 2014 amounted to 28.4% (at 31 March 2013: 71.3%) and is thus well below the previous year level.

**21. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS** Regarding non-cancellable leasing and rental agreements, reference is made to Note 16 “Financial liabilities”. At 31 March 2014 the Group has other financial commitments amounting to € 59,548 thousand (at 31 March 2013: € 16,854 thousand) in connection with contractually binding investment projects. Furthermore, at the balance sheet date the

Group has contingent liabilities to customs authorities and from bank guarantees in the amount of € 703 thousand (at 31 March 2013: € 1,424 thousand). Other guarantees or contingencies relating to the ordinary business operations do not exist at the balance sheet date.

## 22. SHARE CAPITAL

	Outstanding shares in thousand shares	Ordinary shares € in thousands	Share premium € in thousands	Treasury shares, net of tax € in thousands	Share capital € in thousands
<b>31 Mar 2012</b>	<b>23,323</b>	<b>28,490</b>	<b>63,542</b>	<b>(46,497)</b>	<b>45,535</b>
Change in treasury shares, net of tax	–	–	–	379	379
<b>31 Mar 2013</b>	<b>23,323</b>	<b>28,490</b>	<b>63,542</b>	<b>(46,118)</b>	<b>45,914</b>
Sale of treasury shares, net of tax	2,577	–	(29,365)	46,118	16,753
Proceeds of share issue	12,950	14,245	64,934	–	79,179
<b>31 Mar 2014</b>	<b>38,850</b>	<b>42,735</b>	<b>99,111</b>	<b>–</b>	<b>141,846</b>

**ORDINARY SHARES** The Management Board, with the approval of the Supervisory Board and exercising the authorisation granted by the 16th Annual General Meeting dated 7 July 2010, passed the basic resolution on 17 September 2013 to increase the Company’s ordinary shares by up to € 14,245 thousand issuing up to 12,950,000 no-par value bearer shares as well as to sell treasury shares of up to 2,577,412 shares.

The Management Board, with the approval of the project committee of the Supervisory Board, passed the first implementation decision on 17 September 2013 to increase the Company’s ordinary shares by € 3,704 thousand issuing 3,367,471 new shares without subscription rights. The subscription and offer price per issued share is € 6.50. This increase was registered with the Austrian companies register on 20 September 2013.

The Management Board, with the approval of the project committee of the Supervisory Board, passed the second implementation decision on 4 October 2013 to increase the Company’s ordinary shares by € 10,541 thousand issuing 9,582,529 new shares and to sell 2,577,412 treasury shares. The subscription and offer price per issued share is € 6.50. This increase was registered with the Austrian companies register on 5 October 2013.

At 31 March 2014, the ordinary shares of € 42,735 thousand (€ 28,490 thousand at 31 March 2013) is made up of 38,850,000 no-par value shares (25,900,000 no-par value shares at 31 March 2013) with a notional value of € 1.10 per share.

**OUTSTANDING SHARES** The number of shares issued amounts to 38,850,000 at 31 March 2014 (25,900,000 at 31 March 2013). At the balance sheet date 31 March 2014, the Group does not hold any treasury shares. At 31 March 2013, 2,577,412 treasury shares were held by the Group, 23,322,588 shares were outstanding.

**TREASURY SHARES** By a resolution passed at the 19th Annual General Meeting on 4 July 2013, the Management Board was again authorised (pursuant to § 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG)) to acquire - within 30 months as from the resolution date - treasury shares to the maximum extent of up to 10% of the ordinary shares of the Company at a lowest price that may be no more than 30% lower than the average unweighted closing rate of the last 10 trading days and at a highest price per share of a maximum of up to 30% above the average unweighted closing rate of the last 10 trading days. The authorisation also includes the acquisition of shares of subsidiaries (§ 66 AktG). The acquisition may be carried out via the stock exchange, by means of a public offering or in any other legal way and for any legal purpose. The Management Board was also authorised to withdraw repurchased treasury shares as well as treasury shares already held by the Company without any other resolution of the Annual General Meeting. This authorisation may be exercised in full, in part or in several tranches. The Supervisory Board is authorised to resolve amendments to the articles of association that may result from the withdrawal of shares.

Since 15 May 2006, the Group has purchased a total of 2,632,432 treasury shares at the prevailing market price amounting to a total of

€ 47,484 thousand. In the financial year 2013/14, 2,577,412 treasury shares were sold in the course of the capital increase. At 31 March 2014, the Group no longer holds any treasury shares. At 31 March 2013, the Group held 2,577,412 treasury shares (9.95% of the ordinary shares at 31 March 2013) with a total purchase price of € 46,577 thousand. The change in treasury shares (net of tax) in the financial year 2012/13 exclusively relates to taxes attributable to this equity instrument.

At the 19th Annual General Meeting on 4 July 2013, the Management Board in accordance with § 65 (1b) AktG was authorised again, for a period of five years as of the date the resolution was passed, i.e. up to and including 3 July 2018, upon approval by the Supervisory Board and without any further resolution of the Annual General Meeting, to sell or use the repurchased treasury shares or treasury shares already held by the Company also in a different way than via the stock exchange or by public offer, most notably to use treasury shares for the following purposes:

- Issuance to employees, executive employees and members of the Management Board of the Company or to an affiliated company, including the servicing of stock transfer programmes (particularly with regard to stock options, long-term incentive plans or other employee stock option plans),
  - To serve issued convertible bonds, if any,
  - As consideration for the acquisition of entities, participating interests or other assets, and
  - For any other legal purpose,
- and by doing so, to exclude the general purchase option of shareholders (subscription right exclusion). The authorization may be exercised in full, in part and also in several tranches and serve multiple purposes.

**DIVIDEND PER SHARE** In the financial year 2013/14 a dividend of EUR 0.20 was paid per share (in 2012/13: EUR 0.32).

**23. OTHER RESERVES** The reclassification adjustments of the other comprehensive income realised in the profit for the year and the movement in other reserves are as follows:

€ in thousands	Currency translation differences	Available-for-sale financial assets	Hedging instruments for cash flow hedges	Actuarial effect including effects from asset ceilings	Other reserves
<b>Carrying amount as of 31 Mar 2012</b>	<b>22,681</b>	<b>31</b>	<b>(157)</b>	<b>–</b>	<b>22,555</b>
Balance of unrealised changes before reclassification, net of tax	22,282	(8)	5	–	22,279
Transfer of realised changes recognised in the profit for the year, net of tax	–	(20)	63	–	43
Actuarial effect including effects from asset ceilings	–	–	–	(2,526)	(2,526)
<b>Carrying amount as of 31 Mar 2013 <sup>1)</sup></b>	<b>44,963</b>	<b>3</b>	<b>(89)</b>	<b>(2,526)</b>	<b>42,351</b>
Balance of unrealised changes before reclassification, net of tax	(42,695)	–	(314)	–	(43,009)
Transfer of realised changes recognised in the profit for the year, net of tax	–	–	89	–	89
Actuarial effect including effects from asset ceilings	–	–	–	(728)	(728)
<b>Carrying amount as of 31 Mar 2014</b>	<b>2,268</b>	<b>3</b>	<b>(314)</b>	<b>(3,254)</b>	<b>(1,297)</b>

<sup>1)</sup> Adjusted in application of IAS 19 revised.

With regard to the presentation of income taxes attributable to the individual components of the other comprehensive income, including reclassification adjustments, reference is made to Note 7 “Income taxes”.

## Other Disclosures

**24. EARNINGS PER SHARE** Earnings per share is calculated in accordance with IAS 33 „Earnings Per Share“.

**WEIGHTED AVERAGE OF OUTSTANDING SHARES** The number of shares issued is 38,850,000. At 31 March 2014 no treasury shares are held, which are deducted in the calculation of earnings per share.

The weighted average number of outstanding shares for the basic earnings per share calculation amounts to 30.8 million in the financial year 2013/14 and to 23.3 million in the financial year 2012/13.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounts to 31.6 million in the financial year 2013/14 and to 23.3 million in the financial year 2012/13.

The following table shows the composition of the diluted weighted average number of outstanding shares in the respective periods:

€ in thousands	2013/14	2012/13
Weighted average number of shares outstanding - basic	30,821	23,323
Diluting effect of options	797	17
<b>Weighted average number of shares outstanding - diluted</b>	<b>31,618</b>	<b>23,340</b>

**BASIC EARNINGS PER SHARE** Basic earnings per share are calculated by dividing the profit for the period attributed to the equity holders of the Company by the weighted average number of outstanding ordinary shares of the same period.

	2013/14	2012/13
Profit for the year (€ in thousands)	38,168	14,572
Weighted average number of outstanding shares - basic (in thousand shares)	30,821	23,323
<b>Basic earnings per share (in €)</b>	<b>1.24</b>	<b>0.62</b>

**DILUTED EARNINGS PER SHARE** Diluted earnings per share are calculated by dividing the profit for the period attributed to the equity holders of the Company by the weighted average number of outstanding shares including the number of potentially outstanding ordinary shares. The potentially outstanding ordinary shares comprise the additional shares to be issued for exercisable options and are included in diluted earnings per share under the assumption that these shares are diluted.

	2013/14	2012/13
Profit for the year (€ in thousands)	38,168	14,572
Weighted average number of outstanding shares - diluted (in thousand shares)	31,618	23,340
<b>Diluted earnings per share (in €)</b>	<b>1.21</b>	<b>0.62</b>

According to IAS 33 the treasury shares which are held to fulfil the stock option plan do not dilute the outstanding shares.

**25. PROPOSAL ON PROFIT DISTRIBUTION** According to the provisions of the Austrian Stock Corporation Act (“AktG”) the local financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft as of 31 March 2014 prepared under Austrian GAAP serve as the basis for the distribution of dividends. These financial statements reported retained earnings amounting to € 15,735 thousand at 31 March 2014 (at 31 March 2013: € 19,383 thousand).

The distribution is subject to the resolution of the Annual General Meeting. The Management Board and the Supervisory Board propose to the Annual General Meeting to distribute a dividend of € 7,770 thousand from retained earnings in the amount of € 15,735 thousand and to carry forward the remaining balance. This profit distribution corresponds to a dividend of € 0.20 per outstanding no-par value share entitled to dividend at 31 March 2014 (with a total of 38,850,000 no-par value shares entitled to dividend at 31 March 2014).

**26. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE** After balance sheet date no material events occurred.

**27. RELATED PARTY TRANSACTIONS** In connection with various projects the Group received services from legal and consulting companies owned by the chairman of the Supervisory Board (AIC Androsch International Management Consulting GmbH, Vienna) or by Supervisory Board members (Dörflinger Management & Beteiligungs GmbH, Vienna and Frotz Riedl Rechtsanwälte, Vienna). The fees charged are as follows:

€ in thousands	2013/14	2012/13
AIC Androsch International Management Consulting GmbH	387	365
Frotz Riedl Rechtsanwälte	6	–
Dörflinger Management & Beteiligungs GmbH	5	6
	<b>398</b>	<b>371</b>

At the balance sheet date, there are no outstanding balances or obligations to the above mentioned legal and consulting companies.

**MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD** In the financial year 2013/14 and until the date of issuance of these consolidated financial statements the following persons served on the MANAGEMENT BOARD:

- Andreas Gerstenmayer (Chairman)
- Heinz Moitzi
- Karl Asamer (since 1 April 2014)

In the financial year 2013/14 the following persons were elected members of the SUPERVISORY BOARD:

- Hannes Androsch (Chairman)
- Willibald Dörflinger (First Deputy Chairman)
- Regina Prehofer (Second Deputy Chairman)
- Karl Fink
- Albert Hochleitner
- Gerhard Pichler
- Georg Riedl
- Karin Schaupp

Delegated by the Works Council:

- Wolfgang Fleck
- Johann Fuchs (until 15 October 2013)
- Franz Katzbeck (since 15 October 2013)
- Sabine Fussi
- Günther Wölfler

The number of outstanding stock options and staff costs from stock options granted are as follows:

	Number of outstanding stock options		Staff costs (€ in thousands)	
	31 Mar 2014	31 Mar 2013	2013/14	2012/13
Andreas Gerstenmayer	120,000	120,000	60	(41)
Heinz Moitzi	90,000	114,000	89	(67)
Thomas Obendrauf	–	–	–	(18)
Total Management Board	210,000	234,000	149	(126)
Total other executive employees	55,500	71,900	46	(37)
	<b>265,500</b>	<b>305,900</b>	<b>195</b>	<b>(163)</b>

The stock options of Thomas Obendrauf were exercisable until the retirement date (expiration of employment contract) on 31 March 2013. Granted stock options not exercised until 31 March 2013 lapsed without compensation. In addition, reference is made to the comments on the stock option plans under Note 15 “Trade and other payables”.

Total remuneration paid to the members of the Management Board and to executive employees in the financial year:

€ in thousands	2013/14			2012/13		
	Fixed	Variable	Total	Fixed	Variable	Total
Andreas Gerstenmayer	428	373	801	396	–	396
Heinz Moitzi	357	424	781	310	–	310
Thomas Obendrauf	–	–	–	499	–	499
Executive employees	3,898	1,598	5,496	3,446	124	3,570
			<b>7,078</b>			<b>4,775</b>

The fixed compensation in the financial year 2012/13 of Thomas Obendrauf includes contractual severance payments and other claims in connection with the early termination of the management contract.

Expenses for severance payments and retirement benefits for members of the Management Board and executive employees are as follows:

€ in thousands	Severance payments Financial year		Pensions Financial year	
	2013/14	2012/13	2013/14	2012/13
Expenses recognised in profit for the period	136	160	322	363
Remeasurement recognised in other comprehensive income	2	7	472	1,083



Total remuneration for services rendered personally by members of the Supervisory Board attributable to the financial year and proposed to the Annual General Meeting:

€ in thousands	2013/14			2012/13		
	Fixed	Variable	Total	Fixed	Variable	Total
Hannes Androsch	35	18	53	35	–	35
Willibald Dörflinger	26	9	35	27	–	27
Regina Prehofer	25	9	34	25	–	25
Karl Fink	23	9	32	24	–	24
Albert Hochleitner	23	9	32	24	–	24
Gerhard Pichler	24	9	33	24	–	24
Georg Riedl	24	9	33	24	–	24
Karin Schaupp	22	9	31	22	–	22
	<b>202</b>	<b>81</b>	<b>283</b>	<b>205</b>	<b>–</b>	<b>205</b>

Shareholdings and stock options of members of the Management Board and the Supervisory Board as of 31 March 2014:

	Shares	Stock options	Total shares and stock options	% capital
Management Board members	2,786	210,000	212,786	0.55
Supervisory Board members:				
Hannes Androsch	599,699	–	599,699	1.54
Other members of the Supervisory Board	42,250	–	42,250	0.11
Total Supervisory Board members	641,949	–	641,949	1.65
Private foundations:				
Androsch Privatstiftung	6,339,896	–	6,339,896	16.32
Dörflinger Privatstiftung	6,902,380	–	6,902,380	17.77
Total private foundations	13,242,276	–	13,242,276	34.09
	<b>13,887,011</b>	<b>210,000</b>	<b>14,097,011</b>	<b>36.29</b>

**28. EXPENSES FOR THE GROUP AUDITOR** The expenses of the financial year for the group auditor are as follows:

€ in thousands	2013/14	2012/13
Audit of consolidated and separate financial statements	125	147
Other assurance services	101	19
Other services	52	22
	<b>278</b>	<b>188</b>

This item does not include expenses for other network members of the group auditor, e.g. for the audit of financial statements of subsidiaries or tax consulting services.

**29. NUMBER OF STAFF** The average numbers of staff in the financial year are as follows:

	2013/14	2012/13
Waged workers	5,488	5,802
Salaried employees	1,539	1,519
	<b>7,027</b>	<b>7,321</b>

The calculation of the number of staff includes an average of 3,045 temporary workers for the financial year 2013/14 and an average of 3,455 for the financial year 2012/13.

Leoben-Hinterberg, 7 May 2014

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.

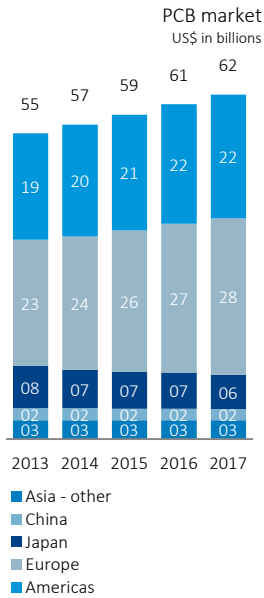
# Group Management Report 2013/14

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# 1. Business development

## 1.1. Market and industry



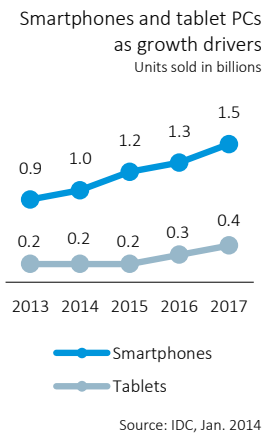
Printed circuit boards (PCB) are an essential part of electronic devices. They are used to mechanically mount microprocessors and their electrical components. Almost every electronic device contains one or more printed circuit boards and thus is part of our everyday life.

Printed circuit boards consist of electrically insulating material and conductive connections (conductors) attached to them. The insulating material typically used is fibre-reinforced plastic. The complexity of printed circuit boards depends primarily on the vertical connection of several layers, circuit density, physical dimensions, the number of layers, the minimum hole diameter and the surface finish. Global trends, such as miniaturisation while simultaneously increasing conductor density, increase the requirements with regard to printed circuit boards. It is particularly in the field of high quality printed circuit boards that the technologically highly complex applications of AT&S are increasingly used.

**INTERNATIONAL MARKET DEVELOPMENT** The global printed circuit board market is characterised by rapid change and high cyclicality. It is also a highly competitive and highly fragmented market. The largest producer – based on revenue in US\$ – has a market share of about 4% (source: NTI, Q2 2013). On a global scale, about 2,600 to 3,000 producers existed in 2013 (source: NTI, Q2 2013). The top 20 entities hold a global market share of about 45% (source: NTI, Q2 2013).

Independent market analysts predict an average annual growth of about 3% for the overall printed circuit board industry for the upcoming five years (source: Prismark, Q4 2013). An above average growth rate for printed circuit boards that support high-tech applications is expected.

Demand for printed circuit boards is characterised by a continuous long-term growth. In 2013, demand was at US\$ 55.2 billion (source: Prismark, Q4 2013), meaning an increase of about 1% on the previous year. The chart on the right shows the different developments of individual geographic markets. Market surveys predict a decline in demand for printed circuit boards in the US, Europe and Japan, whereas however a strong market growth in China and the Asian tigers is expected.



**MOBILE COMMUNICATION AS A GROWTH DRIVER** For the upcoming years, independent market analysts expect an average annual growth of about 11% for the total smartphone market and 13% for the total tablet market. In 2013, sales in smartphones increased worldwide by 39% compared to the previous year (source: IDC, Jan. 2014). The 2013 global tablet PC market increased on the previous year by 68% (source: Gartner, Feb. 2014).

In addition to smartphones and tablets, this market segment also includes PCs, ultrabooks, netbooks, servers, telecommunication infrastructure, game consoles, digital cameras and similar devices such as smart watches. Management expects demand to grow with regard to these applications and regards this trend towards wearable electronics as an opportunity for AT&S.

**ABOVE-AVERAGE GROWTH IN AUTOMOBILE ELECTRONICS** Independent market analysts predict an average annual growth of about 6% for the global automotive market for the upcoming years, with the automobile electronics market growing faster than sales of vehicles. While the number of vehicles sold per year worldwide grew by 38% to 85.7 million vehicles from 2009 to 2012, the value of printed circuit boards mounted in vehicles grew by 45% to US\$ 4.1 billion in the same period (source: NTI, Q3 2012). Until 2017, an average annual growth of 6% to about 108 million vehicles is predicted (source: LMC, Feb. 2013).

The automotive sector focuses on features such as safety, weight reduction, energy efficiency, information management and entertainment. Here, high demands are imposed on printed circuit boards with regard to reliability, temperature resistance as well as resilience and duration. The high-tech applications increase demand for HDI and Microvia printed circuit boards. AT&S was among the first to realise this trend and therefore has a good market position. This market segment comprises the following: power transmission with a share of approx. 30% (e.g. engine, gear, as well as transmission and emission control), 23% infotainment (e.g. auto navigation, audio/video, phone), 14% safety (e.g. airbags, ABS, seat belts, inside and exterior rear view mirror), 12% lights (e.g. front lights, tail lights, interior lighting, door knob lighting), 11% sensor technology (e.g. distance meter, temperature sensor, pressure sensor), and 10% thermal solutions (e.g. control of air conditioning / heating, engine cooling) (source: NTI, Q3 2012).

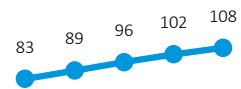
With regard to printed circuit boards for the automobile and aviation industry, AT&S is the seventh largest supplier worldwide in terms of revenue (source: NTI, Mar. 2014). Printed circuit boards of AT&S are to date primarily used in transmission control, navigation systems, driving lane assistants, camera modules, infotainment and audio systems as well as in sensors.

**CONTINUOUS GROWTH RATES IN INDUSTRIAL ELECTRONICS** Independent market analysts expect a growth rate of 9% for 2014 in the field of industrial electronic systems (source: IHS, Feb. 2014). The growth is positively related to the growth of built-in printed circuit boards. The market for industrial electronics covers the entire range of industrial electronics including printed circuit boards, cases, software, etc. and thus significantly exceeds the actual PCB market. However, the systems market and the PCB market are directly related. Until 2018, the same analysts forecast an average annual growth of about 5% (source: IHS, Feb. 2014).

The market for industrial electronics is marked by a wide variety of customers that demand a wide range of technologies. The products used range from multilayer printed circuit boards with up to 22 layers to flexible or also rigid-flexible printed circuit boards. In order to meet the various requirements for end devices and implementation guidelines concerning printed circuit boards, flexibility, proximity to the customer and a high implementation speed are key.

The market segment industrial electronics includes the following applications: 10% lighting application (e.g. control for lamps, LED lamps, LED modules), 17% power applications (e.g. electricity meters, PV inverters, generators), 25% instrumentation and controls (e.g. programmable logic control systems, CNC) and 48% other applications (e.g. laboratory diagnostics, RFID, scanner, railway technology) (source: Prismark, May 2012).

Growth of automotive market  
Vehicles sold in millions

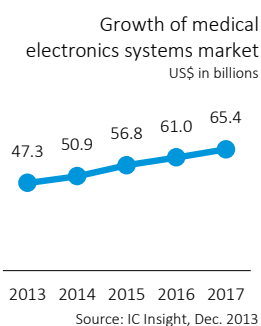


2013 2014 2015 2016 2017  
Source: LMC Feb. 2013

Growth of industrial electronics systems market  
US\$ in billions



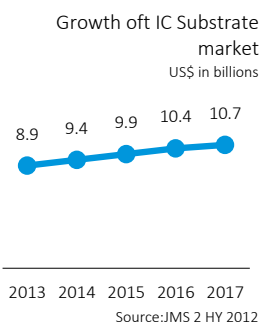
2013 2014 2015 2016 2017  
Source: IHS, Feb 2014



**THE MARKET FOR MEDICAL TECHNOLOGY APPLICATIONS** The global market for printed circuit boards used in medical technology is estimated to amount to € 810 million in 2011 (source: BPA Consulting, May 2012). Independent market analysts expect a growth in the medical systems market of about 8% for 2014 and forecast an average annual growth of 7% for the years up to 2017 (source: IC Insight, Dec. 2013). The market for medical electronic systems covers the entire range of medical technology applications. However, this market is directly related to the development of the PCB market. The same analysts predict an average annual growth of about 7% until 2017 (source: IC Insight, Dec. 2013).

The medical technology applications market can be broken down into 21% diagnosis and imaging techniques (e.g. X-ray, ultrasound, computer tomography), 22% therapy (e.g. cardiac pacemakers, defibrillators), 27% patient monitoring (pulsometers, oxygen meters, anaesthesia and telemetry systems), and 30% other applications such as for example surgical lighting, sterilisation, analytical instruments and molecular diagnostics.

In medical technology, reliability, miniaturisation and weight reduction are of utmost importance, particularly with regard to devices such as cardiac pacemakers or hearing aid devices. In the face of these challenges, the customers of AT&S benefit from the experience gained in the development of high quality printed circuit boards for smartphones. AT&S is one of a few European manufacturers certified under the medical standard EN ISO 13485.



**IC SUBSTRATE HIGH-TECH MARKET** Independent market analysts expect a growth of 5% for 2014 (source: JMS, second half-year 2012). This growth results from the strong demand for smartphones and tablets. The IC substrate market showed a volume of US\$ 8.9 billion in 2013 and reported a growth of 4% on the previous year. IC substrates are generally used for microprocessor units (Central Processing Units, CPU) for computers, desktop computers, tablet PCs, ultrabooks and smartphones. The market knows only few suppliers, 70% of the production stems from six manufacturers. This concentration is an opportunity for AT&S to position itself in this high-tech segment together with a strong partner.

**MINIATURISATION PUSHES ADVANCED PACKAGING** Also in the field of advanced packaging, the focus is on miniaturisation, reliability and weight reduction. Examples of typical applications are modules for mobile applications (AC/DC converters, power management units, fingerprint sensors, etc.), solid state drives and wearable devices. Here, the customers benefit from AT&S's experience gained in the development of high quality solutions, from years of R&D activities carried out in the field of embedded component packaging (ECP) as well as from the extensive IP portfolio in this field. With the help of ECP, miniaturisation effects greater than 50% of the reference product could be achieved. Given the increasing trend of miniaturisation, market surveys predict a strong increase in growth rates in the subsequent years. The forecast growth thus amounts to about 56% for 2014, and the same market analysts predict an average annual growth of about 62% for the years up to 2018 (source: Yole, Oct. 2012).

## 1.2. Profit situation\*

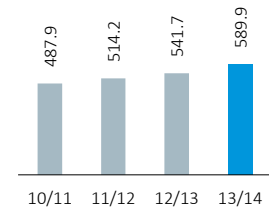
In the financial year 2013/14, the Group's revenue increased by € 48.2 million, or 9% to € 589.9 million. This positive development results from a very good capacity utilisation in all segments; for details see Section 3. "Business development by segments" in the Group Management Report.

The past financial year was also characterised by the industry-specific seasonality, although the seasonal fluctuations were significantly lower compared to the last financial year. Due to the product launch of a mobile phone producer, we were able to generate highly satisfactory revenue of € 142.6 million in the first quarter, which traditionally is marked by a somewhat lower capacity utilisation. The second and third quarters usually are the strongest quarters at AT&S: In the current reporting period, we generated the highest quarterly revenue in the history of AT&S with € 157.4 million and € 151.0 million in this period. The fourth quarter, typically the weakest quarter in AT&S's business development, closed at a highly satisfactory level this year with revenue amounting to € 139.0 million. Further details on seasonality with regard to segments are given in Section 3. "Business development by segments" in the Group Management Report.

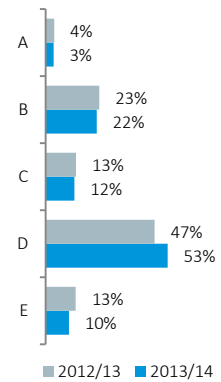
The expansion of production capacity in Shanghai was completed in the financial year 2012/13. In the financial year 2013/14, this additional capacity could to a large extent be well used. The share of revenue in products made in Asia thus increased from 74% in the previous year to 76% in the reporting period.

The proportion of revenue by regions based on the entry point of the delivery shows another increase in Asia to currently 53% of the Group's revenue, with the share of the remaining regions showing a slight downward trend.

Development of revenue  
€ in millions



Revenue by regions  
in %



A - Austria  
B - Germany  
C - Other European countries  
D - Asia  
E - Americas

\* Unless otherwise stated, all figures are based on the consolidated financial statements after having considered one-off effects and after application of IAS 19 revised.

Good capacity utilisation enables increase in gross profit to € 118.8 million  
Gross margin 20%

Gross profit increased year-on-year from € 77.1 million to € 118.8 million, i.e. by € 41.7 million, and thus in relation to revenue shows a rise from 14% to 20%.

This positive development is particularly due to a very good capacity utilisation at all locations for most of the financial year. Furthermore, the proportionate cost of materials could be reduced with the help of efficiency enhancement programmes, and the proportion of staff costs remained unchanged. The cost of materials in percent of revenue therefore decreased from 36% in the previous year to 33% in the financial year 2013/14.

2013/14: Best operating result in the Company's history

EBIT margin 9.1%

Overall, the operating result (EBIT) rose from € 31.4 million to € 53.9 million. The EBIT margin stands at 9.1% and is thus 3.3 percentage points higher than in the financial year 2012/13. The distribution and administrative costs remained at a similar level in relation to revenue. Absolute values mainly increased because the performance-based employee bonus was taken into account. As the planned earnings target has largely not been reached in the previous year, performance-based bonuses have only been paid in few segments in the financial year 2012/13. Other comprehensive income decreased due to depreciation of a no longer used prototype line for the production of ALIVH technology (incl. a relating patent license) in the total amount of € 5.2 million, and also due to one-off effects from the costs incurred from the closing of the location in Klagenfurt in the amount of € 3.0 million (see also Section 2. "Plants and branch offices" in the Group Management Report).

Improved finance costs, net

Finance costs, net, increased from € -14.8 million to € -11.1 million, which is mainly due to the decrease in interest rate levels. Interest expenses for financial liabilities declined from € 13.6 million to € 10.1 million. Finance costs, net, is influenced by currency effects to a limited extent as the main part of the loans from credit institutions is made up of liabilities in euros. The main intra-group loans are long term by nature and their measurement is therefore directly taken through equity.

Profit for the year

The Group's tax burden increased in relation to the profit for the year before tax and now amounts to € 4.6 million (previous year € 2.0 million). The profit for the year thus amounts to € 38.2 million compared to € 14.6 million in the previous year.



## 1.3. Financial position\*

### Consolidated statement of financial position (short version)

€ in millions	31 Mar 2014	31 Mar 2013
Non-current assets	483.86	470.79
Current assets	432.20	255.87
Total assets	916.06	726.66
Total equity	390.68	304.84
Non-current liabilities	370.34	211.71
Current liabilities	155.04	210.11
Total equity and liabilities	916.06	726.66

Due to the capital increase and the related increase in cash and cash equivalents, the total amount of the consolidated statement of financial position rose from € 726.7 million to € 916.1 million.

Despite additions to property, plant and equipment of € 102.3 million (the majority being in Chongqing) and a somewhat lower depreciation compared to the previous year, the carrying amount of property, plant and equipment remains almost stable at € 435.1 million (previous year € 437.8 million) which is due to exchange rate effects. With regard to current assets, trade receivables remained stable (€ 111.0 million). Cash and cash equivalents rose from € 80.2 million to € 260.1 million. This currently very high amount is due to the successful conclusion of a promissory note bond at the beginning of March in the amount of € 158.5 million. As a consequence, sufficient cash is available for the investments in Chongqing that are planned for the next months.

Due to the capital increase, share capital increased from € 45.9 million to € 141.8 million on the liabilities side. Other provisions are negative at € 1.3 million in spite of the positive profit for the year of € 38.2 million (previous year € 14.6 million) which is due to negative currency effects; in the previous year, this value was still positive at € 42.4 million. The currency translation differences of € -42.7 million affecting the financial year 2013/14 mainly result from the translation of the net asset positions of Asian subsidiaries in the amount of € -25.7 million, as well as from the translation of non-current loans to Asian subsidiaries in the amount of € 10.2 million. In the previous year, the currency translation differences then led to a positive value of € 22.3 million. Equity increased in total from € 304.8 million to € 390.7 million.

### Financial liabilities per maturity

€ in millions	31 Mar 2014	in %	31 Mar 2013	in %
Remaining maturity				
< 1 year	46.08	12%	129.84	43%
1 - 5 years	282.89	76%	145.66	49%
> 5 years	42.97	12%	23.00	8%
Financial Liabilities	371.94	100%	298.50	100%

Due to the promissory note bond, which was successfully concluded in the past financial year and which has a term to maturity of 5, 7 and 10 years, the maturities of financial liabilities could be significantly improved. Non-current financial liabilities increased from € 168.7 million to € 325.9 million. The current portion fell from € 129.8 million to € 46.1 million. With regard to other debt, material changes occurred neither with regard to the current nor to the non-current portion.

\* Unless otherwise stated, all figures are based on the consolidated financial statements after having considered one-off effects and after application of IAS 19 revised.

Currency effects reduce non-current assets in € and counter the positive profit for the year

€ 260 million are available for investments

Successful capital increase strengthens the structure of the statement of financial position of the Group

Financial liabilities: significantly improved maturity structure

#### Cash flow statement (short version)

€ in millions	2013/14	2012/13	±
Cash flows from operating activities	104.76	71.67	46%
Cash flows from investing activities	(90.29)	(40.55)	123%
Cash flows from financing activities	169.14	17.93	843%
Change in cash and cash equivalents	183.62	49.06	274%
Currency effects on cash and cash equivalents	(3.71)	1.44	(358%)
Cash and cash equivalents at end of the year	260.13	80.23	224%

Positive free cash flow in spite of high investing activities

Based on the positive result of the Group, a significant increase from € 71.7 million to € 104.8 million in net cash could be generated. Due to investment activities in Chongqing, as well as various technological reinvestments at other locations, net cash used in investing activities amounted to € 90.3 million. The capital increase as well as the promissory note bond taken out and the redemption of a current credit line due led to net cash generated from financing activities of € 169.1 million.

**TREASURY ACTIVITIES** In order for AT&S to hedge all potential financing requirements with regard to the set-up phase of Chongqing at the same maturities, several financing measures were agreed upon and to a large extent already implemented in the past financial year in close cooperation with the Supervisory Board:

Capital increase by placing 12,950,000 new shares

In September and October 2013, 12,950,000 new shares at € 6.50 each were issued in a two-step process leading to gross issuing proceeds of € 84.2 million. At the same time, all 2,577,412 treasury shares held by the parent company AT&S AG were sold at € 6.50 each. With the help of these two transactions, the Company generated, net of transaction costs, € 95.9 million in cash for the further development of the Group.

All 2,577,412 treasury shares sold

Promissory note loan successfully issued

In March 2014, the issuing of a promissory note bond could be successfully completed. About 40 investors subscribed to tranches of 5, 7 or 10 years in different amounts. A subscription volume of in total € 156.5 million and US\$ 2.0 million could be generated. Fixed and variable interest agreements were subscribed too. Meanwhile, future variable interest obligations were hedged with interest rate swaps.

Moreover, the situation of the most important currencies for AT&S, such as the US dollar, the Chinese yuan, the Japanese yen and the Indian rupee, is closely monitored and hedging measures are taken if necessary.

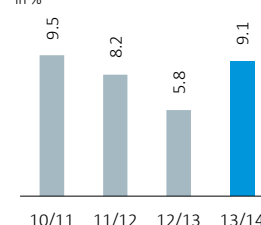
## 1.4. Key data\*

The calculation as well as the development of the most important external key management indicators of the Company is presented below.

### Result

€ in millions	2013/14	2012/13	±
Operating result (EBIT)	53.93	31.37	72%
EBIT margin	9.1 %	5.8 %	
Operating result before interest, tax, depreciation (EBITDA)	127.17	102.36	24%
EBITDA margin	21.6 %	18.9 %	
Profit for the year	38.22	14.57	162%

EBIT margin  
in %

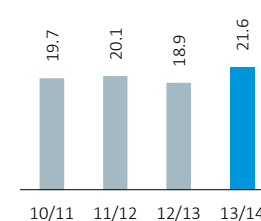


In the current financial year, EBIT increased by € 22.5 million, or 72%. This increase is primarily due to the very good capacity utilisation as well as due to efficiency enhancement programmes. The depreciation of a no longer used prototype line (including licences) for the production of ALIVH technology (€ 5.2 million) as well as the costs relating to the closure of the plant in Klagenfurt (€ 3.0 million) had a decreasing effect. The EBIT margin rose to 9.1%.

EBITDA increased by € 24.8 million, or 24%, year-on-year. This increase is primarily due to the very good capacity utilisation as well as efficiency enhancement programmes. The costs relating to the closure of the plant in Klagenfurt (€ 3.0 million) had a decreasing effect. The EBITDA margin increased from 18.9% to 21.6%.

The profit for the year rose by € 23.6 million, or 162%. This increase is primarily due to the good EBIT as well as due to finance costs, net, that improved owing to the decreased interest rate level.

EBITDA margin  
in %

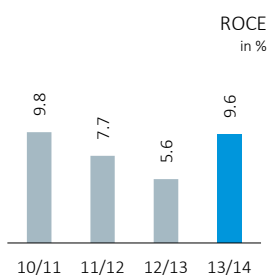


### Net current assets

€ in millions	31 Mar 2014	31 Mar 2013	±
Trade and other receivables	111.00	111.80	(1%)
Inventories	59.43	62.42	(5%)
Trade and other payables	(101.91)	(77.35)	32%
Other provisions, current	(3.07)	(1.62)	90%
Liabilities from investments	26.27	7.43	254%
Net current assets	91.72	102.68	(11%)
Net current assets / total revenue	15.6%	19.0%	

Net current assets decreased by € 11.0 million, or 11%, year-on-year. This decrease resulted primarily from the increase in liabilities from the purchase of property, plant and equipment and the decrease in inventories.

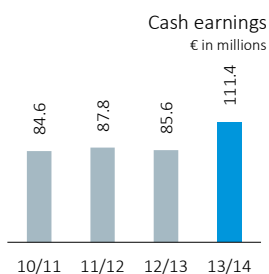
\* Unless otherwise stated, all figures are based on the consolidated financial statements after having considered one-off effects and after application of IAS 19 revised.



#### Return on capital employed (ROCE)

€ in millions	2013/14	2012/13	±
Operating Result (EBIT)	56.93	31.37	81%
Non-recurring items	(3.00)	–	n.a.
Income taxes	(4.62)	(1.96)	136%
Operating result after tax (NOPAT)	(3.07)	(1.62)	90%
Equity - average	347.76	291.20	19%
Net debt - average	164.14	229.97	(29%)
Capital - average	511.90	521.17	(2%)
ROCE	9.6%	5.6%	

ROCE mainly increased to 9.6%, which was due to the significantly improved EBIT. Other positive effects result from the lower average capital due to the decrease in net debt.



#### Cash earnings

€ in millions	2013/14	2012/13	±
Profit for the year attributable to owners of the parent company	38.17	14.57	162%
Depreciation and amortisation and impairments of property, plant and equipment and intangible assets	73.25	70.99	3%
Cash earnings	111.41	85.56	30%

Cash earnings increased by € 25.8 million, or 30%. The improved EBIT result from the good capacity utilisation most notably had a positive effect.

#### Innovation Revenue Rate (IRR)

€ in millions	2013/14	2012/13	±
Main revenue	589.61	541.36	9%
Main revenue generated with innovative products <sup>*)</sup>	156.27	104.25	50%
IRR	26.5%	19.3%	38%

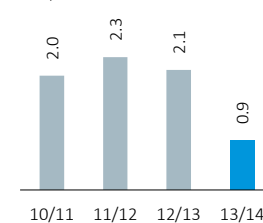
<sup>\*)</sup> Products launched within the past three years.

## Net debt

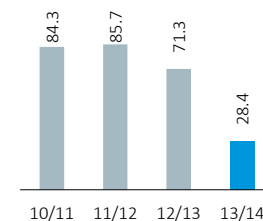
€ in millions	31 Mar 2014	31 Mar 2013	±
Financial liabilities, current	46.07	129.84	(65%)
Financial liabilities, non-current	325.86	168.66	93%
Cash and cash equivalents	(260.13)	(80.23)	224%
Financial assets	(0.94)	(0.87)	8%
Net debt	110.87	217.41	(49%)
Operating result before interest, tax, depreciation (EBITDA)	127.17	102.36	24%
Net debt / EBITDA - ratio	0.87	2.12	
Equity	390.68	304.84	28%
Total consolidated statement of financial position	916.06	726.66	
Equity ratio	42.7%	42.0%	
Net gearing	28.4%	71.3%	

The decrease in net debt of € 106.5 million, or 49%, was mainly due to the successful equity measure. The gearing ratio fell accordingly from 71.3% in the previous year to 28.4%.

Net debt / EBITDA  
Multiple



Net gearing  
in %



## 1.5. Significant events after the reporting period

In the current financial year, no significant events occurred after the reporting period.

## 2. Plants and branch offices

The AT&S Group currently has five production plants specialising in different technologies: Leoben-Hinterberg and Fehring in Austria, Ansan in Korea, Nanjangud in India and Shanghai in China. With their research departments, Leoben-Hinterberg and Shanghai are also material technology drivers within the AT&S Group. Moreover, a sixth plant is currently being built in Chongqing in China. AT&S employs around 7,300 people worldwide.

### AT & S AG - plants in Leoben and Fehring

**LEOBEN AND FEHRING** The Austrian plants in Fehring and Leoben are integrated within the individual company of AT & S AG and mainly deliver to the European and to an increasing extent also to the American market. Short turnaround times, special applications and the proximity to the customer are particularly important in Europe. The plants in Austria, India and Korea basically concentrate on small and medium-sized batches most notably for the industrial and automotive industry. The plant in Leoben successfully continued with the niche and prototype production which was launched in the past years. The production capacity utilisation of the plant in Fehring is positive in the reporting period due to, among other things, the production transfer from Klagenfurt. Also the strongly growing market in the Advanced Packaging segment is supplied by the plant in Leoben.

### AT&S Klagenfurt in Liquidation

**KLAGENFURT** At the beginning of the past financial year, management decided to close the plant in Klagenfurt. The immense price pressure in the field of simple technologies, as produced in Klagenfurt, and the continuous low demand in this sector led to ongoing losses. A social plan was prepared for the employees. A few employees accepted the offer to work at the plants in Fehring or Leoben. The closing activities and dismantling work are almost completed. No further costs are expected to arise from the closure of this plant. The company is in liquidation as of 15 March 2014.

### AT&S (China) - Shanghai

**SHANGHAI** The plant in Shanghai produces HDI (high density interconnection) high-tech printed circuit boards in serial production for the mobile device sector and has customers all over the world. The plant in Shanghai was very well utilised in the past financial year; in some months, this plant continuously produced at full capacity. Moreover, demand for HDI printed circuit boards for the automobile industry has risen in the past financial year, which also led to an increase in the production of printed circuit boards for the Industrial & Automotive business unit. The announcement of the cooperation partner Panasonic to shut down the production of ALIVH technology had a negative effect. As no further demand on the market could be expected, the prototype equipment at the plant in Shanghai had to be adjusted in terms of value. This had a one-off negative effect of € -4.8 million.

### AT&S Chongqing

**CHONGQING** The set-up of the new plant in Chongqing, China, proceeds to schedule. In the past financial year, buildings and infrastructure could be successfully completed. The first production equipment was delivered in February 2014. AT&S will set another technological milestone at this plant with the production of IC substrates (interconnection substrates). The cooperation with the technology partner turns out to be very successful and close. The production of the first qualification lots is planned for the autumn of 2014.

**ANSAN** The positive development of the AT&S Korea subsidiary continued in the past financial year. In addition to the still very good production capacity with regard to medical products, the major order of an innovative camera producer most notably generated additional revenue in the reporting period.

[AT&S Korea](#)

**NANJANGUD** AT&S India reported positive developments as well. Revenue and the operating profit showed a significantly positive trend.

[AT&S India](#)

**HONGKONG** The company AT&S Asia Pacific in Hong Kong was able to establish itself as a holding company in the field of Mobile Devices. The proximity to the CEMs of the customers and to the suppliers is another locational advantage which the business partners highly appreciate. About half of the Group's sales is already carried out via this company.

[AT&S Asia Pacific](#)

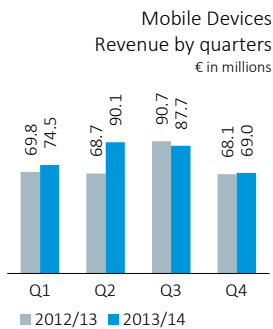
The sales offices in the Americas, Germany, Japan and Taiwan guaranteed good and close contact with the customers in the past financial year as well.

[Sales offices](#)

### 3. Business development by segments\*

The AT&S Group breaks its operating activities down into three segments: Mobile Devices, Industrial & Automotive und Advanced Packaging. The Mobile Devices segment mainly covers the smartphone, tablet, digital camera and mobile music player applications. The Industrial & Automotive segment includes the industrial electronics, automotive, aviation & security and medical applications. The Advanced Packaging segment covers the operating activity with regard to ECP® (embedded component packaging), which is a packaging technology patented by AT&S used to embed active and passive electronic components. Since the Advanced Packaging segment does not reach the threshold level of 10% of the profit for the year neither in terms of revenue nor in terms of profit, it is currently still presented under “Others” in segment reporting.

In general, there is a growing trend that very diverse technologies in all markets are demanded. As a result, demand for HDI printed circuit boards significantly increased in the automotive industry, as did demand of mobile device customers for flexible printed circuit boards as well as for custom-made products in Europe. This is shown in the significantly increased inter-segment revenue that rose from about € 38 million to € 68 million and is again eliminated with regard to Group revenue. Revenue of the respective segment is thus reported inclusive of inter-segment revenue.



**MOBILE DEVICES SEGMENT** The applications of the Mobile Devices segment require technologically sophisticated printed circuit boards and ongoing innovation. The strong growth in demand for smartphones and tablets all over the world is the key growth driver. The ever greater performance of these devices would not be possible without HDI (high density interconnection) printed circuit boards. AT&S is one of the leading suppliers of HDI technology around the world and ranked second in 2012 (source: Prismark: Q2, August 2013). With a share in revenue of 54% (previous year: 55%), the Mobile Devices segment still remains the largest segment of the AT&S Group.

At € 378.3 million, revenue generated exceeded the previous year’s figure by 13%. Also in the past financial year the first quarter performed slightly weaker due to industry-specific seasonal fluctuations; these fluctuations were also felt in the summer and autumn due to the typical product launches in the mobile industry with a strong production capacity utilisation, as well as at the beginning of the calendar year (at AT&S the fourth quarter) resulting from traditionally low demand. In terms of geography, more and more revenue is generated in Asia as in the previous year, because the main part of the big CEMs (contract electronic manufacturers) is located in Asia.

At 11.5%, the EBIT margin of the Mobile Devices segment exceeded the previous year’s figure of 6.3% by 5.2 percentage points. This was mainly due to higher revenue, a better product mix as well as efficiency enhancing measures so as to overcompensate for the negative effects from start-up losses in Chongqing as well as the depreciation of the ALIVH prototype line in Shanghai. The operating result (EBIT) increased to € 43.4 million (previous year: € 21.2 million).

#### Segment Mobile Devices – Overview

€ in millions	2013/14	2012/13	±
Segment revenue	378.28	334.65	13%
Revenue from external customers	321.31	297.29	8%
Operating result (EBIT)	43.39	21.18	105%
EBIT margin	11.5%	6.3%	

\* Unless otherwise stated, all figures are based on the consolidated financial statements after having considered one-off effects and after application of IAS 19 revised.



**INDUSTRIAL & AUTOMOTIVE SEGMENT** With a growth in revenue to € 272.9 million, the Industrial & Automotive segment generated an increase of 12%. In the past financial year, the trend towards increasing demand in this segment in Asia became visible. In particular, demand for printed circuit boards for the Asian automobile industry increased significantly. Demand in relation to the industrial as well as the automotive industry, however, has slightly declined in Europe.

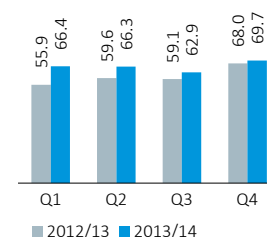
At 4.8%, the EBIT margin of the Industrial & Automotive segment remained unchanged on the previous year. The negative effect from the closure of the plant in Klagenfurt could be compensated for by efficiency measures. The operating result (EBIT) increased in spite of costs regarding the closure to € 13.2 million (previous year: € 12.0 million).

#### Segment Industrial & Automotive – Overview

€ in millions	2013/14	2012/13	±
Segment revenue	272.88	243.75	12%
Revenue from external customers	265.20	242.60	9%
Operating result (EBIT)	13.23	11.97	11%
EBIT margin	4.8%	4.9%	

**ADVANCED PACKAGING SEGMENT** The Advanced Packaging segment that is about to be established still does not reach a quantifiable threshold level and is thus not presented as an individual segment but is instead reported under “Others”, which also includes general Group management and financing activities.

Industrial & Automotive Revenue by quarters  
€ in millions



## 4. Group

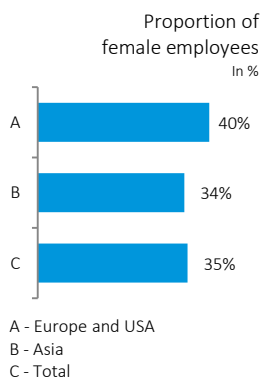
### 4.1. Employees

AT&S is aware of its duty as a globally active employer to make sure that every employee, regardless as to his or her nationality or gender, is treated with dignity and respect. AT&S expects its employees to take responsibility and see to it that decisions are seen carried through in a consistent manner.

**HUMAN RESOURCES IN FACTS AND FIGURES** In the financial year 2013/14, the Group had an average full time equivalent employee count (taking hired workers into consideration) of 7,027. This means there were 294 fewer full time equivalents compared to the average in the previous financial year (7,321). This development is largely due to increases in productivity at the Shanghai plant thanks to which a reduction of hired workers was made possible.

Average number of full time equivalents (incl. hired workers)

	2013/14	2012/13	±
Mobile Devices segment	4,425	4,756	(331)
Industrial & Automotive segment	2,482	2,423	59
Others	120	142	(22)
<b>Total Group</b>	<b>7,027</b>	<b>7,321</b>	<b>(294)</b>



**EQUAL OPPORTUNITIES** Aside from the equality that should obviously be enjoyed by all in relation to age, sex, background, religion or sexual orientation, it goes without saying that – like for any international company that wants to be successful – diversity is an essential key to success.

As of 31 March 2014, AT&S had a female workforce in the financial year 2013/14 of almost 35%. AT&S top management (1<sup>st</sup> and 2<sup>nd</sup> levels of the segments as well as leaders of group functions) comprised a female proportion of approximately 11%. When it comes to filling new vacancies, a particular effort is made to increase the number of women in leading positions.

**SECURING THE FUTURE THROUGH STAFF DEVELOPMENT AND ONGOING EDUCATION** In order to have enough employees with decisive knowledge and skills not just now but also in the future, AT&S places a considerable emphasis on recruitment and development.

- Tours are offered that give people as young as school pupils an idea of what it's like to be with AT&S as well as 'come and see' days and holiday internships so as to stoke people's enthusiasm, especially for technical professions of the future.
- Some 564 apprentices and interns are employed throughout the world, with a large share of these people being involved as part of a training programme for industrial employees in India which runs over several years.
- As part of the cooperation with relevant colleges, universities and international student networks scholarships for especially talented students are awarded, thus winning over students doing internships and Bachelor or Master degree dissertations with a strong corporate focus.
- AT&S offers talent programmes for graduates and interested internal staff members. The purpose is to place over 50 international graduates within a specific training programme dealing with printed circuit board production and to develop not only their specific knowledge but also to further their social and methodological skills. Putting what has been learned into practice – i.e. on the job and as part of 'authentic' projects relevant to the business – is a fundamental cornerstone that goes hand in hand with the comprehensive training programme.

Alongside talent recruitment, the ongoing training of staff members is also of equal importance, offering guidance at the workplace, internal and external training sessions, workshops and coaching sessions.

- New employees at all locations receive comprehensive standard training so that they can familiarise themselves with the production process of printed circuit boards, the organisational structure and processes of AT&S as well as the values of the business.
- Training sessions especially developed for the management are offered in order to create a uniform understanding of leadership and to advance continuous further development of leadership competencies in respect of the Company's challenging strategy. Training themes range from strategy development to change management right the way through to the essentials of leadership and carrying out talks with employees.
- In view of the significance of multi-functional and international cooperation, the promotion of teamwork is especially high on the agenda of priorities. The aim is to ensure effective processes, the transfer of knowledge and the sharing of best practices.

Alongside comprehensive internally carried out training sessions, € 452.3 thousand was invested for the purpose of external training sessions and development measures in the financial year 2013/14.

#### Expenditure on external training sessions

€ in thousands	2013/14	2012/13	±
Mobile Devices segment	179.4	135.5	32%
Industrial & Automotive segment	210.2	198.4	6%
Others	62.7	91.5	(31%)
<b>Total Group</b>	<b>452.3</b>	<b>425.4</b>	<b>6%</b>

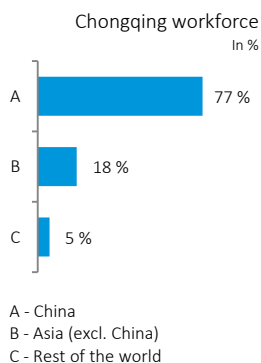
**MANAGEMENT CULTURE** If employees are to be kept motivated and remain loyal to a company in the long-term, then it is especially important that key skills and competencies be further developed and that a company embraces the concept of regular feedback as part of its corporate culture.

Annual staff appraisal meetings see the Company's aims for the following financial year being phrased into targets based on the specific area which the employee specialises in. These appraisals also give each employee the opportunity to receive feedback for the past financial year. This is where potential is discussed, further development opportunities (also abroad) are brought to people's attention and decisions are taken on key training requirements as well as other measures for development (such as, for example, coaching, projects and international assignments).

Alongside competitive levels of remuneration AT&S also firmly believes in giving its staff the chance to be able to share in the financial successes of the Company: this is important both for the motivation of staff members as well as for keeping and retaining new talent. The global bonus system takes this core principle into account, with individually and collectively agreed bonus payments being distributed whenever specific hurdle rates have been achieved. The first hurdle rate is positive EBIT for the overall Group, the second one being linked to the attainment of particular EBIT and/or gross profit-/ margin-/ budget targets of the plant and the business unit.

The extent of the payment will depend in each case on ROCE, cash earnings, the innovation revenue rate as well as the individual performance of each member of staff. The bonus system also guarantees that in more challenging economic times in which set aims cannot be achieved bonus payments will be either reduced or entirely suspended. Details on how ROCE, cash earnings and the innovation revenue rate are determined can be found in Section 1.4. "Key data" in the Group Management Report.

**THINKING AND ACTING GLOBALLY AS PART OF THE CORPORATE PHILOSOPHY** The global organisation of AT&S offers a wide range of career opportunities on an international scale. Occupational mobility of both internal and external job applicants as well as international cooperation are expressly encouraged, with our mobility policy actively ensuring that people can be sent to different locations. Intercultural training sessions, development of language skills and furthering of 'virtual cooperation' play a role in ensuring a success of a globally operating company.



Due to the strategic entry in the IC substrate business and the relating establishment of the new plant in Chongqing, the provision of adequately trained employees is key. Here, one of the success factors is a core team made up of international experts, as was the case in the set-up of the plant in Shanghai. The transfer of internal knowledge and experience is realised through planned secondments of staff to the Chongqing site. Experienced employees in particular have been able to complete a special training programme running over several months as part of our plant set-up activities in Chongqing. From now on, these technical experts will be able to make use of and spread their specific know-how throughout the new organisation.

**LOOKING TO THE FUTURE** Programmes and initiatives which have enjoyed success so far are set to continue, with an additional emphasis being placed above all on the strategy based development of the organisation, the bringing on board and fostering of international talent as well as on leadership skills and mindsets.

## 4.2. Sustainability

Sustainable management and the careful use of available resources are a high priority for AT&S. In fact, it is now many years ago since an integrated management system was created that now serves as the basis to efficiently manage and monitor processes. This management system combines quality, environment and safety at work. Regular internal audits performed by qualified internal employees as well as annual surveillance audits and triennial recertification audits by independent third parties monitor the requirements laid down in the regulations. The independent certifying body also confirmed once more in the financial year 2013/14 that AT&S complies with all requirements.

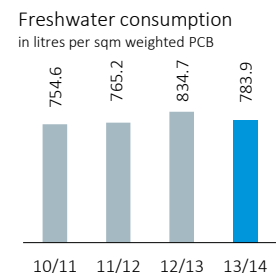
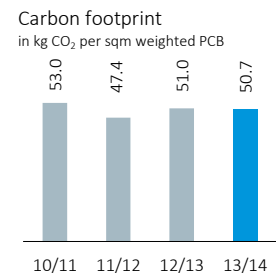
A material part of the integrated management system is the continuous development and improvement of existing processes and systems. This development can clearly be seen in the regularly reported key data. The AT&S Group aims to achieve production that has the lowest possible impact on man and the environment. This goal requires that sustainability be lived in all areas and processes of the entity. For this reason, AT&S published the first sustainability report for its employees within the Group in cooperation with all plants around the globe in the financial year 2013/14. This internal sustainability report sets out to give a summary of the activities in advance to analyse and define the following key topics:



**ENVIRONMENTAL MANAGEMENT** In order to produce complex interconnection applications, energy in the form of electricity and heat is necessary. Both the use of energy as well as the transport of finished goods to the customer lead to CO<sub>2</sub> emissions; these are measured on a monthly basis in the form of the carbon footprint as a performance indicator. Several measures in the production plants have already led to a reduction of the carbon footprint to 50.7 kg CO<sub>2</sub> per square metre of the printed circuit boards produced. In order to reduce the CO<sub>2</sub> emissions in the future, AT&S continues to set itself the target of a 5% reduction per year.

The use of freshwater is another important factor in the production of printed circuit boards. An innovative water recycling plant was installed in India in order to use this resource in a responsible way and also to maintain the manufacturing capacity. At this plant, 68% of water currently used is recycled and then used again as process water. The freshwater consumption in litres per square metre of produced printed circuit board serves as an indicator. In order to continuously reduce the water consumption in the future, AT&S aims at saving 3% freshwater per year.

**RESOURCE EFFICIENCY** The considerate use of resources is of the utmost importance for AT&S both from an entrepreneurial as well as from an ecological and social point of view. The focus is on optimising the use of materials (waste prevention, recycling, and efficiency improvement). In the past financial year, waste and the recycling of waste were analysed and compared at all plants and optimisation potential was identified in many cases. The optimisation of gold and the recycling of gold waste serve as an example. Together, possible potential for improvement in all plants was discussed, with suggestions being taken into account and brought to life through local projects.



The close cooperation, also with Montanuniversität Leoben, made it possible to analyse and evaluate various recycling methods for similar waste and to include state-of-the-art scientific findings in this analysis and evaluation. This led to a significant improvement of the recycling activities at all plants.

#### Purchase of significant materials

	Unit	2013/14	2012/13	2011/12
Gold	kg	484	585	645
Copper*	t	3,144	2,014	2,001
Laminate	million sqm	12.5	11.2	10.8
Chemicals	t	87.2	86.1	83.3

\* Starting with financial year 2013/14 copper foils were included.

Taking copper – the most important material when producing printed circuit boards – as an example, it can be seen how the Group practices resource efficiency: Copper is the most frequently used material in the production of printed circuit boards. Copper foil is at the heart of the printed circuit board. At AT&S, this copper foil is made of 100% recycled copper. Copper chloride, serving as etching medium, is disposed of externally via a supplier when the end of its useful life is reached. This supplier recycles the copper contained to use it for other purposes. Small amounts of copper are also to be found in wastewater. The corporate wastewater treatment plants filter the copper out of the wastewater using various treatment methods and transport the copper as copper-bearing electroplating sludge to external recycling companies for recycling. In addition, any copper-bearing solid waste from production, such as copper parts, milling waste, etc., are collected separately and recycled.

These circles show that various waste categories and recycling methods exist for one single metal at the production plants of the AT&S Group. The considerate use and considerations targeted to recycling are beneficial for the Company in two ways – AT&S contributes to the conservation of resources and generates a positive monetary effect. This is a perfect example demonstrating that sustainability unites all three levels – economy, ecology and social issues.

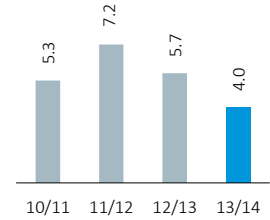
**PLACE OF LEARNING** AT&S as a place of learning is dedicated to the further education of its employees. Highly qualified and motivated employees are key for any company wanting to be a technological pioneer and a driver for innovation. To maintain this role, several activities such as a training and leadership catalogue or basic training sessions are offered at the plants. The evaluation and managing of the training process with the help of key data is also important for the future. The further development of key data to manage processes is a key priority for the next financial year.

**SAFETY AT WORK** Standardisation is an important issue for the entire the AT&S Group also with regard to safety at work. No difference is thus made with regard to ecology and safety at all plants worldwide. It goes without saying that the very highest safety and environmental standards are employed. The same safety standards, based on European guidelines, are in place at plants and with regard to equipment. The AT&S Group and therefore all production plants were already certified in accordance with the Occupational Health & Safety Standard OHSAS18001 several years ago. Compliance with legal requirements and the even stricter internal requirements as well as the ongoing improvements are subjected to external annual audits. Also in the past financial year, the independent certifying body confirmed the compliance. The accident rate could be demonstrably reduced in the course of the years by introducing this management system.

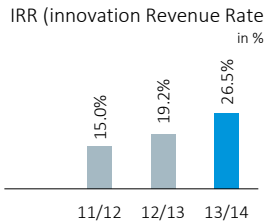
A decrease in accidents at work of 7% per year was set as a long-term objective that has also been successfully achieved in the past years. The programmes launched and activities started in the financial year 2004/05 are also reflected in the reported figures. For the period from 2004/05 to 2013/14, the rate of accidents at work (per 1 million hours of work) could be reduced by 57%. All preventive and corrective measures are being consistently looked at and implemented to meet the objective of continuous improvement.

**SOCIAL RESPONSIBILITY** AT&S is aware of its social responsibility towards its employees and society. An important aspect in Asia is that no dormitories exist. Employees are supported in their search for apartments and they may use the shuttle bus to commute from their apartment to work for free. As a contribution to social responsibility, AT&S has placed a special focus on education. The measures taken include, for example, the support of a laptop class in an Austrian school, the provision of an Indian school with drinking water, bags and uniforms, and the promotion of environmental awareness for children through the programme entitled "Shanghai Low Carbon Little Talents". These measures help AT&S contribute towards upholding these values as well as the concept of sustainability both inside and beyond the Company itself.

Number of accidents at work  
Working hours lost per one million hours  
of work as of absence of more than one  
day



## 4.3. Research and development



AT&S pursues a focused technology strategy and an efficient development process when it comes to innovations. In the past financial year, the revenue share of products with new technologies – products brought to market by AT&S in the past three years after several years of development – was at about 26.5%. This clearly illustrates that innovation is among the major priorities for the AT&S Group.

**TECHNOLOGY AND INNOVATION** The penetration of all areas of life by electronics is far from complete. It is not only human beings that communicate with each other; an increasing number of machines, devices and systems are being connected and exchange data without any human interference. Although still in its infancy, the “internet of things” is already a reality. The quantity of electronic devices will increase as will the requirements regarding smallness, power density and duration of the printed circuit boards.

The innovation strategy of AT&S thus focuses on the following priorities:

- Focus on the high-tech segment — new products and technologies developed at AT&S are used in the high-tech segment of the respective market.
- Greater contribution to the value creation chain — new products and technologies developed at AT&S cover a greater portion of the value creation chain in the manufacture of electronic devices.
- More efficient use of natural resources — new products and technologies developed at AT&S use fewer natural resources (e.g. materials, water and energy) than traditional products and technologies.

AT&S cooperates with international research institutions

AT&S pursues a two-stage innovation process. Development activities in the fields of materials, processes and applications are carried out at the research institutions of Leoben-Hinterberg to the point where the basic technological feasibility has been reached. This area thus covers applied research and technology evaluation. After that, it is the responsibility of the local departments for technology development and implementation situated at the plants of AT&S to continue the experimental development of products and processes and to integrate these products and processes within existing production operations. Depending on demand, also cooperations with local and international research institutions and universities are entered into in addition to own resources.

**DEVELOPMENT ACTIVITIES** AT&S works on different development projects based on these strategic principles, customer demand, as well as developments of the suppliers and research institutions. The issues dealt with in these projects can be divided into four core development areas:

### 1. Interconnect density

In this area, the goal is to constantly miniaturise the printed circuit board and increase the complexity. The challenge is to miniaturise the structures of the printed circuit board and to reduce its thickness.

### 2. Mechanical integration

The goal is the improved integration of the printed circuit board as a component of the electronic device. Rigid-flexible printed circuit boards, cavities, mounting technologies up to fully flexible printed circuit boards are being developed.



### 3. Functionality integration

This area of development focuses on the integration of additional functionalities in the printed circuit board. In addition to the current AT&S ECP® technology, further solutions are to be found for embedding the components in the printed circuit board.

### 4. Printed solutions

Here, the focus is on new solutions that reduce the consumption of water and other natural resources (e.g. copper). New processes based on the printing technology are developed in order to minimise the use of natural resources.

In the past financial year, a new printed circuit board product for high temperatures, for example in power-trains of vehicles, could be developed in the past financial year with the help of these projects. The use of electronics can thus be employed in areas where previously only mechanical or high-tech solutions were possible.

Another milestone in the past financial year was the development of novel concepts for power electronics, which have been implemented in a consortium with companies and research partners. Power electronics is used for applications with high electrical currents and where electronic modules require cooling. Examples in this regard can be found in the production of electricity (wind power, photovoltaics), electromobility and in the lighting industry (particularly with regard to LEDs).

Development of power electronics to be used in the production of electricity, electromobility and lighting industry

Progressive miniaturisation in general is an important driver for innovation. New technological challenges are to be tackled in the fields of mobile devices, medical technology and wearables.

**IC SUBSTRATES** The largest development project of the Group to date is the implementation of the technology to produce substrates for silicon semiconductor chips. IC substrates, i.e. the link between the nano-world of silicon and the micro-world of the printed circuit boards, confront AT&S with totally new challenges. Significantly finer structural dimension and tighter tolerances exist in this field compared to products produced to date. Moreover, due to the different properties of silicon and polymeric materials, new materials are used and new concepts have to be developed that meet the requirements with regard to reliability.

In order to successfully serve the market, the highest requirements with regard to technology and quality have to be met. In addition to positive business development opportunities, the establishment in this market and the cooperation with the semiconductor industry that in the future is to be started at a very early stage will give an impetus to further develop various areas of AT&S with regard to the technologies to be developed in the current core business. This will give the technology roadmaps a more concrete form and enable AT&S to implement innovation projects in an even more targeted way. Also with regard to specific technology projects, a considerable impetus through the access to new demands and approaches to further expand the technological lead position is expected.

AT&S further expands technological lead position

Total expenses for research and development projects amounted to € 31.8 million in the financial year 2013/14, including entering into the substrates business. This corresponds to a research rate of 5.4% compared to 4.6% in the previous year.

**PATENT STRATEGY** Focusing on research and development requires legal protection of the core development technologies of AT&S. In the last financial year 13 new patent applications were filed. AT&S now has 96 patent families, resulting in 153 patents.

## 5. Risk and opportunities management

**PRINCIPLES, STRUCTURES AND PROCESSES** Risk and opportunities management is a fundamental part of the way in which the AT&S Group does its business. The quest to increase enterprise value involves not just opportunities but also the taking of risks as well. In order to identify risks at an early stage and deal with them in a pro-active manner, AT&S operates a group-wide Risk Management and Internal Control System and has Internal Revision, as in accordance with the Austrian Code of Corporate Governance (ÖCGK) requirements.

From an organisational perspective, the Risk Management, Internal Control System and Internal Revision functions come within the responsibility of the CFO. The overall board receives monthly updates from the Group Risk Manager and/or the internal auditor in the course of the Management Board meeting. The inclusion of the Supervisory Board takes place within the framework of the twice yearly audit committee meeting. The proper functioning of the risk management system is also assessed once a year by the auditor in the course of the annual audit of financial statements pursuant to Rule 83 ÖCGK.

Operative risk management consists of a process for the purpose of risk identification and assessment which is to be carried out at least twice a year. Risks which comply with the criteria as set out in the risk strategy are aggregated taking into consideration various scenarios in relation to the overall risk position of the Group and recorded in the risk report sent to the Management Board and Supervisory Board, which is updated on a six monthly basis. Risk controlling activities are achieved through measures aimed at minimising their effects and likelihood by those responsible.

The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments on the printed circuit board market and can be summarised as follows:

### Strategy

**INVESTMENTS** In order to make the most of growth potential and remain competitive, the Group undertakes major investments in new forms of technology as well as in the further development and capacity expansion of already existing technologies (miniaturisation, rigid-flexible, etc.). There are particular opportunities to be gained from entering into the substrates business (characterised through potentially attractive margins, entrance barriers and only a handful of competitors) through a strategic partnership with a world leading semiconductor manufacturer. Furthermore, the location at Chongqing in China offers competitive advantages over the largely Japanese dominated competition. Initial revenues for the IC substrates segment can be anticipated in calendar year 2016.

Advanced packaging, a form of technology which was made ready for the market under the ECP® brand name, also offers considerable potential in itself, and the segment was further expanded in the course of the previous financial year.

Risks in the field of investment and in general for the business activities of AT&S exist in the form of unrecognised or wrongly anticipated technological developments or shifts in demand which could bear negatively on investments.

**COMPETITION** The intensive focus on the high-tech segment coupled with the highest quality standards and consistently carried out cost controls meant that the Group was able to achieve a competitive advantage over a majority of its competitors in the HDI segment and thus effectively counter the intensive competition and the permanent 'commodification' (with a corresponding margin reduction). This strategy also supports the growth in the number of end products relevant to AT&S's HDI product range, from smartphones to tablet PCs, game consoles, digital cameras as well as the HDI automotive segment.

The opportunities related to Austrian AT&S plants exist due to high flexibility, high quality standards and the ability to react very quickly to changing specifications and technologies, as is required on the industrial market through various technological demands on the part of a number of customers. New forms of technology and projects are constantly being pushed in close cooperation with various different customers.

Competitor risks arise through potential quality improvements and technological developments in countries with low production costs. This could mean that the activities of the Group especially in Austria and possibly also at other manufacturing locations like those in China might become less competitive.

**CUSTOMER BASE** With the help of advanced production technologies and high quality standards, the AT&S Group has managed – largely through its capacities in China – to establish itself as a reliable provider for some of the world’s most renowned players in the electronics industry. The revenue generated with the five largest of these customers accounts for over 50% of entire total revenue. The good business relations with these customers also offer excellent opportunities for the future.

Market development

However, a customer concentration of this kind also brings risks with it, for example in case there is a significant reduction in business with any one of these customers. This therefore means that both the maintenance of AT&S’s competitiveness as well as the continued broadening of its customer base and the development of new product segments to quickly increase compensation levels in case of a reduced quantity of sales with any of the individual main customers is of considerable importance.

**ECONOMIC DEVELOPMENT** Economic cycles and fluctuations when it comes to product demand in the industry for mobile end products, the automobile sector and the industry in general could have a negative effect on the Group’s results, just as of course any upward trend in the economy can also lead to increased business opportunities. The wide-ranging positioning throughout the mobile devices, industry & automotive product segments enables the partial reduction of risks due to the different production cycles.

**COMMODITY PRICES** Energy, heating oil as well as raw material (gold, copper, laminate) price fluctuations can in the short-term have both a positive as well as a negative impact on achievable margins.

Procurement

**SUPPLIER BASE** The strategy of the Group consistently focuses on a wide and diversified base of carefully selected suppliers with a view to reducing any dependencies on individual suppliers. There are therefore – with a few exceptions – alternative supplier options so as to respond to supply risks. The Group enjoys longstanding and stable customer-supplier relations with its main key suppliers with particular expertise and competitive standings.

**INTELLECTUAL PROPERTY** The AT&S Group endeavours to utilise any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of own projects, cooperation schemes with partners and investments. Risks arise if the Group fails to protect its intellectual property, thus enabling the competition to utilise these technologies. Legal disputes on intellectual property might keep the Group from utilising or selling any technologies in dispute, and legal disputes on the misuse of third party intellectual property might result in substantial financial burdens. The new IC substrates segment in particular bears risks in this regard, with one of the reasons being the fact that AT&S needs to further augment its corresponding expertise in this field.

Business environment

**COMPLIANCE** Any amendments to regulatory requirements, such as the prohibition of specific processes or materials, might lead to a rise in production costs. The Group might be subject to substantial penalties should any customer requirements on confidentiality or statutory provisions be violated. AT&S has implemented organisational measures aimed at preventing or minimising the occurrence of compliance risks. The expansion of such measures is ongoing.

**LOCATION SPECIFIC RISKS** A major part of the Group is located outside of Austria, particularly in Asia. This means that the Group might be subject to potential legal uncertainties, state intervention, trade restrictions or political unrest. Irrespective of the above, any production site of the Group may furthermore be exposed to fire, natural disasters, acts of war, shortages of supply or other events. The termination of land use rights, permits or lease contracts of specific plants might also have a negative impact on the production output of the Group.

The Group actively protects itself against such risks by weighing the risks and associated costs and has concluded insurance contracts to the extent customary for a company of this size if such contracts are available at costs which are reasonable in relation to the impending risks.

#### Operating business

**PRODUCT QUALITY** As previously, it will be the high quality of products, adherence to delivery deadlines and service quality which will offer the Group a chance to differentiate itself from the competition and utilise growth opportunities. Any technical defects, quality deficiencies or difficulties in delivering products may expose the Group to warranty claims, claims for damages and contractual penalties, resulting in product recalls and the loss of customers. AT&S has in place a corresponding quality management system designed to rule out deficiencies in product quality and their negative consequences as far as possible. Furthermore, the Group is insured against major risks by virtue of an (extended) product liability insurance policy.

**TECHNOLOGY AND PROJECT DEVELOPMENT** The Group's know-how regarding project and technology development, particularly in China, makes it possible for the Group to utilise further promising growth opportunities, such as in particular the development of the IC Substrates business. At the same time, however, this entails special risks, also in view of the substantial volume of investment made in the plant in Chongqing. Complications in the further technological development and project development might result in major burdens for the management as well as the financial and administrative resources.

#### Organisation

**EMPLOYEES** The collective industry experience and management expertise of the employees of the AT&S Group form the basis for the utilisation of future opportunities. The business of the Group might suffer if employees in leading positions were to terminate their employment relations with the Group or if the Group were unable to continue to recruit and retain highly qualified engineers or sales personnel. AT&S continuously develops strategies for retaining key employees, recruiting valuable personnel and further expanding the skills of its staff members.

**WAGE COSTS** A substantial increase in wage costs, particularly at the production sites in China, might have a negative impact on the competitiveness of the Group.

#### Financial risks

For more information on financial, liquidity, credit and foreign exchange risks, please refer to Note 20 "Additional disclosures on financial instruments" in the notes to the consolidated financial statements.

**TAX RISK** The Company is active on a global basis and thus confronted with different tax systems. Unless the requirements for the formation of a provision or liability are met, both national and international tax risks are incorporated within financial risks and monitored accordingly. At present, the material tax risks are in relation to the companies in India and China.

## 6. Internal Control and Risk Management System with regard to accounting

The accounting-related Internal Control and Risk Management system is an integral part of the group-wide risk management system. According to the framework concept of COSO (The Committee of Sponsoring Organization of the Treadway Commission), under the concept of company-wide risk management, the actual risk management as well as the Internal Control System (ICS) are subsumed. The main criteria of the Risk Management, the Internal Control System and Internal Revision of AT&S are specified in a group-wide risk management and audit manual.

The documentation of the internal controls (business processes, risks, control measures and those responsible) is made principally in the form of control matrices, which are archived in a central management database. The accounting-related Internal Control System includes principles, procedures and measures to ensure the compliance of accounting in terms of the control objectives described for financial reporting.

The accounting procedures are documented in separate process instructions. As far as possible, these processes are standardised across the Group and are presented in a standardised documentation format. Additional requirements for accounting procedures result from specific local regulations. The basic principles of accounting and reporting are documented in the process descriptions and also in detailed process instructions, which are also filed in the central management manual. In addition, guidelines on measurement procedures and organisational requirements in connection with the processes of accounting and preparing the financial statements are compiled and updated on a regular basis. Dates are set in accordance with Group requirements.

The internal financial reporting is done on a monthly basis as part of the Group reporting, with the financial information being reviewed and analysed by the Group Accounting department (part of Group Finance & Controlling). The monthly budget/actual variance with corresponding comments on the results of the segments, of the plants as well as of the Company is reported internally to the executives and to the members of the Supervisory Board.

The annual preparation of the budget is carried out by the Group Controlling department (part of Group Finance & Controlling). Quarterly forecasts are drawn up during the year for the remaining financial year based on the quarterly results and current planning information. The forecasts with comments on the budget comparison and presentations on the impact of opportunities and risks up to the end of the financial year are reported to the Supervisory Board. In addition to regular reporting, multiple-year planning, project-related financial information or calculations on investment projects are prepared and submitted to the Supervisory Board.

## 7. Shareholding structure and disclosures on capital (disclosures according to § 243a Austrian Commercial Code)

**CAPITAL SHARE STRUCTURE AND DISCLOSURE OF SHAREHOLDER RIGHTS** As of 31 March 2014, the Company's ordinary shares amount to € 42,735,000 and are made up of 38,850,000 no-par value shares with a notional value of € 1.1 per share. The voting right at the Annual General Meeting is exercised according to no-par value shares, with each no-par value share equating one voting right. All shares are bearer shares.

Significant direct and indirect shareholdings in the group parent AT & S AG, which at the reporting date amount to at least 10%, are presented below:

	Shares	% capital	% voting rights
Dörflinger-Privatstiftung: Karl-Waldbrunner-Platz 1, A-1210 Vienna	6,902,380	17.77%	17.77%
Androsch Privatstiftung: Franz-Josefs-Kai 5, A-1010 Vienna	6,339,896	16.32%	16.32%

At 31 March 2014, about 65.91% of the shares were in free float. With the exception of the shareholdings stated above, no other shareholder existed holding more than 10% of the voting rights in AT & S AG. No shares with special control rights exist. The exercise of the voting right by employees who hold shares in the Company is not subject to any limitations.

No special provisions exist on the appointment and dismissal of members of the Management Board and the Supervisory Board.

No compensation agreements are in place between AT & S AG and its Management Board and Supervisory Board members or employees that would become effective in the case of a public takeover bid.

In the past financial year, all 2,577,412 treasury shares were sold. The Group, therefore, does not hold any treasury shares at 31 March 2014.

By a resolution passed at the 19th Annual General Meeting on 4 July 2013, the Management Board was again authorised to acquire and to withdraw - within 30 months as from the resolution date - treasury shares to the maximum extent of up to 10% of the ordinary shares of the Company. Furthermore, the Management Board was authorised, for a period of five years as of the date the resolution was passed, i.e. up to and including 3 July 2018, upon approval by the Supervisory Board, to sell treasury shares also in a different way than via the stock exchange or by public offer, most notably to serve employee stock options, convertible bonds or to use such shares as a consideration for the acquisition of entities or other assets and for any legal purpose.

There are no off-balance sheet transactions between AT & S AG and its subsidiaries.

AT & S AG neither has granted any loans nor has it assumed any liabilities in favour of board members.

For further information reference is made to the Notes in the notes to the consolidated financial statements (Note 22 "Share capital" as well as Note 16 "Financial liabilities").

## 8. Outlook

The ever increasing demand for electronic end devices and the generally rising proportion of electronics in various applications will continue to result in an increase in demand for printed circuit boards. In order to counter the increasing price pressure in the industry, the focus will continue to be on a sound further development of the core business with high-tech products also in the next financial year. Against this backdrop, the development of innovative products and technologies remains a top priority for AT&S. In order to hedge this strategy, investments in technological upgrades at existing production plants are being continued in addition to research and development activities.

The entry into the IC substrate market segment constitutes a development of the current high-tech market of HDI printed circuit boards for AT&S. From a strategic perspective, this step represents an extraordinary opportunity for the development of AT&S. After the construction of the buildings in the previous year, the next project steps of delivery, installation and qualification of production facilities will follow in the next financial year. In parallel to this, the number of qualified staff is being expanded with our expertise being further developed to guarantee the success of this project. Overall, management assumes a predominantly good utilisation of currently available capacities at all plants in the coming financial year. Due to the high quality product mix which is to be achieved, revenue is expected to grow moderately. Further cost efficiency programmes are to ensure sustained levels of profitability in spite of the price pressure exerted by the market.

In the following two financial years, AT&S will reach the main phase with regard to investments in the new plant at Chongqing in China, and will put a focus on investments in technology upgrades at existing plants. In these times which are currently characterised by high capital expenditure, the management assumes that the dividend policy will be conservative in the following years.

Leoben-Hinterberg, 7 May 2014

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.

# Auditor's Report

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, for the fiscal year from 1 April 2013 to 31 March 2014. These consolidated financial statements comprise the consolidated statement of financial position as of 31 March 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year ended 31 March 2014, and the notes to the consolidated financial statements.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY AND DESCRIPTION OF TYPE AND SCOPE OF THE STATUTORY AUDIT

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal

control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**OPINION** Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 March 2014 and of its financial performance and its cash flows for the fiscal year from 1 April 2013 to 31 March 2014 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 7 May 2014

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft

signed:

Christian Neuherz  
Austrian Certified Public Accountant

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Disclosure, publication and duplication of the Consolidated Financial Statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.





## ANNUAL FINANCIAL REPORT AS OF 31 MARCH 2014

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AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT  
LEOBEN-HINTERBERG

BALANCE SHEET AS OF 31 MARCH 2014  
(previous year for comparison)

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT  
LEOBEN-HINTERBERG

Appendix 1

BALANCE SHEET AS OF 31 MARCH 2014  
(Prior year for comparison)

ASSETS	31 March 2014 EUR	31 March 2013 EUR	SHAREHOLDERS' EQUITY AND LIABILITIES	31 March 2014 EUR	31 March 2013 EUR
<b>A. NON-CURRENT ASSETS</b>					
I. Intangible assets			I. Share capital	42,735,000.00	28,490,000.00
1. Industrial property rights and similar rights, and licences thereto	937,850.87	1,690,728.37	II. Capital reserves		
2. Prepayments	7,691,700.00	0.00	Appropriated	163,270,702.50	93,340,702.50
	8,629,550.87	1,690,728.37	III. Revenue reserves		
II. Property, plant and equipment			1. Statutory reserve	4,273,500.00	2,849,000.00
1. Buildings on third partyland	307,165.58	277,388.51	2. Other reserves (Free reserves)	17,505,782.55	0.00
2. Machinery and technical equipment	15,877,794.14	14,604,822.85	3. Reserve for treasury shares	0.00	17,505,782.55
3. Other assets, fixtures and furniture	1,505,347.37	1,667,105.24	IV. Unappropriated retained earnings	15,734,956.75	19,382,746.94
4. Prepayments	140,000.00	73,320.00	<i>thereof prior period unappropriated retained earnings</i>		
	17,830,307.09	16,622,636.60	<i>carried forward</i>	14,718,229.34	16,774,117.68
III. Financial assets				243,519,941.80	161,568,231.99
1. Shares in affiliated companies	274,964,365.29	275,002,365.29	<b>B. GOVERNMENT GRANTS</b>	1,519,716.43	1,336,103.09
2. Loans to affiliated companies	95,102,820.52	97,496,737.34			
3. Securities	92,003.81	92,003.81	<b>C. PROVISIONS</b>		
4. Other loans and advances	3,543,184.01	2,961,246.13	1. Provisions for severance payments	11,760,355.72	9,430,100.00
	373,702,373.63	375,552,352.57	2. Provisions for pensions	1,226,494.77	1,174,808.00
	400,162,231.59	393,865,717.54	3. Tax provisions	18,000.00	14,000.00
<b>B. CURRENT ASSETS</b>			4. Other provisions	28,363,557.85	20,890,525.46
I. Inventories				41,368,408.34	31,509,433.46
1. Raw materials and supplies	5,593,299.75	5,289,741.71	<b>D. LIABILITIES</b>		
2. Work in progress	4,302,455.43	3,799,997.01	1. Bonds	100,000,000.00	180,000,000.00
3. Finished goods and goods for resale	14,723,593.44	10,169,024.56	2. Bank loans and overdrafts	259,515,583.00	110,505,240.49
	24,619,348.62	19,258,763.28	3. Trade payables	8,296,376.55	9,155,810.82
II. Receivables and other assets			4. Payables to Group enterprises	16,516,477.26	2,893,840.79
1. Trade receivables	38,778,579.70	37,092,010.23	5. Other liabilities,	6,192,541.38	9,879,943.11
2. Receivables from Group enterprises	2,489,293.23	9,531,523.89	<i>thereof taxes</i>	1,084,439.46	957,963.07
3. Other receivables and assets	5,539,467.19	5,150,182.53	<i>thereof social security payables</i>	1,134,749.00	1,109,549.31
	46,807,340.12	51,773,716.65		390,520,978.19	312,434,835.21
III. Securities and shares					
1. Other securities and shares	732,000.00	732,000.00			
2. Treasury shares	0.00	17,505,782.55			
	732,000.00	18,237,782.55			
IV. Cash on hand, bank balances	202,836,587.01	22,432,359.72			
	274,995,275.75	111,702,622.20			
<b>C. PREPAID EXPENSES AND DEFERRED CHARGES</b>	1,771,537.42	1,280,264.01			
<b>TOTAL ASSETS</b>	<b>676,929,044.76</b>	<b>506,848,603.75</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>676,929,044.76</b>	<b>506,848,603.75</b>
			CONTINGENT LIABILITIES	700,381.92	1,419,096.91

## Appendix 2

**AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT**  
**LEOBEN-HINTERBERG**  
**INCOME STATEMENT FOR THE PERIOD**  
**FROM 1 APRIL 2013 TO 31 MARCH 2014**  
**(Prior year for comparison)**

	2013/14 EUR	2012/13 EUR
1. Revenue	262,445,392.22	250,605,280.45
2. Changes in inventories of work in progress and finished goods	800,124.36	-780,610.86
3. Other own work capitalized	0.00	3,371.37
4. Other operating income		
a) Income from disposal of non-current assets excluding financial assets	85,966.67	55,509.18
b) Income from the reversal of provisions	32,661.34	627,286.92
c) Other	19,774,409.95	22,692,863.85
5. Cost of materials and purchased services		
a) Cost of materials	-163,364,091.28	-154,093,349.58
b) Cost of purchased services	-13,624,923.42	-11,372,192.78
6. Staff costs		
a) Wages	-20,883,018.52	-19,922,215.48
b) Salaries	-28,091,341.92	-24,252,947.42
c) Expenses for severance payments and contributions to staff provision funds	-2,686,272.11	-2,681,192.42
d) Expenses for pensions	-575,695.21	-921,094.27
e) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-12,597,585.11	-11,766,218.62
f) Other social benefits	-618,987.28	-594,585.63
7. Depreciation and amortization		
a) of Property, plant and equipment and intangible assets	-6,991,929.42	-5,994,900.14
b) less amortization of government grants	293,268.09	317,845.00
8. Other operating expenses		
a) Taxes not included in line 18	-958,449.75	-265,790.48
b) Other	-35,847,792.94	-28,601,591.24
<b>9. Subtotal of lines 1 to 8 (Operating result)</b>	<b>-2,808,264.33</b>	<b>13,055,467.85</b>
10. Income from participating interests	15,020,477.46	0.00
<i>thereof from Group enterprises</i>	<i>15,020,477.46</i>	<i>0.00</i>
11. Income from other long-term securities and loans	4,998,859.02	4,841,769.13
<i>thereof from Group enterprises</i>	<i>4,990,630.02</i>	<i>4,834,173.13</i>
12. Other interest and similar income	246,677.07	631,007.01
<i>thereof from Group enterprises</i>	<i>58,659.19</i>	<i>191,725.29</i>
13. Income from the disposal and write-up of fixed financial assets and current securities	15,002.37	169,713.41
14. Expenses on fixed financial assets and current securities	-2,478,382.04	-7,861,998.38
<i>thereof</i>		
a) Amounts written off	0.00	-6,077,537.00
b) Relating to affiliated companies	-1,725,777.49	-1,784,461.38
15. Interest and similar expenses	-12,188,334.15	-13,831,169.86
<b>16. Subtotal of lines 10 to 15 (Financial result)</b>	<b>5,614,299.73</b>	<b>-16,050,678.69</b>
<b>17. Net operating income (loss)</b>	<b>2,806,035.40</b>	<b>-2,995,210.84</b>
18. Taxes on income	-364,807.99	-473,696.90
<b>19. Net income/Net loss for the year</b>	<b>2,441,227.41</b>	<b>-3,468,907.74</b>
20. Adjustment reserve for treasury shares	0.00	6,077,537.00
21. Appropriation to earnings reserves		
Statutory reserve	-1,424,500.00	0.00
22. Prior period unappropriated retained earnings carried forward	14,718,229.34	16,774,117.68
<b>23. Unappropriated retained earnings</b>	<b>15,734,956.75</b>	<b>19,382,746.94</b>

**NOTES**

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## 1. GENERAL INFORMATION

The financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as "AT&S") as of 31 March 2014 have been prepared in accordance with the provisions of the Austrian Commercial Code (UGB) as amended. The financial statements, prepared under Austrian generally accepted accounting principles, present a true and fair view of the assets and liabilities, the financial situation of the Company as of 31 March 2014, as well as of the results of its operations for the year then ended.

In particular, the principles of going concern and individual valuation were adhered to in the valuation of assets and liabilities. The principle of prudence was applied as all identifiable risks and impending losses were taken into account. Only the profits realised at the balance sheet date were recognised. Previously applied valuation methods were maintained.

If assets or liabilities pertain to several items of the balance sheet, they are disclosed under the respective item they are stated.

## 2. GROUP RELATIONS AND RESTRUCTURING OPERATIONS

Since 31 March 1999, AT&S has been a parent company within the meaning of Section 244 UGB.

By applying the provisions of Section 245a UGB, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), complemented by notes and comments that are statutory under commercial law. A management report for the Group is also prepared.

AT&S prepares the consolidated financial statements for the largest group of companies.

Advantage was taken of the exemptions provided under Section 241 (3) UGB (*nondisclosure*).

The corporate law measures taken in the financial year are presented below:

- DCC - Development Circuits & Components GmbH in Liqu., Leoben, which had already been in liquidation on 1 April 2013, was deleted from the Austrian companies register on 12 November 2013.
- The liquidation of AT & S Klagenfurt Leiterplatten GmbH, Klagenfurt, was agreed in the company's extraordinary general meeting dated 11 March 2014.

### 3. ACCOUNTING AND VALUATION METHODS

#### 3.1. Non-current assets

**Intangible** and **tangible assets** are recognised at acquisition or production cost plus incidental acquisition cost less scheduled and unscheduled amortisation/depreciation.

Scheduled amortisation/depreciation is charged on a straight-line basis according to the useful life.

	Useful life
Intangible assets	4 - 10 years
Buildings on third party land	10 - 15 years
Machinery and technical equipment	5 - 15 years
Other assets, fixtures and furniture	3 - 10 years

For additions during the first half of the financial year, the full annual amortisation/depreciation was charged, for additions during the second half of the financial year, half of the annual amortisation/depreciation was charged. With regard to additions, amortisation/depreciation is calculated on the basis of the date of their initial use.

The option to immediately write off low-value assets pursuant to Section 226 (3) UGB was used.

Financial assets are stated at acquisition costs or the lower market values at the balance sheet date.

#### 3.2. Current assets

**Raw materials and supplies** as well as **merchandise** are valued at acquisition costs taking into account the strict lower of cost or market principle. Spare parts are valued at acquisition costs less a percentage with regard to discounts granted for asset classes. Discounts and bonuses received, as well as transport costs and customs were taken into account.

**Finished** and **unfinished goods** were valued at production costs.

At 31 March 2014, production costs of unfinished and finished goods were determined based on full costs as provided by the option set forth under Section 203 (3) UGB.

**Receivables and other assets** are stated at nominal values. Provisions are made for identifiable specific doubtful accounts.

Receivables denominated in foreign currencies are translated using the exchange rate at the date of the original transaction or the lower bank buying rate at the balance sheet date.

**Current securities** are valued at acquisition costs or the lower market prices at the balance sheet date. With regard to current securities, write-ups in the amount of EUR 104,400.00 (prior year: EUR 37,900.00) were omitted for tax purposes.

In the past, **treasury shares** were valued at acquisition costs or the lower market value at the balance sheet date resulting in write-downs in the amount of EUR 6,077,537.00 in the previous year. In the current financial year, the Company sold all treasury shares held, which led to a loss on the disposal in the amount of EUR 752,604.55.

### 3.3. Provisions

The **provisions for severance payments** are calculated pursuant to IFRS measurement requirements (IAS 19) based on the “projected unit credit method”, applying a discount rate of 3.3% (prior year: 3.75%) and a pensionable age according to the provisions of the 2003 pension reform and taking into account company-specific staff turnover by using an adequate turnover rate. The calculation is made taking into account the provisions of the expert opinion KFS/RL 2 and 3 dated 5 May 2004 by the Institute of Business Administration, Tax Law and Organisation of the Chamber of Public Accountants and Tax Advisors. The defined benefit obligation (DBO) amounts to EUR 15,380,888.00 (prior year: EUR 13,955,765.00) at the balance sheet date.

Pursuant to the expert opinion concerning issues regarding the application of the expert opinions on the accounting of pension and severance payment obligations pursuant to the provisions of the Financial Reporting Act (KFS/RL 2 and 3) in respect of IAS 19 (2011) (*Fachgutachten „Zweifelsfragen bei Anwendung der Fachgutachten über die Bilanzierung von Pensions- und Abfertigungsverpflichtungen nach den Vorschriften des Rechnungslegungsgesetzes (KFS/RL 2 und 3) im Hinblick auf IAS 19 (2011)“*) of the expert committee for company law and auditing of the Chamber of Public Accountants and Tax Advisors, the continued application of the corridor method is no longer permissible for the financial years starting on or after 1 January 2013. The actuarial losses existing at 31 March 2013 in the amount of EUR 4,525,665.00 will be spread over a maximum period of five years. In the financial year 2013/14, thus one-fifth of this amount, or EUR 905,132.72, was recognised in the income statement.

The **provisions for pensions** are calculated pursuant to IFRS measurement requirements (IAS 19) based on the “projected unit credit method”, applying a discount rate of 3.3% (prior year: 3.75%) based on the mortality tables AVÖ 2008-P. The pensionable age was determined according to the provisions of the 2003 pension reform. The defined benefit obligation (DBO) of unfunded benefit obligations amounts to EUR 1,226,495.00 (prior year: EUR 1,174,808.00) at the balance sheet date. Moreover, pension obligations were in part transferred to APK Pensionskasse Aktiengesellschaft, Vienna.

The **provision for anniversary bonuses** are calculated pursuant to IFRS measurement requirements (IAS 19) applying the “projected unit credit method” based on entitlements pursuant to collective agreements, applying a discount rate of 3.3% (prior year: 3.75%) as well as taking into account company-specific staff turnover by using an adequate turnover rate.

**Other provisions** are calculated in accordance with statutory requirements taking into account all identifiable risks and uncertain liabilities.

### 3.4. Liabilities

**Liabilities** are stated at the amount repayable.

Liabilities denominated in foreign currencies are translated using the exchange rate at the date of the original transaction or the higher bank selling rate at the balance sheet date.

## 4. BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS

### 4.1. Non-current assets

Reference is made to page 89 for the development of fixed asset items.



Non-current assets movement statement for the year ended 31 March 2014									
	Acquisition/Production cost				Balance as of 31.03.2014 EUR	Accumulated amortization/ depreciation EUR	Book value 31.03.2014 EUR	Book value 31.03.2013 EUR	Amortization/ depreciation current year EUR
	Acquisition cost	Additions	Disposals	Transfers					
	01.04.2013 EUR								
<b>I. Intangible assets</b>									
<b>1. Industrial property and similar rights and assets, and licenses and licences thereto</b>	13,266,299.17	765,617.28	527,512.82	0.00	13,504,403.63	12,566,552.76	937,850.87	1,690,728.37	1,518,494.78
<i>thereof low-value assets</i>		522,031.00	522,031.00						522,031.00
<b>2. Prepayments</b>	0.00	7,691,700.00	0.00	0.00	7,691,700.00	0.00	7,691,700.00	0.00	0.00
Subtotal	13,266,299.17	8,457,317.28	527,512.82	0.00	21,196,103.63	12,566,552.76	8,629,550.87	1,690,728.37	1,518,494.78
<b>II. Property, plant and equipment</b>									
<b>1. Buildings on third party land</b>	499,219.36	66,101.51	0.00	0.00	565,320.87	258,155.29	307,165.58	277,388.51	36,324.44
<b>2. Machinery and technical equipment</b>	183,361,647.11	5,851,338.71	6,269,441.83	69,000.00	183,012,543.99	167,134,749.85	15,877,794.14	14,604,822.85	4,647,366.67
<b>3. Other assets, fixtures and furniture</b>	13,877,925.90	624,153.07	482,939.95	4,320.00	14,023,459.02	12,518,111.65	1,505,347.37	1,667,105.24	789,743.53
<i>thereof low-value assets</i>		108,747.11	108,747.11						108,747.11
<b>4. Prepayments</b>	73,320.00	140,000.00	0.00	-73,320.00	140,000.00	0.00	140,000.00	73,320.00	0.00
Subtotal	197,812,112.37	6,681,593.29	6,752,381.78	0.00	197,741,323.88	179,911,016.79	17,830,307.09	16,622,636.60	5,473,434.64
<b>III. Financial assets</b>									
<b>1. Shares in affiliated companies</b>	311,881,801.62	0.00	209,735.00	0.00	311,672,066.62	36,707,701.33	274,964,365.29	275,002,365.29	0.00
<b>2. Loans to affiliated companies</b>	97,496,737.34	4,881,670.63	7,275,587.45	0.00	95,102,820.52	0.00	95,102,820.52	97,496,737.34	0.00
<b>3. Securities</b>	92,003.81	0.00	0.00	0.00	92,003.81	0.00	92,003.81	92,003.81	0.00
<b>4. Other loans and advances</b>	2,961,246.13	581,937.88	0.00	0.00	3,543,184.01	0.00	3,543,184.01	2,961,246.13	0.00
Subtotal	412,431,788.90	5,463,608.51	7,485,322.45	0.00	410,410,074.96	36,707,701.33	373,702,373.63	375,552,352.57	0.00
<b>T o t a l</b>	623,510,200.44	20,602,519.08	14,765,217.05	0.00	629,347,502.47	229,185,270.88	400,162,231.59	393,865,717.54	6,991,929.42

**4.2. Additional disclosures pursuant to Section 238 No. 2 UGB**

	Book value 31 March 2014 EUR	Share %	Shareholders' equity EUR	Result of the past financial year EUR	Book value 31 March 2013 EUR
<b>Shares in affiliated companies</b>					
AT&S Deutschland GmbH, Nörvenich, Germany	1,053,000.00	100	456,861.40	48,396.35 <sup>1)</sup>	1,053,000.00
AT&S India Private Limited, Nanjangud, India	16,898,516.89	100	2,152,459.41	-1,267,922.47 <sup>1)</sup>	16,898,516.89
AT & S Klagenfurt Leiterplatten GmbH in Liqu., Leoben	0.00	100	-6,520,221.07	-468,528.02 <sup>2)</sup>	0.00
DCC - Development Circuits & Components GmbH in Liqu., Leoben	0.00	100	0.00	-141.07 <sup>3)</sup>	38,000.00
AT&S Asia Pacific Limited, Hong Kong, People's Republic of China	229,768,865.92	100	240,238,381.29	17,421,295.36 <sup>1)</sup>	229,768,865.92
AT&S Korea Co., Ltd., Ansan-City, South Korea	27,237,538.14	98.76	9,081,987.84	4,152,406.40 <sup>1)</sup>	27,237,538.14
AT&S Americas, LLC, San José, California, USA	6,444.34	100	-10,149.94	-137,980.48 <sup>1)</sup>	6,444.34
<b>Total</b>	<b>274,964,365.29</b>				<b>275,002,365.29</b>

<sup>1)</sup> Figures based on International Accounting Standards as of 31 March 2014

<sup>2)</sup> Financial statements as of 31 March 2014 pursuant to the Austrian Commercial Code (UGB)

<sup>3)</sup> Figure in accordance with the liquidation closing balance sheet as of 30 September 2013

Shares in affiliated companies were valued at acquisition cost or at their fair values at the balance sheet date.

The book values of the shares in affiliated companies were tested for impairment in accordance with the DCF method based on the budgeting for the next years. In the financial year 2013/14, no valuation allowances were made.

**4.3. Loans pursuant to Section 227 UGB**

The item „Loans to affiliated companies“ includes an amount of EUR 407,294.67 (prior year: EUR 3,448k) which falls due within one year.

**4.4. Receivables and other assets****4.4.1. Additional disclosures pursuant to Section 225 (3) and Section 226 (5)UGB**

	Book value as of 31 March 2014 EUR	of which with a remaining maturity > 1 year EUR
Trade receivables	38,778,579.70	0.00
Receivables from affiliated companies	2,489,293.23	0.00
Other receivables and assets	5,539,467.19	0.00
<b>Total</b>	<b>46,807,340.12</b>	<b>0.00</b>

	Book value as of 31 March 2013 EUR	of which with a remaining maturity > 1 year EUR
Trade receivables	37,092,010.23	0.00
Receivables from affiliated companies	9,531,523.89	0.00
Other receivables and assets	5,150,182.53	0.00
<b>Total</b>	<b>51,773,716.65</b>	<b>0.00</b>

The Company's receivables from affiliated companies include trade receivables in the amount of EUR 2,489,293.23 (prior year: EUR 2,833,450.67), other assets in the amount of EUR 0.00 (prior year: EUR 6,696,323.22) and receivables from tax allocations in the amount of EUR 0.00 (prior year: EUR 1,750.00).

**4.4.2. Income that will affect cash flow only after the balance sheet date**

Other assets include the following material income that will affect cash flow only after the balance sheet date:

	31 March 2014 EUR	31 March 2013 EUR
Energy tax reimbursements	2,188,540.21	1,339,232.53
Research activities	0.00	7,877.68
Subsidy for partial retirement	0.00	814.53
Tax-free premiums	2,006,758.15	2,259,015.28
<b>Total</b>	<b>4,195,298.36</b>	<b>3,606,940.02</b>

#### 4.5. Shareholders' equity

##### 4.5.1. Share capital

The Management Board, with the approval of the Supervisory Board and exercising the authorisation granted by the 16<sup>th</sup> Annual General Meeting dated 7 July 2010, passed the basic resolution on 17 September 2013 to increase the Company's share capital by up to EUR 14,245,000.00 issuing up to 12,950,000 no-par value bearer shares as well as to sell treasury shares of up to 2,577,412 shares.

The Management Board, with the approval of the project committee of the Supervisory Board, passed the first implementation decision on 17 September 2013 to increase the Company's share capital by EUR 3,704,218.10 issuing 3,367,471 new shares without subscription rights. The subscription and offer price per issued share is EUR 6.50. This increase was registered with the Austrian companies register on 20 September 2013.

The Management Board, with the approval of the project committee of the Supervisory Board, passed the second implementation decision on 4 October 2013 to increase the Company's share capital by EUR 10,540,781.90 issuing 9,582,529 new shares and to sell 2,577,412 treasury shares. The subscription and offer price per issued share is EUR 6.50. This increase was registered with the Austrian companies register on 5 October 2013.

The share capital thus amounts to EUR 42,735,000.00 and is made up of 38,850,000 no-par value shares with a notional value of EUR 1.10 per share.

##### 4.5.2. Treasury shares/Reserve for treasury shares

By a resolution passed at the 19<sup>th</sup> Annual General Meeting on 4 July 2013, the Management Board was again authorised (pursuant to § 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG)) to acquire — within 30 months as from the resolution date — treasury shares of the Company to the maximum extent of up to 10% of the share capital of the Company at a lowest price that may be no more than 30% lower than the average unweighted closing rate of the last 10 trading days and at a highest price per share of a maximum of up to 30% above the average unweighted closing rate of the last 10 trading days. The authorisation also includes the acquisition of shares by subsidiaries (§ 66 AktG). The acquisition may be carried out via the stock exchange, by means of a public offering or in any other legal way and for any legal purpose. The Management Board was also authorised to withdraw repurchased treasury shares as well as treasury shares already held by the Company without any other resolution of the Annual General Meeting. This authorisation may be exercised in full, in part or in several tranches.

Furthermore, at the 19th Annual General Meeting on 4 July 2013, the Management Board was authorised (pursuant to § 65 (1b) AktG), for a period of five years as of the date the resolution was passed, i.e. up to and including 3 July 2018, upon approval by the Supervisory Board and without any further resolution of the Annual General Meeting, to sell or use the repurchased treasury shares or treasury shares already held by the Company also in a different way than via the stock exchange or by public offer, most notably to use treasury shares for the following purposes:

- a) Issuance to employees, executive employees and members of the Management Board/managing directors of the Company or of an affiliated company, including the servicing of stock transfer programmes (particularly with regard to stock options, long-term incentive plans or other employee stock option plans),
- b) To serve issued convertible bonds, if any,
- c) As consideration for the acquisition of entities, participating interests or other assets, and
- d) For any other legal purpose,

and by doing so, to exclude the general purchase option of shareholders (subscription right exclusion). The authorisation may be exercised in full, in part and also in several tranches and serve multiple purposes.



At the balance sheet date, AT & S Austria Technologie & Systemtechnik Aktiengesellschaft does not hold any treasury shares (prior year: 2,577,412 shares).

Development of the item "Treasury shares"	Number	Balance sheet value EUR	Interest in share capital in %
<b>Opening stock 1/4/2013</b>	<b>2,577,412</b>	<b>17,505,782.55</b>	<b>9.95</b> 1)
Sale treasury shares	-2,577,412	-17,505,782.55	
<b>Closing stock 31/3/2014</b>	<b>0</b>	<b>0.00</b>	

1) The interest in share capital was calculated with the number of no-par value shares on 1/4/2013 (25,900,000 shares).

#### 4.6. Provisions

##### 4.6.1. Other provisions

Breakdown:

	<b>31 March 2014</b>	<b>31 March 2013</b>
	EUR	EUR
Holidays not yet consumed	2,836,477.82	2,577,082.01
Other personnel expenses	6,048,521.21	545,447.68
Holiday bonus/Christmas bonus	1,949,510.98	1,890,261.91
Anniversary bonuses	2,548,488.01	2,375,603.00
Impending losses arising from derivative financial instruments	420,085.73	118,431.71
Compensatory time off	887,087.06	717,743.63
Impending losses arising from pending transactions	1,181,020.72	150,306.83
Warranty and claims	422,634.47	185,861.93
Legal and advisory expenses	446,583.38	227,744.25
Debtors' discounts	282,676.17	243,716.13
Stock options	195,129.00	179,630.00
Restructuring of the plant Leoben-Hinterberg	10,507,948.30	11,210,125.38
Remuneration to the Supervisory Board	283,450.00	204,600.00
Other accruals < EUR 150,000	353,945.00	263,971.00
<b>Total</b>	<b>28,363,557.85</b>	<b>20,890,525.46</b>

The item "Restructuring of the plant Leoben-Hinterberg" mainly includes the costs related to future lease payments for unused product areas.

***Stock Option Plan (2009 to 2012)***

Due to the expiry of the stock option plan (2005-2008), the stock option plan (SOP 2009 from 2009 to 2012) was approved in the 1<sup>st</sup> meeting of the nomination and compensation committee of the Supervisory Board on 17 March 2009, after it had been submitted for examination in the 55<sup>th</sup> Supervisory Board Meeting on 16 December 2008. The stock options may be granted in the period between 1 April 2009 and 1 April 2012.

Each of these options entitles the holder to the right to

- Either purchase a no-par value share of AT&S at the exercise price or
- To demand for a cash settlement at the remaining amount between the exercise price and the closing rate of the AT&S share at the Vienna Stock Exchange, or at stock exchange where the AT&S share is primarily listed, at the date the option is exercised by the beneficiary.

Under the "SOP 2009", 138,000 stock options were granted at an exercise price of EUR 3.86 per share on 1 April 2009, 135,000 stock options at an exercise price of EUR 7.45 per share on 1 April 2010, 118,500 stock options at an exercise price of EUR 16.60 per share on 1 April 2011, and 118,500 stock options at an exercise price of EUR 9.86 per share on 1 April 2012.

***Exercise price:***

The exercise price of the stock options is determined at the respective date of grant, representing the average closing rate of the AT&S share at the Vienna Stock Exchange, or the share price at the stock exchange where the AT&S share is primarily listed, over a period of six calendar months prior to the date of grant plus a surcharge of 10% calculated on the basis of the aforementioned average price. The price is the closing rate with regard to the XETRA trading or any comparable successor system. The exercise price, however, corresponds at least to the prorated amount of the share capital attributable to a share in AT&S.

***Exercise period:***

Granted stock options vest gradually as stated below:

- 20% of the stock options granted may be exercised after a period of two years after allocation.
- 30% of the stock options granted may be exercised after a period of three years after allocation.
- 50% of the stock options granted may be exercised after a period of four years after allocation.

The stock options may not be exercised within a blackout period.

**Requirements for the exercising of stock options:**

The options may only be exercised by beneficiaries whose employment relationship with a company of the AT&S Group is in effect at the time the option is exercised. Options may be exercised under certain conditions within one year after the employment relationship is terminated. The options may neither be transferred nor pledged.

Number and allocation of granted options:

	Andreas Gerstenmayer	Harald Sommerer	Thomas Obendrauf	Steen E. Hansen	Heinz Moitzi	Executive employees	Total
	Number	Number	Number	Number	Number	Number	Number
1 April 2009	0	40,000	1,500	30,000	30,000	36,500	138,000
thereof expired	0	0	-1,500	0	0	-4,200	-5,700
thereof exercised	0	-40,000	0	-30,000	-30,000	-32,300	-132,300
1 April 2010	40,000	0	1,500	30,000	30,000	33,500	135,000
thereof expired	0	0	-1,500	0	0	0	-1,500
thereof exercised	0	0	0	-30,000	0	-15,000	-45,000
1 April 2011	40,000	0	30,000	0	30,000	18,500	118,500
thereof expired	0	0	-30,000	0	0	0	-30,000
1 April 2012	40,000	0	30,000	0	30,000	18,500	118,500
thereof expired	0	0	-30,000	0	0	0	-30,000
<b>Total</b>	<b>120,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90,000</b>	<b>55,500</b>	<b>265,500</b>

The options exercised during the financial year had a value of EUR 179,758.00 when these options were exercised.

**Valuation of the stock options at the balance sheet date:**

The stock options are valued at fair value at the respective balance sheet date using the Monte Carlo method. The fair value of the stock options granted is recognised in the balance sheet over the term to maturity of the stock options.

Fair value of the share options granted:

Granted on:	1/4/2010	1/4/2011	1/4/2012
	EUR	EUR	EUR
Fair value as of 31 March 2014	130,007.00	12,744.00	93,987.00



**4.7. Liabilities****4.7.1. Additional disclosure to liabilities**

Name:	Balance sheet value as of 31 March 2014 EUR	Remaining maturity		
		up to 1 year EUR	between 1 and 5 years EUR	more than 5 years EUR
Bonds	100,000,000.00	0.00	100,000,000.00	0.00
Bank loans and overdrafts	259,515,583.00	44,064,414.81	172,451,168.19	43,000,000.00
Trade payables	8,296,376.55	8,296,376.55	0.00	0.00
Payables to affiliated companies	16,516,477.26	16,516,477.26	0.00	0.00
Other liabilities	6,192,541.38	5,859,263.38	333,278.00	0.00
<b>Total</b>	<b>390,520,978.19</b>	<b>74,736,532.00</b>	<b>272,784,446.19</b>	<b>43,000,000.00</b>

Name:	Balance sheet value as of 31 March 2013 EUR	Remaining maturity		
		up to 1 year EUR	between 1 and 5 years EUR	more than 5 years EUR
Bonds	180,000,000.00	80,000,000.00	100,000,000.00	0.00
Bank loans and overdrafts	110,505,240.49	41,505,240.49	46,000,000.00	23,000,000.00
Trade payables	9,155,810.82	9,155,810.82	0.00	0.00
Payables to affiliated companies	2,893,840.79	2,893,840.79	0.00	0.00
Other liabilities	9,879,943.11	9,632,369.11	247,574.00	0.00
<b>Total</b>	<b>312,434,835.21</b>	<b>143,187,261.21</b>	<b>146,247,574.00</b>	<b>23,000,000.00</b>

Payables to affiliated companies include trade payables in the amount of EUR 16,516,477.26 (prior year: EUR 2,893,840.79).

**4.7.2. Expenses that will affect cash flow only after the balance sheet date**

The item "Other liabilities" includes the following material expenses that will affect cash flow only after the balance sheet date:

	31 March 2014 EUR	31 March 2013 EUR
Interest with regard to loans	1,821,917.81	5,534,794.52
Regional health insurance	1,134,749.00	1,109,549.31
Tax authority	677,708.33	683,334.97
Wages and salaries	125,296.35	107,966.74
Communities	90,122.29	88,102.57
<b>Total</b>	<b>3,849,793.78</b>	<b>7,523,748.11</b>

**4.8. Collaterals**

	<b>Balance sheet value as of 31 March 2014 EUR</b>	<b>thereof secured by collateral EUR</b>
Bank loans and overdrafts	259,515,583.00	32,000,000.00
Prior year:	110,505,240.49	32,000,000.00

Assigned receivables are provided as collateral to banks.

**4.9. Contingent liabilities pursuant to Section 199 UGB**

	<b>Balance 31/3/2014 EUR</b>	<b>of which to affiliated companies EUR</b>
From guarantees	700,381.92	700,381.92
Prior year:	1,419,096.91	1,419,096.91

**4.9.1. AT&S India Private Limited**

In the financial year 2002/03, a guarantee agreement was entered into between Deutsche Bank AG, Bangalore, India, and AT&S:

- Assumption of liability for an operating loan of INR 180,000,000.00 (EUR 2,171,785.85). EUR 24,669.86 (prior year: EUR 0.00) is outstanding at the balance sheet date.

**4.9.2. AT&S (China) Company Limited**

In the financial year 2010/11, a guarantee agreement was entered into between China Construction Bank, Shanghai, People's Republic of China, and AT&S. This agreement replaces the two guarantee agreements from the financial years 2006/07 and 2009/10:

- Assumption of liability for a credit facility of EUR 45,000,000.00. EUR 675,712.06 (prior year: EUR 1,419,096.91 ) is outstanding at the balance sheet date.



**4.10. Obligations from the use of tangible assets not recognised in the balance sheet**

	In the following financial year EUR	In the next 5 financial years EUR
Obligations from sale and lease back transactions	1,486,972.50	7,434,862.50
Prior year:	1,672,592.36	8,362,961.80
Obligations from rental agreements	346,263.00	1,095,605.00
Prior year:	361,305.00	1,266,003.00
<b>Total</b>	<b>1,833,235.50</b>	<b>8,530,467.50</b>
Prior year:	2,033,897.36	9,628,964.80

**4.11. Other financial obligations**

At the balance sheet date, orders in the amount of EUR 903,150.00 (prior year: EUR 689,542.00) were outstanding for replacement and expansion investments.

**4.12. Derivative financial instruments and off-balance sheet transactions pursuant to Section 237 No. 8a UGB**

Derivative financial instruments are used at AT&S to hedge against possible interest rate and exchange rate fluctuations and to partially cover existing and expected, but not yet fixed foreign currency liabilities/receivables. The fair value corresponds to the market value and amounts to EUR -420,085.73.

	Nominal amount 31 March 2014	Fair value in EUR 31 March 2014	Book value in EUR 31 March 2014
<b>Interest-related products</b>			
Swaps	EUR 92,000,000.00	-420,085.73	-420,085.73
	Nominal amount 31 March 2013	Fair value in EUR 31 March 2013	Book value in EUR 31 March 2013
<b>Interest-related products</b>			
Swaps	EUR 9,300,000.00	-118,431.71	-118,431.71

AT&S AG committed itself, by a declaration, to ensure that the required financial means to settle liabilities are made available with regard to a subsidiary within its control.

**5. COMMENT ON INCOME STATEMENT ITEMS**

	<b>2013/14</b> EUR	<b>2012/13</b> EUR
	<hr/>	<hr/>
<b>1. Net sales</b>		
Abroad	239,781,923.11	227,230,504.68
Domestic	22,663,469.11	23,374,775.77
	<hr/>	<hr/>
	262,445,392.22	250,605,280.45
	<hr/>	<hr/>

	<b>2013/14</b> EUR	<b>2012/13</b> EUR
	<hr/>	<hr/>
<b>2. Personnel expenses</b>		
<b>a) Expenses for severance payments and contributions to staff provision funds</b>		
Members of the Management Board and executive employees	83,965.17	145,576.36
Other employees	2,602,306.94	2,535,616.06
	<hr/>	<hr/>
	2,686,272.11	2,681,192.42
	<hr/>	<hr/>

Expenses for severance payments and contributions to staff provision funds include severance payments in the amount of EUR 2,470,299.00 (prior year: EUR 2,470,301.64).

	<b>2013/14</b> EUR	<b>2012/13</b> EUR
	<hr/>	<hr/>
<b>b) Expenses for pensions</b>		
Members of the Management Board and executive employees	69,784.84	88,229.44
Other employees	505,910.37	832,864.83
	<hr/>	<hr/>
	575,695.21	921,094.27
	<hr/>	<hr/>

### 3. Expenses for the auditor

The expenses for the auditor are disclosed in the consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, 8700 Leoben-Hinterberg.

## 6. ADDITIONAL DISCLOSURES PURSUANT TO THE AUSTRIAN COMMERCIAL CODE(UGB)

### 6.1. Capitalisable deferred taxes

The option to capitalise **deferred taxes assets** on temporary differences between the commercial result and tax result was not used. The capitalisable amount pursuant to Section 198 (10) UGB amounts to EUR 2,225,622.00 (prior year: EUR 1,979,528.00).

### 6.2. Taxes on income

In accordance with the Austrian Tax Reform Act 2005 (*Steuerreformgesetz 2005*) Federal Law Gazette (*BGBl.*) I 2004/57, the income tax rate has been 25% since 1 January 2005.

In accordance with Section 9 (8) of the Austrian Corporate Tax Act (KStG) 1988, AT&S as group parent formed a tax group with the following subsidiaries as group members:

- AT & S Klagenfurt Leiterplatten GmbH in Liqu., Leoben
- DCC - Development Circuits & Components GmbH in Liqu., Leoben (The liquidation of the company was completed in the current financial year.)
- AT&S Korea Co., Ltd., Ansan-City, South Korea

To compensate for tax effects arising from the allocation of taxable profit/loss, the parties to the contract are obligated to pay tax compensation.

Since no deferred income taxes are capitalised, the tax group does not have any effect on the item "Income taxes" in the income statement. Furthermore, AT&S as group parent charged a minimum corporate income tax in the amount of EUR 500.00 to AT & S Klagenfurt Leiterplatten GmbH in Liqu.

### 6.3. Board members, employees

In the financial year the **average number of staff** was:

	<u>2013/14</u>	<u>2012/13</u>
Waged workers	643	647
Salaried employees	385	402
<b>Total</b>	<u>1,028</u>	<u>1,049</u>

#### Members of the Management Board and the Supervisory Board:

In the financial year, the following persons served as **members of the Management Board**:

- Andreas GERSTENMAYER (Chairman)
- Heinz MOITZI
- Karl ASAMER (since 1 April 2014)

In the financial year, the following persons were appointed as **members of the Supervisory Board**:

- Hannes ANDROSCH (Chairman)
- Willibald DÖRFLINGER (1<sup>st</sup> Deputy chairman)
- Regina PREHOFER (2<sup>nd</sup> Deputy chairman)
- Karl FINK
- Albert HOCHLEITNER
- Gerhard PICHLER
- Georg RIEDL
- Karin SCHAUPP

Delegated by the **works council**:

- Wolfgang FLECK
- Sabine FUSSI
- Johann FUCHS (until 15 October 2013)
- Franz KATZBECK (since 15 October 2013)
- Günther WÖFLER

**Total remuneration of the members of the Management Board:**

	2013/14			2012/13		
	fixed	variable	Total	fixed	variable	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Andreas Gerstenmayer	428	373	801	396	0	396
Heinz Moitzi	357	424	781	310	0	310
Thomas Obendrauf	0	0	0	499	0	499
<b>Total</b>	<b>785</b>	<b>797</b>	<b>1,582</b>	<b>1,205</b>	<b>0</b>	<b>1,205</b>

The variable portion of the remuneration of Mr Heinz Moitzi includes remuneration with regard to stock options in the amount of EUR 114k.

In the financial year 2012/13, the fixed portion of the remuneration of Mr Thomas Obendrauf included contractual severance payments and other entitlements in connection with the premature termination of the management agreement.

Number of granted stock options as of the balance sheet date less exercised or forfeited stock options of the members of the Management Board:

	31 March	
	2014	2013
Andreas Gerstenmayer	120,000	120,000
Heinz Moitzi	90,000	114,000
<b>Total</b>	<b>210,000</b>	<b>234,000</b>

As of 31 March 2014, the exercise price of EUR 7.45 (70,000 shares) of the stock options granted to the Management Board as of 1 April 2010, of EUR 16.60 (70,000 shares) as of 1 April 2011, and of EUR 9.86 (70,000 shares) as of 1 April 2012 exceeds or is less than the current price of the shares as of the balance sheet date (EUR 8.75).

With regard to **members of the Supervisory Board, remuneration** in the amount of EUR 283,450 (prior year: EUR 204,600.00) was recognised as expenses and is proposed to the Annual General Meeting.

Number of shares held by the members of the Management Board and the Supervisory Board at the balance sheet date:

	<b>Shares</b>		
	Balance 31/3/2014	Balance 31/3/2013	Change
<b>Management Board</b>			
Heinz Moitzi	2,786	1,672	1,114
<b>Supervisory Board</b>			
Hannes Androsch	599,699	445,853	153,846
Androsch Privatstiftung	5,570,666	5,570,666	0
AIC Androsch International Management Consulting GmbH	769,230	0	769,230
Dörflinger Privatstiftung	4,594,688	4,594,688	0
Dörflinger Management & Beteiligungs GmbH	2,307,692	0	2,307,692
Gerhard Pichler	26,768	19,118	7,650
Georg Riedl	15,482	9,290	6,192
Johann Fuchs until 15 October 2013	n/a	4	-4

Leoben-Hinterberg, 7 May 2014

The Management Board:

Andreas GERSTENMAYER m.p.

Heinz MOITZI m.p.

Karl ASAMER m.p.



## **7. Management report for the financial year 2013/14**

### **1. Company profile**

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as “AT&S”), together with its subsidiaries all over the world, is one of the leading companies in the industry and the largest manufacturer of printed circuit boards (PCB) in Europe and India. The subsidiary in Shanghai operates the largest factory specializing in HDI technology in China. AT&S’s product portfolio comprises single-sided, double-sided, multilayer, HDI (high density interconnection, a multilayer PCB with extremely fine structures), flexible, rigid-flexible and semiflexible printed circuit boards. The service spectrum comprises diverse techniques for the treatment of printed circuit boards, using different basic materials.

Using its global presence via subsidiaries in Asia, Europe and the US, AT&S supplies groups operating worldwide. At the same time, AT&S also meets the demand of smaller companies, manufacturing prototypes and small batches. AT&S’s two production plants are located in Leoben-Hinterberg and Fehring. The subsidiaries’ production plants are located in India, China and South Korea. Using these production capacities, AT&S serves both the existing volume production in Asia and the European niche market. Products are directly sold to Original Equipment Manufacturers (OEM) and Contract Electronic Manufacturers (CEM).

Technologically, AT&S is one of the leading manufacturers of printed circuit boards, the crucial prerequisite being its outstanding performance in the area of research and development. AT&S develops new innovative techniques within customer, supplier and research institution networks. The continuous optimisation of business processes is one of the crucial core elements of AT&S’s company strategy.

The core business of AT&S and its subsidiaries is the development and manufacture of printed circuit boards for large and small batches as well as prototypes. Printed circuit boards are customised and manufactured according to customer specifications. Using embedding technology, AT&S is now also able to offer assembly and chip packaging services.

### **2. Market and industry**

Printed circuit boards are an essential part of electronic devices. They are used to mechanically mount microprocessors and their electrical components. Almost every electronic device contains one or more printed circuit boards and thus is part of our everyday life.

Printed circuit boards consist of electrically insulating material and conductive connections (conductors) attached to them. The insulating material typically used is fibre-reinforced plastic. The complexity of printed circuit boards depends primarily on the vertical connection of several layers, circuit density, physical dimensions, the number of layers, the minimum hole diameter and the surface finish. Global trends, such as miniaturisation while simultaneously increasing conductor density, increase the requirements with regard to printed circuit boards. It is particularly in the field of high quality printed circuit boards that the technologically highly complex applications of AT&S are increasingly used.

**INTERNATIONAL MARKET DEVELOPMENT** The global printed circuit board market is characterised by rapid change and high cyclicality. It is also a highly competitive and highly fragmented market. The largest producer – based on sales in USD – has a market share of about 4% (source: NTI, Q2 2013). On a global scale, about 2,600 to 3,000 producers existed in 2013 (source: NTI, Q2 2013). The top 20 entities hold a global market share of about 45% (source: NTI, Q2 2013).

Independent market analysts predict an average annual growth of about 3% for the overall printed circuit board industry for the upcoming five years (source: Prismark, Q4 2013). An above average growth rate for printed circuit boards that support high-tech applications is expected.

Demand for printed circuit boards is characterised by a continuous long-term growth. In 2013, demand was at USD 55.2 billion (source: Prismark, Q4 2013), meaning an increase of about 1% on the previous year. Market surveys predict a decline in demand for printed circuit boards in the US, Europe and Japan, whereas, however, a strong market growth in China and the Asian tigers is expected.

**MOBILE COMMUNICATION AS A GROWTH DRIVER** For the upcoming years, independent market analysts expect an average annual growth of about 11% for the total smartphone market and 13% for the total tablet market. In 2013, sales in smartphones increased worldwide by 39% compared to the previous year (source: IDC, Jan. 2014). The 2013 global tablet PC market increased on the previous year by 68% (source: Gartner, Feb. 2014).

In addition to smartphones and tablets, this market segment also includes PCs, ultrabooks, notebooks, servers, telecommunication infrastructure, game consoles, digital cameras and similar devices such as smart watches. Management expects demand to grow with regard to these applications and regards this trend towards wearable electronics as an opportunity for AT&S.

**ABOVE-AVERAGE GROWTH IN AUTOMOBILE ELECTRONICS** Independent market analysts predict an average annual growth of about 6% for the global automotive market for the upcoming years, with the automobile electronics market growing faster than sales of vehicles. While the number of vehicles sold per year worldwide grew by 38% to 85.7 million vehicles from 2009 to 2012, the value of printed circuit boards mounted in vehicles grew by 45% to USD 4.1 billion in the same period (source: NTI, Q3 2012). Until 2017, an average annual growth of 6% to about 108 million sold vehicles is predicted (source: LMC, Feb. 2013).

The automotive sector focuses on features such as safety, weight reduction, energy efficiency, information management and entertainment. Here, high demands are imposed on printed circuit boards with regard to reliability, temperature resistance as well as resilience and duration. The high-tech applications increase demand for HDI and Microvia printed circuit boards. AT&S was among the first to realise this trend and therefore has a good market position. This market segment comprises the following: power transmission with a share of approx. 30% (e.g. engine, gear, as well as transmission and emission control), 23% infotainment (e.g. auto navigation, audio/video, phone), 14% safety (e.g. airbags, ABS, seat belts, inside and exterior rear view mirror), 12% lights (e.g. front lights, tail lights, interior lighting, door knob lighting), 11% sensor technology (e.g. distance meter, temperature sensor, pressure sensor), and 10% thermal solutions (e.g. control of air conditioning / heating, engine cooling) (source: NTI, Q3 2012).

With regard to printed circuit boards for the automobile and aviation industry, AT&S is the seventh largest supplier worldwide in terms of sales (source: NTI, Mar. 2014). Printed circuit boards of AT&S are to date primarily used in transmission control, navigation systems, driving lane assistants, camera modules, infotainment and audio systems as well as in sensors.

**CONTINUOUS GROWTH RATES IN INDUSTRIAL ELECTRONICS** Independent market analysts expect a growth rate of 9% for 2014 in the field of industrial electronic systems (source: IHS, Feb. 2014). The growth is positively related to the growth of built-in printed circuit boards. The market for industrial electronics covers the entire range of industrial electronics including printed circuit boards, cases, software, etc. and thus significantly exceeds the actual PCB market. However, the systems market and the PCB market are directly related. Until 2018, the same analysts forecast an average annual growth of about 5% (source: IHS, Feb. 2014).

The market for industrial electronics is marked by a wide variety of customers that demand a wide range of technologies. The products used range from multilayer printed circuit boards with up to 22 layers to flexible or also rigid-flexible printed circuit boards. In order to meet the various requirements for end devices and implementation guidelines concerning printed circuit boards, flexibility, proximity to the customer and a high implementation speed are key.

The market segment industrial electronics includes, the following applications: 10% lighting application (e.g. control for lamps, LED lamps, LED modules), 17% power applications (e.g. electricity meters, PV inverters, generators), 25% instrumentation and controls (e.g. programmable logic control systems, CNC) and 48% other applications (e.g. laboratory diagnostics, RFID, scanner, railway technology) (source: Prismark, May 2012).

**THE MARKET FOR MEDICAL TECHNOLOGY APPLICATIONS** The global market for printed circuit boards used in medical technology is estimated to amount to EUR 810 million in 2011 (source: BPA Consulting, May 2012). Independent market analysts expect a growth in the medical systems market of about 8% for 2014 (source: IC Insight, Dec. 2013). The market for medical electronic systems covers the entire range of medical technology applications. However, this market is directly related to the development of the PCB market. The same analysts predict an average annual growth of about 7% until 2017 (source: IC Insight, Dec. 2013).

The medical technology applications market can be broken down into 21% diagnosis and imaging techniques (e.g. X-ray, ultrasound, computer tomography), 22% therapy (e.g. cardiac pacemakers, defibrillators), 27% patient monitoring (pulsometers, oxygen meters, anaesthesia and telemetry systems), and 30% other applications such as for example surgical lighting, sterilisation, analytical instruments, molecular diagnostics, etc.

In medical technology, reliability, miniaturisation and weight reduction are of utmost importance, particularly with regard to devices such as cardiac pacemakers or hearing aid devices. In the face of these challenges, the customers of AT&S benefit from the experience gained in the development of high quality printed circuit boards for smartphones. AT&S is one of a few European manufacturers certified under the medical standard EN ISO 13485.

**IC-SUBSTRATE HIGH-TECH MARKET** Independent market analysts expect a growth of 5% for 2014 (source: JMS, second half-year 2012). This growth results from the strong demand for smartphones and tablets. The IC substrate market showed a volume of USD 8.9 billion in 2013 and reported a growth of 4% on the previous year. IC substrates are generally used for microprocessor units (Central Processing Units, CPU) for computers, desktop computers, tablet PCs, ultrabooks and smartphones.

The market knows only few suppliers, 70% of the production stems from six manufacturers. This concentration is an opportunity for AT&S to position itself in this high-tech segment together with a strong partner.

**MINIATURISATION PUSHES ADVANCED PACKAGING** Also in the field of advanced packaging, the focus is on miniaturisation, reliability and weight reduction. Examples of typical applications are modules for mobile applications (DC/DC converters, power management units, fingerprint sensors, etc.), solid state drives and wearable devices. Here, the customers benefit from AT&S's experience gained in the development of high quality solutions, from years of R&D activities carried out in the field of embedded component packaging (ECP) as well as from the extensive IP portfolio in this field. With the help of ECP, miniaturisation effects greater than 50% of the reference product could be achieved. Given the increasing trend of miniaturisation, market surveys predict a strong increase in growth rates in the subsequent years. The forecast growth thus amounts to about 56% for 2014, and the same market analysts predict an average annual growth of about 62% for the years up to 2018 (source: Yole, Oct. 2012).

## **BUSINESS DEVELOPMENT**

### **3. Financial performance**

In the financial year 2013/14, AT&S's NET SALES rose by EUR 11.8 million, or 5%, to EUR 262.4 million year-on-year, owing to an increase in merchandise sales with an Asian subsidiary.

The EBIT MARGIN dropped from 5.2% in the past financial year to currently -1.1% in the financial year under review. The decline results from the allocation to performance-related bonus provisions, lower exchange gains as well as the one-time effect from transaction costs for the capital increase carried out in the financial year 2013/14.

The FINANCIAL RESULT in the financial year 2013/14 has been positively influenced by a subsidiary's dividend distribution in the amount of EUR 15 million. Interest expenses for bonds as well as for bank loans and overdrafts decreased by EUR 1.6 million to EUR 12.2 million compared to the previous year. Income from loans to subsidiaries remained almost unchanged at EUR 5 million (prior year EUR 4.8 million). The previous year's financial result suffered from a write-off on treasury shares in the amount of EUR 6.1 million as a result of lower market values.

Owing to the described effects on the operating result and the financial result, the NET INCOME FOR THE YEAR thus is positive and amounts to EUR 2.4 million (after a net loss for the year of EUR 3.5 million in the previous year) in the financial year under review.

### **4. Financial position**

As a result from investments, the book value of FIXED TANGIBLE ASSETS rose from EUR 16.6 million to EUR 17.8 million. The book value of intangible assets increased from EUR 1.7 million to EUR 8.6 million due to the purchase of a licence.

As in the previous year, SHARES IN AFFILIATED COMPANIES remained unchanged at EUR 275.0 million. The book value of loans to affiliated companies, taking into account interest charges and foreign currency translations, decreased from EUR 97.6 million to EUR 95.1 million.

Short-term CURRENT ASSETS showed an increase in inventories from EUR 19.3 million to EUR 24.6 million, but a decrease in receivables from EUR 51.8 million to EUR 46.8 million.

Current asset securities and shares declined from EUR 18.2 million to EUR 0.7 million as a result from the sale of treasury shares.

Liquid funds rose from EUR 22.4 million to EUR 202.8 million.

At the balance sheet date 31 March 2014, the SHAREHOLDERS' EQUITY amounts to EUR 243.5 million, having risen by EUR 82.0 million year-on-year due to the capital increase carried out. At the balance sheet date, the equity ratio had increased to 36.0% from 31.9% in the previous year, still showing a very good equity base.

In the financial year 2013/14, AT&S's NET DEBT decreased by EUR 111.4 million to currently EUR 156.0 million. Net debt is calculated as the aggregate of bonds and bank loans and overdrafts, less cash on hand and bank balances as well as "other securities and shares" in current assets (without treasury shares). The gearing ratio, i.e. the ratio of net debt to equity, decreased from 165% in the previous year to 64%.

## 5. Cash flow statement

Cash flow statement subtotals show the following amounts in comparison to past financial years (calculated in accordance with expert opinion KFS/BW2 of the Austrian Chamber of Public Accountants and Tax Advisors):

	2013/14	2012/13	2011/12
	EUR '000	EUR '000	EUR '000
Net cash flow from operating activities	32.393	15.958	-141
Net cash flow from investing activities	-13.203	-40.053	-48.370
Net cash flow from financing activities	161.214	37.796	44.280

Net cash flow from operating activities showed a clearly positive development in the financial year 2013/2014. Apart from a positive operating cash flow, this development mainly results from a significant increase in outstanding liabilities. Currently held inventories have also slightly increased. In total, this resulted in a positive cash flow from operating activities in the amount of EUR 32.4 million.

With respect to investing activities, AT&S invested a total of EUR 15.1 million in intangible and tangible assets in the financial year 2013/14. It was mainly these payments that resulted in a net cash flow from investing activities in the amount of EUR -13.2 million.

Capital increase less transaction costs as well as taking out a promissory note bond on the one hand, and the repayment of a short-term credit facility due on the other hand, resulted in a net cash flow from financing activities in the amount of EUR 161.2 million.

## 6. Employees

The average number of staff at AT&S AG (taking into consideration temporary workers) was 1,361 in the financial year 2013/14, meaning an increase of 225 on the average number in the previous year (2012/13: 1,136).

In order to stand up to international competition, well-educated and motivated employees are a key component. AT&S thus places a special emphasis on international FURTHER EDUCATION PROGRAMMES. Technical and inter-cultural trainings as well as special management and executive employee development programmes adequately prepare AT&S staff members to handle current and future tasks. In order to support new talents, apprentice programmes are available in five different occupational groups in Austria.

A transparent and PERFORMANCE-BASED REMUNERATION PLAN promotes entrepreneurial spirit and actions among staff members. Since the financial year 2010/11, the bonus system has been based on the EBIT, cash earnings and ROCE figures and thus remained unchanged in comparison to the previous years.

The Group places emphasis on an appropriate PROPORTION OF WOMEN in the Company's workforce. As a result, the proportion of women in the Group workforce is about 35%, while in Austria, 40% of staff members are women.

PLACE OF LEARNING AT&S as a place of learning is dedicated to the further education of its employees. Highly qualified and motivated employees are key for any company wanting to be a technological pioneer and a driver for innovation. To maintain this role, several activities such as a training and leadership catalogue or basic training sessions are offered at the plants. The evaluation and managing of the training process with the help of key data is also important for the future. The further development of key data to manage processes is a key priority for the next financial year.

SAFETY AT WORK Standardisation is an important issue for the entire AT&S Group also with regard to safety at work. No difference is thus made with regard to ecology and safety at all plants worldwide. It goes without saying that the very highest safety and environmental standards are employed. The same safety standards, based on European guidelines, are in place at plants and with regard to equipment. The AT&S Group and therefore all production plants were already certified in accordance with the Occupational Health & Safety Standard OHSAS18001 several years ago. Compliance with legal requirements and the even stricter internal requirements as well as the ongoing improvements are subjected to external annual audits. Also in the past financial year, the independent certifying body confirmed the compliance. The accident rate could be demonstrably reduced in the course of the years by introducing this management system. A decrease in accidents at work of 7% per year was set as a long-term objective that has also been successfully achieved in the past years. The programmes launched and activities started in the financial year 2004/05 are also reflected in the reported figures. For the period from 2004/05 to 2013/14, the rate of accidents at work (per 1 million hours of work) could be reduced by 57%. Even though the past financial year closed with a slight increase in key data, data were still below the target value. All preventive and corrective measures are being consistently looked at and implemented to meet the objective of continuous improvement.

## **7. Sustainability**

Sustainable management and the careful use of available resources are a high priority for AT&S. In fact, it is now many years ago since an integrated management system was created that now serves as the basis to efficiently manage and monitor processes. This management system combines quality, environment and safety at work. Regular internal audits performed by qualified internal employees as well as annual surveillance audits and triennial recertification audits by independent third parties monitor the requirements laid down in the regulations. The independent certifying body also confirmed once more in the financial year 2013/14 that AT&S complies with all requirements.

A material part of the integrated management system is the continuous development and improvement of existing processes and systems. This development can clearly be seen in the regularly reported key data. The AT&S Group aims to achieve production with the lowest possible impact on man and the environment. This goal requires that sustainability be lived in all areas and processes of the entity. For this reason, AT&S published the first sustainability report for its employees within the Group in cooperation with all plants around the globe in the financial year 2013/14. This internal sustainability report sets out to give a summary of the activities in advance to analyse and define the following key topics:

**ENVIRONMENTAL MANAGEMENT** In order to produce complex interconnection applications, energy in the form of electricity and heat is necessary. Both the use of energy as well as the transport of finished goods to the customer lead to CO<sub>2</sub> emissions; these are measured on a monthly basis in the form of the carbon footprint as a performance indicator. Several measures in the production plants have already led to a reduction of the carbon footprint to 50.7 kg CO<sub>2</sub> per square metre of the printed circuit boards produced. In order to reduce the CO<sub>2</sub> emissions in the future, AT&S continues to set itself the target of a 5% reduction per year.

The use of freshwater is another important factor in the production of printed circuit boards. An innovative water recycling plant was installed in India in order to use this resource in a responsible way and also to maintain the manufacturing capacity. At this plant, 68% of water currently used is recycled and then used again as process water. The freshwater consumption in litres per square metre of produced printed circuit board serves as an indicator. In order to continuously reduce the water consumption in the future, AT&S aims at saving 3% freshwater per year.

**RESOURCE EFFICIENCY** The considerate use of resources is of the utmost importance for AT&S both from an entrepreneurial as well as from an ecological and social point of view. The focus is on optimising the use of materials (waste prevention, recycling, and efficiency improvement). In the past financial year, waste and the recycling of waste were analysed and compared at all plants and optimisation potential was identified in many cases. The optimisation of gold and the recycling of gold waste serve as an example. Together, possible potential for improvement in all plants was discussed, with suggestions being taken into account and brought to life through local projects. The close cooperation, also with Montanuniversität Leoben, made it possible to analyse and evaluate various recycling methods for similar waste and to include state-of-the-art scientific findings in this analysis and evaluation. This led to a significant improvement of the recycling activities at all plants.

Taking copper – the most important material when producing printed circuit boards – as an example, it can be seen how the Group practices resource efficiency: Copper is the most frequently used material in the production of printed circuit boards. Copper foil is at the heart of the printed circuit board. At AT&S, this copper foil is made of 100% recycled copper. Copper chloride, serving as etching medium, is disposed of externally via a supplier when the end of its useful life is reached. This supplier recycles the copper contained to use it for other purposes. Small amounts of copper are also to be found in wastewater. The corporate wastewater treatment plants filter the copper out of the wastewater using various treatment methods and transport the copper as copper-bearing electroplating sludge to external recycling companies for recycling. In addition, any copper-bearing solid waste from production, such as copper parts, milling waste, etc., are collected separately and recycled. These circles show that various waste categories and recycling methods exist for one single metal at the production plants of the AT&S Group. The considerate use and considerations targeted to recycling are beneficial for the Company in two ways – AT&S contributes to the conservation of resources and generates a positive monetary effect. This is a perfect example demonstrating that sustainability unites all three levels – economy, ecology and social issues.

In the financial year 2013/14, about 113 kg of gold (2012/13: 130 kg), 323 tonnes of copper (2012/13: 319 tonnes) and 1.67 million square metres of laminate (2012/13: 1.8 million square metres) were used as significant raw materials at the production plants in Leoben-Hinterberg and Fehring. In the financial year 2013/14, electricity demand, at 57 GWh, remained at the same level as in the previous year.

## **8. Research and development**

AT&S pursues a focused technology strategy and an efficient development process when it comes to innovations. In the past financial year, the share of sales of products with new technologies – products brought to market by AT&S in the past three years after several years of development – was at about 25.5%. This clearly illustrates that innovation is among the major priorities for the AT&S Group.

**TECHNOLOGY AND INNOVATION** The penetration of all areas of life by electronics is far from complete. It is not only human beings that communicate with each other; an increasing number of machines, devices and systems are being connected and exchange data without any human interference. Although still in its infancy, the “internet of things” is already a reality. The quantity of electronic devices will increase as will the requirements regarding smallness, power density and duration of the printed circuit boards.

The innovation strategy of AT&S thus focuses on the following priorities:

- Focus on the high-tech segment — new products and technologies developed at AT&S are used in the high-tech segment of the respective market.
- Greater contribution to the value creation chain — new products and technologies developed at AT&S cover a greater portion of the value creation chain in the manufacture of electronic devices.
- More efficient use of natural resources — new products and technologies developed at AT&S use fewer natural resources (e.g. materials, water and energy) than traditional products and technologies.

AT&S pursues a two-stage innovation process. Development activities in the fields of materials, processes and applications are carried out at the research institutions of Leoben-Hinterberg to the point where the basic technological feasibility has been reached. This area thus covers applied research and technology evaluation. After that, it is the responsibility of the local departments for technology development and implementation situated at the plants of AT&S to continue the experimental development of products and processes and to integrate these products and processes within existing production operations. Depending on demand, also cooperation with local and international research institutions and universities are entered into in addition to own resources.

**DEVELOPMENT ACTIVITIES** AT&S works on different development projects based on these strategic principles, customer demand, as well as developments of the suppliers and research institutions. The issues dealt with in these projects can be divided into four core development areas:

#### 1. Interconnect density

In this area, the goal is to constantly miniaturise the printed circuit board and increase the complexity. The challenge is to miniaturise the structures of the printed circuit board and to reduce its thickness.

#### 2. Mechanical integration

The goal is the improved integration of the printed circuit board as a component of the electronic device. Rigid-flexible printed circuit boards, cavities, mounting technologies up to fully flexible printed circuit boards are being developed.

#### 3. Functionality integration

This area of development focuses on the integration of additional functionalities in the printed circuit board. In addition to the current AT&S ECP® technology, further solutions are to be found for embedding the components in the printed circuit board.

#### 4. Printed solutions

Here, the focus is on new solutions that reduce the consumption of water and other natural resources (e.g. copper). New processes based on the printing technology are developed in order to minimise the use of natural resources.

In the past financial year, a new printed circuit board product for high temperatures, for example in power-trains of vehicles, could be developed in the past financial year with the help of these projects. The use of electronics can thus be employed in areas where previously only mechanical or high-tech solutions were possible.

Another milestone in the past financial year was the development of novel concepts for power electronics, which has been implemented in a consortium with companies and research partners. Power electronics is used for applications with high electrical currents and where electronic modules require cooling. Examples in this regard can be found in the production of electricity (wind power, photovoltaics), electromobility and in the lighting industry (particularly with regard to LEDs).

Progressive miniaturisation in general is an important driver for innovation. New technological challenges are to be tackled in the fields of mobile devices, medical technology and wearables.

**IC SUBSTRATES** The largest development project of the Group to date is the implementation of the technology to produce substrates for silicon semiconductor chips. IC substrates, i.e. the link between the nano-world of silicon and the micro-world of the printed circuit boards, confront AT&S with totally new challenges. Significantly finer structural dimension and tighter tolerances exist in this field compared to products produced to date. Moreover, due to the different properties of silicon and poly-

meric materials, new materials are used and new concepts have to be developed that meet the requirements with regard to reliability.

In order to successfully serve the market, the highest requirements with regard to technology and quality have to be met. In addition to positive business development opportunities, the establishment in this market and the cooperation with the semiconductor industry that in the future is to be started at a very early stage will give an impetus to further develop various areas of AT&S with regard to the technologies to be developed in the current core business. This will give the technology roadmaps a more concrete form and enable AT&S to implement innovation projects in an even more targeted way. Also with regard to specific technology projects, a considerable impetus through the access to new demands and approaches to further expand the technological lead position is expected.

**PATENT STRATEGY** Focusing on research and development requires legal protection of the core development technologies of AT&S. In the last financial year 13 new patent applications were filed. The AT&S Group now has 96 patent families, resulting in 153 patents, of which 80 patent families resulting in 130 patents are held by AT&S.

Total expenses for research and development projects amounted to EUR 12 million in the financial year 2013/14 and thus remained almost unchanged compared to the previous year.

## **9. Subsidiaries and representative offices**

The AT&S Group currently has five production plants specialising in different technologies: Leoben-Hinterberg and Fehring in Austria, Ansan in Korea, Nanjangud in India and Shanghai in China. With their research departments, Leoben-Hinterberg and Shanghai are also material technology drivers within the AT&S Group. Moreover, a sixth plant is currently being built in Chongqing in China. AT&S employs a total of around 7,300 people worldwide.

**LEOBEN AND FEHRING** The Austrian plants in Fehring and Leoben are integrated within the individual company of AT&S and mainly deliver to the European and to an increasing extent also to the American market. Short turnaround times, special applications and the proximity to the customer are particularly important in Europe. The plants in Austria, India and Korea basically concentrate on small and medium-sized batches most notably for the industrial and automotive industry. The plant in Leoben successfully continued with the niche and prototype production which was launched in the past years. The production capacity utilisation of the plant in Fehring is positive in the reporting period due to, among other things, the production transfer from Klagenfurt. Also the strongly growing market in the advanced packaging segment is supplied by the plant in Leoben.

**KLAGENFURT** At the beginning of the past financial year, management decided to close the plant in Klagenfurt. The immense price pressure in the field of simple technologies, as produced in Klagenfurt, and the continuous low demand in this sector led to ongoing losses. A social plan was prepared for the employees. A few employees accepted the offer to work at the plants in Fehring or Leoben. The closing activities and dismantling work are almost completed. No further costs are expected to arise from the closure of this plant. The company is in liquidation as of 15 March 2014.

**SHANGHAI** The plant in Shanghai produces HDI (high density interconnection) high-tech printed circuit boards in serial production for the mobile device sector and has customers all over the world. The plant in Shanghai was very well utilised in the past financial year; in some months, this plant continuously produced at full capacity. Moreover, demand for HDI printed circuit boards for the automobile industry has risen in the past financial year, which also led to an increase in the production of printed circuit boards for the industrial & automotive business unit. The announcement of the cooperation partner Panasonic to shut down the production of ALIVH technology had a negative effect. As no further demand on the market could be expected, the prototype equipment at the plant in Shanghai had to be adjusted in terms of value.

**CHONGQING** The set-up of the new plant in Chongqing, China, proceeds to schedule. In the past financial year, buildings and infrastructure could be successfully completed. The first production equipment was delivered in February 2014. AT&S will set another technological milestone at this plant with the production of IC substrates (interconnection substrates). The cooperation with the technology partner turns out to be very successful and close. The production of the first qualification lots is planned for the autumn of 2014.

**ANSAN** The positive development of the AT&S Korea subsidiary continued in the past financial year. In addition to the still very good production capacity utilisation with regard to medical products, the major order of an innovative camera producer most notably generated additional sales in the reporting period.

**NANJANGUD** AT&S India reported positive developments as well. Sales and the operating result showed a positive trend.

The company AT&S Asia Pacific in Hong Kong was able to establish itself as a holding company in the field of mobile devices. The proximity to the CEMs of the customers and to the suppliers is another locational advantage which the business partners highly appreciate. About half of the Group's sales is already carried out via this company.

The sales offices in the Americas, Germany, Japan and Taiwan guaranteed good and close contact with the customers in the past financial year as well.



## 10. Significant events after the balance sheet date

In the financial year under review, there were no significant events after the balance sheet date.

## 11. Capital share structure and disclosure of shareholder rights

As of the balance sheet date 31 March 2014, the Company's share capital amounts to EUR 42,735,000 and is made up of 38,850,000 no-par value shares with a notional value of EUR 1.1 per share. The voting right at the Annual General Meeting is exercised according to no-par value shares, with each no-par value share equalling one voting right. All shares are bearer shares.

Significant direct and indirect shareholdings in AT&S at the balance sheet date are presented below:

	<u>shares</u>	<u>% capital</u>	<u>% voting rights</u>
Dörflinger-Privatstiftung: Karl-Waldbrunner-Platz 1 A-1210 Vienna	6,902,380	17.77 %	17.77 %
Androsch Privatstiftung: Franz-Josefs-Kai 5 A-1010 Vienna	6,339,896	16.32 %	16.32 %

As of 31 March 2014, about 65.91% of the shares were in free float. With the exception of the shareholdings stated above, no other shareholder existed holding more than 10% of the voting rights in AT&S. No shares with special control rights exist. The exercise of the voting right by employees who hold shares in the Company is not subject to any limitations.

No special provisions exist on the appointment and dismissal of members of the Management Board and the Supervisory Board.

Material agreements on financial liabilities contain change of control provisions. No compensation agreements are in place between AT&S and its Management Board and Supervisory Board members or employees that would become effective in the case of a public takeover bid.

In the past financial year, all 2,577,412 treasury shares were sold. AT&S, therefore, does not hold any treasury shares at the balance sheet date 31 March 2014.

By a resolution passed at the 19<sup>th</sup> Annual General Meeting on 4 July 2013, the Management Board was again authorised to acquire and to withdraw - within 30 months as from the resolution date - treasury shares to the maximum extent of up to 10% of the Company's share capital. Furthermore, the Management Board was authorised, for a period of five years as of the date the resolution was passed, i.e. up to and including 3 July 2018, upon approval by the Supervisory Board, to sell treasury shares also in a different way than via the stock exchange or by public offer, most notably to serve employee stock options, convertible bonds or to use such shares as a consideration for the acquisition of entities or other assets and for any other legal purpose.

For further information, reference is made to the disclosures in the notes to the financial statements.

There are no off-balance sheet transactions between AT&S and its subsidiaries.

AT&S neither has granted any loans nor has it assumed any liabilities in favour of board members.

## **12. Risk and opportunities management**

**PRINCIPLES, STRUCTURES AND PROCESSES** Risk and opportunities management is a fundamental part of the way in which the AT&S Group does its business. The quest to increase enterprise value involves not just opportunities but inevitably the taking of risks as well. In order to identify these risks at an early stage and deal with them in a pro-active manner, AT&S operates a group-wide Risk Management and Internal Control System and has Internal Revision, as in accordance with Austrian Code of Corporate Governance (ÖCGK) requirements.

From an organisational perspective, the Risk Management, Internal Control System and Internal Revision functions come within the responsibility of the CFO. The overall board receives monthly updates from the Group Risk Manager and/or the internal auditor in the course of the Management Board meeting. The inclusion of the Supervisory Board takes place within the framework of at least twice yearly audit committee meeting. The proper functioning of the risk management system is also assessed once a year by the auditor in the course of the annual audit of financial statements pursuant to Rule 83 ÖCGK.

Operative risk management consists of a process for the purpose of risk identification and assessment which is to be carried out at least twice a year. Risks which comply with the criteria as set out in the risk strategy are aggregated taking into consideration various scenarios in relation to the overall risk position of the Group and recorded in the risk report sent to the Management Board and Supervisory Board, which is updated on a six monthly basis. Risk controlling activities are achieved through measures aimed at minimising their effects and likelihood by those responsible.

The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments on the printed circuit board market and can be summarised as follows:

### **STRATEGY**

**INVESTMENTS** In order to make the most of growth potential and remain competitive, the Group under-takes major investments in new forms of technology as well as in the further development and capacity expansion of already existing technologies (miniaturisation, rigid-flexible, etc.). There are particular opportunities to be gained from entering into the substrates business (characterised through potentially attractive margins, entrance barriers and only a handful of competitors) through a strategic partnership with a world leading semiconductor manufacturer. Furthermore, the location at Chongqing in China offers competitive advantages over the largely Japanese dominated competition. Initial sales for the IC substrates segment can be anticipated in the calendar year 2016.

The advanced packaging segment, referring to a form of technology which was made ready for the market under the ECP® brand name, also offers considerable potential in itself, and the segment was further expanded in the course of the previous financial year.

Risks in the field of investment and in general for the business activities of AT&S exist in the form of unrecognised or wrongly anticipated technological developments or shifts in demand which could bear negatively on investments.

**COMPETITION** The intensive focus on the high-tech segment coupled with the highest quality standards and consistently carried out cost controls meant that the Group was able to achieve a competitive advantage over a majority of its competitors in the HDI segment and thus effectively counter the intensive competition and the permanent 'commodification' (with a corresponding margin reduction). This strategy also supports the growth in the number of end products relevant to AT&S's HDI product range, from smartphones to tablet PCs, game consoles, digital cameras as well as the HDI automotive segment.

The opportunities related to Austrian AT&S plants exist due to high flexibility, high quality standards and the ability to react very quickly to changing specifications and technologies, as is required on the industrial market through various technological demands on the part of a number of customers. New forms of technology and products are constantly being pushed in close cooperation with various different customers.

Competitor risks arise through potential quality improvements and technological developments in countries with low production costs. This could mean that the activities of the Group especially in Austria and possibly also at other manufacturing locations like those in China might become less competitive.

#### MARKET DEVELOPMENT

**CUSTOMER BASE** With the help of advanced production technologies and high quality standards, the AT&S Group has managed – largely through to its capacities in China – to establish itself as a reliable provider for some of the world's most renowned players in the electronics industry. Sales generated with the five largest of these customers account for over 50% of total sales. The good business relations with these customers also offer excellent opportunities for the future.

However, a customer concentration of this kind also brings risks with it, for example in case there is a significant reduction in business with any one of these customers. This therefore means that both the maintenance of AT&S's competitiveness as well as the continued broadening of its customer base and the development of new product segments to quickly increase compensation levels in case of a reduced quantity of sales with any of the individual main customers is of considerable importance.

**ECONOMIC DEVELOPMENT** Economic cycles and fluctuations when it comes to product demand in the industry for mobile end products, the automobile sector and the industry in general could have a negative effect on the Group's results, just as of course any upward trend in the economy can also lead to increased business opportunities. The wide-ranging positioning throughout the mobile devices, industry & automotive product segments enables the partial reduction of risks due to the different production cycles.

#### PROCUREMENT

**COMMODITY PRICES** Energy, heating oil as well as raw material (gold, copper, laminate) price fluctuations can in the short-term have both a positive as well as a negative impact on achievable margins.

**SUPPLIER BASE** The strategy of the Group consistently focuses on a wide and diversified base of carefully selected suppliers with a view to reducing any dependencies on individual suppliers. There are therefore – with a few exceptions – alternative supplier options so as to respond to supply risks. The Group enjoys longstanding and stable customer-supplier relations with its main key suppliers with particular expertise and competitive standings.

#### BUSINESS ENVIRONMENT

**INTELLECTUAL PROPERTY** The AT&S Group endeavours to utilise any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of own projects, cooperation schemes with partners and investments. Risks arise if the Group fails to protect its intellectual property, thus enabling the competition to utilise these technologies. Legal disputes on intellectual property might keep the Group from utilising or selling any technologies in dispute, and legal disputes on the misuse of third party intellectual property might result in substantial financial burdens. The new IC substrates segment in particular bears risks in this regard, with one of the reasons being the fact that AT&S needs to further augment its corresponding expertise in this field.

**COMPLIANCE** Any amendments to regulatory requirements, such as the prohibition of specific processes or materials, might lead to a rise in production costs. The Group might be subject to substantial penalties should any customer requirements on confidentiality or statutory provisions be violated. AT&S has implemented organisational measures aimed at preventing or minimising the occurrence of compliance risks. The expansion of such measures is ongoing.

**LOCATION-SPECIFIC RISKS** A major part of the Group is located outside of Austria, particularly in Asia. This means that the Group might be subject to potential legal uncertainties, state intervention, trade restrictions or political unrest. Irrespective of the above, any production site of the Group may furthermore be exposed to fire, natural disasters, acts of war, shortages of supply or other events. The termination of land use rights, permits or lease contracts of specific plants might also have a negative impact on the production output of the Group.

The Group actively protects itself against such risks by weighing the risks and associated costs and has concluded insurance contracts to the extent customary for a company of this size if such contracts are available at costs which are reasonable in relation to the impending risks.

#### OPERATING BUSINESS

**PRODUCT QUALITY** As previously, it will be the high quality of products, adherence to delivery deadlines and service quality which will offer the Group a chance to differentiate itself from the competition and utilise growth opportunities. Any technical defects, quality deficiencies or difficulties in delivering products may expose the Group to warranty claims, claims for damages and contractual penalties, resulting in product recalls and the loss of customers. AT&S has in place a corresponding quality management system designed to rule out deficiencies in product quality and their negative consequences as far as possible. Furthermore, the Group is insured against major risks by virtue of an (extended) product liability insurance policy.

**TECHNOLOGY AND PROJECT DEVELOPMENT** The Group's know-how regarding project and technology development, particularly in China, makes it possible for the Group to utilise further promising growth opportunities, such as in particular the development of the IC Substrates business. At the same time, however, this entails special risks, also in view of the substantial volume of investment made in the plant in Chongqing. Complications in the further technological development and project development might result in major burdens for the management as well as the financial and administrative resources.

#### ORGANISATION

**EMPLOYEES** The collective industry experience and management expertise of the employees of the AT&S Group form the basis for the utilisation of future opportunities. The business of the Group might suffer if employees in leading positions were to terminate their employment relations with the Group or if the Group were unable to continue to recruit and retain highly qualified engineers or sales personnel. AT&S continuously develops strategies for retaining key employees, recruiting valuable personnel and further expanding the skills of its staff members.

#### FINANCIAL RISK

The financial risk encompasses ensuring the long-term financing of AT&S as well as fluctuations in the value of financial instruments.

On the asset side, minor interest rate risks in securities exist. Investments in other liquidity stock are primarily made in the short term.

On the liabilities side, interest rates are fixed for 87% (prior year 84%) of the total from bonds and bank loans and overdrafts, with interest hedging instruments having to be taken into account. The remaining 13% (prior year 16%) are loans and have variable interest rates.

#### LIQUIDITY RISK

At AT&S, liquidity risk refers to the state of illiquidity. The goal is thus to always provide sufficient liquidity in order to be able to fulfil ongoing payment obligations in due time.

At the balance sheet date, AT&S has at its disposal liquidity reserves in the amount of EUR 276.9 million, EUR 203.6 million of which in liquid funds (cash on hand, bank balances) and other securities and shares, and EUR 73.3 million in existing, unused credit lines.

This risk is controlled by continuously monitoring liquid funds.

#### CREDIT RISK

Credit risk at AT&S means the possibility of a payment default by customers. AT&S has always succeeded in building strong partnerships with its customers. The highest portion of receivables from a direct contracting party is 16% (prior year 12%).

In general, credit risk is controlled by ongoing credit assessments as well as concluding credit insurance policies for individual customers.

#### FOREIGN EXCHANGE RISK

All transaction, translation and economic risks are constantly monitored to hedge foreign currency risks. Within AT&S, currency transaction risks are initially hedged by closing positions (netting). In case there are any open positions, derivative financial instruments are used if needed.

Due to the subsidiaries in Asia, exchange risks arise from local currencies. Pursuant to legal provisions, local hedging transactions may only be made to a limited extent in some cases. In addition, currency illiquidity also results in limitations. If required, the risk is transferred to Europe and hedged there. Moreover, attempts are made to bring forward natural hedging of receivables and liabilities.

Sensitivity analyses are carried out to evaluate the foreign exchange risk, with the effects of percentage changes in exchange rates being simulated *ceteris paribus*.

#### FINANCIAL MARKET RISKS

Financial market risks, encompassing foreign exchange and interest rate risks, are monitored by regularly conducting sensitivity analyses. In so-called GAP analyses the potential change in profit/loss resulting from a 1% change in price (exchange rate or interest rate) with regard to the foreign currency or interest net position is determined. Correlations between different risk elements are not accounted for in these analyses. The impact on profit/loss is determined taking into account income tax effects on the Group's profit for the year after tax.

### **13. Internal Control System and Risk Management**

#### **13.1 Company-wide Risk Management System**

AT&S has imposed upon itself a Code of Conduct and Ethics, describing how AT&S conducts its business in an ethically and socially responsible manner. These guidelines apply to all activities of the AT&S Group all over the world. Every staff member has the responsibility to exercise his profession and perform his daily activities in compliance with the Code, without exemption.

In the risk catalogue defined at Group level, risk and opportunities management comprises not only financial risks but also further risk categories which particularly relate to strategic risks, market and procurement risks, business environment risks, as well as operational and organisational risks. The risk catalogue provides a framework for guidance with respect to identifying risks and is dynamically adapted to the changing situation of the Company. The most important objective in the Group-wide risk and opportunity management is optimising the total risk position while at the same time taking any opportunities that may arise. Reports to the Management Board and the Supervisory Board are made on a regular basis.

Monitoring the effectiveness of the Internal Control System, Internal Revision and the Risk Management System as well as monitoring the accounting procedures are, among others, responsibilities of the Supervisory Board's audit committee. In addition to the inclusion of the audit committee in the accounting procedures at quarterly reporting, there is also regular risk reporting on the Internal Revision activities to the audit committee (risk and revision report). The audit committee, in turn, reports to the remaining members of the Supervisory Board.

Based on the business processes documented in the management manual, process managers describe and assess the corresponding risks for every main and sub-process. In the course of risk assessment, the process owner generally has to document all potentially negative factors which might put the achievement of organisational or procedural goals in jeopardy. Control targets in financial reporting are derived from existing risks and allocated to the categories existence (only those business transactions that actually exist and have been approved will be processed), entry/period allocation (accounting of business transactions in the correct period or prompt processing), completeness (business transactions, assets and liabilities are recognised in full), valuation (appropriate valuation methods were applied to business transactions, and they were correctly calculated), rights and obligations (assets recognised are economically owned by the Company, and liabilities are actual obligations of the Company), presentation & disclosure (correct and complete recognition in the financial statements and in other reports), accuracy of business transactions/data and restricted access (access to IT systems is limited to process managers).

### **13.2 Accounting-related Internal Control and Risk Management System**

The accounting-related Internal Control and Risk Management system is an integral part of the group-wide risk management system. According to the framework concept of COSO (The Committee of Sponsoring Organization of the Treadway Commission), under the concept of company-wide risk management, the actual risk management as well as the Internal Control System (ICS) are subsumed. The main criteria of the Risk Management, the Internal Control System and Internal Revision of AT&S are specified in a group-wide risk management and audit manual.

The documentation of the internal controls (business processes, risks, control measures and those responsible) is made principally in the form of control matrices, which are archived in a central management data-base. The accounting-related Internal Control System includes principles, procedures and measures to ensure the compliance of accounting in terms of the control targets described for financial reporting.

The accounting procedures are documented in separate process instructions. As far as possible, these processes are standardised across the Group and are presented in a standardised documentation format. Additional requirements for accounting procedures result from specific local regulations. The basic principles of accounting and reporting are documented in the process descriptions and also in detailed process instructions, which are also filed in the central management manual. In addition, guidelines on measurement procedures and organisational requirements in connection with the processes of accounting and preparing the financial statements are compiled and updated on a regular basis. Dates are set in accordance with Group requirements.

The internal financial reporting is done on a monthly basis as part of the Group reporting, with the financial information being reviewed and analysed by the Group Accounting department (part of Group Finance & Controlling). The monthly budget/actual variance with corresponding comments on the results of the business units, of the plants as well as of the Company is reported internally to the executives and to the members of the Supervisory Board.

The annual preparation of the budget is carried out by the Group Controlling department (as part of Group Finance & Controlling). Quarterly forecasts are drawn up during the year for the remaining financial year based on the quarterly results and current planning information. The forecasts with comments on the budget comparison and presentations on the impact of opportunities and risks up to the end of the financial year are reported to the Supervisory Board. In addition to regular reporting, multiple-year planning, project-related financial information or calculations on investment projects are prepared and submitted to the Supervisory Board.

## **14. Outlook**

The ever increasing demand for electronic end devices and the generally rising proportion of electronics in various applications will continue to result in an increase in demand for printed circuit boards. In order to counter the increasing price pressure in the industry, the focus will continue to be on a sound further development of the core business with high-tech products also in the next financial year. Against this backdrop, the development of innovative products and technologies remains a top priority for AT&S. In order to hedge this strategy, investments in technological upgrades at existing production plants are being continued in addition to research and development activities.

The entry into the IC substrate market segment constitutes a development of the current high-tech market of HDI printed circuit boards for AT&S. From a strategic perspective, this step represents an extraordinary opportunity for the development of the Group. After the construction of the buildings in the previous year, the next project steps of delivery, installation and qualification of production facilities will follow in the next financial year. In parallel to this, the number of qualified staff is being expanded with our expertise being further developed to guarantee the success of this project. Overall, management assumes a predominantly good utilisation of currently available capacities at all plants in the coming financial year. Due to the high quality product mix which is to be achieved, sales are expected to grow moderately. Further cost efficiency programmes are to ensure sustained levels of profitability in spite of the price pressure exerted by the market.

In the following two financial years, AT&S will reach the main phase with regard to investments in the new plant at Chongqing in China, and will put a focus on investments in technology upgrades at existing plants. In these times which are currently characterised by high capital expenditure, the management assumes that the dividend policy will be conservative in the following years.

Leoben-Hinterberg, 7 May 2014

The Management Board:

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

## 1. Auditor's Report

### Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, for the fiscal year from 1 April 2013 to 31 March 2014. These financial statements comprise the balance sheet as of 31 March 2014, the income statement for the fiscal year ended 31 March 2014, and the notes.

#### *Management's Responsibility for the Financial Statements and for the Accounting System*

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility and Description of Type and Scope of the Statutory Audit*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

#### *Opinion*

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 March 2014 and of its financial performance for the fiscal year from 1 April 2013 to 31 March 2014 in accordance with Austrian Generally Accepted Accounting Principles.



## Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 7 May 2014

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft

signed:

Christian Neuherz  
Austrian Certified Public Accountant

Disclosure, publication and duplication of the Consolidated Financial Statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

## Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated 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 the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Leoben-Hinterberg, 7 May 2014

The Management Board

Andreas Gerstenmayer  
Chairman of the Board

Karl Asamer  
Member of the Board

Heinz Moitzi  
Member of the Board