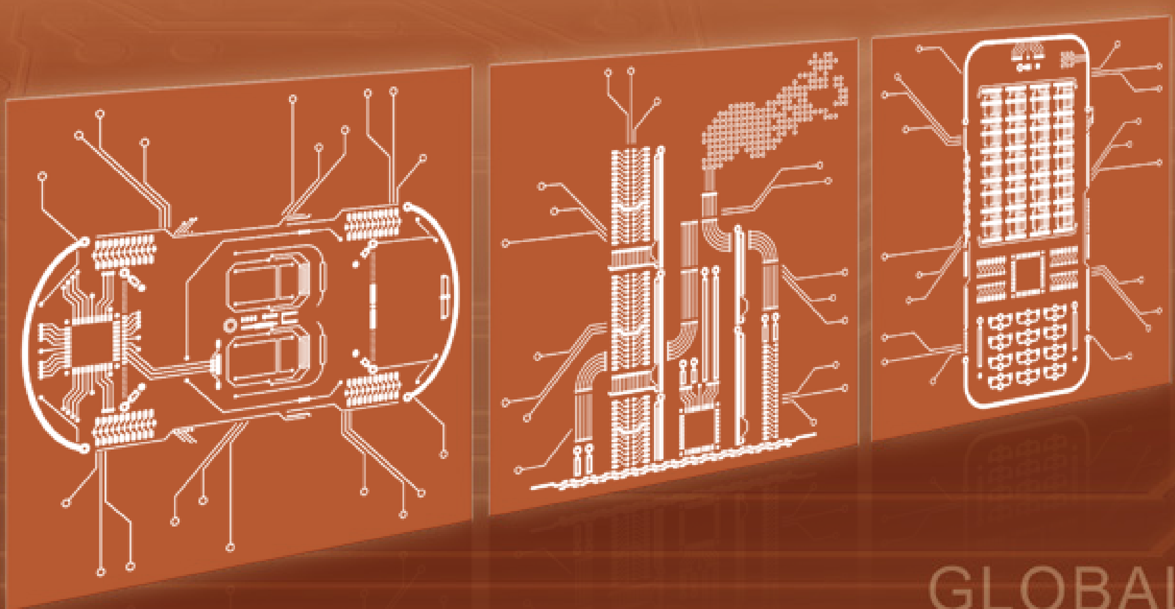
AT&S

Half-Year Financial Report
2010/2011



GLOBAL PLAYER

Key figures

(if not otherwise stated, all figures in EUR 1,000)	IFRS			
	H1 2010/11		H1 2009/10	
	before non-recurring items[1]	after non-recurring items[1]	before non-recurring items[2]	after non-recurring items[2]
CONSOLIDATED INCOME STATEMENT				
Revenues		242,681		171,287
thereof produced in Asia		69.1%		65.0%
thereof produced in Europe		30.9%		35.0%
EBITDA	49,196	48,539	12,942	(5,138)
EBITDA margin	20.3%	20.0%	7.6%	(3.0%)
EBIT	25,483	24,759	(8,764)	(45,297)
EBIT margin	10.5%	10.2%	(5.1%)	(26.4%)
Net income	19,827	19,102	(13,389)	(49,922)
Shareholders' interest in net income	19,869	19,145	(13,153)	(49,686)
Cash earnings	43,582	42,925	8,553	(9,527)
CONSOLIDATED BALANCE SHEET				
Total assets		539,603		459,589
Total equity		223,922		173,513
Shareholders' equity		223,432		173,023
Net debt		161,645		165,556
Net gearing		72.2%		95.4%
Net working capital		75,152		66,330
Net working capital per revenues		15.5%		19.4%
Equity ratio		41.5%		37.8%
CONSOLIDATED CASH FLOW STATEMENT				
Net cash generated from operating activities (OCF)		32,099		21,130
CAPEX, net		48,795		10,490
GENERAL INFORMATION				
Payroll (incl. subcontract staff), end of period		7,090		5,644
Payroll (incl. subcontract staff), average		6,598		5,476
KEY STOCK FIGURES				
Earnings per share (EUR)	0.85	0.82	(0.56)	(2.13)
Cash earnings per share (EUR)	1.87	1.84	0.37	(0.41)
Market capitalisation, end of period		275,906		156,028
Market capitalisation per shareholders' equity		123.5%		90.2%
Weighted average number of shares outstanding		23,322,588		23,322,588
KEY FINANCIAL FIGURES				
ROE[3]	18.3%	18.0%	(12.6%)	(29.7%)
ROCE[3]	10.8%	10.7%	(4.0%)	(13.5%)
ROS	8.2%	7.9%	(7.8%)	(29.1%)

[1] Non-recurring items include the costs of closing the Vienna office.
[2] Non-recurring items include the restructuring costs for Leoben-Hinterberg.
[3] Calculated on the basis of average equity and average capital.

Highlights

- *Excellent first half results*
- *Revenues for second quarter of financial 2010/11 up 13% on first quarter*
- *AT&S and Texas Instruments (TI) first to implement ECP® technology in series production*
- *Strategic realignment in photovoltaics*
- *Best supplier and sustainability awards to Panasonic and Atotec*

Statement of the Management Board

Dear colleagues,
Dear shareholders,

The results for the first half of financial 2010/11 built on the positive trend that started in the first quarter. Record revenues of almost EUR 243 million (m) and an EBIT margin in excess of 10% in the first half of the financial year reflected the high capacity utilisation at all sites, significantly outperforming analysts' expectations. Capital investment continued to rise, reflecting the rapid expansion of capacities in China and India.

Results of ordinary business activities

Our earnings for the second quarter rose again – up 13% in comparison with the first quarter, and 41% higher than a year ago. Earnings before interest and tax (EBIT) for first half 2010/11 (adjusted for non-recurring expenses) came to EUR 25.5m, resulting in earnings per share of some EUR 0.82. Rapid expansion of capacity in China and India, combined with exchange rate differences, meant that the net gearing ratio came out at just above 72%.

Our ordinary business activities for the first half of financial 2010/11, i.e., excluding one-time effects, produced the following results:

- Operating profit of EUR 25.5m
  for an EBIT margin of 10.5%
- EBITDA of EUR 49.2m
  for an EBIDTA margin of 20.3%
- Consolidated net income*: EUR 19.1m
- Earnings per share* (EPS): EUR 0.82

* including non-recurring items

Financing

The maturities of financial liabilities totalling EUR 184.5m were as follows:

Less than 1 year:	EUR	85.6m,	of which export credits of EUR 36.0m
1–2 years:	EUR	6.1m	
2–3 years:	EUR	86.1m	
3–4 years:	EUR	6.7m	

As can be clearly seen from the cash flow statement, additional investments in the second quarter of the current financial year were largely financed from internal resources generated by the higher earnings of the second quarter. Our short-term liabilities increased by only some EUR 12 million, leaving the gearing ratio within our self-imposed limit of 80%.

Core competence as high tech supplier

We have become one of the first printed circuit board manufacturers worldwide to take a new technology for embedding active and passive electronic components (ECP®) to series production in a vanguard project with Texas Instruments (TI), thus demonstrating once again our leadership in technological innovation. This sophisticated high-value-added technology makes possible the efficient miniaturisation of electronic devices, while at the same time enhancing their performance.

The photovoltaics business has also been a major focus of Management Board attention. Developments in the sector combined with our own analysis show that the most interesting aspect for AT&S is the production of contact foils, which are used in the manufacture of back-contacted solar cells. Production of these solar cells has already started, and AT&S's backsheet contact foils are an important component of the new technology. We are concentrating on our core competences as high-tech supplier, and have deliberately chosen not to go in for series production of standard modules, because the market is already characterised by significant overcapacity, collapsing prices, and conditions that clearly favour Asian competitors. Our expertise is however in high demand for the production and development of backsheet contact foils.

Sustainability as key success factor

The efficient and sustainable use of resources is for us the key to long-term business success. We believe that using raw materials and energy efficiently is not only our responsibility as a corporate citizen, but also in the medium term an important factor in remaining competitive in international markets. Just in recent months, AT&S Group's CO_2 output of has been reduced from 55 to 52 kg/m², and a substantial reduction in energy consumption from 81 to 75 kWh per gross m² has been achieved.

The importance we attach to sustainability is reflected in the way we work with our suppliers. In addition to our Supplier Award of the Year, this year we have made the first Sustainability Award. This new award draws attention to the importance AT&S attaches to sustainable and socially responsible procurement.

Innovation

AT&S's development departments in Leoben and Shanghai and our extensive network of external partners maintain a strong focus on the key technologies of the future as they emerge. Despite the economic challenges of 2009, we deliberately did not cut our research and development budget – on the contrary, investment in this area was in fact increased towards the end of the year. We have publicly stated our commitment to further increasing our technology leadership role so that we continue to drive technological advance in our industry. We are working closely with customers on promising concepts and technologies because printed circuit boards – the nerve centres of many electronic devices – must be able to meet increasingly complex challenges as devices become ever smaller and more multifunctional. We firmly believe that maintaining extremely close ties with our customers from the earliest stages of product development is the key to future success. The main challenge facing us is to ensure that we are well placed to identify upcoming technological requirements and future trends in good time.

Outlook

In conclusion, we can reaffirm the positive forecasts that we made at the start of the year. However, we must brace ourselves for the volatility ahead, particularly in the currency and commodity markets over the next few months. We are asking all of our staff to make every effort to intensify cooperation with customers, so as to ensure that we recognise unexpected developments and are therefore better placed to respond to them in good time.

With best regards

Andreas Gerstenmayer
Chairman

Heinz Moitzi
Chief Technical Officer

Corporate governance information

The 16th Annual General Meeting of AT&S Austria Technologie und Systemtechnik Aktiengesellschaft (AT&S) on 7 July 2010 reelected Willibald Dörflinger, Hannes Androsch, Karl Fink and Albert Hochleitner to the Company's Supervisory Board. Hannes Androsch was unanimously appointed Chairman of the Supervisory Board.

In accordance with section 174(2) Austrian Companies Act (AktG), the Annual General Meeting also authorised the Management Board until 6 July 2015 and with the approval of the Supervisory Board to issue convertible loan stock up to a maximum of EUR 100,000,000, in one or more tranches, and to determine all terms and conditions of the issue and conversion of such loan stock, and to restrict shareholder subscription rights. The powers so conferred can be exercised in whole or in part.

In addition, the share capital of the Company was conditionally increased by up to EUR 14,245,000 in the form of up to 12,950,000 new no par value bearer shares. The capital increase will only take place to the extent that holders of convertible loan stock issued pursuant to the resolution of the Annual General Meeting of 7 July 2010 exercise their rights to subscribe to shares or convert loan stock into shares. The Management Board was authorised to determine all terms and conditions of the issue and conversion of the loan stock and the subscription rights of shareholders. The Supervisory Board was authorised to approve by resolution changes in the articles of incorporation required by the issue of shares out of conditional capital. The new shares participate equally in the profits of the Company with shares listed on the stock exchange at the time of the issue.

The Management Board was also authorised up until 6 July 2015, subject to the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 14,245,000 on the form of 12,950,000 no par value bearer shares, for contributions in cash or in kind, and with partial or total restriction of existing shareholders' right to subscribe. With the approval of the Supervisory Board, it was authorised to determine the detailed terms and conditions of issue (in particular, issue price, nature of contributions in kind, rights attaching to shares, exclusion of subscription rights, etc.). The Supervisory Board was authorised to approve by resolution changes in the articles of incorporation required by the issue of shares out of authorised capital.

The above powers are subject to the following limits and restrictions: the total of (i) the number of shares actual issued or potentially issuable out of conditional capital under the terms and conditions of the convertible loan stock issue and (ii) the number of shares issued out of authorised capital may not exceed 12,950,000. Under the powers conferred, therefore, new shares may only be issued up to a maximum of 50% of the current share capital of the Company.

The Annual General Meeting also resolved in accordance with the above resolutions and in order to comply with the Shareholders' Rights (Amendment) Act 2009 to amend the articles of incorporation as follows: Article 3 (Notice and Announcements) section 2, Article 4 (Share Capital) section 5, and Article 22 (General) sections 3–11.

The 16th Annual General Meeting also resolved to revoke the powers conferred by the resolution of the 14th Annual General Meeting of 3 July 2008 on Item 9 of the Agenda (to the extent that these had not been exercised), which authorised the Management Board for a period of 30 months from the date of the resolution to repurchase and dispose of shares. By the same resolution the Management Board was authorised in accordance with section (65)(1)(8) (AktG) for a period of 30 months from the date of the resolution to repurchase the Company's shares up to a maximum of 10% of the share capital for a price not less than EUR 1.10 per share and not exceeding EUR 110.00 per share. It is also authorised without a further resolution of the Annual General Meeting to cancel the shares acquired, or to use them for employee participation and stock options schemes. The Supervisory Board was authorised to approve by resolution changes in the articles of incorporation required for the cancellation of shares.

The Annual General Meeting further resolved to revoke the powers conferred by the resolution of the 14th Annual General Meeting of 3 July 2008 on Item 10 of the Agenda, which authorised the Management Board for a period of five years from the date of resolution to dispose of the Company's shares, At the same time, in accordance with section 65(1b) AktG, it authorised the Management Board for a period of five years from the date of the resolution, i.e., until 6 July 2015, and subject to the approval of the Supervisory Board but without further resolution of the Annual General Meeting, to dispose of shares in the Company so acquired otherwise than on the stock exchange or by public offer, and in particular for the purpose of satisfying stock options of employees, senior management or members of the Management Board or managers of the Company or associated companies, or for the purpose of satisfying conversion rights of any convertible loan stock in issue, for cancelling shares, as consideration for the acquisition of businesses, interests or other assets, for disposal as part of an accelerated bookbuilding process, and for all other legally permitted purposes, and in the process to restrict shareholders' subscription rights pursuant to section 65(1b) in combination with sections 169–171 AktG in whole or in part.

The 16th Annual General Meeting also resolved on a dividend of EUR 0.10 per share, which was distributed on [12 July] 2010.

Directors' holdings and dealings

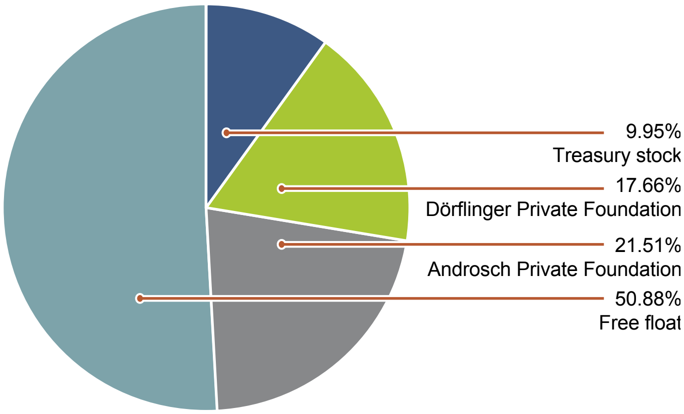
In the first half of financial 2010/11 there were no changes in the shareholdings of senior managers for the purposes of section 48d Austrian Stock Exchange Act (BörseG). Stock options held by members of the Management Board were as follows (Supervisory Board members do not receive stock options):

	2006	2007	2008	2009	2010	Summe
Andreas Gerstenmayer					40,000	**40,000**
Heinz Moitzi	30,000	30,000	30,000	30,000	30,000	**150,000**
Stehen E. Hansen	30,000	30,000	30,000	30,000	30,000	**150,000**
*Harald Sommerer	40,000	40,000	40,000	40,000		**160,000**
Exercise price (EUR)	17.99	22.57	15.67	3.86	7.45	

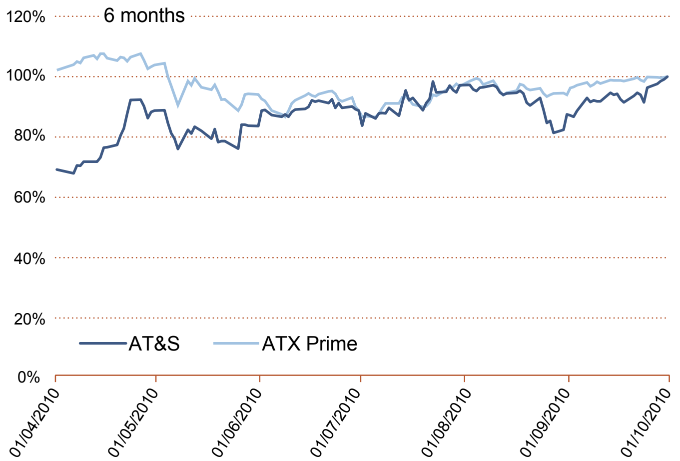
* On leaving AT&S as of 31 January 2010, Harald Sommerer was entitled for a period of one year to exercise all the options he held at that point, after which they expire without compensation.

AT&S stock

Shareholdings



AT&S against the ATX Prime



Share price in the first half year

usiness over the first six months considerably outperformed analysts' expectations, both in terms of sales and profitability. AT&S stock is currently being followed by four analysts, all of whom rate it "buy".

Investor Relations has launched its autumn program, focusing on the Vienna, Frankfurt and Swiss financial markets, and establishing ties with selected investors. In the third quarter of the financial year, road shows with international investors are planned in Paris and London. The first meetings have already taken place, and confirm that there is a high level of interest in the AT&S Group.

All these factors have naturally had a positive impact on the share price. AT&S stock clearly outperformed the ATX Prime, increasing in value by nearly 45% over the past six months. Market capitalisation at the end of September stood at about EUR 280m, as against EUR 156m a year earlier. Another encouraging sign is the increased liquidity of AT&S stock, with average daily traded volumes over the past six months amounting to around 33,000 shares.

Key stock figures for the first six months (EUR)

EUR	30 September 2010	30 September 2009
Earnings per share	0.82	-2.13
High	11.83	7.40
Low	8.04	2.99
Close	11.83	6.69

AT&S stock

EUR	Vienna Stock Exchange
Security ID number	969985
ISIN code	AT0000969985
Symbol	ATS
Reuters RIC	ATSV.VI
Bloomberg	ATS AV
Indexes	ATX Prime, WBI SME

Financial calendar

Quarter 3 2010/11	25 January 2011
Annual results 2010/11	12 May 2011
17th Annual General Meeting	7 July 2011

Investor Relations

Martin Theyer
Tel: +43 (0)3842/200-5909
E-mail: m.theyer@ats.net

Interim Financial Report (IFRS)

Consolidated Income Statement

(in EUR 1,000)	1 July - 30 September 2010	1 July - 30 September 2009	1 April - 30 September 2010	1 April - 30 September 2009
Revenues	128,740	88,040	242,681	171,287
Cost of sales	(102,455)	(75,995)	(196,564)	(160,025)
Gross Profit	26,285	12,045	46,117	11,262
Selling costs	(6,113)	(4,540)	(11,917)	(9,170)
General and administrative costs	(5,260)	(4,760)	(10,526)	(9,433)
Other operating result	467	325	1,810	(1,423)
Non-recurring items	-	1,746	(725)	(36,533)
Operating result	15,379	4,816	24,759	(45,297)
Financial income	2,438	1,483	4,200	4,719
Financial expense	(3,439)	(4,179)	(4,501)	(10,495)
Financial result	(1,001)	(2,696)	(301)	(5,776)
Profit before tax	14,378	2,120	24,458	(51,073)
Income tax expense	(2,842)	146	(5,356)	1,151
Profit/(loss) for the period	**11,536**	**2,266**	**19,102**	**(49,922)**
thereof equity holders of the parent company	11,542	2,379	19,145	(49,686)
thereof minority interests	(6)	(113)	(43)	(236)
Earnings per share for profit attributable to equity holders of the parent company (in EUR per share):				
- basic	0.49	0.10	0.82	(2.13)
- diluted	0.49	0.10	0.81	(2.13)
Weighted average number of shares outstanding – basic (in thousands)	23,323	23,323	23,323	23,323
Weighted average number of shares outstanding – diluted (in thousands)	23,463	23,381	23,463	23,381

Consolidated Statement of Comprehensive Income

(in EUR 1,000)	1 July - 30 September 2010	1 July - 30 September 2009	1 April - 30 September 2010	1 April - 30 September 2009
Profit/(loss) for the period	**11,536**	**2,266**	**19,102**	**(49,922)**
Currency translation differences	(33,132)	(8,988)	(1,667)	(25,065)
Fair value gains/(losses) of available-for-sale financial assets, net of tax	2	15	2	15
Fair value gains/(losses) of cash flow hedges, net of tax	30	(46)	24	(46)
Other comprehensive income for the period	**(33,100)**	**(9,019)**	**(1,641)**	**(25,096)**
Total comprehensive income for the period	**(21,564)**	**(6,753)**	**17,461**	**(75,018)**
thereof equity holders of the parent company	(21,558)	(6,640)	17,504	(74,782)
thereof minority interests	(6)	(113)	(43)	(236)

Consolidated Balance Sheet

(in EUR 1,000)	30 September 2010	31 March 2010
ASSETS		
Non-current assets		
Property, plant and equipment	347,582	308,527
Intangible assets	1,808	2,037
Financial assets	96	99
Overfunded retirement benefits	663	620
Deferred tax assets	13,028	11,124
Other non-current assets	3,981	3,622
	367,158	326,029
Current assets		
Inventories	48,987	38,700
Trade and other receivables	100,595	90,976
Financial assets	14,279	14,214
Current income tax receivables	70	117
Cash and cash equivalents	8,514	13,354
	172,445	157,361
Total assets	**539,603**	**483,390**
EQUITY		
Share capital	45,680	45,680
Other reserves	(3,201)	(1,560)
Retained earnings	180,954	164,184
Equity attributable to equity holders of the parent company	223,433	208,304
Minority interests	489	489
Total equity	**223,922**	**208,793**
LIABILITIES		
Non-current liabilities		
Financial liabilities	98,921	105,197
Provisions for employee benefits	11,499	11,369
Other provisions	12,485	12,769
Deferred tax liabilities	5,206	4,664
Other liabilities	2,162	1,618
	130,273	135,617
Current liabilities		
Trade and other payables	89,265	60,436
Financial liabilities	85,613	70,455
Current income tax payables	5,052	2,611
Other provisions	5,478	5,478
	185,408	138,980
Total liabilities	**315,681**	**274,597**
Total equity and liabilities	**539,603**	**483,390**

Consolidated Cash Flow Statement

(in EUR 1,000)	1 April - 30 September 2010	1 April - 30 September 2009
Cash flows from operating activities		
Profit/(loss) for the period	19,102	(49,922)
Adjustments to reconcile profit for the period to cash generated from operations:		
Depreciation, amortisation and impairment of fixed assets	23,781	40,159
Changes in non-current provisions	(208)	7,321
Income tax expense	5,356	(1,151)
Financial expense/(income)	301	5,776
(Gains)/losses from the sale of fixed assets	118	20
Release from government grants	(3,102)	(1,129)
Other non-cash expense/(income), net	988	8
Changes in working capital:		
- Inventories	(10,489)	7,571
- Trade and other receivables	(10,349)	17,552
- Trade and other payables	16,935	4,923
- Other provisions	7	177
Cash generated from operations	42,440	31,305
Interest paid	(6,359)	(1,307)
Interest and dividends received	250	44
Income tax paid	(4,232)	(8,912)
Net cash generated from operating activities	**32,099**	**21,130**
Cash flows from investing activities		
Capital expenditure for property, plant and equipment and intangible assets	(48,795)	(10,744)
Proceeds from sale of property, plant and equipment and intangible assets	–	254
Disposal of subsidiaries, net of cash disposed	–	174
Purchases of financial assets	(2,257)	(2,131)
Proceeds from sale of financial assets	1,267	474
Net cash used in investing activities	**(49,785)**	**(11,973)**
Cash flows from financing activities		
Proceeds from borrowings	32,244	38,380
Repayments of borrowings	(20,088)	(41,083)
Proceeds from government grants	2,999	715
Dividends paid	(2,332)	(4,198)
Net cash generated from/(used in) financing activities	**12,823**	**(6,186)**
Net increase/(decrease) in cash and cash equivalents	**(4,863)**	**2,971**
Cash and cash equivalents at beginning of the year	13,354	7,031
Exchange gains/(losses) on cash and cash equivalents	23	(222)
Cash and cash equivalents at end of period	**8,514**	**9,780**

Consolidated Statement of Changes in Equity

(in EUR 1,000)	Share capital	Other reserves	Retained earnings	**Equity attributable to equity holders of the parent company**	Minority interests	**Total equity**
31 March 2009	**45,680**	**561**	**205,999**	**252,240**	**494**	**252,734**
Total comprehensive income for the period	–	(25,096)	(49,686)	**(74,782)**	(236)	**(75,018)**
Dividend relating to 2008/09	–	–	(4,198)	**(4,198)**	–	**(4,198)**
Reclassifications of losses attributable to minority interests	–	–	(237)	**(237)**	237	**–**
Changes in consolidated Group	–	–	–	–	(5)	**(5)**
30 September 2009	**45,680**	**(24,535)**	**151,878**	**173,023**	**490**	**173,513**
31 March 2010	**45,680**	**(1,560)**	**164,184**	**208,304**	**489**	**208,793**
Total comprehensive income for the period	–	(1,641)	19,145	**17,504**	(43)	**17,461**
Dividend relating to 2009/10	–	–	(2,332)	**(2,332)**	–	**(2,332)**
Reclassifications of losses attributable to minority interests	–	–	(43)	**(43)**	43	**–**
30 September 2010	**45,680**	**(3,201)**	**180,954**	**223,433**	**489**	**223,922**

Segment Reporting

1 April - 30 September 2010

(in EUR 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	175,576	67,105	–	242,681
Intercompany sales	1	100,579	(100,580)	–
Total revenues	175,577	167,684	(100,580)	242,681
Non-recurring items	–	–	(725)	(725)
Operating result	7,269	22,467	(4,977)	24,759
Financial result				(301)
Profit before income tax				24,458
Income tax expense				(5,356)
Profit for the period				**19,102**
Total assets	108,451	429,931	1,221	539,603
Total liabilities	72,259	70,607	172,815	315,681
Capital expenditures	1,967	59,139	258	61,364
Depreciation/amortisation of property, plant and equipment and intangible assets	2,450	20,967	364	23,781

1 April - 30 September 2009

(in EUR 1,000)	Europe	Asia	Not allocated and consolidation	Group
External sales	111,695	59,592	–	171,287
Intercompany sales	18	51,741	(51,759)	–
Total revenues	111,713	111,333	(51,759)	171,287
Non-recurring items	(36,533)	–	–	(36,533)
Operating result	(45,577)	3,707	(3,427)	(45,297)
Financial result				(5,776)
Profit before income tax				(51,073)
Income tax expense				1,151
Profit/(loss) for the period				**(49,922)**
Total assets	91,870	347,532	20,187	459,589
Total liabilities	60,323	35,157	190,596	286,076
Capital expenditures	1,676	4,708	677	7,061
Depreciation/amortisation of property, plant and equipment and intangible assets	21,400	18,080	679	40,159

Additional information

Revenue broken down by industries is as follows:

	1 April - 30 September	
(in EUR 1,000)	2010	2009
Mobile Devices	144,372	99,372
Industrial	68,870	51,259
Automotive	28,106	18,227
Other	1,333	2,430
	242,681	**171,287**

Revenue broken down by country is as follows:

	1 April - 30 September	
(in EUR 1,000)	2010	2009
Austria	11,430	7,776
Germany	59,116	38,910
Hungary	21,922	16,620
Other European countries	15,249	13,638
Asia	67,199	68,381
Canada, USA, Mexico	65,515	24,544
Other	2,250	1,418
	242,681	**171,287**

Explanatory Notes to the Interim Financial Report

General

Accounting and valuation policies

The interim report for the six months ended 30 September 2010 has been prepared in accordance with the standards (IFRS and IAS) of the International Accounting Standards Board (IASB), including IAS 34, and the interpretations (IFRIC and SIC) as adopted by the European Union.

The consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2010.

There are no differences in accounting and valuation policies compared with those applied in the financial year ended 31 March 2010.

The consolidated interim statements for the six months ended 30 September 2010 are unaudited and have not been the subject of external audit review.

Notes to the income statement

Revenues

Sales revenues in the first half of the financial year 2010/11 grew in comparison with the same period last year by EUR 71.4m to EUR 242.7m. This 42% improvement is largely attributable to higher volumes of printed circuit board sales, although the greater average strength of the USD during the reporting period also had a positive effect. Income from service business (assembly, trading, and design) fell, as some of these activities were phased out. On a quarterly basis, sales were 13% better than in the first quarter, and 46% higher than in the same period last year.

From a geographical or segment point of view, the increase in production compared with last year came largely from the Asian plants. The Asian segment registered an increase of 51% in comparison with the first half of last year, and the European segment was up 25% (in both cases ignoring intra-group sales). On a quarterly basis, sales rose relatively sharply in the European segment, by 32% compared with the first quarter, and by 59% compared with the same period a year earlier, whereas first quarter sales were virtually unchanged compared with last year. It should however be noted that the relocation of HDI printed circuit board production to China during the second phase of restructuring meant that production capacity at Leoben-Hinterberg was correspondingly reduced towards the end of the first quarter of financial 2009/10. The share of sales contributed by production facilities in Asia in the first half of the financial year 2010/11 accounted for 69% of the total.

Gross profit

With significantly higher sales revenues, gross profit of EUR 46.1m for the first half was up EUR 34.9m on last year, and the gross profit margin advanced from 6.6% to 19.0%.

The improvement in gross margin is attributable to the excellent utilisation of existing production capacities in the Group's plants, both in Austria and in Asia. During the previous financial year the gross profit margin was depressed by lower sales, combined with significant overcapacity, most notably in the first quarter, and a considerable gross loss at Leoben-Hinterberg. Gross profit for the second quarter of the current financial year was up EUR 6.5m on the first quarter, and by EUR 14.2m year on year.

Non-recurring items

In the first quarter of the current financial year it was decided to make further adjustments to the Group's administrative structure and with effect from the end of 2010 to close the Vienna office, which up until that point had been responsible for the major group and headquarters functions. The headquarters function is moving back to Leoben, where the Company's registered office and the Leoben-Hinterberg plant are located. The non-recurring items relate to the closure of the Vienna office and consist mainly of staff costs arising from the social plan agreed as a consequence of the decision.

The preceding year's non-recurring items related to the extensive restructuring activities and cost-saving programmes. In particular, projects were initiated to increase the efficiency of the Austrian plants, mainly relating to the Leoben-Hinterberg site. Volume production in Leoben-Hinterberg was transferred to Shanghai in its entirety, and production capacities were correspondingly reduced. The reduction in capacity downsizing following an improvement in the order book resulted in a positive contribution to earnings in the second quarter of the previous financial year.

Operating result

The operating profit for the first half of the financial year 2010/11 reflects the significantly improved gross profit and is also comparatively little affected by non-recurring items. Operating results com-pared with the same period in financial 2009/10 improved by EUR 70.1m from an operating loss of EUR 45.3m to an operating profit of EUR 24.8m. The operating profit adjusted for non-recurring items rose EUR 34.3m to EUR 25.5m, as against an operating loss of EUR 8.8m a year earlier.

Selling and general administrative costs were higher than last year, reflecting the increased transport costs resulting from higher sales and variable, profit-related elements of remuneration. Other operating income in the financial year under review chiefly relates to income from government grants and expenses from exchange rate losses resulting from the decline of the US dollar in September. Last year, the decline of the US dollar against the euro also resulted in exchange losses.

The segment results were significantly better compared with the same period last year, both in Europe and in Asia. The adjusted segment EBIT before non-recurring items, the relevant measure of segment performance, recovered from a loss of EUR 9.0m to a profit of EUR 7.3m for Europe. In Asia segment profit advanced from EUR 3.7m to EUR 22.5m. The Europe segment was also burdened with restructuring expenses last year.

Financial result

The financial income in the first half of financial 2010/11 was mainly the result of the revaluation of the renminbi yuan (CNY) against the euro to reflect appreciation since 31 March 2010 and the associated valuation gains on the financing of the factory in China. Last year the decline of the US dollar against the euro resulted in valuation adjustment income on currency hedges.

Financial expenses consisted in the main of interest expense of EUR 4.2m, compared with EUR 3.7m a year earlier. In the previous year the decline of a functional currency, the renminbi yuan (CNY), resulted in corresponding valuation adjustment expense on the financing of the factory in China.

Income tax expense

The change – as compared with the same period last year – in the effective rate of tax on a consolidated basis is principally a consequence of the varying proportions of Group earnings contributed by individual companies with different tax rates, together with the effects of the different tax regimes to which the Group is subject. Taxes on income are also significantly affected by the measurement of deferred taxation. For a larger part of tax loss carryforwards, no deferred tax assets have been recognised, since the likelihood of their being realisable in the foreseeable future is low.

Notes to the comprehensive income statement

Currency translation differences

Currency translation differences chiefly reflect changes in the exchange rates of Group functional currencies, the renminbi yuan (CNY) and Hong Kong dollar (HKD), against the Group reporting currency, the euro. In the present financial year, the favourable variances recorded in the first quarter have largely been cancelled out by the appreciation of the euro in the second quarter. Exchange rate changes recognised in the first half of the previous financial year resulted in significant exchange translation losses.

Notes to the balance sheet

Financial position

Net debt rose to EUR 161.6m, an increase of EUR 13.7m compared with the position at 31 March 2010. This was principally a reflection of financing requirements in connection with the expansion of the plants in China and India, as well as the moderately higher level of working capital resulting from the growth in sales. The net gearing ratio of 72% was nonetheless relatively unchanged from the 71% at the end of last financial year, since equity increased at the same pace as debt.

The Group's consolidated equity has improved considerably in the first half of this financial year. The consolidated net income together with the comparatively small net currency translation difference resulted in consolidated total comprehensive income of EUR 17.5m. In the same period last year, consolidated equity was down by a material amount as a result of the negative total comprehensive income of EUR -75.0m.

Treasury shares

In the 16th Annual General Meeting of 7 July 2010 the Management Board was again authorised for a period of 30 months from the date of the resolution to acquire the Company's own shares up to a maximum amount of 10% of the share capital. The Management Board was also again authorised – for a period of five years (i.e., until 6 July 2015) and subject to the approval of the Supervisory Board – to dispose of treasury shares otherwise than through the stock exchange or by means of a public offering, and in particular for the purpose of enabling the exercise of employee stock options or the conversion of convertible bonds, or as consideration for acquisitions of subsidiaries or other assets.

No further treasury shares were acquired under the share repurchase scheme in the first half of this financial year. At 30 September 2010, and taking into account the stock options exercised, the Group held the same number of treasury shares – 2,577,412 shares, or 9.95% of the issued share capital – as at 31 March 2010, with a total acquisition cost of EUR 46.6 million.

Notes to the cash flow statement

The net cash inflow from operating activities of EUR 32.1m was higher than last year's EUR 21.1m as a result of higher consolidated earnings, although the increase was less pronounced than that of consolidated net income. Last year's consolidated net loss was largely a reflection of non-cash expenses such as impairment writedowns on property, plant and equipment and additions to long-term provisions required by the restructuring programs. Working capital requirements rose in the first half of the current financial year as a result of the ongoing increase in business, while last year they fell significantly as a consequence of the decline in business.

Net cash used in investing activities amounted to EUR 49.8m (2009/10: EUR 12.0m.) The increase on last year reflects the higher levels of investment. Payments for investments in the first quarter of the current financial year amounted to EUR 48.8m, and mainly related to the expansion of production capacity in China and the construction of a second production facility at the Indian site. The investments last year were largely in replacement equipment and the second production facility in India.

The net cash inflow from financing activities of EUR 12.8m in the first half of the current financial year largely reflects financial liabilities incurred for investment in expanding production capacity. The bulk of the investments were, however, financed from net cash inflows from operating activities and from cash and cash equivalents. The dividend distribution in the current financial year was significantly lower than that in the previous year.

Other information

Dividends paid

As resolved in the Annual General Meeting of 7 July 2010, a dividend of EUR 0.10 per share amounting to EUR 2,332,000 out of retained earnings as at 31 March 2010 was paid in the first half of the current financial year.

Related party transactions

In connection with various projects, in the first quarter of financial 2010/11, fees amounting to EUR 186,000 were payable to AIC Androsch International Management Consulting GmbH and fees of EUR 11,000 were payable to Riedl & Ringhofer (lawyers).

Leoben-Hinterberg, 21 October 2010

The Management Board

Andreas Gerstenmayer m.p.
Heinz Moitzi m.p

Group Interim Management Report

Business developments and performance

As Mobile Devices represents a high proportion of AT&S's total sales, the Group's business is naturally subject to seasonal variations. Typically, the first and fourth quarters of the financial year are periods of low capacity utilisation, with excellent utilisation in the second and third quarters. The current financial year reflects second quarter revenue gains over the preceding quarter, as well as significant increases as against the same period last year, particularly as a result of the negative impact of the challenging economic climate during the first two quarters of financial 2009/10. Second quarter revenues of EUR 128.7m represent an increase of EUR 14.8m, or 13%, on the first quarter of the current financial year, and a EUR 40.7m improvement (46%) compared with the second quarter of last financial year. This means that sales revenues have returned to the levels they had reached before the financial and economic crisis, and has resulted in high capacity utilisation throughout the first half of the current financial year.

The bulk of sales in the first half of the year – EUR 144.4m, or 60% – continued to be generated by Mobile Devices. Industrial likewise continued to grow, contributing 28% of Group sales. First-half sales by Automotive were up more than 50% on the previous year. This was chiefly attributable to the fact that the slump in sales caused by the economic crisis was felt most acutely by vehicle manufacturers during the first half of the financial year 2009/10. The project-dependent Services business (design, assembly and trading) has declined sharply due to the discontinuation of various activities in the segment. The share of sales contributed by each sector in the second quarter was largely unchanged compared with the previous quarter.

In the Group's target markets, the transfer of the industry from Europe to Asia is a continuing trend. However, changes in the mix of customers and in product allocations among OEMs and CEMs in the current financial year have increased the importance of sales revenues from manufacturers in Canada, the USA and Mexico. This trend had already emerged during the last financial year, taking the proportion of sales in this market in the current first half year to 27% from 14% a year earlier, while the share contributed by Asia fell back from 40% to 28%. Sales to European customers are also showing a great deal of promise, with increased market shares pushing up the share of Group sales compared with the same period a year earlier.

In response to the overall pressure on prices internationally and the general relocation of the printed circuit board industry to Asia, AT&S's production capacities in Asia have over the past few years been expanded, and Mobile Devices volume orders have increasingly been transferred to China. After the implementation of far-reaching restructuring measures, the decision was taken last year to transfer all volume production from Leoben-Hinterberg to Asia with the aim of ensuring the long-term profitability of the business. Leoben-Hinterberg now concentrates exclusively on small batches and short-term special orders, just as the other Austrian sites, Fehring and Klagenfurt, already do.

Subsequently, there was a strong upsurge in orders from European customers, not least as a result of market rationalisation. The original restructuring plan was adjusted in September last year to reflect recovering demand and the resultant stronger capacity utilisation at production facilities. In the first half of the current financial year, production volumes once again significantly outpaced original expectations for the Leoben-Hinterberg site. With volumes increasing at Fehring as well, sales of printed circuit boards manufactured at the Austrian sites have already exceeded the previous year's totals for the first half, despite the relocation of volume production. The combination of sales growth and the significantly lower cost base have brought marked increases in earnings compared with the previous year, particularly at Leoben-Hinterberg.

First half year capacity utilisation was also at a maximum in Shanghai, AT&S's largest plant by a considerable margin. The volume increase was boosted by the relocation of capacity from Leoben-Hinterberg. Increased earnings in the Group compared with the previous year are almost exclusively attributable to the performance of the production facility in China. Operating profit of EUR 25.5m after adjustment for non-recurring items in the first half of the current financial year represents an improvement of EUR 34.3m on the same period a year earlier. After adjustment for non-recurring items, operating profit for the second quarter was EUR 5.3m higher than in the first quarter, at EUR 15.4m.

Material events subsequent to the interim balance sheet date

On 8 October 2010, Steen Hansen announced his intention of resigning his Management Board appointment, which is terminated by mutual agreement with effect from 31 January 2011. Non-recurring expenses arising from the premature termination of the Management Board appointment in the form of severance and separation compensation, attributable pensionable service and other entitlements amount to about EUR 2m.The stock options granted to date under the stock option scheme vest as of the date of resignation and may be exercised until 31 January 2012 at the latest. Thomas Obendrauf was appointed as CFO and member of the Management Board with effect from 8 October 2010.

Significant risks, uncertainties and opportunities

There were no material differences in the categories of risk exposure in the course of the first half of the financial year 2010/11 compared with those described in detail in the notes to the 2009/10 consolidated financial statements under II. Risk Report. Credit markets have stabilised. The effect of any additional surcharges by the banks on financing costs as compared with earlier years is currently mitigated by the generally low level of interest rates. AT&S's interest rate risk is relatively low as a result of the high proportion of fixed interest financial liabilities. The risks are primarily in relation to short-term financing.

In order to reduce liquidity risk, during the last financial year long-term financing was taken up and more extensive long-term credit facilities were agreed, the larger part of which have so far not been used. In addition to this, in the Annual General Meeting of 7 July 2010 the Management Board was authorised (as a continuation of previous arrangements) to issue up to 12,950,000 new shares out of authorised capital and convertible bonds up to a nominal value of EUR 100,000,000, and to sell treasury shares. Exercise of the powers so conferred is subject to approval by the Supervisory Board and is valid until July 2015.

In spite of the higher working capital requirements resulting from higher volumes of business, in the first half of financial 2010/11 operating cash flow improved significantly. Given the projections of continuing net cash inflows from operating activities and the comprehensive financing arrangements, enough liquidity is available to cover all currently planned and potential future investments.

Currency futures and options continue to be used to protect net US dollar exposures against the effects of exchange rate risks.

The net gearing ratio of 72% has hardly changed during the first half of the financial year compared with the previous 71%, and is still under the target limit of 80%. The high operating cash flow resulting from the excellent consolidated earnings in the first half of financial 2010/11 enabled investment activities to be largely financed from internal resources. The positive effects of exchange translation differences from the appreciation of the CNY and HKD against the EUR in the first financial quarter and the resulting improvement in equity were cancelled out in the second quarter. Despite the unfavourable movements in exchange rates in the second quarter and the accelerated expansion of production capacity, the projections for the rest of financial 2010/11 show that gearing will generally be kept within the overall 80% limit and will only exceed it temporarily.

With respect to the opportunities and risks attaching to developments in the external environment for the financial year 2010/11 as a whole, the assumption is still that total sales of the printed circuit board industry worldwide will increase as compared with the previous financial year. In the first half, internal and external growth expectations for AT&S were exceeded by a considerable margin, and the continuing strength of the US dollar on average had a correspondingly positive effect on sales revenues. The state of the global economy in the medium-term is, however, difficult to gauge, and should still be considered fragile. Past experience – especially in recent years – has shown that markets and macroeconomic conditions should always be viewed critically and kept under constant review, in order to enable prompt reactions to any changes.

Customer demand poses a particular challenge for AT&S at present. In order to ensure that sufficient capacity is available, the factories in China and India are currently being expanded – where possible, expansion is being accelerated, and some investments are being brought forward.

Intensive research and development activities culminated in a major technological success in the second quarter of the present financial year, demonstrating AT&S's world-class innovative ability: AT&S is one of the first manufacturers in the world to implement embedded component packaging (EPC®) technology in series production. In photovoltaics AT&S is concentrating on its core competences as a high-tech supplier, and the production and continuing development of energy efficient backsheet contact foils is a major priority.

Outlook

Following the successful implementation of the restructuring and cost reduction programs, the necessary strategic adjustments in production have now largely been concluded. The focus is now on rapidly expanding capacities in Asia. A number of the organisational changes that were decided in the first quarter – such as the relocation of the headquarters from Vienna to Leoben-Hinterberg and the associated changes in personnel – are still in progress.

Sales growth in the first half of the current financial year and earlier quarters point towards a sustained upswing. Assuming stable exchange rates, the new outlook for the financial year puts total annual revenues at EUR 470–500m, a year-on-year increase of some 25–35%.

For the whole of the financial year 2010/11, AT&S has earmarked EUR 110–140m for investment in greater expansion of production capacity and in bringing forward development phases wherever possible, in order to keep pace with accelerated growth in all the Group's businesses. The increased capital expenditure is mainly accounted for by the Chinese site, with investment cash flows of around EUR 100m in the current financial year, and by India, with investment cash flows of EUR 17m.

Higher capacity utilisation and more efficient use of available capacities are expected to have a positive impact on operating profit. In light of this, Management is forecasting an EBIT margin of over 9% for the financial year 2010/11.

Leoben-Hinterberg, 21 October 2010

The Management Board

Andreas Gerstenmayer m.p.
Heinz Moitzi m.p.

Statement of all Legal Representatives

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

Leoben-Hinterberg, 21 October 2010

The Management Board

Andreas Gerstenmayer
Chairman

Ing. Heinz Moitzi
Chief Technical Officer

Contact details and credits

Contact
AT&S Austria Technologie &
Systemtechnik Aktiengesellschaft
Fabriksgasse 13
8700 Leoben
Österreich
Tel.: +43 (0)3842/200-0
Fax: +43 (0)3842/200-216

Public relations and investor relations
Martin Theyer
Tel.: +43 (0)3842/200-5909
E-mail: m.theyer@ats.net

Editorial team
Nikolaus Kreidl
Martin Theyer

Published by and responsible for content
AT&S Austria Technologie &
Systemtechnik Aktiengesellschaft
Fabriksgasse 13
8700 Leoben
Austria
www.ats.net

Design
Agentur DMP
Digital Motion Picture
Datenverarbeitungs GmbH
www.agentur-dmp.at

AT&S Austria Technologie &
Systemtechnik Aktiengesellschaft
Fabriksgasse 13
8700 Leoben
Austria
www.ats.net