

## Questions & Answers

### Questions and answers with regard to

- agenda item 9 (authorization of the Management Board to issue convertible bonds),
- agenda item 10 (conditional increase of the nominal capital for the granting of exchange rights to creditors of convertible bonds) and
- agenda item 11 (authorization of the Management Board to increase the nominal capital – authorized capital)

### 1. What is the background for the capital measures to be resolved upon?

The Management Board of AT&S has already been authorized so far to increase the nominal capital of the Company with the consent of the Supervisory Board in whole or in part based on a resolution by the general meeting on July 5, 2005. The Management Board has been further authorized to exclude the shareholders' preemptive rights in whole or in part if the legal requirements are met. In the course of the general meeting on July 5, 2005 the Management Board has also been authorized to issue convertible bonds in a total nominal amount of up to EUR 100,000,000 with the consent of the Supervisory Board. The Management Board has further been authorized to exclude the shareholders' preemptive rights in whole or in part also in relation to such issuance of convertible bonds if the legal requirements are met. An authorization for a conditional capital increase in order to provide for exchange rights in case convertible bonds are issued, has also been granted in the same way as it is foreseen in the current resolution proposal. The respective authorizations have been granted for a period of five years and expire now.

The capital measures currently proposed constitute therefore essentially a prolongation and actualization of the authorizations of the Management Board already in place. The maximum potential dilution in case all capital measures are implemented may, however, now amount to only 50% of the nominal capital and no longer to 87.26% as it was the case so far (please refer to the next question with regard to the topic of maximum dilution).

### 2. What is the maximum possible extent of dilution that may arise?

In case the capital measures in place so far were fully implemented (full utilization of the authorized capital and the conditional capital to serve exchange rights in case of the issuance of convertible bonds) new shares amounting to more than 87.2% of the nominal capital could have been issued (approximately 43.6% of the nominal capital by way of utilization of authorized capital and approximately 43.6% by way of utilization of conditional capital).

If the capital measures now proposed are going to be resolved by the general meeting and if all such capital measures were actually fully utilized, the maximum dilution for the existing shareholders would amount to 50% of the nominal capital. Although an authorization for the issuance of shares corresponding to up to 50% of the nominal capital is granted for both, the authorized capital as well as for the conditional capital, the total amount of the shares which can be issued by way of utilizing the conditional capital and the authorized capital may in total not exceed 50% of the nominal capital (limitation of the authorizations according to amount). In other words: The Management Board may freely choose, how many shares it issues out of the authorized capital and how many shares it issues out of the conditional capital, as long as the total amount of all such shares issued does not exceed 50% of the nominal capital (i.e. not more than 12,950,000 shares in total). In order to safeguard this result, it is proposed to amend the Articles of Association by way of inserting a new lit c in § 4 subpara 5.

**3. Which scope of discretion does the Management Board have with regard to the exclusion of pre-emptive rights?**

It is important to stress the fact that the Management Board is only authorized but not obliged to exclude pre-emptive rights. Normally, e.g. in the course of a material cash capital increase, pre-emptive rights are not excluded. Further, the Management Board may only exercise the authorization granted to it to the extent the exclusion of pre-emptive rights is objectively justified. Such justification requires that the exclusion of pre-emptive rights (i) is in the interest of the Company (e.g. acquisition of strategic participations, entrance into foreign markets, co-operations with others businesses etc.); (ii) is appropriate and (iii) is necessary i.e. the exclusion of pre-emptive rights has to be suitable and the most moderate way for achieving the objectives and therefore no other possible alternative may be less burdensome; and, finally, the exclusion of pre-emptive rights has to be (iv) proportionate, i.e. the measure has to be weighted against the impact on the participation quota and the position of the shareholders; the more the issuance price corresponds to the fair market value of the shares, enabling the shareholders to maintain their position by way of purchasing additional shares on the market, the more likely it is that an exclusion of pre-emptive rights will meet the principle of proportionality.

In case the authorizations to exclude pre-emptive rights will be exercised, the Management Board will further issue a separate report, by which the fulfillment of the legal requirements will be evidenced based on the respective facts and circumstances then given. Such report will be published prior to the implementation of the respective capital measure.

**4. Why does the Management Board need such resolutions?**

In particular in a constantly changing market environment, different strategic options have to be available to the Management Board in order to be able to react flexibly to financing issues. Convening a general meeting in order to implement strategic objectives, which require the issuance of shares, may – in particular due to the financial and time efforts related thereto – frustrate potential opportunities arising on the market. Not only the preparation and structuring of transactions,

but also the fulfillment of other potential financial needs may require the best possible flexibility for the Management Board with regard to the utilization of the available financial instruments as well as with regard to the determination of their terms and conditions also on a short term basis (e.g. convertible bonds are mainly subscribed by institutional investors often having high demands with respect to flexibility and timing). Therefore, it is in the interest of the Company to authorize the Management Board to the capital measures as proposed. Please also refer to the next question on the topic of the utilization of the authorizations.

**5. In which way will the Management Board utilize the authorizations? Is a specific capital measure already envisaged?**

Currently, no specific projects which would make the utilization of the granted authorizations necessary exist (issuance of shares from the authorized capital and issuance of convertible bonds, where the shares to be issued pursuant to the terms and conditions of the convertible bonds are taken from the conditional capital). Due to the market development, in particular in the segment of premium HDI technologies, being the business focus of AT&S, it is, however, useful and in the interest of growth of the Company to grant to the Management Board the respective flexibility to be able to react to positive market developments (also on short notice if appropriate).