

AT&S

INTERIM REPORT
FIRST QUARTER

2019/20

FIRST CHOICE

FOR
ADVANCED
APPLICATIONS



HIGHLIGHTS Q1 2019/20

- Revenue stable thanks to strong development in IC Substrates and Medical & Healthcare segments
- Strong seasonality in Mobile Devices causes market-related underutilization
- Weaker demand in Automotive and Industrial
- Management confirms outlook for revenue and EBITDA for the year
- Investment project of up to € 1 billion initiated and significantly increases medium-term guidance

KEY FIGURES

	Unit	Q1 2018/19	Q1 2019/20	Change in %
Revenue	€ in millions	222.1	222.7	0.3 %
EBITDA	€ in millions	52.0	34.9	(32.9 %)
EBITDA margin	%	23.4%	15.7%	–
EBIT	€ in millions	18.3	(0.6)	–
EBIT margin	%	8.3%	(0.3%)	–
Profit/(loss) for the period	€ in millions	13.5	(6.2)	–
ROCE	%	5.1%	(1.8%)	–
Net CAPEX	€ in millions	17.1	49.7	>100%
Cash flow from operating activities	€ in millions	4.6	28.5	>100%
Operating free cash flow	€ in millions	(12.5)	(21.2)	–
Earnings per share	€	0.30	(0.20)	–
Employees ¹⁾	–	9,598	9,965	3.8 %

BALANCE SHEET DATA

		31 Mar 2019	30 Jun 2019	
Total assets	€ in millions	1,784.1	1,774.9	(0.5 %)
Total equity	€ in millions	803.5	759.3	(5.5 %)
Equity ratio	%	45.0%	42.8%	(5.0%)
Net debt	€ in millions	150.3	208.6	38.8 %

¹⁾ incl. contract staff, average

ECONOMIC REPORT

BUSINESS DEVELOPMENTS AND SITUATION

In the first three months of the financial year 2019/20 the business of AT&S recorded a stable development overall: Revenue, at € 222.1 million was stable at the prior-year level, with revenue from the Mobile Devices and Industrial segments decreasing. The declines were largely offset by sales volume increases in the IC Substrates and Medical & Healthcare segments.

Earnings for the quarter declined as expected: EBITDA decreased by € 17.1 million or -32.9% from € 52.0 million to € 34.9 million. The reasons for the current earnings figures can be found both in the market and in the substantial future investments in the strategic expansion of the business. With respect to the market, mobile devices were faced with increased seasonality in the past two quarters. In addition, the Automotive and Industrial business slowed down reflecting the general economic situation. Both aspects lead to underutilisation of the production capacities and a lower operating performance.

AT&S is increasing investments in research & development to prepare for future technology generations and to pursue the modularisation strategy. These expenses secure the company's sustainability and significantly expand the earnings potential in the medium term.

The EBITDA margin was 15.7% down 7.7 percentage points on the prior-year value of 23.4%. Due to the above-mentioned effects, EBIT dropped by € 18.9 million from € 18.3 million to € -0.6 million. The EBIT margin amounted to -0.3% (previous year: 8.3%).

Finance costs – net declined from € 1.7 million to € -1.7 million primarily due to foreign currency differences resulting from the measurement of liquid foreign currency funds and debts.

Net profit/loss for the period fell by € 19.7 million from € 13.5 million to € -6.2 million due to the lower operating result.

BUSINESS DEVELOPMENT BY SEGMENTS

The AT&S Group breaks its operating activities down into three segments: Mobile Devices & Substrates, Automotive, Industrial, Medical, and Others. For further information on the segments and segment reporting please refer to the Annual Report 2018/19.

Mobile Devices & Substrates segment

Segment revenue rose by € 6.3 million or 3.9% from € 160.2 million to € 166.4 million, with the decline recorded for mobile devices being offset by volume increases in the IC substrate sector. EBITDA fell by € 15.5 million or -39.4% from € 39.3 million to € 23.8 million due to increased seasonality in the Mobile Devices sector and the resulting capacity underutilisation and lower operating performance. Overall, this led to an EBITDA margin of 14.3%, which is below the prior-year value of 24.5%. EBIT at € -5.5 million, was € 15.9 million lower than in the previous year, at € 10.4 million. The resulting EBIT margin amounts to -3.3% (previous year: 6.5%).

Automotive, Industrial, Medical segment

Segment revenue, at € 88.1 million was at the level of the previous year. In particular, the Medical & Healthcare sector recorded strong demand in the first three months. In the Industrial sector demand declined in line with the market environment.

Due to the market-related underutilisation the Automotive and Industrial business the segment's EBITDA amounted to € 10.9 million, down € 1.1 million on the prior-year value of € 12.0 million. Due to these effects, the EBITDA margin decreased by 1.0 percentage points from 13.4% to 12.4%. EBIT fell by € 2.3 million or -30.3% from € 7.5 million to € 5.3 million.

FINANCIAL POSITION

Total assets decreased by € 9.2 million or -0.5% from € 1,784.1 million to € 1,774.9 million in the first three months of the financial year.

Cash and cash equivalents amounted to € 286.1 million (31 March 2019: € 326.8 million). In addition to cash and cash

equivalents, AT&S has financial assets of € 250.4 million and unused credit lines of € 185.3 million to secure the financing of the future investment programme and short-term repayments.

Equity decreased by € 44.2 million or 5.5% from € 803.5 million at the balance sheet date to € 759.3 million as a result of the net loss for the period of € -6.2 million and negative exchange rate effects of € -35.7 million resulting from the translation of the net asset position of the subsidiaries. The equity ratio, at 42.8%, was 2.2 percentage points lower than at 31 March 2019; it remains at a high level. Net debt increased by € 58.3 million or 38.8% from € 150.3 million to € 208.6 million.

Cash flow from operating activities amounted to € 28.5 million in the first three months of 2019/20 (previous year: € 4.6 million). Cash inflows were offset by cash outflows for net investments of € 49.7 million (previous year: € 17.1 million), resulting in free cash flow from operations of € -21.2 million (previous year: € -12.5 million).

EVENTS AFTER CLOSING DATE

To strengthen the IC substrate business, the Group decided in July to further expand capacity at the locations in Chongqing and Leoben. The investment volume totals up to € 1 billion and will be distributed over the next five years. The start of production is scheduled for 2021. First revenues from these additional capacities are expected for early 2022. The investment focus is on Chongqing. This decision was triggered by the significantly growing market demand for IC substrates for the application in high-performance modules in the coming years. This gives AT&S the opportunity to significantly strengthen its position in the market for IC substrates. As a result of expanding its business volume with these applications, AT&S will be able to further balance out the entire product portfolio and to reduce dependencies. This capacity expansion also provides the basis for a further diversification of the customer portfolio in the future. The investment project will be implemented in close cooperation with a leading semiconductor manufacturer. In addition to production, the partnership also comprises the technology development of future substrate architectures.

OUTLOOK

After the first quarter, the Management Board confirms the earnings forecast for the full year although the market environment is very challenging and visibility is still low. Based on the current weakness in demand in the Mobile Devices, Automotive and Industrial segments, revenue is expected to remain at the level of the previous year, with an EBITDA margin expected in the range of 20 to 25%.

A volume of € 80 to 100 million is planned for maintenance and technology upgrades. Depending on the market development, an additional € 100 million for capacity and technology expansions may be incurred. For the capacity expansion in the area of IC substrates, expenses for investments will be increased from € 80 million to up to € 180 million.

Medium-term guidance

With the current investment decision, the Management Board is increasing its medium-term guidance: As part of the strategy “More than AT&S”, the Group expects revenue to double to € 2 billion in the next five years (previous revenue guidance: € 1.5 billion). This corresponds to a compound annual growth rate (CAGR) of roughly 15%. Based on the stronger focus on high-end applications, the historical trend of a continuous and sustainable margin improvement can be continued, and an EBITDA margin in the range of 25% to 30% can be achieved in the medium term. The Group’s medium-term ROCE target is more than 12%.

Leoben-Hinterberg, 02 August 2019

The Management Board

Andreas Gerstenmayer m.p.
Monika Stoisser-Göhring m.p.
Heinz Moitzi m.p.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

€ in thousands	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018
Revenue	222,739	222,081
Cost of sales	(209,121)	(193,676)
Gross profit	13,618	28,405
Distribution costs	(7,587)	(7,727)
General and administrative costs	(10,145)	(8,023)
Other operating income	3,983	6,162
Other operating costs	(431)	(494)
Other operating result	3,552	5,668
Operating result	(562)	18,323
Finance income	1,994	5,620
Finance costs	(3,733)	(3,917)
Finance costs – net	(1,739)	1,703
Profit/(loss) before tax	(2,301)	20,026
Income taxes	(3,903)	(6,477)
Profit/(loss) for the period	(6,204)	13,549
Attributable to owners of hybrid capital, net of tax	1,554	2,072
Attributable to owners of the parent company	(7,758)	11,477
Earnings per share attributable to equity holders of the parent company (in € per share):		
– basic	(0.20)	0.30
– diluted	(0.20)	0.30
Weighted average number of shares outstanding		
– basic (in thousands)	38,850	38,850
Weighted average number of shares outstanding		
– diluted (in thousands)	38,850	38,850

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in Tsd. €	01.04.-30.06.2019	01.04.-30.06.2018
Konzernergebnis	(6 204)	13 549
Zu reklassifizierende Ergebnisse:		
Währungsumrechnungsdifferenzen	(35 666)	8 769
(Verluste) aus der Bewertung von Sicherungsinstrumenten aus der Absicherung von Zahlungsströmen, nach Steuern	(2 277)	(498)
Sonstiges Ergebnis	(37 943)	8 271
Konzerngesamtergebnis	(44 147)	21 820
davon vorgesehener Anteil Hybridkapitalbesitzer	1 554	2 072
davon den Eigentümern des Mutterunternehmens zuzurechnen	(45 701)	19 748

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in thousands	30 Jun 2019	31 Mar 2019
ASSETS		
Property, plant and equipment	798,654	777,742
Intangible assets	54,610	60,121
Financial assets	193	193
Deferred tax assets	35,344	35,555
Other non-current assets	28,340	24,664
Non-current assets	917,141	898,275
Inventories	91,104	84,465
Trade and other receivables and contract assets	224,882	229,045
Financial assets	250,355	239,752
Current income tax receivables	5,282	5,728
Cash and cash equivalents	286,091	326,841
Current assets	857,714	885,831
Total assets	1,774,855	1,784,106
EQUITY		
Share capital	141,846	141,846
Other reserves	4,501	42,444
Hybrid capital	172,887	172,887
Retained earnings	440,070	446,274
Equity attributable to owners of the parent company	759,304	803,451
Total equity	759,304	803,451
LIABILITIES		
Financial liabilities	702,270	679,076
Provisions for employee benefits	48,787	48,409
Deferred tax liabilities	5,673	5,547
Other liabilities	15,663	16,196
Non-current liabilities	772,393	749,228
Trade and other payables	186,973	179,954
Financial liabilities	42,995	37,967
Current income tax payables	10,673	9,331
Other provisions	2,517	4,175
Current liabilities	243,158	231,427
Total liabilities	1,015,551	980,655
Total equity and liabilities	1,774,855	1,784,106

CONSOLIDATED STATEMENT OF CASH FLOWS

€ in thousands	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018
Operating result	(562)	18,323
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	35,466	33,673
Gains/losses from the sale of fixed assets	15	22
Changes in non-current provisions	698	289
Non-cash expense/(income), net	(3,886)	(4,968)
Interest paid	(1,593)	(2,454)
Interest received	1,921	702
Income taxes paid	(1,545)	(7,160)
Cash flow from operating activities before changes in working capital	30,514	38,427
Inventories	(9,030)	(12,246)
Trade and other receivables and contract assets	(3,803)	(5,507)
Trade and other payables	12,360	(15,297)
Other provisions	(1,536)	(792)
Cash flow from operating activities	28,505	4,585
Capital expenditure for property, plant and equipment and intangible assets	(49,698)	(17,107)
Proceeds from the sale of property, plant and equipment and intangible assets	20	25
Capital expenditure for financial assets	(18,764)	(11,154)
Proceeds from the sale of financial assets	4,697	6,622
Cash flow from investing activities	(63,745)	(21,614)
Proceeds from borrowings	132	–
Repayments of borrowings	(2,950)	(1,946)
Proceeds from government grants	108	3,176
Cash flow from financing activities	(2,710)	1,230
Change in cash and cash equivalents	(37,950)	(15,799)
Cash and cash equivalents at beginning of the year	326,841	270,729
Exchange gains/(losses) on cash and cash equivalents	(2,800)	8,509
Cash and cash equivalents at end of the period	286,091	263,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ in thousands	Share capital	Other reserves	Hybrid capital	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
31 Mar 2018	141,846	27,505	172,887	369,153	711,391	–	711,391
Adjustments IFRS 15, IFRS 9	–	–	–	10,393	10,393	–	10,393
01 Apr 2018	141,846	27,505	172,887	379,546	721,784	–	721,784
Profit for the period	–	–	–	13,549	13,549	–	13,549
Other comprehensive income for the period	–	8,271	–	–	8,271	–	8,271
thereof currency translation differences	–	8,769	–	–	8,769	–	8,769
thereof change in hedging instruments for cash flow hedges, net of tax	–	(498)	–	–	(498)	–	(498)
Total comprehensive income for the period	–	8,271	–	13,549	21,820	–	21,820
30 Jun 2018	141,846	35,776	172,887	393,095	743,604	–	743,604
31 Mar 2019	141,846	42,444	172,887	446,274	803,451	–	803,451
Profit for the period	–	–	–	(6,204)	(6,204)	–	(6,204)
Other comprehensive income for the period	–	(37,943)	–	–	(37,943)	–	(37,943)
thereof currency translation differences	–	(35,666)	–	–	(35,666)	–	(35,666)
thereof change in hedging instruments for cash flow hedges, net of tax	–	(2,277)	–	–	(2,277)	–	(2,277)
Total comprehensive income for the period	–	(37,943)	–	(6,204)	(44,147)	–	(44,147)
30 Jun 2019	141,846	4,501	172,887	440,070	759,304	–	759,304

SEGMENT REPORTING

€ in thousands	Mobile Devices & Substrates		Automotive, Industrial, Medical		Others		Elimination/ Consolidation		Group	
	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018
Segment revenue	166,434	160,169	88,090	89,621	–	995	(31,785)	(28,704)	222,739	222,081
Internal revenue	(22,625)	(22,381)	(9,161)	(6,323)	–	–	31,785	28,704	–	–
External revenue	143,809	137,788	78,930	83,298	–	995	–	–	222,739	222,081
Operating result before depreciation/amortisation	23,784	39,288	10,886	11,984	234	724	–	–	34,904	51,996
Depreciation/amortisation incl. appreciation	(29,257)	(28,905)	(5,543)	(4,434)	(666)	(333)	–	–	(35,466)	(33,673)
Operating result	(5,473)	10,383	5,343	7,549	(432)	391	–	–	(562)	18,323
Finance costs - net									(1,739)	1,703
Profit/(loss) before tax									(2,301)	20,026
Income taxes									(3,903)	(6,477)
Profit/(loss) for the period									(6,204)	13,549
Property, plant and equipment and intangible assets ¹⁾	697,697	711,119	148,573	122,043	6,994	4,701	–	–	853,264	837,863
Additions to property, plant and equipment and intangible assets	38,001	9,854	10,334	6,303	916	508	–	–	49,251	16,665

¹⁾ Previous year values as of 31 March 2019

INFORMATION BY GEOGRAPHIC REGION

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

€ in thousands	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2018
Austria	3,788	5,257
Germany	36,839	45,353
Other European countries	19,538	18,386
China	2,341	2,728
Other Asian countries	14,116	14,071
Americas	146,117	136,286
Revenue	222,739	222,081

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

€ in thousands	30 Jun 2019	31 Mar 2019
Austria	99,046	73,275
China	697,378	711,064
Others	56,840	53,524
Property, plant and equipment and intangible assets	853,264	837,863

FINANCIAL CALENDAR

07/11/2019	Publication of the first half-year 2019/20
04/02/2020	Publication of the first three quarters 2019/20
14/05/2020	Publication Preliminary Annual Results 2019/20
29/06/2020	Record Date Annual General Meeting
09/07/2020	26th Annual General Meeting

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