



AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK  
AKTIENGESELLSCHAFT

## ANNUAL FINANCIAL REPORT AS OF 31 MARCH 2017

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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 2017

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The consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft as of 31 March 2017 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	2016/17	2015/16
Revenue	1	814,906	762,879
Cost of sales	2	(760,172)	(611,247)
<b>Gross profit</b>		<b>54,734</b>	<b>151,632</b>
Distribution costs	2	(29,392)	(34,624)
General and administrative costs	2	(28,283)	(29,376)
Other operating income	4	15,994	3,857
Other operating costs	4	(6,404)	(14,520)
Other operating result		9,590	(10,663)
<b>Operating result</b>		<b>6,649</b>	<b>76,969</b>
Finance income	6	2,646	7,533
Finance costs	6	(20,145)	(15,668)
<b>Finance costs - net</b>		<b>(17,499)</b>	<b>(8,135)</b>
<b>Profit/(loss) before tax</b>		<b>(10,850)</b>	<b>68,834</b>
Income taxes	7	(12,047)	(12,883)
<b>Profit/(loss) for the year</b>		<b>(22,897)</b>	<b>55,951</b>
Attributable to owners of the parent company		(22,897)	55,951
Earnings per share attributable to equity holders of the parent company (in € per share):	25		
- basic		(0.59)	1.44
- diluted		(0.59)	1.44

# Consolidated Statement of Comprehensive Income

€ in thousands	2016/17	2015/16
<b>Profit for the year</b>	<b>(22,897)</b>	<b>55,951</b>
Items to be reclassified:		
Currency translation differences	2,906	(82,521)
(Losses) from the fair value measurement of available-for-sale financial assets, net of tax	(1)	-
Gains from the fair value measurement of hedging instruments for cash flow hedges, net of tax	-	2,831
Items not to be reclassified:		
Remeasurement of post-employment obligations, net of tax	5,136	2,659
<b>Other comprehensive income for the year</b>	<b>8,041</b>	<b>(77,031)</b>
<b>Total comprehensive income for the year</b>	<b>(14,856)</b>	<b>(21,080)</b>
Attributable to owners of the parent company	(14,856)	(21,080)

# Consolidated Statement of Financial Position

€ in thousands	Note	31 Mar 2017	31 Mar 2016
<b>ASSETS</b>			
Property, plant and equipment	8	833,095	689,161
Intangible assets	9	91,655	103,736
Financial assets	13	173	96
Deferred tax assets	7	38,659	33,826
Other non-current assets	10	65,781	39,519
<b>Non-current assets</b>		<b>1,029,363</b>	<b>866,338</b>
Inventories	11	108,844	83,438
Trade and other receivables	12	85,796	134,687
Financial assets	13	8,660	87,817
Current income tax receivables		546	504
Cash and cash equivalents	14	203,485	171,866
<b>Current assets</b>		<b>407,331</b>	<b>478,312</b>
<b>Total assets</b>		<b>1,436,694</b>	<b>1,344,650</b>
<b>EQUITY</b>			
Share capital	22	141,846	141,846
Other reserves	23	81,729	73,688
Retained earnings		316,519	353,402
<b>Equity attributable to owners of the parent company</b>		<b>540,094</b>	<b>568,936</b>
<b>Total equity</b>		<b>540,094</b>	<b>568,936</b>
<b>LIABILITIES</b>			
Financial liabilities	16	519,830	361,558
Provisions for employee benefits	17	34,282	36,293
Other provisions	18	47	6,957
Deferred tax liabilities	7	4,700	8,844
Other liabilities	15	10,990	7,755
<b>Non-current liabilities</b>		<b>569,849</b>	<b>421,407</b>
Trade and other payables	15	230,845	180,257
Financial liabilities	16	73,037	161,413
Current income tax payables		15,572	7,557
Other provisions	18	7,297	5,080
<b>Current liabilities</b>		<b>326,751</b>	<b>354,307</b>
<b>Total liabilities</b>		<b>896,600</b>	<b>775,714</b>
<b>Total equity and liabilities</b>		<b>1,436,694</b>	<b>1,344,650</b>

# Consolidated Statement of Cash Flows

€ in thousands	2016/17	2015/16
<b>Operating result</b>	<b>6,649</b>	<b>76,969</b>
Depreciation, appreciation, amortisation and impairment of property, plant and equipment and intangible assets	124,284	90,519
Gains/losses from the sale of fixed assets	17	632
Changes in non-current provisions	(9,167)	2,492
Non-cash expense/(income), net	(2,927)	(1,916)
Interest paid	(17,511)	(15,507)
Interest received	1,549	3,047
Income taxes paid	(12,370)	(10,308)
<b>Cash flow from operating activities before changes in working capital</b>	<b>90,524</b>	<b>145,928</b>
Inventories	(18,311)	(426)
Trade and other receivables	25,526	(11,099)
Trade and other payables	36,527	2,254
Other provisions	2,150	268
<b>Cash flow from operating activities</b>	<b>136,416</b>	<b>136,925</b>
Capital expenditure for property, plant and equipment and intangible assets	(240,925)	(254,764)
Proceeds from the sale of property, plant and equipment and intangible assets	256	499
Capital expenditure for financial assets	(89,508)	(89,480)
Proceeds from the sale of financial assets	169,029	1,775
Acquisition of non-controlling interests	–	(272)
<b>Cash flow from investing activities</b>	<b>(161,148)</b>	<b>(342,242)</b>
Proceeds from borrowings	222,865	252,140
Repayments of borrowings	(160,221)	(131,740)
Proceeds from government grants	6,214	4,659
Dividends paid	(13,986)	(13,986)
<b>Cash flow from financing activities</b>	<b>54,872</b>	<b>111,073</b>
<b>Change in cash and cash equivalents</b>	<b>30,140</b>	<b>(94,244)</b>
Cash and cash equivalents at beginning of the year	171,866	273,919
Exchange gains/(losses) on cash and cash equivalents	1,479	(7,809)
<b>Cash and cash equivalents at the end of the year</b>	<b>203,485</b>	<b>171,866</b>

# 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>31 Mar 2015</b>	<b>141,846</b>	<b>150,774</b>	<b>311,642</b>	<b>604,262</b>	<b>96</b>	<b>604,358</b>
Profit for the year	–	–	55,951	55,951	–	55,951
Other comprehensive income for the year	–	(77,031)	–	(77,031)	–	(77,031)
<i>thereof currency translation differences</i>	–	(82,521)	–	(82,521)	–	(82,521)
<i>thereof remeasurement of post-employment obligations, net of tax</i>	–	2,659	–	2,659	–	2,659
<i>thereof change in hedging instruments for cash flow hedges, net of tax</i>	–	2,831	–	2,831	–	2,831
<b>Total comprehensive income for the year 2015/16</b>	<b>–</b>	<b>(77,031)</b>	<b>55,951</b>	<b>(21,080)</b>	<b>–</b>	<b>(21,080)</b>
Dividends paid relating to 2014/15	–	–	(13,986)	(13,986)	–	(13,986)
Acquisition of non-controlling interests	–	(55)	(205)	(260)	(96)	(356)
<b>31 Mar 2016</b>	<b>141,846</b>	<b>73,688</b>	<b>353,402</b>	<b>568,936</b>	<b>–</b>	<b>568,936</b>
Loss for the year	–	–	(22,897)	(22,897)	–	(22,897)
Other comprehensive income for the year	–	8,041	–	8,041	–	8,041
<i>thereof currency translation differences</i>	–	2,906	–	2,906	–	2,906
<i>thereof remeasurement of post-employment obligations, net of tax</i>	–	5,136	–	5,136	–	5,136
<i>thereof change in available-for-sale financial assets, net of tax</i>	–	(1)	–	(1)	–	(1)
<b>Total comprehensive income for the year 2016/17</b>	<b>–</b>	<b>8,041</b>	<b>(22,897)</b>	<b>(14,856)</b>	<b>–</b>	<b>(14,856)</b>
Dividends paid relating to 2015/16	–	–	(13,986)	(13,986)	–	(13,986)
<b>31 Mar 2017</b>	<b>141,846</b>	<b>81,729</b>	<b>316,519</b>	<b>540,094</b>	<b>–</b>	<b>540,094</b>

# 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 in the segments Mobile Devices & Substrates, Automotive, Industrial, Medical and Others. The products are manufactured in the European and Asian markets 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 on the Vienna Stock Exchange since 15 September 2008. Prior to changing the stock exchange, the Company had been listed on the Frankfurt Stock Exchange since 16 July 1999. From 21 March 2016 to 19 September 2016, the Company’s shares were included in the Austrian ATX index. According to Section 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) of the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

**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 2017, 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 2016), meaning that they were consolidated on the basis of the interim financial statements as of 31 March 2017.

The consolidated financial statements were approved for issue by the Management Board on 8 May 2017. The separate financial statements of the Company, which are included in the consolidation after reconciliation to the applicable accounting standards, will be presented for approval to the Supervisory Board on 2 June 2017. 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** The Company controls an entity when the Group is exposed to risks or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In addition to the Company itself, the consolidated financial statements comprise the following fully consolidated subsidiaries:

- AT&S Asia Pacific Limited, Hong Kong, China (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 100%
- AT&S Americas LLC, USA (hereinafter referred to as AT&S Americas), share 100%
- AT&S Deutschland GmbH, Germany, share 100%

In the financial year 2015/16, all non-controlling interests, a share of 1.24% in AT&S Korea Co., Ltd., were acquired and the subsidiary AT & S Klagenfurt Leiterplatten GmbH in Liqu. was liquidated and deconsolidated. There were no changes in the consolidation group in financial year 2016/17.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value 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.

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, recognises 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 were one single company.

Capital consolidation is made in accordance with IFRS 3 “Business Combinations” and IFRS 10 “Consolidated 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.

**b. SEGMENT REPORTING** The definition of operating segments and the presentation of segment results are based on the management approach and follow internal reports to the Management Board as the chief operating decision maker, i.e. the body that decides on the allocation of resources to the individual segments. 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.

The AT&S group structures the operating activities in three Segments:

- Mobile Devices & Substrates
- Automotive, Industrial, Medical
- Others

The business unit Mobile Devices & Substrates is responsible for the production of printed circuit boards for mobile end-user devices such as smartphones, tablets, notebooks and consumer products like digital cameras as well as substrates for desktop PCs and servers. The printed circuit boards for these applications are largely produced in our Shanghai (AT&S China) and Chongqing (AT&S Chongqing) plants.

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

The activities of the emerging business segment Advanced Packaging and parent group activities are included in the business unit Others. Advanced Packaging specialises in new, technologically highly-advanced applications. A variety of electrical 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 segment is still under development and is therefore not yet shown separately, since neither the quantitative threshold reached nor the associated opportunities and risks are material to the Group as a whole.

**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.



	Closing rate			Average rate		
	31 Mar 2017	31 Mar 2016	Change in %	01 Apr 2016 - 31 Mar 2017	01 Apr 2015 - 31 Mar 2016	Change in %
Chinese yuan renminbi	7.3693	7.3514	0.2%	7.3719	6.9623	5.9%
Hong Kong dollar	8.2997	8.8231	(5.9%)	8.5153	8.5393	(0.3%)
Indian rupee	69.3504	75.3466	(8.0%)	73.4662	72.0208	2.0%
Japanese yen	119.4300	127.8200	(6.6%)	119.2785	132.1891	(9.8%)
South Korean won	1,195.4117	1,297.7560	(7.9%)	1,254.5680	1,269.9367	(1.2%)
Taiwan dollar	32.4490	36.5967	(11.3%)	34.8195	35.3607	(1.5%)
US dollar	1.0681	1.1378	(6.1%)	1.0975	1.1011	(0.3%)

**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 includes deferred income taxes.

The Group provides for deferred income taxes using the balance-sheet oriented method. Under this method, the expected tax effect of 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted on 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 assets capitalised at the current 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 are not recognised for temporary differences in connection with holdings in subsidiaries provided that the Group is able to control the timing of the reversal of the temporary differences and it is likely that the temporary differences will not be reversed 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 is 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 in accordance with IAS 23.

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.

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 is 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 a 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 useful life, generally between two and ten 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.

Capitalised development projects include all the directly attributable costs incurred as a result of development processes. Borrowing costs are capitalised if the development project is a qualifying asset in accordance with IAS 23. Development costs are amortised on a straight-line basis over a useful life from six to seven years, which is derived from the expected sales periods.

**h. IMPAIRMENT LOSSES AND WRITE-UPS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS** 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. 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 its 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. The discount rates applied correspond to the weighted cost of capital based on externally available capital market data that are typical in the industry and have been adapted to the specific risks.

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 on borrowed capital 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 covers 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 the 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 in 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 fair value, excluding transaction costs, and, 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 listed 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. Available-for-sale securities are instruments which Management intends to sell as a reaction 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 length of time for which they are expected 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 an available-for-sale security is sold, the accumulated unrealised gain or loss previously recognised in equity is included in profit or loss for the reporting period in “Finance costs - net”.

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

**l. DERIVATIVE FINANCIAL INSTRUMENTS** Where possible, the Group uses 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. They are entered into in order to protect the Group against exchange rate fluctuations by fixing future exchange rates for foreign currency assets and liabilities.

Furthermore, 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 are 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 relation-

ship 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 (commercial papers and money market funds).

**n. NON-CONTROLLING INTERESTS** The Company acquired the non-controlling interest of 1.24% of the equity in AT&S Korea in financial year 2015/16 and thus no longer reports any non-controlling interests.

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 for the non-controlling interests.

**o. PROVISIONS** Provisions are recognised if the Group has a legal or de facto obligation to third parties, which is based on past events, where it is probable that this will result in an outflow of resources and the amount can be estimated reliably. The provisions are remeasured at each balance sheet date and their amounts 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 defined benefit plans that are valued by qualified and independent actuaries at each balance sheet date. The Group’s obligation is to meet 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 the 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. The net liabilities net interest is recognised in “Finance costs - net”. Remeasurements of the net liability 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, severance payments have to be paid primarily on termination of employment by the employer or on the retirement of an employee. The liabilities are measured by qualified and independent actuaries at each balance sheet date.

For employees who joined Austrian companies up to and including 2002, the Company has direct obligations that 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 on or after of 1 January 2003, the severance payment obligation is met by regular contributions to a staff provision fund (“Mitarbeitervorsorgekasse”). 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 insurance policies. 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 duration of service. Eligibility is determined by a certain minimum length of employment. The respective liability is calculated in accordance with the projected unit credit method based on the same parameters used for severance payments.

Staff costs recognised in the respective financial year include entitlements acquired and the actuarial results. The interest component is recognised in "Finance costs - net". The liabilities are measured by qualified and independent actuaries at each balance sheet date.

**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 such a way that both settlement alternatives have the same fair value. The fair value of the employee services received in exchange for the granting 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. STOCK APPRECIATION RIGHTS** The Group introduced a long-term incentive programme based on stock appreciation rights (SAR). Stock appreciation rights relate to value increases in share prices based on the performance of the share price. These rights are accounted for in accordance with IFRS 2 "Share-based Payment".

The fair value of the employee services rendered as consideration for the granting of SAR is recognised as an expense. Upon initial recognition and at every balance sheet date until the liabilities are settled, SAR liabilities are measured at fair value through profit or loss, applying the option price model. Reference is made to Note 15 "Trade and other payables".

**s. LIABILITIES** Financial 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.

**t. GOVERNMENT GRANTS** Government grants are recognised at their fair value where there is a reasonable assurance that the grants 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 investments in 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 life of the related assets. Government grants relating to costs and property, plant and equipment are recognised in profit or loss in the other operating result.

**u. CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER FINANCIAL OBLIGATIONS** Contingent liabilities are not recognised in the statement of financial position, but disclosed in Note 21 in the notes to the consolidated 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.

**v. 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.

- IFRS 11: Accounting for Acquisition of interests in Joint Operations
- IAS 16, IAS 41: Property, Plant and Equipment/Agriculture: Bearer Plants
- IAS 1: Disclosure initiative (Amendments to IAS 1)
- IAS 16, IAS 38: Property, Plant and Equipment/Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements to IFRSs 2012 - 2014

Due to a lack of relevance, the initial application had no significant impact on the disclosures of the Group.

**w. FUTURE AMENDMENTS TO ACCOUNTING STANDARDS** The IASB and IFRIC issued additional standards and interpretations not yet effective in the financial year 2016/17.

These have already been in part adopted by the European Union. The following standards and interpretations had 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 on the consolidated financial statements
IFRS 9	Financial instruments (New rules on the classification and measurement of financial instruments, the provisions on hedge accounting and on impairment)	01 Jan 2018	Yes	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
IFRS 15	Revenue from Contracts with Customers	01 Jan 2018	Yes	Under review
	Annual Improvements to IFRSs 2014 - 2016	01 Jan 2017 and 01 Jan 2018	No	None
IFRS 2	Classification and valuation of transactions with share-based remuneration	01 Jan 2018	No	No major changes are expected
IFRS 4	Insurance contracts	01 Jan 2018	No	None
IFRIC 22	Transactions in foreign currency	01 Jan 2018	No	None
IAS 40	Transfer of investment property	01 Jan 2018	No	None
IFRS 14	Regulatory Deferral Accounts	01 Jan 2016	No	None
IAS 7	Disclosure initiative	01 Jan 2017	No	No major changes are expected
IAS 12	Recognition of deferred taxes for unrealised losses	01 Jan 2017	No	No major changes are expected
IAS 28 IFRS 10	Investments in Associates: Sales or contributions of assets between an investor and its associate/joint venture	Postponed indefinitely	No	None
IFRS 16	Leases	01 Jan 2019	No	No major changes are expected

<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 the given circumstances. In the future, actual results may differ from these estimates. Management believes that the estimates are reasonable.

**DEVELOPMENT COSTS** Capitalised development costs largely relate to the development of a new technology for the production of substrates for silicon semiconductor chips taking place at the new site in Chongqing, China. This technology was available for use from March 2016 onwards and depreciation has begun. In financial year 2016/17, development costs for the new substrate generation in an amount of € 4.819 thousand have been capitalised. The start of the new production method is expected in the second half year of 2017/18. For the purposes of assessing impairment of capitalised development costs, Management made assumptions in the financial year 2016/17 on the amount of the estimated future cash flows arising from the project, the discount rate to be applied, the growth rate and the period of inflow of the expected future benefit.

**CALCULATION OF THE PRESENT VALUES OF PROJECTED EMPLOYEE BENEFIT OBLIGATIONS** The present value of non-current employee benefit obligations 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 using the following parameters: 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 at 31 March 2017:

€ in thousands	Interest rate	Increase in remuneration	Increase in pensions
Pension obligation	+0.50%	+0.25%	+0.25%
	(1,032)	80	478
Severance payments	(1,034)	524	–

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 as at 31 March 2017:

€ in thousands	Interest rate	Increase in remuneration	Increase in pensions
	-0.50%	-0.25%	-0.25%
Pension obligation	1,159	(78)	(456)
Severance payments	1,121	(506)	–

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 € 38,071 thousand were not recognised for income tax loss carryforwards in the Group of € 213,630 thousand. If the tax losses were subsequently expected to be realised, these deferred income tax assets would have to be recognised and a related tax income 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, if necessary, 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”, Note 9 “Intangible assets” and Note 18 “Other provisions”.

## II. Segment Reporting

The segment information presented below is prepared in accordance with the management approach concept as depicted in the Group's internal reporting (refer to Section I.B.b. "Segment Reporting").

The reportable segments consist of the business units Mobile Devices & Substrates, Automotive, Industrial, Medical and Others. The Others segment includes the business unit Advanced Packaging, which is in the development phase. The Advanced Packaging segment neither reaches the quantitative threshold levels, nor are this business unit's opportunities and risks material to the Group as a whole. It is therefore not presented as a standalone segment in segment reporting. The Others segment further includes general holding activities as well as the Group's financing activities. The central operating result control reference is the operating result before depreciation and amortisation. The respective reconciliation to Group figures also includes the corresponding consolidation.

Transfers and transactions between the segments are executed at arm's length, as with independent third parties. Segment reporting is prepared in accordance with the principles set out in I.B. "Accounting and measurement policies".

€ in thousands	Mobile Devices & Substrates		Automotive, Industrial, Medical		Others		Elimination/ Consolidation		Group	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Segment revenue	572,960	539,665	351,485	326,679	15,164	22,135	(124,703)	(125,600)	814,906	762,879
Internal revenue	(86,422)	(87,206)	(27,373)	(20,143)	(10,908)	(18,251)	124,703	125,600	–	–
External revenue	486,538	452,459	324,112	306,536	4,256	3,884	–	–	814,906	762,879
<b>Operating result before depreciation/amortisation</b>	<b>68,515</b>	<b>126,439</b>	<b>51,475</b>	<b>30,087</b>	<b>10,943</b>	<b>10,876</b>	<b>–</b>	<b>86</b>	<b>130,933</b>	<b>167,488</b>
Depreciation/amortisation incl. appreciation	(107,557)	(78,182)	(15,292)	(10,856)	(1,435)	(1,481)	–	–	(124,284)	(90,519)
<b>Operating result</b>	<b>(39,042)</b>	<b>48,257</b>	<b>36,183</b>	<b>19,231</b>	<b>9,508</b>	<b>9,395</b>	<b>–</b>	<b>86</b>	<b>6,649</b>	<b>76,969</b>
Finance costs - net									(17,499)	(8,135)
<b>Profit/(loss) before tax</b>									<b>(10,850)</b>	<b>68,834</b>
Income taxes									(12,047)	(12,883)
<b>Profit for the year</b>									<b>(22,897)</b>	<b>55,951</b>
Property, plant and equipment and intangible assets	822,490	696,578	98,933	92,695	3,327	3,624	–	–	924,750	792,897
Additions to property, plant and equipment and intangible assets	238,058	271,752	18,982	29,362	1,143	1,869	–	–	258,183	302,983

### INFORMATION BY GEOGRAPHIC REGION

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

€ in thousands	2016/17	2015/16
Austria	19,739	17,525
Germany	170,090	163,374
Other European countries	52,792	46,073
China	47,972	32,387
Other Asian countries	59,387	75,603
Americas	464,926	427,917
<b>Revenue</b>	<b>814,906</b>	<b>762,879</b>

56.8% of total revenue (previous year: 56.1%) is attributable to the five largest customers in terms of revenue.



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

€ in thousands	31 Mar 2017	31 Mar 2016
Austria	69,039	66,054
China	822,422	696,534
Others	33,289	30,309
<b>Total</b>	<b>924,750</b>	<b>792,897</b>

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

### 1. REVENUE

€ in thousands	2016/17	2015/16
Main revenue	814,698	762,646
Incidental revenue	208	233
<b>Revenue</b>	<b>814,906</b>	<b>762,879</b>

### 2. TYPES OF EXPENSES

The expense types of cost of sales, distribution costs and general and administrative costs are as follows:

€ in thousands	2016/17	2015/16
Cost of materials	320,186	267,806
Staff costs	206,051	160,898
Depreciation/amortisation	124,489	79,679
Purchased services incl. leased personnel	27,675	46,405
Energy	46,579	41,415
Maintenance (incl. spare parts)	53,831	47,022
Transportation costs	15,563	14,845
Rental and leasing expenses	6,708	5,634
Change in inventories	(4,322)	(3,023)
Other	21,087	14,566
<b>Total</b>	<b>817,847</b>	<b>675,247</b>

In the financial years 2016/17 and 2015/16, the item "Other" mainly relates to travel expenses, insurance expenses, IT service costs, legal and consulting fees.

**3. RESEARCH AND DEVELOPMENT COSTS** In the financial year 2016/17, the Group incurred research and development costs in the amount of € 57,950 thousand (previous year: € 34,428 thousand). The stated amounts represent only costs which can be directly allocated and which are recognised in the profit and loss under cost of sales. In these consolidated financial statements, development costs of € 4,819 thousand (previous year: € 61,052 thousand) were capitalised. Reference is made to Note 9 "Intangible assets".

### 4. OTHER OPERATING RESULT

€ in thousands	2016/17	2015/16
Income from the reversal of government grants	830	191
Government grants for expenses	3,468	3,194
Income/(expenses) from exchange differences	2,566	52
Income from reversal of accruals/provision	7,250	–
Miscellaneous other income	1,880	420
<b>Other operating income</b>	<b>15,994</b>	<b>3,857</b>
Impairments of property, plant and equipment <sup>1)</sup>	–	(3,113)
Start-up losses	(6,387)	(10,774)
Gains/(losses) from the disposal of non-current assets	(17)	(633)
<b>Other operating costs</b>	<b>(6,404)</b>	<b>(14,520)</b>
<b>Other operating result</b>	<b>9,590</b>	<b>(10,663)</b>

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

In the financial years 2016/17 and 2015/16, government grants for expenses mainly relate to export refunds as well as research and development awards. Similar to prior financial year 2015/16, start-up losses resulted in the financial year 2016/17 from the construction of the new location in Chongqing, China and in financial year 2015/16 in addition from costs relating to the construction of a new line in Hinterberg-Leoben, Austria. In the financial year 2016/17, the item "Income from reversal of accruals/provisions" relates to the release of the provision for building space no longer used and the release of the provision for a possible loss from sale of the real estate – reference is made to Note 18 "Other Provisions". In the financial year 2016/17, the item "Miscellaneous other income" mainly relates to the derecognition of other liabilities. In the finan-

cial year 2015/16, the item “Miscellaneous other income” mainly relates to services in kind for miscellaneous projects and the derecognition of other liabilities written off.

**5. NON-RECURRING ITEMS** In the past and previous financial year no non-recurring costs or income were reported.

## 6. FINANCE COSTS - NET

€ in thousands	2016/17	2015/16
Interest income from held-to-maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets	29	1,610
Other interest income	1,520	1,437
Realised gains from derivative financial instruments, net	–	604
Gains from the measurement of derivative financial instruments at fair value, net	1,097	–
Foreign exchange gains, net	–	3,882
<b>Finance income</b>	<b>2,646</b>	<b>7,533</b>
Interest expense on bank borrowings and bonds	(13,816)	(8,860)
Net interest expense on personnel-related liabilities	(545)	(363)
Realised losses from derivative financial instruments, net	(644)	–
Losses from the measurement of derivative financial instruments at fair value, net	–	(3,871)
Foreign exchange losses, net	(3,331)	–
Other financial expenses	(1,809)	(2,574)
<b>Finance costs</b>	<b>(20,145)</b>	<b>(15,668)</b>
<b>Finance costs - net</b>	<b>(17,499)</b>	<b>(8,135)</b>

In accordance with IAS 23, the item “Interest expense on bank borrowings and bonds” includes capitalised borrowing costs in the amount of € 2,150 thousand (previous year: € 6,620 thousand), net.

**7. INCOME TAXES** Income taxes are broken down as follows:

€ in thousands	2016/17	2015/16
Current income taxes	20,186	15,821
Deferred taxes	(8,139)	(2,938)
<b>Total tax expense</b>	<b>12,047</b>	<b>12,883</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	2016/17	2015/16
Expected tax expense at Austrian tax rate	(2,712)	17,209
Effect of different tax rates in foreign countries	10,288	(5,057)
Non-creditable foreign withholding taxes	1,038	1,825
Effect of change in valuation allowance of deferred income tax assets	11,982	(807)
Effect of the change in tax rate	(2,283)	(622)
Effect of permanent differences	(6,268)	195
Effect of taxes from prior periods	2	140
<b>Total tax expense</b>	<b>12,047</b>	<b>12,883</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 2017		31 Mar 2016	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	26,183	(4,788)	26,639	(4,740)
Provisions for employee benefits	4,070	–	4,607	–
Income tax loss carryforwards including taxable goodwill	51,800	–	36,190	–
<b>Deferred income tax from long-term assets/liabilities</b>	<b>82,053</b>	<b>(4,788)</b>	<b>67,436</b>	<b>(4,740)</b>
Inventories	4,522	–	3,505	–
Trade and other receivables	12	–	8	–
Trade and other payables	1,310	–	1,871	–
Others	2,437	(56)	466	(150)
Temporary differences arising from shares in subsidiaries	–	(4,700)	–	(8,844)
<b>Deferred income tax from short-term assets/liabilities</b>	<b>8,281</b>	<b>(4,756)</b>	<b>5,850</b>	<b>(8,994)</b>
<b>Deferred income tax assets/liabilities</b>	<b>90,334</b>	<b>(9,544)</b>	<b>73,286</b>	<b>(13,734)</b>
Unrecognised deferred taxes	(46,831)	–	(34,570)	–
Deferred income tax assets/liabilities, offsetting against the same taxation authority	(4,844)	4,844	(4,890)	4,890
<b>Deferred income tax assets/liabilities, net</b>	<b>38,659</b>	<b>(4,700)</b>	<b>33,826</b>	<b>(8,844)</b>

At 31 March 2017, the Group has income tax loss carryforwards and tax-deductible amortisation of goodwill amounting to a total of € 268,546 thousand (previous year: € 147,797 thousand). For loss carryforwards amounting to € 213,630 thousand (previous year: € 138,279 thousand) included in this figure, deferred income tax assets in the amount of € 38,071 thousand (previous year: € 34,570 thousand) were not recognised since it is unlikely that they will be realised in the foreseeable future. In addition, for temporary differences amounting to € 58,398 thousand (previous year: € 0 thousand) included in this figure, deferred income tax assets in the amount of € 8,760 thousand (previous year: € 0 thousand) were not recognised since it is likewise unlikely that they will be realised in the foreseeable future.

The tax loss carryforwards, which are unrecognised, carried forward as follows:

€ in thousands	2016/17	2015/16
Carried forward less than 5 years	118,025	–
Carried forward between 6 and 10 years	35,346	–
Carried forward for an indefinite period of time	60,259	138,279
<b>Total unrecognised tax loss carryforwards</b>	<b>213,630</b>	<b>138,279</b>

Deferred income taxes (net) changed as follows:

€ in thousands	2016/17	2015/16
Carrying amount at the beginning of the financial year	24,982	26,527
Currency translation differences	275	(3,736)
Income recognised in profit or loss	8,139	2,938
Income taxes recognised in equity	563	(747)
<b>Carrying amount at the end of the financial year</b>	<b>33,959</b>	<b>24,982</b>

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

€ in thousands	2016/17			2015/16		
	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	2,906	–	2,906	(82,521)	–	(82,521)
Gains/(losses) on the measurement of hedging instruments for cash flow hedges	–	(1)	(1)	3,775	(944)	2,831
Remeasurements of post-employment obligations	4,572	564	5,136	2,462	197	2,659
<b>Other comprehensive income</b>	<b>7,478</b>	<b>563</b>	<b>8,041</b>	<b>(76,284)</b>	<b>(747)</b>	<b>(77,031)</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 2015	95,771	396,136	6,835	104,922	603,664
Exchange differences	(8,701)	(39,227)	(583)	(12,557)	(61,068)
Additions	386	87,365	4,428	143,434	235,613
Disposals	–	(1,044)	(86)	–	(1,130)
Transfers	54	91,228	832	(92,114)	–
Impairment	–	(3,113)	–	–	(3,113)
Depreciation, current	(6,195)	(76,048)	(2,562)	–	(84,805)
<b>Carrying amount 31 Mar 2016</b>	<b>81,315</b>	<b>455,297</b>	<b>8,864</b>	<b>143,685</b>	<b>689,161</b>
<i>Thereof</i>					
Acquisition cost	123,028	1,148,510	27,817	143,685	1,443,040
Accumulated depreciation	(41,713)	(693,213)	(18,953)	–	(753,879)
Exchange differences	517	927	95	(303)	1,236
Additions	6,008	155,561	3,519	86,670	251,758
Disposals	–	(1,277)	(12)	(1,798)	(3,087)
Transfers	21,595	116,455	207	(138,257)	–
Reversals of impairment	–	378	–	–	378
Depreciation, current	(6,928)	(96,095)	(3,328)	–	(106,351)
<b>Carrying amount 31 Mar 2017</b>	<b>102,507</b>	<b>631,246</b>	<b>9,345</b>	<b>89,997</b>	<b>833,095</b>
<i>Thereof</i>					
Acquisition cost	151,372	1,374,696	30,759	89,997	1,646,824
Accumulated depreciation	(48,865)	(743,450)	(21,414)	–	(813,729)

The value of the land included in “Land, plants and buildings” amounts to € 1,847 thousand (previous year: € 1,701 thousand).

Depreciation in the current financial year is recognised mainly in cost of sales, as well as in distribution costs, general and administrative costs, and in start-up losses recognised in other comprehensive income.

In the financial year 2016/17, borrowing costs on qualifying assets of € 2,150 thousand were capitalised (previous year: € 5,365 thousand). A financing rate of 4.4% was applied (previous year: 4.1%).

**IMPAIRMENT** Impairment of machinery and technical equipment amounted to € 3,113 thousand in the financial year 2015/16. This impairment resulted from machines that are no longer usable in the segment Mobile Devices & Substrates. Reversal of impairment amounted to € 378 thousand in the financial year 2016/17 as those machines could be partly used for a different purpose in the segment Mobile Devices & Substrates.

## 9. INTANGIBLE ASSETS

€ in thousands	Industrial property and similar rights and assets, and licenses in such rights and assets	Capitalised development costs	Goodwill	Prepayments	Other intangible assets	Total
Carrying amount 31 Mar 2015	2,236	35,283	–	7,692	–	45,211
Exchange differences	(52)	(6,204)	–	12	–	(6,244)
Additions	5,877	61,052	–	87	354	67,370
Transfers	7,791	–	–	(7,791)	–	–
Amortisation, current	(930)	(1,317)	–	–	(354)	(2,601)
<b>Carrying amount 31 Mar 2016</b>	<b>14,922</b>	<b>88,814</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>103,736</b>
<i>Thereof</i>						
Acquisition cost	29,987	90,065	7,132	–	–	127,184
Accumulated amortisation	(15,065)	(1,251)	(7,132)	–	–	(23,448)
Exchange differences	10	(205)	–	–	–	(195)
Additions	1,375	4,819	–	–	231	6,425
Amortisation, current	(3,108)	(14,972)	–	–	(231)	(18,311)
<b>Carrying amount 31 Mar 2017</b>	<b>13,199</b>	<b>78,456</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>91,655</b>
<i>Thereof</i>						
Acquisition cost	31,212	94,681	7,743	–	–	133,636
Accumulated amortisation	(18,013)	(16,225)	(7,743)	–	–	(41,981)

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

Development costs in an amount of € 4,819 thousand were capitalised in financial year 2016/17 for a new generation of substrates. The start of serial production is expected in the second quarter of financial year 2017/18.

In the financial year 2016/17, no borrowing costs were capitalised with regards to capitalised development costs (previous year: € 1,255 thousand). A financing rate of 4.1% was applied in the financial year 2015/16.

**IMPAIRMENTS** In the financial year 2016/17, there was no impairment to recognise on intangible assets. The impairment test for the CGU substrate of the not yet finished development project for the next substrate generation is based on calculations of the value in use. Value in use is determined annually in accordance with the DCF method, based on the following critical assumptions:

- Long-term growth rate: 0%
- (Input tax) discount rate: 10.6%

Due to the project's long-term nature and in order to adequately take into account cash outflows from the substrate business expected in future periods, the calculation of the value in use was based on the expected cash flows for the next nine years. A consideration over a shorter period of time would lead to a disproportionately increased weighting of cash inflows.

## 10. OTHER NON-CURRENT ASSETS

€ in thousands	31 Mar 2017	31 Mar 2016
Prepayments	5,919	6,081
Deposits made	6,164	5,477
Other non-current receivables	53,698	27,961
<b>Carrying amount</b>	<b>65,781</b>	<b>39,519</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 in Chongqing, which will be recovered gradually through VAT liabilities during the operating phase.

## 11. INVENTORIES

€ in thousands	31 Mar 2017	31 Mar 2016
Raw materials and supplies	46,995	28,918
Work in progress	30,409	23,871
Finished goods	31,440	30,649
<b>Carrying amount</b>	<b>108,844</b>	<b>83,438</b>

The balance of inventory write-downs recognised as an expense amounts to € 20,808 thousand as of 31 March 2017 (previous year: € 17,454 thousand). As in the financial year 2015/16, no material write-downs resulted from the measurement of inventories at net realisable value in the financial year 2016/17.

## 12. TRADE AND OTHER RECEIVABLES

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

€ in thousands	31 Mar 2017	31 Mar 2016
Trade receivables	53,969	110,275
Impairments for trade receivables	(464)	(322)
VAT receivables	22,966	14,242
Other receivables from authorities	2,620	3,564
Prepayments	3,847	3,750
Energy tax refunds	732	1,170
Deposits	1,123	1,589
Other receivables	1,003	419
<b>Total</b>	<b>85,796</b>	<b>134,687</b>

As at 31 March 2017 and 31 March 2016, other receivables mainly include receivables resulting from prepaid expenses and accrued charges.

Trade receivables amounting to € 0 thousand (previous year: € 32,000 thousand) act as collateral in connection with various financing agreements. Reference is made to Note 16 "Financial liabilities".

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

**REMAINING MATURITIES OF RECEIVABLES** All receivables as at 31 March 2017 and 31 March 2016 have remaining maturities of less than one year.

**FACTORING** As of 31 March 2017, trade receivables totaling € 50,852 thousand (previous year: € 0 thousand) were assigned to banks to the amount 100% of the nominal value and are fully derecognised in accordance with the regulations of IAS 39 on the basis of the cessions of the essential opportunities and risks and on the basis of the transfer of the right to use to the acquiring party. The default risk was completely assigned to the purchaser. AT&S assumes a liability for default to the amount of the retention level from the credit insurance. The maximum risk associated with liability for default was € 4,919 thousand as of 31 March 2017 (previous year: € 0 thousand). Claims of existing credit insurances were transferred to the purchaser. Payments from customers of assigned trade receivables are presented in the short term financial liabilities. The administration of the trade receivables remains at AT&S.



## DEVELOPMENT OF PAST DUE RECEIVABLES AND IMPAIRMENTS OF TRADE RECEIVABLES

31 Mar 2017:		thereof not impaired and not past due or insured	thereof not impaired and past due for the following periods			
			less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
€ in thousands	Carrying amount					
<b>Trade receivables</b>	<b>53,969</b>	<b>53,235</b>	<b>231</b>	<b>36</b>	<b>3</b>	<b>–</b>
31 Mar 2016:		thereof not impaired and not past due or insured	thereof not impaired and not insured and past due for the following periods			
			less than 3 months	between 3 and 6 months	between 6 and 12 months	more than 12 months
€ in thousands	Carrying amount					
<b>Trade receivables</b>	<b>110,275</b>	<b>109,306</b>	<b>593</b>	<b>17</b>	<b>37</b>	<b>–</b>

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

Impairments of trade receivables have developed as follows:

€ in thousands	2016/17	2015/16
Impairments at the beginning of the year	322	394
Utilisation	–	(7)
Reversal	(230)	(275)
Addition	353	232
Currency translation differences	19	(22)
<b>Impairments at the end of the year</b>	<b>464</b>	<b>322</b>

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

€ in thousands	31 Mar 2017	thereof non-current	thereof current
Financial assets at fair value through profit or loss	606	–	606
Available-for-sale financial assets	173	173	–
Held-to maturity investments	8,054	–	8,054
<b>Total</b>	<b>8,833</b>	<b>173</b>	<b>8,660</b>
€ in thousands	31 Mar 2016	thereof non-current	thereof current
Financial assets at fair value through profit or loss	631	–	631
Available-for-sale financial assets	96	96	–
Held-to maturity investments	87,186	–	87,186
<b>Total</b>	<b>87,913</b>	<b>96</b>	<b>87,817</b>

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

€ in thousands	31 Mar 2017	31 Mar 2016
<b>Bonds</b>	<b>606</b>	<b>631</b>

All bonds are denominated in euro (nominal currency).

## AVAILABLE-FOR-SALE FINANCIAL ASSETS

€ in thousands	2016/17	2015/16
Carrying amount at the beginning of the year	96	96
Additions/(Disposals)	77	–
<b>Carrying amount at the end of the year</b>	<b>173</b>	<b>96</b>

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

## FINANCIAL INSTRUMENTS HELD TO MATURITY

The held-to-maturity financial investments are denominated in euro and Chinese yuan renminbi (nominal currencies). They mainly consist of factored receivables against banks and discountable bank bills with a maturity of more than three and less than twelve months.

## 14. CASH AND CASH EQUIVALENTS

€ in thousands	31 Mar 2017	31 Mar 2016
Bank balances and cash on hand	203,485	171,866
<b>Carrying amount</b>	<b>203,485</b>	<b>171,866</b>

The reported carrying amounts correspond to the respective fair values.

## 15. TRADE AND OTHER PAYABLES

€ in thousands	31 Mar 2017	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	189,824	189,824	–	–
Government grants	11,675	699	6,528	4,448
Liabilities to fiscal authorities and other state authorities	3,706	3,706	–	–
Liabilities to social security authorities	9,338	9,338	–	–
Liabilities from unconsumed leave	6,059	6,059	–	–
Liabilities from stock options	25	25	–	–
Liabilities from stock appreciation rights	14	–	14	–
Liabilities to employees	13,121	13,121	–	–
Other liabilities	8,073	8,073	–	–
<b>Carrying amount</b>	<b>241,835</b>	<b>230,845</b>	<b>6,542</b>	<b>4,448</b>

€ in thousands	31 Mar 2016	Remaining maturity		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payables	130,668	130,668	–	–
Government grants	7,164	152	3,851	3,161
Liabilities to fiscal authorities and other state authorities	4,131	4,131	–	–
Liabilities to social security authorities	3,888	3,888	–	–
Liabilities from unconsumed leave	5,856	5,856	–	–
Liabilities from stock options	207	207	–	–
Liabilities from stock appreciation rights	743	–	743	–
Liabilities to employees	25,842	25,842	–	–
Other liabilities	9,513	9,513	–	–
<b>Carrying amount</b>	<b>188,012</b>	<b>180,257</b>	<b>4,594</b>	<b>3,161</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 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. Associated deferred amounts are included in government grants.

**LIABILITIES FROM STOCK OPTIONS** Due to the expiry of the stock option plan (2005 to 2008), the 1<sup>st</sup> meeting of the Nomination and Remuneration Committee of the Supervisory Board on 17 March 2009 passed a resolution to implement another stock option plan (SOP 2009 from 2009 to 2012) after it had been submitted for appraisal to the 55<sup>th</sup> meeting of the Supervisory Board on 16 December 2008. Granting of stock options was possible in the period between 1 April 2009 and 1 April 2012.

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

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

The exercise price is determined at the respective date of grant and is calculated as 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 one share in 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 expiry of the subsequent waiting period. Options not exercised within five years after the grant date become invalid and forfeit without compensation. In the event that a restricted period comprises the end of this five-year period, this restricted period will interrupt the five-year period concerned. After the end of the restricted period, stock options may still be exercised for a period corresponding to the interruption. Stock options not exercised by the end of this five-year period (extended as stated above) become invalid and forfeit without compensation.

The stock options could be granted in the period between 1 April 2009 and 1 April 2012. A new stock option plan starting on 1 April 2013 was not concluded.

The following table shows the development of the stock options in the financial years 2016/17 and 2015/16.

	Date of grant		
	1 April 2012	1 April 2011	1 April 2010
Exercise price (in €)	9.86	16.60	7.45
31 Mar 2015	87,000	87,000	3,000
Number of options exercised	24,500	–	–
Number of options expired	–	–	3,000
<b>31 Mar 2016</b>	<b>62,500</b>	<b>87,000</b>	<b>–</b>
Number of options exercised	20,000	–	–
Number of options expired	6,500	87,000	–
<b>31 Mar 2017</b>	<b>36,000</b>	<b>–</b>	<b>–</b>
Remaining contract period of stock options	5 Months <sup>1)</sup>		–
Fair value of granted stock options at the balance sheet date (in € thousands)			
<b>31 Mar 2016</b>	<b>194</b>	<b>–</b>	<b>–</b>
<b>31 Mar 2017</b>	<b>23</b>	<b>–</b>	<b>–</b>

<sup>1)</sup> Options granted but not exercised within five years after the grant date forfeit. As during the financial year 2016/17 a closed period, comprised the end of this expiry period the majority of these stock options still might be exercised for a period of at least five months beyond the balance sheet date.

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

The weighted average share price on the day of execution of all options exercised in the financial year 2016/17 is € 11.70 (in the financial year 2015/16: € 15.36).

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

Risk-free interest rate	-0.81%
Volatility	25.60%

Volatility is calculated based on the daily share prices from 16 January 2017 until the balance sheet date.

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

At 31 March 2017, the stock options’ exercisable intrinsic value is € 15 thousand (at 31 March 2016: € 58 thousand).

As at 31 March 2017, 36,000 stock options still are exercisable from the grant of 1 April 2012. As at 31 March 2016, 19,000 stock options still are exercisable from the grant of 1 April 2012 and 87,000 stock options are exercisable from the grant of 1 April 2011.

**LIABILITIES FROM STOCK APPRECIATION RIGHTS** Due to the expiry of the stock option plan (2009 to 2012), the 81<sup>st</sup> Supervisory Board meeting on 3 July 2014 passed a resolution to introduce a long-term incentive programme based on stock appreciation rights (SAR). SAR relate to the value increase in share prices based on the development of the share price. SAR may be granted in the period between 1 April 2014 and 1 April 2016.

Each SAR entitles the holder to the right to a cash settlement at the remaining amount between the exercise price and the closing price of the AT&S share on the main stock exchange on which it is listed (currently the Vienna Stock Exchange) at the date the subscription right is exercised.

The exercise price of SAR is determined at the respective date of grant, corresponding to the average closing price of the AT&S share on the Vienna Stock Exchange or at the main stock exchange on which the AT&S share is listed over a period of six calendar months immediately preceding the date of grant.

SAR may be exercised in full or in part after the respective completion of a three-year period following the date of grant, but not during a restricted period. Granted stock appreciation rights not exercised within five years after the grant date become invalid and forfeit without compensation.

SAR may only be exercised by the beneficiaries if the following requirements are met at the date of exercise:

- The beneficiary's employment contract with a company in the AT&S Group remains valid. Subject to certain conditions, rights may also be exercised within a year after termination of the employment contract.
- The required personal investment in the amount of 20% of the first amount granted (in SAR) in AT&S shares is held. If the personal investment is not fully established by the end of the three-year waiting period, all previously granted SAR become forfeit in full. The established personal investment must be held over the complete period of participation in the programme and also applies to the grant in subsequent years. The personal investment may only be wound down when exercise is no longer possible.
- The earnings per share (EPS) performance target was met. The level of attainment of the earnings per share performance indicator determines how many of the granted SAR may actually be exercised. The target value is the EPS value determined in the mid-term plan for the balance sheet date of the third year after the grant date. If the EPS target is attained at 100% or surpassed, the granted SAR may be exercised in full. If attainment is between 50% and 100%, the granted SAR may be exercised on a pro rata basis. If the EPS value attained is below 50%, the granted SAR become forfeit in full.

Number and allocation of granted SAR:

	Date of grant		
	1 April 2016	1 April 2015	1 April 2014
Exercise price (in €)	13.66	10.70	7.68
Number of stock appreciation rights granted	–	235,000	225,000
<b>31 Mar 2016</b>	<b>–</b>	<b>235,000</b>	<b>225,000</b>
Number of stock appreciation rights granted	250,000	–	–
Number of stock appreciation rights expired	135,000	135,000	135,000
<b>31 Mar 2017</b>	<b>115,000</b>	<b>100,000</b>	<b>90,000</b>
Remaining contract period of stock appreciation rights granted	4 years	3 years	2 years
Fair value of granted stock appreciation rights as at the balance sheet date (in € thousands)			
<b>31 Mar 2016</b>	<b>–</b>	<b>418</b>	<b>832</b>
<b>31 Mar 2017</b>	<b>39</b>	<b>–</b>	<b>–</b>

SAR are measured at fair value at the respective balance sheet date using the Monte Carlo method and based on the model assumptions and valuation parameters stated below. The values determined for calculation of the liabilities may differ from the values later realised on the market.

Risk-free interest rate	-0.79 to -0.81%
Volatility	25.06 to 33.56%

Volatility is calculated based on the daily share prices from 4 December 2014 until the balance sheet date.

The fair value of the SAR granted is recognised as an expense over their term.

**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 2017	Remaining maturity			Nominal interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Bonds	–	–	–	–	
Export loans	–	–	–	–	
Loans from state authorities	7,007	1,016	5,991	–	0.50–1.00
Other bank borrowings	583,087	72,021	339,609	171,457	0.85–4.79
Derivative financial instruments <sup>1)</sup>	2,773	–	2,773	–	
<b>Carrying amount</b>	<b>592,867</b>	<b>73,037</b>	<b>348,373</b>	<b>171,457</b>	

€ in thousands	31 Mar 2016	Remaining maturity			Nominal interest rate in %
		Less than 1 year	Between 1 and 5 years	More than 5 years	
Bonds	76,798	76,798	–	–	5.00
Export loans	32,000	32,000	–	–	0.29
Loans from state authorities	741	213	528	–	0.75–2.00
Other bank borrowings	409,561	52,402	280,853	76,306	1.16–5.18
Derivative financial instruments <sup>1)</sup>	3,871	–	3,871	–	
<b>Carrying amount</b>	<b>522,971</b>	<b>161,413</b>	<b>285,252</b>	<b>76,306</b>	

<sup>1)</sup> Reference is made to Note 19 "Derivative financial instruments".

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

In order to refinance the capital needed for the plant in Chongqing, a long-term loan was raised under an OeKB equity financing programme in the financial year 2012/13. This loan is being repaid in semi-annual instalments between September 2014 and February 2020. 80% of the loan bears 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. 4
- Equity ratio of at least 30%
- No 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 for a total amount of € 158 million in February 2014. This loan comprises several tranches with terms to maturity of five, seven and ten years bearing variable and fixed interest rates. The loan was concluded in euros and US dollars. The variable euro interest rate was hedged in full by interest rate swaps. The main contract terms are as follows:

- Equity ratio of 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 promissory note loan is recognised in other bank borrowings.

To further optimise the funding of the Group, the variable interest rate tranches denominated in euros of € 92 million were terminated and repaid in October 2015 and February 2016. The interest rate swaps continue to be used to secure the variable tranches of the promissory note loans placed in October 2015. Due to different maturities and amounts, no effective hedging exists.

In order to secure planned investments and to further optimise the funding of the Group, a promissory note loan was successfully placed for a total amount of € 221 million in October 2015. Loan comprises several tranches with terms of maturity of five and seven years bearing variable and fixed interest rates. The loan was concluded in euros and US dollars. The main contract terms are as follows:

- Net Debt/EBITDA >3 (step-up covenant)
- Change of control within the meaning of the Austrian Takeover Act if this makes it illegal for the lender to maintain the loan due to mandatory statutory or regulatory provisions.

If the step-up covenant is exceeded, the margin increases by 75 basis points. The promissory note loan is recognised in other bank borrowings.

In order to further secure the investment programme, in the financial year 2016/17 two bilateral promissory notes in the total amount of € 150 million with variable interest rates have been finished. The tranche of € 100 million has a term to maturity of seven years and the tranche of € 50 million has a term to maturity of five years. The main contract terms are as follows:

- 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 promissory note loan is recognised in other bank borrowings.

The contractually agreed (undiscounted) interest and redemption payments of the financial liabilities as at 31 March 2017, including interest rate hedging, are as follows in the coming financial years:

€ in thousands	Bonds	Export loans	Loans from state authorities	Other bank borrowings	Derivative financial instruments
2017/18					
Redemption	–	–	1,016	69,286	1,285
Fixed interest	–	–	29	5,359	–
Variable interest	–	–	–	8,297	–
2018/19					
Redemption	–	–	1,578	80,411	1,241
Fixed interest	–	–	55	4,896	–
Variable interest	–	–	–	6,314	–
2019/20					
Redemption	–	–	1,734	24,911	352
Fixed interest	–	–	40	4,515	–
Variable interest	–	–	–	5,624	–
2020/21					
Redemption	–	–	1,947	173,978	332
Fixed interest	–	–	22	2,314	–
Variable interest	–	–	–	4,738	–
2021/22					
Redemption	–	–	789	59,131	–
Fixed interest	–	–	4	911	–
Variable interest	–	–	–	2,904	–
after 2021/22					
Redemption	–	–	–	171,713	–
Fixed interest	–	–	–	1,148	–
Variable interest	–	–	–	3,111	–

No significant deviations from the agreed interest and redemption payments are expected regarding term or amount.

At the previous year's balance sheet date of 31 March 2016, the contractually agreed (undiscounted) interest and redemption payments of the financial liabilities, including interest rate hedging, were as follows for the coming financial years:

€ in thousands	Bonds	Export loans	Loans from state authorities	Other bank borrowings	Derivative financial instruments
<b>2016/17</b>					
Redemption	75,500	32,000	213	50,605	–
Fixed interest	3,775	–	8	5,570	–
Variable interest	–	93	–	3,781	–
<b>2017/18</b>					
Redemption	–	–	227	19,526	–
Fixed interest	–	–	3	5,167	–
Variable interest	–	–	–	3,431	–
<b>2018/19</b>					
Redemption	–	–	–	76,870	2,280
Fixed interest	–	–	2	4,765	–
Variable interest	–	–	–	3,127	–
<b>2019/20</b>					
Redemption	–	–	113	28,948	–
Fixed interest	–	–	2	2,574	–
Variable interest	–	–	–	2,882	–
<b>2020/21</b>					
Redemption	–	–	188	165,976	1,591
Fixed interest	–	–	1	2,289	–
Variable interest	–	–	–	2,225	–
<b>after 2020/21</b>					
Redemption	–	–	–	76,607	–
Fixed interest	–	–	–	2,059	–
Variable interest	–	–	–	1,292	–

For better clarity, the payments resulting from the swaps are shown according to their time to maturity. As the prior year figures are not material, no adjustment was done.

Some of the financial liabilities in part no longer bear market interest rates. For this reason, differences may arise between their fair values and carrying amounts.

€ in thousands	Carrying amounts		Fair values	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
Bonds	–	76,798	–	77,388
Export loans	–	32,000	–	32,000
Loans from state authorities	7,007	741	7,066	745
Other bank borrowings	583,087	409,561	588,215	415,876
Derivative financial instruments	2,773	3,871	2,773	3,871
<b>Total</b>	<b>592,867</b>	<b>522,971</b>	<b>598,054</b>	<b>529,880</b>

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



The carrying amounts of financial liabilities by currency are as follows:

€ in thousands	31 Mar 2017	31 Mar 2016
Euro	441,436	400,390
US Dollar	126,211	122,528
Others	25,220	53
<b>Total</b>	<b>592,867</b>	<b>522,971</b>

The Group's unused credit lines are as follows:

€ in thousands	31 Mar 2017	31 Mar 2016
Export credit	32,000	8,000
Other credit	168,894	239,416
<b>Total</b>	<b>200,894</b>	<b>247,416</b>

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

€ in thousands	31 Mar 2017	31 Mar 2016
Less than 1 year	3,353	3,212
Between 1 and 5 years	6,868	6,388
More than 5 years	168	1,200
<b>Total</b>	<b>10,389</b>	<b>10,800</b>

The Group has 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 mainly relate to 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 term until December 2021.

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

€ in thousands	2016/17	2015/16
Leasing and rental expenses	3,505	3,213

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

**DEFINED CONTRIBUTION PLANS** The majority of the Group's employees in Austria and some of its employees in India are covered by defined contribution pension plans that have been outsourced to a pension fund. For employees in Austria, the pension plans are supplemented by death and endowment insurance policies. Employer contributions are determined on the basis of a certain percentage of current remuneration. Employer contributions under these plans amounted to € 500 thousand in the financial year 2016/17 and to € 491 thousand in the financial year 2015/16.

**DEFINED BENEFIT PLANS** The Group operates defined benefit plans for several current and former members of the Management Board and former 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 life expectancy and inflation risks due to future increases in pay and pensions and from the funding of deviations in yields.

**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 monthly remuneration per year of service and a fixed maximum. Severance payment obli-

gations are covered by a life insurance policy. The main risk to which the Group is exposed from these obligations is the risk of inflation due to future pay increases.

**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. For staff members having joined the Company before 1 January 2003, the severance payments in Austria range from two to twelve months of monthly salary, with staff members in South Korea and China also entitled to a fixed amount depending on years of service and salary. The main risk to which the Group is exposed from these obligations is the risk of inflation due to future pay increases.

For employees in Austria who joined on or after 1 January 2003, regular contributions are paid to a staff provision fund (“Mitarbeiter-vorsorgekasse”) without any further obligations on the part of the Group. The contributions for the financial year 2016/17 amounted to € 367 thousand and for the financial year 2015/16 to € 335 thousand.

**OTHER EMPLOYEE BENEFITS** The employees of the companies in Austria and China are entitled to anniversary bonuses for long-term service, the eligibility to and amount of which in Austria 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Current service cost	123	132	2,041	1,703	2,051	1,352
Interest expense	126	120	470	409	151	126
Remeasurement of obligations from other employee benefits	–	–	–	–	30	2,066
<b>Expenses recognised in profit for the period</b>	<b>249</b>	<b>252</b>	<b>2,511</b>	<b>2,112</b>	<b>2,232</b>	<b>3,544</b>
Remeasurement of obligations from post-employment benefits	(3,392)	(905)	(1,181)	(1,556)	–	–
<b>Expenses recognised in other comprehensive income</b>	<b>(3,392)</b>	<b>(905)</b>	<b>(1,181)</b>	<b>(1,556)</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>(3,143)</b>	<b>(653)</b>	<b>1,330</b>	<b>556</b>	<b>2,232</b>	<b>3,544</b>

Expenses for retirement, severance payments and other employee benefits are recognised in profit and loss under cost of sales, distribution costs, general and administrative costs and in other comprehensive income. Net interest expense on personnel-related liabilities is presented in “Finance costs - net”.

Amounts accrued in the **STATEMENT OF FINANCIAL POSITION** are:

€ in thousands	31 Mar 2017	31 Mar 2016
Funded pension benefits	1,887	4,929
Unfunded pension benefits	1,230	1,394
<b>Total pension benefits</b>	<b>3,117</b>	<b>6,323</b>
Unfunded severance payments	22,465	22,091
Funded severance payments	448	252
<b>Total severance payments</b>	<b>22,913</b>	<b>22,343</b>
Other employee benefits	8,252	7,627
<b>Provisions for employee benefits</b>	<b>34,282</b>	<b>36,293</b>

Pension obligations and severance payments are as follows:

€ in thousands	Retirement benefits		Severance payments	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
Present value of funded obligations	13,366	14,941	1,359	1,055
Fair value of plan assets	(11,479)	(10,012)	(911)	(803)
<b>Funded status of funded obligations</b>	<b>1,887</b>	<b>4,929</b>	<b>448</b>	<b>252</b>
Present value of unfunded obligations	1,230	1,394	22,465	22,091
<b>Provisions recognised in the statement of financial position</b>	<b>3,117</b>	<b>6,323</b>	<b>22,913</b>	<b>22,343</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	
	2016/17	2015/16	2016/17	2015/16
<b>Present value of pension obligation:</b>				
Present value at the beginning of the year	14,941	15,862	1,394	1,493
Current service cost	123	132	–	–
Interest expense	299	270	28	25
Remeasurement from the change in financial assumptions	(1,270)	(759)	(91)	(53)
Remeasurement from adjustments based on past experience	(277)	(230)	(37)	(8)
Benefits paid	(450)	(334)	(64)	(63)
<b>Present value at the end of the year</b>	<b>13,366</b>	<b>14,941</b>	<b>1,230</b>	<b>1,394</b>
<b>Fair value of plan assets:</b>				
Fair value at the beginning of the year	10,012	10,316		
Investment result	1,717	(146)		
Interest income	200	175		
Benefits paid	(450)	(333)		
<b>Fair value at the end of the year</b>	<b>11,479</b>	<b>10,012</b>		
<b>Funded status of funded pension benefits</b>	<b>1,887</b>	<b>4,929</b>		

As at 31 March 2017, the average maturity of funded pension benefits is 16 years and of unfunded pension benefits 12 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 2017	31 Mar 2016
Debt securities	44%	54%
Equity securities	44%	33%
Real estate	4%	4%
Cash and cash equivalents	8%	9%
<b>Total</b>	<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	
	2016/17	2015/16	2016/17	2015/16
<b>Present value of severance payment obligation:</b>				
Present value at the beginning of the year	1,055	1,014	22,091	22,284
Exchange differences	103	(116)	221	(196)
Service cost	72	64	1,969	1,639
Interest cost	81	74	452	396
Remeasurement from the change in demographic assumptions	–	–	265	253
Remeasurement from the change in financial assumptions	90	29	(827)	(1,713)
Remeasurement from adjustments based on past experience	(15)	15	(770)	(130)
Benefits paid	(27)	(25)	(936)	(442)
<b>Present value at the end of the year</b>	<b>1,359</b>	<b>1,055</b>	<b>22,465</b>	<b>22,091</b>
<b>Fair value of plan assets:</b>				
Fair value at the beginning of the year	803	812		
Exchange differences	72	(91)		
Contributions	–	36		
Investment result	4	10		
Interest income	63	61		
Benefits paid	(31)	(25)		
<b>Fair value at the end of the year</b>	<b>911</b>	<b>803</b>		
<b>Funded status of funded severance payments</b>	<b>448</b>	<b>252</b>		

As at 31 March 2017, the average maturity of unfunded severance payments is 11 years.

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

€ in thousands	2016/17	2015/16
Present value at the beginning of the year	7,628	4,201
Exchange differences	(10)	(290)
Service cost	2,051	1,352
Interest expense	151	126
Remeasurement from the change in demographic assumptions	(95)	363
Remeasurement from the change in financial assumptions	(203)	(292)
Remeasurement from adjustments based on past experience	327	1,995
Reclassification	–	1,968
Benefits paid	(1,597)	(1,795)
<b>Present value at the end of the year</b>	<b>8,252</b>	<b>7,628</b>

At 31 March 2017, the average maturity of other employee benefits is 11 years. The reclassification in the previous year an amount of € 1,968 thousand relates to the transfer of the short-term part of anniversary bonuses from trade and other payables.

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

	Retirement benefits		Severance payments		Other employee benefits (anniversary bonuses)	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
Discount rate	1.80 %	2.00 %	2.20 %	2.12 %	2.50 %	2.28 %
Expected rate of remuneration increase	2.25 %	2.25 %	2.42 %	2.85 %	4.47 %	5.08 %
Expected rate of pension increase	1.20 %	2.00 %	–	–	–	–
Retirement age	65	65	<sup>1)</sup>	<sup>1)</sup>	–	–

<sup>1)</sup> individual according to respective local legislation

## 18. OTHER PROVISIONS

€ in thousands	Total	Warranty	Restructuring	Others
Carrying amount 31 Mar 2016	12,037	2,198	7,546	2,293
Utilisation	(1,953)	(537)	(308)	(1,108)
Reversal	(8,270)	(907)	(7,250)	(113)
Addition	5,448	542	–	4,906
Interest effect	12	–	12	–
Exchange differences	70	57	–	13
<b>Carrying amount 31 Mar 2017</b>	<b>7,344</b>	<b>1,353</b>	<b>–</b>	<b>5,991</b>

€ in thousands	Total	Warranty	Restructuring	Others
Carrying amount 31 Mar 2015	12,660	2,515	8,153	1,992
Utilisation	(1,421)	(178)	(622)	(621)
Reversal	(1,796)	(1,796)	–	–
Addition	2,885	1,856	–	1,029
Interest effect	15	–	15	–
Exchange differences	(306)	(199)	–	(107)
<b>Carrying amount 31 Mar 2016</b>	<b>12,037</b>	<b>2,198</b>	<b>7,546</b>	<b>2,293</b>

€ in thousands	31 Mar 2017	31 Mar 2016
thereof non-current	47	6,957
thereof current	7,297	5,080
<b>Carrying amount</b>	<b>7,344</b>	<b>12,037</b>

**WARRANTY PROVISION** This item relates to the costs of 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, and is not yet recognised as a liability due to the uncertainty as to amount and timing. The amount of expected costs includes amounts assumed from product liability insurance.

**PROVISION FOR THE RESTRUCTURING** This provision related in the financial year 2015/16 to future vacancy costs for no longer used building space based on the non-cancellable property lease obligation as well as to a potential loss from the utilisation of the property by the lessor which is to be borne by the lessee. In the financial year 2016/17, the provision was released due to no existence of no longer used building space any more as well as no expected expenses to be incurred until the end of the non-cancellable property lease obligation.

**OTHERS** This item relates to provisions for risks from pending losses on onerous contracts and to provisions for the risks associated with pension scheme contributions in Asia resulting from the uncertain legal situation there.

**19. DERIVATIVE FINANCIAL INSTRUMENTS** 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 had been 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 2017		31 Mar 2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps at fair value	-	2,773	-	3,871
<b>Total market values</b>	<b>-</b>	<b>2,773</b>	<b>-</b>	<b>3,871</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 2017		31 Mar 2016	
	Nominal amount in 1,000 local currency	Market value € in thousands	Nominal amount in 1,000 local currency	Market value € in thousands
Euro	92,000	(2,773)	92,000	(3,871)

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

in months	31 Mar 2017	31 Mar 2016
Interest rate swaps	23 - 47	35 - 59

At 31 March 2017, 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.

Based on the various scenarios, the Group hedges its cash flow interest rate risk using interest rate swaps. Such interest rate swaps have the economic effect of converting loans from floating rates to fixed rates. If the Group takes out loans at floating rates, it uses swaps to convert such loans into fixed rate loans. Under these interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between the fixed and variable interest rates calculated by reference to the agreed nominal amounts. Through the prepayment of the variable parts of the promissory note loan in the financial year 2015/16 from 2014, the basis for hedge-accounting was eliminated. The existing interest rate swaps are now used for other floating rate loans. Due to the different maturity and amount, there is no effective hedging relationship as defined by IAS 39 that assumes no influence on gains or losses and, therefore, in the financial year 2015/16, € 3.8 million of the equity was recognised as non-recurring in profit and loss. Gains or losses arising from the ongoing subsequent measurement of interest rate swaps were recognised in profit or loss under "finance costs".

## 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 2017	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				
<b>Financial assets</b>	AFSFA	2	173	173
Current assets				
Trade receivables less impairments	LAR		53,505	
Other receivables	LAR		1,003	
Other receivables	–		31,288	
<b>Trade and other receivables</b>			<b>85,796</b>	
Financial assets	FAAFVPL	1	606	606
Financial assets	HTMI		8,054	
<b>Financial assets</b>			<b>8,660</b>	
Cash and cash equivalents	LAR		203,485	
<b>Cash and cash equivalents</b>			<b>203,485</b>	
<b>Liabilities</b>				
Other financial liabilities	FLAAC	2	590,094	595,281
Derivative financial instruments	DHI	2	2,773	2,773
<b>Non-current and current financial liabilities</b>			<b>592,867</b>	<b>598,054</b>
Trade payables	FLAAC		189,824	
Other payables	FLAAC		13,121	
Other payables	–		38,890	
<b>Trade and other non-current and current payables</b>			<b>241,835</b>	
<b>Aggregated by measurement categories</b>				
<b>Assets</b>				
Loans and receivables	LAR <sup>1)</sup>		257,993	
Available-for-sale financial assets	AFSFA <sup>2)</sup>		173	
Financial assets at fair value through profit or loss	FAAFVPL <sup>3)</sup>		606	
Held-to-maturity investments	HTMI <sup>4)</sup>		8,054	
<b>Liabilities</b>				
Financial liabilities at amortised costs	FLAAC <sup>5)</sup>		793,039	
Derivatives as hedging instruments	DHI <sup>6)</sup>		2,773	

31 Mar 2016

€ in thousands	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs		Level	Carrying amount	Fair value
<b>Assets</b>					
Non-current assets					
<b>Financial assets</b>	AFSFA	2		<b>96</b>	<b>96</b>
Current assets					
Trade receivables less impairments	LAR			109,953	
Other receivables	LAR			419	
Other receivables	–			24,315	
<b>Trade and other receivables</b>				<b>134,687</b>	
Financial assets	FAAFVPL	1		631	631
Financial assets	HTMI			87,186	
<b>Financial assets</b>				<b>87,817</b>	
Cash and cash equivalents	LAR			171,866	
<b>Cash and cash equivalents</b>				<b>171,866</b>	
<b>Liabilities</b>					
Bonds	FLAAC	1		76,798	77,388
Other financial liabilities	FLAAC	2		442,302	448,621
Derivative financial instruments	DHI	2		3,871	3,871
<b>Non-current and current financial liabilities</b>				<b>522,971</b>	<b>529,880</b>
Trade payables	FLAAC			130,668	
Other payables	FLAAC			25,842	
Other payables	–			31,502	
<b>Trade and other non-current and current payables</b>				<b>188,012</b>	
<b>Aggregated by measurement categories</b>					
<b>Assets</b>					
Loans and receivables	LAR <sup>1)</sup>			282,238	
Available-for-sale financial assets	AFSFA <sup>2)</sup>			96	
Financial assets at fair value through profit or loss	FAAFVPL <sup>3)</sup>			631	
Held-to-maturity investments	HTMI <sup>4)</sup>			87,186	
<b>Liabilities</b>					
Financial liabilities at amortised costs	FLAAC <sup>5)</sup>			675,610	
Derivatives	DHI <sup>6)</sup>			3,871	

<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> Held-to-maturity investments<sup>5)</sup> Financial liabilities at amortised cost<sup>6)</sup> Derivatives

When measuring fair value, a distinction needs to be made between three valuation hierarchies.

- 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	2016/17	2015/16
Loans and receivables	2,326	3,499
Financial assets at fair value through profit or loss	1,886	(2,223)
Available-for-sale financial assets	8	8
Held-to-maturity investments	457	1,579
Financial liabilities at amortised cost	(16,078)	(7,490)
<b>Total</b>	<b>(11,401)</b>	<b>(4,627)</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.

€ 2,378 thousand in net income (previous year: € 121 thousand) of the total net result from financial instruments is included in the operating result, and € 13,778 thousand in net expense (previous year: € 4,747 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 Group Management Report, 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 these 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 assets side, the Group is exposed to low interest rate risks with regard to its securities portfolio. Other liquid funds are mainly invested short-term. Reference is made to Note 13 "Financial assets" and Note 14 "Cash and cash equivalents".

On the liabilities side, 51,4% (previous year: 73,9%) of the total bonds and bank borrowings are subject to fixed interest rates, taking into account interest rate hedging instruments. Reference is made to Note 16 "Financial liabilities".

The financial liabilities of the Group are linked to loan commitments that are customary in the market. These commitments are reviewed on a quarterly basis. In the event of non-compliance with these commitments, 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 2017, the Group has liquidity reserves of € 413.2 million (previous year: € 507.1 million). This comprises € 212.3 million (previous year: € 259.7 million) in cash and cash equivalents, held-to-maturity investments, securities held for trading and available-for-sale, and € 200.9 million (previous year: € 247.4 million) in available unused credit facilities. Thus, the liquidity reserves decreased by € 93.9 million year-on-year and include € 22.1 million (previous year: € 99.4 million) in current reserves, which relate to AT&S in China and are subject to specific liquidity requirements.

The Group has a significantly positive operating cash flow, but the investments made in tangible and intangible assets are exceeding this amount.

**CREDIT RISK** In the Group, credit risk refers to the potential for payment default by customers. The Group has always managed to establish strong partnerships with its largest customers.

The credit risk is kept to a minimum by means of a comprehensive process. Customers are the subject to regular credit assessments and their receivables are covered by insurance to a large extent. Non-insured receivables are continuously monitored and, if any risks are identified, the deliveries are made only against advance payments or bank guarantees. In the financial year 2016/17, € 0.5 million (previous year: € 0.3 million) or 0.9% (previous year: 0.3%) of receivables were impaired.

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 sites. Within the Group, transaction risks are initially managed by closing positions (netting). Open positions are continuously analysed and hedged using different hedging instruments such as forward contracts, currency options and currency swaps. No such instruments exist on the balance sheet date.

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

**FINANCIAL MARKET RISKS** Detailed information on financial market risks and derivative financial instruments is contained in Section I.B.I. "Accounting and measurement 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 gap analyses, the potential change in profit/loss resulting from a 1% change in price (exchange rate or interest rate) of the foreign currency or interest net position is determined. Correlations between different risk elements are not included in these analyses. The impact on profit/loss is determined taking into account income tax effects on the profit for the year after tax.

There are two different risks regarding changes in interest. In case of financing with fixed interest rates, the risk arises if the interest rate decreases and, in case of financing with variable interest rates, the risk consists of increasing interest rates (converse relating to disposition). The impact on profit/loss only results from changes in variable interest rates. AT&S counteract interest rate risks with two measures: by using derivative financial instruments and by increasing the risk spread of interest development due to financing in different currencies. The table below shows the effect on financial liabilities:

€ in thousands	31 Mar 2017				
	EUR	USD	Others	Total	In %
<b>Before Hedging</b>					
Fixed interest rate	197,039	15,392	–	212,431	35.8 %
Variable interest rate	244,397	110,819	25,220	380,436	64.2 %
<b>Total</b>	<b>441,436</b>	<b>126,211</b>	<b>25,220</b>	<b>592,867</b>	<b>100.0 %</b>
In %	74.5%	21.3%	4.2%	100.0 %	
<b>After Hedging</b>					
Fixed interest rate	289,039	15,392	–	304,430	51.4%
Variable interest rate	152,397	110,819	25,220	288,437	48.6%
<b>Total</b>	<b>441,436</b>	<b>126,211</b>	<b>25,220</b>	<b>592,867</b>	<b>100.0%</b>
In %	74.5%	21.3%	4.2%	100.0 %	

€ in thousands	31 Mar 2016				
	EUR	USD	Others	Total	In %
<b>Before Hedging</b>					
Fixed interest rate	281,266	13,300	3	294,569	56.3 %
Variable interest rate	119,124	109,228	50	228,402	43.7 %
<b>Total</b>	<b>400,390</b>	<b>122,528</b>	<b>53</b>	<b>522,971</b>	<b>100.0 %</b>
In %	76.6%	23.4%	0.0%	100.0 %	
<b>After Hedging</b>					
Fixed interest rate	373,266	13,300	3	386,569	73.9 %
Variable interest rate	27,124	109,228	50	136,402	26.1 %
<b>Total</b>	<b>400,390</b>	<b>122,528</b>	<b>53</b>	<b>522,971</b>	<b>100.0 %</b>
In %	76.6%	23.4%	0.0%	100.0 %	

If the EUR-interest rates at the balance sheet date had been 100 basis points higher, based on the financing structure at the balance sheet date, the profit for the year would have been € 877 thousand lower (previous year: € 177 thousand), provided all other variables remained constant. A decline in the EUR-interest rates would not have had any impact on the profit for the year. If the USD-interest rates at the balance sheet date had been 100 basis points higher (or lower), based on the financing structure at the balance sheet date, the profit for the year would have been € 948 thousand lower (previous year: € 928 thousand) or € 942 thousand higher (previous year: € 584 thousand), provided all other variables remained constant.

The effect of this interest rate sensitivity analysis is based on the assumption that the interest rates would deviate by 100 basis points during an entire financial year and the new interest rates would have to be applied to the amount of equity and liabilities at the balance sheet date.

The impact of hypothetical changes in exchange rates on the profit for the year results according to IFRS 7 from monetary financial instruments which are not denominated by the functional currency of the reporting company. Hence, the effect on profit/loss is calculated based on receivables, payables and financial balances respectively foreign currency derivatives. At AT&S, the risk primarily contains USD balances. Therefore, a sensitivity analysis is only done for this currency. The average changes in USD/EUR-closing rates in the last 5 years amount to 6.0%. An increase in the US dollar exchange rate of 6.0% against the euro would have had a positive impact on the profit for the year in the amount of € 673 thousand (previous year: € 633 thousand). Devaluation of the US dollar exchange rate against the euro would have reduced the profit for the year by € 673 thousand (previous year: € 633 thousand).

**CAPITAL RISK MANAGEMENT** The objectives of the Group in respect of capital management include, firstly, securing the Company as a going concern in order to be able to continue providing the shareholders with dividends and the other stakeholders with their due services and, secondly, 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 shareholders (withdrawal of treasury shares), new shares are issued or the portfolio of other assets is changed.

Based on the covenants defined in the credit agreements, the Group monitors its capital based on the equity ratio as well as the ratio of net debt to EBITDA (theoretical payback period for debts).

The Group's strategy is not to fall below an equity ratio of 40% and not to exceed a theoretical payback period for debts of 3.0 years, creating sufficient leeway to cushion the effects of adverse business developments and to secure the Company as a going concern even in times of crisis. Temporary deviations from the values are acceptable.

At the balance sheet date, the equity ratio was 37.6% and thus below the previous year's figure of 42.3%. At 2.9 years, the theoretical payback period for debts was above the previous year's figure of 1.6 years.

**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 2017, the Group has other financial commitments amounting to € 57,927 thousand (previous year: € 80,127 thousand) in connection with contractually binding investment projects. As of 31 March 2017, the maximum risk associated with liability for default was € 4.919 thousand. The liability for default corresponds to the theoretical maximum loss if a default of all transferred receivables incurs. The probability of needing to fall back on this liability is extremely low. The fair value of this risk is assessed at € 21 thousand. Furthermore, at the balance sheet date, the Group has no contingent liabilities from bank guarantees (previous year: € 0 thousand). There were no other guarantees or commitments relating to ordinary business operations at the balance sheet date.

## 22. SHARE CAPITAL

	Outstanding shares in thousand shares	Ordinary shares € in thousands	Share premium € in thousands	Share capital € in thousands
31 Mar 2015	38,850	42,735	99,111	141,846
<b>31 Mar 2016</b>	<b>38,850</b>	<b>42,735</b>	<b>99,111</b>	<b>141,846</b>
<b>31 Mar 2017</b>	<b>38,850</b>	<b>42,735</b>	<b>99,111</b>	<b>141,846</b>

**ORDINARY SHARES** The ordinary shares of the Company as of 31 March 2017 amount to € 42,735 thousand (previous year: € 42,735 thousand) and are made up of 38,850,000 (previous year: 38,850,000) no-par value bearer shares with a notional value of € 1.10 each.

**APPROVED CAPITAL AND CONDITIONAL CAPITAL INCREASE** By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval from the Supervi-

sory Board, by up to € 21,367.5 thousand by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights, after having been taken over by one or more credit institutions in accordance with Section 153 (6) of the Austrian Stock Corporation Act (AktG). The Management Board was authorised, subject to approval from the Supervisory Board, to fully or partially exclude the shareholders' subscription right, and with approval from the Supervisory Board, to determine the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and, simultaneously, the Management Board was authorised until 2 July 2019, subject to approval from the Supervisory Board, to issue one or several convertible bearer bonds at a total nominal amount of up to € 150,000 thousand and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares in the Company in accordance with the convertible bond conditions to be defined by the Management Board and subject to approval from the Supervisory Board. The Management Board was authorised to fully or partially exclude the shareholders' subscription right to convertible bonds. Convertible bonds may also be issued by a directly or indirectly 100%-owned company of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft. In such a case, the Management Board was authorised, subject to approval from the Supervisory Board, to assume a guarantee for the convertible bonds on behalf of the issuing company and to grant conversion and/or subscription rights with regard to shares in AT & S Austria Technologie & Systemtechnik Aktiengesellschaft to the bearers of the convertible bonds.

Furthermore, in doing so, the Company's ordinary shares were conditionally increased by up to € 21,367.5 thousand by way of issuance of up to 19,425,000 new no-par value bearer shares in accordance with Section 159 (2) No. 1 of the Austrian Stock Corporation Act (AktG). This conditional capital increase will only be carried out if as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval from the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the conditional capital.

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20<sup>th</sup> Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000.

**OUTSTANDING SHARES** The number of shares issued amounts to 38,850,000 at 31 March 2017 (previous year: 38,850,000).

**TREASURY SHARES** By a resolution passed at the 21<sup>th</sup> Annual General Meeting on 9 July 2015, the Management Board was authorised (pursuant to Section 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 price of the previous 10 trading days and at a highest price per share of a maximum of up to 30% above the average unweighted closing price of the previous 10 trading days. This authorisation also includes the acquisition of shares by the Company's subsidiaries (Section 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.

At 31 March 2017, the Group does not hold any treasury shares.

At the 21<sup>th</sup> Annual General Meeting on 9 July 2015, the Management Board, in accordance with Section 65 (1b) AktG, was authorised, for a period of five years from the date the resolution was passed, i.e. up to and including 8 July 2020, upon approval from the Supervisory Board and without any further resolution of the Annual General Meeting, to also sell the repurchased treasury shares or treasury shares already held by the Company other than via the stock exchange or by public offer, or, 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 of an affiliated company, including the servicing of stock transfer programmes (particularly with regard to stock options, long-term incentive plans or other participation programmes),
- To serve any issued convertible bonds
- As consideration for the acquisition of entities, investments 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 authorisation may be exercised in full, in part and also in several tranches and may serve multiple purposes.

**DIVIDEND PER SHARE** In the financial year 2016/17, a dividend of € 0.36 was paid per share (previous year: € 0.36).

**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	Remeasurement of obligations from post-employment benefits	Other reserves
Carrying amount 31 Mar 2015	163,607	3	(2,831)	(10,005)	150,774
Balance of unrealised changes before reclassification, net of tax	(82,521)	–	2,831	–	(79,690)
Remeasurement of obligations from post-employment benefits	–	–	–	2,659	2,659
Acquisition of non-controlling interests	(50)	–	–	(5)	(55)
<b>Carrying amount 31 Mar 2016</b>	<b>81,036</b>	<b>3</b>	<b>–</b>	<b>(7,351)</b>	<b>73,688</b>
Balance of unrealised changes before reclassification, net of tax	2,906	–	–	–	2,906
Remeasurement of obligations from post-employment benefits, net of tax	–	–	–	5,136	5,136
Unrealised gains/losses on available-for-sale financial assets, net of tax	–	(1)	–	–	(1)
<b>Carrying amount 31 Mar 2017</b>	<b>83,942</b>	<b>2</b>	<b>–</b>	<b>(2,215)</b>	<b>81,729</b>

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”.

**24. CASH FLOW** In accordance with IAS 7, cash and cash equivalents comprise cash on hand and demand deposits and current, liquid investments that can be converted into known cash amounts at any time and which are only subject to an insignificant risk of changes in value. The indirect method was used to prepare the consolidated cash flow statement.

Cash flow from operating activities before changes in working capital in the financial year 2016/17 was € 90,524 thousand (previous year: € 145,928 thousand).

Cash flow from investing activities in the financial year 2016/17 amounts to € -161,148 thousand (previous year: € -342,242 thousand) and comprises investment activities in Chongqing and Shanghai as well as various technological reinvestments at other locations and investment as well as redemptions of investments of liquid funds. As of 31 March 2017, there are existing liabilities due to investments in an amount of € 67,876 thousand (previous year: € 55,639 thousand).

Net cash generated from financing activities in the financial year 2016/17 was € 54,872 thousand (previous year: € 111,073 thousand), which was unusually high due to the placing of promissory note bonds of € 150.0 million.

€ in thousands	2016/17	2015/16
Cash flow from operating activities before changes in working capital	90,524	145,928
Cash flow from operating activities	136,416	136,925
Cash flow from investing activities	(161,148)	(342,242)
Free cash flow	(24,732)	(205,317)
Cash flow from financing activities	54,872	111,073
Change in cash and cash equivalents	30,140	(94,244)
Currency effects on cash and cash equivalents	1,479	(7,809)
<b>Cash and cash equivalents at end of the year</b>	<b>203,485</b>	<b>171,866</b>

The balance of cash and cash equivalents at end of the financial year 2016/17 was € 203,485 thousand (previous year: € 171,866 thousand). This currently high amount is used to ensure the financing of the new plant in Chongqing and further investments in affiliated entities.

The non-cash expense/income is as follows:

€ in thousands	2016/17	2015/16
Release of government grants	(1,693)	(1,340)
Other non-cash expense/(income), net	(1,234)	(576)
<b>Non-cash expense/(income), net</b>	<b>(2,927)</b>	<b>(1,916)</b>

## V. Other Disclosures

**25. 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 2017, no treasury shares are held, which would have had to be deducted in the calculation of earnings per share.

The weighted average number of outstanding shares for the basic earnings per share calculation amounts to 38,850 thousand in the financial year 2016/17 and to 38,850 thousand in the financial year 2015/16.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounts to 38,850 thousand in the financial year 2016/17 and to 38,850 thousand in the financial year 2015/16.

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

in thousands	2016/17	2015/16
Weighted average number of shares outstanding – basic	38,850	38,850
Diluting effect	–	–
<b>Weighted average number of shares outstanding – diluted</b>	<b>38,850</b>	<b>38,850</b>

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

	2016/17	2015/16
Profit for the year (€ in thousands)	(22,897)	55,951
Weighted average number of shares outstanding – basic (in thousands)	38,850	38,850
<b>Basic earnings per share (in €)</b>	<b>(0.59)</b>	<b>1.44</b>

**DILUTED EARNINGS PER SHARE** Diluted earnings per share are calculated by dividing the profit for the period attributed to the shareholders of the Company by the weighted average number of outstanding shares including the number of potentially outstanding ordinary shares in the same period. The potentially outstanding ordinary shares comprise the additional shares to be issued for exercisable options or subscription rights and are included in diluted earnings per share.

	2016/17	2015/16
Profit for the year (€ in thousands)	(22,897)	55,951
Weighted average number of shares outstanding – diluted (in thousands)	38,850	38,850
<b>Diluted earnings per share (in €)</b>	<b>(0.59)</b>	<b>1.44</b>

**26. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE** No material events occurred after the balance sheet date.

**27. RELATED PARTY TRANSACTIONS** In connection with various projects, the Group received consulting services from companies in which Supervisory Board chairman Mr. Androsch (AIC Androsch International Management Consulting GmbH) and Supervisory Board deputy chairman Mr. Dörflinger (Dörflinger Management & Beteiligungs GmbH) are managing directors with the power of sole representation.

€ in thousands	2016/17	2015/16
AIC Androsch International Management Consulting GmbH	383	395
Dörflinger Management & Beteiligungs GmbH	4	5
<b>Total</b>	<b>387</b>	<b>400</b>

Expenses in an amount of € 14 thousand were reimbursed to Mr. Androsch, Chairman of the Supervisory Board. As on 31 March 2017 an amount of € 9 thousand is still outstanding against AIC Androsch International Management Consulting GmbH.

**MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD** In the financial year 2016/17 and until the issue date of these consolidated financial statements, the following persons served on the **MANAGEMENT BOARD**:

- Andreas Gerstenmayer (Chairman)
- Karl Asamer (Deputy Chairman)
- Heinz Moitzi

In the financial year 2016/17, the following persons were appointed 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
- Sabine Fussi
- Siegfried Trauch
- 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 2017	31 Mar 2016	2016/17	2015/16
Andreas Gerstenmayer	–	60,000	(28)	(4)
Heinz Moitzi	30,000	60,000	(79)	(36)
<b>Total Management Board</b>	<b>30,000</b>	<b>120,000</b>	<b>(107)</b>	<b>(40)</b>
Total other executive employees	6,000	29,500	(35)	(36)
<b>Total</b>	<b>36,000</b>	<b>149,500</b>	<b>(142)</b>	<b>(76)</b>



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

	Number of outstanding stock appreciation rights		Staff costs (€ in thousands)	
	31 Mar 2017	31 Mar 2016	2016/17	2015/16
Andreas Gerstenmayer	130,000	80,000	(128)	65
Karl Asamer	90,000	60,000	(96)	48
Heinz Moitzi	–	60,000	(99)	47
<b>Total Management Board</b>	<b>220,000</b>	<b>200,000</b>	<b>(323)</b>	<b>160</b>
Total other executive employees	85,000	260,000	(406)	186
<b>Total</b>	<b>305,000</b>	<b>460,000</b>	<b>(729)</b>	<b>346</b>

Reference is made to the comments on the stock option plans under Note 15 “Trade and other payables”.

Total compensation to the members of the Management Board and to executive employees in the financial year in accordance with IAS 24:

€ in thousands	2016/17			2015/16		
	Fixed	Variable	Total	Fixed	Variable	Total
Andreas Gerstenmayer	532	37 <sup>1)</sup>	569	430	457	887
Karl Asamer	455	–	455	376	277	653
Heinz Moitzi	417	–	417	360	289	649
Executive employees	4,874	60	4,934	4,419	2,259	6,678
<b>Total</b>	<b>6,278</b>	<b>97</b>	<b>6,375</b>	<b>5,585</b>	<b>3,282</b>	<b>8,867</b>

<sup>1)</sup> The variable remuneration results from the exercise of 20,000 stock options in the form of a cash settlement

In accordance with IAS 24, these are key management personnel having direct or indirect authority and responsibility for planning, directing and controlling the activities of the entity, including any managing director of that entity.

Expenses for severance payments and retirement benefits for actual and former members of the Management Board, executive employees and their surviving dependants are as follows:

€ in thousands	Severance payments Financial year		Pensions Financial year	
	2016/17	2015/16	2016/17	2015/16
Expenses recognised in profit for the period	186	202	352	345
Remeasurement recognised in other comprehensive income	47	(267)	(3,392)	(905)

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	2016/17			2015/16		
	Fixed	Variable	Total	Fixed	Variable	Total
Hannes Androsch	63	–	63	63	24	87
Willibald Dörflinger	49	–	49	49	16	65
Regina Prehofer	51	–	51	51	16	67
Karl Fink	30	–	30	29	12	41
Albert Hochleitner	30	–	30	30	12	42
Gerhard Pichler	33	–	33	33	12	45
Georg Riedl	36	–	36	36	12	48
Karin Schaupp	30	–	30	30	12	42
<b>Total</b>	<b>322</b>	<b>–</b>	<b>322</b>	<b>321</b>	<b>116</b>	<b>437</b>

Shareholdings and stock options of members of the Management Board and the Supervisory Board at 31 March 2017:

	Shares	Stock options	Total shares and stock options	% capital
<b>Management Board members</b>	<b>24,000</b>	<b>30,000</b>	<b>54,000</b>	<b>0.14</b>
Supervisory Board members:				
Hannes Androsch	599,699	–	599,699	1.54
Other members of the Supervisory Board	42,250	–	42,250	0.11
<b>Total Supervisory Board members</b>	<b>641,949</b>	<b>–</b>	<b>641,949</b>	<b>1.65</b>
Private foundations:				
Androsch Privatstiftung	6,339,896	–	6,339,896	16.32
Dörflinger Privatstiftung	6,902,380	–	6,902,380	17.77
<b>Total private foundations</b>	<b>13,242,276</b>	<b>–</b>	<b>13,242,276</b>	<b>34.09</b>
<b>Total</b>	<b>13,908,225</b>	<b>30,000</b>	<b>13,938,225</b>	<b>35.88</b>

## 28. EXPENSES FOR THE GROUP AUDITOR

The expenses for the financial year for the group auditor are as follows:

€ in thousands	2016/17	2015/16
Audit of consolidated and separate financial statements	137	137
Other assurance services	2	6
Other services	71	7
<b>Total</b>	<b>210</b>	<b>150</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:

	2016/17	2015/16
Waged workers	7,341	6,754
Salaried employees	2,185	2,005
<b>Total</b>	<b>9,526</b>	<b>8,759</b>

The calculation of the number of staff includes an average of 432 leased personnel for the financial year 2016/17 and an average of 3,059 for the financial year 2015/16.

Leoben-Hinterberg, 8 May 2017

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.

# Group Management Report 2016/17

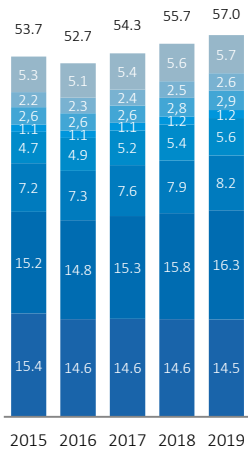
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# 1. Business development

## 1.1. Market and industry

Substrates and PCB market  
US\$ in billions



- IC substrates
- Aviation/Military
- Industrial
- Medical
- Automotive
- Consumer
- Communication
- Computer

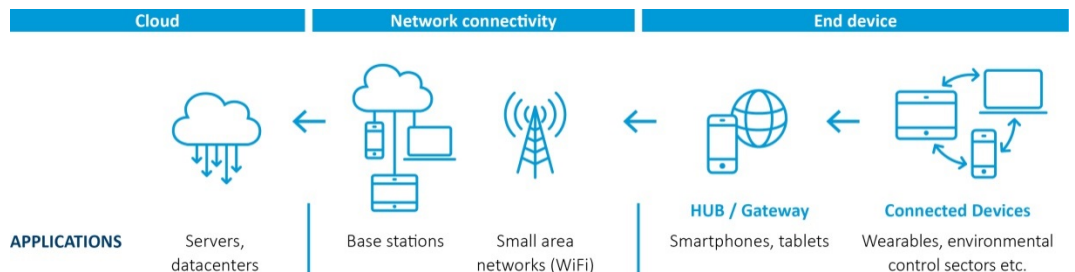
Source: Prismark, February 2017  
Yole, April 2017

The global electronics industry is characterised by the trend of further miniaturisation and the integration of additional functions in modules. Electrical and electronic connectivity solutions make a significant contribution to the production of smaller, more energy-saving and more powerful devices for the end user. The global market for printed circuit boards and substrates has evolved into a common market for interconnect solutions. The “classic” printed circuit board technology covers track widths up to 40 µm (“HDI/anylayer”). Smaller track widths are covered by substrate technologies (mSAP – modified semi-additive process, SAP – semi-additive process).

The entire substrate and printed circuit board market totalled approximately USD 52.7 billion in 2016. The computer, communication and consumer (CCC) segments hold a share of roughly 70% of the overall market. Key applications in these segments are smartphones, PCs and tablets as well as servers. New applications such as wearables, smartwatches, “Internet of Things (IoT)” devices and artificial intelligence devices requiring high processing power offer very good growth opportunities in the long term. The automotive, industrial and medical (including aviation) segments correspond to roughly 20% of the overall market and consist of a large number of different applications, with infotainment and autonomous driving applications offering excellent growth opportunities. The IC substrate segment accounts for the remaining 10% of the overall market. So far, IC substrates have mainly been used in the area of packaging for semiconductors, but they also form the technological basis for the next generation of printed circuit boards (mSAP). The compound annual growth rates (CAGR) from 2017 to 2019 amount to 2.5% for CCC, 4.0% for automotive, industrial and medical, and 2.7% for IC substrates. However, in 2016, the overall market for printed circuit boards and IC substrates declined slightly by -1.9%, which is primarily attributable to decreases in the CCC and IC substrate segments, while the automotive, industrial and medical segments recorded solid growth of 3.5% again in 2016. In contrast to the declining overall market, AT&S recorded a very strong revenue development again, with an increase of 6.8% compared with the previous year.

**TRENDS AND TECHNOLOGIES** The world is becoming more digital. The driving forces are the available and nearly omnipresent possibilities for connection, continuously declining costs of data transmission and sensors, and use of the Internet to support communication between electronic devices.

Society is still at the beginning of the “Internet of Things” (IoT): the technological development based on how Internet-connected devices are used to improve the exchange of data, automate complex industrial processes and generate information. The potential of the “Internet of Things” as the “next big thing” is most often assessed based on the growth in devices connected through the Internet. Market studies suggest that particularly strong areas of growth in connection with IoT will not be end devices such as wearables, sensors, smartphones and tablets, but rather the necessary infrastructure such as base stations for the transmission of digital data as well as servers and data centres for saving and processing the rapidly increasing volume of data.



Source: Yole, April 2016

This development will have a significant influence on the further growth of all segments in the electronics industry. The printed circuit board, in terms of its function as a connection platform for electrical, electronic and mechanical components in combination with “Advanced Packaging” in accordance with (“all-in-one”) module integration, will continue to gain in importance. As before, this enables the mechanical attachment

and the electrical connection of resistors, capacitors, microprocessors, memory chips, sensors, connectors and many other components necessary for fully functional electronic systems. However, this is now done with ever-finer circuit path structures.

Technologically, printed circuit boards consist of electrically insulating carrier material, for which fibreglass mats saturated in epoxy resin are largely used. The conductive connections attached to them usually consist of etched copper layers. There are countless types of printed circuit boards, ranging from single-layer to highly complex multi-layer models. The complexity of printed circuit boards and the related requirements for the different manufacturing processes are determined by the following factors: the number of layers, the vertical connections of the individual layers and their minimum hole diameter, line width and spacing as well as surface finish. The ongoing miniaturisation of the electronic components in the end devices, while at the same time enhancing their power density, increases the requirements for and the complexity of printed circuit boards. AT&S has focused on the production of highly complex printed circuit boards for the most sophisticated applications for many years and now generates more than 75% of revenue with this top category of technology. IC substrates represent the cutting-edge technology for connection platforms, and this technology also forms the basis for the latest generation of printed circuit boards (mSAP) with track widths of less than 30  $\mu\text{m}$ . The main differences to conventional printed circuit boards are the achievable structures, where a minimum of less than 10  $\mu\text{m}$  is currently possible. Future roadmaps even forecast track widths of less than 2  $\mu\text{m}$ , ideally positioning this connection technology in order to integrate even the most advanced integrated circuits (ICs) directly on the printed circuit board in the future.

The technological development of high-end printed circuit boards and IC substrates with respect to reduced track widths will continue to be determined by applications in the communication and computer segments in the years to come, especially by developments in high-end computing (servers) and smartphones. The most important trend in this context is the further integration of functions in ever-smaller areas, while the thickness of the electronic module keeps decreasing at the same time. Many of the classic packaging methods for IC substrates will decline in significance. In contrast, “advanced packaging” solutions and the (“all-in-one”) module integration of semiconductor components, integrated circuits (ICs) and discrete components directly on or in the printed circuit board or the IC substrate will gain in importance. The diagram below shows the potential solutions on all connection levels for which AT&S will position itself through the technologies that are currently being implemented (IC substrates, mSAP and embedding).

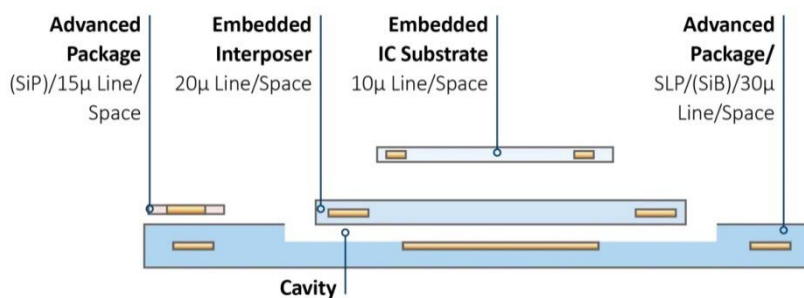
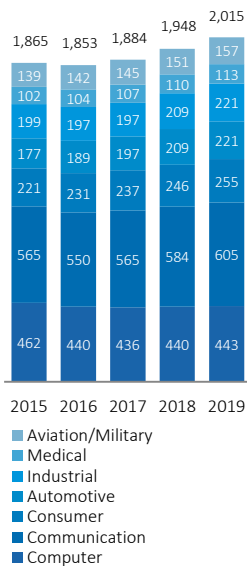


Illustration: Solutions for all connection levels

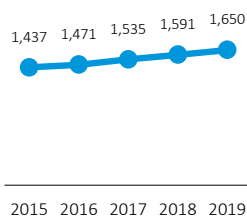
Source: AT&S

Electronics market by segment  
US\$ in billions



Source: Prismark, February 2017

Sales volume smartphones  
units sold in millions



Source: IDC, March 2017

Printed circuit boards and interconnect solutions for automotive, industrial and medical applications use high-end technologies with reduced track widths from the computer, communication and consumer segments as a platform for further innovations. The focus is placed on the introduction of new materials (e.g. high-frequency printed circuit boards for radar applications in the automotive segment), process control within tighter limits and further technological improvements to meet particularly high quality standards. Application trends such as autonomous driving, robotics and online patient monitoring lead to an increasing convergence of the technological requirements of the individual market segments.

The opportunities arising from the required intelligent combination of different technologies also represent new growth potential for the printed circuit board industry. In addition, potential for the integration of further value creation in the assembly and packaging services market is also opening up for manufacturers of high-end printed circuit boards and IC substrates with competence in the embedding technology.

**INTERNATIONAL MARKET DEVELOPMENT** The global market for printed circuit boards is part of the highly dynamic electronics industry. Overall, the global electronics market will reach a volume of roughly USD 1,884 billion in 2017, with annual growth rates of roughly 3.4% anticipated between the years 2017 and 2019 (source: Prismark, February 2017). The strongest growth is expected in the automotive and industrial segments (5.9% respectively), while the consumer and communication segments should grow by 3.7% and 3.4%, respectively. Basically, no growth is forecast for the computer segment (annual growth of 0.8% between 2017 and 2019). The semiconductor and printed circuit board markets are subject to more significant fluctuations due to rapidly changing customer needs and the changes in the global economic climate. The printed circuit board industry is inseparably linked to these macro trends. According to current forecasts, the printed circuit board market will increase to USD 54.3 billion again in 2017, which corresponds to an annual growth rate of 2.4% between 2017 and 2019 (sources: Prismark, February 2017; Yole, February 2017). For higher-end technologies such as anylayer and mSAP printed circuit boards, above-average growth rates of 6.0% are forecast (source: Prismark, April 2017).

**COMMUNICATION: SMARTPHONES REMAIN THE TECHNOLOGICAL GROWTH DRIVER IN THE ELECTRONICS INDUSTRY** After strong growth in 2015, sales volume for smartphones remained nearly constant year-on-year, with roughly 1.471 billion devices sold in 2016. A compound annual growth rate of 3.7% is expected for the period from 2017 to 2019 (source: IDC, March 2017). Within this period, smartphones will remain the key revenue and technology driver in the electronics industry despite a slowdown of innovation cycles.

**CONSUMER** This market segment includes a variety of different applications such as audio and video devices, TVs, gaming devices, video streaming devices, virtual reality (VR) glasses, drones, household appliances, consumer robots, cameras and wearable devices (fitness bands, smartwatches, etc.). A key market trend is the interconnection of devices ("Connected Devices", "Internet of Things" (IoT)) and the download and streaming of videos via the Internet. As a result, an annual growth rate of up to 10% is expected again for connected 4K HD TVs and video streaming devices between 2017 and 2019 (source: BI Intelligence, June 2016). Very strong growth is also projected for virtual reality glasses in combination with connected TVs or drones from 2017 onwards. Wearables and smartwatches will also continue to grow significantly, according to market studies. All of these consumer devices require interconnection solutions based on printed circuit boards. Similar to smartphones, the ongoing miniaturisation also leads to a trend towards printed circuit boards with ever-smaller track widths and integrated ("all-in-one") modules in this area, from which AT&S can benefit due to its early positioning. Therefore, a compound annual growth rate of roughly 3.5% is expected from 2017 onwards for the entire consumer printed circuit board segment, the current volume of which is USD 7.3 billion (source: Prismark, February 2017).

## COMPUTER: THE “INTERNET OF THINGS” WILL GENERATE NEW GROWTH IN SERVERS AND STORAGE MEDIA

In 2016, the market for computers – desktops, notebooks, tablets and servers – recorded a further decline of more than 7.1% (source: Prismark, March 2017). The desktop sales volume decreased by 10.2% to 106 million devices and the sales figures for tablets dropped by 9.2% to 177 million units, while the number of notebooks sold declined by 2.9%. The server segment remained stable. From 2017, sales figures are expected to stabilise. Growth is anticipated, especially for servers, in the future (approximately 6.4% annual growth between 2017 and 2019).

## AUTOMOTIVE ELECTRONICS: ABOVE-AVERAGE GROWTH THROUGH NEW APPLICATIONS

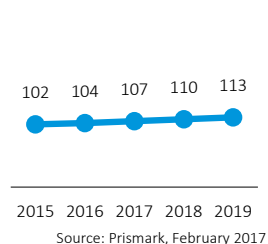
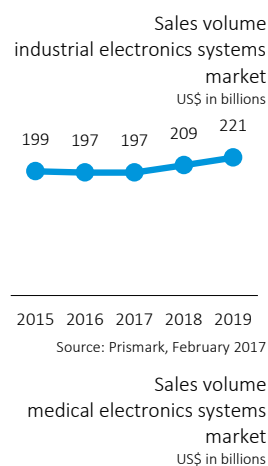
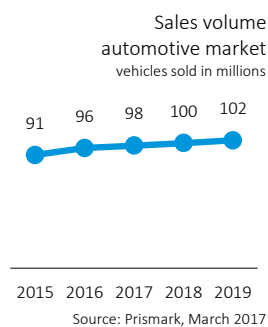
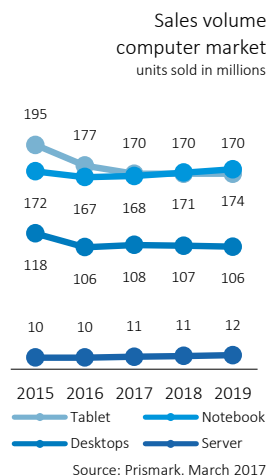
The number of vehicles sold reached 96 million in 2016 and will grow by roughly 2.0% annually between 2017 and 2019. The main driver for the sales volume of printed circuit boards in this segment is the massively increasing share of electronic applications per vehicle (autonomous driving, infotainment, etc.). The printed circuit board market totalled USD 4.9 billion in 2016 and is expected to grow by 3.8% annually in the period from 2017 to 2019 (source: Prismark, February 2017). The growth rates for electronic systems for the automotive market and for printed circuit boards in this segment thus significantly exceed the average total figures for the global electronics industry. Safety and infotainment applications also drive demand and the use of HDI and microvia printed circuit boards in this segment. Applications which now use HDI and microvia printed circuit boards include navigation and multimedia systems, emergency calling and camera systems as well as electronic transmission control systems. Key future growth drivers in this segment include further electrification, interconnection and, above all, autonomous driving. Among other things, autonomous driving requires the development of new central systems recording information and data, which are provided by camera systems and sensors (radar, optical distance and speed measurement and ultrasound sensors, etc.), and for their evaluation and the subsequent control of the relevant actuators such as braking, stability and steering systems. Due to the large data volume and the fast transmission rates necessary, these new central computers already need the HDI technology.

**INDUSTRIAL ELECTRONICS** The industrial electronics market, at USD 197 billion, declined slightly by -1.0% in 2016. However, starting in 2017, annual growth of 5.9% is projected (source: Prismark, February 2017). The market volume for printed circuit boards in this segment remained constant at USD 2.6 billion compared with the previous year and is expected to grow by an average of up to 5.6% annually between 2017 and 2019 (source: Prismark, February 2017).

The industrial electronics segment is still characterised by applications in the areas of measurement and control technology, power electronics, lighting systems and diagnostic devices, RFID readers as well as railway technology. In the future, machine-to-machine and machine-to-human communication modules, driven by robotics, automation and industry 4.0 activities, will enable further growth in this segment.

**MEDICAL ELECTRONICS** The global market for medical electronic systems grew by roughly 2.0% to USD 104 billion in 2016 (source: Prismark, February 2017). The medical electronics segment is characterised by a high level of complexity regarding applications such as diagnostics and imaging devices, therapy applications and mobile devices on and in the body (e.g. hearing aids, pacemakers and insulin pumps). Other applications include surgical lighting analytical instruments and molecular diagnostics. Prices for medical devices and systems range from low double-digit USD amounts up to more than USD 1,000,000 for computer tomography systems. The printed circuit board market amounted to USD 1.1 billion in this segment in 2016, with forecast annual growth rates of 4.5% until 2019.

**THE MARKET FOR IC SUBSTRATES** IC substrates are the basis for the packaging of one or several semiconductor chips (“Integrated Circuits” or “ICs”). When several chips are packaged, this is referred to as “system in package” or “SiP”. IC substrates are also an important component in future (“all-in-one”) modules. The IC substrate market is heavily influenced by technological changes in packaging, with silicon ICs and printed circuit boards/substrates being connected increasingly directly with one another. In this process, many intermediate steps in IC packaging which are currently performed by OSAT (Outsourced Semiconductor Assembly and Test) companies are eliminated in the course of miniaturisation and system cost reduction. Part of the previous packaging process steps can be shifted to silicon wafer production (“wafer level packaging”) and another part to substrate and printed circuit board production. Here, embedding will gain in importance for the further functional integration in the system.



Sales volume  
IC substrates  
US\$ in billions



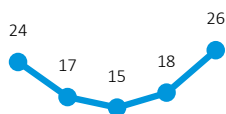
2015 2016 2017 2018 2019  
Source: Yole, April 2017

After a decline of 3.8% compared with 2015, the IC substrate market reached a volume of USD 5.1 billion in 2016. The annual growth rate projected for the years 2017 to 2019 amounts to 2.7% (source: Yole, February 2017).

IC substrates are used in virtually all applications in the electronics market. The main growth drivers in this context are all types of system-in-package (SiP) or (“all-in-one”) modules for the integration of different functions (ICs, sensors, passive components, etc.). The overall IC substrate market of USD 5.1 billion (2016) is split into “CSP” (Chip Scale Packaging) and “BGA” (Ball Grid Array). BGA substrates are usually larger; their share of the overall market is slightly more than 50%. Typical applications are IC substrates for processors in PCs, notebooks or for servers. Therefore, the growth rates for BGA substrates will be low in the coming years – similar to the computer market. However, the market for high-end BGA substrates for servers, which – driven by Internet/cloud applications – still shows very high growth rates, represents an exception. CSP substrates are used in many different applications such as the consumer, communication, automotive, industrial and medical segments. This CSP substrate market will grow by more than 4% annually in the coming years.

In combination with its embedding and printed circuit board competence, the substrate environment offers AT&S the opportunity to establish itself as one of the leading providers of interconnect solutions and module integration in the years to come.

Sales volume of embedded die  
packaging market  
US\$ in millions



2015 2016 2017 2018 2019  
Source: Yole, April 2017

**MINIATURISATION, FUNCTIONAL INTEGRATION AND MODULARISATION DETERMINE THE MARKET FOR “EMBEDDED COMPONENT PACKAGING” (“ECP”) AND “EMBEDDED DIE PACKAGING”** Embedding components in printed circuit boards/substrates is a method which will enable a system cost reduction, a reduction of space requirements for electronics and a performance improvement of the modules in all electronic modules. It is therefore usable for all applications. As previously stated, embedding in combination with printed circuit board/substrate technology is a crucial competence to enable future (“all-in-one”) modules.

The use of the embedded die packaging technology (“ECP”) is currently still limited to niches, which also explains the comparatively low market volume of USD 17 million in 2016 (source: Yole, February 2017). The external market analysis does not yet take into account a broader market penetration of the first established applications and the high potential of ECP based on further technological improvements. In the past, the technological barrier was primarily the yield loss in embedding expensive chips. Due to improvements in process control, yield has increased significantly, which will enable broad-based application in all markets, from consumer and communications to automotive, industrial and medical technology. Typical applications of ECP products, which have already been launched or are about to be launched on the market, include camera modules and discrete voltage transformers in all voltage classes from low voltage to power modules with power MOSFETs or IGBTs. As integrated voltage transformers are part of virtually all electronic modules, this results in a variety of possible applications in both the consumer and communications segment as well as in the automotive, industrial and medical segment. Currently realised discrete solutions are replaced by integrated embedded solutions when performance benefits (reduced switching losses, better thermal performance) or reduced space requirements are particularly important for the system as a whole.



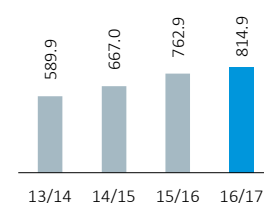
## 1.2. Profit situation

In the financial year 2016/17, AT&S once again exceeded the sound revenue level of the previous year. Overall, AT&S increased Group revenue by € 52.0 million or 6.8 % to € 814.9 million (previous year: € 762.9 million). Strong demand in all segments and the trend towards higher-layer high-end printed circuit boards enabled this positive development and overcompensated the continued price pressure and slightly negative exchange rate effects in the core business. The largest portion of the increase in revenue is based on the first revenues from IC substrates and products from the second plant in Chongqing. Roughly 76.1% of revenue in 2016/17 (previous year: 73.3%) was invoiced in foreign currencies (primarily US dollar). The share of products manufactured in Asia rose from 81.0% in the previous year to 82.0% in the reporting year. The regional revenue structure based on customers' headquarters shows a share of 57.1% for America, compared with 56.1% in the previous year. The share of revenue of the other regions shifted accordingly.

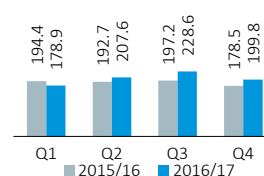
The revenue of AT&S usually shows the following seasonal development due to the high importance of mobile devices: the first quarter of the financial year is usually weaker than the second and third quarters, which are typically characterised by very high demand in preparation for the launches of the latest product generation. In the fourth quarter, customer demand is generally lower. This quarter is also characterised by the holiday shutdown due to the Chinese New Year's celebrations at our large Chinese plants.

While seasonality in the first months of the financial year 2015/16 was not very distinct due to unusually high demand for mobile devices, the usual seasonality was recorded in the first quarter of 2016/17, which could not be compensated by the first revenues with IC substrates. In the second quarter, demand from the core business was very strong and led to a significant increase in revenue. This positive development intensified in the third quarter, during which the first revenues of our second plant in Chongqing and were also generated. In the core business, the fourth quarter was characterised by the start of the technology upgrade of our largest plant in Shanghai to the next technology generation, which led to reduced capacity and, consequently, to slightly lower revenue. This moderate decline in the core business was more than offset by significant contributions to revenue by IC substrates.

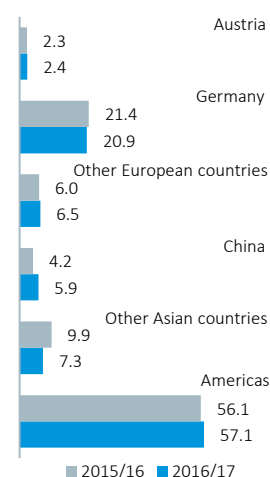
Development of revenue  
€ in millions



Revenue by quarter  
€ in millions



Revenue by region  
(Customer headquarters)  
in %



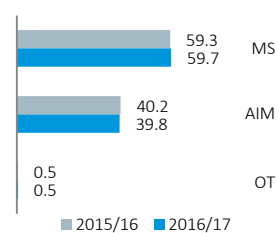
### Result key data

€ in millions (unless otherwise stated)

	2016/17	2015/16	Change in %
Revenue	814.9	762.9	6.8%
Operating result before interest, tax, depreciation and amortisation (EBITDA)	130.9	167.5	(21.8%)
EBITDA margin (%)	16.1%	22.0%	
EBITDA adjusted <sup>1)</sup>	194.8	180.2	8.1%
EBITDA margin adjusted (%) <sup>1)</sup>	25.4%	23.7%	
Operating result (EBIT)	6.6	77.0	(91.4%)
EBIT margin (%)	0.8%	10.1%	
EBIT adjusted <sup>1)</sup>	119.0	103.2	15.3%
EBIT margin adjusted (%) <sup>1)</sup>	15.5%	13.6%	
Profit for the year	(22.9)	56.0	(140.9%)
Earnings per share (€)	(0.59)	1.44	(141.0%)
Additions to fixed assets	258.2	303.0	(14.8%)
Average number of staff (incl. leased personnel)	9,526	8,759	8.8%

<sup>1)</sup> Adjusted for Chongqing project and reversal of provision for restructuring

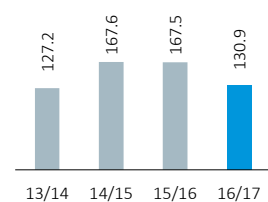
Revenue from external customers by segment in %



Despite the growing proportion of revenue in foreign currencies, the influence of exchange rate developments on revenue was of minor importance. While revenue was slightly influenced by negative exchange rate effects in the first two quarters, there was no influence on revenue in the third quarter. In the fourth quarter, this influence was slightly positive. Overall, this resulted in a slight decline in revenue.

The share of revenue of the different segments did not change significantly in comparison with the previous year. The share of the Mobile Devices & Substrates segment (MS) in external revenue increased to 59.7% (previous year: 59.3%), while the share of the Automotive, Industrial, Medical segment (AIM) declined to 39.8% (previous year: 40.2%). This shift is the result of the above-average revenue growth based on IC substrates. Further information on the development of the segments can be found in Section 4. Business development by segments.

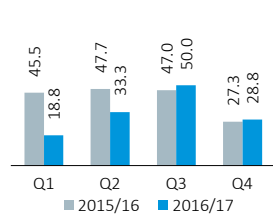
Development of EBITDA in million



The Group's EBITDA, at € 130.9 million, was significantly lower than in the previous year, at € 167.5 million. This decrease resulted primarily from the costs of the start-up phase of the two new plants of the Chongqing project, which reduced EBITDA by € 65.9 million compared with the previous year. The organic change in EBITDA, i.e., adjusted for the Chongqing project, reversal of the provision for structuring and foreign exchange effects, amounted to € -3.9 million and results from the persisting price pressure in the mobile devices segment, which could only be partially compensated by cost reductions. The cost reductions also include an adjustment of the variable remuneration to the expected target achievement level. The complete reversal of a provision for unused building space and a provision for possible realisation losses from a lease contract led to positive one-off effects totalling € 7.2 million. Positive exchange rate effects, primarily related to the Chinese renminbi, caused an improvement in EBITDA of € 26.0 million.

The EBITDA development by quarter reflects the general development of revenue and the impact on earnings from the start-up phases. Despite positive exchange rate effects, earnings in the first quarter of 2016/17 were significantly below the prior-year figure due to stronger seasonality and the start-up costs of the Chongqing project. The second quarter of 2016/17 matched the strong figures of the previous year in the core business and the deviation from the previous year resulted primarily from the start-up costs of the Chongqing project. In the third quarter of 2016/17, we exceeded the strong earnings of the previous year despite the start-up costs of the Chongqing project. In addition to a very strong operating performance, the earnings development was also favourably influenced by exchange rate developments, which were positive for AT&S. In the fourth quarter of 2016/17, the prior-year result was improved despite the higher start-up costs. In addition to positive exchange rate effects, AT&S also achieved improvements on the cost side.

EBITDA by quarter in million



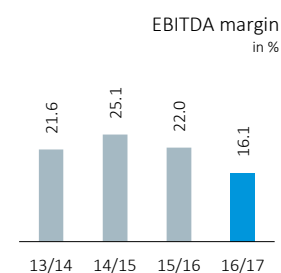
The above-mentioned effects also had an impact on the individual cost areas. The increase in production costs is caused by the effects of the Chongqing project. The increase due to higher volumes in the core business (excluding the Chongqing project) is compensated by positive exchange rate effects. In the financial year 2016/17, administrative and distribution costs include the costs of the plant for IC substrates for the full year and, starting in the third quarter, also for the second plant in Chongqing, which were recognised under other operating result in the previous year. This increase, which was caused by reclassification, was more than offset by cost savings and slightly positive exchange rate effects. The other operating result improved from expenses of € 10.6 million to income of € 9.6 million. Apart from the above-mentioned reversal of provisions, lower costs for the Chongqing project of € 5.6 million, an improvement in the exchange rate result of € 2.5 million and the non-recurrence of impairments of € 3.1 million recorded in 2015/16 were the main effects contributing to this.

## Development of profit

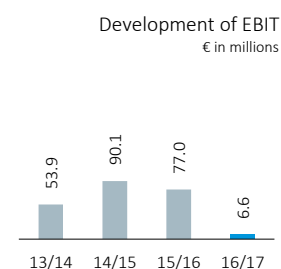
€ in millions	2015/16	One-off effects <sup>1)</sup>	Currency effects <sup>2)</sup>	Organic	2016/17
Revenue	762.9	45.7	(2.5)	8.8	814.9
Cost of sales	(611.2)	(150.1)	31.3	(30.2)	(760.2)
Gross profit	151.6	(104.4)	28.8	(21.3)	54.7
Distribution costs	(34.6)	(2.1)	0.4	6.9	(29.4)
General and administrative costs	(29.4)	(5.2)	0.6	5.7	(28.3)
Other operating result	(10.7)	15.5	2.5	2.3	9.6
Operating result before depreciation and amortisation (EBITDA)	167.5	(58.6)	26.0	(4.0)	130.9
Operating result (EBIT)	77.0	(96.2)	32.3	(6.4)	6.6
Finance costs - net	(8.1)	(6.7)	(6.3)	3.6	(17.5)
Profit before tax	68.8	(102.9)	26.0	(2.8)	(10.9)
Income taxes	(12.9)	(2.5)	1.0	2.4	(12.0)
<b>Profit for the year</b>	<b>56.0</b>	<b>(105.5)</b>	<b>27.0</b>	<b>(0.4)</b>	<b>(22.9)</b>

<sup>1)</sup> Chongqing project, reversal of provision for restructuring and capitalised deferred taxes of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

<sup>2)</sup> Translation and valuation effects included in the consolidated financial statements

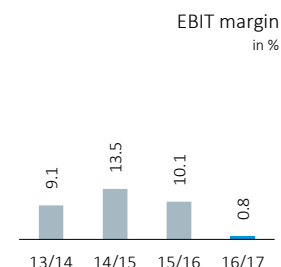


Compared with the previous year, the Group's EBITDA margin declined by 5.9 percentage points from 22.0% to 16.1%. This development is primarily attributable to the start-up phase at the new plants in Chongqing. When adjusting the margins of the two years for this effect and the reversal of the restructuring provision in the financial year 2016/17, this results in an improvement of 1.7 percentage points from 23.7% in the previous year to 25.4% in the current year. This increase is due to positive exchange rate effects and continuous cost and efficiency improvements. The cost reductions also include an adjustment of variable remuneration to the expected level of target achievement.



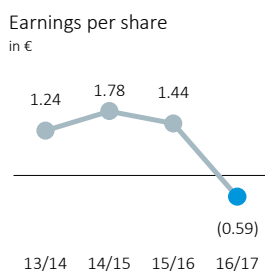
Depreciation of property, plant and equipment and amortisation of intangible assets of € 124.7 million or 13.5% of non-current assets (previous year: € 87.4 million or 11.0% of non-current assets) reflect the high technical standard of AT&S as well as its investment ratio and increased by € 40.6 million primarily because of the Chongqing project. Positive exchange rate effects reduced depreciation and amortisation by € 6.4 million. The remaining increase of € 3.1 million compared with the previous year results from investments in technology upgrades and the associated depreciation. No impairments were incurred in the financial year 2016/17 (previous year: € 3.1 million). Write-ups of € 0.4 million were recorded through profit or loss (previous year: € 0.0 million) since the reasons for the impairment no longer existed.

The operating result (EBIT) declined by € 70.3 million or -91.4% to € 6.6 million (previous year: € 77.0 million) due to the increase in depreciation and amortisation. Adjusted for the Chongqing project and the reversal of the provision for restructuring, AT&S recorded an increase of € 15.8 million or 15.3% to € 119.0 million (previous year: € 103.2 million). The EBIT margin decreased by 9.3 percentage points to 0.8% (previous year: 10.1%). Adjusted for the above-mentioned effects, it rose by 1.9 percentage points from 13.6% in the previous year to 15.5% in the current year.



Finance costs – net declined from € -8.1 million to € -17.5 million. Interest expense on bank borrowings and bonds increased from € 8.9 million to € 13.8 million. This was mainly due to the decrease in capitalised interest on borrowings to € 2.2 million (previous year: € 6.6 million) related to the acquisition of qualified assets in Chongqing. Despite the increase in gross debt from € 523.0 million to € 592.2 million, gross interest expenses rose only slightly by € 0.5 million from € 15.5 million to € 16.0 million due to the scheduled repayment of the bond in November 2016. The measurement of hedging instruments which swap variable for fixed-interest payments but do not meet the criteria of hedge accounting since the term and amount do not match the primary secured debts, resulted in a gain of € 0.5 million (previous year: expense of € 3.3 million).

Social capital interest costs rose slightly to € 0.5 million (previous year: € 0.4 million). Since the environment is currently unfavourable for placing funds, the return on financial investments dropped to € 1.5 million (previous year: € 3.0 million). In the financial year 2016/17, negative foreign exchange differences resulting from



the measurement of liquid foreign currency funds and debts and realised exchange rate gains from financial instruments amounting to € 3.4 million were recognised as expense in finance costs – net (previous year: income of € 3.9 million). In principle, finance costs – net are only to a limited extent influenced by currency effects, 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 in nature and their repayment is neither scheduled nor probable in the foreseeable future. These loans are therefore recorded directly in equity through the statement of comprehensive income.

The Group's tax expense amounts to € 12.0 million (previous year: € 12.9 million). Current income taxes increased to € 20.2 million (previous year: € 15.8 million), which was mainly caused by higher profits in countries with higher tax rates. The increase in deferred taxes (income) to € 8.1 million (previous year: € 2.9 million) predominantly results from the capitalisation of loss carry-forwards in Austria. Due to the existence of substantial evidence of the existence of further taxable results, the strict criteria of IAS 12 have been met and deferred taxes of € 11.5 million were capitalised. The effective tax rate has no significance due to the negative result before taxes since no deferred taxes were recognised for the losses of AT&S Chongqing Company Limited in China due to the existence of new tax plans. The reversal of deferred tax assets that had already been recognised led to a deferred tax expense of € 6.7 million. In addition, the effective tax rate was influenced by the discontinuation of the reduced tax rate at AT&S (China) Company Limited as of 31 December 2016 (the company is working on returning to a more favourable tax schedule).

The profit for the year fell by € 56.0 million, from € 78.8 million in the previous year, resulting in a loss of € 22.9 million, and earnings per share declined by € 2.03 from € 1.44 to € -0.59, with the same number of shares outstanding.

## 1.3. Financial position

### Development of statement of financial position

€ in millions	31 Mar 2016	One-off effects <sup>1)</sup>	Currency effects	Organic	31 Mar 2017
Non-current assets	866.3	149.3	0.9	12.9	1,029.4
Current assets	478.3	(85.1)	3.8	10.3	407.3
<b>Total assets</b>	<b>1,344.7</b>	<b>64.2</b>	<b>4.7</b>	<b>23.1</b>	<b>1,436.7</b>
Equity	568.9	(115.4)	2.9	83.7	540.1
Non-current liabilities	421.4	157.0	0.7	(9.3)	569.8
Current liabilities	354.3	22.6	1.1	(51.3)	326.8
<b>Total equity and liabilities</b>	<b>1,344.7</b>	<b>64.2</b>	<b>4.7</b>	<b>23.1</b>	<b>1,436.7</b>

<sup>1)</sup> Chongqing project, reversal of provision for restructuring and capitalised deferred taxes of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

In the financial year 2016/17, the total amount of the statement of financial position increased by € 92.0 million or 6.8% from € 1,344.7 million to € 1,436.7 million.

Property, plant and equipment increased by a total of € 251.8 million primarily, due to additions in Chongqing of € 157.9 million and technology upgrades in Shanghai of € 74.7 million. The net change in fixed assets of € 131.9 million or 16.6% to € 924.8 million (previous year: € 792.9 million) also includes scheduled depreciation, impairments and write-ups of € 124.3 million (previous year: € 90.5 million) as well as exchange rate effects of € 1.0 million and capitalised development costs that meet the criteria of IAS 38 amounting to € 4.8 million.

Non-current assets include input tax receivables of € 53.7 million (previous year: € 27.9 million), which can only be offset against VAT liabilities in more than a year's time.

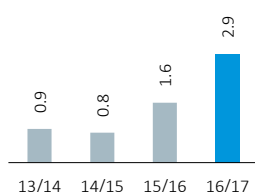
### Net working capital

€ in millions (unless otherwise stated)	31 Mar 2017	31 Mar 2016	Change in %
Inventories	108.8	83.4	30.4%
Trade receivables	53.5	110.0	(51.3%)
Trade payables	(189.8)	(130.7)	45.3%
Liabilities from investments	67.9	55.6	22.0%
<b>Working capital trade</b>	<b>40.4</b>	<b>118.4</b>	<b>(65.9%)</b>
Other current assets, payables, provisions	(16.0)	(29.9)	(46.5%)
<b>Net working capital</b>	<b>24.4</b>	<b>88.4</b>	<b>(72.4%)</b>
Net working capital in % of total revenue	3.0%	11.6%	
Days outstanding (in days):			
Inventories	52	50	4.0%
Receivables	24	53	(54.7%)
Payables	91	63	44.4%

Inventories increased by € 25.4 million or 30.4% from € 83.4 million to € 108.8 million. The increase is predominantly due to the Chongqing project. Trade receivables and payables reflect different optimisation measures taken to improve net debt. Trade receivables declined by € 56.4 million or -51.3% to € 53.5 million (previous year: € 110.0 million). Days receivable outstanding consequently decreased by 54.7% to 24 days (previous year: 53 days). Trade payables rose by € 59.2 million or 45.3% from € 130.7 million to € 189.8 million. They include an increase in liabilities from investments of € 12.3 million to € 67.9 million (previous year: € 55.6 million); the remaining increase results from higher business volumes and the optimisation steps taken at the end of the year.

Equity decreased by € 28.8 million or -5.1% from € 568.9 million to € 540.1 million. The loss for the year of € 22.9 million reduced equity (previous year: increase of € 56.0 million). The dividend led to an equity reduction of € 14.0 million. In contrast, slightly positive currency differences from the translation of net asset posi-

Net debt/EBITDA  
Multiple



tions of the subsidiaries and from the translation of long-term loans to subsidiaries of € 2.9 million and actuarial gains resulting primarily from parameters applied when calculating personnel provisions amounting to € 5.1 million (previous year: € 2.7 million) had an increasing effect on equity.

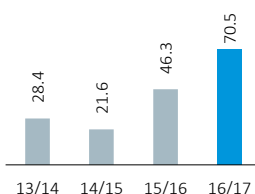
Non-current financial liabilities rose by € 158.3 million or 43.8% from € 361.6 million to € 519.8 million and thus significantly exceeded the prior-year level. The current portion decreased from € 161.4 million to € 73.0 million. The decline includes the scheduled repayment of the bond due on 18 November 2016 with a carrying amount of € 76.8 million at 31 March 2016. The financial assets invested with matching maturities in the financial year 2015/16 for the repayment of the bond were used as planned.

#### Net debt

€ in millions (unless otherwise stated)

	31 Mar 2017	31 Mar 2016	Change in %
Financial liabilities, current	73.0	161.4	(54.7%)
Financial liabilities, non-current	519.8	361.6	43.8%
<b>Gross debt</b>	<b>592.9</b>	<b>523.0</b>	<b>13.4%</b>
Cash and cash equivalents	(203.5)	(171.9)	18.4%
Financial assets	(8.8)	(87.9)	(90.0%)
<b>Net debt</b>	<b>380.6</b>	<b>263.2</b>	<b>44.6%</b>
Operating result before interest, tax, depreciation and amortisation (EBITDA)	130.9	167.5	(21.8%)
Net debt/EBITDA ratio	2.9	1.6	
Equity	540.1	568.9	(5.1%)
Total consolidated statement of financial position	1,436.7	1,344.7	6.8%
Equity ratio (%)	37.6%	42.3%	
Net gearing (Net debt/Equity) (%)	70.5%	46.3%	

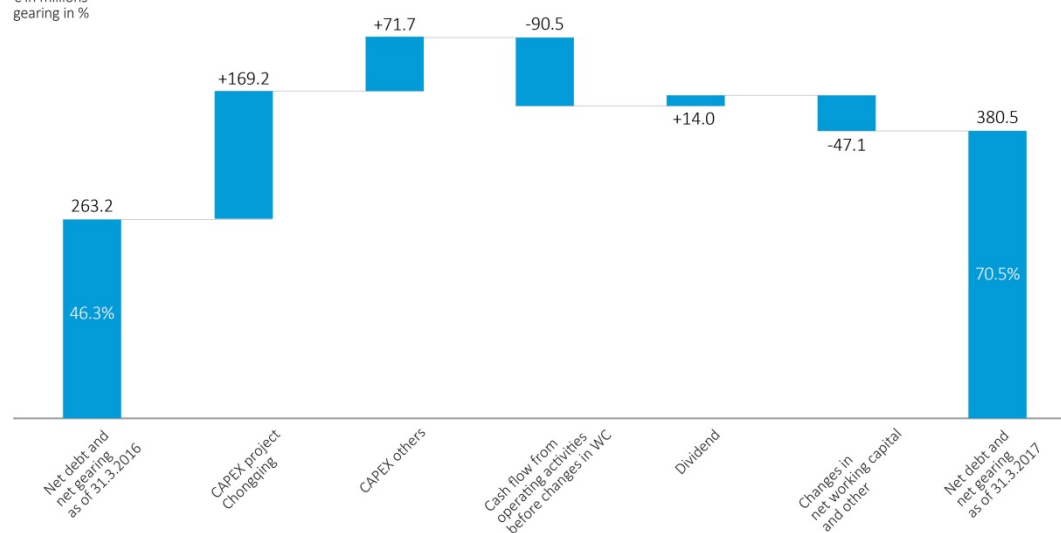
Net gearing  
in %



Net debt increased by € 117.4 million or 44.6% to € 380.6 million (previous year: € 263.2 million). The main causes of this further increase were investment activities, which are still high, and adverse effects of the start-up phase of the Chongqing project, which were only partially offset by a working capital optimisation programme. The net gearing ratio increased to 70.5%, thus clearly exceeding the prior-year level of 46.3%. The indicator net debt/EBITDA, which reflects a notional payback period for debt, deteriorated from 1.6 years to 2.9 years due to higher net debt and was just under the long-term internal limit of 3.0 years.

#### Development of net debt

€ in millions  
gearing in %



**TREASURY ACTIVITIES** From a treasury perspective, the financial year 2016/17 was divided into two parts: in the first half of the year, the financing programme started in 2015/16 was successfully completed. The bilateral promissory note loan of € 100.0 million with a term of seven years, which had been signed in late March 2016, was disbursed to AT&S and, in May 2016, another bilateral promissory note loan of € 50.0 million with a term of five years was signed and disbursed. Moreover, an OeKB equity financing programme of € 75.0 million was concluded with a consortium of Austrian banks at the end of June 2016. Of this total, € 25.0 million can be drawn until 31 December 2017 and € 50.0 million until 31 March 2018. After a grace period, the repayments will be made from 30 September 2018 to 30 June 2026. Overall, AT&S raised financing of more than € 500.0 million in the period from October 2015 to June 2016. The repayment of the bond, the financing of investments in the Chongqing project, the upgrade of the Shanghai site to the next technology generation and the financing of the start-up phase have thus been ensured.

The second half of the year was characterised by a net debt optimisation programme, which was intended to ensure compliance with the internally defined net debt/EBITDA target ratio of 3.0. As part of this programme, financing potential inherent to receivables and liabilities was leveraged accordingly.

In addition to these two focus areas, several smaller financing programmes and measures to optimise the financing structure were carried out and the bond with a residual nominal value of € 75.5 million was repaid in November as planned. In addition, communication with investors providing borrowings was intensified.

The financing of AT&S is based on a four-pillar strategy, which aims to minimise dependence on individual financing instruments. Based on the prevailing financial market conditions, individual areas can be expedited more strongly or, as the case may be, not used at times.

#### Instruments

€ in millions	31.03.2017	in %	31.03.2016	in %
Retail bond	–	–	76.8	10.0%
Promissory note loans	441.2	55.6%	287.2	37.3%
Bank borrowings	151.6	19.1%	159.0	20.6%
<b>Gross debt</b>	<b>592.9</b>	<b>74.7%</b>	<b>523.0</b>	<b>67.9%</b>
Credit lines	200.9	25.3%	247.4	32.1%
<b>Committed credit lines</b>	<b>793.8</b>	<b>100.0%</b>	<b>770.4</b>	<b>100.0%</b>

The strategy is based on long-term, fixed-interest-bearing retail bonds. Their advantage lies in their high predictability and security for the company as they carry fixed interest rates and are non-redeemable. However, their higher placement costs are a disadvantage. The current retail bond, which had a residual nominal value of € 75.5 million was repaid on 18 November 2016 as scheduled. Based on the current market situation, there are no plans to issue a new standard retail bond.

The importance of promissory note loans as a second pillar of financing continued to grow in the financial year 2016/17 due to the two above-mentioned transactions. The advantages of promissory note loans are their high level of predictability and their low placement costs. Due to these advantages, AT&S intends to promote this form of financing in the future. At 31 March 2017, promissory note loans totalling € 441.2 million, (previous year: € 287.2 million) were placed with different national and international investors. The remaining terms range between two and six years.

Bank loans are used as the third pillar. As of 31 March 2017, loans totalling € 151.6 million are taken out with several national and international banks (previous year: € 159.0 million). These loans predominantly carry variable interest and have maturities between one and six years.

The fourth pillar consists of credit lines, which serve to cover liquidity fluctuations and as a financing reserve. At the reporting date, AT&S had unused credit lines of € 200.9 million in the form of contracted loan commitments of banks (previous year: € 247.4 million). At 31 March 2017, AT&S had only used 74.7% of its contracted financing potential (previous year: 67.9%) and still possesses comfortable financing reserves.

The most important task of the AT&S treasury function is to secure sufficient liquidity reserves. Treasury also monitors the covenants defined in the credit agreements to ensure that these covenants are met. AT&S pursues the goal of standardising credit agreements in order to treat all lenders equally.

The notional payback period for debts, defined as net debt/EBITDA, of 2.9 years was significantly below the covenant of 4.0 years and slightly lower than the Group's own target value of 3.0 years, and increased considerably due to the high level of investment activity (previous year: 1.6 years). The equity ratio decreased from 42.3% in the previous year to 37.6% in the reporting year and was thus below the target value, but above the covenant. For further information regarding capital risk management, please refer to Note 20 "Additional disclosures on financial instruments" – sub-section Capital Risk Management – in the notes to the consolidated financial statements.

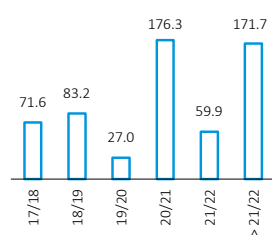
#### Treasury key data

	Covenant <sup>1)</sup>	Target <sup>2)</sup>	31 Mar 2017	31 Mar 2016
Net debt/EBITDA ratio	< 4.0	< 3.0	2.9	1.6
Equity ratio	>35%	>40%	37.6%	42.3%

<sup>1)</sup> Covenants are limits included in old credit agreements which the actual figures should not exceed (Net debt/EBITDA) or undercut (equity ratio).

<sup>2)</sup> Target values are limits defined by AT&S which the actual figures, under normal circumstances, should not exceed (Net debt/EBITDA) or undercut (equity ratio).

Redemption  
€ in millions



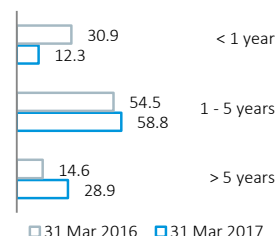
AT&S pursues a financing structure that is as balanced as possible, with an average duration that is consistent with the investment programme. At the reporting date, the duration was 3.7 years (previous year: 3.9 years) and thus remained stable at a very high level.

The repayment structure shows a high amount in the year 2020/21 due to the repayment of parts of the promissory note loan and bank loans of € 176.3 million.

#### Carrying amount of financial liabilities by maturity

€ in millions	31 Mar 2017	in %	31 Mar 2016	in %
Remaining maturity				
Less than 1 year	73.0	12.3%	161.4	30.9%
Between 1 and 5 years	348.4	58.8%	285.3	54.5%
More than 5 years	171.5	28.9%	76.3	14.6%
<b>Total financial liabilities</b>	<b>592.9</b>	<b>100.0%</b>	<b>523.0</b>	<b>100.0%</b>

Maturities of  
financial liabilities  
in %



Minimising interest rate risk by predominantly using fixed interest rates was defined as another treasury objective. 51.4% (previous year: 73.9%) of financing is conducted at or was swapped to fixed interest rates and only 48.6% (previous year: 26.1%) is based on variable interest rates. Strategies for securing interest rates are defined quarterly based on interest rate expectations and adapted as necessary. Compared with the previous year, the share of fixed interest rates decreased.

AT&S also intends to invest available liquid funds profitably but risk-sensitively: As at 31 March 2017, AT&S had financial resources totalling € 212.3 million (previous year: € 259.8 million). By optimising the terms of investment and early conversion of liquid funds into currencies with higher interest rates and which are also continually required by AT&S, the highest possible yields should be achieved in an environment that is currently very challenging from an investor perspective.

Early conversion into foreign currencies also serves as a natural currency hedge and a reduction of the exposure to foreign currencies.

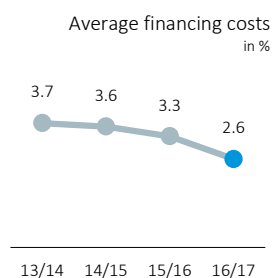
The objective of AT&S is to keep the USD net risk position at a minimum. At 31 March 2017, assets denominated in USD (trade receivables, financial assets and cash denominated in USD) amounting to € 147,1 million (previous year: € 138.5 million) were offset by liabilities denominated in USD (trade payables and financial liabilities denominated in USD) amounting to € 158,3 million (previous year: € 149.1 million). The resulting net



risk position, at 31 March 2017 this was a passive balance of € 11,2 million (previous year: € 10.6 million), was only amounted to 0,8% (previous year: 0.8%) of the Group's total assets and liabilities and shows the successful implementation of the strategy. In addition to this natural hedging and the above-mentioned instruments for interest rate hedging, AT&S occasionally hedges foreign currency transaction risks in the short term (up to one year). At the reporting date, no such hedging instruments were in place. Currency translation risks resulting from the conversion of subsidiaries with different local currencies are not hedged.

The final treasury objective consists of an optimised relationship management with financing partners. AT&S considers this to be the selection of banks for national and international cooperation and setting up and maintaining the communication necessary for both sides. The aim is to create a high level of transparency regarding the opportunities and risks of AT&S in order to strengthen a long-term partnership with the financing institutions which is successful for both sides. The annual and quarterly reports serve as the basis for this. In addition, meetings with our financing bank partners in which the opportunities for cooperation are discussed take place at least once a year. Moreover, the financing bank partners were also invited to the capital market day, which was held in Leoben on 13 September 2016.

AT&S pursues a highly active approach to financial management in order to accomplish the above-mentioned treasury targets as cost-effectively as possible. Based on the measures taken in the financial years 2014/15 and 2015/16, the favourable financing level was secured in the long term. The aim for the financial year 2017/18 is to ensure that the covenants are met and to prepare possible future financing requirements.



**CASH FLOW** Cash flow from operating activities before changes in working capital decreased from € 145.9 million to € 90.5 million. This significant decline was mainly caused by the costs of the start-up phase of the Chongqing project, which led to a substantial reduction in the operating result from € 77.0 million to € 6.6 million and to higher depreciation and amortisation, impairments and write-ups of € 124.3 million (previous year: € 90.5 million). The operating result also includes non-cash reversals of long-term provisions and other non-cash income of € 12.1 million (previous year: expense of € 0.5 million). Interest payments increased by € 2.0 million to € 17.5 million (previous year: € 15.5 million) due to higher gross debt. The interest received reflects the currently very difficult market environment for investments in EUR and declined by € 1.5 million to € 1.5 million (previous year: € 3.0 million). In contrast, income taxes paid increased by € 2.1 million to € 12.4 million (previous year: € 10.3 million).

Based on the net debt optimisation programme initiated in the second half of the financial year 2016/17, AT&S was able to nearly fully compensate the decline in cash flow from operating activities before changes in working capital. As a result, cash flow from operating activities remained stable at € 136.4 million (previous year: € 136.9 million). The increase in inventories of € 18.3 million due to the Chongqing project was offset by a decline in trade and other receivables of € 25.5 million, an increase in trade payables and other liabilities of € 36.5 million and a decrease in other provisions of € 2.2 million.

The continued high investment activity related to the expansion of the plants in Chongqing and the technology upgrade in Shanghai led to capital expenditures for property, plant and equipment and intangible assets of € 240.9 million (previous year: € 254.8 million). The funds invested primarily for the repayment of the bond in the previous year led to a net inflow of € 79.5 million (previous year: net outflow of € 87.7 million). Due to this investment effect, cash flow from investing activities, at € -161,1 million, was below the figure of the previous year, at € -342.2 million.

Cash flow from financing activities, at € 54,9 million, was € 56.2 million below the high prior-year value of € 111.1 million, which was above average due to the placement of promissory note loans of € 221.0 million.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, was slightly negative, at € 24.7 million, due to the high investment activities. However, it exceeded the prior-year negative free cash flow of € 205.3 million by € 180.6 million. € 167.2 million of the change resulted from the investment of cash and cash equivalents and returns from the investment of cash and cash equivalents.

#### Cash flow statement (short version)

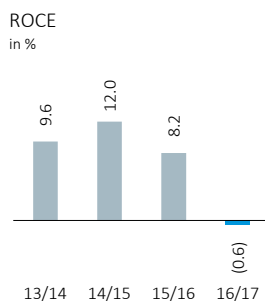
€ in millions	2016/17	2015/16	Change in %
Cash flow from operating activities before changes in working capital	90.5	145.9	(38.0%)
Cash flow from operating activities	136.4	136.9	(0.4%)
Cash flow from investing activities	(161.2)	(342.2)	(52.9%)
Free cash flow	(24.7)	(205.3)	(88.0%)
Cash flow from financing activities	54.9	111.1	(50.6%)
Change in cash and cash equivalents	30.1	(94.2)	(132.0%)
Currency effects on cash and cash equivalents	1.5	(7.8)	(119.0%)
<b>Cash and cash equivalents at end of the year</b>	<b>203.5</b>	<b>171.9</b>	<b>18.4%</b>

Despite very high levels of investment, cash and cash equivalents increased from € 171.9 million to € 203.5 million due to a stable, high level of cash flow from operating activities and the above-mentioned financing and investment measures. Moreover, AT&S has current financial assets of € 8.7 million (previous year: € 87.8 million). Overall, AT&S thus has cash and current financial assets totalling € 212.2 million (previous year: € 259.7 million). This amount, which is currently still very high, serves to secure the financing of the new plant in Chongqing and the upgrade of the plant in Shanghai.

**AT&S PERFORMANCE SYSTEM** In addition to EBITDA, AT&S uses two other key figures for strategic corporate management: ROCE and IRR. They are used to describe and control operating performance vis-à-vis investors and customers. The key figure cash earnings, which was applied until the financial year 2015/16, was no longer used in the financial year 2016/17 due to high redundancy with ROCE.

AT&S uses return on capital employed (ROCE) to measure its operating performance from the point of view of investors, using the ratio of the result adjusted for finance costs – net and average capital employed. This illustrates the extent to which AT&S fulfils its investors' interest requirements. Average capital costs are derived from the minimum return investors expect for providing equity or borrowings. The weighted average cost of capital (WACC) for the printed circuit board industry is around 8.5%. With ROCE amounting to -0.6%, due to the expenditure for the Chongqing project and the related higher capital employed, AT&S was not able to achieve the WACC figure in the reporting year. Adjusted for the Chongqing project and one-off effects from the reversal of provisions for restructuring and the capitalisation of deferred taxes in AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, ROCE was 25.8% (previous year: 19.3%). The return on capital employed in the core business was thus significantly higher than the return expected by investors.

ROCE declined year-on-year due to the decrease in EBIT. Furthermore, as a result of the considerable investment activities in the Chongqing project, the average capital employed rose to € 876.4 million (previous year: € 783.5 million).

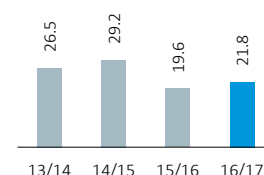


#### Return on capital employed (ROCE)

€ in millions	2016/17	2015/16	Change in %
Operating result (EBIT) before non-recurring items	6.7	77.0	(91.4%)
Income taxes	(12.1)	(12.9)	(6.4%)
<b>Operating result after tax (NOPAT)</b>	<b>(5.4)</b>	<b>64.1</b>	<b>(108.4%)</b>
Equity - average	554.5	586.7	(5.5%)
Net debt - average	321.9	196.9	63.5%
<b>Capital employed - average</b>	<b>876.4</b>	<b>783.5</b>	<b>11.9%</b>
<b>ROCE</b>	<b>(0.6%)</b>	<b>8.2%</b>	

The second performance indicator is related to the ability to implement innovations in a timely manner and in response to the market. AT&S measures this ability using the innovation revenue rate (IRR), which expresses the revenue share of products that feature new and innovative technologies and which were launched on the market in the last three years. For the financial year 2016/17, the IRR is 21.8%, after 19.6% in the previous year. AT&S aims to achieve an IRR of at least 20%. This target was achieved again in the financial year 2016/17.

Innovation Revenue Rate (IRR)  
in %



#### Innovation Revenue Rate (IRR)

€ in millions	2016/17	2015/16	Change in %
Main revenue	814.7	762.7	6.8%
Main revenue generated by innovative products	177.7	149.2	19.1%
<b>IRR</b>	<b>21.8%</b>	<b>19.6%</b>	

## 2. Significant events after the reporting period

Until 8 May 2017, no events or developments came to AT&S' attention that would have resulted in significant changes in the disclosure or measurement of the individual asset and liability items as at 31 March 2017.

### 3. Plants and branch offices

The AT&S Group currently operates six production plants, which specialise in different technologies.

#### Austria

**LEOBEN AND FEHRING** The Austrian plants primarily supply the European market and, increasingly, also the American market. In Europe, short lead times, special applications and customer proximity are particularly important. The plant in Leoben continued along the path of niche and prototype production started in recent years. Products for the future market of Advanced Packaging are also manufactured in Leoben. In the financial year 2016/17, unused space was used for further technological improvements at the site. The plant in Fehring recorded positive development in the reporting year. A stronger focus on specific applications and markets helped create synergies with other sites (Leoben and Nanjangud) and improve the product mix.

#### China

**SHANGHAI** The plant in Shanghai manufactures leading-edge HDI (high density interconnection) printed circuit boards in serial production for the Mobile Devices & Substrates segment for customers all over the world. Capacity utilisation was very good in the financial year 2016/17, and production continuously ran at the capacity limit for several months. In 2016/17, there was continued high demand for HDI printed circuit boards for the automotive industry, which were produced for the Automotive, Industrial, Medical segment. To secure the position as a technology leader, part of the plant was upgraded to the next technology generation, starting in the third quarter of 2016/17. The upgrade will be completed in mid-2017.

#### China

**CHONGQING** At this new plant in China, AT&S is setting another technological milestone with the production of IC substrates (integrated circuit substrates). Following the successful certification in February 2016, the financial year 2016/17 was characterised by the launch of serial production which, however, could not be implemented at the expected speed. The second production line was successfully installed and serial production was launched in December 2016. Due to the drastic changes in the semiconductor industry, with associated technology delays, the prices and product mix do not meet expectations. The establishment of the second plant is proceeding according to plan. The ramp-up of serial production on the first line was carried out as scheduled and has already generated revenue. The second line is currently being installed and series production is expected to start in mid-2017.

#### South Korea

**ANSAN** The very positive development of the site in Korea continued in the financial year 2016/17. In addition to the good capacity utilisation in the medical sector for European and American customers, substantial quantities were manufactured for the Mobile Devices & Substrates segment.

#### India

**NANJANGUD** This site benefited from continuous high capacity utilisation, operational improvements and a better product mix in the financial year 2016/17, which led to very good revenue and earnings development.

#### China

**HONG KONG** The Hong Kong-based company AT&S Asia Pacific is the holding company for the Mobile Devices & Substrates segment – hence, for the Chinese plants and the allocated sales companies – and the headquarters of Group-wide procurement for this segment. The proximity to the CEMs of the customers and to suppliers is a locational advantage which business partners highly appreciate.

#### Sales companies

The sales companies in America, Germany, Japan and Taiwan continued to ensure good and close contact with customers in the financial year 2016/17.

## 4. Business development by segments

The AT&S Group divides its operating activities into three segments: Mobile Devices & Substrates, Automotive, Industrial, Medical, and Others. The Mobile Devices & Substrates segment mainly comprises the applications of smartphones, tablets, notebooks, desktop PCs, servers and consumer products such as digital cameras. The Automotive, Industrial, Medical segment includes the industrial electronics, automotive, aviation & security, and medical & healthcare applications. The Others segment covers the activities of the Advanced Packaging business unit, which is in the development phase, as well as higher-level Group activities. As the Advanced Packaging business unit neither reaches the quantitative thresholds, nor are its opportunities and risks material to the Group as a whole, it is not presented as a segment of its own in segment reporting.

**MOBILE DEVICES & SUBSTRATES SEGMENT** The applications of the Mobile Devices & Substrates segment require technologically sophisticated printed circuit boards and permanent process and product innovations. The high global demand for mobile devices, e.g. smartphones, is the key growth driver. The growing 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 the HDI technology around the world. With a revenue share of 59.7% (previous year: 59.3%), the Mobile Devices & Substrates segment remains the largest segment of the AT&S Group.

### Mobile Devices & Substrates segment – overview

€ in millions (unless otherwise stated)

	2016/17	2015/16	Change in %
Segment revenue	573.0	539.7	6.2%
Revenue from external customers	486.5	452.5	7.5%
Operating result before depreciation and amortisation (EBITDA)	68.5	126.4	(45.8%)
EBITDA margin (%)	12.0%	23.4%	
EBITDA adjusted <sup>1)</sup>	135.7	139.6	(2.8%)
EBITDA margin adjusted <sup>1)</sup>	25.9%	26.0%	
Operating result (EBIT)	(39.0)	48.3	(180.9%)
EBIT margin (%)	(6.8%)	8.9%	
EBIT adjusted <sup>1)</sup>	71.7	73.3	(2.1%)
EBIT margin adjusted <sup>1)</sup>	13.7%	13.7%	
Additions to fixed assets	238.1	271.8	(12.4%)
Employees (incl. leased personnel), average (no.)	6,693	5,990	11.7%

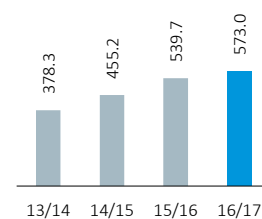
<sup>1)</sup> Adjusted for Chongqing project

At € 573.0 million, the segment's revenue exceeded the prior-year figure of € 539.7 million by € 33.3 million or 6.2%. The growth is primarily based on the first revenues generated with IC substrates and products from the second plant in Chongqing. Demand for high-end printed circuit boards for mobile devices was very good but, compared with the financial year 2015/16, it was characterised by higher seasonality in the first quarter. Furthermore, revenue was limited in the fourth quarter due to the partial upgrade of the plant in Shanghai.

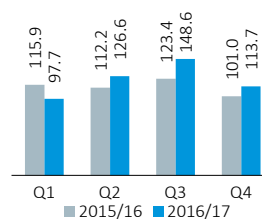
In terms of geography, a further increase in revenue with American customers was recorded. Demand from the Automotive, Industrial, Medical segment for high-grade HDI printed circuit boards was stable at a very high level.

The segment's EBITDA, at € 68.5 million, was € 57.9 million or -45.8% below the prior-year figure of € 126.4 million and was burdened by start-up costs for the new site in Chongqing. Higher price pressure both in the mobile devices segment and in the area of IC substrates, which was primarily caused by the changes in the semiconductor industry with the corresponding technology delays, also had a negative influence. In addition, the upgrade of parts of the Shanghai plant starting in December 2016 caused a reduction in capacity and consequently in earnings contributions in the highly profitable core business. Positive exchange rate effects and cost reductions largely compensated the price pressure. Adjusted for the start-up costs of the Chongqing plant, EBITDA, at € 135.7 million, was only € 3.9 million or 2.8% below the value of € 139.6 million in the financial year 2015/16.

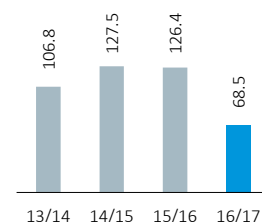
Mobile Devices & Substrates  
Development of revenue  
€ in millions



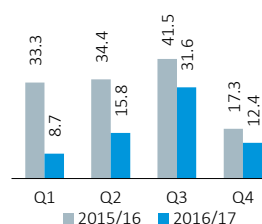
Mobile Devices & Substrates  
Revenue from external customers by quarters  
€ in millions



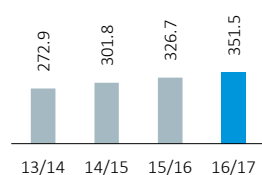
Mobile Devices & Substrates  
EBITDA Development  
€ in millions



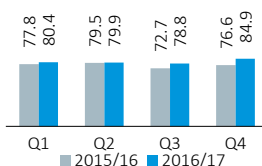
Mobile Devices & Substrates  
EBITDA by quarters  
€ in millions



Automotive, Industrial,  
Medical  
Development of revenue  
€ in millions



Automotive, Industrial,  
Medical  
Revenue from external  
customers by quarters  
€ in millions



The EBITDA margin of the Mobile Devices & Substrates segment, at 12.0%, was -11.4 percentage points lower than the prior-year value of 23.4%. Adjusted for the results of the new site in Chongqing, the EBITDA margin amounted to 25.9% compared with 26.0% in the previous year. AT&S thus managed to maintain its profitability in the core business despite the challenging market environment.

The operating result (EBIT) decreased by € 87.3 million to € -39.0 million (previous year: € 48.3 million). In addition to the start-up costs of the new plant in Chongqing, which affected EBITDA, depreciation and amortisation, at € 107.6 million, exceeded the prior-year value of € 78.2 million by € 29.4 million. The increase in depreciation and amortisation for the Chongqing site of € 40.6 million was partially reduced by exchange rate effects of € 6.3 million. The remaining difference of € 4.9 million results from the non-recurrence of the impairment on technologies no longer in use of € 3.1 million recorded in the financial year 2015/16 and slightly higher depreciation of € 1.7 million. Adjusted for the effects of the Chongqing plant, EBIT amounts to € 71.7 million and is thus only 2.1% below the prior-year figure of € 73.3 million.

The EBIT margin decreased by -15.7 percentage points to -6.8% (previous year: 8.9%) due to the decline in EBIT and the increase in revenue. Adjusted for the effects of the Chongqing plant, the EBIT margin was stable at 13.7% (previous year: 13.7%).

Additions to assets dropped by € 33.7 million or -12.4% to € 238.1 million (previous year: € 271.8 million). Apart from additions of € 74.9 million related to ongoing expansion and replacement investments as well as investments in technology upgrades at the Shanghai plant, non-current assets at the new site in Chongqing increased by € 163.1 million. The second IC substrate line was successfully installed and the ramp-up of serial production was started. The first line in the second plant was successfully installed and started operations according to plan in the middle of the financial year 2016/17. The second is currently being installed and should generate initial revenues in mid-2017.

**AUTOMOTIVE, INDUSTRIAL, MEDICAL SEGMENT** With revenue growth of € 24.8 million to € 351.5 million (previous year: € 326.7 million), the Automotive, Industrial, Medical segment saw a significant increase of 7.6%. The positive development was recorded in all business sectors and reflects the successful strategy as a high-end supplier. While the Automotive and Industrial sectors benefited from higher revenue due to the product mix, the Medical sector grew in both qualitative and quantitative terms. In addition, revenue from customers of the Mobile Devices & Substrates segment was increased.

Regarding the development of the Leoben, Fehring, Ansan and Nanjangud sites, which are allocated to the Automotive, Industrial, Medical segment, refer to Section 3 in the Group Management Report.

#### Automotive, Industrial, Medical segment – overview

€ in millions (unless otherwise stated)

	2016/17	2015/16	Change in %
Segment revenue	351.5	326.7	7.6%
Revenue from external customers	324.1	306.5	5.7%
Operating result before depreciation and amortisation (EBITDA)	51.5	30.1	71.1%
EBITDA margin (%)	14.6%	9.2%	
EBITDA adjusted <sup>1)</sup>	48.1	29.7	61.8%
EBITDA margin adjusted <sup>1)</sup>	14.0%	9.2%	
Operating result (EBIT)	36.2	19.2	88.1%
EBIT margin (%)	10.3%	5.9%	
EBIT adjusted <sup>1)</sup>	37.8	20.5	84.2%
EBIT margin adjusted <sup>1)</sup>	11.0%	6.4%	
Additions to fixed assets	19.0	29.4	(35.4%)
Employees (incl. leased personnel), average (no.)	2,678	2,616	2.3%

<sup>1)</sup> Adjusted for Chongqing project and reversal of provision for restructuring

This highly satisfactory revenue development is also reflected in EBITDA, which rose by € 21.4 million or 71.1% to € 51.5 million (previous year: € 30.1 million). In addition to operational improvements, this substantial increase also resulted from the reversal of provisions for restructuring at the Hinterberg site amounting to € 7.2 million and the adjustment of variable remuneration to the expected target achievement level. Adjusted for the proportional start-up costs of the Chongqing project and income from the reversal of the provision for restructuring, EBITDA amounts to € 48.1 million, exceeding the adjusted figure of the previous year by € 18.3 million.

The EBITDA margin increased by 5.4 percentage points to 14.6% (previous year: 9.2%). Adjusted for the two above-mentioned effects, the margin rose to 14.0% (previous year: 9.2%).

The operating result (EBIT) increased by € 17.0 million or 88.1% to € 36.2 million (previous year: € 19.2 million). The increase in EBIT is lower than the increase in EBITDA because depreciation and amortisation in the segment was € 4.4 million higher. This increase in depreciation and amortisation reflects the continuous technological development of the segment's sites. Adjusted for one-off effects, EBIT rose to € 37.8 million (previous year: € 20.5 million).

The EBIT margin of the Automotive, Industrial, Medical segment, at 10.3%, clearly exceeded the comparative value of 5.9% in the previous year. The adjusted EBIT margin improved to 11.0% (previous year: 6.4%).

Additions to assets decreased by € 10.4 million to € 19.0 million (previous year: € 29.4 million). These additions were related to ongoing investments in expansion, replacements and technology upgrades at all sites, with a focus on the Leoben site.

**OTHERS SEGMENT** Along with general holding activities, the Others segment also comprises the Advanced Packaging business unit, which is currently in the development phase. This business unit deals with embedding active and passive electronic components into printed circuit boards using the ECP® technology, which has been patented by AT&S. The objective is to further miniaturise printed circuit boards while at the same time improving heat distribution, electrical performance and service life.

The business unit recorded a decline in revenue in the financial year 2016/17. The business, which is in the process of being established, is currently still strongly project-related, resulting in the currently more volatile revenue developments. In line with the development of revenue, the EBITDA and EBIT of the Advanced Packaging business unit also decreased. Due to its small size, the business unit is still not reported as a standalone segment.

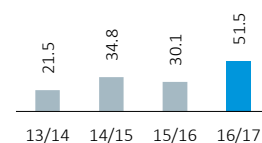
The costs of the general holding activities included in the Others segment were significantly lower than in the previous year due to cost reduction measures and the adjustment of variable remuneration to the expected level of target achievement.

#### Others segment – overview

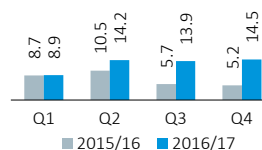
€ in millions (unless otherwise stated)

	2016/17	2015/16	Change in %
Segment revenue	15.2	22.1	(31.5%)
Revenue from external customers	4.3	3.9	9.8%
Operating result before depreciation and amortisation (EBITDA)	10.9	10.9	0.6%
EBITDA margin (%)	72.2%	49.2%	
Operating result (EBIT)	9.5	9.4	1.2%
EBIT margin (%)	62.7%	42.4%	
Additions to fixed assets	1.1	1.9	(39.0%)
Employees (incl. leased personnel), average (no.)	155	153	1.5%

Automotive, Industrial, Medical  
EBITDA development  
€ in millions



Automotive, Industrial, Medical  
EBITDA by quarters  
€ in millions



# 5. Group

## 5.1. Employees

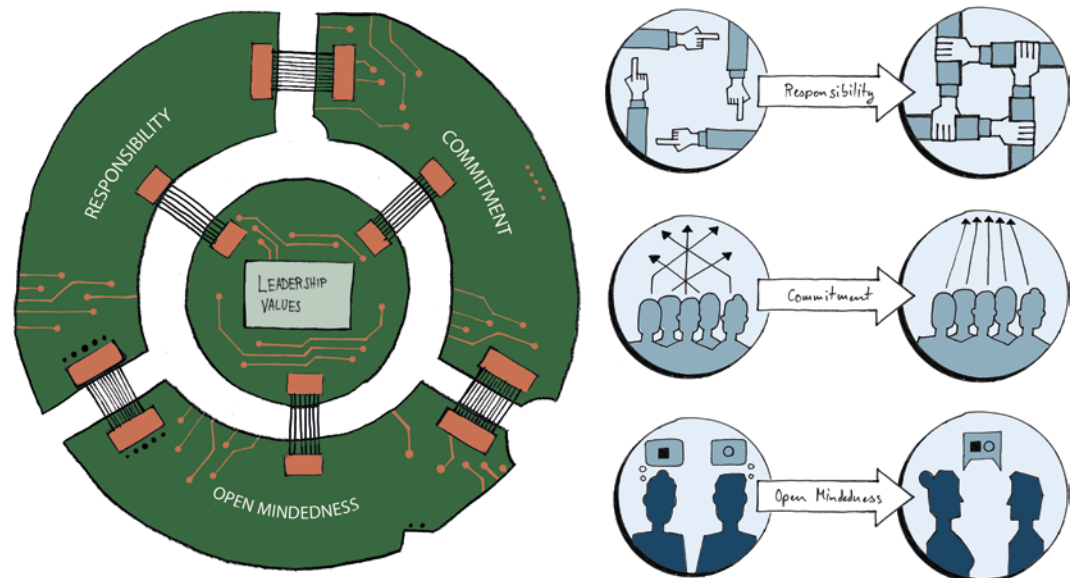
Our employees' job satisfaction and company loyalty are central elements when it comes to accomplishing the AT&S vision and mission and, consequently, sustainable company success. Development opportunities and open communication, above all with line managers, have a positive effect on these factors. Therefore, AT&S again focused on promoting a feedback culture and dialogue as well as training and development measures ranging from the Leadership Initiative and the Lean Six Sigma project iPOK to the International Talent Program in the past financial year. Because we need the motivation and commitment, the comprehensive knowledge as well as the openness, flexibility and creativity of our employees to enable us to successfully meet the special challenges of our industry.

**HUMAN RESOURCES FACTS AND FIGURES** In the financial year 2016/17, AT&S employed an average of 9,526 full-time equivalents, including temporary employees. This corresponds to 767 more full-time equivalents than in the previous financial year. This increase is primarily attributable to the hiring of staff for the plants in Chongqing.

Average number of full time equivalents (incl. leased personnel)

	2016/17	2015/16	Change
Mobile Devices & Substrates segment	6,693	5,990	703
Automotive, Industrial, Medical segment	2,678	2,616	62
Others	155	153	2
<b>Total Group</b>	<b>9,526</b>	<b>8,759</b>	<b>767</b>

**LEADERSHIP INITIATIVE** Jointly defined values enable effective leadership and a common approach. The AT&S leadership model was developed in collaboration with first level managers. At the same time, there was a general consensus that the primary focus is on strengthening the feedback culture and open dialogue.



After the pilot project in the financial year 2015/16, in which the first management level completed modules with a focus on communication and feedback culture, the initiative was extended to the next management level in the past financial year. Roughly 130 managers worldwide completed the modules of the Leadership Initiative in the past financial year. The feedback was positive throughout and further measures are currently being planned for the financial year 2017/18.

**SUPPORT AND CHALLENGE** Systematically supporting and challenging employees is a central element of effective leadership. Therefore, the annual appraisal interview has been revised in line with the



Leadership Initiative. The redesign of the staff appraisal meeting was defined jointly with managers and employees from different sites worldwide. The heads of the business units and the group functions were closely involved in the form of a steering committee.

This new design also aims at strengthening the communication and feedback culture within the organisation and at offering growth and development opportunities, thus increasing employee engagement and retention. Moreover, the appraisal interview serves to derive individual goals from company goals in order to ensure that our vision, mission and objectives are not only understood but also implemented. Bonus systems will offer additional incentives. The appraisal and development interviews will be held separately and at different times, with the aim of placing a stronger focus on growth and development potential. In addition, the development interview will offer an opportunity to compare the self-image and external image and to reflect on the differences in an open dialogue.

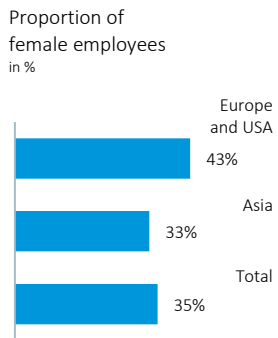
In the past financial year, our employees once again had the opportunity to attend specific training and development programmes in the framework of individual, site-specific training catalogues and in consultation with their managers. The wide variety ranges from training focusing on technology and quality-relevant topics to IT topics, project management, creativity techniques to intercultural training, language courses, soft skills, leadership and sustainability. Moreover, as part of the onboarding process, we offer basic training in order to give new AT&S employees an overview of the market, our products, structures and procedures at AT&S and to familiarise them with the values of the company.

**LEAN SIX SIGMA** The combination of Lean Management and Six Sigma is a method for the systematic improvement of processes. While Lean Management focuses on minimising non-value adding processes (efficiency), Six Sigma concentrates on the continuous reduction of errors (effectiveness).

The iPOK (Implementation of Practice Orientated Knowledge) initiative contributes to implementing the AT&S vision and mission through efficiency and effectiveness enhancements as well as the internal training structure and the related knowledge and information transfer between employees, departments and plants. The training consists of a theoretical and a practical part in order to establish the theoretical knowledge in the organisation in the long term. Since the project started, our employees completed 77 “Black Belt” und 133 “Green Belt” training courses or were still undergoing training at the end of the financial year. 160 Lean Six Sigma projects were launched in the scope of these certifications and training courses.

AT&S offers comprehensive apprentice training for the specialists of tomorrow, especially in the areas of mechatronics, laboratory technology, physics laboratory, process technology, mechanical engineering and metal technology, but also in the administrative area. At the end of the financial year, AT&S employed 33 apprentices in Austria and one in Germany, of whom 15 apprentices started their training with AT&S in the past financial year. Our objective is to get young people of different educational levels excited about professions in the areas of technology, economics and IT at AT&S – either by offering introduction courses and summer internships, or at job and career fairs. By the end of the financial year 2016/17, 11 young university graduates completed our “International Talent Program”; another two will complete their training at our Austrian sites within the financial year 2017/18. This training in eight modules is carried out over a period of 12 to 18 months and prepares colleagues for their tasks at our sites in China and India. At present, we are hiring more international talents, primarily for the plants in Shanghai and Chongqing. The huge international interest in this programme was reflected by around 1,700 applications from more than 60 countries.

In the past financial year, roughly € 977 thousand were invested in external training and continuing education. With a reduction of € 949 thousand compared to the previous year, the expenditure on external training again approached the level of the financial year 2014/15, when the expenditure on training was € 870 thousand. The financial year 2015/16 was a particularly intensive year due to the significant increase in the number of employees in Chongqing, the start of the global leadership initiative and the iPOK Lean Six Sigma programme. In the financial year 2016/17, the majority of the training courses were executed by internal trainers based on the acquired know-how, thus enabling a clear reduction of the costs for external trainings.



**PROMOTING DIVERSITY** Diversity and the contribution of different views provide added value for any team and any organisation. Especially since AT&S is a globally operating company, there is no place for any form of discrimination at the company. AT&S attaches great importance to equal opportunities, regardless of age, gender, background, sexual orientation, ethnic origin, disability, religious or political beliefs. This is also reflected in a declaration as part of the AT&S Code of Business Ethics and Conduct to which all employees have committed. As of the coming financial year, misconduct can be reported anonymously via a whistleblowing platform.

At the end of the financial year, the proportion of female employees across all AT&S sites was 35%. The female proportion in Europe and the USA of 43%, is still significantly higher than in Asia, where the proportion of women within AT&S is 33%. Women account for 11% of the employees reporting directly to the Management Board of the AT&S Group.

Diversity at AT&S is also measured by the fact that AT&S, as an international company, employs people from 46 nations. Very important for the exchange of know-how is the intensive collaboration between young and experienced employees. The average age at AT&S as at 31 March 2017 is 31 years. This is primarily a result of the large number of young employees in China, where the average age is 30. In Europe and the USA, the average age is 39 years. The average term of service throughout the Group also shows significant regional differences. While the average term of service in Europe and the USA is 11.9 years, it only amounts to 4.5 years in Asia. Based on the high number of employees in Asia and particularly on the strong increase in Chongqing, the average term of service throughout the Group is therefore 5.7 years.

**CODE OF BUSINESS ETHICS AND CONDUCT** AT&S is part of the Electronic Industry Citizenship Coalition (EICC). Thus, we commit to complying with a standard with respect to work, ethics, the environment and occupational health and safety, and extend this responsibility to our suppliers. The AT&S Code of Business Ethics and Conduct is continuously adapted to the requirements of the EICC. In the past financial year, for example, liaisons to be contacted in case of special needs regarding the exercise of religion were added to the Code. Further details of the sustainability activities can be found in the section “Sustainability” and in the current Sustainability Report.

**REMUNERATION SYSTEMS** In addition to remuneration in line with the market, AT&S also offers the opportunity to participate in the company’s financial success. This is another key factor for the commitment, hiring and retention of employees. In accordance with the global AT&S bonus system, individual or collectively agreed bonus payments are distributed provided that defined minimum key figures have been achieved. The prerequisite for participation is a positive EBIT for the Group as a whole. In addition, the bonus payment is based on the achievement of budget targets of the respective area of responsibility. Where individual bonus payments have been agreed, the bonus payment may vary additionally based on individual performance.

The calculation model for bonus payments has changed compared with the previous year and defines the ROCE and Innovation Revenue Rate and the individual performance of an employee as key indicators. Details regarding the calculation of ROCE and Innovation Revenue Rate can be found in the glossary as well as in the section “Financial Position”. The bonus system also ensures that bonus payments are partially or fully suspended in economically difficult situations, in which the targets set are not met.

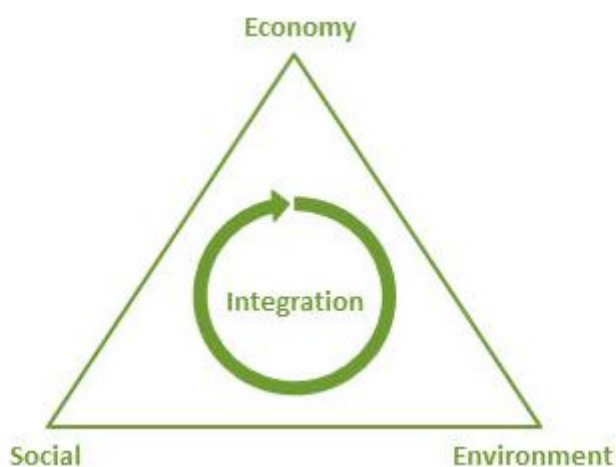
**OUTLOOK** Continuous personnel development in line with technological developments and the changing working environment is essential for our business success and will consequently also be the basis of personnel work in the coming year. In addition to that, the Leadership Initiative, the iPOK project and the International Talent Program will continue to be focus areas within AT&S in the financial year 2017/18. Furthermore, our intention is to increase transparency regarding training and career paths even further, thus enhancing perspectives for our employees.

## 5.2. Sustainability

Climate change and increasingly scarce resources are challenges of our time. Thinking and acting responsibly and sustainably through generations is an integral part of the AT&S vision and mission and thus of the corporate strategy.

- We reduce our ecological footprint
- We care about people
- We create value

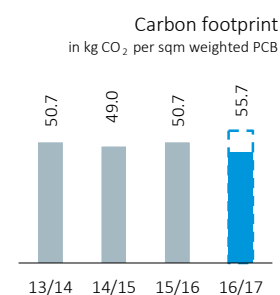
A holistic approach that considers the interests of all stakeholders and all three dimensions – ecology, social matters, economy – equally, enables sustainable operations.



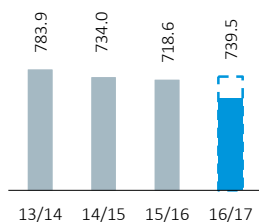
**WE REDUCE OUR ECOLOGICAL FOOTPRINT** And we do so by taking a variety of measures worldwide in the areas of energy efficiency, water and resources. We set ambitious targets for ourselves again in the past financial year in order to continuously reduce the CO<sub>2</sub> footprint and freshwater consumption by 5% and 3% per year, respectively. Accordingly, AT&S attaches great importance to efficiency projects, which are implemented in AT&S-specific Lean Six Sigma projects (iPOK) and in ongoing energy efficiency programmes.

In the financial year 2015/16, energy efficiency analyses were conducted for the Austrian sites, which identified saving potential of roughly 10 GWh/a. In the past financial year, nearly 5 GWh/a were actually realised as a result of the measures implemented. Based on the same model, comparable analyses were performed at our sites in India and China in the financial year 2016/17. The saving potential identified at our site in India amounts to 9 GWh/a. In Shanghai, potential energy savings of up to 36 GWh/a are possible according to initial estimates. The feasibility of possible measures is currently being reviewed. The initiatives of the past financial year are important milestones on our way to globally improving our energy efficiency. The target for the financial year 2017/18 is to implement measures that are economically reasonable.

Energy efficiency is directly related to CO<sub>2</sub> emissions. In the financial year 2016/17, CO<sub>2</sub> emissions per square metre of printed circuit board were reduced from 50.7 kg to 46.4 kg, which corresponds to a decrease of 8.5%. However, the establishment and the qualification of the plants in Chongqing caused an increase in the amount of energy required per square metre of printed circuit board produced. Overall, this resulted in an increase in CO<sub>2</sub> emissions to 55.7 kg/sqm. In addition, climate changes – in particular the extremely hot temperatures during the summer months – represent a growing challenge that is difficult to estimate.



Freshwater consumption  
in litres per sqm weighted PCB



Freshwater is an essential commodity for the production of printed circuit boards. Therefore, we constantly work on improving our measuring systems and have set the ambitious goal of reducing the amount of freshwater consumed by 3% each year. The effects of the establishment and qualification of the plants in Chongqing are also reflected in the consumption of freshwater. While freshwater consumption was reduced in our core business, total consumption rose slightly to 739.5 l/sqm.

Apart from electricity and water, the manufacture of our products also requires commodities and other materials. In our core business, the share of material costs in relation to the operating performance declined slightly in the previous year. Including the establishment and qualification of the substrate technology, material costs in relation to the operating performance increased. The following table provides an overview of the purchase of significant materials.

#### Purchase of significant materials

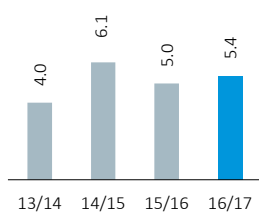
	Unit	2016/17 <sup>1)</sup>	2015/16	2014/15
Gold	kg	554 (495)	593	596
Copper	t	3.766 (3.576)	3,362	3,550
Laminate	million sqm	14,9 (14,2)	13.5	13.4
Chemicals	thsnd. t	119,2 (101,2)	96.2	92.9

<sup>1)</sup> The figures in parentheses refer to the purchase of significant materials, excluding Chongqing

Miniaturisation trends and the related increasing complexity of our products also mean higher resource consumption in most cases – this applies to both energy and water as well as to other materials. The currently defined key indicators do not reflect this increasing complexity as the reference figure sqm printed circuit board does not reflect this. Therefore, we are working on a new definition of our key figures for the financial year 2017/18.

**WE CARE ABOUT PEOPLE** Our employees are one of our main stakeholder groups. Accordingly, the topics of occupational health and safety are central topics of our sustainability strategy. This is also reflected in the fact that all our plants worldwide are certified according to OHSAS 18001. Consequently, we try to create an environment in which it is a matter of course that occupational accidents are reported. Because we can only work effectively on improving occupational safety if we know the type, frequency, extent and causes of occupational accidents. Despite extensive safety measures, occupational accidents cannot yet be avoided completely. In the financial year 2016/17, the working hours lost per million working hours with absences exceeding one day rose slightly to 5.4.

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



Other key factors for sustainable company success are job satisfaction and company loyalty. Perspectives and development possibilities have a positive impact on these factors. Therefore, AT&S focused on training and development measures in the past financial year. Not only our employees, but also the quality of our technologies and products, the relationship with our customers and, ultimately, the entire company benefit from these measures. Details on the training and continuing education measures can be found in section 5.1 “Employees”.

**WE CREATE VALUE** that goes beyond a solely economic perspective. Sustainable management at AT&S is, among other things, reflected in European standards at all sites in the areas of quality, safety, environment and energy – despite massive competition and continuous price pressure.

Type Location	ISO 9001 Quality	ISO/TS 16949 Quality Automotive	AS/EN 9100 Quality Aviation	DS/EN 13485 Quality Medical	ISO 50001 Energy	OHSAS 18001 Occupational Safety	ISO 14001 Environment
<b>LEOBEN</b>	x	x	x	x	x	x	x
<b>FEHRING</b>	x	x		x	x	x	x
<b>NANJANGUD</b>	x	x			x*	x	x
<b>ANSAN</b>	x	x				x	x
<b>SHANGHAI</b>	x	x				x	x
<b>CHONGQING</b>	x					x	x

\*In the process of certification at the end of the financial year

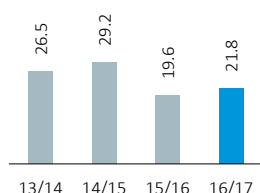
Our clear commitment to being a good corporate citizen also becomes tangible through our compliance and anti-corruption guidelines as well as our Code of Business Ethics and Conduct. Our employees commit to compliance with the code of conduct by means of their signature. As of the financial year 2017/18, violations can be reported via an anonymous whistleblowing platform. In line with the EICC (Electronic Industry Citizenship Coalition), the code focuses on management topics such as compliance, correct accounting as well as equal treatment and non-discrimination, training and continuing education, ethics, occupational safety, health and environmental protection.

Moreover, we also require our suppliers to act responsibly, which they confirm in a declaration on business ethics, a questionnaire for self-evaluation and audits. In addition, it has been established in a guideline that AT&S rules out manufacturing products to support active weapon systems and systems carrying weapons.

Sustainability is a key factor for the successful future of AT&S. For specific targets and details on the measures as well as other AT&S activities of social relevance please refer to the Sustainability Report 2016/17.

## 5.3. Research and development

Innovation Revenue Rate (IRR)  
in %



### HIGHLIGHTS IN THE FINANCIAL YEAR 2016/17

- 21.8% of AT&S's total revenue is generated by products which have been on the market for less than three years
- Introduction of mSAP technology – the next technology cycle for printed circuit boards for smartphones
- Development project EmPower completed – basis for new systems in power electronics created

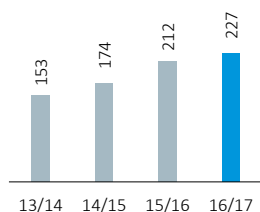
AT&S pursues the goal of continuously expanding its position as a technology leader in order to create a distinguishing feature that differentiates AT&S from competitors and to provide the basis for long-term profitable growth. In an ever changing and extremely dynamic environment, we meet these challenges with a technology roadmap designed for the long term. We derive our R&D focus topics and projects from this roadmap and measure our success using the target figure "Innovation Revenue Rate", which defines the revenue generated with innovative products that were launched on the market in the last three years. AT&S recorded an Innovation Revenue Rate of 21.8% in the financial year 2016/17. This represents an outperformance compared with the target figure of 20%. The massive change in the electronics industry based on the slowdown of the development speed in processor technology continued in the financial year 2016/17 (Moore's Law, which states that the complexity of integrated circuits always doubles within 12 to 24 months, is no longer valid). This opens up completely new opportunities for the packaging, substrate and printed circuit board industry. Many new functions and properties can be produced with considerably less development effort than would be necessary for the realisation on chips. The further development in our business segments will thus have an enormous impact on the entire electronics industry in the years to come. Therefore, the R&D focus areas of AT&S were again aligned to the technological trends in the entire electronics industry in the financial year 2016/17.

### UNCHANGED R&D FOCUS AREAS IN THE PAST FINANCIAL YEAR

- **Flexibility/design:** integration of electronics in very small spaces and interconnection of electronic modules
- **Miniaturisation/weight reduction:** devices are getting smaller, lighter and more powerful – electronics needs to create the foundation
- **Modularisation/packages:** new, highly integrated modules to achieve the tightest packing density and highest performance in a simplified value creation chain
- **High speed/high frequencies:** contactless communication of people and devices with large data volumes and radar applications for self-driving cars and work equipment
- **Power electronics/high currents:** energy-efficient mobility leads to electrification of mobility – mechanical solutions are replaced by energy-saving electronic solutions
- **Production processes/business models:** use of data to optimise and improve production processes, integration of new and additional steps into the value chain and economical use of resources in production

The costs of research and development projects totalled € 62.8 million in the financial year 2016/17. This corresponds to a research rate (i.e., ratio to revenue) of 7.7% compared with 12.5% in the previous year. The figure for the financial year 2015/16 (€ 95.5 million) was marked by the high development costs of the IC substrate business. By means of this consistently high research rate, we will also secure our position as a technology leader in the years to come.

Number of patents granted



Our innovative power and long-term competitiveness is also reflected in the number and quality of patents. Worldwide, AT&S submitted 34 new applications for patents in the financial year 2016/17. AT&S currently has 196 patent families, which result in 227 granted patents. The IP portfolio also comprises externally acquired licenses, especially in the area of the embedding technology.

AT&S ensures efficiency in development by cooperating closely with customers, suppliers and research institutions. Internally, we pursue a two-step innovation process. In the research institutions at Leoben-Hinterberg, the developments in the areas of materials, processes and applications are carried out to the point where basic technological feasibility has been reached. This field of activity thus comprises applied research and technology evaluation. Subsequently, it is the task of the local technology development and implementation departments at the AT&S sites to continue the experimental development of processes and products and to integrate them into the existing production process.

**RESEARCH AND DEVELOPMENT PROJECT HIGHLIGHTS** In the area of high density interconnects (HDI), i.e. printed circuit boards from our core business of the past years, we continued the development work for the next generation of printed circuit boards. Here, a technology leap in the structuring technology is currently being prepared. Instead of the subtractive structuring method (copper is removed from non-conductive areas), the next technology generation will use the so-called modified semi-additive technology (copper is plated onto a thin copper foil in those areas which should be conductive). With this technology, which is very similar to the structuring technology in substrates, the structures on the printed circuit board can be made even smaller. Another advantage: less copper is required for production.

A European project on power electronics in the automotive industry (project name: EmPower), in which AT&S was responsible for the technical coordination, was completed. Together with six partners from different positions in the value chain – Continental (D), STMicroelectronics (F, I), ATOTECH (D), ILFA (D), TU Berlin (D) and TU Wien (A) – AT&S developed new technological solutions for the production of miniaturised and thus lower-weight modules for electric vehicles. Based on these technological principles, products can now be produced for mass application in bilateral projects.

Details EmPower: Embedded power components for electric vehicle application

Duration: May 2013 – February 2017  
Project coordinator: AT&S  
Total budget for the project: € 5.6 million

In the area of high-frequency technology, also for the automotive industry, AT&S worked on the further development of solutions for radar applications. The objective is to offer printed circuit board solutions, especially for 77 GHz radar sensor systems, which meet the demanding requirements and can be produced in the large quantities demanded in this massively growing market. The main technological hurdles have been overcome. This technology is currently being industrialised as a leading-edge technology at the Fehring plant. These activities are supported by a cooperation with the Graz University of Technology.

# 6. Risk and opportunities management

**PRINCIPLES, STRUCTURES AND PROCESSES** Risk and opportunities management is a fundamental part of conducting business within the AT&S Group. The objective 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, and in accordance with the Austrian Code of Corporate Governance (ÖCGK), AT&S operates a Group-wide Risk Management (RM) system, an Internal Control System (ICS) in accordance with COSO standards, as well as Internal Audit based on the IIA standard.

From an organisational perspective, the Risk Management, Internal Control System and Internal Audit functions come within the responsibility of the CFO. The Internal Auditor and Group Risk Manager report to the full Management Board as part of a monthly Management Board meeting. The Supervisory Board is included within the framework of the Audit Committee meeting, which takes place at least twice a year. The proper functioning of the risk management system is assessed once a year by the external auditor in the course of the annual audit of financial statements pursuant to Rule 83 ÖCGK.

The risk management process shown in Figure 1 is conducted at least twice a year. Risk management is conducted based on the risk strategy and risk appetite at the hierarchy level assigned to the relevant level of risk (see Figure 2).

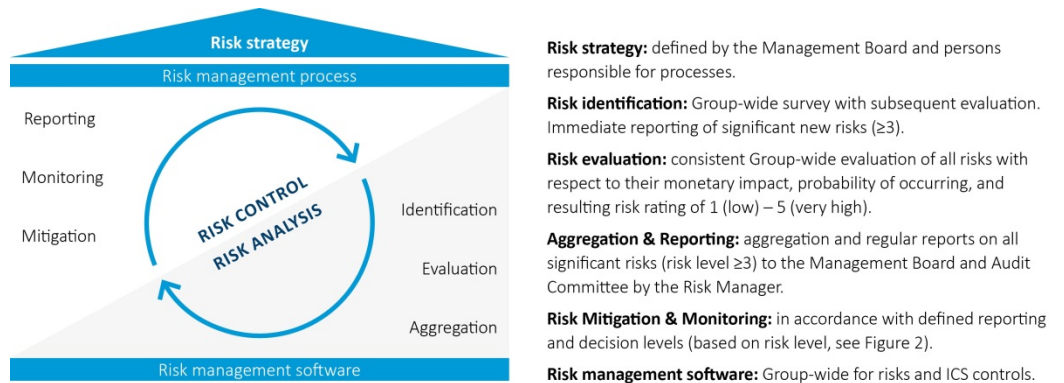
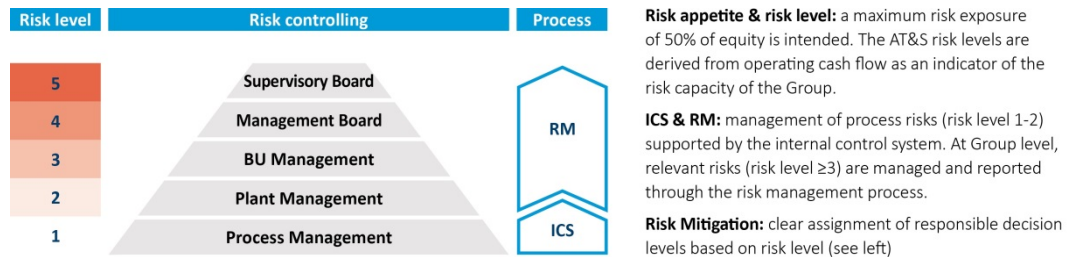


Figure 1: AT&S Risk Management Process



RM: Risk Management; ICS: Internal Control System; BU: Business Unit

Figure 2: AT&S Risk Levels and Risk Management

**RISK MANAGEMENT IN 2016/17** The establishment of a Governance, Risk & Compliance Committees (“GRC Committee”) and the identification and mitigation of potentially relevant compliance and governance risks within the framework of the committee were among the focus areas in the financial year 2016/17. The AT&S Compliance Officer is the Chairman of the GRC Committee, the Internal Auditor and Group Risk Manager acts as his Deputy. Several senior management members of the Group were appointed as members of the committee.

The purpose of the GRC Committee is to support the Management Board of AT&S in overseeing compliance with legal and regulatory requirements in the AT&S Group and in the associated risk management in order to better understand the nature of risks and potential risks and to ensure that the management of the AT&S Group identifies and controls key legal, compliance and enterprise risks.



In addition to the ongoing continuous improvement measures of the Internal Control System (ICS), the ICS Assurance process was restructured in the financial year 2016/17 and assurance of ICS compliance was reinforced by involving the process owners to a greater extent. Moreover, at the end of the financial year 2016/17, the implementation of the process and documentation of the entire risk management process was carried out via the risk management software developed by AT&S.

**OPERATIONAL RISK MANAGEMENT** The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments in the printed circuit board and substrate market and the Group's own operating performance. An overview of the AT&S risk categories, significant individual risks, risk mitigation measures and the expected trend is shown in Figure 3 and explained in further detail below.

Risk category	Significant risks & opportunities	Trend	Risk mitigation & opportunity realisation
<b>STRATEGY</b>	Sales price development Capacity utilisation Technology development Investments	↗	<ul style="list-style-type: none"> <li>Consistent focus on high-end technologies and target applications</li> <li>Customer proximity and early customer contact</li> <li>Technology development projects and technology roadmap</li> <li>Cost reduction, efficiency increase, strategy review and adaptation</li> </ul>
<b>MARKET</b>	Market and segment development Development of key customers Sales strategy and implementation	↗	<ul style="list-style-type: none"> <li>Balanced segment portfolios and diversification of the customer portfolio</li> <li>New customer acquisition and share increases with existing customers</li> <li>Consistent acquisition of defined target applications</li> </ul>
<b>PROCUREMENT</b>	Development of procurement prices Single-source risk Security of supply	↗	<ul style="list-style-type: none"> <li>Procurement strategy (negotiation, allocation, technical changes)</li> <li>Single-source strategy, supplier risk evaluation and multi-sourcing</li> <li>Supply chain optimisation and regional diversification</li> </ul>
<b>BUSINESS ENVIRONMENT</b>	Catastrophe, fire Political risk	→	<ul style="list-style-type: none"> <li>Internal &amp; external audits, emergency practice</li> <li>Business continuity management, insurance</li> </ul>
<b>OPERATIONS</b>	Quality performance Intellectual property Technical project management Operating costs	↗	<ul style="list-style-type: none"> <li>Black Belt programme, continuous quality improvement measures</li> <li>Continuous expansion and protection of the IP portfolio</li> <li>Rigorous technical project management</li> <li>Cost reduction and efficiency enhancement programmes at all sites</li> </ul>
<b>ORGANISATION</b>	Loss of key personnel	→	<ul style="list-style-type: none"> <li>Employee retention, deputy regulation and succession planning</li> </ul>
<b>FINANCE</b>	Foreign exchange risk Financing & liquidity Tax risk Impairment	↗	<ul style="list-style-type: none"> <li>Natural FX hedging through long-term cash flow planning</li> <li>Long-term planning for financing and liquidity, interest swaps</li> <li>Continuous monitoring of compliance with tax laws</li> <li>Project controlling, impairment tests, strategy review and adaptation</li> </ul>

IP: Intellectual Property; FX: Foreign Exchange; CF: Cash Flow

Figure 3: AT&S Risk Categories, Significant individual Risks, Risk Trends and Risk Mitigation Measures

**INVESTMENTS** In order to make the most of growth potential and remain competitive, AT&S undertakes substantial investments in new forms of technology (IC substrates) as well as in the further development and capacity expansion of existing technologies (SLP, mSAP).

Strategy

Incorrect assessments of technological developments, changes in demand, and negative price developments or problems in the technical implementation may have severe adverse effects on the intrinsic value of investments. These effects could relate, in particular, to the substrate business, building capacity for the mSAP technology in Shanghai and Chongqing and generally all current AT&S business activities. If there are any indications of such adverse effects, impairment tests of these investments are performed as required, which may lead to high impairment requirements.

**COMPETITION** The clear focus on the high-tech segment coupled with the highest quality standards and consistent cost controls meant that AT&S was able to achieve a competitive advantage over a majority of its competitors in the HDI (high-density interconnect) technology segment. This focus has so far enabled AT&S to successfully withstand the effects of intense competition, overcapacity in the market, and persistent 'commodification' (with a corresponding margin reduction). Complementing this was the successful transfer of HDI technology from smartphone applications and other mobile devices to further applications, such as those in the automotive industry. The technology upgrade of part of the HDI lines to the mSAP technology, which is currently being implemented, reflects the consistent pursuit of the AT&S strategy and includes the opportunity to extend the competitive advantages of HDI to the next technology generation. However, the implementation also involves related risks.

The opportunities related to Austrian plants of AT&S are based on high flexibility, high quality standards and the ability to react very quickly to changing specifications and technologies. These capabilities are absolutely imperative for prevailing in the competitive environment, especially in the industrial segment, which is characterised by diverse technological requirements among a large number of customers. To ensure our competitive edge, new forms of technology and projects are constantly pushed forward in close cooperation with our customers.

New technological developments, longer product cycles and excess capacity in the market confront AT&S with great challenges in the IC substrate segment due to the resulting price pressure. The successful realisation of the planned cost reduction and the development of more profitable products are essential for this segment.

Advanced Packaging, a technology which was introduced to the market under the ECP® brand name, also offers considerable potential in itself; however, the successful industrialisation of this technology must be further driven forward.

Competitor risks arise due to potential quality improvements and technological developments in countries with low production costs. This could mean that AT&S sites, especially in Austria and possibly also at other manufacturing locations like those in China, might become less competitive.

#### Market

**KEY CUSTOMERS** With the help of advanced production technologies and high quality standards, the AT&S Group has managed – largely due to its capacities in Asia – to establish itself as a reliable provider to some of the world's most renowned players in the electronics industry. The revenue generated with the five largest among these customers accounts for 57% of total revenue. Our long-term relationships with these customers also offer excellent opportunities for the future. However, concentration of this kind also poses risks in the event that there is a significant reduction in business volume or profitability from these customers. This is particularly critical in the IC substrate segment, where the entire business is currently concentrated on one customer. Therefore, the ongoing expansion of AT&S's competitiveness and the continued broadening of its customer base and development of new product segments are of enormous significance to our ability to quickly compensate negative developments with individual key customers.

**MARKET PERFORMANCE** A difficult market environment in the financial year 2017/18 could have an adverse effect on the Group's results. However, an upward trend in the economy could also lead to increased business opportunities. The diversified positioning throughout Mobile Devices & Substrates as well as the automotive, industrial and medical product segments provides some mitigation of market risks resulting from their different production cycles.

#### Procurement

**PROCUREMENT PRICES** Price fluctuations in energy and raw materials (gold, copper and laminates) can have both a positive as well as a negative impact on achievable margins in the short term. After several years of predominantly positive effects, there are indications of cost increases and thus negative tendencies in certain materials (copper, laminates) for the financial year 2017/18, which can only be mitigated in part, even with targeted implementation of the procurement strategy.

**SOURCING** The sourcing strategy of AT&S focuses on a wide and clearly diversified base of carefully selected suppliers in order to reduce dependencies on individual suppliers. The Group enjoys long-standing and stable customer-supplier relations with its key suppliers with particular expertise and competitive standings. To avoid supply shortages, AT&S conducts rigorous supplier risk management, taking account of regional cluster risks, various supply routes, and alternative procurement options. With few exceptions – such as in the IC substrates and ECP areas for which the supplier base is smaller – alternative supplier options are therefore usually available in order to respond to supply risks. One challenge in the area of sourcing is currently the procurement of copper foils due to a significant increase in global demand.

#### Business environment

**LOCATION-SPECIFIC RISKS** The large majority of AT&S' operating activities is based at sites outside of Austria, particularly in China. 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 disruptive events such as fire, natural disasters, acts of war, shortages

of supply or other elementary 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.

To minimise the effects of such risks, the Group has instituted business continuity management. The Group conducts active insurance management by means of weighing the risks and associated costs. It 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.

**COMPLIANCE** Any amendments to regulatory requirements, such as the prohibition of specific processes or materials, might lead to a rise in production costs. AT&S might be subject to payment of substantial penalties should any breach of customer confidentiality agreements or statutory provisions occur. AT&S has implemented organisational measures aimed at preventing or minimising the occurrence of compliance risks. The extension of such measures is ongoing. As a rule, AT&S follows a zero-tolerance policy and expects 100% compliance on the part of its employees with all applicable laws and regulations. The establishment of a Governance, Risk & Compliance Committee (“GRC Committee”) and the identification and mitigation of potentially relevant compliance and governance risks in the framework of this committee were among the focus areas in this context in the financial year 2016/17.

**FRAUD, DATA SECURITY AND CYBERCRIME** To continue to successfully prevent attempted fraud, internal controls were further intensified in the past financial years and initiatives to sensitise employees with regard to such fraud schemes were increased. Moreover, AT&S continues to expand its data and IT security measures on a regular basis.

**QUALITY PERFORMANCE** As in the past, 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 exploit growth opportunities in the future. At the same time, AT&S has to make substantial contractual commitments, especially to key customers, with respect to capacity reserves and volume guarantees, adherence to delivery deadlines and quality performance. Any technical defects, quality deficiencies, difficulties in delivering products or failure to provide volume guarantees granted may expose AT&S to warranty claims, claims for damages and contractual penalties. Substantial quality deficiencies could also result in product recalls and the loss of customers. AT&S has established a quality management and planning system designed to rule out or minimise deficiencies in product quality planning mistakes 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 taking into account exclusions of coverage and customary coverage limits.

Operations

**INTELLECTUAL PROPERTY** AT&S endeavours to exploit any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of its own projects, cooperation schemes with partners and investments. Risks arise if AT&S fails to protect its intellectual property, thus enabling the competition to utilise these technologies. Legal disputes about intellectual property can prevent AT&S from using or selling disputed technologies. Furthermore, legal disputes with regard to the unauthorised use of external intellectual property can have considerable negative financial consequences. The new IC substrates segment in particular bears risks in this regard, as AT&S needs to further increase its relevant expertise in this field.

**TECHNOLOGY AND PROJECT DEVELOPMENT** The establishment and expansion of capacity for IC substrates and the mSAP technologies in Chongqing lead to specific risks for the Chongqing site due to the significant investment volume. Complications in the further technological development and project implementation could result in major burdens on business development and the existing financial and administrative resources. In the coming financial year, the focus will be on continuous performance improvement in substrate production and in the qualifications of new technologies at the sites in Shanghai und Chongqing.

**COST CONTROL** Strict cost reduction and efficiency increases, especially in the new IC substrate segment, but also at all other sites, are crucial to the Group’s competitiveness and profitability. If cost reduction measures and performance increases, especially for the IC substrate segment, but also at all other sites, cannot be implemented as planned (or if the costs cannot be passed on to customers), this may have a negative impact on the competitiveness of the Group.

## Organisation

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

## Finance

**EXCHANGE RATE RISKS** Exchange rate fluctuations in EUR, RMB and USD – and to a lesser extent in JPY, KRW and INR – can have considerable positive or negative effects on the results of the Group. To minimise these effects, the Group employs a hedging strategy by generating opposing cash flows in the respective currencies. The high investments in China of the past years result in significant currency risks related to the RMB, which could increase or decrease the Group's equity. Hedging against this risk would involve high costs and is not carried out.

**FINANCING AND LIQUIDITY** To secure the financial needs for the expansion strategy, the Group uses long-term financial and liquidity planning. However, negative business developments, significant deviations from assumptions in business cases, exchange rate fluctuations or valuation adjustments may result in failure to achieve the targeted equity ratio and the net debt/EBITDA ratio as assured in financing agreements and subsequently lead to additional financing requirements under more difficult conditions and higher costs, or the loss of existing financing facilities. Interest rates are hedged centrally for the Group as a whole through Group Treasury, in part with the use of appropriate financial instruments.

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 subject to 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. In order to minimise future tax risks, the Group continuously monitors compliance with national tax laws and international guidelines such as the BEPS (Base Erosion and Profit Shifting) guideline of the OECD and makes any necessary adjustments. Although AT&S strives to comply with all tax laws and regulations, there is a risk of different interpretations in different countries, which may lead to double taxation.

## 7. 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 audit 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 targets described for financial reporting.

The accounting procedures are documented in separate process instructions. 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. Schedules 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 and Group Controlling 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 (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.

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

**CAPITAL SHARE STRUCTURE AND DISCLOSURE OF SHAREHOLDER RIGHTS** As of the reporting date at 31 March 2017, 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 equalling one voting right. All shares are bearer shares.

Significant direct and indirect shareholdings in the group parent AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (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: Schottengasse 10, A-1010 Vienna	6,339,896	16.32%	16.32%

At the reporting date 31 March 2017, 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.

By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval by the Supervisory Board, by up to € 21,367,500.00 by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights offerings after having been taken over by one or more credit institutions in accordance with § 153 (6) Austrian Stock Corporation Act (AktG). In doing so, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital. The Annual General Meeting also passed the resolution to amend § 4 of the articles of association (ordinary shares) in accordance with this resolution.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and, simultaneously, the Management Board was authorised until 2 July 2019, subject to approval by the Supervisory Board, to issue one or several convertible bearer bonds in a total nominal amount of up to € 150,000,000.00 and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares of the Company in accordance with the convertible bond conditions to be defined by the Management Board. In doing so, the Company's ordinary shares were conditionally increased by up to € 21,367,500.00 by way of the issuance of up to 19,425,000 new no-par value bearer shares in accordance with § 159 (2) No. 1 AktG. This conditional capital increase is only carried out insofar as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights).

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014

is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000 (definition of amount of authorisations).

**TREASURY SHARES** By a resolution passed at the 21st Annual General Meeting on 9 July 2015, 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 8 July 2020, upon approval by the Supervisory Board, to sell treasury shares also in a different way than via the stock exchange or by public offering, 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.

As of 31 March 2017, the Group does not hold any treasury shares.

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 to the consolidated financial statements (Note 22 “Share capital” as well as Note 16 “Financial liabilities”).

The Company's Corporate Governance Report pursuant to § 243b Austrian Commercial Code is available at <http://www.ats.net/company/corporate-governance/reports/>.

## 9. Outlook

The dynamics of the current developments in the electronics industry – miniaturisation with a simultaneous increase in performance and higher integration of electronic components – will continue unabated in the financial year 2017/18. The basis for this is the continuous interconnection of devices and the enormous volume and speed of data – big data and cloud computing, for example, for communications applications, mobility and industrial applications.

These developments continue to offer enormous growth potential – for those companies that have positioned themselves accordingly in the supply chain or anticipate it.

AT&S is convinced it has taken the right steps for a broader positioning in a changing supply chain with its strategic focus on high-end technologies and applications in the existing business as well as with the establishment of an expanded technology portfolio based on IC substrates and the next technology generation (mSAP). The transformation from a high-end printed circuit board producer to a high-end interconnect solutions provider is the prerequisite for future profitable growth, since only through continuous technology advancements and the corresponding investments will AT&S be able to secure its position as a tier-one supplier for technology and world market leaders.

Effects from the financial year 2016/17 will continue and also influence the business development in 2017/18: the market development for IC substrates, based on the deceleration of Moore's Law and lower demand for computing applications (desktop computers, notebooks), lead to continued price pressure on IC substrates.

Serial production for the next technology generation (mSAP) for mobile devices will start in the second quarter of the financial year 2017/18; this technology is currently being installed in Shanghai and in the second plant in Chongqing, with the aim to continue to position AT&S as a leading supplier for mobile devices.

For the core business, AT&S expects continued stable or growing demand in an extremely competitive environment in all customer segments in the financial year 2017/18.

Provided that the macroeconomic environment remains stable and the USD/EUR currency relation remains at a similar level as in the past financial year, AT&S expects an increase in revenue of 10–16% for the financial year 2017/18. The EBITDA margin should range between 16–18% based on the market developments for IC substrates and the ramp of the next technology generation (mSAP). Higher depreciation for mainly new production lines of roughly € 25 million in the financial year 2017/18 will influence EBIT.

Leoben-Hinterberg, 8 May 2017

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.



# Auditor's Report

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.

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**AUDIT OPINION** We have audited the consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2017, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

**BASIS FOR OPINION** We conducted our audit in accordance with Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS** Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Descriptions of individual key audit matters
- Audit approach
- Reference to related disclosures

### 1. DEFERRED TAX ASSETS FROM TAX LOSS CARRY-FORWARDS AND OTHER DEDUCTIBLE TEMPORARY DIFFERENCES

- Description of the individual key audit matter

The Group capitalized deferred tax assets in a total amount of EUR 38,659k. This amount mainly includes deferred tax assets from tax loss carry-forwards and amortization of goodwill under tax law in the amount of EUR 13,729k as well as deductible temporary differences in the amount of EUR 24,930k.

Deferred tax assets are capitalized based on the assumption that sufficient taxable income will be generated within a planning period of at least 5 years against which tax loss carry-forwards and other deductible temporary differences can be offset. These assumptions are based on estimates of current and planned taxable results and any future measures implemented by the companies concerned that will have an effect on tax.

- Audit approach

We:

- Identified, for significant companies, the process used to determine the future taxable results that serve as a basis for the calculation of deferred tax assets,
- Performed plausibility checks for significant companies to evaluate if the budgeted figures used are plausible when compared to our knowledge of the planned course of business,
- Received tax advisor confirmation letters to confirm the existence and accuracy of the tax loss carry-forwards,
- Analyzed and confirmed the accounting assumptions on the possibility to utilize tax loss carry-forwards and deductible temporary differences, and
- Audited the presentation and disclosures in the notes to the consolidated financial statements.

- Reference to related disclosures

For further related information, we refer to the notes to the consolidated financial statements section I. B. (e.) on accounting and measurement policies in respect of deferred taxes, section I. C. on critical accounting estimates and assumptions concerning the accounting and measurement of deferred taxes and current income tax liabilities, as well as to section III. 7. comments on income taxes.

## 2. RECOVERABILITY OF CAPITALIZED DEVELOPMENT COSTS WITHIN INTANGIBLE ASSETS

- Description of the individual key audit matter

At the balance sheet date, the Group reports development costs (capitalized under intangible assets) in its consolidated balance sheet in an amount of EUR 78,456k that mainly pertain to the cash-generating unit “Substrates” under the Chongqing project, People’s Republic of China. In the fiscal year under review, development costs of EUR 4,819k were capitalized for the next substrate generation, which have not been used yet. An impairment test was performed using a discounted cash flow method. Under this process, the recoverable amount of the cash-generating unit is compared with the carrying amount of the included assets. Annual planning process data is used to make assumptions on the discount rate, profitability as well as growth rates.

- Audit approach

We:

- Surveyed the process applied to identify and define cash-generating units, to calculate the recoverable amount, to test for impairment, to calculate the capital cost rate and the growth rate, as well as the calculation model,
- Reconciled the assumed future cash flows used in the budget planning with the information included in the forecast made by the management board and brought to the attention of the supervisory board,
- Drew on our pool of internal experts to perform plausibility checks with regard to the calculations and the calculation model. These experts recomputed the calculations and verified that the calculation model complies with the generally applicable international accounting principles,
- Drew on our pool of internal experts to reconcile the parameters used, e.g. the applied interest rates or growth rates that serve as the basis of the calculation, and critically assessed the results, and
- Audited the presentation and disclosures in the notes to the consolidated financial statements.

- Reference to related disclosures

For further related information, we refer to the notes to the consolidated financial statements section I. B. (h) on accounting and measurement policies in respect of the impairment of and reversals of impairment of property, plant and equipment, intangible assets, section I. C. critical estimates and assumptions concerning the accounting and measurement of development costs, as well as to section IV. 9. comments on intangible assets.

**RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS** Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group’s financial reporting process.

**AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP** Pursuant to the Austrian Commercial Code, 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 management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

**OPINION** In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

**STATEMENT** Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

**OTHER INFORMATION** Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**RESPONSIBLE ENGAGEMENT PARTNER** Responsible for the proper performance of the engagement is Mr. Jürgen Schauer, Austrian Certified Public Accountant.

Vienna, 8 May 2017

PwC Wirtschaftsprüfung GmbH

signed:

Jürgen Schauer  
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.



AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK  
AKTIENGESELLSCHAFT

FINANCIAL STATEMENTS AS OF 31 MARCH 2017

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BALANCE SHEET AS OF MARCH 31, 2017  
(Preceding year for comparison)

ASSETS	March 31, 2017	March 31, 2016	SHAREHOLDERS' EQUITY AND LIABILITIES	March 31, 2017	March 31, 2016
	EUR	EUR		EUR	EUR
<b>A. NON-CURRENT ASSETS</b>			<b>A. SHAREHOLDERS' EQUITY</b>		
I. Intangible assets			I. Share capital	<b>42,735,000.00</b>	<b>42,735,000.00</b>
1. Industrial property rights and similar rights, and licences thereto	<u>11,298,690.28</u>	<u>13,260,937.80</u>	Capital subscribed	42,735,000.00	42,735,000.00
	<b>11,298,690.28</b>	<b>13,260,937.80</b>	paid-in nominal capital	42,735,000.00	42,735,000.00
II. Property, plant and equipment			II. Capital reserves		
1. Buildings on third party land	2,701,221.72	840,999.53	Appropriated	<b>163,270,702.50</b>	<b>163,270,702.50</b>
2. Machinery and technical equipment	35,637,474.33	32,337,098.42	III. Revenue reserves		
3. Other assets, fixtures and furniture	2,458,863.06	2,028,965.94	1. Statutory reserve	4,273,500.00	<b>4,273,500.00</b>
4. Prepayments and construction in progress	<u>527,270.00</u>	<u>1,959,256.58</u>	2. Other reserves (free reserves)	17,505,782.55	<b>17,505,782.55</b>
	<b>41,324,829.11</b>	<b>37,166,320.47</b>	IV. Unappropriated retained earnings	77,591,616.50	<b>40,075,119.15</b>
III. Financial assets			<i>of which profit/loss brought forward</i>	<u>26,089,119.15</u>	<u>22,888,815.29</u>
1. Shares in affiliated companies	265,919,963.70	287,608,368.82		<b>305,376,601.55</b>	<b>267,860,104.20</b>
2. Loans to affiliated companies	407,056,687.90	232,766,673.26	<b>B. GOVERNMENT GRANTS</b>	<b>1,251,442.05</b>	<b>1,472,242.44</b>
<i>of which due and payable within more than one year</i>	<i>400,807,227.24</i>	<i>226,423,221.38</i>	<b>C. PROVISIONS</b>		
3. Securities	168,753.81	92,003.81	1. Provisions for severance payments	18,719,333.40	17,647,683.84
4. Other loans and advances	5,346,467.55	4,734,259.59	2. Provisions for pensions	1,230,186.92	1,393,719.15
<i>of which due and payable within more than one year</i>	<i>5,346,467.55</i>	<i>4,734,259.59</i>	3. Tax provisions	2,132,240.78	458,806.11
	<b>678,491,872.96</b>	<b>525,201,305.48</b>	4. Other provisions	<u>17,110,618.59</u>	<u>33,695,478.33</u>
<b>B. CURRENT ASSETS</b>	<b>731,115,392.35</b>	<b>575,628,563.75</b>		<b>39,192,379.69</b>	<b>53,195,687.43</b>
I. Inventories			<b>D. LIABILITIES</b>		
1. Raw materials and supplies	6,041,543.58	5,732,352.62	1. Bonds	0.00	75,500,000.00
2. Work in progress	4,139,523.89	4,461,707.62	<i>of which due and payable within less than one year</i>	0.00	75,500,000.00
3. Finished goods and goods for resale	<u>14,224,881.75</u>	<u>15,268,534.26</u>	<i>of which due and payable within more than one year</i>	0.00	0.00
	<b>24,405,949.22</b>	<b>25,462,594.50</b>	2. Bank loans	44,168,928.46	78,018,510.30
II. Receivables and other assets			<i>of which due and payable within less than one year</i>	<i>15,646,828.46</i>	<i>43,518,510.30</i>
1. Trade receivables	12,967,154.60	46,899,983.36	<i>of which due and payable within more than one year</i>	<i>28,522,100.00</i>	<i>34,500,000.00</i>
<i>of which due and payable within more than 1 year</i>	<i>0.00</i>	<i>0.00</i>	3. Promissory note loans	442,193,689.72	288,335,830.77
2. Receivables from affiliated companies	8,718,552.01	5,311,084.99	<i>of which due and payable within less than one year</i>	<i>2,540,988.67</i>	<i>1,694,153.85</i>
<i>of which due and payable within more than 1 year</i>	<i>0.00</i>	<i>0.00</i>	<i>of which due and payable within more than one year</i>	<i>439,652,701.05</i>	<i>286,641,676.92</i>
3. Other receivables and assets	7,895,428.01	5,278,875.35	4. Trade payables	25,470,083.96	19,292,266.94
<i>of which due and payable within more than 1 year</i>	<i>0.00</i>	<i>0.00</i>	<i>of which due and payable within less than one year</i>	<i>25,470,083.96</i>	<i>19,292,266.94</i>
	<b>29,581,134.62</b>	<b>57,489,943.70</b>	<i>of which due and payable within more than one year</i>	0.00	0.00
III. Securities and shares			5. Payables to affiliated companies	22,615,963.23	19,960,434.98
1. Other securities and shares	<u>606,100.00</u>	<u>631,000.00</u>	<i>of which due and payable within less than one year</i>	<i>22,615,963.23</i>	<i>19,960,434.98</i>
	<b>606,100.00</b>	<b>631,000.00</b>	<i>of which due and payable within more than one year</i>	0.00	0.00
IV. Cash on hand, bank balances	<u>89,097,912.53</u>	<u>151,264,306.87</u>	6. Other liabilities	9,302,563.19	7,535,904.83
	<b>143,691,096.37</b>	<b>234,847,845.07</b>	<i>of which due and payable within less than one year</i>	<i>8,777,491.19</i>	<i>7,007,750.83</i>
<b>C. PREPAID EXPENSES AND DEFERRED CHARGES</b>	<b>843,834.62</b>	<b>1,335,699.56</b>	<i>of which due and payable within more than one year</i>	<i>525,072.00</i>	<i>528,154.00</i>
<b>D. DEFERRED TAX ASSETS</b>	<b>14,671,049.00</b>	<b>0.00</b>	<i>of which tax authorities</i>	<i>1,482,091.78</i>	<i>1,883,302.09</i>
			<i>of which social security authorities</i>	<i>5,486,831.10</i>	<i>1,295,848.50</i>
				<b>543,751,228.56</b>	<b>488,642,947.82</b>
			<i>of which due and payable within less than one year</i>	<i>75,051,355.51</i>	<i>166,973,116.90</i>
			<i>of which due and payable within more than one year</i>	<i>468,699,873.05</i>	<i>321,669,830.92</i>
			<b>E. DEFERRED INCOME</b>	749,720.49	641,126.49
<b>TOTAL ASSETS</b>	<b>890,321,372.34</b>	<b>811,812,108.38</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>890,321,372.34</b>	<b>811,812,108.38</b>

AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT  
LEOBEN-HINTERBERG  
PROFIT AND LOSS ACCOUNT FOR THE PERIOD  
APRIL 1, 2016 TO MARCH 31, 2017  
Preceding year for comparison

	2016/17 EUR	2015/16 EUR
1. Sales Revenue	370,878,843.45	354,913,727.62
2. Variation in stocks of finished goods and in work in progress as well as in services rendered but not yet billable	346,718.03	474,854.54
3. Work performed by the undertaking for its own purposes and capitalised	211,942.72	58,305.07
4. Other operating income	18,047,356.97	7,115,165.27
a) income from the disposal of or additions to fixed assets other than financial assets	105,070.03	111,317.21
b) Income from the release of provisions	7,555,981.04	10,246.79
c) Other	10,386,305.90	6,993,601.27
5. Expenditure for raw materials and consumables and other external expenses for production services	-251,158,677.47	-236,678,321.32
a) Expenditure for raw materials and consumables	-233,616,396.60	-220,871,547.70
b) Other external expenses for production services	-17,542,280.87	-15,806,773.62
6. Personnel expenses	-67,849,521.86	-74,750,195.43
a) Wages and salaries		
aa) Wages	-21,441,534.08	-22,415,578.02
bb) Salaries	-29,395,058.92	-34,795,531.81
b) Social security expenses		
aa) of which for retirement benefits	-423,279.75	-446,290.40
bb) expenditure for severance payments and contributions to corporate severance and retirement funds	-2,288,033.02	-2,362,193.95
cc) expenditure for statutory social contributions as well as charges and mandatory contributions calculated as a proportion of wages and salaries	-13,652,230.58	-14,104,882.51
dd) Other social expenses	-649,385.51	-625,718.74
7. Value adjustments	-13,069,217.49	-10,526,965.57
a) in respect of tangible and intangible fixed assets	-13,319,355.82	-10,690,585.57
b) less amortisation of investment grants from public funds	250,138.33	163,620.00
8. Other operating expenses	-35,430,588.97	-35,491,749.79
a) Taxes, not to be shown under No. 18	-273,203.16	-206,851.06
b) Other	-35,157,385.81	-35,284,898.73
9. Subtotal of Nos. 1 - 8	<u>21,976,855.38</u>	<u>5,114,820.39</u>
10. Income from participating interest	0.00	15,000,000.00
<i>thereof from affiliated companies</i>	0.00	15,000,000.00
11. Income from other investments and loans forming part of the fixed assets	16,043,621.99	8,516,850.92
<i>thereof from affiliated companies</i>	16,035,392.99	8,508,621.92
12. Other interest receivable and similar income	983,847.73	2,315,437.60
<i>thereof from affiliated companies</i>	0.00	0.00
13. Income from the disposal or revaluation of financial assets and securities shown in current assets	13,821,863.30	7,628,427.11
a) <i>Income from affiliated companies</i>	13,028,963.79	5,853,480.33
<i>thereof from write-ups</i>	4,317,766.50	1,581,384.08
14. Expenditure resulting from financial fixed assets and securities shown in current assets	-24,900.00	-4,631,840.05
<i>thereof expenditure derived from affiliated undertakings</i>	0.00	-4,530,840.05
15. Interest payable and similar expenses	-13,438,009.81	-16,264,435.43
16. Subtotal of Nos. 10 to 15	<u>17,386,423.21</u>	<u>12,564,440.15</u>
17. Profit or loss before taxation	<u>39,363,278.59</u>	<u>17,679,260.54</u>
18. Taxes on income	12,139,218.76	-492,956.68
<i>of which changes in recognised deferred taxes</i>	14,671,049.00	0.00
19. Profit or loss after taxation	<u>51,502,497.35</u>	<u>17,186,303.86</u>
20. Profit or loss brought forward from the preceding financial year	<u>26,089,119.15</u>	<u>22,888,815.29</u>
21. Balance sheet profit	<u>77,591,616.50</u>	<u>40,075,119.15</u>

## NOTES TO THE FINANCIAL STATEMENTS

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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 2017 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 2017, as well as of the results of its operations for the year then ended.

According to the transitional regulations in sec 906 Companies Code concerning the Accounting Changes Act 2014, the presentation of various components of the annual financial statements and the profit and loss statement were changed and if necessary the amounts of the previous year were mandatorily adjusted .

In particular the initial presentation of deferred tax assets, reclassifications from other operating income to sales revenue independent from their nature were changed. Expenses therewith in connection are reclassified to the other external expenses for production services from the other operating expenses. Additionally the presentation of the non-current assets moment statement was changed.

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.

Estimations are based on prudent judgments. If empirical values determined by statistical methods from similar circumstances are available, they are to be taken into account.

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 and smallest group of companies. The financial statements are deposited with Commercial court in Leoben.

Advantage was taken of the exemptions provided under Section 245 (1) UGB (*nondisclosure*).

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

In July 2016 in the fiscal year 2016/17 a capital reduction at AT&S Korea Co., Ltd. in total of 50% of the share capital from 66 Bn KRW to 33 Bn. KRW was executed. In connection with this transaction foreign exchange gains of EUR 3,912,732.17 arose and are shown in the financial results in the income from the disposal or revaluation of financial assets and securities of current assets.

### 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
Buldings on third party land	12 -25 years
Machinery and technical equipment	5 - 15 years
Other assets, fixtures and furnitures	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.

**Work in process** and **finished goods** were valued at production costs. Material and production overhead costs were also included in the production costs.

**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.

**Cash and cash equivalents held at banks** are recognized at the exchange rate prevailing at the time of origination or exchange rate at the balance sheet date.

#### 3.3. Prepaid expenses and deferred charges

**Prepaid expenses and deferred charges** are reported as an item of deferred expenses as long as it is expenditure for a specific period after the balance sheet date.

### 3.4. Deferred taxes

**Deferred taxes** are recognised for differences between the carrying amounts in the financial statements and the taxable carrying amounts of fixed assets, provisions, liabilities and deferred items, which are expected to be offset in future financial years.

For future tax benefits arising from the carryforward of unused losses are recognised to the extent, as there are convincing and substantial evidences that sufficient taxable profit will be available in the future.

For the calculation of deferred taxes, tax rates are used, that have been enacted or substantively enacted on the balance sheet date and are expected to apply when the realisation of tax relief or tax burden is expected. The calculation is based on the currently valid tax rate of 25%.

An offsetting of deferred tax assets with deferred tax liabilities is carried out, if necessary, to the extent that it is legally possible to offset the actual tax refund claims with the actual tax liabilities.

### 3.5. 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 1.80% (prior year: 2.00%) 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 carried out in compliance with the regulations of the AFRAC Statement 27 for employee benefits. 1.90% as a value adjustment for salaries and wages were recognised (prior year: 2.50%). The defined benefit obligation (DBO) amounts to EUR 19,624,466.00 (prior year: EUR 19,457,950.00) 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 2016/17, thus one-fifth of this amount, or EUR 905,132.72 was recognised in the income statement.

The change in the financial assumptions results in an income of EUR 827,750.00 (prior year: income of EUR 1,909,848.00), which is reported in the financial result.

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 1.80% (prior year: 2.00%) based on the mortality tables AVÖ 2008-P. The pensionable age was determined according to the provisions of the 2003 pension reform. The uprating of the pensionable age for women starting from 2024 is also considered in the calculation. 2.25% as a value adjustment for pension were recognised (prior year: 2.25%). The defined benefit obligation (DBO) of unfunded benefit obligations amounts to EUR 1,230,187.00 (prior year: EUR 1,393,719.00) at the balance sheet date. Moreover, pension obligations were in part transferred to APK Pensionskasse Aktiengesellschaft, Vienna.

The change in the financial assumptions results in an income of EUR 90,688.00 (prior year: income of EUR 53,413.00), which is reported in the financial result.

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 1.80% (prior year: 2.00%) as well as taking into account company-specific staff turnover by using an adequate turnover rate. 1.90% as a value adjustment for salaries and wages were recognised (prior year: 2.50%).

Pursuant to the Austrian tax law reform 2015/16 expenses for statutory social security as well as contributions to staff provisions (since 2003) must be borne for anniversary bonuses by the employer. Those expenses are considered in the calculation of the provision for the anniversary bonus.

Expenses for anniversary bonuses in the amount of EUR 114,682.37 (prior year: EUR 369,434.13) are included in wages. Expenses for anniversary bonuses in salaries amounted to EUR 60,524.47 (prior year: EUR 244,001.55).

The change in the financial assumptions results in an income of EUR 115,268.00 (prior year: income of EUR 221,020.00), which is reported in the financial result.

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

### **3.6. 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.

### **3.7. Accruals and deferred income**

In order to deliver a true and fair view of the net assets, financial position and results of operations, accrued expense subsidies from items “Grants from public funds” were reclassified as liabilities for deferred income. The previous year was adjusted accordingly.

## 4. BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS

### 4.1. *Non-current assets*

Reference is made to page 103 for the development of non-current asset items.

**AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT  
LEOBEN-HINTERBERG**

**Non-Current assets movements statement for the year ended 31 March 2017**

	Acquisition/Production cost					Accumulated amortization/depreciation					book value		
	as of 1 April 2016	Additions	Disposals	Transfers	as of 31 March 2017	as of 1 April 2016	Additions	Disposals	write-ups	as of 31 March 2017	as of 31 March 2017	as of 31 March 2016	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
I. Intangible assets													
1. industrial property rights and similar rights, and licences thereto	27,901,488.43	1,021,882.55	299,404.24	0.00	28,623,966.74	14,640,550.63	2,984,130.07	299,404.24	0.00	17,325,276.46	11,298,690.28	13,260,937.80	
<i>thereof low-value assets</i>	0.00	230,614.34	230,614.34	0.00	0.00	0.00	230,614.34	230,614.34	0.00	0.00	0.00	0.00	
Subtotal	27,901,488.43	1,021,882.55	299,404.24	0.00	28,623,966.74	14,640,550.63	2,984,130.07	299,404.24	0.00	17,325,276.46	11,298,690.28	13,260,937.80	
II. Property, plant and equipment													
1. buildings on third party land	1,283,916.49	2,256,083.85	0.00	0.00	3,540,000.34	442,916.96	395,861.66	0.00	0.00	838,778.62	2,701,221.72	840,999.53	
2. machinery and technical equipment	200,504,773.48	10,369,777.82	2,840,093.45	1,828,056.58	209,862,514.43	168,167,675.06	8,874,681.12	2,817,316.08	0.00	174,225,040.10	35,637,474.33	32,337,098.42	
3. other assets, fixtures and furnitures <i>thereof low-value assets</i>	13,870,554.80	1,408,672.72	635,317.01	92,200.00	14,736,110.51	11,841,588.86	1,064,682.97	629,024.38	0.00	12,277,247.45	2,458,863.06	2,028,965.94	
<i>thereof low-value assets</i>	0.00	210,631.75	210,631.75	0.00	0.00	0.00	210,631.75	210,631.75	0.00	0.00	0.00	0.00	
4. prepayments and construction in progress	1,959,256.58	488,270.00	0.00	-1,920,256.58	527,270.00	0.00	0.00	0.00	0.00	0.00	527,270.00	1,959,256.58	
Subtotal	217,618,501.35	14,522,804.39	3,475,410.46	0.00	228,665,895.28	180,452,180.88	10,335,225.75	3,446,340.46	0.00	187,341,066.17	41,324,829.11	37,166,320.47	
III. Financial assets													
1. shares in affiliated companies	310,170,873.97	0.00	21,688,405.12	0.00	288,482,468.85	22,562,505.15	0.00	0.00	0.00	22,562,505.15	265,919,963.70	287,608,368.82	
2. loans to affiliated companies	237,297,513.31	210,941,983.35	40,969,735.21	0.00	407,269,761.45	4,530,840.05	0.00	0.00	4,317,766.50	213,073.55	407,056,687.90	232,766,673.26	
3. securities	92,003.81	76,750.00	0.00	0.00	168,753.81	0.00	0.00	0.00	0.00	0.00	168,753.81	92,003.81	
4. other loans and advances	4,734,259.59	612,207.96	0.00	0.00	5,346,467.55	0.00	0.00	0.00	0.00	0.00	5,346,467.55	4,734,259.59	
Subtotal	552,294,650.68	211,630,941.31	62,658,140.33	0.00	701,267,451.66	27,093,345.20	0.00	0.00	4,317,766.50	22,775,578.70	678,491,872.96	525,201,305.48	
<b>Total</b>	<b>797,814,640.46</b>	<b>227,175,628.25</b>	<b>66,432,955.03</b>	<b>0.00</b>	<b>958,557,313.68</b>	<b>222,186,076.71</b>	<b>13,319,355.82</b>	<b>3,745,744.70</b>	<b>4,317,766.50</b>	<b>227,441,921.33</b>	<b>731,115,392.35</b>	<b>575,628,563.75</b>	

#### 4.2. Additional disclosures pursuant to Section 238 (1) No. 4 UGB

	Book value 31 March 2017 EUR	Share %	Shareholders' equity EUR	Result of the past financial year EUR	Book value 31 March 2016 EUR
<b>Shares in affiliated companies</b>					
AT&S Deutschland GmbH, Düren, Germany	1,053,000.00	100	730,738.60	86,780.23 <sup>1)</sup>	1,053,000.00
AT&S India Private Limited, Nanjangud, India	16,898,516.89	100	15,653,746.27	5,525,907.44 <sup>1)</sup>	16,898,516.89
AT&S Asia Pacific Limited, Hong Kong, People's Republic of China	229,768,865.92	100	252,185,628.12	3,583,487.65 <sup>1)</sup>	229,768,865.92
AT&S Korea Co., Ltd., Ansan-City, South Korea	18,193,136.55	100	10,634,665.71	11,151,578.39 <sup>1)</sup>	39,881,541.67
AT&S Americas, LLC, San José, California, USA	6,444.34	100	693,410.10	124,602.05 <sup>1)</sup>	6,444.34
<b>Total</b>	<b>265,919,963.70</b>				<b>287,608,368.82</b>

<sup>1)</sup> Figures based on International Accounting Standards as of 31 March 2017

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.

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

The item „Loans to affiliated companies” includes an amount of EUR 6,249,460.66 (prior year: EUR 6,343,451.88) which falls due within one year. In connection with the loans write-ups in the amount to EUR 4,317,766.50 were recorded. In the prior year write-ups in the amount to EUR 1,581,384.08 in connection with the loans were omitted due to tax reasons.

#### 4.4. Receivables and other assets

In March 2017 trade receivables were assigned to banks to the amount 100% of the nominal value and are fully derecognised on the basis of the cessions of the essential opportunities and risks and on the basis of the transfer of the right to use to the acquiring party. As of 31 March 2017 trade receivables totalling EUR 34,240,249.87 (prior year: EUR 0.00) were sold. The default risk was completely assigned to the purchaser. AT&S assumes a liability for default to the amount of the retention level from the credit insurance. The maximum risk associated with liability to default was EUR 3,448,088.53 as of balance sheet date (prior year: EUR 0.00). Claims of existing credit insurances were transferred to the purchaser. Payments from customers of assigned trade receivables are presented in other receivables. Received customer payments from sold receivables are reported in current liabilities against credit institutions. The administration of the trade receivables remains at AT&S.

The receivables against affiliated companies consist exclusively of trade receivables of EUR 8,718,552.01 (prior year: EUR 5,311,084.99).

In order to better presentation of the financial, asset and income situation, tax advance payments from other receivables were netted with tax provisions. The previous year was adjusted accordingly.



#### 4.4.1. Income that will affect cash flow only after the balance sheet date

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

	31 March 2017 EUR	31 March 2016 EUR
Factoring	3,448,088.53	0.00
Energy tax reimbursements	731,968.57	1,169,902.22
Supplies rebates	470,076.36	0.00
Tax-free premiums	1,673,122.80	2,599,822.61
<b>Total</b>	<b>6,323,256.26</b>	<b>3,769,724.83</b>

The other receivables include the remaining purchase price of the sold trade receivables, including the value-added tax charged.

#### 4.5. Deferred tax assets

The company has recognised deferred taxes for tax loss carryforwards amounting to EUR 50,287,500.00, which can be offset against future positive taxable income in line with the current tax planning. No deferred tax assets were recognised for tax loss carryforwards in amount of EUR 60,259,615.00 as it cannot be assumed that this will be feasible in the foreseeable future.

The development of the deferred tax assets, classified by balance sheet items (temporary differences) and loss carryforwards, is as follows:

Deferred tax assets	Fixed assets EUR	Prepaid expenses EUR	Loss carryforwards EUR	Provisions EUR	Liabilities EUR	Total EUR
as of 31 March 2016	0.00	0.00	0.00	0.00	0.00	0.00
Recognised in profit or loss of the financial year	178,446.00	37,500.00	12,571,875.00	1,610,060.00	273,168.00	14,671,049.00
as of 31 March 2017	<b>178,446.00</b>	<b>37,500.00</b>	<b>12,571,875.00</b>	<b>1,610,060.00</b>	<b>273,168.00</b>	<b>14,671,049.00</b>

Presentation of deferred taxes as of 31 March 2017	Fixed assets EUR	Prepaid expenses EUR	Loss carryforwards EUR	Provisions EUR	Liabilities EUR	Total EUR
Deferred tax assets	178,446.00	37,500.00	12,571,875.00	1,610,060.00	273,168.00	14,671,049.00
Deferred tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>178,446.00</b>	<b>37,500.00</b>	<b>12,571,875.00</b>	<b>1,610,060.00</b>	<b>273,168.00</b>	<b>14,671,049.00</b>

## 4.6. Shareholders' equity

### 4.6.1. Share capital

The ordinary shares of the Company as of 31 March 2017 amount to EUR 42,735,000.00 (prior year: EUR 42,735,000.00) and are made up of 38,850,000 (prior year: 38,850,000) no-par value bearer shares with a notional value of EUR 1.10 each.

### 4.6.2. Approved capital and conditional capital increase

By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval by the Supervisory Board, by up to EUR 21,367,500.00 by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights offering after having been taken over by one or more credit institutions in accordance with section 153 (6) Austrian Stock Corporation Act (AktG). In doing so, the Management Board was authorised, subject to approval by the Supervisory Board, to fully or partially exclude the shareholders' subscription right as well as to determine the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and simultaneously, the Management Board was authorised until 2 July 2019, subject to approval by the Supervisory Board, to issue one or several convertible bearer bonds at a total nominal amount of up to EUR 150,000,000.00 and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares of the Company in accordance with the convertible bond conditions to be defined by the Management Board and subject to approval by the Supervisory Board. The Management Board was authorised to fully or partially exclude the shareholders' subscription right to convertible bonds. Convertible bonds may also be issued by a directly or indirectly 100%-owned company of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft. In such a case, the Management Board was authorised, subject to approval by the Supervisory Board, to assume a guarantee for the convertible bonds on behalf of the issuing company and to grant conversion and/or subscription rights with regard to shares of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft to the bearers of the convertible bonds.

Furthermore, in doing so, the Company's ordinary shares were conditionally increased by up to EUR 21,367,500.00 by way of issuance of up to 19,425,000 new no-par value bearer shares in accordance with section 159 (2) No. 1 Austrian Stock Corporation Act (AktG). This conditional capital increase is only carried out insofar as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the conditional capital.

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000.

### 4.6.3. Approved Treasury shares

By a resolution passed at the 21st Annual General Meeting on 9 July 2015, the Management Board was authorised (pursuant to section 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 (section 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.

At the 21st Annual General Meeting on 9 July 2015, the Management Board was authorised (pursuant to section 65 (1b) AktG), for a period of five years as of the date the resolution was passed, i.e. up to and including 8 July 2020, 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 participation programs),
- 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: 0 shares).

#### *4.6.4. Restriction of the distribution*

There is a distribution restriction for deferred tax assets of EUR 14,671,049.00 as there are no reserves available at any time in accordance with section 235 (2) UGB.

#### *4.6.5. Proposal for the distribution of the result*

The Management Board and the Supervisory Board of AT&S Austria Technologie & Systemtechnik Aktiengesellschaft propose to allocate the balance sheet profit of the Company as at 31 March 2017 in an amount of € 77,591,616.50 as follows: Distribution of a dividend in an amount of EUR 0,10 per outstanding no-par value share entitled on the payment day and carry forward the residual amount of € 73,706,616.50.

## 4.7. Provisions

### 4.7.1. Other provisions

	31 March 2017 EUR	31 March 2016 EUR
Holidays not yet consumed	3,644,021.71	3,801,764.95
Anniversary bonuses	3,425,663.82	3,370,802.72
Impending losses arising from pending transactions	2,773,422.93	3,871,064.90
Holiday bonus/Christmas bonus	2,309,265.65	2,210,017.37
Compensatory time off	990,735.01	1,008,013.29
Legal and advisory expenses	883,873.87	581,763.15
Customer bonuses	855,500.43	786,309.11
Impending losses arising from derivative financial instruments	673,948.87	1,030,037.28
Other personal expenses	393,174.00	7,355,683.77
Remuneration to the Supervisory Board	322,360.00	437,200.00
Warranty and claims	315,275.00	339,553.81
Debtors' discounts	219,359.75	255,359.46
Stock options	25,046.00	207,295.00
Stock appreciation rights	14,010.00	743,237.00
Restructuring of the plant Leoben-Hinterberg	0.00	7,545,662.66
Other provisions < EUR 150,000	264,961.55	151,713.86
<b>Total</b>	<b>17,110,618.59</b>	<b>33,695,478.33</b>

In the prior year the item „Restructuring of the plant Leoben-Hinterberg“ mainly included the costs related to future lease payments for unused product areas as well as to a potential loss from the utilisation by the lessor which is to be borne by the lessee. Due to the reuse of vacant space the provision for unused production areas was released. The value of the property was confirmed by the external expert opinion, therefore the company does not assume any potential loss from the utilisation of the property.

#### *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 1st meeting of the nomination and compensation committee of the Supervisory Board on 17 March 2009, after it had been submitted for examination in the 55th 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 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 event that a restricted period comprises the end of this five-year period, this restricted period will interrupt the five-year period concerned. After the end of the restricted period, stock options may still be exercised for a period corresponding to the interruption. Stock options not exercised by the end of this five-year period (extended as stated above if need be) become invalid and forfeit without compensation.

**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	-4,500	-6,000
thereof exercised	-40,000	0	0	-30,000	-30,000	-29,000	-129,000
1 April 2011	40,000	0	30,000	0	30,000	18,500	118,500
thereof expired	-40,000	0	-30,000	0	-30,000	-18,500	-118,500
1 April 2012	40,000	0	30,000	0	30,000	18,500	118,500
thereof expired	0	0	-30,000	0	0	-8,000	-38,000
thereof exercised	-40,000	0	0	0	0	-4,500	-44,500
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>6,000</b>	<b>36,000</b>

The options exercised during the financial year had a value of EUR 36,800.00 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 stock options granted:

Granted on:	<b>1 April 2012</b>
	EUR
Fair value as of 31 March 2017	23,429.00

#### ***Stock Appreciation Rights Plan (2014 to 2016)***

Due to the expiry of the stock option plan (2009 to 2012), the 81st Supervisory Board meeting on 3 July 2014 passed a resolution to introduce a long-term incentive programme based on stock appreciation rights (SAR). SAR relate to the value increase in share prices based on the development of the share price. SAR may be granted in the period between 1 April 2014 and 1 April 2016.

Under the stock appreciation rights plan "SAR 2014-2016" on 1 April 2014 230,000 SAR were granted at an exercise price EUR 7.68 per share. On 1 April 2015 240,000 SAR were granted at an exercise price EUR 10.70 per share and on 1 April 2016 250,000 SAR were granted at an exercise price EUR 13.66 per share.

Each SAR entitles the holder to the right to a cash settlement at the remaining amount between the exercise price and the closing rate of the AT&S share at the stock exchange with the main quotation (currently Vienna Stock Exchange) at the date the subscription right is exercised. The exercise price of the stock appreciation rights is determined at 200% of the exercise price of the date of grant. The maximal benefit for the granted SAR on 1. April 2014 is EUR 15.36 and for the grant on 1 April 2015 is EUR 21.40 and for the granted SAR on 1 April 2016 is EUR 27.32.

#### ***Exercise price:***

The exercise price of SAR is determined at the respective date of grant, corresponding to the average closing rate of the AT&S share at the Vienna Stock Exchange or at the stock exchange with the main quotation of the AT&S shares over a period of six calendar months immediately preceding the date of grant.

#### ***Exercise period:***

SAR may be exercised in full or in part after the respective completion of a three-year period following the date of grant, not however during a restricted period. Granted stock appreciation rights not exercised within five years after the grant date become invalid and forfeit without compensation.

#### **Requirements to exercise:**

SAR may only be exercised by the beneficiaries if the following requirements are met at the date of exercise:

- The beneficiary's employment contract with a company pertaining to the AT&S Group remains valid. Subject to certain conditions, rights may also be exercised within a year after termination of the employment contract.
- The required personal investment in the amount of 20% of the first amount granted (in SAR) in AT&S shares is held. If the personal investment is not fully established by the end of the three-year waiting period, the previously granted SAR become forfeit in full. The established personal investment is required to be held over the complete period of participation in the programme and will also apply to the granting in the subsequent years. The personal investment may only be wound down when exercise is no longer possible.
- The earnings per share (EPS) performance target was met. The level of attainment of the earnings per share performance indicator determines how many of the SAR granted may actually be exercised. The target value is the EPS value determined in the mid-term plan for the balance sheet date of the third year after the grant date. If the EPS target is attained at 100% or surpassed, the SAR granted may be exercised in full. If attainment is between 50% and 100%, the SAR granted may be exercised on a pro rata basis. If the EPS value attained is below 50%, the SAR granted become forfeit in full.

Number and allocation of SAR granted:

	Andreas Gerstenmayer	Karl Asamer	Heinz Moitzi	Executive employees	Total
	Number	Number	Number	Number	Number
1 April 2014	40,000	30,000	30,000	130,000	230,000
thereof expired	0	0	-30,000	-110,000	-140,000
1 April 2015	40,000	30,000	30,000	140,000	240,000
thereof expired	0	0	-30,000	-110,000	-140,000
1 April 2016	50,000	30,000	30,000	140,000	250,000
thereof expired	0	0	-30,000	-105,000	-135,000
<b>Total</b>	<b>130,000</b>	<b>90,000</b>	<b>0</b>	<b>85,000</b>	<b>305,000</b>

**Valuation of SAR at the balance sheet date:**

SARs are measured at fair value at the respective balance sheet date using the Monte Carlo method. The fair value of the SAR granted is recognised as expense over their term.

Fair value of SAR granted:

Granted on:	<b>1 April 2014</b>	<b>1 April 2015</b>	<b>1 April 2016</b>
	EUR	EUR	EUR
Fair value as of 31 March 2017	0.00	0.00	38,565.00

## 4.8. Liabilities

### 4.8.1. Additional disclosure to liabilities

	Balance sheet value as of <b>31 March 2017</b> EUR	Remaining ma- turity of more than 5 years EUR	thereof secured by collaterals
Bonds	0.00	0.00	0.00
Bank loans	44,168,928.46	0.00	0.00
Promissory note loans	442,193,689.72	171,713,088.66	0.00
Trade payables	25,470,083.96	0.00	0.00
Payables to affiliated companies	22,615,963.23	0.00	0.00
Other liabilities	9,302,563.19	0.00	0.00
<b>Total</b>	<b>543,751,228.56</b>	<b>171,713,088.66</b>	<b>0.00</b>

	Balance sheet value as of <b>31 March 2016</b> EUR	Remaining ma- turity of more than 5 years EUR	thereof secured by collaterals
Bonds	75,500,000.00	0.00	0,00
Bank loans	78,018,510.30	0.00	32,000,000.00
Promissory note loans	288,335,830.77	71,455,000.88	0,00
Trade payables	19,292,266.94	0.00	0,00
Payables to affiliated companies	19,960,434.98	0.00	0,00
Other liabilities	7,535,904.83	0.00	0,00
<b>Total</b>	<b>488,642,947.82</b>	<b>71,455,000.88</b>	<b>32,000,000.00</b>

Payables to affiliated companies include trade payables in the amount of EUR 22,615,963.23 (prior year: 19,960,434.98) Assigned receivables are provided as collaterals to banks.



#### 4.8.2. 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 2017 EUR	31 March 2016 EUR
	<hr/>	<hr/>
Interest with regard to bonds	0.00	1,385,890.41
Regional health insurance	5,486,831.10	1,295,848.50
Tax authority	734,895.24	705,091.37
Wages and salaries	128,160.23	226,253.24
Communities	108,278.67	102,832.62
<b>Total</b>	<hr/> <b>6,458,165.24</b>	<hr/> <b>3,715,916.14</b>

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

With regard to contingent liabilities in amount of default risk of the factoring, reference is made to item 4.4. Receivables and other assets. Furthermore, there was no contingent liabilities as of 31 March 2017 pursuant to section 199 UGB.

#### 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
	<hr/>	<hr/>
Obligations from sale and lease back transactions	1,387,417.00	6,590,230.75
Prior year:	1,418,898.98	7,094,494.90
Obligations from rental agreements	550,265.00	1,365,746.00
Prior year:	626,565.64	679,573.99
<b>Total</b>	<hr/> <b>1,937,682.00</b>	<hr/> <b>7,955,976.75</b>
Prior year:	<hr/> <b>2,045,464.62</b>	<hr/> <b>7,774,068.89</b>

#### 4.11. Other financial obligations

At the balance sheet date, orders in the amount of EUR 4,797,143.00 (prior year: EUR 5,967,894.00) were outstanding for replacement and expansion investments.

#### 4.12. Derivative financial instruments

Derivative financial instruments are used at AT&S to hedge against possible interest rate fluctuations. Hedged items are primarily payments related to loans.

	Nominal amount 31 March 2017	Fair value in EUR 31 March 2017	Book value in EUR 31 March 2017
<b>Interest-related products</b>			
Swaps	EUR 92,000,000.00	-2,773,422.93	-2,773,422.93
	Nominal amount 31 March 2016	Fair value in EUR 31 March 2016	Book value in EUR 31 March 2016
<b>Interest-related products</b>			
Swaps	EUR 92,000,000.00	-3,871,064.90	-3,871,064.90

The Promissory note loans (underlying transactions) for which interest swaps in total of MEUR 92.0 (nominal value) exists, were totally repaid in the fiscal year 2015/16. The interest hedging instruments are used to hedge the variable debt instruments placed in October 2015.

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

in months	31. March 2017	31. March 2016
interest related products: Swaps	23 - 47	35 - 59

## 5. COMMENTS ON INCOME STATEMENT ITEMS

	<b>2016/17</b> EUR	<b>2015/16</b> EUR
	<hr/>	<hr/>
<b>1. Revenue</b>		
Abroad	344,501,944.51	332,580,944.87
Domestic	26,376,898.94	22,332,782.75
<b>Total</b>	<hr/> <b>370,878,843.45</b> <hr/>	<hr/> <b>354,913,727.62</b> <hr/>
	<b>2016/17</b> EUR	<b>2015/16</b> EUR
	<hr/>	<hr/>
<b>2. Other operating income</b>		
Income from exchange differences	3,891,616.06	2,537,106.91
Income from non-taxable premium	2,182,598.60	1,495,643.08
Energy tax reimbursements	1,237,233.54	781,937.00
Residual of other operating result	3,074,857.70	2,178,914.28
<b>Total</b>	<hr/> <b>10,386,305.90</b> <hr/>	<hr/> <b>6,993,601.27</b> <hr/>
<b>3. Personnel expenses</b>		
	<b>2016/17</b> EUR	<b>2015/16</b> EUR
	<hr/>	<hr/>
<b>a) Expenses for severance payments and Contributions to staff provision funds</b>		
Members of the Management Board and executive employees	251,311.95	233,761.10
Other employees	2,036,721.07	2,128,432.85
<b>Total</b>	<hr/> <b>2,288,033.02</b> <hr/>	<hr/> <b>2,362,193.95</b> <hr/>

Expenses for severance payments and contributions to staff provision funds include severance payments in the amount of EUR 1,921,229.09 (prior year: EUR 2,027,002.04).

	<b>2016/17</b> EUR	<b>2015/16</b> EUR
	<hr/>	<hr/>
<b>b) Expenses for pensions</b>		
Members of the Management Board and executive employees	86,796.94	75,565.16
Other employees	336,482.81	370,725.24
<b>Total</b>	<hr/> <b>423,279.75</b> <hr/>	<hr/> <b>446,290.40</b> <hr/>

4. Other operating expenses	2016/17 EUR	2015/16 EUR
	<hr/>	<hr/>
Third party services	11,413,103.14	11,625,981.27
Expenses from exchange differences	4,582,679.37	3,502,669.64
Maintenance of factory building and equipment	3,186,526.26	2,860,420.10
Legal and consulting fees	2,900,793.70	3,328,241.50
Rental and leasing expenses	2,679,442.21	2,218,628.83
Freight outward customers	2,205,854.19	2,402,655.07
Travel expenses	1,670,429.00	1,979,963.60
Marketing costs and commissions for sales agents	1,099,650.96	1,089,379.00
Insurance expenses	936,519.43	1,474,259.96
Cost of cleaning of buildings	708,921.98	665,516.36
Loss of accounts receivable	599,047.45	654,034.67
Expenses for company car	170,778.82	199,694.07
Residual of other operating expenses	3,003,639.30	3,283,454.66
<b>Total other operating expenses</b>	<hr/> <b>35,157,385.81</b>	<hr/> <b>35,284,898.73</b>

**5. 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. Group taxation

The group of companies with the AT&S as a group owner was terminated in the current financial year, since after the retirement of AT&S Korea Co., Ltd from the group of companies, no further group members exist.

In the prior year 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 (The liquidation of the Company was completed during the previous fiscal 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.

In the prior year based on the tax group, the position „taxes on income“ was with EUR 28,189.84 lower.

### 6.2. Board members, employees

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

	<u>2016/17</u>	<u>2015/16</u>
Waged workers	656	660
Salaried employees	489	451
<b>Total</b>	<u>1,145</u>	<u>1,111</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)
- Karl Asamer (Deputy chairman)
- Heinz Moitzi

In the financial year, the following persons were appointed as **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
- Sabine Fussi
- Siegfried Trauch
- Günther Wöfler

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

in TEUR	2016/17			2015/16		
	fixed	variable	total	fixed	variable	total
Andreas Gerstenmayer	532	37	569	430	457	887
Karl Asamer	455	0	455	376	277	653
Heinz Moitzi	417	0	417	360	289	649
<b>Total</b>	<b>1,404</b>	<b>37</b>	<b>1,441</b>	<b>1,166</b>	<b>1,023</b>	<b>2,189</b>

The variable portion of the remuneration of Mr. Andreas Gerstenmayer includes remuneration with regard to stock options in the amount of TEUR 37 (prior year: TEUR 111).

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 2017	31 March 2016
Andreas Gerstenmayer	0	60,000
Heinz Moitzi	30,000	60,000
<b>Total</b>	<b>30,000</b>	<b>120,000</b>

As of 31 March 2017, the exercise price of EUR 9.86 of the stock options granted to the Management Board as of 1 April 2012 is less than the current price of the shares as of the balance sheet date (EUR 10.29).

Number of stock appreciation rights as of the balance sheet date of the members of the Management Board:

	31 March 2017	31 March 2016
Andreas Gerstenmayer	130,000	80,000
Karl Asamer	90,000	60,000
Heinz Moitzi	0	60,000
<b>Total</b>	<b>220,000</b>	<b>200,000</b>

As of 31 March 2017, the exercise price of EUR 7.68 (100,000 pieces) of the stock appreciation rights of the Management Board as of 1 April 2014, of EUR 10.70 (100,000 pieces) as of 1 April 2015 and of EUR 13.66 (80,000 pieces) as of 1 April 2016, is less than the current price of the shares as of the balance sheet date (EUR 10.29).

With regard to members of **the Supervisory Board**, remuneration in the amount of EUR 322,360.00 (prior year: EUR 437,200.00) was recognised as expenses and is proposed to the Annual General Meeting.

**Shareholdings of the Management and the Supervisory Board of the Company at the balance sheet date:**

	Shares		
	Balance 31 March 2017	Balance 31 March 2016	Change
<b>Management Board</b>			
Andreas Gerstenmayer	10,000	10,000	0
Karl Asamer	9,000	9,000	0
Heinz Moitzi	5,000	5,000	0
<b>Supervisory Board</b>			
Hannes Androsch	599,699	599,699	0
Androsch Privatstiftung*	6,339,896	6,339,896	0
Dörflinger Privatstiftung*	6,902,380	6,902,380	0
Gerhard Pichler	26,768	26,768	0
Georg Riedl	15,482	15,482	0

\*<sup>1)</sup> The indicated number of shares held in AT & S Austria Technologie & Systemtechnik Aktiengesellschaft includes all direct and indirect investments. Thus, for the Androsch Private Foundation, this information also includes those shares held by AIC Androsch International Management Consulting GmbH, which is owned by the Androsch Private Foundation. For the Dörflinger Private Foundation, it also includes those shares held by Dörflinger Management & Beteiligungs GmbH, whose majority owner is the Dörflinger Private Foundation.

### *6.3. Significant events after the reporting period*

Until 8 May 2017, no events or developments came to AT&S' attention that would have resulted in significant changes in the disclosure or measurement of the individual asset and liability items as at 31 March 2017.

Leoben-Hinterberg, 08 May 2017

The Management Board:

Andreas GERSTENMAYER m.p.

Heinz MOITZI m.p.

Karl ASAMER m.p.



# Management Report 2016/17

## 1. Company profile

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as “AT&S”) is the leading manufacturer of printed circuit boards in Europe and globally one of the technology leaders in the printed circuit board (PCB) industry. AT&S concentrates in high-end technologies and applications in the segments Mobile Devices & Substrates and Automotive, Industrial, Medical. AT&S is successful among its mostly Asian competitors because of its clear focus on high-end, exceptional process know-how, quality, efficiency, capacity utilisation and European governance. AT&S has a cost-effective production footprint in close proximity to the customer, with six production sites in Austria (Leoben, Fehring), India (Nanjangud), China (Shanghai, Chongqing) and South Korea (Ansan).

## 2. Market and industry

The global electronics industry is characterised by the trend of further miniaturisation and the integration of additional functions in modules. Electrical and electronic connectivity solutions make a significant contribution to the production of smaller, more energy-saving and more powerful devices for the end user. The global market for printed circuit boards and substrates has evolved into a common market for interconnect solutions. The “classic” printed circuit board technology covers track widths up to 40 µm (“HDI/anylayer”). Smaller track widths are covered by substrate technologies (mSAP – modified semi-additive process, SAP – semi-additive process).

The entire substrate and printed circuit board market totalled approximately USD 52.7 billion in 2016. The computer, communication and consumer (CCC) segments hold a share of roughly 70% of the overall market. Key applications in these segments are smartphones, PCs and tablets as well as servers. New applications such as wearables, smartwatches, “Internet of Things (IoT)” devices and artificial intelligence devices requiring high processing power offer very good growth opportunities in the long term. The automotive, industrial and medical (including aviation) segments correspond to roughly 20% of the overall market and consist of a large number of different applications, with infotainment and autonomous driving applications offering excellent growth opportunities. The IC substrate segment accounts for the remaining 10% of the overall market. So far, IC substrates have mainly been used in the area of packaging for semiconductors, but they also form the technological basis for the next generation of printed circuit boards (mSAP). The compound annual growth rates (CAGR) from 2017 to 2019 amount to 2.5% for CCC, 4.0% for automotive, industrial and medical, and 2.7% for IC substrates. However, in 2016, the overall market for printed circuit boards and IC substrates declined slightly by -1.9%, which is primarily attributable to decreases in the CCC and IC substrate segments, while the automotive, industrial and medical segments recorded solid growth of 3.5% again in 2016. In contrast to the declining overall market, AT&S recorded a very strong revenue development again, with an increase of 6.8% compared with the previous year.

**TRENDS AND TECHNOLOGIES** The world is becoming more digital. The driving forces are the available and nearly omnipresent possibilities for connection, continuously declining costs of data transmission and sensors, and use of the Internet to support communication between electronic devices.

Society is still at the beginning of the “Internet of Things” (IoT): the technological development based on how Internet-connected devices are used to improve the exchange of data, automate complex industrial processes and generate information. The potential of the “Internet of Things” as the “next big thing” is most often assessed based on the growth in devices connected through the Internet. Market studies suggest that particularly strong areas of growth in connection with IoT will not be end devices such as wearables, sensors, smartphones and tablets, but rather the necessary infrastructure such as base stations for the transmission of digital data as well as servers and data centres for saving and processing the rapidly increasing volume of data.

This development will have a significant influence on the further growth of all segments in the electronics industry. The printed circuit board, in terms of its function as a connection platform for electrical, electronic and mechanical components in combination with “Advanced Packaging” in accordance with (“all-in-one”) module integration, will continue to gain in importance. As before, this enables the mechanical attachment and the electrical connection of resistors, capacitors, microprocessors, memory chips, sensors, connectors and many other components necessary for fully functional electronic systems. However, this is now done with ever-finer circuit path structures.

Technologically, printed circuit boards consist of electrically insulating carrier material, for which fibreglass mats saturated in epoxy resin are largely used. The conductive connections attached to them usually consist of etched copper layers. There are countless types of printed circuit boards, ranging from single-layer to highly complex multi-layer models. The complexity of printed circuit boards and the related requirements for the different manufacturing processes are determined by the following factors: the number of layers, the vertical connections of the individual layers and their minimum hole diameter, line width and spacing as well as surface finish. The ongoing miniaturisation of the electronic components in the end devices, while at the same time enhancing their power density, increases the requirements for and the complexity of printed circuit boards. AT&S has focused on the production of highly complex printed circuit boards for the most sophisticated applications for many

years and now generates more than 75% of revenue with this top category of technology. IC substrates represent the cutting-edge technology for connection platforms, and this technology also forms the basis for the latest generation of printed circuit boards (mSAP) with track widths of less than 30  $\mu\text{m}$ . The main differences to conventional printed circuit boards are the achievable structures, where a minimum of less than 10  $\mu\text{m}$  is currently possible. Future roadmaps even forecast track widths of less than 2  $\mu\text{m}$ , ideally positioning this connection technology in order to integrate even the most advanced integrated circuits (ICs) directly on the printed circuit board in the future.

The technological development of high-end printed circuit boards and IC substrates with respect to reduced track widths will continue to be determined by applications in the communication and computer segments in the years to come, especially by developments in high-end computing (servers) and smartphones. The most important trend in this context is the further integration of functions in ever-smaller areas, while the thickness of the electronic module keeps decreasing at the same time. Many of the classic packaging methods for IC substrates will decline in significance. In contrast, “advanced packaging” solutions and the (“all-in-one”) module integration of semiconductor components, integrated circuits (ICs) and discrete components directly on or in the printed circuit board or the IC substrate will gain in importance. The diagram below shows the potential solutions on all connection levels for which AT&S will position itself through the technologies that are currently being implemented (IC substrates, mSAP and embedding).

Printed circuit boards and interconnect solutions for automotive, industrial and medical applications use high-end technologies with reduced track widths from the computer, communication and consumer segments as a platform for further innovations. The focus is placed on the introduction of new materials (e.g. high-frequency printed circuit boards for RADAR applications in the automotive segment), process control within tighter limits and further technological improvements to meet particularly high quality standards. Application trends such as autonomous driving, robotics and online patient monitoring lead to an increasing convergence of the technological requirements of the individual market segments.

The opportunities arising from the required intelligent combination of different technologies also represent new growth potential for the printed circuit board industry. In addition, potential for the integration of further value creation in the assembly and packaging services market is also opening up for manufacturers of high-end printed circuit boards and IC substrates with competence in the embedding technology.

**INTERNATIONAL MARKET DEVELOPMENT** The global market for printed circuit boards is part of the highly dynamic electronics industry. Overall, the global electronics market will reach a volume of roughly USD 1,884 billion in 2017, with annual growth rates of roughly 3.4% anticipated between the years 2017 and 2019 (source: Prismark, February 2017). The strongest growth is expected in the automotive and industrial segments (5.9% respectively), while the consumer and communication segments should grow by 3.7% and 3.4%, respectively. Basically, no growth is forecast for the computer segment (annual growth of 0.8% between 2017 and 2019).

The semiconductor and printed circuit board markets are subject to more significant fluctuations due to rapidly changing customer needs and the changes in the global economic climate. The printed circuit board industry is inseparably linked to these macro trends. According to current forecasts, the printed circuit board market will increase to USD 54.3 billion again in 2017, which corresponds to an annual growth rate of 2.4% between 2017 and 2019 (sources: Prismark, February 2017; Yole, February 2017). For higher-end technologies such as anylayer and mSAP printed circuit boards, above-average growth rates of 6.0% are forecast (source: Prismark, April 2017).

**COMMUNICATION: SMARTPHONES REMAIN THE TECHNOLOGICAL GROWTH DRIVER IN THE ELECTRONICS INDUSTRY** After strong growth in 2015, sales volume for smartphones remained nearly constant year-on-year, with roughly 1.471 billion devices sold in 2016. A compound annual growth rate of 3.7% is expected for the period from 2017 to 2019 (source: IDC, March 2017). Within this period, smartphones will remain the key revenue and technology driver in the electronics industry despite a slowdown of innovation cycles.

**CONSUMER** This market segment includes a variety of different applications such as audio and video devices, TVs, gaming devices, video streaming devices, virtual reality (VR) glasses, drones, household appliances, consumer robots, cameras and wearable devices (fitness bands, smartwatches, etc.). A key market trend is the interconnection of devices (“Connected Devices”, “Internet of Things” (IoT)) and the download and streaming of videos via the Internet. As a result, an annual growth rate of up to 10% is expected again for connected 4K HD TVs and video streaming devices between 2017 and 2019 (source: BI Intelligence, June 2016). Very strong growth is also projected for virtual reality glasses in combination with connected TVs or drones from 2017 onwards. Wearables and smartwatches will also continue to grow significantly, according to market studies. All of these consumer devices require interconnection solutions based on printed circuit boards. Similar to smartphones, the ongoing miniaturisation also leads to a trend towards printed circuit boards with ever-smaller track widths and integrated (“all-in-one”) modules in this area, from which AT&S can benefit due to its early positioning. Therefore, a compound annual growth rate of roughly 3.5% is expected from 2017 onwards for the entire consumer printed circuit board segment, the current volume of which is USD 7.3 billion (source: Prismark, February 2017).

**COMPUTER: THE “INTERNET OF THINGS” WILL GENERATE NEW GROWTH IN SERVERS AND STORAGE MEDIA** In 2016, the market for computers – desktops, notebooks, tablets and servers – recorded a further decline of more than 7.1% (source: Prismark, March 2017). The desktop sales volume decreased by 10.2% to 106 million devices and the sales figures for tablets dropped by 9.2% to 177 million units, while the number of notebooks sold declined by 2.9%. The server segment remained stable. From 2017, sales figures are expected to stabilise. Growth is anticipated, especially for servers, in the future (approximately 6.4% annual growth between 2017 and 2019).

**AUTOMOTIVE ELECTRONICS: ABOVE-AVERAGE GROWTH THROUGH NEW APPLI-CATIONS** The number of vehicles sold reached 96 million in 2016 and will grow by roughly 2.0% annually between 2017 and 2019. The main driver for the sales volume of printed circuit boards in this segment is the massively increasing share of electronic applications per vehicle (autonomous driving, infotainment, etc.). The printed circuit board market totalled USD 4.9 billion in 2016 and is expected to grow by 3.8% annually in the period from 2017 to 2019 (source: Prismark, February 2017). The growth rates for electronic systems for the automotive market and for printed circuit boards in this segment thus significantly exceed the average total figures for the global electronics industry. Safety and infotainment applications also drive demand and the use of HDI and microvia printed circuit boards in this segment. Applications which now use HDI and microvia printed circuit boards include navigation and multimedia systems, emergency calling and camera systems as well as electronic transmission control systems. Key future growth drivers in this segment include further electrification, interconnection and, above all, autonomous driving. Among other things, autonomous driving requires the development of new central systems recording information and data, which are provided by camera systems and sensors (radar, optical distance and speed measurement and ultrasound sensors, etc.), and for their evaluation and the subsequent control of the relevant actuators such as braking, stability and steering systems. Due to the large data volume and the fast transmission rates necessary, these new central computers already need the HDI technology.

**INDUSTRIAL ELECTRONICS** The industrial electronics market, at USD 197 billion, declined slightly by -1.0% in 2016. However, starting in 2017, annual growth of 5.9% is projected (source: Prismark, February 2017). The market volume for printed circuit boards in this segment remained constant at USD 2.6 billion compared with the previous year and is expected to grow by an average of up to 5.6% annually between 2017 and 2019 (source: Prismark, February 2017).

The industrial electronics segment is still characterised by applications in the areas of measurement and control technology, power electronics, lighting systems and diagnostic devices, RFID readers as well as railway technology. In the future, machine-to-machine and machine-to-human communication modules, driven by robotics, automation and industry 4.0 activities, will enable further growth in this segment.

**MEDICAL ELECTRONICS** The global market for medical electronic systems grew by roughly 2.0% to USD 104 billion in 2016 (source: Prismark, February 2017). The medical electronics segment is characterised by a high level of complexity regarding applications such as diagnostics and imaging devices, therapy applications and mobile devices on and in the body (e.g. hearing aids, pacemakers and insulin pumps). Other applications include surgical lighting analytical instruments and molecular diagnostics. Prices for medical devices and systems range from low double-digit USD amounts up to more than USD 1,000,000 for computer tomography systems. The printed circuit board market amounted to USD 1.1 billion in this segment in 2016, with forecast annual growth rates of 4.5% until 2019.

**THE MARKET FOR IC SUBSTRATES** IC substrates are the basis for the packaging of one or several semiconductor chips (“Integrated Circuits” or “ICs”). When several chips are packaged, this is referred to as “system in package” or “SiP”. IC substrates are also an important component in future (“all-in-one”) modules. The IC substrate market is heavily influenced by technological changes in packaging, with silicon ICs and printed circuit boards/substrates being connected increasingly directly with one another. In this process, many intermediate steps in IC packaging which are currently performed by OSAT (Outsourced Semiconductor Assembly and Test) companies are eliminated in the course of miniaturisation and system cost reduction. Part of the previous packaging process steps can be shifted to silicon wafer production (“wafer level packaging”) and another part to substrate and printed circuit board production. Here, embedding will gain in importance for the further functional integration in the system.

After a decline of 3.8% compared with 2015, the IC substrate market reached a volume of USD 5.1 billion in 2016. The annual growth rate projected for the years 2017 to 2019 amounts to 2.7% (source: Yole, February 2017).

IC substrates are used in virtually all applications in the electronics market. The main growth drivers in this context are all types of system-in-package (SiP) or (“all-in-one”) modules for the integration of different functions (ICs, sensors, passive components, etc.). The overall IC substrate market of USD 5.1 billion (2016) is split into “CSP” (Chip Scale Packaging) and “BGA” (Ball Grid Array). BGA substrates are usually larger; their share of the overall market is slightly more than 50%. Typical applications are IC substrates for processors in PCs, notebooks or for servers. Therefore, the growth rates for BGA substrates will be low in the coming years – similar to the computer market. However, the market for high-end BGA substrates for servers, which – driven by Internet/cloud applications – still shows very high growth rates, represents an exception. CSP

substrates are used in many different applications such as the consumer, communication, automotive, industrial and medical segments. This CSP substrate market will grow by more than 4% annually in the coming years.

In combination with its embedding and printed circuit board competence, the substrate environment offers AT&S the opportunity to establish itself as one of the leading providers of interconnect solutions and module integration in the years to come.

**MINIATURISATION, FUNCTIONAL INTEGRATION AND MODULARISATION DETERMINE THE MARKET FOR “EMBEDDED COMPONENT PACKAGING” (“ECP”) AND “EMBEDDED DIE PACKAGING”** Embedding components in printed circuit boards/substrates is a method which will enable a system cost reduction, a reduction of space requirements for electronics and a performance improvement of the modules in all electronic modules. It is therefore usable for all applications. As previously stated, embedding in combination with printed circuit board/substrate technology is a crucial competence to enable future (“all-in-one”) modules.

The use of the embedded die packaging technology (“ECP”) is currently still limited to niches, which also explains the comparatively low market volume of USD 17 million in 2016 (source: Yole, February 2017). The external market analysis does not yet take into account a broader market penetration of the first established applications and the high potential of ECP based on further technological improvements. In the past, the technological barrier was primarily the yield loss in embedding expensive chips. Due to improvements in process control, yield has increased significantly, which will enable broad-based application in all markets, from consumer and communications to automotive, industrial and medical technology. Typical applications of ECP products, which have already been launched or are about to be launched on the market, include camera modules and discrete voltage transformers in all voltage classes from low voltage to power modules with power MOSFETs or IGBTs. As integrated voltage transformers are part of virtually all electronic modules, this results in a variety of possible applications in both the consumer and communications segment as well as in the automotive, industrial and medical segment. Currently realised discrete solutions are replaced by integrated embedded solutions when performance benefits (reduced switching losses, better thermal performance) or reduced space requirements are particularly important for the system as a whole.

### 3. Business development

#### 3.1. Financial performance

In the financial year 2016/17, AT&S's **REVENUE** rose by € 16.0 million, or 4.5%, to € 370.9 million. This increase results from higher merchandise sales as well as higher sales from self-produced goods.

The **EBIT-MARGE** increased from 4.5% to 5.9% in the financial year under review. The main reasons of the increase were the reversal of the provision for restructuring and the adjustment of the variable bonus achievement level.

The **FINANCIAL RESULT** amounted to € 17.4 million (previous year: € 12.6 million). The improvement of the financial result by € 4.8 million results from an increase in interest income from affiliated companies by € 7.5 million to € 16.0 million (previous year: € 8.5 million) due to higher borrowings, € 6.2 million higher income from disposal and appreciation of financial assets and marketable securities with an amount of € 13.8 million (previous year: € 16.3 million) which result from exchange rate gains. Moreover, interest and similar costs decreased by € 2.8 million to € 13.4 million (previous year: € 16.3 million) and costs for financial assets and marketable securities decreased by € 4.6 million to € 0.0 million (previous year: € 4.6 million) due to lower exchange rate losses.

Interest income from investments decreased by € 15.0 million to € 0.0 million (previous year: € 15.0 million) and interest income declined by € 1.3 million to € 1.0 million (previous year: € 2.3 million) - which represents the current environment of EUR investments – and had a negative influence on the financial result.

**INCOME TAXES** result from the possibility to recognize deferred taxes on loss carry forward, which is accountable for the deferred tax income of € 14.7 million (previous year: € 0.0 million). Due to higher taxable results in the past financial year, the current tax expense increased by € 2.5 million.

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 € 51.5 million (previous year: € 17.2 million).

#### 3.2. Financial position

As a result from investments in technological upgrades, the book value of **PROPERTY, PLANT AND EQUIPMENT** rose from € 37.2 million to € 41.3 million. The book value of **INTANGIBLE ASSETS** decreased from € 13.2 million to € 11.3 million due to higher depreciation in the financial year under review.

The **SHARES IN AFFILIATED COMPANIES** decreased from € 287.6 million to € 265.9 million due to capital reduction in AT&S Korea Co., Ltd. in the current financial year. The book value of loans to affiliated companies increased from € 232.8 million to € 407.1 million because of increase in shareholder loan.

In the short term **CURRENT ASSETS** the inventories slightly decreased from € 25.5 million to € 24.4 million. The decline of receivables and other assets from € 57.5 million to € 29.6 million is based on the sale of trade and other receivables.

Liquid funds declined from € 151.3 million to € 89.1 million.

In the current financial year **DEFERRED TAX ASSETS** with an amount of € 14.7 million were recognized for the first time.

At the balance sheet date 31 March 2017, the **SHAREHOLDERS' EQUITY** increased from € 267.9 million to € 305.4 million. The increase was caused by the net income for the year of € 51.5 million which overcompensated the dividend payment of € 14.0 million. At the balance sheet date, the equity ratio had increased from 33.1% to 34.3%.

In the financial year 2016/17, AT&S's **NET DEBT** increased from € 290.0 million to currently € 393.3 million. Net debt is calculated as the aggregate of bonds, bank loans and promissory note loans, less cash on hand and bank balances as well as "other securities and shares" in current assets. The gearing ratio, i.e. the ratio of net debt to equity, increased from 108.2% in the previous year to 128.8%.

### 3.3. 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):

In EUR million	2016/17	2015/16	2014/15
Net cash flow from operating activities	71,3	54,0	17,3
Net cash flow from investing activities	-160,5	-137,4	-46,7
Net cash flow from financing activities	27,0	80,5	-19,3

The net cash flow from operating activities increased in the financial year 2016/17. The higher operating cash flow of € 48.3 million (previous year: € 31.2 million) mainly results by higher payables and lower receivables. This led to an increase in net cash flow from operating activities of € 54 million to € 71.3 million.

With respect to investing activities, AT&S invested a total of € 15.4 million (previous year: € 19.7 million) in intangible and tangible assets in the financial year 2016/17. These payments and higher loans to affiliated companies resulted in a net cash flow from investing activities in the amount of € 160.5 million (previous year: € 137.4 million).

By placement of promissory note loans in the amount of € 150.0 million scheduled loan repayments and dividends payment could be paid. The remaining net cash flow of € 27 million (previous year: € 80.5 million) is used for financing of affiliated companies.

## 4. Employees

Our employees' job satisfaction and company loyalty are central elements when it comes to accomplishing the AT&S vision and mission and, consequently, sustainable company success. Development opportunities and open communication, above all with line managers, have a positive effect on these factors. Therefore, AT&S again focused on promoting a feedback culture and dialogue as well as training and development measures ranging from the Leadership Initiative and the Lean Six Sigma project iPOK to the International Talent Program in the past financial year. Because we need the motivation and commitment, the comprehensive knowledge as well as the openness, flexibility and creativity of our employees to enable us to successfully meet the special challenges of our industry.

**HUMAN RESOURCES FIGURES** In the financial year 2016/17, AT&S employed an average of 1.350 full-time equivalents, including temporary employees. This corresponds to 66 more fulltime equivalents than in the previous year. This increase is primarily attributable to the hiring of staff for the plant in Leoben.

**LEADERSHIP-INITIATIVE** Jointly defined values enable effective leadership and a common approach. The AT&S leadership model was developed in collaboration with first level managers. At the same time, there was a general consensus that the primary focus is on strengthening the feedback culture and open dialogue.

The derived program for the managerial staff consists mostly of three modules: The personality-analysis according the DISG model, which should in a first step the managerial staff make aware that there are different characters, which have also different communication-necessities. The second module focus on to apply this partly theoretical knowledge in a communication and feedback-workshop. The completion results in a feedback-module, which should enable to recognise and reflect differences between self-perception and external perception. After the pilot project in the financial year 2015/16, in which the first management level completed modules with a focus on communication and feedback culture, the initiative was extended to the next management level in the past financial year. Roughly 130 managers worldwide completed the modules of the Leadership Initiative in the past financial year. The feedback was positive throughout and further measures are currently being planned for the financial year 2017/18.

**SUPPORT AND CHALLENGE** Systematically supporting and challenging employees is a central element of effective leadership. Therefore, the annual appraisal interview has been revised in line with the Leadership Initiative. The redesign of the staff appraisal meeting was defined jointly with managers and employees from different sites worldwide. The heads of the business units and the group functions were closely involved in the form of a steering committee.

This new design also aims at strengthening the communication and feedback culture within the organisation and at offering growth and development opportunities, thus increasing employee engagement and retention. Moreover, the appraisal interview serves to derive individual goals from company goals in order to ensure that our vision, mission and objectives are not only understood but also implemented. Bonus systems will offer additional incentives. The appraisal and development interviews will be held separately and at different times, with the aim of placing a stronger focus on growth and development potential. In addition, the development interview will offer an opportunity to compare the self-image and external image and to reflect on the differences in an open dialogue.

In the past financial year, our employees once again had the opportunity to attend specific training and development programmes in the framework of individual, site-specific training catalogues and in consultation with their managers. The wide variety ranges from training focusing on technology and quality-relevant topics to IT topics, project management, creativity techniques to intercultural training, language courses, soft skills, leadership and sustainability. Moreover, as part of the onboarding process, we offer basic training in order to give new AT&S employees an overview of the market, our products, structures and procedures at AT&S and to familiarise them with the values of the company.

**LEAN SIX SIGMA** The combination of Lean Management and Six Sigma is a method for the systematic improvement of processes. While Lean Management focuses on minimising non-value adding processes (efficiency), Six Sigma concentrates on the continuous reduction of errors (effectiveness).

The iPOK (Implementation of Practice Orientated Knowledge) initiative contributes to implementing the AT&S vision and mission through efficiency and effectiveness enhancements as well as the internal training structure and the related knowledge and information transfer between employees, departments and plants. The training consists of a theoretical and a practical part in order to establish the theoretical knowledge in the organisation in the long term. Since the project started, our employees completed 77 "Black Belt" und 133 "Green Belt" training courses or were still undergoing training at the end of the financial year. 160 Lean Six Sigma projects were launched in the scope of these certifications and training courses.

AT&S offers comprehensive apprentice training for the specialists of tomorrow, especially in the areas of mechatronics, laboratory technology, physics laboratory, process technology, mechanical engineering and metal technology, but also in the administrative area. At the end of the financial year, AT&S employed 33 apprentices in Austria and one in Germany, of whom 15 apprentices started their training with AT&S in the past financial year. Our objective is to get young people of different educational levels excited about professions in the areas of technology, economics and IT at AT&S – either by offering introduction courses and summer internships, or at job and career fairs. By the end of the financial year 2016/17, 11 young university graduates completed our “International Talent Program”; another two will complete their training at our Austrian sites within the financial year 2017/18. This training in eight modules is carried out over a period of 12 to 18 months and prepares colleagues for their tasks at our sites in China and India. At present, we are hiring more international talents, primarily for the plants in Shanghai and Chongqing. The huge international interest in this programme was reflected by around 1,700 applications from more than 60 countries.

In the past financial year, roughly € 0.5 million were invested in external training and continuing education. With a reduction of € 0.2 million compared to the previous year, the expenditure on external training again approached the level of the financial year 2014/15, when the expenditure on training was € 0.4 million. The financial year 2015/16 was a particularly intensive year due to the the start of the global leadership initiative and the iPOK Lean Six Sigma programme. In the financial year 2016/17, the majority of the training courses were executed by internal trainers based on the acquired know-how, thus enabling a clear reduction of the costs for external trainings.

**PROMOTING DIVERSITY** Diversity and the contribution of different views provide added value for any team and any organisation. Especially since AT&S is a globally operating company, there is no place for any form of discrimination at the company. AT&S attaches great importance to equal opportunities, regardless of age, gender, background, sexual orientation, ethnic origin, disability, religious or political beliefs. This is also reflected in a declaration as part of the AT&S Code of Business Ethics and Conduct to which all employees have committed. As of the coming financial year, misconduct can be reported anonymously via a whistleblowing platform.

**CODE OF BUSINESS ETHICS AND CONDUCT** AT&S is part of the Electronic Industry Citizenship Coalition (EICC). Thus, we commit to complying with a standard with respect to work, ethics, the environment and occupational health and safety, and extend this responsibility to our suppliers. The AT&S Code of Business Ethics and Conduct is continuously adapted to the requirements of the EICC. In the past financial year, for example, liaisons to be contacted in case of special needs regarding the exercise of religion were added to the Code. Further details of the sustainability activities can be found in the section “Sustainability” and in the current Sustainability Report.

**REMUNERATION SYSTEMS** In addition to remuneration in line with the market, AT&S also offers the opportunity to participate in the company’s financial success. This is another key factor for the commitment, hiring and retention of employees. In accordance with the global AT&S bonus system, individual or collectively agreed bonus payments are distributed provided that defined minimum key figures have been achieved. The prerequisite for participation is a positive EBIT for the Group as a whole. In addition, the bonus payment is based on the achievement of budget targets of the respective area of responsibility. Where individual bonus payments have been agreed, the bonus payment may vary additionally based on individual performance.

The calculation model for bonus payments has changed compared with the previous year and defines the ROCE and Innovation Revenue Rate and the individual performance of an employee as key indicators. The bonus system also ensures that bonus payments are partially or fully suspended in economically difficult situations, in which the targets set are not met.

**OUTLOOK** Continuous personnel development in line with technological developments and the changing working environment is essential for our business success and will consequently also be the basis of personnel work in the coming year. In addition to that, the Leadership Initiative, the iPOK project and the International Talent Program will continue to be focus areas within AT&S in the financial year 2017/18. Furthermore, our intention is to increase transparency regarding training and career paths even further, thus enhancing perspectives for our employees.



## 5. Sustainability

Climate change and increasingly scarce resources are challenges of our time. Thinking and acting responsibly and sustainably through generations is an integral part of the AT&S vision and mission and thus of the corporate strategy.

- We reduce our ecological footprint
- We care about people
- We create value

A holistic approach that considers the interests of all stakeholders and all three dimensions – ecology, social matters, economy – equally, enables sustainable operations.

**WE REDUCE OUR ECOLOGICAL FOOTPRINT** And we do so by taking a variety of measures worldwide in the areas of energy efficiency, water and resources. We set ambitious targets for ourselves again in the past financial year in order to continuously reduce the CO<sub>2</sub> footprint and freshwater consumption by 5% and 3% per year, respectively. Accordingly, AT&S attaches great importance to efficiency projects, which are implemented in AT&S-specific Lean Six Sigma projects (iPOK) and in ongoing energy efficiency programmes.

In the financial year 2015/16, energy efficiency analyses were conducted for the Austrian sites, which identified saving potential of roughly 10 GWh/a. In the past financial year, nearly 5 GWh/a were actually realised as a result of the measures implemented. Based on the same model, comparable analyses were performed at our sites in India and China in the financial year 2016/17. The saving potential identified at our site in India amounts to 9 GWh/a. In Shanghai, potential energy savings of up to 36 GWh/a are possible according to initial estimates. The feasibility of possible measures is currently being reviewed. The initiatives of the past financial year are important milestones on our way to globally improving our energy efficiency. The target for the financial year 2017/18 is to implement measures that are economically reasonable.

Energy efficiency is directly related to CO<sub>2</sub> emissions. In the financial year 2016/17, CO<sub>2</sub> emissions per square metre of printed circuit board were reduced from 50.7 kg to 46.4 kg, which corresponds to a decrease of 8.5%. However, the establishment and the qualification of the plants in Chongqing caused an increase in the amount of energy required per square metre of printed circuit board produced. Overall, this resulted in an increase in CO<sub>2</sub> emissions to 55.7 kg/m<sup>2</sup>. In addition, climate changes – in particular the extremely hot temperatures during the summer months – represent a growing challenge that is difficult to estimate.

Freshwater is an essential commodity for the production of printed circuit boards. Therefore, we constantly work on improving our measuring systems and have set the ambitious goal of reducing the amount of freshwater consumed by 3% each year. The effects of the establishment and qualification of the plants in Chongqing are also reflected in the consumption of freshwater. While freshwater consumption was reduced in our core business, total consumption rose slightly to 739.5 l/m<sup>2</sup>.

Apart from electricity and water, the manufacture of our products also requires commodities and other materials. In our core business, the share of material costs in relation to the operating performance declined slightly in the previous year. Including the establishment and qualification of the substrate technology, material costs in relation to the operating performance increased.

Miniaturisation trends and the related increasing complexity of our products also mean higher resource consumption in most cases – this applies to both energy and water as well as to other materials. The currently defined key indicators do not reflect this increasing complexity as the reference figure m<sup>2</sup> printed circuit board does not reflect this. Therefore, we are working on a new definition of our key figures for the financial year 2017/18.

**WE CARE ABOUT PEOPLE** Our employees are one of our main stakeholder groups. Accordingly, the topics of occupational health and safety are central topics of our sustainability strategy. This is also reflected in the fact that all our plants worldwide are certified according to OHSAS 18001. Consequently, we try to create an environment in which it is a matter of course that occupational accidents are reported. Because we can only work effectively on improving occupational safety if we know the type, frequency, extent and causes of occupational accidents. Despite extensive safety measures, occupational accidents cannot yet be avoided completely. In the financial year 2016/17, the working hours lost per million working hours with absences exceeding one day rose slightly to 5.4 at group level.

Other key factors for sustainable company success are job satisfaction and company loyalty. Perspectives and development possibilities have a positive impact on these factors. Therefore, AT&S focused on training and development measures in the past financial year. Not only our employees, but also the quality of our technologies and products, the relationship with our customers and, ultimately, the entire company benefit from these measures.

**WE CREATE VALUE** that goes beyond a solely economic perspective. Sustainable management at AT&S is, among other things, reflected in European standards at all sites in the areas of quality, safety, environment and energy – despite massive competition and continuous price pressure.

Our clear commitment to being a good corporate citizen also becomes tangible through our compliance and anti-corruption guidelines as well as our Code of Business Ethics and Conduct. Our employees commit to compliance with the code of conduct by means of their signature. As of the financial year 2017/18, violations can be reported via an anonymous whistleblowing platform. In line with the EICC (Electronic Industry Citizenship Coalition), the code focuses on management topics such as compliance, correct accounting as well as equal treatment and non-discrimination, training and continuing education, ethics, occupational safety, health and environmental protection.

Moreover, we also require our suppliers to act responsibly, which they confirm in a declaration on business ethics, a questionnaire for self-evaluation and audits. In addition, it has been established in a guideline that AT&S rules out manufacturing products to support active weapon systems and systems carrying weapons.

Sustainability is a key factor for the successful future of AT&S. For specific targets and details on the measures as well as other AT&S activities of social relevance please refer to the Sustainability Report 2016/17.

## 6. Research and development

- 21.8% of AT&S's total revenue is generated by products which have been on the market for less than three years
- Introduction of mSAP technology – the next technology cycle for printed circuit boards for smartphones
- Development project EmPower completed – basis for new systems in power electronics created

AT&S pursues the goal of continuously expanding its position as a technology leader in order to create a distinguishing feature that differentiates AT&S from competitors and to provide the basis for long-term profitable growth. In an ever changing and extremely dynamic environment, we meet these challenges with a technology roadmap designed for the long term. We derive our R&D focus topics and projects from this roadmap and measure our success using the target figure "Innovation Revenue Rate", which defines the revenue generated with innovative products that were launched on the market in the last three years. AT&S recorded an Innovation Revenue Rate of 21.8% in the financial year 2016/17. This represents an outperformance compared with the target figure of 20%. The massive change in the electronics industry based on the slowdown of the development speed in processor technology continued in the financial year 2016/17 (Moore's Law, which states that the complexity of integrated circuits always doubles within 12 to 24 months, is no longer valid). This opens up completely new opportunities for the packaging, substrate and printed circuit board industry. Many new functions and properties can be produced with considerably less development effort than would be necessary for the realisation on chips. The further development in our business segments will thus have an enormous impact on the entire electronics industry in the years to come. Therefore, the R&D focus areas of AT&S were again aligned to the technological trends in the entire electronics industry in the financial year 2016/17.

### UNCHANGED R&D FOCUS AREAS IN THE PAST FINANCIAL YEAR

- Flexibility/design: integration of electronics in very small spaces and interconnection of electronic modules
- Miniaturisation/weight reduction: devices are getting smaller, lighter and more powerful – electronics needs to create the foundation
- Modularisation/packages: new, highly integrated modules to achieve the tightest packing density and highest performance in a simplified value creation chain
- High speed/high frequencies: contactless communication of people and devices with large data volumes and radar applications for self-driving cars and work equipment
- Power electronics/high currents: energy-efficient mobility leads to electrification of mobility – mechanical solutions are replaced by energy-saving electronic solutions
- Production processes/business models: use of data to optimise and improve production processes, integration of new and additional steps into the value chain and economical use of resources in production

The costs of research and development projects totalled € 62.8 million in the financial year 2016/17. This corresponds to a research rate (i.e., ratio to revenue) of 7.7% compared with 12.5% in the previous year. The figure for the financial year 2015/16 (€ 95.6 million) was marked by the high development costs of the IC substrate business. By means of this consistently high research rate, we will also secure our position as a technology leader in the years to come.

Our innovative power and long-term competitiveness is also reflected in the number and quality of patents. Worldwide, AT&S submitted 34 new applications for patents in the financial year 2016/17. AT&S currently has 196 patent families, which result in 227 granted patents. The IP portfolio also comprises externally acquired licenses, especially in the area of the embedding technology.

AT&S ensures efficiency in development by cooperating closely with customers, suppliers and research institutions. Internally, we pursue a two-step innovation process. In the research institutions at Leoben-Hinterberg, the developments in the areas of materials, processes and applications are carried out to the point where basic technological feasibility has been reached. This field of activity thus comprises applied research and technology evaluation. Subsequently, it is the task of the local technology development and implementation departments at the AT&S sites to continue the experimental development of processes and products and to integrate them into the existing production process.

**RESEARCH AND DEVELOPMENT PROJECT HIGHLIGHTS** In the area of high density interconnects (HDI), i.e. printed circuit boards from our core business of the past years, we continued the development work for the next generation of printed circuit boards. Here, a technology leap in the structuring technology is currently being prepared. Instead of the subtractive structuring method (copper is removed from non-conductive areas), the next technology generation will use the so-called modified semi-additive technology (copper is plated onto a thin copper foil in those areas which should be conductive). With this technology, which is very similar to the structuring technology in substrates, the structures on the printed circuit board can be made even smaller. Another advantage: less copper is required for production.

A European project on power electronics in the automotive industry (project name: EmPower), in which AT&S was responsible for the technical coordination, was completed. Together with six partners from different positions in the value chain – Continental (D), STMicroelectronics (F, I), ATOTECH (D), ILFA (D), TU Berlin (D) and TU Wien (A) – AT&S developed new technological solutions for the production of miniaturised and thus lower-weight modules for electric vehicles. Based on these technological principles, products can now be produced for mass application in bilateral projects.

Details EmPower:

Embedded power components for electric vehicle application

Duration:	May 2013 – February 2017
Project coordinator:	AT&S
Total budget for the project:	EUR 5,6 Mio.

In the area of high-frequency technology, also for the automotive industry, AT&S worked on the further development of solutions for radar applications. The objective is to offer printed circuit board solutions, especially for 77 GHz radar sensor systems, which meet the demanding requirements and can be produced in the large quantities demanded in this massively growing market. The main technological hurdles have been overcome. This technology is currently being industrialised as a leading-edge technology at the Fehring plant. These activities are supported by a cooperation with the Graz University of Technology.

## 7. Plants and branch offices

The AT&S group currently operates the following six active production plants specialising in different technologies.

**LEOBEN AND FEHRING** The Austrian plants mainly deliver to the European and, to an increasing extent, American markets. Short turnaround times, special applications and proximity to customers are particularly important in Europe. The plant in Leoben successfully continued with the niche and prototype production which was launched in recent years. Production for the future market of Advanced Packaging is also operated in Leoben. In the financial year 2016/17, unused space was used for further technological improvements at the site. The production capacity utilisation of the plant in Fehring showed a satisfying development in the reporting year. A stronger focus on specific applications and markets helped create synergies

**SHANGHAI** The plant in Shanghai produces HDI (high density interconnection) high-tech printed circuit boards in serial production for the Mobile Devices & Substrates segment and has customers all over the world. Capacity was well utilised in the financial year 2016/17 and, in some months, this plant was running at maximum capacity. Moreover, demand for HDI printed circuit boards for the automobile industry remained further on a very high level in 2016/17, which were produced for the Automotive, Industrial, Medical segment. To secure the position as a technology leader, part of the plant was upgraded to the next technology generation, starting in the third quarter of 2016/17. The upgrade will be completed in mid-2017.

**CHONGQING** AT&S sets another technological milestone at this new plant in China with the production of IC substrates (integrated circuit substrates). The certification of the first products was achieved in February 2016 and the serial production then started but not with the expected speed. The second production line was successfully installed and serial production was launched in December 2016. Due to the drastic changes in the semiconductor industry, with associated technology delays, the prices and product mix do not meet expectations. The establishment of the second plant is proceeding according to plan. The ramp-up of serial production on the first line was carried out as scheduled and has already generated revenue. The second line is currently being installed and series production is expected to start in mid-2017.

**ANSAN** The positive performance of the Korean plant continued in the financial year 2016/17. In addition to the still very good utilisation of production capacities in the area of medical products for European and American customers, substantial volumes for the Mobile Devices & Substrates segment were also produced.

**NANJANGUD** This site benefited from continuous high capacity utilisation, operational improvements and a better product mix in the financial year 2016/17, which led to very good revenue and earnings development.

**HONGKONG** The company AT&S Asia Pacific, which is based in Hong Kong, is the holding company for the Mobile Devices & Substrates segment - hence, the Chinese plants and the assigned sales offices – as well as the headquarter of Group-wide procurement for this segment. The proximity to the CEMs of customers and to suppliers is another locational advantage which the business partners highly appreciate.

The sales offices in America, Germany, Japan and Taiwan continued to guarantee good and close contact with customers in the financial year 2016/17.

## 8. Shareholding structure and disclosures on capital

**CAPITAL SHARE STRUCTURE AND DISCLOSURE OF SHAREHOLDER RIGHTS** As of the reporting date at 31 March 2017, 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 equalling one voting right. All shares are bearer shares.

Significant direct and indirect shareholdings in the group parent AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (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: Schottengasse 10, A-1010 Vienna	6,339,896	16.32%	16.32%

At the reporting date 31 March 2017, 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.

By resolution passed at the 20th Annual General Meeting on 3 July 2014, the Management Board was authorised until 2 July 2019 to increase the Company's ordinary shares, subject to approval by the Supervisory Board, by up to € 21,367,500.00 by way of issuing up to 19,425,000 new no-par value bearer shares against contribution in cash or in kind, in one or several tranches, also by way of indirect rights offerings after having been taken over by one or more credit institutions in accordance with § 153 (6) Austrian Stock Corporation Act (AktG). In doing so, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the detailed conditions for such issuance (in particular the issue amount, what the contribution in kind entails, the content of the share rights, the exclusion of subscription rights, etc.) (approved capital). The Supervisory Board was authorised to adopt amendments to the articles of association resulting from the issuance of shares from the approved capital. The Annual General Meeting also passed the resolution to amend § 4 of the articles of association (ordinary shares) in accordance with this resolution.

Furthermore, by resolution of the 20th Annual General Meeting on 3 July 2014, the authorisation to issue convertible bonds as resolved in the Annual General Meeting on 7 July 2010 was revoked and, simultaneously, the Management Board was authorised until 2 July 2019, subject to approval by the Supervisory Board, to issue one or several convertible bearer bonds in a total nominal amount of up to € 150,000,000.00 and to grant to bearers of convertible bonds subscription rights and/or conversion rights for up to 19,425,000 new no-par value bearer shares of the Company in accordance with the convertible bond conditions to be defined by the Management Board. In doing so, the Company's ordinary shares were conditionally increased by up to € 21,367,500.00 by way of the issuance of up to 19,425,000 new no-par value bearer shares in accordance with § 159 (2) No. 1 AktG. This conditional capital increase is only carried out insofar as the bearers of convertible bonds issued based on the authorisation resolution passed at the Annual General Meeting on 3 July 2014 claim the right to conversion and/or subscription granted to them with regard to the Company's shares. Furthermore, the Management Board was authorised to determine, subject to approval by the Supervisory Board, the further details of carrying out the conditional capital increase (particularly the issue amount and the content of the share rights).

With regard to increasing the approved capital and/or the conditional capital increase, the following definition of amount in accordance with the resolutions passed at the 20th Annual General Meeting on 3 July 2014 is to be observed: The sum of (i) the number of shares currently issued or potentially to be issued from conditional capital in accordance with the convertible bond conditions and (ii) the number of shares issued from approved capital shall not exceed the total amount of 19,425,000 (definition of amount of authorisations).

**TREASURY SHARES** By a resolution passed at the 21st Annual General Meeting on 9 July 2015, 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 8 July 2020, upon approval by the Supervisory Board, to sell treasury shares also in a different way than via the stock exchange or by public offering, 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.

As of 31 March 2017, the Group does not hold any treasury shares. (previous year: 0 shares)

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.

The Company's Corporate Governance Report pursuant to § 243b Austrian Commercial Code is available at <http://www.ats.net/de/unternehmen/corporate-governance/berichte/>.

## 9. Risk and opportunities management

**PRINCIPLES, STRUCTURES AND PROCESSES** Risk and opportunities management is a fundamental part of conducting business within the AT&S Group. The objective 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, and in accordance with the Austrian Code of Corporate Governance (ÖCGK), AT&S operates a Group-wide Risk Management (RM) system, an Internal Control System (ICS) in accordance with COSO standards, as well as Internal Audit based on the IIA standard.

From an organisational perspective, the Risk Management, Internal Control System and Internal Audit functions come within the responsibility of the CFO. The Internal Auditor and Group Risk Manager report to the full Management Board as part of a monthly Management Board meeting. The Supervisory Board is included within the framework of the Audit Committee meeting, which takes place at least twice a year. The proper functioning of the risk management system is assessed once a year by the external auditor in the course of the annual audit of financial statements pursuant to Rule 83 ÖCGK.

The risk management process shown in Figure 1 is conducted at least twice a year. Risk management is conducted based on the risk strategy and risk appetite at the hierarchy level assigned to the relevant level of risk (see Figure 2).



Figure 1: AT&S Risk Management Process

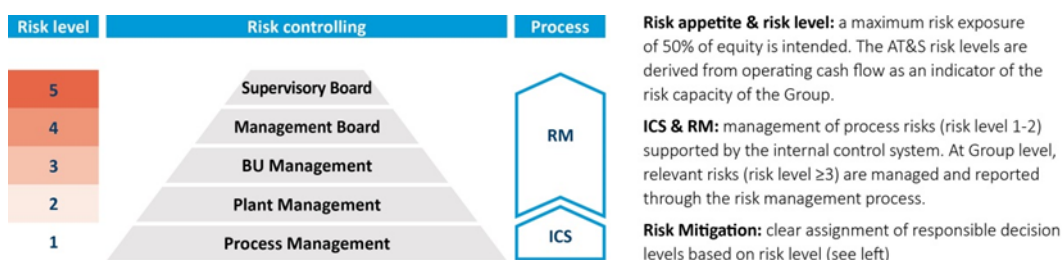


Figure 2: AT&S Risk Levels and Risk Management

**RISK MANAGEMENT IN 2016/17** The establishment of a Governance, Risk & Compliance Committees (“GRC Committee”) and the identification and mitigation of potentially relevant compliance and governance risks within the framework of the committee were among the focus areas in the financial year 2016/17. The AT&S Compliance Officer is the Chairman of the GRC Committee, the Internal Auditor and Group Risk Manager acts as his Deputy. Several senior management members of the Group were appointed as members of the committee.

The purpose of the GRC Committee is to support the Management Board of AT&S in overseeing compliance with legal and regulatory requirements in the AT&S Group and in the associated risk management in order to better understand the nature of risks and potential risks and to ensure that the management of the AT&S Group identifies and controls key legal, compliance and enterprise risks.

In addition to the ongoing continuous improvement measures of the Internal Control System (ICS), the ICS Assurance process was restructured in the financial year 2016/17 and assurance of ICS compliance was reinforced by involving the process owners to a greater extent. Moreover, at the end of the financial year 2016/17, the implementation of the process and documentation of the entire risk management process was carried out via the risk management software developed by AT&S.



**OPERATIONAL RISK MANAGEMENT** The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments in the printed circuit board and substrate market and the Group's own operating performance. An overview of the AT&S risk categories, significant individual risks, risk mitigation measures and the expected trend is shown in Figure 3 and explained in further detail below.

Risk category	Significant risks & opportunities	Trend	Risk mitigation & opportunity realisation
<b>STRATEGY</b>	Sales price development Capacity utilisation Technology development Investments	↗	<ul style="list-style-type: none"> <li>• Consistent focus on high-end technologies and target applications</li> <li>• Customer proximity and early customer contact</li> <li>• Technology development projects and technology roadmap</li> <li>• Cost reduction, efficiency increase, strategy review and adaptation</li> </ul>
<b>MARKET</b>	Market and segment development Development of key customers Sales strategy and implementation	↗	<ul style="list-style-type: none"> <li>• Balanced segment portfolios and diversification of the customer portfolio</li> <li>• New customer acquisition and share increases with existing customers</li> <li>• Consistent acquisition of defined target applications</li> </ul>
<b>PROCUREMENT</b>	Development of procurement prices Single-source risk Security of supply	↗	<ul style="list-style-type: none"> <li>• Procurement strategy (negotiation, allocation, technical changes)</li> <li>• Single-source strategy, supplier risk evaluation and multi-sourcing</li> <li>• Supply chain optimisation and regional diversification</li> </ul>
<b>BUSINESS ENVIRONMENT</b>	Catastrophe, fire Political risk	→	<ul style="list-style-type: none"> <li>• Internal &amp; external audits, emergency practice</li> <li>• Business continuity management, insurance</li> </ul>
<b>OPERATIONS</b>	Quality performance Intellectual property Technical project management Operating costs	↗	<ul style="list-style-type: none"> <li>• Black Belt programme, continuous quality improvement measures</li> <li>• Continuous expansion and protection of the IP portfolio</li> <li>• Rigorous technical project management</li> <li>• Cost reduction and efficiency enhancement programmes at all sites</li> </ul>
<b>ORGANISATION</b>	Loss of key personnel	→	<ul style="list-style-type: none"> <li>• Employee retention, deputy regulation and succession planning</li> </ul>
<b>FINANCE</b>	Foreign exchange risk Financing & liquidity Tax risk Impairment	↗	<ul style="list-style-type: none"> <li>• Natural FX hedging through long-term cash flow planning</li> <li>• Long-term planning for financing and liquidity, interest swaps</li> <li>• Continuous monitoring of compliance with tax laws</li> <li>• Project controlling, impairment tests, strategy review and adaptation</li> </ul>

IP: Intellectual Property; FX: Foreign Exchange; CF: Cash Flow

Figure 3: AT&S Risk Categories, Significant individual Risks, Risk Trends and Risk Mitigation Measures

**INVESTMENTS** In order to make the most of growth potential and remain competitive, AT&S undertakes substantial investments in new forms of technology (IC substrates) as well as in the further development and capacity expansion of existing technologies (SLP, mSAP).

Incorrect assessments of technological developments, changes in demand, and negative price developments or problems in the technical implementation may have severe adverse effects on the intrinsic value of investments. These effects could relate, in particular, to the substrate business, building capacity for the mSAP technology in Shanghai and Chongqing and generally all current AT&S business activities. If there are any indications of such adverse effects, impairment tests of these investments are performed as required, which may lead to high impairment requirements.

**COMPETITION** The clear focus on the high-tech segment coupled with the highest quality standards and consistent cost controls meant that AT&S was able to achieve a competitive advantage over a majority of its competitors in the HDI (high-density interconnect) technology segment. This focus has so far enabled AT&S to successfully withstand the effects of intense competition, overcapacity in the market, and persistent 'commodification' (with a corresponding margin reduction). Complementing this was the successful transfer of HDI technology from smartphone applications and other mobile devices to further applications, such as those in the automotive industry. The technology upgrade of part of the HDI lines to the mSAP technology, which is currently being implemented, reflects the consistent pursuit of the AT&S strategy and includes the opportunity to extend the competitive advantages of HDI to the next technology generation. However, the implementation also involves related risks.

The opportunities related to Austrian plants of AT&S are based on high flexibility, high quality standards and the ability to react very quickly to changing specifications and technologies. These capabilities are absolutely imperative for prevailing in the competitive environment, especially in the industrial segment, which is characterised by diverse technological requirements among a large number of customers. To ensure our competitive edge, new forms of technology and projects are constantly pushed forward in close cooperation with our customers.

New technological developments, longer product cycles and excess capacity in the market confront AT&S with great challenges in the IC substrate segment due to the resulting price pressure. The successful realisation of the planned cost reduction and the development of more profitable products are essential for this segment.

Advanced Packaging, a technology which was introduced to the market under the ECP® brand name, also offers considerable potential in itself; however, the successful industrialisation of this technology must be further driven forward.

Competitor risks arise due to potential quality improvements and technological developments in countries with low production costs. This could mean that AT&S sites, especially in Austria and possibly also at other manufacturing locations like those in China, might become less competitive.

**KEY CUSTOMERS** With the help of advanced production technologies and high quality standards, the AT&S Group has managed – largely due to its capacities in Asia – to establish itself as a reliable provider to some of the world’s most renowned players in the electronics industry. The revenue generated with the five largest among these customers accounts for 57% of total revenue. Our long-term relationships with these customers also offer excellent opportunities for the future. However, concentration of this kind also poses risks in the event that there is a significant reduction in business volume or profitability from these customers. This is particularly critical in the IC substrate segment, where the entire business is currently concentrated on one customer. Therefore, the ongoing expansion of AT&S’s competitiveness and the continued broadening of its customer base and development of new product segments are of enormous significance to our ability to quickly compensate negative developments with individual key customers.

**MARKET PERFORMANCE** A difficult market environment in the financial year 2017/18 could have an adverse effect on the Group’s results. However, an upward trend in the economy could also lead to increased business opportunities. The diversified positioning throughout Mobile Devices & Substrates as well as the automotive, industrial and medical product segments provides some mitigation of market risks resulting from their different production cycles.

**PROCUREMENT PRICES** Price fluctuations in energy and raw materials (gold, copper and laminates) can have both a positive as well as a negative impact on achievable margins in the short term. After several years of predominantly positive effects, there are indications of cost increases and thus negative tendencies in certain materials (copper, laminates) for the financial year 2017/18, which can only be mitigated in part, even with targeted implementation of the procurement strategy.

**SOURCING** The sourcing strategy of AT&S focuses on a wide and clearly diversified base of carefully selected suppliers in order to reduce dependencies on individual suppliers. The Group enjoys long-standing and stable customer-supplier relations with its key suppliers with particular expertise and competitive standings. To avoid supply shortages, AT&S conducts rigorous supplier risk management, taking account of regional cluster risks, various supply routes, and alternative procurement options. With few exceptions – such as in the IC substrates and ECP areas for which the supplier base is smaller – alternative supplier options are therefore usually available in order to respond to supply risks. One challenge in the area of sourcing is currently the procurement of copper foils due to a significant increase in global demand.

**LOCATION-SPECIFIC RISKS** The large majority of AT&S’ operating activities is based at sites outside of Austria, particularly in China. 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 disruptive events such as fire, natural disasters, acts of war, shortages of supply or other elementary 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.

To minimise the effects of such risks, the Group has instituted business continuity management. The Group conducts active insurance management by means of weighing the risks and associated costs. It 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.

**COMPLIANCE** Any amendments to regulatory requirements, such as the prohibition of specific processes or materials, might lead to a rise in production costs. AT&S might be subject to payment of substantial penalties should any breach of customer confidentiality agreements or statutory provisions occur. AT&S has implemented organisational measures aimed at preventing or minimising the occurrence of compliance risks. The extension of such measures is ongoing. As a rule, AT&S follows a zero-tolerance policy and expects 100% compliance on the part of its employees with all applicable laws and regulations. The establishment of a Governance, Risk & Compliance Committee (“GRC Committee”) and the identification and mitigation of potentially relevant compliance and governance risks in the framework of this committee were among the focus areas in this context in the financial year 2016/17.

**FRAUD, DATA SECURITY AND CYBERCRIME** To continue to successfully prevent attempted fraud, internal controls were further intensified in the past financial years and initiatives to sensitise employees with regard to such fraud schemes were increased. Moreover, AT&S continues to expand its data and IT security measures on a regular basis.

**QUALITY PERFORMANCE** As in the past, 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 exploit growth opportunities in the future. At the same time, AT&S has to make substantial contractual commitments, especially to key customers, with respect to capacity reserves and volume guarantees, adherence to delivery deadlines and quality performance. Any technical defects, quality deficiencies, difficulties in delivering products or failure to provide volume guarantees granted may expose AT&S to warranty claims, claims for damages and contractual penalties. Substantial quality deficiencies could also result in product recalls and the loss of customers. AT&S has established a quality management and planning system designed to rule out or minimise deficiencies in product quality planning mistakes 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 taking into account exclusions of coverage and customary coverage limits.

**INTELLECTUAL PROPERTY** AT&S endeavours to exploit any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of its own projects, cooperation schemes with partners and investments. Risks arise if AT&S fails to protect its intellectual property, thus enabling the competition to utilise these technologies. Legal disputes about intellectual property can prevent AT&S from using or selling disputed technologies. Furthermore, legal disputes with regard to the unauthorised use of external intellectual property can have considerable negative financial consequences. The new IC substrates segment in particular bears risks in this regard, as AT&S needs to further increase its relevant expertise in this field.

**TECHNOLOGY AND PROJECT DEVELOPMENT** The establishment and expansion of capacity for IC substrates and the mSAP technologies in Chongqing lead to specific risks for the Chongqing site due to the significant investment volume. Complications in the further technological development and project implementation could result in major burdens on business development and the existing financial and administrative resources. In the coming financial year, the focus will be on continuous performance improvement in substrate production and in the qualifications of new technologies at the sites in Shanghai und Chongqing.

**COST CONTROL** Strict cost reduction and efficiency increases, especially in the new IC substrate segment, but also at all other sites, are crucial to the Group's competitiveness and profitability. If cost reduction measures and performance increases, especially for the IC substrate segment, but also at all other sites, cannot be implemented as planned (or if the costs cannot be passed on to customers), this may have a negative impact on the competitiveness of the Group.

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

**EXCHANGE RATE RISKS** Exchange rate fluctuations in EUR, RMB and USD – and to a lesser extent in JPY, KRW and INR – can have considerable positive or negative effects on the results of the Group. To minimise these effects, the Group employs a hedging strategy by generating opposing cash flows in the respective currencies. The high investments in China of the past years result in significant currency risks related to the RMB, which could increase or decrease the Group's equity. Hedging against this risk would involve high costs and is not carried out.

**FINANCING AND LIQUIDITY** To secure the financial needs for the expansion strategy, the Group uses long-term financial and liquidity planning. However, negative business developments, significant deviations from assumptions in business cases, exchange rate fluctuations or valuation adjustments may result in failure to achieve the targeted equity ratio and the net debt/EBITDA ratio as assured in financing agreements and subsequently lead to additional financing requirements under more difficult conditions and higher costs, or the loss of existing financing facilities. Interest rates are hedged centrally for the Group as a whole through Group Treasury, in part with the use of appropriate financial instruments.

**TAX RISK** The Company is active on a global basis and thus subject to 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. In order to minimise future tax risks, the Group continuously monitors compliance with national tax laws and international guidelines such as the BEPS (Base Erosion and Profit Shifting) guideline of the OECD and makes any necessary adjustments. Although AT&S strives to comply with all tax laws and regulations, there is a risk of different interpretations in different countries, which may lead to double taxation.

## 10. Internal Control and Risk Management

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 audit 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. 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. Schedules 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 and Group Controlling 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 (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.

## 11. Outlook

The dynamics of the current developments in the electronics industry – miniaturisation with a simultaneous increase in performance and higher integration of electronic components – will continue unabated in the financial year 2017/18. The basis for this is the continuous interconnection of devices and the enormous volume and speed of data – big data and cloud computing, for example, for communications applications, mobility and industrial applications.

These developments continue to offer enormous growth potential – for those companies that have positioned themselves accordingly in the supply chain or anticipate it.

AT&S is convinced it has taken the right steps for a broader positioning in a changing supply chain with its strategic focus on high-end technologies and applications in the existing business as well as with the establishment of an expanded technology portfolio based on IC substrates and the next technology generation (mSAP). The transformation from a high-end printed circuit board producer to a high-end interconnect solutions provider is the prerequisite for future profitable growth, since only through continuous technology advancements and the corresponding investments will AT&S be able to secure its position as a tier-one supplier for technology and world market leaders.

Effects from the financial year 2016/17 will continue and also influence the business development in 2017/18: the market development for IC substrates, based on the deceleration of Moore's Law and lower demand for computing applications (desktop computers, notebooks), lead to continued price pressure on IC substrates.

Serial production for the next technology generation (mSAP) for mobile devices will start in the second quarter of the financial year 2017/18; this technology is currently being installed in Shanghai and in the second plant in Chongqing, with the aim to continue to position AT&S as a leading supplier for mobile devices.

For the core business, AT&S expects continued stable or growing demand in an extremely competitive environment in all customer segments in the financial year 2017/18.

Provided that the macroeconomic environment remains stable and the USD/EUR currency relation remains at a similar level as in the past financial year, AT&S expects an increase in revenue of 10–16% for the financial year 2017/18. The EBITDA margin should range between 16–18% based on the market developments for IC substrates and the ramp of the next technology generation (mSAP). Higher depreciation for mainly new production lines of roughly € 25 million in the financial year 2017/18 will influence EBIT.

Leoben-Hinterberg, 8 May 2017

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzl m.p.

# Auditor's Report on the Financial Statements

## REPORT ON THE FINANCIAL STATEMENTS

**AUDIT OPINION** We have audited the financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, which comprise the balance sheet as at March 31, 2017, the income statement for the fiscal year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

**BASIS FOR OPINION** We conducted our audit in accordance with Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS** Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Descriptions of the individual key audit matter
- Audit approach
- Reference to related disclosures

### DEFERRED TAX ASSETS FROM TAX LOSS CARRY-FORWARDS AND OTHER DEDUCTIBLE TEMPORARY DIFFERENCES

- Description of the individual key audit matter

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, reports deferred tax assets in the amount of EUR 14,671,049.00 in the balance sheet as at March 31, 2017. For the first time, the Company was obligated to capitalize deferred tax assets arising from temporary differences due to the Austrian Act on Changes in Accounting Practices 2014 (RÄG 2014), with these deferred tax assets amounting to EUR 2,099,174.00 in the fiscal year under review. Furthermore, the Company applied the option to capitalize deferred taxes from tax loss carry-forwards and reported an amount of EUR 12,571,875.00, using the applicable tax rate of 25% with regard to tax loss carry-forwards in the amount of EUR 50,287,500.00. No deferred taxes were set up for tax loss carry-forwards in the amount of EUR 60,259,615.00 because the Company does not think it is likely to realize these taxes in the foreseeable future based on the current tax forecast. Pursuant to Section 198 (9) UGB, deferred tax assets may be recognized for future tax claims from tax loss carry-forwards to the extent that sufficient deferred tax liabilities are available or persuasive evidence exists which suggests that sufficient taxable income will be available in the future.

- Audit approach

We:

- Identified the process for the calculation of current and deferred tax assets,
  - Verified if the calculation of current and deferred taxes is accurate and reconciled the data used to calculate the temporary differences,
  - Received tax advisor confirmation letters to confirm the existence and accuracy of the tax loss carry-forwards,
  - Analyzed and confirmed the accounting assumptions on the possibility to utilize tax loss carry-forwards and deductible temporary differences, and
  - Audited the presentation and disclosures in the notes to the financial statements.
- Reference to related disclosures

For further related information, we refer to the notes of the Company, section 3.4. on accounting and valuation principles as well as section 4.5 on the explanatory presentation of deferred tax assets including their development.

**RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS** Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS** Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## COMMENTS ON THE MANAGEMENT REPORT FOR THE COMPANY

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

**OPINION** In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

**STATEMENT** Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

### RESPONSIBLE ENGAGEMENT PARTNER

Responsible for the proper performance of the engagement is Mr. Jürgen Schauer, Austrian Certified Public Accountant.

Vienna, May 8, 2017

PwC Wirtschaftsprüfung GmbH

signed:

Jürgen Schauer  
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.



# 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, 8. May 2017

The Management Board

DI (FH) Andreas Gerstenmayer e.h.  
Chief Executive Officer

Dr. Karl Asamer e.h.  
Chief Financial Officer

Ing. Heinz Moitzi e.h.  
Chief Operations Officer