

# Report of the Supervisory Board



Dear shareholders

In the financial year 2016/17, AT&S clearly continued its growth course: revenue increased from € 762.9 million to € 814.9 million. This was attributable to the first revenue contributions of the Chongqing project and strong demand in all segments of the core business. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Group were negatively influenced primarily by the costs of the longer ramp-up phase of the IC substrate plant in Chongqing and the price pressure on IC substrates. Cost savings only partially compensated for these developments. Adjusted for the effects of the Chongqing project and the income from the reversal of the provision for restructuring, the core business of AT&S is still highly profitable with an EBITDA margin of 25.4%, exceeding the value of the previous year (23.7%). Taking into account higher scheduled depreciation for newly commissioned equipment, EBIT decreased significantly. After deducting finance costs - net, which were lower than in the previous year, and income taxes, this resulted in a net loss of € 22.9 million for the financial year 2016/17. The significant operational improvements achieved in Chongqing were, however, overcompensated by the price pressure of longer technology cycles and lower demand for IC substrates for computing applications (desktop, notebook). AT&S is convinced it has taken the right steps for a broader positioning in a changing supply chain by establishing an extended technology portfolio based on IC substrates and the next technology generation (mSAP).

**COMPOSITION OF THE SUPERVISORY BOARD** The Supervisory Board of AT&S consists of twelve members. At the 22<sup>nd</sup> Annual General Meeting on 7 July 2016, the Management Board and the Supervisory Board proposed an amendment to the Articles of Association to change the term of Supervisory Board members and the replacement of outgoing Supervisory Board members and to make it more flexible. This proposal was adopted by resolution of the Annual General Meeting and Section 11 (1) of the Articles of Association was amended as follows: "Save where otherwise stipulated by the General Meeting, election of members to the Supervisory Board shall be for the longest time permitted under Section 87 para 7 of the Stock Corporation Act, i.e. until the close of that General Meeting which votes on discharge from liability for the fourth financial year after such election, not counting the financial year in which such election is held."

On this basis, members were elected to the Supervisory Board at the Annual General Meeting on 7 July 2016. In accordance with the proposal made by the Supervisory Board, Regina Prehofer, Georg Riedl and Karin Schaupp were re-elected to the Supervisory Board of the company until the end of the Annual General Meeting which votes on the discharge from liability for the financial year 2018/19. Further members representing shareholder interests on the Supervisory Board of AT&S are Hannes Androsch (Chairman), Willibald Dörflinger (First Deputy Chairman), Karl Fink, Albert Hochleitner and Gerhard Pichler. Following her re-election, Regina Prehofer acts as Second Deputy Chairwoman of the Supervisory Board.

The employees delegated by the Works Council as employee representatives on the Supervisory Board have not changed: Wolfgang Fleck, Siegfried Trauch, Günther Wölfler and Sabine Fussi.

**ACTIVITIES OF THE SUPERVISORY BOARD** The Supervisory Board met five times during the financial year 2016/17, with the participation of the Management Board. Regina Prehofer and Albert Hochleitner were excused from one Supervisory Board meeting.

In the financial year from 1 April 2016 to 31 March 2017, the Supervisory Board was regularly informed by the Management Board through a continuous, open exchange of information and opinions, as well as comprehensive oral and written reports about the market situation, strategy, operating and financial position of the Group and its investments, staff situation and planned capital expenditures, and the Supervisory Board took the respective decisions accordingly. The discussions focused especially on the commissioning of the IC substrate plant in Chongqing and the further expansion of the Chongqing site by means of the production of the next generation of printed circuit boards and thus the strategic orientation of the company. Key decisions by the Supervisory Board in the past financial year were also related to the respective investments as well as the evaluation and continuous improvement of the financing structure in this context. Between meetings of

the Supervisory Board, the Chairman of the Supervisory Board and his Deputies were regularly informed by the Management Board of business developments.

In addition, the Supervisory Board was able to confirm a functional issuer compliance system and dealt with the establishment of a Governance, Risk & Compliance Committee (“GRC Committee”) within the company at one meeting. In addition, the Management Board informed the Supervisory Board in detail about measures to fight corruption at the company.

The Supervisory Board decided on 6 June 2016, in the course of the extension of the mandate of Mr Asamer, which had originally been limited to three years, to extend the mandates of all Management Board members, Andreas Gerstenmayer, Karl Asamer and Heinz Moitzi, early and to appoint all of them for a new term effective until 31 May 2021 (“Renewal of appointment”). On 2 June 2017, Karl Asamer decided to resign from his mandate for personal reasons and asked the Supervisory Board for a termination of his contract by mutual agreement. The Supervisory Board agreed and simultaneously appointed Monika Stoisser-Göhring as his successor to hold the positions of CFO and Deputy Chairwoman of the Management Board of the Company from 2 June 2017 until 31 May 2020.

**SUPERVISORY BOARD COMMITTEES** Within the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee, as standing committees, exercise certain tasks allocated to them through the rules of procedure of the Supervisory Board. In addition, the Supervisory Board established a temporary Project Committee during the financial year 2016/17. The respective committees established carried out detailed analyses of particular matters and reported their findings to the Supervisory Board:

The Audit Committee, consisting of Regina Prehofer (Chairwoman), Gerhard Pichler (finance expert), Georg Riedl, Wolfgang Fleck and Günther Wölfler, focused primarily on the review of the annual and consolidated annual financial statements for the year ended 31 March 2016 and on planning and preparation for the audit of the annual and consolidated financial statements for the financial year 2016/17. Through discussions with the Auditor, inspection of relevant documents and discussions with the Management Board, it obtained a comprehensive view. The Audit Committee also monitored the effectiveness of the company-wide internal control system and the Group’s internal audit and risk management systems. The Audit Committee reported to the full Supervisory Board with respect to this monitoring and found no deficiencies. The Audit Committee convened three times in the past financial year. The meetings, which were attended by all committee members, were chaired by Regina Prehofer, who was also regularly involved in quarterly reporting in this function and reported on these matters to the Supervisory Board.

In accordance with a decision made by the Supervisory Board, the members of the Nomination and Remuneration Committee are Hannes Androsch (Chairman), Willibald Dörflinger (Deputy Chairman), Georg Riedl, Wolfgang Fleck and Günther Wölfler. The Nomination and Remuneration Committee met once in the past financial year, with all Committee members attending. This meeting focused on the further development of the composition of the Supervisory Board. It was found that the requirements of Supervisory Board activities at AT&S have increased considerably in recent years, not least due to the expansion projects in China. It was therefore agreed that the international orientation of the Supervisory Board would be increased in the medium term and further experts from the electronics industry should be included in the future. The number of Supervisory Board members will also be subject to a critical review.

Based on a decision made by the Supervisory Board on 16 March 2017, a temporary Project Committee was established in the financial year 2016/17 to further support the Management Board in strategic and budget planning. The following members were appointed to this committee: Willibald Dörflinger, as Chairman, as well as Regina Prehofer and Gerhard Pichler, as capital representatives, and Wolfgang Fleck and Günther Wölfler, as employee representatives. The Project Committee did not meet in the financial year 2016/17.

**SELF-EVALUATION OF THE SUPERVISORY BOARD** The Supervisory Board annually performs a self-evaluation, as it did again in the financial year 2016/17, to ensure the continuous improvement of its working practices and the fulfilment of its responsibilities to the shareholders and other stakeholders. The annual evaluation carried out by the Supervisory Board confirmed that its regular practices meet the requirements of the Austrian Stock Corporation Act and the Austrian Corporate Governance Code (ÖCGK), and that its organisation, work practices and orientation in the interests of the shareholders and all other stakeholders are effective. The self-evaluation will continue to constitute an important component of critical review by the Supervisory Board of its own activities and will be further expanded while at the same time ensuring that it is efficient.

**ANNUAL FINANCIAL STATEMENT AND DIVIDENDS** The Supervisory Board of AT&S proposed to the 22<sup>nd</sup> Annual General Meeting that PwC Wirtschaftsprüfung GmbH, Vienna be appointed Company and Group auditors for the financial year 2016/17. The proposal was approved by the Annual General Meeting of 7 July 2016.

The annual financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft and the consolidated financial statements for the year ended 31 March 2017 were both audited by PwC Wirtschaftsprüfung GmbH, Vienna, and were awarded an unqualified audit report. The Management Report and the Group Management Report for the financial year 2016/17 were consistent with the annual financial statements and the consolidated financial statements. Based on the prior discussions of the Audit Committee, and, following its own detailed discussions and examination, the Supervisory Board approved the Company's annual financial statements for the year ended 31 March 2017 in accordance with Section 96 (4) Austrian Stock Corporation Act (AktG). Also, based on the prior discussions of the Audit Committee, and after its own detailed consideration and examination, it approved the consolidated financial statements drawn up in accordance with Section 245a Austrian Commercial Code (UGB) and with IFRS, as well as the Management Report, the Group Management Report and the Corporate Governance Report. The Supervisory Board review, which included extensive discussions with the auditors, did not give rise to any objections. Pursuant to the recommendation of the Audit Committee, the Supervisory Board of AT&S will propose to the 23<sup>rd</sup> Annual General Meeting that PwC Wirtschaftsprüfung GmbH, Vienna be appointed Company and Group auditors for the financial year 2017/18.

The Supervisory Board approves the proposal of the Management Board: a proposal will be made to the Annual General Meeting to distribute a dividend of € 0.10 per share for the no par shares outstanding on the payout date and entitled to dividend, and to carry forward the remaining amount of € 73,706,616.50.

**THANKS TO THE MANAGEMENT BOARD AND ALL AT&S EMPLOYEES** The past financial year was once again marked by enormous challenges: the electronics industry continues to develop very dynamically in an extremely competitive environment. Moreover, the establishment and ramp-up of the production site in Chongqing with two plants had to be managed in addition to the continuously changing requirements in the core business. The Supervisory Board would therefore like to express its gratitude and acknowledgement to the entire Management Board and all employees for their achievements in the past financial year. The special commitment that distinguishes the employees will continue to be an indispensable basis for the sustainable success of the entire Group!

On behalf of the Supervisory Board

Leoben-Hinterberg, 2 June 2017

Hannes Androsch m.p.  
Chairman of the Supervisory Board