



AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK  
AKTIENGESELLSCHAFT

## ANNUAL FINANCIAL REPORT AS OF 31 MARCH 2016

### TABLE OF CONTENTS

|   | Page |
|---|------|
| Consolidated Financial Statements as of 31 March 2016     | 2    |
| Group Management Report 2015/16                           | 49   |
| Auditor's Report on the Consolidated Financial Statements | 88   |
| Financial Statements as of 31 March 2016                  | 89   |
| Management Report 2015/16                                 | 113  |
| Auditor's Report on the Financial Statements              | 134  |
| Statement of all Legal Representatives                    | 136  |

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 2016

### TABLE OF CONTENTS

|  | Page |
|--|------|
| Consolidated Statement of Profit or Loss       | 3    |
| Consolidated Statement of Comprehensive Income | 3    |
| Consolidated Statement of Financial Position   | 4    |
| Consolidated Statement of Cash Flows           | 5    |
| Consolidated Statement of Changes in Equity    | 6    |
| Notes to Consolidated Financial Statements     | 7    |

The consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft as of 31 March 2016 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 | 2015/16        | 2014/15        |
|---|------|----------------|----------------|
| Revenue   | 1    | 762,879        | 667,010        |
| Cost of sales   | 2    | (611,247)      | (511,628)      |
| <b>Gross profit</b>   |      | <b>151,632</b> | <b>155,382</b> |
| Distribution costs  | 2    | (34,624)       | (31,595)       |
| General and administrative costs  | 2    | (29,376)       | (28,005)       |
| Other operating result  | 4    | (10,663)       | (5,696)        |
| <b>Operating result</b>   |      | <b>76,969</b>  | <b>90,086</b>  |
| Finance income  | 6    | 7,533          | 9,067          |
| Finance costs   | 6    | (15,668)       | (14,170)       |
| <b>Finance costs - net</b>  |      | <b>(8,135)</b> | <b>(5,103)</b> |
| <b>Profit before tax</b>  |      | <b>68,834</b>  | <b>84,983</b>  |
| Income taxes  | 7    | (12,883)       | (15,634)       |
| <b>Profit for the year</b>  |      | <b>55,951</b>  | <b>69,349</b>  |
| Attributable to owners of the parent company  |      | 55,951         | 69,279         |
| Attributable to non-controlling interests   |      | –              | 70             |
| Earnings per share attributable to equity holders of the parent company (in € per share): | 25   |                |                |
| - basic   |      | 1.44           | 1.78           |
| - diluted   |      | 1.44           | 1.78           |

# Consolidated Statement of Comprehensive Income

| € in thousands   | 2015/16         | 2014/15        |
|--|-----------------|----------------|
| <b>Profit for the year</b>   | <b>55,951</b>   | <b>69,349</b>  |
| Items to be reclassified:  |                 |                |
| Currency translation differences   | (82,521)        | 161,373        |
| Gains/(losses) from the fair value measurement of hedging instruments for cash flow hedges, net of tax | 2,831           | (2,517)        |
| Items not to be reclassified:  |                 |                |
| Remeasurement of post-employment obligations, net of tax   | 2,659           | (6,757)        |
| <b>Other comprehensive income for the year</b>   | <b>(77,031)</b> | <b>152,099</b> |
| <b>Total comprehensive income for the year</b>   | <b>(21,080)</b> | <b>221,448</b> |
| Attributable to owners of the parent company   | (21,080)        | 221,350        |
| Attributable to non-controlling interests  | –               | 98             |

# Consolidated Statement of Financial Position

| € in thousands   | Note | 31 Mar 2016      | 31 Mar 2015      |
|--|------|------------------|------------------|
| <b>ASSETS</b>  |      |                  |                  |
| Property, plant and equipment                              | 8    | 689,161          | 603,664          |
| Intangible assets  | 9    | 103,736          | 45,211           |
| Financial assets   | 13   | 96               | 96               |
| Deferred tax assets  | 7    | 33,826           | 34,301           |
| Other non-current assets                                   | 10   | 39,519           | 29,485           |
| <b>Non-current assets</b>                                  |      | <b>866,338</b>   | <b>712,757</b>   |
| Inventories  | 11   | 83,438           | 89,222           |
| Trade and other receivables                                | 12   | 134,687          | 143,130          |
| Financial assets   | 13   | 87,817           | 780              |
| Current income tax receivables                             |      | 504              | 1,004            |
| Cash and cash equivalents                                  | 14   | 171,866          | 273,919          |
| <b>Current assets</b>                                      |      | <b>478,312</b>   | <b>508,055</b>   |
| <b>Total assets</b>  |      | <b>1,344,650</b> | <b>1,220,812</b> |
| <b>EQUITY</b>  |      |                  |                  |
| Share capital  | 22   | 141,846          | 141,846          |
| Other reserves   | 23   | 73,688           | 150,774          |
| Retained earnings  |      | 353,402          | 311,642          |
| <b>Equity attributable to owners of the parent company</b> |      | <b>568,936</b>   | <b>604,262</b>   |
| Non-controlling interests                                  |      | —                | 96               |
| <b>Total equity</b>  |      | <b>568,936</b>   | <b>604,358</b>   |
| <b>LIABILITIES</b>   |      |                  |                  |
| Financial liabilities                                      | 16   | 361,558          | 359,268          |
| Provisions for employee benefits                           | 17   | 36,293           | 33,726           |
| Other provisions   | 18   | 6,957            | 7,545            |
| Deferred tax liabilities                                   | 7    | 8,844            | 7,774            |
| Other liabilities  | 15   | 7,755            | 4,757            |
| <b>Non-current liabilities</b>                             |      | <b>421,407</b>   | <b>413,070</b>   |
| Trade and other payables                                   | 15   | 180,257          | 149,409          |
| Financial liabilities                                      | 16   | 161,413          | 46,037           |
| Current income tax payables                                |      | 7,557            | 2,823            |
| Other provisions   | 18   | 5,080            | 5,115            |
| <b>Current liabilities</b>                                 |      | <b>354,307</b>   | <b>203,384</b>   |
| <b>Total liabilities</b>                                   |      | <b>775,714</b>   | <b>616,454</b>   |
| <b>Total equity and liabilities</b>                        |      | <b>1,344,650</b> | <b>1,220,812</b> |

# Consolidated Statement of Cash Flows

€ in thousands

|  | 2015/16          | 2014/15          |
|--|------------------|------------------|
| <b>Operating result</b>  | <b>76,969</b>    | <b>90,086</b>    |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 90,519           | 77,485           |
| Gains/losses from the sale of fixed assets   | 632              | 114              |
| Non-cash expense/(income), net   | 576              | 5,900            |
| Interest paid  | (15,507)         | (14,460)         |
| Interest received  | 3,047            | 2,267            |
| Income taxes paid  | (10,308)         | (16,436)         |
| <b>Cash flow from operating activities before changes in working capital</b>                     | <b>145,928</b>   | <b>144,956</b>   |
| Inventories  | (426)            | (16,011)         |
| Trade and other receivables  | (11,099)         | (23,612)         |
| Trade and other payables   | 2,254            | 36,926           |
| Other provisions   | 268              | 1,611            |
| <b>Cash flow from operating activities</b>   | <b>136,925</b>   | <b>143,870</b>   |
| Capital expenditure for property, plant and equipment and intangible assets                      | (254,764)        | (165,318)        |
| Proceeds from the sale of property, plant and equipment and intangible assets                    | 499              | 539              |
| Acquisition of non-controlling interests   | (272)            | –                |
| Capital expenditure for financial assets   | (89,480)         | –                |
| Proceeds from the sale of financial assets   | 1,775            | –                |
| <b>Cash flow from investing activities</b>   | <b>(342,242)</b> | <b>(164,779)</b> |
| Proceeds from borrowings   | 252,140          | 34,623           |
| Repayments of borrowings   | (131,740)        | (16,249)         |
| Proceeds from government grants  | 4,659            | 1,339            |
| Dividends paid   | (13,986)         | (7,770)          |
| <b>Cash flow from financing activities</b>   | <b>111,073</b>   | <b>11,943</b>    |
| <b>Change in cash and cash equivalents</b>   | <b>(94,244)</b>  | <b>(8,966)</b>   |
| Cash and cash equivalents at beginning of the year   | 273,919          | 260,133          |
| Exchange gains/(losses) on cash and cash equivalents   | (7,809)          | 22,752           |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>171,866</b>   | <b>273,919</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 2014</b>   | <b>141,846</b> | <b>(1,297)</b>  | <b>250,133</b>    | <b>390,682</b>                                      | <b>(2)</b>                | <b>390,680</b>  |
| Profit for the year  | –              | –               | 69,279            | 69,279  | 70                        | 69,349          |
| Other comprehensive income for the year                                | –              | 152,071         | –                 | 152,071   | 28                        | 152,099         |
| thereof currency translation differences                               | –              | 161,339         | –                 | 161,339   | 34                        | 161,373         |
| thereof remeasurement of post-employment obligations, net of tax       | –              | (6,751)         | –                 | (6,751)   | (6)                       | (6,757)         |
| thereof change in hedging instruments for cash flow hedges, net of tax | –              | (2,517)         | –                 | (2,517)   | –                         | (2,517)         |
| <b>Total comprehensive income for the year 2014/15</b>                 | <b>–</b>       | <b>152,071</b>  | <b>69,279</b>     | <b>221,350</b>                                      | <b>98</b>                 | <b>221,448</b>  |
| Dividends paid relating to 2013/14                                     | –              | –               | (7,770)           | (7,770)   | –                         | (7,770)         |
| <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)        |
| thereof currency translation differences                               | –              | (82,521)        | –                 | (82,521)  | –                         | (82,521)        |
| thereof remeasurement of post-employment obligations, net of tax       | –              | 2,659           | –                 | 2,659   | –                         | 2,659           |
| thereof change in hedging instruments for cash flow hedges, net of tax | –              | 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>  |

# 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. Due to increased turnover, the Company's shares were included in the Austrian ATX index for the first time on 21 March 2016. The criteria for inclusion in the ATX are the average daily trading volumes during the latest twelve months as well as the free float capitalisation at the closing date of February 2016.

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 2016, 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 2015), meaning that they were consolidated on the basis of the interim financial statements as of 31 March 2016.

The consolidated financial statements were approved for issue by the Management Board on 9 May 2016. 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 6 June 2016. 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 Liq. was liquidated and deconsolidated.

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 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** 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.

In the financial year 2011/12 the Management Board – with the Supervisory Board's approval – decided to improve the Group's organisational structure with the aim of adapting its operational processes even more effectively to its customers' needs. Three business units were therefore created: Mobile Devices, Industrial & Automotive, and Others.

Following AT&S's entry into IC substrate manufacturing and allocation of the new business to the Mobile Devices business unit, that unit has been renamed as the Mobile Devices & Substrates business unit. Both mobile applications and substrates have an appropriate organisational structure, the management reporting, however, continues to be performed for the Mobile Devices & Substrates segment as a whole.

At the beginning of the financial year 2015/16, the business unit Industrial & Automotive was renamed Automotive, Industrial, Medical. This change was made to underline the growing significance of business with medical devices in both therapy and diagnosis.

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. The printed circuit boards for these applications are largely produced in our Shanghai (AT&S China) plant. The serial production of IC substrates has started in March 2016 at the plant in Chongqing (AT&S Chongqing).

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 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 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 bal-



ance 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 2016  | 31 Mar 2015 | Change in % | 01 Apr 2015 -<br>31 Mar 2016 | 01 Apr 2014 -<br>31 Mar 2015 | Change in % |
| Chinese yuan renminbi | 7.3514       | 6.6572      | 10.4%       | 6.9623                       | 7.8448                       | (11.2%)     |
| Hong Kong dollar      | 8.8231       | 8.3285      | 5.9%        | 8.5393                       | 9.8166                       | (13.0%)     |
| Indian rupee          | 75.3466      | 67.2055     | 12.1%       | 72.0208                      | 77.3582                      | (6.9%)      |
| Japanese yen          | 127.8200     | 128.7780    | (0.7%)      | 132.1891                     | 138.6920                     | (4.7%)      |
| South Korean won      | 1,297.7560   | 1,191.6030  | 8.9%        | 1,269.9367                   | 1,341.2992                   | (5.3%)      |
| Taiwan dollar         | 36.5967      | 33.6151     | 8.9%        | 35.3607                      | 38.7183                      | (8.7%)      |
| US dollar             | 1.1378       | 1.0740      | 5.9%        | 1.1011                       | 1.2660                       | (13.0%)     |

**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 are 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 its 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 process. 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 is 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 relationship 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 increase 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.

- Annual improvements to IFRS 2010–2012 cycle.
- Annual improvements to IFRS 2011–2013 cycle.
- IAS 19: Employee benefits (clarification of instructions for contributions of employees to a defined benefit plan).
- IFRIC 21: Levies (regulation of timing approach of provision for levies).

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 2015/16.

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<br>(Content of the regulation)  | Effective<br>date <sup>1)</sup> | EU <sup>2)</sup> | Expected impacts on the<br>consolidated financial statements  |
|--------------------------------|---|---------------------------------|------------------|---|
| IFRS 11                        | Accounting for Acquisition of Interests in Joint Operations   | 01 Jan 2016                     | Yes              | None  |
| IAS 16,<br>IAS 41              | Property, Plant and Equipment/Agriculture: Bearer Plants  | 01 Jan 2016                     | Yes              | None  |
| IAS 1                          | Disclosure initiative (Amendments to IAS 1)   | 01 Jan 2016                     | Yes              | None  |
| IAS 16,<br>IAS 38              | Property, Plant and Equipment/Intangible Assets<br>Clarification of Acceptable Methods of Depreciation and Amortisation                                   | 01 Jan 2016                     | Yes              | None  |
|                                | Annual Improvements to IFRSs 2012-2014  | 01 Jan 2016                     | Yes              | None  |
| IFRS 9                         | Financial instruments<br>(New rules on the classification and measurement of financial instruments, the provisions on hedge accounting and on impairment) | 01 Jan 2018                     | No               | 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                     | No               | None  |
| IFRS 14                        | Regulatory Deferral Accounts  | 01 Jan 2016                     | No               | None  |
| IAS 27                         | Consolidated and Separate Financial Statements: Equity Method in separate financial statements  | 01 Jan 2016                     | No               | None  |
| IFRS 10,<br>IFRS 12,<br>IAS 28 | Investment companies:<br>Application consolidate exception  | 01 Jan 2016                     | No               | None  |
| IAS 28<br>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. These development costs were capitalised because the criteria for capitalisation presented in the accounting methods were fully met as at 1 March 2014. This technology was available for use from March 2016 onwards and the depreciation of it has begun.

For the purposes of assessing impairment of capitalised development costs, Management made assumptions in the financial year 2014/15 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.

An increase in significant assumptions would have the following impact on the impairment test as at 31 March 2015:

|                               | Pre-tax discount<br>interest rate<br>+5.00% | Growth rate<br>+5.00%  |
|-------------------------------|---|------------------------|
| Capitalised development costs | no impairment required                      | no impairment required |

A reduction in the same assumptions would have the following impact on the impairment test as at 31 March 2015:

|                               | Pre-tax discount<br>interest rate<br>-5.00% | Growth rate<br>-5.00%  |
|-------------------------------|---|------------------------|
| Capitalised development costs | no impairment required                      | no impairment required |

**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 2016:

| € in thousands     | Interest rate<br>+0.50% | Increase in remuneration<br>+0.25% | Increase in pensions<br>+0.25% |
|--------------------|-------------------------|------------------------------------|--------------------------------|
| Pension obligation | (1,230)                 | 111                                | 563                            |
| Severance payments | (1,104)                 | 561                                | –                              |

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 2016:

| € in thousands     | Interest rate<br>-0.50% | Increase in remuneration<br>-0.25% | Increase in pensions<br>-0.25% |
|--------------------|-------------------------|------------------------------------|--------------------------------|
| Pension obligation | 1,389                   | (108)                              | (537)                          |
| Severance payments | 1,203                   | (541)                              | –                              |

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 € 34.6 million were not recognised for income tax loss carryforwards in the Group of € 138.3 million. The major part of these non-capitalised tax loss carryforwards may be carried forward for an unlimited period of time. If they 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").

Following AT&S's entry into the new business with IC substrates and the allocation of the new business to the Mobile Devices business unit, that unit has been renamed the Mobile Devices & Substrates business unit. Both mobile applications and substrates now have appropriate organisational structures, whereas management reporting continues to be performed for the Mobile Devices & Substrates segment as a whole.

At the beginning of financial year 2015/16, the business unit Industrial & Automotive was renamed Automotive, Industrial, Medical. This change was made to underline the growing significance of business with medical devices in both therapy and diagnosis.

The primary 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          |                |
|--|-----------------------------|----------------|---------------------------------|---------------|---------------|--------------|---------------------------|-----------|----------------|----------------|
|  | 2015/16                     | 2014/15        | 2015/16                         | 2014/15       | 2015/16       | 2014/15      | 2015/16                   | 2014/15   | 2015/16        | 2014/15        |
| Segment revenue  | 539,665                     | 455,192        | 326,679                         | 301,790       | 22,135        | 10,913       | (125,600)                 | (100,885) | 762,879        | 667,010        |
| Internal revenue   | (87,206)                    | (73,115)       | (20,143)                        | (18,898)      | (18,251)      | (8,872)      | 125,600                   | 100,885   | –              | –              |
| External revenue   | 452,459                     | 382,077        | 306,536                         | 282,892       | 3,884         | 2,041        | –                         | –         | 762,879        | 667,010        |
| <b>Operating result before depreciation/amortisation</b>         | <b>126,439</b>              | <b>127,501</b> | <b>30,087</b>                   | <b>34,780</b> | <b>10,876</b> | <b>5,211</b> | <b>86</b>                 | <b>79</b> | <b>167,488</b> | <b>167,571</b> |
| Depreciation/amortisation  | (78,182)                    | (67,368)       | (10,856)                        | (8,874)       | (1,481)       | (1,243)      | –                         | –         | (90,519)       | (77,485)       |
| <b>Operating result</b>  | <b>48,257</b>               | <b>60,133</b>  | <b>19,231</b>                   | <b>25,906</b> | <b>9,395</b>  | <b>3,968</b> | <b>86</b>                 | <b>79</b> | <b>76,969</b>  | <b>90,086</b>  |
| Finance costs - net  |                             |                |                                 |               |               |              |                           |           | (8,135)        | (5,103)        |
| <b>Profit before tax</b>   |                             |                |                                 |               |               |              |                           |           | <b>68,834</b>  | <b>84,983</b>  |
| Income taxes   |                             |                |                                 |               |               |              |                           |           | (12,883)       | (15,634)       |
| <b>Profit for the year</b>                                       |                             |                |                                 |               |               |              |                           |           | <b>55,951</b>  | <b>69,349</b>  |
| Property, plant and equipment and intangible assets              | 696,578                     | 567,909        | 92,695                          | 70,036        | 3,624         | 10,930       | –                         | –         | 792,897        | 648,875        |
| Additions to property, plant and equipment and intangible assets | 271,752                     | 126,825        | 29,362                          | 25,515        | 1,869         | 2,135        | –                         | –         | 302,983        | 154,475        |

### INFORMATION BY GEOGRAPHIC REGION

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

| € in thousands           | 2015/16        | 2014/15        |
|--------------------------|----------------|----------------|
| Austria                  | 17,525         | 19,308         |
| Germany                  | 163,374        | 142,269        |
| Other European countries | 46,073         | 41,562         |
| China                    | 32,387         | 27,429         |
| Other Asian countries    | 75,603         | 80,687         |
| Americas                 | 427,917        | 355,755        |
| <b>Revenue</b>           | <b>762,879</b> | <b>667,010</b> |

56% of total revenue (52% in the financial year 2014/15) 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 2016    | 31 Mar 2015    |
|----------------|----------------|----------------|
| Austria        | 66,054         | 49,019         |
| China          | 696,534        | 567,867        |
| Others         | 30,309         | 31,989         |
| <b>Total</b>   | <b>792,897</b> | <b>648,875</b> |

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

### 1. REVENUE

| € in thousands     | 2015/16        | 2014/15        |
|--------------------|----------------|----------------|
| Main revenue       | 762,646        | 666,705        |
| Incidental revenue | 233            | 305            |
| <b>Revenue</b>     | <b>762,879</b> | <b>667,010</b> |

### 2. TYPES OF EXPENSES

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

| € in thousands                            | 2015/16        | 2014/15        |
|---|----------------|----------------|
| Cost of materials                         | 267,806        | 227,503        |
| Staff costs                               | 160,898        | 133,572        |
| Depreciation/amortisation                 | 79,679         | 67,755         |
| Purchased services incl. leased personnel | 46,405         | 46,744         |
| Energy                                    | 41,415         | 37,786         |
| Maintenance (incl. spare parts)           | 47,022         | 40,732         |
| Transportation costs                      | 14,845         | 13,086         |
| Rental and leasing expenses               | 5,634          | 4,878          |
| Change in inventories                     | (3,023)        | (12,231)       |
| Other                                     | 14,566         | 11,403         |
| <b>Total</b>                              | <b>675,247</b> | <b>571,228</b> |

In the financial years 2015/16 and 2014/15, 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 2015/16, the Group incurred research and development costs in the amount of € 34,428 thousand (in the financial year 2014/15: € 28,150 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 € 61,052 thousand (in the financial year 2014/15: € 29,789 thousand) were capitalised. Reference is made to Note 9 "Intangible assets".

### 4. OTHER OPERATING RESULT

| € in thousands   | 2015/16         | 2014/15        |
|--|-----------------|----------------|
| Income from the reversal of government grants              | 191             | 309            |
| Government grants for expenses                             | 3,193           | 3,402          |
| Income/(expenses) from exchange differences                | 52              | 987            |
| Gains/(losses) from the disposal of non-current assets     | (632)           | (114)          |
| Impairments of property, plant and equipment <sup>1)</sup> | (3,113)         | (5,966)        |
| Start-up losses  | (10,774)        | (8,703)        |
| Miscellaneous other income                                 | 420             | 4,389          |
| <b>Other operating result</b>                              | <b>(10,663)</b> | <b>(5,696)</b> |

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

In the financial years 2015/16 and 2014/15, government grants for expenses mainly relate to export refunds as well as research and development awards. Similar to prior financial year 2014/15, start-up losses resulted in the financial year 2015/16 from the construction of the new plant in Chongqing, China and from costs relating to the construction of a new line in Hinterberg-Leoben, Austria. In the financial 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. In the financial year 2014/15, the item "Miscellaneous other income" mainly relates to the reduction in the provision for building space no longer used – reference is made to Note 18 "Other Provisions" – as well as to one-off income from a compensation payment made by a supplier.

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

## 6. FINANCE COSTS - NET

| € in thousands   | 2015/16         | 2014/15         |
|--|-----------------|-----------------|
| Interest income from held to maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets | 1,610           | 35              |
| Other interest income  | 1,437           | 2,232           |
| Gains from the sale of cash equivalents  | –               | 91              |
| Realised gains from derivative financial instruments, net  | 604             | –               |
| Foreign exchange gains, net  | 3,882           | 6,709           |
| <b>Finance income</b>  | <b>7,533</b>    | <b>9,067</b>    |
| Interest expense on bank borrowings and bonds  | (8,860)         | (11,308)        |
| Net interest expense on personnel-related liabilities  | (363)           | (1,327)         |
| Realised losses from derivative financial instruments, net   | –               | (690)           |
| Losses from the measurement of derivative financial instruments at fair value, net   | (3,871)         | –               |
| Other financial expenses   | (2,574)         | (845)           |
| <b>Finance costs</b>   | <b>(15,668)</b> | <b>(14,170)</b> |
| <b>Finance costs - net</b>   | <b>(8,135)</b>  | <b>(5,103)</b>  |

In accordance with IAS 23, the item “Interest expense on bank borrowings and bonds” includes capitalised borrowing costs in the amount of € 6,620 thousand (financial year 2014/15: € 2,791 thousand), net.

## 7. INCOME TAXES

Income taxes are broken down as follows:

| € in thousands           | 2015/16       | 2014/15       |
|--------------------------|---------------|---------------|
| Current income taxes     | 15,821        | 14,564        |
| Deferred taxes           | (2,938)       | 1,070         |
| <b>Total tax expense</b> | <b>12,883</b> | <b>15,634</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   | 2015/16       | 2014/15       |
|--|---------------|---------------|
| Expected tax expense at Austrian tax rate  | 17,209        | 21,245        |
| Effect of different tax rates in foreign countries                               | (5,057)       | (5,354)       |
| Non-creditable foreign withholding taxes   | 1,825         | 1,142         |
| Effect of change in previously unrecognised tax losses and temporary differences | (807)         | (938)         |
| Effect of the change in tax rate   | (622)         | 979           |
| Effect of permanent differences  | 195           | (1,479)       |
| Effect of taxes from prior periods   | 140           | 39            |
| <b>Total tax expense</b>   | <b>12,883</b> | <b>15,634</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 2016    |                 | 31 Mar 2015    |                 |
|---|----------------|-----------------|----------------|-----------------|
|   | Assets         | Liabilities     | Assets         | Liabilities     |
| Non-current assets  | 26,639         | (4,740)         | 23,435         | (2,806)         |
| Provisions for employee benefits  | 4,607          | –               | 4,977          | –               |
| Temporary differences arising from shares in subsidiaries                                     | –              | –               | 46             | –               |
| Losses not yet realised from hedging instruments for cash flow hedges, recognised in equity   | –              | –               | 944            | –               |
| Income tax loss carryforwards including taxable goodwill                                      | 1,620          | –               | 415            | –               |
| <b>Deferred income tax from long-term assets/liabilities</b>                                  | <b>32,866</b>  | <b>(4,740)</b>  | <b>29,817</b>  | <b>(2,806)</b>  |
| Non-current assets  | 3,505          | –               | 2,897          | –               |
| Trade and other receivables   | 8              | –               | 16             | –               |
| Trade and other payables  | 1,871          | –               | 2,994          | –               |
| Others  | 466            | –               | 1,682          | –               |
| Temporary differences arising from shares in subsidiaries                                     | –              | (8,844)         | –              | (7,675)         |
| Others  | –              | (151)           | –              | (398)           |
| <b>Deferred income tax from short-term assets/liabilities</b>                                 | <b>5,850</b>   | <b>(8,995)</b>  | <b>7,589</b>   | <b>(8,073)</b>  |
| <b>Deferred income tax assets/liabilities</b>   | <b>38,716</b>  | <b>(13,735)</b> | <b>37,406</b>  | <b>(10,879)</b> |
| <b>Deferred income tax assets/liabilities, offsetting against the same taxation authority</b> | <b>(4,890)</b> | <b>4,891</b>    | <b>(3,105)</b> | <b>3,105</b>    |
| <b>Deferred income tax assets/liabilities, net</b>  | <b>33,826</b>  | <b>(8,844)</b>  | <b>34,301</b>  | <b>(7,774)</b>  |

At 31 March 2016, the Group has income tax loss carryforwards and tax-deductible amortisation of goodwill amounting to a total of € 147,797 thousand (at 31 March 2015: € 171,820 thousand), which for the most part can be carried forward for an unlimited period of time. For loss carryforwards amounting to € 138,279 thousand (at 31 March 2015: € 164,163 thousand), included in this figure, deferred income tax assets in the amount of € 34,570 thousand (at 31 March 2015: € 42,083 thousand) were not recognised since it is unlikely that they will be realised in the foreseeable future.

Deferred income taxes (net) changed as follows:

| € in thousands  | 2015/16       | 2014/15       |
|---|---------------|---------------|
| Carrying amount at the beginning of the financial year  | 26,527        | 18,800        |
| Currency translation differences                        | (3,736)       | 7,958         |
| Income recognised in profit or loss                     | 2,938         | (1,070)       |
| Income taxes recognised in equity                       | (747)         | 839           |
| <b>Carrying amount at the end of the financial year</b> | <b>24,982</b> | <b>26,527</b> |

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

| € in thousands  | 2015/16                              |                             |                                     | 2014/15                              |                             |                                     |
|---|--------------------------------------|-----------------------------|-------------------------------------|--------------------------------------|-----------------------------|-------------------------------------|
|   | Income/<br>(expense)<br>before taxes | Tax<br>income/<br>(expense) | Income/<br>(expense)<br>after taxes | Income/<br>(expense)<br>before taxes | Tax<br>income/<br>(expense) | Income/<br>(expense)<br>after taxes |
| Currency translation differences  | (82,521)                             | –                           | (82,521)                            | 161,373                              | –                           | 161,373                             |
| Gains/(losses) on the measurement of hedging instruments for cash flow hedges | 3,775                                | (944)                       | 2,831                               | (3,356)                              | 839                         | (2,517)                             |
| Remeasurements of post-employment obligations                                 | 2,462                                | 197                         | 2,659                               | (6,757)                              | –                           | (6,757)                             |
| <b>Other comprehensive income</b>   | <b>(76,284)</b>                      | <b>(747)</b>                | <b>(77,031)</b>                     | <b>151,260</b>                       | <b>839</b>                  | <b>152,099</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 2014        | 46,996                     | 267,635                           | 4,865   | 115,607                                  | 435,103        |
| Exchange differences               | 18,381                     | 77,073                            | 994   | 26,411                                   | 122,859        |
| Additions                          | 7,890                      | 68,478                            | 2,925   | 43,650                                   | 122,943        |
| Disposals                          | (3)                        | (658)                             | –   | –  | (661)          |
| Transfers                          | 27,163                     | 53,572                            | 11  | (80,746)                                 | –              |
| Impairment                         | –                          | (5,966)                           | –   | –  | (5,966)        |
| Depreciation, current              | (4,656)                    | (63,998)                          | (1,960)   | –  | (70,614)       |
| <b>Carrying amount 31 Mar 2015</b> | <b>95,771</b>              | <b>396,136</b>                    | <b>6,835</b>                                    | <b>104,922</b>                           | <b>603,664</b> |
| <i>Thereof</i>                     |                            |                                   |   |  |                |
| Acquisition cost                   | 135,314                    | 1,088,131                         | 27,223  | 104,922                                  | 1,355,590      |
| Accumulated depreciation           | (39,543)                   | (691,995)                         | (20,388)  | –  | (751,926)      |
| 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)      |

The value of the land included in “Land, plants and buildings” amounts to € 1,701 thousand (at 31 March 2015: € 1,858 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 2015/16, borrowing costs on qualifying assets of € 5,365 thousand were capitalised (in the financial year 2014/15: € 2,557 thousand). A financing rate of 4.1% was applied (in the financial year 2014/15: 3.6%).

**IMPAIRMENT** Impairment of machinery and technical equipment amounted to € 3,113 thousand (in the financial year 2014/15: € 5,966 thousand) in the financial year 2015/16. In both years this impairment resulted from machines that are no longer usable 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 2014        | 1,313   | 140                           | –        | 7,692        | –                       | 9,145          |
| Exchange differences               | 85  | 5,354                         | –        | –            | –                       | 5,439          |
| Additions                          | 1,535   | 29,789                        | –        | –            | 208                     | 31,532         |
| Amortisation, current              | (697)   | –                             | –        | –            | (208)                   | (905)          |
| <b>Carrying amount 31 Mar 2015</b> | <b>2,236</b>  | <b>35,283</b>                 | <b>–</b> | <b>7,692</b> | <b>–</b>                | <b>45,211</b>  |
| <i>Thereof</i>                     |   |                               |          |              |                         |                |
| Acquisition cost                   | 16,572  | 35,283                        | 7,767    | 7,692        | –                       | 67,314         |
| Accumulated amortisation           | (14,336)  | –                             | (7,767)  | –            | –                       | (22,103)       |
| 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)       |

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

The Group's largest development project is the development of a new technology for the production of substrates for silicon semiconductor chips taking place for the project Chongqing. As the evidence required for the capitalisation of development costs was provided for this project, the corresponding costs were recognised in the consolidated financial statements. The serial production of substrates and the scheduled amortisation of development costs started in March 2016.

In the financial year 2015/16, borrowing costs of € 1,255 thousand were capitalised with regards to capitalised development costs (in the financial year 2014/15: € 234 thousand). A financing rate of 4.1% was applied (in the financial year 2014/15: 3.6%).

**IMPAIRMENTS** In the financial years 2015/16 and 2014/15, there were no impairments to be recognised on intangible assets. The impairment test for the development project in Chongqing, China that had not yet been completed in the financial year 2014/15 was 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 in the prior year:

- Long-term growth rate: 5%
- (Input tax) discount rate: 11.1%

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 ten 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 2016   | 31 Mar 2015   |
|-------------------------------|---------------|---------------|
| Prepayments                   | 6,081         | 6,878         |
| Deposits made                 | 5,477         | 5,013         |
| Other non-current receivables | 27,961        | 17,594        |
| <b>Carrying amount</b>        | <b>39,519</b> | <b>29,485</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 Chongqing, which will be recovered gradually through VAT liabilities during the operating phase.

## 11. INVENTORIES

| € in thousands             | 31 Mar 2016   | 31 Mar 2015   |
|----------------------------|---------------|---------------|
| Raw materials and supplies | 28,918        | 32,558        |
| Work in progress           | 23,871        | 22,533        |
| Finished goods             | 30,649        | 34,131        |
| <b>Carrying amount</b>     | <b>83,438</b> | <b>89,222</b> |

The balance of inventory write-downs recognised as an expense amounts to € 17,454 thousand as of 31 March 2016 (€ 13,953 thousand at 31 March 2015). As in the previous year, no material write-downs resulted from the measurement of inventories at net realisable value in the financial year 2015/16.

## 12. TRADE AND OTHER RECEIVABLES The carrying amounts of trade and other receivables are as follows:

| € in thousands                     | 31 Mar 2016    | 31 Mar 2015    |
|------------------------------------|----------------|----------------|
| Trade receivables                  | 110,275        | 113,886        |
| Impairments for trade receivables  | (322)          | (394)          |
| VAT receivables                    | 14,242         | 15,140         |
| Other receivables from authorities | 3,564          | 6,253          |
| Prepayments                        | 3,750          | 4,722          |
| Energy tax refunds                 | 1,170          | 1,937          |
| Deposits                           | 1,589          | 977            |
| Other receivables                  | 419            | 609            |
| <b>Total</b>                       | <b>134,687</b> | <b>143,130</b> |

As at 31 March 2016 and 31 March 2015, other receivables mainly include receivables resulting from prepaid expenses and accrued charges.

Trade receivables amounting to € 32,000 thousand (at 31 March 2015: € 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 2016 and 31 March 2015 have remaining maturities of less than one year.

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

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

| 31 Mar 2015              |                 | thereof not impaired and | thereof not impaired and not insured and past due for the following periods |                        |                         |                     |
|--------------------------|-----------------|--------------------------|---|------------------------|-------------------------|---------------------|
| € in thousands           | Carrying amount | not past due or insured  | less than 3 months  | between 3 and 6 months | between 6 and 12 months | more than 12 months |
| <b>Trade receivables</b> | <b>113,886</b>  | <b>112,508</b>           | <b>957</b>  | <b>27</b>              | <b>–</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                            | 2015/16    | 2014/15    |
|---|------------|------------|
| Impairments at the beginning of the year  | 394        | 82         |
| Utilisation                               | (7)        | –          |
| Reversal                                  | (275)      | –          |
| Addition                                  | 232        | 253        |
| Currency translation differences          | (22)       | 59         |
| <b>Impairments at the end of the year</b> | <b>322</b> | <b>394</b> |

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

| € 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>   |

| € in thousands  | 31 Mar 2015 | thereof non-current | thereof current |
|---|-------------|---------------------|-----------------|
| Financial assets at fair value through profit or loss | 780         | –                   | 780             |
| Available-for-sale financial assets                   | 96          | 96                  | –               |
| <b>Total</b>  | <b>876</b>  | <b>96</b>           | <b>780</b>      |

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| € in thousands | 31 Mar 2016 | 31 Mar 2015 |
|----------------|-------------|-------------|
| <b>Bonds</b>   | <b>631</b>  | <b>780</b>  |

All bonds are denominated in euro (nominal currency).

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

| € in thousands   | 2015/16   | 2014/15   |
|--|-----------|-----------|
| Carrying amount at the beginning of the year                         | 96        | 96        |
| Disposals  | –         | –         |
| Realised gains/(losses) from the current period, removed from equity | –         | –         |
| Exchange differences   | –         | –         |
| <b>Carrying amount at the end of the year</b>                        | <b>96</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 time deposits, wealth management products with interest and capital guarantees, 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 2016    | 31 Mar 2015    |
|--------------------------------|----------------|----------------|
| Bank balances and cash on hand | 171,866        | 273,919        |
| <b>Carrying amount</b>         | <b>171,866</b> | <b>273,919</b> |

The reported carrying amounts correspond to the respective fair values.

## 15. TRADE AND OTHER PAYABLES

| € 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 vacations                         | 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>      |

| € in thousands  | 31 Mar 2015    | Remaining maturity |                       |                   |
|---|----------------|--------------------|-----------------------|-------------------|
|   |                | Less than 1 year   | Between 1 and 5 years | More than 5 years |
| Trade payables  | 97,785         | 97,785             | –                     | –                 |
| Government grants   | 4,265          | 311                | 3,868                 | 86                |
| Liabilities to fiscal authorities and other state authorities | 5,853          | 5,853              | –                     | –                 |
| Liabilities to social security authorities                    | 2,523          | 2,523              | –                     | –                 |
| Liabilities from unconsumed vacations                         | 5,303          | 5,303              | –                     | –                 |
| Liabilities from stock options                                | 418            | 54                 | 364                   | –                 |
| Liabilities from stock appreciation rights                    | 397            | –                  | 397                   | –                 |
| Liabilities to employees                                      | 29,133         | 29,133             | –                     | –                 |
| Other liabilities   | 8,489          | 8,447              | 42                    | –                 |
| <b>Carrying amount</b>  | <b>154,166</b> | <b>149,409</b>     | <b>4,671</b>          | <b>86</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 2015/16 and 2014/15.

|  | Date of grant |                        |              |
|--|---------------|------------------------|--------------|
|  | 1 April 2012  | 1 April 2011           | 1 April 2010 |
| Exercise price (in €)  | 9.86          | 16.60                  | 7.45         |
| 31 Mar 2014  | 88,500        | 88,500                 | 88,500       |
| Number of options exercised  | –             | –                      | 84,000       |
| Number of options expired  | 1,500         | 1,500                  | 1,500        |
| <b>31 Mar 2015</b>   | <b>87,000</b> | <b>87,000</b>          | <b>3,000</b> |
| 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>     |
| Remaining contract period of stock options                                     | 1 year        | 3 months <sup>1)</sup> | –            |
| Fair value of granted stock options at the balance sheet date (in € thousands) |               |                        |              |
| <b>31 Mar 2015</b>   | <b>417</b>    | <b>32</b>              | <b>21</b>    |
| <b>31 Mar 2016</b>   | <b>194</b>    | <b>–</b>               | <b>–</b>     |

<sup>1)</sup> Restricted period ending in the middle of June after three days of exercise period.

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 2015/16 is € 15.36 (in the financial year 2014/15: € 9.93).

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 | -0.47% |
| Volatility              | 37.24% |

Volatility is calculated based on the daily share prices from 4 May 2015 until the balance sheet date.

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

At 31 March 2016, the stock options’ exercisable intrinsic value is € 58 thousand (at 31 March 2015: € 104 thousand).

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. As at 31 March 2015, 3,000 stock options are exercisable from the grant of 1 April 2010, 43,500 stock options are exercisable from the grant of 1 April 2011 and 17,400 stock options are exercisable from the grant of 1 April 2012.

**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 2015   | 1 April 2014   |
| Exercise price (in €)   | 10.70          | 7.68           |
| Number of stock appreciation rights granted   | –              | 230,000        |
| <b>31 Mar 2015</b>  | <b>–</b>       | <b>230,000</b> |
| Number of stock appreciation rights granted   | 240,000        | –              |
| Number of stock appreciation rights expired   | 5,000          | 5,000          |
| <b>31 Mar 2016</b>  | <b>235,000</b> | <b>225,000</b> |
| Remaining contract period of stock appreciation rights granted                                | 4 years        | 3 years        |
| Fair value of granted stock appreciation rights as at the balance sheet date (in € thousands) |                |                |
| <b>31 Mar 2015</b>  | <b>–</b>       | <b>1,192</b>   |
| <b>31 Mar 2016</b>  | <b>418</b>     | <b>832</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 | -0.37 to -0.47% |
| Volatility              | 33.40 to 34.69% |

Volatility is calculated based on the daily share prices from 1 March 2013 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 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>     |                            |

| € in thousands                                 | 31 Mar 2015    | Remaining maturity |                       |                   | Nominal Interest rate in % |
|--|----------------|--------------------|-----------------------|-------------------|----------------------------|
|  |                | Less than 1 year   | Between 1 and 5 years | More than 5 years |                            |
| Bonds  | 101,505        | 1,822              | 99,683                | –                 | 5.00                       |
| Export loans                                   | 32,000         | 32,000             | –                     | –                 | 0.49                       |
| Loans from state authorities                   | 508            | –                  | 508                   | –                 | 0.75-2.00                  |
| Other bank borrowings                          | 267,515        | 12,215             | 219,116               | 36,184            | 1.15-5.76                  |
| Derivative financial instruments <sup>1)</sup> | 3,777          | –                  | 2,266                 | 1,511             |                            |
| <b>Carrying amount</b>                         | <b>405,305</b> | <b>46,037</b>      | <b>321,573</b>        | <b>37,695</b>     |                            |

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

The bond with a total nominal amount of € 100 million was placed by the Company on 18 November 2011 with a term to maturity of five years and is listed on the Second Regulated Market of the Vienna Stock Exchange. The bond has a denomination of € 1,000 and the annual fixed interest of 5.00% of the nominal value is payable on 18 November of each year in arrears. The bonds proceed is used for the general corporate purposes.

The bond is subject to the following terms and conditions: The bondholders do not have an ordinary cancellation right. An extraordinary cancellation right has been agreed if the following events occur at the Company or one of its main subsidiaries:

- Cessation of payments or announcement of insolvency or over-indebtedness,
- Bankruptcy or other insolvency proceedings (with the exception: of court settlement) or liquidation,
- Significant deterioration of the financial position and performance due to the discontinuation of the major part of operations, sale of major parts of the assets or non-arm's length transactions with related parties
- Change of control as stipulated in the Austrian Takeover Act (Übernahmegesetz), if this significantly affects the ability to meet the bond obligations.

€ 18.0 million of the total nominal amount of € 100 million was repurchased on 22 October 2015 and € 6.5 million on 25 February 2016 ahead of schedule.

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. 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. 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.

The contractually agreed (undiscounted) interest and redemption payments of the financial liabilities as at 31 March 2016, 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 |
|-------------------|--------|--------------|------------------------------|-----------------------|----------------------------------|
| 2016/17           |        |              |                              |                       |                                  |
| Redemption        | 75,500 | 32,000       | 213                          | 50,605                | –                                |
| Fixed interest    | 3,775  | –            | 8                            | 5,570                 | –                                |
| Variable interest | –      | 93           | –                            | 3,781                 | –                                |
| 2017/18           |        |              |                              |                       |                                  |
| Redemption        | –      | –            | 227                          | 19,526                | –                                |
| Fixed interest    | –      | –            | 3                            | 5,167                 | –                                |
| Variable interest | –      | –            | –                            | 3,431                 | –                                |
| 2018/19           |        |              |                              |                       |                                  |
| Redemption        | –      | –            | –                            | 76,870                | 2,280                            |
| Fixed interest    | –      | –            | 2                            | 4,765                 | –                                |
| Variable interest | –      | –            | –                            | 3,127                 | –                                |
| 2019/20           |        |              |                              |                       |                                  |
| Redemption        | –      | –            | 113                          | 28,948                | –                                |
| Fixed interest    | –      | –            | 2                            | 2,574                 | –                                |
| Variable interest | –      | –            | –                            | 2,882                 | –                                |
| 2020/21           |        |              |                              |                       |                                  |
| Redemption        | –      | –            | 188                          | 165,976               | 1,591                            |
| Fixed interest    | –      | –            | 1                            | 2,289                 | –                                |
| Variable interest | –      | –            | –                            | 2,225                 | –                                |
| after 2020/21     |        |              |                              |                       |                                  |
| Redemption        | –      | –            | –                            | 76,607                | –                                |
| Fixed interest    | –      | –            | –                            | 2,059                 | –                                |
| Variable interest | –      | –            | –                            | 1,292                 | –                                |

With the exception of the export loan, which will probably be further extended, 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 2015, 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>2015/16</b>       |         |              |                              |                       |                                  |
| Redemption           | –       | 32,000       | –                            | 11,611                | –                                |
| Fixed interest       | 5,000   | –            | 6                            | 4,121                 | –                                |
| Variable interest    | –       | 159          | –                            | 3,910                 | –                                |
| <b>2016/17</b>       |         |              |                              |                       |                                  |
| Redemption           | 100,000 | –            | 213                          | 11,679                | –                                |
| Fixed interest       | 5,000   | –            | 6                            | 3,748                 | –                                |
| Variable interest    | –       | –            | –                            | 4,373                 | –                                |
| <b>2017/18</b>       |         |              |                              |                       |                                  |
| Redemption           | –       | –            | 251                          | 42,764                | –                                |
| Fixed interest       | –       | –            | 1                            | 3,334                 | –                                |
| Variable interest    | –       | –            | –                            | 4,516                 | –                                |
| <b>2018/19</b>       |         |              |                              |                       |                                  |
| Redemption           | –       | –            | 150                          | 148,907               | –                                |
| Fixed interest       | –       | –            | 1                            | 2,920                 | –                                |
| Variable interest    | –       | –            | –                            | 2,744                 | –                                |
| <b>2019/20</b>       |         |              |                              |                       |                                  |
| Redemption           | –       | –            | 44                           | 16,068                | 2,266                            |
| Fixed interest       | –       | –            | –                            | 693                   | –                                |
| Variable interest    | –       | –            | –                            | 853                   | –                                |
| <b>after 2019/20</b> |         |              |                              |                       |                                  |
| Redemption           | –       | –            | –                            | 36,360                | 1,511                            |
| Fixed interest       | –       | –            | –                            | 1,122                 | –                                |
| Variable interest    | –       | –            | –                            | 740                   | –                                |

Some of the bonds, loans from state authorities and other bank borrowings 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 2016      | 31 Mar 2015    | 31 Mar 2016    | 31 Mar 2015    |
| Bonds                            | 76,798           | 101,505        | 77,388         | 105,000        |
| Export loans                     | 32,000           | 32,000         | 32,000         | 32,000         |
| Loans from state authorities     | 741              | 508            | 745            | 520            |
| Other bank borrowings            | 409,561          | 267,515        | 415,876        | 270,801        |
| Derivative financial instruments | 3,871            | 3,777          | 3,871          | 3,777          |
| <b>Total</b>                     | <b>522,971</b>   | <b>405,305</b> | <b>529,880</b> | <b>412,098</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 2016    | 31 Mar 2015    |
|----------------|----------------|----------------|
| Euro           | 400,390        | 351,610        |
| US Dollar      | 122,528        | 53,534         |
| Others         | 53             | 161            |
| <b>Total</b>   | <b>522,971</b> | <b>405,305</b> |

Bank borrowings are secured by trade receivables of € 32,000 thousand (at 31 March 2015: € 32,000 thousand). Reference is made to Note 12 "Trade and other receivables".

The Group's unused credit lines are as follows:

| € in thousands | 31 Mar 2016    | 31 Mar 2015    |
|----------------|----------------|----------------|
| Export credit  | 8,000          | 8,000          |
| Other credit   | 239,416        | 203,068        |
| <b>Total</b>   | <b>247,416</b> | <b>211,068</b> |

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

| € in thousands        | 31 Mar 2016   | 31 Mar 2015   |
|-----------------------|---------------|---------------|
| Less than 1 year      | 3,212         | 2,113         |
| Between 1 and 5 years | 6,388         | 7,133         |
| More than 5 years     | 1,200         | 2,709         |
| <b>Total</b>          | <b>10,800</b> | <b>11,955</b> |

The Group 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 stated amounts also include € 3,461 thousand at 31 March 2016 (at 31 March 2015: € 4,219 thousand) attributable to minimum lease payments from the operating lease for no longer used building spaces in Leoben-Hinterberg, which has already been included in the statement of financial position as other provisions. Reference is made to Note 18 "Other provisions".

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

| € in thousands              | 2015/16 | 2014/15 |
|-----------------------------|---------|---------|
| Leasing and rental expenses | 3,213   | 3,551   |

**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 € 491 thousand in the financial year 2015/16 and to € 472 thousand in the financial year 2014/15.

**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 obligations 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 2015/16 amounted to € 335 thousand and for the financial year 2014/15 to € 288 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 |              |
|--|---------------------|--------------|--------------------|--------------|-------------------------|--------------|
|  | 2015/16             | 2014/15      | 2015/16            | 2014/15      | 2015/16                 | 2014/15      |
| Current service cost                                       | 132                 | 98           | 1,703              | 1,366        | 1,352                   | 261          |
| Interest expense   | 120                 | 136          | 409                | 549          | 126                     | 149          |
| Remeasurement of obligations from other employee benefits  | –                   | –            | –                  | –            | 2,066                   | 1,121        |
| <b>Expenses recognised in profit for the period</b>        | <b>252</b>          | <b>234</b>   | <b>2,112</b>       | <b>1,915</b> | <b>3,544</b>            | <b>1,531</b> |
| Remeasurement of obligations from post-employment benefits | (905)               | 2,551        | (1,556)            | 4,206        | –                       | –            |
| <b>Expenses recognised in other comprehensive income</b>   | <b>(905)</b>        | <b>2,551</b> | <b>(1,556)</b>     | <b>4,206</b> | <b>–</b>                | <b>–</b>     |
| <b>Total</b>   | <b>(653)</b>        | <b>2,785</b> | <b>556</b>         | <b>6,121</b> | <b>3,544</b>            | <b>1,531</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 2016   | 31 Mar 2015   |
|---|---------------|---------------|
| Funded pension benefits                 | 4,929         | 5,546         |
| Unfunded pension benefits               | 1,394         | 1,493         |
| <b>Total pension benefits</b>           | <b>6,323</b>  | <b>7,039</b>  |
| Unfunded severance payments             | 22,091        | 22,284        |
| Funded severance payments               | 252           | 202           |
| <b>Total severance payments</b>         | <b>22,343</b> | <b>22,486</b> |
| Other employee benefits                 | 7,627         | 4,201         |
| <b>Provisions for employee benefits</b> | <b>36,293</b> | <b>33,726</b> |

Pension obligations and severance payments are as follows:

| € in thousands  | Retirement benefits |              | Severance payments |               |
|---|---------------------|--------------|--------------------|---------------|
|   | 31 Mar 2016         | 31 Mar 2015  | 31 Mar 2016        | 31 Mar 2015   |
| Present value of funded obligations                                 | 14,941              | 15,862       | 1,055              | 1,014         |
| Fair value of plan assets   | (10,012)            | (10,316)     | (803)              | (812)         |
| <b>Funded status of funded obligations</b>                          | <b>4,929</b>        | <b>5,546</b> | <b>252</b>         | <b>202</b>    |
| Present value of unfunded obligations                               | 1,394               | 1,493        | 22,091             | 22,284        |
| <b>Provisions recognised in the statement of financial position</b> | <b>6,323</b>        | <b>7,039</b> | <b>22,343</b>      | <b>22,486</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 |              |
|---|----------------------------|---------------|------------------------------|--------------|
|   | 2015/16                    | 2014/15       | 2015/16                      | 2014/15      |
| <b>Present value of pension obligation:</b>             |                            |               |                              |              |
| Present value at the beginning of the year              | 15,862                     | 13,010        | 1,493                        | 1,226        |
| Current service cost                                    | 132                        | 98            | –                            | –            |
| Interest expense  | 270                        | 424           | 25                           | 39           |
| Remeasurement from the change in financial assumptions  | (759)                      | 3,604         | (53)                         | 269          |
| Remeasurement from adjustments based on past experience | (230)                      | (1,132)       | (8)                          | 21           |
| Benefits paid   | (334)                      | (142)         | (63)                         | (62)         |
| <b>Present value at the end of the year</b>             | <b>14,941</b>              | <b>15,862</b> | <b>1,394</b>                 | <b>1,493</b> |
| <b>Fair value of plan assets:</b>                       |                            |               |                              |              |
| Fair value at the beginning of the year                 | 10,316                     | 9,919         |                              |              |
| Investment result                                       | (146)                      | 211           |                              |              |
| Interest income   | 175                        | 327           |                              |              |
| Benefits paid   | (333)                      | (141)         |                              |              |
| <b>Fair value at the end of the year</b>                | <b>10,012</b>              | <b>10,316</b> |                              |              |
| <b>Funded status of funded pension benefits</b>         | <b>4,929</b>               | <b>5,546</b>  |                              |              |

As at 31 March 2016, the average maturity of funded pension benefits is 16 years and of unfunded pension benefits 13 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 2016 | 31 Mar 2015 |
|---------------------------|-------------|-------------|
| Debt securities           | 54%         | 39%         |
| Equity securities         | 33%         | 45%         |
| Real estate               | 4%          | 4%          |
| Cash and cash equivalents | 9%          | 12%         |
| <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<br>severance payments |              | Unfunded<br>severance payments |               |
|--|------------------------------|--------------|--------------------------------|---------------|
|  | 2015/16                      | 2014/15      | 2015/16                        | 2014/15       |
| <b>Present value of severance payment obligation:</b>    |                              |              |                                |               |
| Present value at the beginning of the year               | 1,014                        | 674          | 22,284                         | 16,505        |
| Exchange differences                                     | (116)                        | 181          | (196)                          | 354           |
| Service cost   | 64                           | 50           | 1,639                          | 1,316         |
| Interest cost  | 74                           | 64           | 396                            | 544           |
| Remeasurement from the change in demographic assumptions | –                            | –            | 253                            | (369)         |
| Remeasurement from the change in financial assumptions   | 29                           | 59           | (1,713)                        | 3,820         |
| Remeasurement from adjustments based on past experience  | 15                           | 12           | (130)                          | 680           |
| Benefits paid  | (25)                         | (26)         | (442)                          | (566)         |
| <b>Present value at the end of the year</b>              | <b>1,055</b>                 | <b>1,014</b> | <b>22,091</b>                  | <b>22,284</b> |
| <b>Fair value of plan assets:</b>                        |                              |              |                                |               |
| Fair value at the beginning of the year                  | 812                          | 608          |                                |               |
| Exchange differences                                     | (91)                         | 149          |                                |               |
| Contributions  | 36                           | 26           |                                |               |
| Investment result  | 10                           | (4)          |                                |               |
| Interest income  | 61                           | 59           |                                |               |
| Benefits paid  | (25)                         | (26)         |                                |               |
| <b>Fair value at the end of the year</b>                 | <b>803</b>                   | <b>812</b>   |                                |               |
| <b>Funded status of funded severance payments</b>        | <b>252</b>                   | <b>202</b>   |                                |               |

As at 31 March 2016, the average maturity of unfunded severance payments is 12 years.

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

| € in thousands   | 2015/16      | 2014/15      |
|--|--------------|--------------|
| Present value at the beginning of the year               | 4,201        | 3,867        |
| Exchange differences                                     | (290)        | 305          |
| Service cost   | 1,352        | 261          |
| Interest expense   | 126          | 149          |
| Remeasurement from the change in demographic assumptions | 363          | (286)        |
| Remeasurement from the change in financial assumptions   | (292)        | 493          |
| Remeasurement from adjustments based on past experience  | 1,995        | 914          |
| Reclassification   | 1,968        | –            |
| Benefits paid  | (1,795)      | (1,502)      |
| <b>Present value at the end of the year</b>              | <b>7,628</b> | <b>4,201</b> |

At 31 March 2016, the average maturity of other employee benefits is 11 years. The reclassification relates to an amount of € 1,968 thousand is 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<br>(anniversary bonuses) |             |
|--|---------------------|-------------|--------------------|---------------|--|-------------|
|  | 31 Mar 2016         | 31 Mar 2015 | 31 Mar 2016        | 31 Mar 2015   | 31 Mar 2016                                      | 31 Mar 2015 |
| Discount rate                          | 2.00 %              | 1.70 %      | 2.12 %             | 2.10 %        | 2.28 %   | 2.15 %      |
| Expected rate of remuneration increase | 2.25 %              | 2.25 %      | 2.85 %             | 3.40 %        | 5.08 %   | 5.00 %      |
| Expected rate of pension increase      | 2.00 %              | 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 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                     | Total         | Warranty     | Restructuring | Others       |
|------------------------------------|---------------|--------------|---------------|--------------|
| Carrying amount 31 Mar 2014        | 12,809        | 893          | 10,816        | 1,100        |
| Utilisation                        | (1,970)       | (240)        | (1,030)       | (700)        |
| Reversal                           | (2,578)       | (530)        | (1,612)       | (436)        |
| Addition                           | 3,978         | 2,005        | —             | 1,973        |
| Interest effect                    | (21)          | —            | (21)          | —            |
| Exchange differences               | 442           | 387          | —             | 55           |
| <b>Carrying amount 31 Mar 2015</b> | <b>12,660</b> | <b>2,515</b> | <b>8,153</b>  | <b>1,992</b> |

| € in thousands         | 31 Mar 2016   | 31 Mar 2015   |
|------------------------|---------------|---------------|
| thereof non-current    | 6,957         | 7,545         |
| thereof current        | 5,080         | 5,115         |
| <b>Carrying amount</b> | <b>12,037</b> | <b>12,660</b> |

**WARRANTY PROVISION** This item relates to the costs of already 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 relates 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 2014/15, the value was adjusted due to the reduction in unused building space. The provision was largely recognised as the present value of the expenses expected to be incurred until the end of the non-cancellable property lease obligation in December 2021. Additionally, a provision for the closure of the plant in Klagenfurt recognised in the financial year 2013/14 was utilised in the financial year 2014/15.

**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 2016 |              | 31 Mar 2015 |              |
|-----------------------------------|-------------|--------------|-------------|--------------|
|                                   | Assets      | Liabilities  | Assets      | Liabilities  |
| Interest rate swaps at fair value | –           | 3,871        | –           | 3,777        |
| <b>Total market values</b>        | <b>–</b>    | <b>3,871</b> | <b>–</b>    | <b>3,777</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 2016                               |                                | 31 Mar 2015                               |                                |
|----------|---|--------------------------------|---|--------------------------------|
|          | Nominal amount<br>in 1,000 local currency | Market value<br>€ in thousands | Nominal amount<br>in 1,000 local currency | Market value<br>€ in thousands |
| Euro     | 92,000                                    | (3,871)                        | 92,000                                    | (3,777)                        |

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

| in months           | 31 Mar 2016 | 31 Mar 2015 |
|---------------------|-------------|-------------|
| Interest rate swaps | 35 - 59     | 47 - 71     |

At 31 March 2016, 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 by 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 variable 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 therefor 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 2016   | 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     | 96              | 96         |
| Current assets  |  |       |                 |            |
| Trade receivables less impairments                      | LAR  |       | 109,953         |            |
| Other receivables                                       | LAR  |       | 419             |            |
| Other receivables                                       | –  |       | 24,315          |            |
| <b>Trade and other receivables</b>                      |  |       | 134,687         |            |
| Financial assets  | FAAFVPL  | 1     | 631             | 631        |
| Financial assets  | HTMI   |       | 87,186          |            |
| <b>Financial assets</b>                                 |  |       | 87,817          |            |
| Cash and cash equivalents                               | LAR  |       | 171,866         |            |
| <b>Cash and cash equivalents</b>                        |  |       | 171,866         |            |
| <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>    |  |       | 522,971         | 529,880    |
| Trade payables  | FLAAC  |       | 130,668         |            |
| Other payables  | FLAAC  |       | 25,842          |            |
| Other payables  | –  |       | 31,502          |            |
| <b>Trade and other non-current and current payables</b> |  |       | 188,012         |            |
| <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 as hedging instruments                      | DHI <sup>6)</sup>  |       | 3,871           |            |

31 Mar 2015

| € 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  |       | 113,492         |                |
| Other receivables                                       | LAR  |       | 609             |                |
| Other receivables                                       | –  |       | 29,029          |                |
| <b>Trade and other receivables</b>                      |  |       | <b>143,130</b>  |                |
| Financial assets  | FAAFVPL  | 1     | 780             | 780            |
| <b>Financial assets</b>                                 |  |       | <b>780</b>      | <b>780</b>     |
| Cash and cash equivalents                               | LAR  |       | 273,919         |                |
| <b>Cash and cash equivalents</b>                        |  |       | <b>273,919</b>  |                |
| <b>Liabilities</b>                                      |  |       |                 |                |
| Bonds   | FLAAC  | 1     | 101,505         | 105,000        |
| Other financial liabilities                             | FLAAC  | 2     | 300,023         | 303,321        |
| Derivative financial instruments                        | DHI  | 2     | 3,777           | 3,777          |
| <b>Non-current and current financial liabilities</b>    |  |       | <b>405,305</b>  | <b>412,098</b> |
| Trade payables  | FLAAC  |       | 97,785          |                |
| Other payables  | FLAAC  |       | 29,133          |                |
| Other payables  | –  |       | 27,248          |                |
| <b>Trade and other non-current and current payables</b> |  |       | <b>154,166</b>  |                |
| <b>Aggregated by measurement categories</b>             |  |       |                 |                |
| <b>Assets</b>   |  |       |                 |                |
| Loans and receivables                                   | LAR <sup>1)</sup>  |       | 388,020         |                |
| Available-for-sale financial assets                     | AFSFA <sup>2)</sup>  |       | 96              |                |
| Financial assets at fair value through profit or loss   | FAAFVPL <sup>3)</sup>  |       | 780             |                |
| <b>Liabilities</b>                                      |  |       |                 |                |
| Financial liabilities at amortised costs                | FLAAC <sup>5)</sup>  |       | 528,446         |                |
| Derivatives as hedging instruments                      | DHI <sup>6)</sup>  |       | 3,777           |                |

<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 as hedging instruments

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  | 2015/16        | 2014/15        |
|---|----------------|----------------|
| Loans and receivables                                 | 3,499          | 6,815          |
| Financial assets at fair value through profit or loss | (2,223)        | (29)           |
| Available-for-sale financial assets                   | 8              | 8              |
| Held-to-maturity investments                          | 1,579          | –              |
| Financial liabilities at amortised cost               | (7,490)        | (8,712)        |
| <b>Total</b>  | <b>(4,627)</b> | <b>(1,918)</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.

€ 121 thousand in net income (in 2014/15: € 427 thousand) of the total net result from financial instruments is included in the operating result, and € 4,747 thousand in net expense (in 2014/15: € 2,345 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, 74% (in the previous year 78%) 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 2016, the Group has liquidity reserves of € 507.1 million (at 31 March 2015: € 485.9 million). This comprises € 259.7 million (at 31 March 2015: € 274.8 million) in cash and cash equivalents, held-to-maturity investments, securities held for trading and available-for-sale and € 247.4 million (at 31 March 2015: € 211.1 million) in available unused credit facilities. Thus, the liquidity reserves increased by € 21.2 million year-on-year and include € 99.4 million (at 31 March 2015: € 131.7 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. The cash flow from operating activities for the financial year 2015/16 amounts to € 136.9 million (in 2014/15: € 143.9 million). Thus, the investments made in the reporting year could be only partly financed by the operating cash flow.

**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. 56% of the Group’s total revenue was attributable to its five largest customers.



The share in trade receivables outstanding at the balance sheet date roughly corresponds to the shares in revenue of the individual 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 2015/16, € 0.3 million (in 2014/15: € 0.4 million) or 0.3% (in 2014/15: 0.3%) of receivables was 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 by using different hedging instruments such as forward contracts, currency options and currency swaps.

Sensitivity analyses are performed to assess the foreign exchange risk, with – all else being equal – the effects of percentage changes of 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.

If the 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 € 1.4 million lower (or higher) (in 2014/15: € 0.9 million), provided all other variables remained constant. This would have mainly been due to higher (or lower) interest expenses for variable interest financial liabilities. 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.

A change in the US dollar exchange rate of 1% against the euro would have had an impact on the profit for the year in the amount of € 0.1 million (in 2014/15: € 0.6 million) due to the measurement of trade receivables and payables, financial balances, and derivative financial instruments measured at fair value based on US dollars.

Furthermore, reference is made to the detailed disclosures in Note 12 "Trade and other receivables".

**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 42.3% and thus below the previous year's figure of 49.5%. At 1.6 years, the theoretical payback period for debts was above the previous year's figure of 0.8 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 2016, the Group has other financial commitments amounting to € 80,127 thousand (at 31 March 2015: € 32,857 thousand) in connection with contractually binding investment projects. Furthermore, at the

balance sheet date, the Group has no contingent liabilities from bank guarantees (at 31 March 2015: € 51 thousand). There were no other guarantees or commitments relating to ordinary business operations at the balance sheet date.

## 22. SHARE CAPITAL

|                    | Outstanding shares<br>in thousand shares | Ordinary shares<br>€ in thousands | Share premium<br>€ in thousands | Share capital<br>€ in thousands |
|--------------------|--|-----------------------------------|---------------------------------|---------------------------------|
| 31 Mar 2014        | 38,850                                   | 42,735                            | 99,111                          | 141,846                         |
| <b>31 Mar 2015</b> | <b>38,850</b>                            | <b>42,735</b>                     | <b>99,111</b>                   | <b>141,846</b>                  |
| <b>31 Mar 2016</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 2016 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 by the Supervisory 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, offering 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 by the Supervisory Board, to fully or partially exclude the shareholders' subscription right, and with approval by 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 by 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 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 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 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.

**OUTSTANDING SHARES** The number of shares issued amounts to 38,850,000 at 31 March 2016 (at 31 March 2015: 38,850,000).

**TREASURY SHARES** By a resolution passed at the 21th Annual General Meeting on 9 July 2015, the Management Board was again 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 2016, the Group does not hold any treasury shares.

At the 21th Annual General Meeting on 9 July 2015, the Management Board, in accordance with Section 65 (1b) AktG, was again 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 by 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 2015/16, a dividend of € 0.36 was paid per share (in 2014/15: € 0.20).

**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 2014  | 2,268                            | 3                                   | (314)                                    | (3,254)  | (1,297)        |
| Balance of unrealised changes before reclassification, net of tax      | 161,339                          | –                                   | (2,517)                                  | –  | 158,822        |
| Remeasurement of obligations from post-employment benefits             | –                                | –                                   | –  | (6,751)  | (6,751)        |
| <b>Carrying amount 31 Mar 2015</b>                                     | <b>163,607</b>                   | <b>3</b>                            | <b>(2,831)</b>                           | <b>(10,005)</b>  | <b>150,774</b> |
| Balance of unrealised changes before reclassification, net of tax      | (82,521)                         | –                                   | 2,831                                    | –  | (79,690)       |
| Remeasurement of obligations from post-employment benefits, net of tax | –                                | –                                   | –  | 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>  |

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 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 2015/16 was € 145,928 thousand (in 2014/15: € 144,956 thousand).

Cash flow from investing activities in the financial year 2015/16 amounts to € -342,242 thousand (in 2014/15: € -164,779 thousand) and comprises investment activities in Chongqing and Shanghai as well as various technological reinvestments at other locations and investment of liquid funds.

Net cash generated from financing activities in the financial year 2015/16 was € 111,073 thousand (in 2014/15: € 11,943 thousand), which was unusually high due to the placing of promissory note bonds of € 221.0 million.

| € in thousands  | 2015/16        | 2014/15        |
|---|----------------|----------------|
| Cash flow from operating activities before changes in working capital | 145,928        | 144,956        |
| Cash flow from operating activities                                   | 136,925        | 143,870        |
| Cash flow from investing activities                                   | (342,242)      | (164,779)      |
| Free cash flow  | (205,317)      | (20,909)       |
| Cash flow from financing activities                                   | 111,073        | 11,943         |
| Change in cash and cash equivalents                                   | (94,244)       | (8,966)        |
| Currency effects on cash and cash equivalents                         | (7,809)        | 22,752         |
| <b>Cash and cash equivalents at end of the year</b>                   | <b>171,866</b> | <b>273,919</b> |

The balance of cash and cash equivalents at end of the financial year 2015/16 was € 171,866 thousand (in 2014/15: € 273,919 thousand). This decrease was due to the very high level of investment, in spite of the very strong cash flow from operating activities. This currently very high amount is used to ensure the financing of the new plant in Chongqing and refinancing of the bond that matures on 18 November 2016.

The non-cash expense/income is as follows:

| € in thousands                        | 2015/16    | 2014/15      |
|---------------------------------------|------------|--------------|
| Changes in non-current provisions     | 2,492      | 6,079        |
| Release of government grants          | (1,340)    | (1,189)      |
| Other non-cash expense/(income), net  | (576)      | 1,010        |
| <b>Non-cash expense/(income), net</b> | <b>576</b> | <b>5,900</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 2016, 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 2015/16 and to 38,850 thousand in the financial year 2014/15.

The weighted average number of outstanding shares for the diluted earnings per share calculation amounts to 38,850 in the financial year 2015/16 and to 38,850 thousand in the financial year 2014/15.

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

| in thousands   | 2015/16       | 2014/15       |
|--|---------------|---------------|
| 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.

|  | 2015/16     | 2014/15     |
|--|-------------|-------------|
| Profit for the year (€ in thousands)                                 | 55,951      | 69,279      |
| Weighted average number of shares outstanding – basic (in thousands) | 38,850      | 38,850      |
| <b>Basic earnings per share (in €)</b>                               | <b>1.44</b> | <b>1.78</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.

|  | 2015/16     | 2014/15     |
|--|-------------|-------------|
| Profit for the year (€ in thousands)                                   | 55,951      | 69,279      |
| Weighted average number of shares outstanding – diluted (in thousands) | 38,850      | 38,850      |
| <b>Diluted earnings per share (in €)</b>                               | <b>1.44</b> | <b>1.78</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 where 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. The Group also received legal advice from Frotz Riedl Rechtsanwälte, where Supervisory Board member Mr. Riedl works as an independent lawyer.

| € in thousands  | 2015/16    | 2014/15    |
|---|------------|------------|
| AIC Androsch International Management Consulting GmbH | 395        | 380        |
| Dörflinger Management & Beteiligungs GmbH             | 5          | 8          |
| Frotz Riedl Rechtsanwälte                             | –          | 3          |
| <b>Total</b>  | <b>400</b> | <b>391</b> |

At the balance sheet date, there are no outstanding balances or obligations to the above mentioned legal and consulting companies.

**MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD** In the financial year 2015/16 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 2015/16, 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
- Franz Katzbeck until 28 January 2016
- Siegfried Trauch from 28 January 2016
- 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 2016                         | 31 Mar 2015    | 2015/16                      | 2014/15    |
| Andreas Gerstenmayer            | 60,000                              | 80,000         | (4)                          | 218        |
| Heinz Moitzi                    | 60,000                              | 60,000         | (36)                         | 114        |
| <b>Total Management Board</b>   | <b>120,000</b>                      | <b>140,000</b> | <b>(40)</b>                  | <b>332</b> |
| Total other executive employees | 29,500                              | 37,000         | (36)                         | 99         |
| <b>Total</b>                    | <b>149,500</b>                      | <b>177,000</b> | <b>(76)</b>                  | <b>431</b> |

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

|                                 | Number of outstanding<br>stock appreciation rights |                | Staff costs<br>(€ in thousands) |            |
|---------------------------------|--|----------------|---------------------------------|------------|
|                                 | 31 Mar 2016  | 31 Mar 2015    | 2015/16                         | 2014/15    |
| Andreas Gerstenmayer            | 80,000   | 40,000         | 65                              | 69         |
| Karl Asamer                     | 60,000   | 30,000         | 48                              | 52         |
| Heinz Moitzi                    | 60,000   | 30,000         | 47                              | 52         |
| <b>Total Management Board</b>   | <b>200,000</b>                                     | <b>100,000</b> | <b>160</b>                      | <b>173</b> |
| Total other executive employees | 260,000  | 130,000        | 186                             | 224        |
| <b>Total</b>                    | <b>460,000</b>                                     | <b>230,000</b> | <b>346</b>                      | <b>397</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       | 2015/16      |              |              | 2014/15           |              |              |
|----------------------|--------------|--------------|--------------|-------------------|--------------|--------------|
|                      | Fixed        | Variable     | Total        | Fixed             | Variable     | Total        |
| Andreas Gerstenmayer | 430          | 457          | 887          | 429               | 506          | 935          |
| Karl Asamer          | 376          | 277          | 653          | 374 <sup>1)</sup> | 301          | 675          |
| Heinz Moitzi         | 360          | 289          | 649          | 359               | 361          | 720          |
| Executive employees  | 4,419        | 2,259        | 6,678        | 4,134             | 1,996        | 6,130        |
| <b>Total</b>         | <b>5,585</b> | <b>3,282</b> | <b>8,867</b> | <b>5,296</b>      | <b>3,164</b> | <b>8,460</b> |

<sup>1)</sup> The prior year figure has been adjusted slightly for a pro rata 13<sup>th</sup> and 14<sup>th</sup> monthly salary due to joining the Board on 1 April 2014

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 members of the Management Board and executive employees are as follows:

| € in thousands   | Severance payments<br>Financial year |         | Pensions<br>Financial year |         |
|--|--------------------------------------|---------|----------------------------|---------|
|  | 2015/16                              | 2014/15 | 2015/16                    | 2014/15 |
| Expenses recognised in profit for the period           | 202                                  | 165     | 345                        | 328     |
| Remeasurement recognised in other comprehensive income | (267)                                | 381     | (905)                      | 2,550   |

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       | 2015/16    |            |            | 2014/15    |           |            |
|----------------------|------------|------------|------------|------------|-----------|------------|
|                      | Fixed      | Variable   | Total      | Fixed      | Variable  | Total      |
| Hannes Androsch      | 63         | 24         | 87         | 35         | 19        | 54         |
| Willibald Dörflinger | 49         | 16         | 65         | 28         | 9         | 37         |
| Regina Prehofer      | 51         | 16         | 67         | 25         | 9         | 34         |
| Karl Fink            | 29         | 12         | 41         | 24         | 9         | 33         |
| Albert Hochleitner   | 30         | 12         | 42         | 25         | 9         | 34         |
| Gerhard Pichler      | 33         | 12         | 45         | 25         | 9         | 34         |
| Georg Riedl          | 36         | 12         | 48         | 25         | 9         | 34         |
| Karin Schaupp        | 30         | 12         | 42         | 22         | 9         | 31         |
| <b>Total</b>         | <b>321</b> | <b>116</b> | <b>437</b> | <b>209</b> | <b>82</b> | <b>291</b> |

Shareholdings and stock options of members of the Management Board and the Supervisory Board at 31 March 2016:

|  | Shares            | Stock options  | Total shares and stock options | % capital    |
|--|-------------------|----------------|--------------------------------|--------------|
| <b>Management Board members</b>        | <b>24,000</b>     | <b>120,000</b> | <b>144,000</b>                 | <b>0.37</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>120,000</b> | <b>14,028,225</b>              | <b>36.11</b> |

## 28. EXPENSES FOR THE GROUP AUDITOR

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

| € in thousands  | 2015/16    | 2014/15    |
|---|------------|------------|
| Audit of consolidated and separate financial statements | 137        | 137        |
| Other assurance services                                | 6          | 2          |
| Other services  | 7          | 48         |
| <b>Total</b>  | <b>150</b> | <b>187</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:

|                    | 2015/16      | 2014/15      |
|--------------------|--------------|--------------|
| Waged workers      | 6,754        | 5,924        |
| Salaried employees | 2,005        | 1,714        |
| <b>Total</b>       | <b>8,759</b> | <b>7,638</b> |

The calculation of the number of staff includes an average of 3,059 leased personnel for the financial year 2015/16 and an average of 3,264 for the financial year 2014/15.

Leoben-Hinterberg, 9 May 2016

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.



# Group Management Report 2015/16

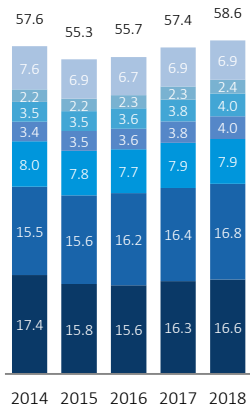
## TABLE OF CONTENTS

- 1. Business development ..... 50
  - 1.1. Market and industry..... 50
  - 1.2. Profit situation..... 55
  - 1.3. Financial position..... 59
- 2. Significant events after the reporting period..... 66
- 3. Plants and branch offices ..... 67
- 4. Business development by segments ..... 68
- 5. Group ..... 71
  - 5.1. Employees ..... 71
  - 5.2. Sustainability ..... 74
  - 5.3. Research and development..... 77
- 6. Risk and opportunities management ..... 79
- 7. Internal Control and Risk Management System with regard to accounting..... 84
- 8. Shareholding structure and disclosures on capital (disclosures according to § 243a Austrian Commercial Code) ..... 85
- 9. Outlook ..... 87

# 1. Business development

## 1.1. Market and industry

PCB market  
US\$ in billions



■ IC Packaging  
 ■ Aviation/Military  
 ■ Industrial/Medical  
 ■ Automotive  
 ■ Consumer  
 ■ Communication  
 ■ Computer

Source: Prismark, February 2016

Over the past two decades, the global market for printed circuit boards has been shaped by the growth of and technological change in the electronics industry in general and, in particular, by end devices such as computers – from servers to desktops and notebooks – in addition to smartphones and tablets.

The extraordinary growth rates for smartphones and tablets have slowed considerably, and the market for desktop and notebook computers is declining. The communication and computer segment continue to be the largest buyers of high-end printed circuit boards and substrates.

Contrary to the original estimates by Prismark, which projected average growth in 2015 of around 3% in the market for printed circuit boards and substrates year on year, the market recorded an overall decline of around 4%. AT&S, however, recorded organic growth of 5.2%. A deciding factor in the market downturn in 2015 was a weak demand in the computer segment and in consumer products. The likewise above-average decline in substrates of 8.9% was directly connected to the contraction of 10% in the computer segment.

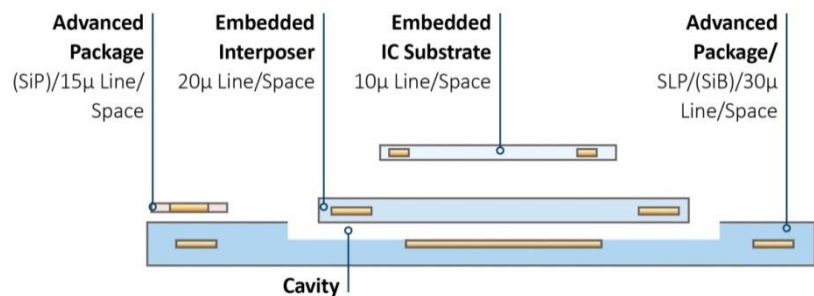
Based on the most recent estimates by Prismark, average annual market growth between 2015 and 2018 will be around 2%. As a result, the global printed circuit board market would not return to its 2014 volume until 2017.

Further reasons for the outlook of low growth for the overall market are the increasing miniaturisation and higher integration in the semiconductor industry as well as the integration of components into substrates and printed circuit boards, which reduces the area needed for these connection platforms. Particularly affected by this are providers in the middle and low-end technology segments. For providers of high-end technologies such as AT&S, these broad market forecasts require a more differentiating analysis.

The technological development of high-end printed circuit boards and substrates will continue to be driven in the next several years by applications in the communication and computer areas. These segments will continue to influence the architecture of the electronic components they need, including semiconductors, and not only accelerate the already rapid technological development of substrates and printed circuit boards, but also drive the convergence of the technologies they use.

According to Moore's law, the continuous miniaturisation in the semiconductor industry will define the associated increase in power density – even if, in the future, it is no longer every two years but a longer interval instead. There will be a simultaneous reduction in semiconductor size and miniaturisation in printed circuit boards and substrates, and thus continued growth in HDI and microvia technology. Furthermore, additional miniaturisation potential will emerge through the combination of production processes and materials for high-end printed circuit boards with the processes and technologies from substrate production.

With the additional integration of components in substrate and printed circuit boards, measurements in all dimensions will become smaller, as the example in the diagram below illustrates.

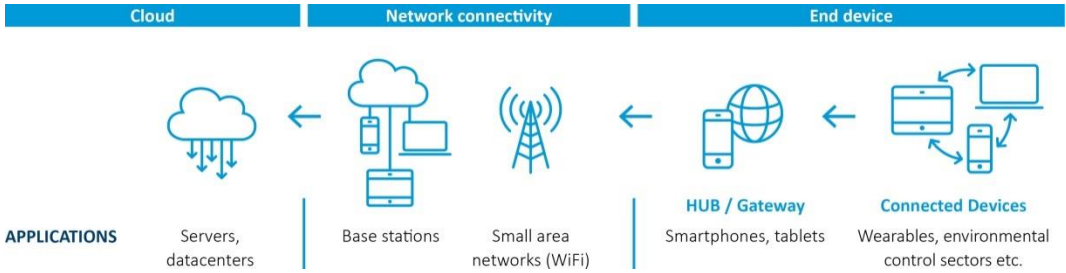


The opportunities that arise from the intelligent combination of various technologies also mean new growth potential for the printed circuit board industry. Thus the assembly service market, which today is controlled exclusively by electronic manufacturing services and original device manufacturing companies, opens up for manufacturers of high-end printed circuit boards and substrates through embedding technologies, as does the packaging market currently dominated by the semiconductor industry.

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

As such, society is poised at the start of the "Internet of Things" (IoT) – a logical technological development based on how internet-connected devices are used to improve the exchange of data, automate complex industrial processes, and generate valuable 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.

However, the latest studies by Yole forecast that the strongest areas of growth in connection with IoT will not be end devices such as wearables and sensors or smartphones and tablets, but rather the necessary infrastructure such as base stations for the transmission of data as well as powerful computers and data centres to process and store the rapidly increasing volume of data.



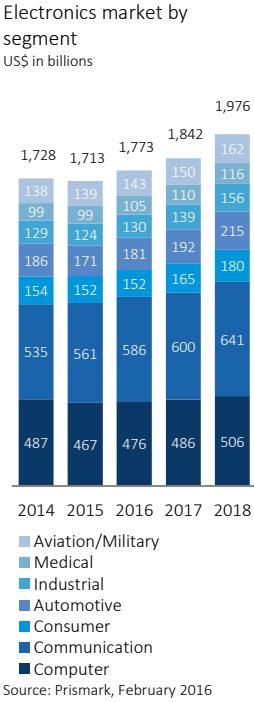
Source: Yole, April 2016

This development will significantly influence further growth of the entire electronics industry in all segments. Servers and storage media show the greatest growth potential in the computer segment, with average annual increases of 5.7% until 2018, end devices in the consumer segment at 5.8%, electronics for automobiles at 7.9%, industrial electronics at 8.0% and the market for medical electronics at 5.4%.

A printed circuit board is a connection platform for electrical, electronic and mechanical components. It enables the mechanical attachment and the electrical connection of resistors, capacitors, microprocessors, memory chips, sensors, connectors and many other components that are required for a fully functioning electronic system. Since nearly every electronic device contains one or more printed circuit boards, they are an indispensable part of our daily life.

Printed circuit boards consist of electrically insulating carrier material (usually fibreglass mats saturated in epoxy resin) with conductive connections attached to them (normally made of etched copper layers). There are countless types of printed circuit boards, ranging from single-layer to highly complex multilayer models. The complexity of printed circuit boards and the related requirements for the different production processes are determined by several factors. These factors are the number of layers, the vertical connections of the individual layers and their minimum hole diameter, line width and spacing as well as the surface finish. Progressive miniaturisation of electronic components in end devices while simultaneously enlarging their power density increases the requirements for and the complexity of printed circuit boards. For many years, AT&S has placed its focus on the production of highly complex printed circuit boards for the most sophisticated applications. Over 75% of revenue is now generated in this top category of technology.

IC substrates represent cutting edge technology for connection platforms. The most important difference compared with printed circuit boards are the achievable structures – a minimum of less than 10µm is possi-



ble. Unlike in the production of printed circuit boards, however, the clean room requirements that must be met are far more complex, and alternative plating processes are required to form vertical connections. Other than traditional printed circuit boards, IC substrates may also consist of ceramic or glass materials.

**INTERNATIONAL MARKET DEVELOPMENT** The global printed circuit board market is strongly influenced by the highly developed but increasingly difficult to predict electronics industry. As a result of rapidly changing customer needs and the shifting global economic climate, the markets for end devices and semiconductors are subject to increasingly greater fluctuations. The printed circuit board industry is also subject to these macro trends which determine the demand for electronic devices and systems. Additionally, the imbalance between supply and demand, the progressing geographic migration, the price decline and the fierce competition exert an influence over this highly fragmented market. Globally, there were around 2,400 producers in 2014 (source: NTI, August 2015). The top 30 companies have a combined market share of around 60%. (source: Prismark, February 2016).

Independent market analysts predict an average annual growth of about 2% for the global printed circuit board market until 2018 (source: Prismark, February 2016), expecting above-average growth rates of 5.8% for more advanced technologies such as any-layer printed circuit boards (source: Prismark, June 2015).

In 2015, global demand for printed circuit boards stood at US\$ 55.3 billion (source: Prismark, February 2016), representing a decline of 4% from the previous year.

**COMMUNICATION: SMARTPHONES REMAIN THE TECHNOLOGICAL GROWTH DRIVER IN THE ELECTRONICS INDUSTRY** With about 1.429 billion devices sold, the smartphone market was by far the largest segment of the global electronics industry in 2015, and also the fastest growing (10% growth) year-on-year. Even if independent market analysts predict significantly lower average growth rates of about 6.6% for the coming years (source: IDC, December 2015), smartphones will remain the largest segment of the electronics industry.

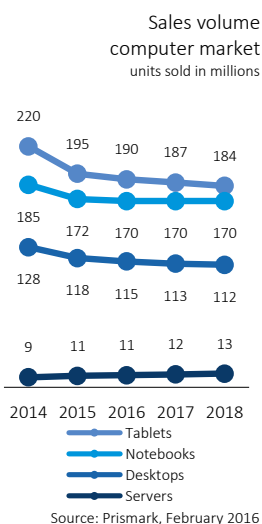
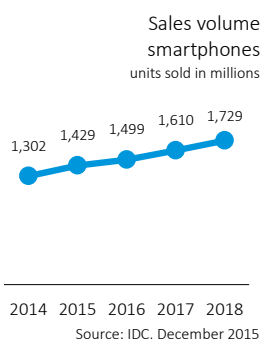
The market for communications infrastructure will become more important again in the next several years as a result of the IoT and, beginning in 2019, with the introduction of fifth generation networks (5G). Based on the most recent forecasts, it should grow by 2.6% annually (source: Prismark, February 2016).

**COMPUTERS: THE "INTERNET OF THINGS" WILL GENERATE NEW GROWTH IN SERVERS AND STORAGE MEDIA** The market for computers – desktops, notebooks and tablets – recorded a decline of around 9% in 2015. Contrary to original forecasts, even the tablet computer market, for which average growth of 13% p.a. had been expected (source: IDC, January 2014), declined for the first time in 2015, by around 11.4% from 2014 (source: Prismark, February 2016). For the coming years, steady demand is projected with different growth rates for the various end devices.

For server and storage computing devices, solid and sustained growth of about 5% is anticipated in the next several years due to continuing digitalisation and thus the rising volume of data, which must be analysed and stored (source: Prismark, February 2016).

**CONSUMER** The consumer market, which has significant demand for high-end printed circuit boards in products such as digital cameras, TVs and so-called smart devices like smart watches and fitness trackers, also experienced a decline in 2015, of 1.3%, as wearable applications did not break through on the market and digital cameras are being replaced by smartphones.

According to Prismark, there will be no growth in this market again in 2016 but will begin to grow again in 2017 at an average rate of around 5.8%. Growth will be driven primarily by 4K TVs, smart watches, consumer robots and handheld projectors



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

The share of the automotive market in electronic systems declined in value in 2015 by 8.1% on a US\$ basis. It is expected to grow by 7.9% annually until 2018 (source: Prismark, March 2016). Demand for printed circuit boards for automotive electronics is anticipated to grow by an annual average of 4.6% (source: Prismark, February 2016). Thus the growth rates for electronic systems for the automotive market as well as for printed circuit boards in this segment are significantly higher than the average overall figures for the global electronics industry.

In this segment, applications in the area of safety and information also drive the demand and the use of HDI and microvia printed circuit boards. The applications in which HDI and microvia printed circuit boards are now used extend from navigation, multimedia and infotainment systems to emergency calling and camera systems and electronic transmission control.

The concept of "autonomous driving" has sparked the development of central systems to collect the data and information from camera systems, radar and ultrasound sensors, analyse them, and ultimately control the relevant actuators for braking, stability and steering systems. These new central computers also need HDI technology because of the large volumes of data and the required data transfer speed.

**INDUSTRIAL ELECTRONICS** The industrial electronics systems market declined from 2014 to 2015 by 3.9%. In 2016, independent market analysts expect a growth rate of 4.8% (Source: Prismark, February 2016). The correlated growth in printed circuit boards for this segment is expected to about 3% for the same time period. (source: Prismark, February 2016).

The industrial electronics segment continues to be heavily influenced by applications in the areas measurement and control technology, power electronics, lighting systems as well as diagnostic instruments, RFID readers and also railway technology. In the future, M2M (machine-to-machine and machine-to-man) communication modules driven by Industry 4.0 activities will enable further growth in this segment.

**MEDICAL ELECTRONICS** The global market for medical electronics systems had a value of US\$ 99 billion in 2015 (source: Prismark, February 2016), representing stagnation year on year. The medical electronics market is characterised by a high level of complexity with regard to applications such as diagnostic and imaging devices, therapy applications and patient monitoring. Further application areas are surgical lighting, analytical instruments and molecular diagnostics. Prices for medical technology, devices and systems range from low two-digit US\$ amounts for fitness trackers to several 100,000 US\$ for a computer tomography system. Average annual growth of around 5.4% is expected until 2018.

Sales volume  
automotive market  
vehicles sold in millions



2014 2015 2016 2017 2018  
Source: Prismark, February 2016

Sales volume  
industrial electronics systems  
market  
US\$ in billions

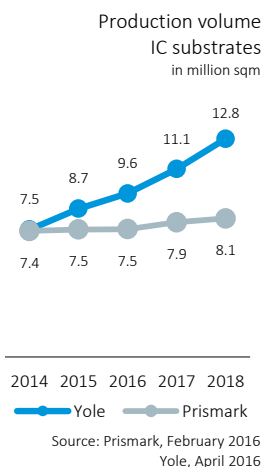


2014 2015 2016 2017 2018  
Source: Prismark, February 2016

Sales volume  
medical electronics systems  
market  
US\$ in billions



2014 2015 2016 2017 2018  
Source: Prismark, February 2016



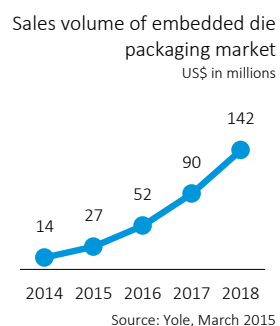
**THE MARKET FOR IC SUBSTRATES** Independent market analysts calculate the volume of surface produced for 2014 of 7.5 million m<sup>2</sup> (Yole) or 7.4 million m<sup>2</sup> (Prismark), and the volume for 2015 of 8.7 million m<sup>2</sup> (Yole) or 7.5 million m<sup>2</sup> (Prismark). Based on the Yole calculation, this represents growth of around 16%, and based on Prismark, growth of 1.2%. The forecasts for 2016 amount to 9.6 million m<sup>2</sup> (Yole) and 7.5 million m<sup>2</sup> (Prismark).

These differing estimates arise from diverging ways of defining the market for substrates, i.e. the inclusion of different substrate technologies such as wire-bond substrates versus flip-chip substrates or even chip-on-board and chip-on-flex interconnection platforms. The different estimates are also related to the prediction of demand for end uses and applications, which is becoming increasingly difficult.

The substrates market in recent years has been shaped primarily by growth in the smartphone industry and decline in the computer market. In the next several years, the Internet of Things will have a significant influence on further growth in the semiconductor industry and the associated demand for substrates. IoT is not a single application but rather the connection of end devices such as wearables and sensors with "gateways" such as smartphones or tablets. These gateways are connected through base stations via WiFi networks and process the data through servers and data centres in the cloud. Differing growth forecasts result from how certain factors are assessed, such as the demand for end devices or the required expansion of networks and data centres as the engine of IoT.

IC substrates are used in all segments of the electronics industry, and more than 80% of them in smartphones, desktop and notebook computers, tablets, servers and storage systems (source: Prismark, July 2014). In contrast to the large number of printed circuit board producers, there are only a few manufacturers of IC substrates, among which the top 10 providers jointly lay claim to more than 80% of the market (source: Prismark, July 2014). This environment presents AT&S with the opportunity in the coming years to establish itself as a leading provider to this high-tech segment.

**MINIATURISATION, FUNCTIONAL INTEGRATION AND MODULARISATION DETERMINE THE MARKET FOR EMBEDDED COMPONENT PACKAGING (ECP) AND EMBEDDED DIE PACKAGING** Embedded die packaging technology is still in the market introductory phase. Yole analysts estimate the total market volume for 2015 to be US\$ 27 million and predict a market increase until 2018, reaching a total volume of about US\$ 142 million. This corresponds to an average annual growth rate of about 73% (source: Yole, March 2015).



Paramount to ECP technology is miniaturisation by integrating components – and thus functionality – into the printed circuit board, as well as improved reliability of the interconnection technology between components and printed circuit board. Further challenges include increasing mechanical stability and improving thermal and electrical properties for applications in the high frequency area, for power electronics but also for audio applications and high-speed data transfer.

ECP technology focuses on two different areas. So-called packages or system-in-package (SiP) modules currently represent the largest part. Typical examples for application include power modules, MOSFET and IGBT applications, MEMS modules, sensor and camera modules, audio and radio modules as well as DC/DC converters.

The second area relates to motherboards (main boards), including applications such as highly reliable printed circuit boards for tough environmental conditions (e.g. engine control), notebooks, mobile internet devices, smartphones, hearing aid devices and integrated RFID solutions.

## 1.2. Profit situation

In financial year 2015/16, AT&S once again significantly exceeded the record revenue level of 2014/15 despite the printed circuit board industry and the customer segments addressed by AT&S showing uneven performance compared to financial year 2014/15 and increasing price pressure in the core business. Overall, AT&S increased Group revenue by € 95.9 million or 14.4% to € 762.9 million (previous year: € 667.0 million). This positive development was due to strong demand in all segments, with revenue increasing organically by € 34.4 million or 5.2%. Alongside this strong organic growth, positive currency effects of € 58.9 million or 8.8% contributed to this revenue growth in the reporting period. Initial revenues from the Chongqing project increased revenue by € 2.6 million or 0.4%. Around 73.3% of revenue in 2015/16 was invoiced in foreign currencies. The revenue share of products manufactured in Asia rose from 79.0% in the previous year to 81.0% in the reporting year. The regional revenue structure based on the customer's headquarters shows a share of 56.1% for Americas, compared to 53.4% in the previous year. The revenue share of the remaining regions shifted accordingly.

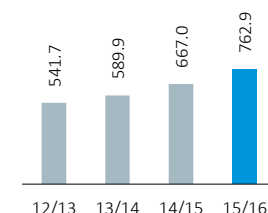
Due to the high importance of mobile devices, AT&S revenue shows a certain seasonality. The first quarter of the financial year is typically weaker than the second and third quarters, which generally show very high demand due to preparations for the Christmas trade, and is characterised by the launches of the latest product generations. The fourth quarter normally has weaker customer demand and is characterised by production breaks in our largest plant in Shanghai (and, in the future, also in Chongqing) due to Chinese New Year. In the current year, the seasonality was not very distinct, as demand from the Mobile Devices & Substrates segment was unusually strong in the first few months of the financial year. Furthermore, AT&S benefited from a very strong US dollar compared to the previous year. Growth rates decreased mid-year, as the comparable periods in the previous year where already unusually strong, the available production capacity was almost all at full utilisation in the previous year and exchange rates showed no significant changes. The production break caused by Chinese New Year was on a normal level compared to the previous year (when the plant closure was reduced to the minimum) and was offset by the stable high level of demand from the Automotive, Industrial, Medical segment throughout the year.

### Result key data

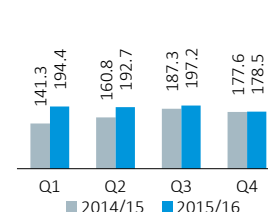
€ in millions (unless otherwise stated)

|   | 2015/16 | 2014/15 | Change in % |
|---|---------|---------|-------------|
| Revenue   | 762.9   | 667.0   | 14.4%       |
| Operating result before interest, tax, depreciation and amortisation (EBITDA) | 167.5   | 167.6   | 0.0%        |
| EBITDA margin (%)   | 22.0%   | 25.1%   |             |
| Operating result (EBIT)   | 77.0    | 90.1    | (14.6%)     |
| EBIT margin (%)   | 10.1%   | 13.5%   |             |
| Profit for the year   | 56.0    | 69.3    | (19.3%)     |
| Earnings per share (€)  | 1.44    | 1.78    | (19.1%)     |
| Additions to fixed assets   | 303.0   | 154.5   | 96.1%       |
| Average number of staff (incl. leased personnel)                              | 8,759   | 7,638   | 14.7%       |

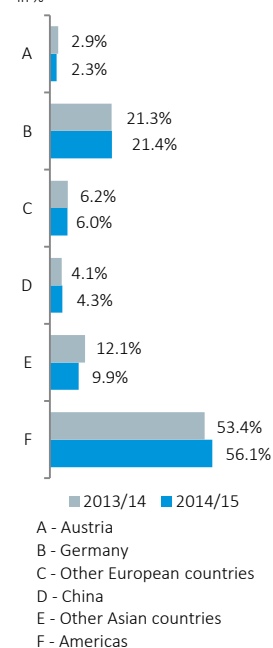
Development of revenue  
€ in millions



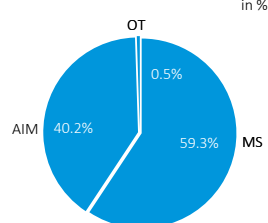
Revenue by quarter  
€ in millions



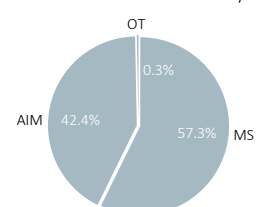
Revenue by region  
(Customer headquarters)  
in %



Revenue from external customers by segment in %

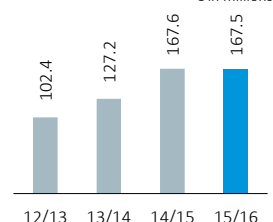


2015/16

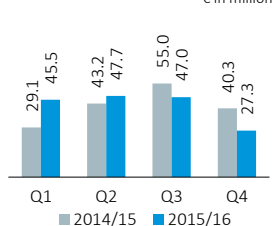


2014/15

Development of EBITDA  
€ in millions



EBITDA by quarter  
€ in million



The Mobile Devices & Substrates segment (MS) achieved a revenue of € 539.7 million in the reporting year, an increase of € 84.5 million or 18.6% compared to the previous year's figure of € 455.2 million. The segment benefited from very strong demand in the first two quarters of the reporting year and positive currency effects, whereas the fourth quarter in particular showed the normal seasonality for this segment. The Automotive, Industrial, Medical segment (AIM) increased its revenue by € 24.9 million or 8.2% to € 326.7 million (previous year: € 301.8 million). This development was mainly driven by the ongoing trend towards more electronics in motor vehicles and the stronger demand for mobile applications in the patient monitoring area. The industrial area showed stable development and repeated the previous year's good figures. The Advanced Packaging business unit, which is included in the Others segment (OT), showed a further strong advancement and achieved a revenue increase of € 11.2 million or 102.9% to € 22.1 million (previous year: € 10.9 million) in the reporting year. The increase was due both to the successful acquisition of new customers and the ongoing implementation of the embedding technology with existing customers from the other segments. In the current year, the significance of the Mobile Devices & Substrates segment increased further as the growth rates in this segment were higher than in the Automotive, Industrial, Medical segment.

The Group's EBITDA of € 167.5 million was at the previous year's level of € 167.6 million. The result already reflects the first negative impacts of the start of the serial production of the Chongqing project. The startup costs of the Chongqing project burdened EBITDA by € 12.7 million in the reporting period (previous year: € 4.3 million). The increase of € 8.4 million comprised € 6.9 million from the planned start of serial production and € 1.5 from exchange rate effects. Group-wide, exchange rate effects increased EBITDA by € 13.0 million or 7.7%. The results in the first two quarters were in line with the very positive revenue development, while the last quarter was heavily impacted by the startup costs.

#### Development of profit

| € in millions  | 2014/15     | One-off effects <sup>1)</sup> | Currency effects <sup>2)</sup> | Organic      | 2015/16     |
|--|-------------|-------------------------------|--------------------------------|--------------|-------------|
| Revenue  | 667.0       | 2.6                           | 58.9                           | 34.4         | 762.9       |
| Cost of sales  | (511.6)     | (13.2)                        | (50.2)                         | (36.3)       | (611.2)     |
| Gross profit   | 155.4       | (10.6)                        | 8.7                            | (1.9)        | 151.6       |
| Distribution costs   | (31.6)      | (0.3)                         | (1.8)                          | (1.0)        | (34.6)      |
| General and administrative costs                               | (28.0)      | (0.7)                         | (0.9)                          | 0.2          | (29.4)      |
| Other operating result   | (5.7)       | (3.8)                         | (2.1)                          | 0.9          | (10.7)      |
| Operating result before depreciation and amortisation (EBITDA) | 167.6       | (6.9)                         | 13.0                           | (6.2)        | 167.5       |
| Operating result (EBIT)  | 90.1        | (15.3)                        | 3.9                            | (1.8)        | 77.0        |
| Finance costs - net  | (5.1)       | (0.3)                         | (2.1)                          | (0.7)        | (8.1)       |
| Profit before tax  | 85.0        | (15.5)                        | 1.8                            | (2.5)        | 68.8        |
| Income taxes   | (15.6)      | 3.7                           | (1.3)                          | 0.4          | (12.9)      |
| <b>Profit for the year</b>                                     | <b>69.3</b> | <b>(11.8)</b>                 | <b>0.5</b>                     | <b>(2.0)</b> | <b>56.0</b> |

<sup>1)</sup> Chongqing project

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

Compared to the previous year, the EBITDA margin decreased by 3.1 percentage points from 25.1% to 22.0%. This development is mainly due to the start-up costs in connection with the start of serial production for the Chongqing project. After deducting one-off effects from both years, the decrease amounts to 2.1 percentage points, from 25.8% in the previous year to 23.7% in the reporting year. This decrease is mainly due to a compensation payment by a supplier included in the previous year, changes to the payroll-related costs in our biggest factory in Shanghai and the temporary discontinuation of an export promotion in India. However, the EBITDA margin remained above our long-term target of 18-20%.



Cost of materials increased from 34.1% in the previous year to 35.1% in the reporting year, reflecting the development towards superior quality, complex products as well as the startup-costs. The ratio of staff costs to revenue amounted to 21.1%, slightly above the previous year's figure of 20.0%. This can be explained by payroll-related costs in Shanghai as well as the start-up costs. The absolute increase in administrative and distribution costs resulted from exchange rate effects, the setup of the Chongqing organisation according to plan and the further enhancement of distribution activities, which, however, increased at a lower rate compared to revenue. Other operating incomes and expenses includes non capitaliseable development costs for the Chongqing project of € 10.7 million (previous year: € 8.7 million), positive currency differences resulting from the measurement of foreign currency receivables and liabilities of € 0.1 million (previous year: € 0.7 million) and impairments of € 3.1 million (previous year: € 6.0 million).

Amortisation of intangible assets and depreciation of property, plant and equipment of € 87.4 million or 11.0% of non-current assets (previous year: € 71.5 million or 11.0% of non-current assets) reflect AT&S's high technical standards as well as its investment ratio and have increased particularly due to currency exchange effects and the start of depreciation of the technical equipment and development costs for Chongqing. In addition to scheduled depreciation and amortisation, lower impairments were incurred compared to the previous year of € 3.1 million or 0.4% of non-current assets (previous year: € 6.0 million or 0.9% of non-current assets) resulting from the impairment of technical equipment in China no longer in use. Impairments are made when there is no longer a potential for use in ongoing operations and the amount recoverable through a disposal falls below the carrying amount.

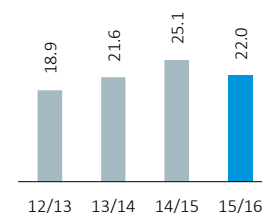
The operating result (EBIT) decreased by € 13.1 million or -14.6% to € 77.0 million (previous year: € 90.1 million). Adjusted for the Chongqing project, AT&S achieved an increase of € 5.0 million or 5.1% to € 103.2 million (previous year: € 98.2 million). The EBIT margin decreased by 3.4 percentage points to 10.1% (previous year: 13.5%), or, adjusted by the Chongqing project, by 1.1 percentage points from 14.7% in the previous year to 13.6% in the current year.

Finance costs – net declined from € -5.1 million to € -8.1 million. Interest expenses on financial liabilities reduced from € 11.3 million to € 8.9 million. This was mainly due to an increase in the capitalised interest costs to € 6.6 million (previous year: € 2.8 million) relating to the purchase of qualified assets in Chongqing. Gross interest expenses rose only slightly by € 1.4 million from € 14.1 million to € 15.5 million due to effected optimising measures, although gross debt rose from € 405.3 million to € 523.0 million. These optimisations, however, resulted in hedging instruments, that swapped variable into fixed interest, becoming ineffective, because the duration and amount no longer matched with the primary secured debts, and the requirements for hedge accounting were no longer met. Due to these necessary changes in the accounting, € 3.8 million was included as a one-time expense in the profit and loss statement for the reporting period.

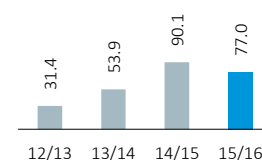
Lower social capital interest costs of € 0.4 million (previous year: € 1.3 million) and – although the environment was unfavourable for placing funds – a higher return on financial investments of € 3.0 million (previous year: € 2.2 million) resulted in a decline in finance costs – net. In the reporting year, finance costs – net included positive foreign exchange differences resulting from the measurement of liquid foreign currency funds and debts and realised exchange gains from financial instruments were recognised as income of € 3.9 million (previous year: € 6.7 million). In principle, finance costs – net are influenced by currency effects only to a limited extent, 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 by 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 decreased in relation to the profit for the year before tax and amounted to € 12.9 million (previous year: € 15.6 million). Compared to the prior year, the effective tax rate rose slightly from 18.4% to 18.7%. Compared to the previous year, there were no significant tax-related changes. It will only be possible to assess the impacts of the OECD BEPS project on AT&S after implementation into the tax laws of the individual countries. Current assessments however show, that this will lead to significantly higher reporting and documentation requirements (country by country reporting) and to higher administrative costs in order to ensure tax compliance in all Group companies and to minimise the risk of double taxation.

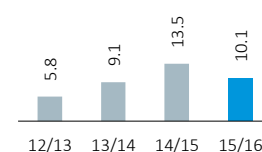
EBITDA margin  
in %

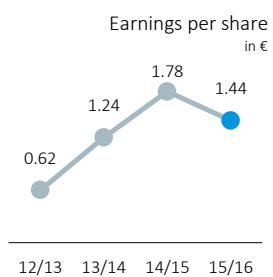


Development of EBIT  
€ in millions



EBIT margin  
in %





The profit for the year decreased from € 69.3 million in the previous year by € 13.3 million or -19.3% to € 56.0 million, and earnings per share decreased by € 0.34 or -19.1% from € 1.78 to € 1.44 with same number of outstanding shares.

## 1.3. Financial position

### Development of statement of financial position

| € in millions                       | 31 Mar 2015    | One-off effects <sup>1)</sup> | Currency effects | Organic     | 31 Mar 2016    |
|-------------------------------------|----------------|-------------------------------|------------------|-------------|----------------|
| Non-current assets                  | 712.8          | 222.5                         | (81.0)           | 12.1        | 866.3          |
| Current assets                      | 508.1          | (21.9)                        | (36.1)           | 28.2        | 478.3          |
| <b>Total assets</b>                 | <b>1,220.8</b> | <b>200.6</b>                  | <b>(117.1)</b>   | <b>40.3</b> | <b>1,344.7</b> |
| Equity                              | 604.4          | (29.4)                        | (82.6)           | 76.6        | 568.9          |
| Non-current liabilities             | 413.1          | 148.6                         | (16.3)           | (124.0)     | 421.4          |
| Current liabilities                 | 203.4          | 81.4                          | (18.2)           | 87.7        | 354.3          |
| <b>Total equity and liabilities</b> | <b>1,220.8</b> | <b>200.6</b>                  | <b>(117.1)</b>   | <b>40.3</b> | <b>1,344.7</b> |

<sup>1)</sup> Chongqing project

In financial year 2015/16, the total amount of the consolidated statement of financial position rose by € 123.9 million or 10.1% from € 1,220.8 million to € 1,344.7 million. This was mainly due to additions to assets for the Chongqing project of € 231.5 million which were partly offset by exchange rate effects.

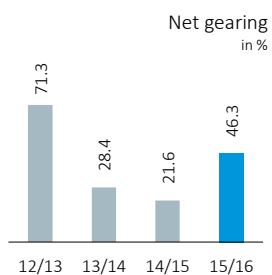
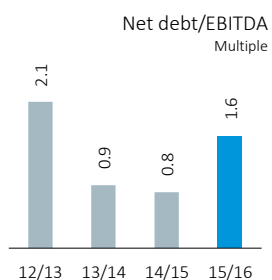
The increase in intangible assets of a total of € 58.5 million or 129.4% to € 103.7 million (previous year: € 45.2 million) is mainly due to capitalised development costs of € 61.1 million that meet the criteria of IAS 38. Property, plant and equipment rose by a total of € 235.6 million, mainly due to additions in Chongqing of € 163.7 million and technology upgrades in Shanghai of € 52.1 million. Amortisation and depreciation of € 90.5 million (previous year: € 77.5 million) and exchange rate effects of € -67.3 million were taken into account in the net change in fixed assets which rose by € 144.0 million or 22.2% to € 792.9 million (previous year: € 648.9 million).

Non-current assets include input tax receivables of € 27.9 million (previous year: € 17.6 million) which can only be offset against VAT payables in over one year's time.

### Net working capital

| € in millions (unless otherwise stated)    | 31 Mar 2016  | 31 Mar 2015  | Change in %   |
|--|--------------|--------------|---------------|
| Inventories                                | 83.4         | 89.2         | (6.5%)        |
| Trade receivables                          | 110.0        | 113.5        | (3.1%)        |
| Trade payables                             | (130.7)      | (97.8)       | 33.6%         |
| Liabilities from investments               | 55.6         | 17.5         | 218.1%        |
| <b>Working capital trade</b>               | <b>118.4</b> | <b>122.4</b> | <b>(3.3%)</b> |
| Other current assets, payables, provisions | (29.9)       | (27.1)       | 10.5%         |
| <b>Net working capital</b>                 | <b>88.4</b>  | <b>95.3</b>  | <b>(7.2%)</b> |
| Net working capital in % of total revenue  | 11.6%        | 14.3%        |               |
| Days outstanding (in days):                |              |              |               |
| Inventories                                | 50           | 64           | (21.4%)       |
| Receivables                                | 53           | 62           | (14.7%)       |
| Payables                                   | 63           | 77           | (17.9%)       |

Inventories declined by € 5.8 million or -6.5% from € 89.2 million to € 83.4 million, mainly due to exchange rate effects. Increased inventories due to Chongqing were almost fully compensated by a reduction at the other sites. Trade receivables fell by € 3.5 million or -3.1% to € 110.0 million (previous year: € 113.5 million) due to exchange rate effects. Days of receivables outstanding decreased by 16.3% to 53 days (previous year: 62 days) due to higher revenue. Trade payables increased by € 32.9 million or 33.6% from € 97.8 million to € 130.7 million. This increase was due to an increase of € 38.1 million in payables of investments for € 55.6 million (previous year: € 17.5 million).



Equity decreased by € 35.5 million or -5.9% from € 604.4 million to € 568.9 million. The positive contribution from the Group result increased equity by € 56.0 million (previous year: € 69.3 million), however, negative currency differences from the translation of subsidiaries' net asset positions and from the translation of long-term loans to subsidiaries decreased equity by € 82.5 million. The decrease results from devaluations of the Chinese yuan renminbi, the Indian rupee and the South Korean won compared to the euro. Actuarial gains, mainly resulting from the higher interest rates applied in calculating personnel provisions, increased equity by € 2.7 million (previous year: reduction of € 6.8 million).

Non-current financial liabilities increased by € 2.3 million or 0.6% from € 359.3 million to € 361.6 million and thus maintained the level of the previous year. Current financial liabilities increased from € 46.0 million to € 161.4 million. These included the reclassification of the bond due on 18 November 2016 with a residual carrying amount of € 76.8 million.

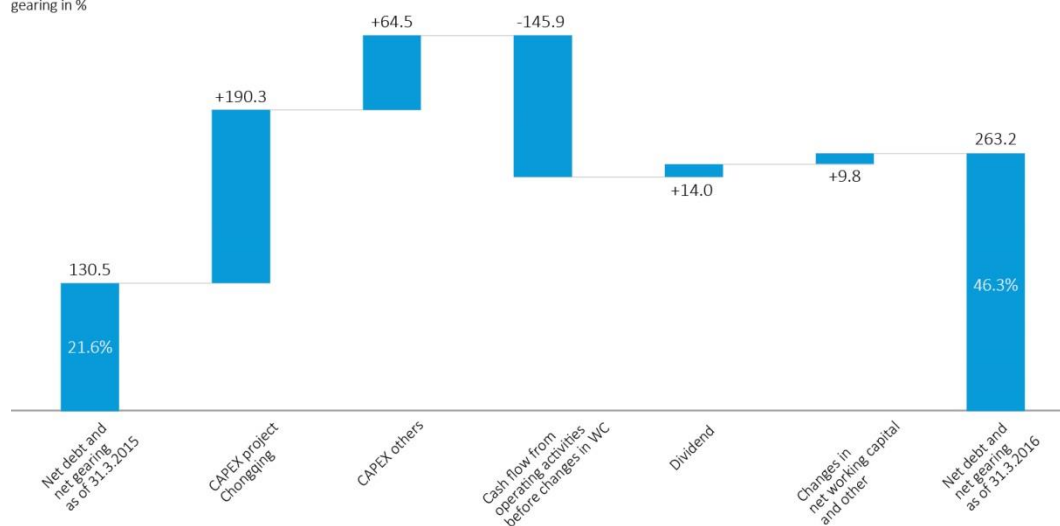
#### Net debt

€ in millions (unless otherwise stated)

|   | 31 Mar 2016  | 31 Mar 2015  | Change in %   |
|---|--------------|--------------|---------------|
| Financial liabilities, current  | 161.4        | 46.0         | 250.6%        |
| Financial liabilities, non-current  | 361.6        | 359.3        | 0.6%          |
| <b>Gross debt</b>   | <b>523.0</b> | <b>405.3</b> | <b>29.0%</b>  |
| Cash and cash equivalents   | (171.9)      | (273.9)      | (37.3%)       |
| Financial assets  | (87.9)       | (0.9)        | 9,890.9%      |
| <b>Net debt</b>   | <b>263.2</b> | <b>130.5</b> | <b>101.7%</b> |
| Operating result before interest, tax, depreciation and amortisation (EBITDA) | 167.5        | 167.6        | (0.0%)        |
| Net debt/EBITDA ratio   | 1.6          | 0.8          |               |
| Equity  | 568.9        | 604.4        | (5.9%)        |
| Total consolidated statement of financial position                            | 1,344.7      | 1,220.8      | 10.1%         |
| Equity ratio (%)  | 42.3%        | 49.5%        |               |
| Net gearing (Net debt/Equity) (%)   | 46.3%        | 21.6%        |               |

Despite high cash flows from operating activities, net debt increased by € 132.7 million or 101.7% to € 263.2 million (previous year: € 130.5 million) due to the high capital expenditures and the dividend paid. The gearing ratio increased to 46.3% and was thus significantly above the previous year's level of 21.6%. The indicator net debt/EBITDA, which represents a theoretical payback period for debts, declined from 0.8 years to 1.6 years due to the higher net debt.

Development of net debt  
€ in millions  
gearing in %



**TREASURY ACTIVITIES** In financial year 2015/16, Group Treasury set essential strategic directions for the coming years. With the aim of securing the current extremely favourable market conditions in the financing sector over the long term, reducing the costs of interest within the next years, refinancing the bond due on 18 November 2016 and extending the maturity date, AT&S successfully placed promissory note loans with a total volume of € 221.0 million on the market on 23 October 2015. Additionally, a bilateral promissory note loan of € 100.0 million was signed at the beginning of March 2016, which was disbursed in April 2016. Alongside the general financing of the Group, received funds were used for the partial, premature buyback of the bond with a nominal value of € 24.5 million and for the early redemption of the variable part of the promissory note loan with a volume of € 92.0 million that had been placed in 2014.

The financing of AT&S is based on a four-pillar strategy that minimises 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.

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 bear fixed interest rates and are non-redeemable. However, their higher placement costs are a disadvantage. The current retail bond, which has a carrying amount of € 76.8 million, matures on 18 November 2016. On 22 October 2015, bonds with a nominal value of € 18.0 million and on 25 February 2016 bonds with a nominal value of € 6.5 million, were bought back early from institutional investors. The aim of this measure was to use existing liquidity to yield a return. The current point of view is, that the maturing bonds will not be replaced for the time being.

Promissory note loans provided the the key support for the financing strategy in financial year 2015/16: Their key feature is also their high level of predictability – however, their placement costs were far lower. In March 2014, € 156.5 million and US\$ 2.0 million with maturities of 5, 7 and 10 years, were placed. An interest rate swap was used to convert future variable euro interest obligations into fixed interest payments. The variable tranche of the promissory note loan placed in 2014 of € 92.0 million was partially reimbursed in October 2015, the remaining part was reimbursed in February 2016 in order to optimise financing costs. The concluded interest rate swaps continue to be used as security against the promissory note loan placed in October 2015 in order to hedge the variable interest payables in euros over a major part of the term. However, the effectiveness criteria of hedge accounting in accordance with IFRS are no longer being met and the evaluation is therefore recognised in the statement of profit or loss.

On 23 October 2015, a promissory note transaction with a total volume of € 221.0 million was closed successfully. The emission volume originally aimed for € 100 million was increased to € 221.0 million due to the high demand. The promissory note loan consists of tranches with terms of five and seven years at fixed and variable interests rates in euros and US dollars with an average interest rate at issue of around 1.6%. On 4 March 2016, a bilateral promissory note loan of € 100.0 million and a term of seven years, which will be paid out in April 2016, was signed. In the financial year 2015/16, the amount will be shown as unused credit lines. Due to the above-mentioned advantages, AT&S is planning to focus also on this type of financing in the future.

Bank loans are used as the third pillar. € 122.3 million in loans was taken out from several national and international banks. These loans mainly bear variable interest rates and have maturities of between one and six years.

The fourth pillar consists of credit lines serving to cover liquidity fluctuations. At the reporting date, AT&S reported more than € 247.4 million in unused credit lines in the form of loans commitments from banks or promissory note loans already concluded.

The most important task of the treasury function at AT&S is to secure sufficient liquidity reserves. It also monitors covenants defined in the credit agreements in order to ensure compliance with them.

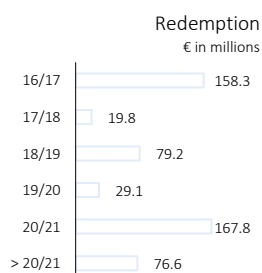
The notional payback period for debts, defined as net debt/EBITDA, of 1.6 years was significantly below the covenant of 4.0 and the Group's own target value of 3.0, and has worsened due to the high level of investment activity (previous year: 0.8 years). The equity ratio decreased from 49.5% in the previous year to 42.3% in the reporting year and thus continued to be significantly above the target value and the covenant. The equity ratio is negatively impacted by the higher gross debt resulting from the early financing. 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 keydata

|                       | Covenant <sup>1)</sup> | Target <sup>2)</sup> | 31 Mar 2016 | 31 Mar 2015 |
|-----------------------|------------------------|----------------------|-------------|-------------|
| Net debt/EBITDA ratio | < 4.0                  | < 3.0                | 1.6         | 0.8         |
| Equity ratio          | >35%                   | >40%                 | 42.3%       | 49.5%       |

<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).



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 3.9 years (previous year: 3.8 years). This slight increase is due to the placement of the promissory note loan in October 2015 which reimbursed part of the promissory note loan from 2014 that had a higher interest rate and is intended to redeem the bond due on 18 November 2016.

As a result of the repayment of the bond and bank loans of € 158.3 million in 2016/17 and the repayment of parts of the promissory note loan and bank loans of € 167.8 million in 2020/21, the financing structure shows a high amount in both years.

#### Carrying amount of financial liabilities by maturity

| € in millions                      | 31 Mar 2016  | in %          | 31 Mar 2015  | in %          |
|------------------------------------|--------------|---------------|--------------|---------------|
| Remaining maturity                 |              |               |              |               |
| Less than 1 year                   | 161.4        | 30.9%         | 46.0         | 11.4%         |
| Between 1 and 5 years              | 285.3        | 54.5%         | 321.6        | 79.3%         |
| More than 5 years                  | 76.3         | 14.6%         | 37.7         | 9.3%          |
| <b>Total financial liabilities</b> | <b>523.0</b> | <b>100.0%</b> | <b>405.3</b> | <b>100.0%</b> |

A further aim was to minimise the interest rate risk by predominantly using fixed interest rates. 73.9% (previous year: 78.3%) of financing is conducted at or was swapped to fixed interest rates, and only 26.1% (previous year: 21.7%) is based on variable interest rates. These strategies for securing interest rates are being continuously adapted based on expectations of interest rates.

AT&S also intends to invest available liquid funds profitably but risk-sensitively: As at 31 March 2016 AT&S had total financial resources of € 259.8 million (previous year: € 274.8 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 a currently very challenging, from an investor-perspective, environment.

This early conversion into foreign currencies serves as a natural currency hedge and a reduction of the exposure to foreign currencies. 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 (less than one year). At the reporting date, there were no such hedging instruments in place. Currency translation risks resulting from the conversion of subsidiaries with different local currencies are not hedged.

The final treasury aim consists of an optimised debtor relationship management. AT&S considers these to be defining banks for national and international cooperation and setting up and maintaining the communication that is needed on both sides. The aim is to create transparency across the opportunities and risks of AT&S in order to strengthen a long-term partnership with the financing institutions, that is profitable for both sides. The annual and quarterly reports act as the basis for this. In addition, meetings with our financing bank partners take place at least once a year in which the opportunities for cooperation are discussed.

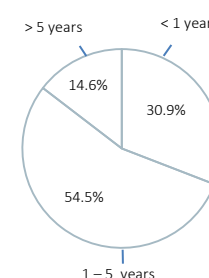
AT&S adopts an active approach to financial management in order to achieve the above-mentioned treasury aims as cost-effectively as possible. The measures taken in financial year 2015/16 will reduce both the average financing costs and, from a current perspective, the total financing costs for the next year, even though the gross debts are expected to rise. For financial year 2016/17, AT&S must take advantage of current low interest rates in order to conclude further long-term financing contracts.

**CASH FLOW** Cash flow from operating activities before changes in working capital increased slightly from € 145.0 million to € 145.9 million. The decrease in profit for the year from € 69.3 million to € 56.0 million and the increase in interest payments increased from € 14.5 million to € 15.5 million were offset by higher depreciation and amortisation and by a reduction in tax payments (from € 16.4 million to € 10.3 million).

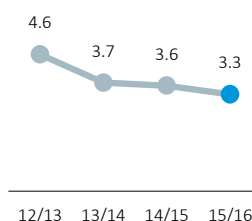
Cash flow from operating activities decreased from € 143.9 million by € 7.0 million or -4.8% to € 136.9 million. While cash flow from operating activities before changes in working capital increased by € 0.9 million or 0.7% to € 145.9 million, cash used in working capital rose by € 6.5 million. There was a lower inflow from other provisions of € 1.3 million.

Due to investment activities in Chongqing and Shanghai, various technological reinvestments at the other sites and the placing of liquid funds with terms of over 3 months, cash flow from investing activities amounted to € 342.2 million. Capital expenditures on property, plant and equipment and intangible assets amounted to € 254.8 million and was thus € 89.5 million above very high previous year's level of € 165.3 million.

Maturities of financial liabilities in %



Average financing costs in %



At € 111.1 million, cash flow from financing activities was exceptionally higher at € 99.2 million above the previous year's figure, due to the placing of promissory note loans with a volume of € 221.0 million.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, was negative at € 205.3 million due to the high investment activities and was € 184.4 million below the previous year's figure of € -20.9 million. € 87.7 million of this change resulted from the investing of cash and cash equivalents and € 0.3 million from payments for the acquisition of minority interests.

#### Cash flow statement (short version)

| € in millions   | 2015/16      | 2014/15      | Change in %    |
|---|--------------|--------------|----------------|
| Cash flow from operating activities before changes in working capital | 145.9        | 145.0        | 0.7%           |
| Cash flow from operating activities                                   | 136.9        | 143.9        | (4.8%)         |
| Cash flow from investing activities                                   | (342.2)      | (164.8)      | 107.7%         |
| Free cash flow  | (205.3)      | (20.9)       | 881.9%         |
| Cash flow from financing activities                                   | 111.1        | 11.9         | 830.2%         |
| Change in cash and cash equivalents                                   | (94.2)       | (9.0)        | 950.6%         |
| Currency effects on cash and cash equivalents                         | (7.8)        | 22.8         | (134.3%)       |
| <b>Cash and cash equivalents at end of the year</b>                   | <b>171.9</b> | <b>273.9</b> | <b>(37.3%)</b> |

Due to the high level of investments, cash and cash equivalents decreased from € 273.9 million to € 171.9 million, despite the very strong cash flow from operating activities and the above-mentioned financing and investment measures. In addition, AT&S disposes of current financial assets of € 87.8 million (previous year: € 0.8 million). This amount, which currently remains very high, is being used to secure the financing of the new plant in Chongqing and the repayment of the bond that matures on 18 November 2016.

**AT&S PERFORMANCE SYSTEM** In addition to revenue and EBITDA, AT&S uses a further three key figures as primary reference values for performance measurement in internal strategic corporate management: ROCE, cash earnings and IRR. They describe and control performance in respect of investors, operational performance and performance in respect of customers.

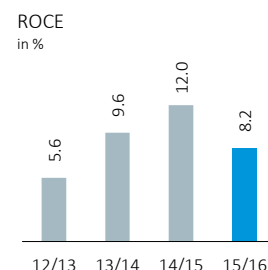
AT&S uses return on capital employed (ROCE) to measure its performance from the point of view of investors, using the ratio of the result adjusted for finance costs – net and average capital employed. This illustrates the extent to which AT&S fulfills its investors' interest requirements. Average capital costs are derived from the minimum return expected by investors to provide equity or borrowings. The weighted average cost of capital (WACC) for the printed circuit board industry is around 8.9%. At a ROCE of 8.2%, AT&S was not able to achieve the WACC figure in the reporting year due to the expenditure in Chongqing and the associated average capital employed. After adjustments, ROCE was 19.3% (previous year: 18.5%). 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. However, as a result of the considerable investment activities in the Chongqing project, the average capital employed rose to € 783.5 million (previous year: € 618.2 million).

#### Return on capital employed (ROCE)

| € in millions                                      | 2015/16      | 2014/15      | Change in %    |
|--|--------------|--------------|----------------|
| Operating result (EBIT) before non-recurring items | 77.0         | 90.1         | (14.6%)        |
| Income taxes                                       | (12.9)       | (15.6)       | (17.6%)        |
| <b>Operating result after tax (NOPAT)</b>          | <b>64.1</b>  | <b>74.5</b>  | <b>(13.9%)</b> |
| Equity - average                                   | 586.7        | 497.5        | 17.9%          |
| Net debt - average                                 | 196.9        | 120.7        | 63.1%          |
| <b>Capital employed - average</b>                  | <b>783.5</b> | <b>618.2</b> | <b>26.7%</b>   |
| <b>ROCE</b>  | <b>8.2%</b>  | <b>12.0%</b> |                |

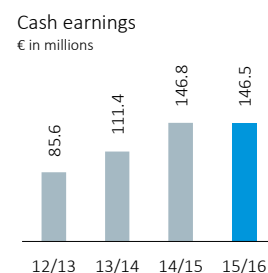


In addition to the investor-oriented key figure of ROCE, AT&S uses cash earnings as a control reference. This indicator describes a company's operational financial performance.

Cash earnings fell only slightly by € 0.3 million or -0.2% to € 146.5 million (previous year: € 146.8 million). The decline in profit for the year was mainly due to higher depreciation and amortisation which are non-cash costs and thus do not affect cash earnings.

#### Cash earnings

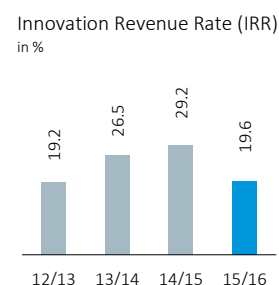
| € in millions (unless otherwise stated)  | 2015/16      | 2014/15      | Change in %   |
|--|--------------|--------------|---------------|
| Profit for the year attributable to owners of the parent company                                     | 56.0         | 69.3         | (19.2%)       |
| Depreciation and amortisation and impairments of property, plant and equipment and intangible assets | 90.5         | 77.5         | 16.8%         |
| <b>Cash earnings</b>   | <b>146.5</b> | <b>146.8</b> | <b>(0.2%)</b> |
| Cash earnings per share (€)  | 3.77         | 3.78         | (0.3%)        |



The third performance indicator relates to the ability to implement innovations in a timely manner and in response to the market. AT&S measures this ability by 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 financial year 2015/16, the IRR is 19.6% (previous year: 29.2%). AT&S aims to achieve an IRR of at least 20%. This decline was due to the maturity of certain generations of technology in 2015/16.

#### Innovation Revenue Rate (IRR)

| € in millions                                 | 2015/16      | 2014/15      | Change in % |
|---|--------------|--------------|-------------|
| Main revenue                                  | 762.7        | 666.7        | 14.4%       |
| Main revenue generated by innovative products | 149.2        | 194.7        | (23.4%)     |
| <b>IRR</b>                                    | <b>19.6%</b> | <b>29.2%</b> |             |



## 2. Significant events after the reporting period

Until 9 May 2016, 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 2016.

### 3. 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. Despite the high production capacity utilisation at the Leoben site, the flexibility to handle short-term requests was maintained. Production for the future market of Advanced Packaging is also operated in Leoben. The production capacity utilisation of the plant in Fehring showed a satisfying development in the reporting year. Synergies with other sites (Leoben and Nanjangud) are utilised in the outer layer manufacturing of multilayers. The decline in the original core business (double-layer printed circuit boards) was compensated by these measures.

Austria

**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 2015/16 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 2015/16, which were produced for the Automotive, Industrial, Medical segment. The trend towards thinner line space was proactively used by the site to secure its leading technological position for the upcoming years.

China

**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. The second substrate line is intended to start operations in the financial year 2016/17. The buildup of the second plant for substrate-like PCBs is on schedule, the installation of the first line should be completed by the middle of the year, and the start of production and initial revenues are expected in the second half of the financial year.

China

**ANSAN** The positive performance of the Korean plant continued in the financial year 2015/16. 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. The minority shares were acquired in the last financial year and, with SAP implementation, the plant also made progress in organisational terms.

South Korea

**NANJANGUD** Revenue and the operating result showed a negative trend due to exchange rate effects. Manufacturing efficiency (material and energy consumption as well as maintenance costs) was improved through targeted measures. The plant's capacity was continuously at a very high level.

India

**HONG KONG** The company AT&S Asia Pacific, which is based in Hong Kong, is the holding company for the Mobile Devices & Substrates segment and the headquarters of Group-wide procurement for to this segment. The proximity to the CEMs of customers and to suppliers is another locational advantage which the business partners highly appreciate. About 60% of the Group's revenue is carried out via this company.

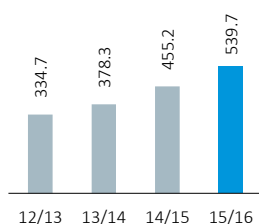
China

The sales offices in America, Germany, Japan and Taiwan continued to guarantee good and close contact with customers in the financial year 2015/16.

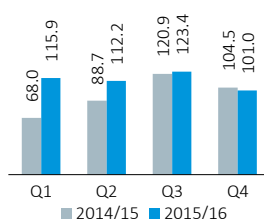
Sales offices

## 4. Business development by segments

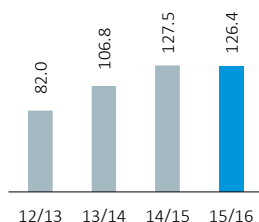
Mobile Devices & Substrates  
Development of revenue  
€ in millions



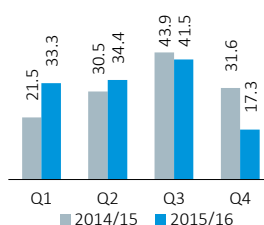
Mobile Devices & Substrates  
Revenue from external  
customers by quarters  
€ in millions



Mobile Devices & Substrates  
EBITDA Development  
€ in millions



Mobile Devices & Substrates  
EBITDA by quarters  
€ in millions



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 and consumer products such as digital cameras. At the beginning of the financial year, the Industrial & Automotive segment was renamed Automotive, Industrial, Medical. This change was made to underline the growing significance of business with medical devices in both therapy and diagnosis. The segment includes the industrial electronics, automotive, aviation & security, and medical 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. 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 therefore 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 ongoing growth in demand for smartphones all over the world 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 HDI technology around the world and ranked third in 2014 (source: Prismark, August 2015). With a revenue share of 59.3% (previous year: 57.3%), the Mobile Devices & Substrates segment still remains the largest segment of the AT&S Group.

### Mobile Devices & Substrates segment – overview

€ in millions (unless otherwise stated)

|  | 2015/16 | 2014/15 | Change in % |
|--|---------|---------|-------------|
| Segment revenue  | 539.7   | 455.2   | 18.6%       |
| Revenue from external customers                                | 452.5   | 382.1   | 18.4%       |
| Operating result before depreciation and amortisation (EBITDA) | 126.4   | 127.5   | (0.8%)      |
| EBITDA margin (%)  | 23.4%   | 28.0%   |             |
| Operating result (EBIT)  | 48.3    | 60.1    | (19.7%)     |
| EBIT margin (%)  | 8.9%    | 13.2%   |             |
| Additions to fixed assets                                      | 271.8   | 126.8   | 114.3%      |
| Employees (incl. leased personnel), average (no.)              | 5,990   | 5,017   | 19.4%       |

At € 539.7 million, revenue generated exceeded the previous year's figure of € 455.2 million by € 84.5 million or 18.6%. The very high demand from high-value mobile devices such as smartphones also continued in the first quarter of the current financial year and, combined with favourable exchange rates for AT&S, led to significant revenue increases. The second quarter, however, benefited from the ongoing strong demand, the product launches in the mobile industry and the favourable exchange rates. The third quarter was characterised by a return to normal growth rates and revenue managed to maintain the exceptionally strong level of the previous year. The fourth quarter, which is usually weaker as a result of plant closures due to the Chinese New Year, instead showed stable demand in the reporting period and was only slightly lower than the exceptionally strong level of the previous year.

In terms of geography, there was a further revenue increase from our American customers. Furthermore, the segment's revenue was positively affected by sustained high demand from the Automotive, Industrial, Medical segment. The plant in Shanghai, which is allocated to the Mobile Devices & Substrates segment, achieved significantly higher revenues with the Automotive, Industrial, Medical segment.

At € 126.4 million, segment EBITDA was € 1.1 million or -0.8% below on the previous year's figure of € 127.5 million and was negatively impacted in the fourth quarter by startup costs for the new site in Chongqing. Given the stable and high demand throughout the year, very high utilisation could be achieved. Furthermore, the ongoing good product mix and positive exchange rate effects led to an improved result that almost offset the higher startup costs at the Chongqing site. At 23.4%, the EBITDA margin for the Mobile Devices & Substrates segment was 4.6 percentage points down on the previous year's figure of 28.0%. Adjusted for the results of the new Chongqing site, the EBITDA margin was 26.0% compared to 28.5% in the previous year and reflects a return to normality.

The operating result (EBIT) decreased by € 11.8 million or -19.7% to € 48.3 million (previous year: € 60.1 million). Compared to the previous year, impairments on technologies no longer in use decreased by € 2.9 million to € 3.1 million (previous year: € 6.0 million). Depreciation was affected by the beginning of the depreciation of the substrate plant in Chongqing which was caused by the certification and the accompanying start of serial production. Before only the administration building was included in the depreciation.

The EBIT margin decreased by 4.3 percentage points to 8.9% (previous year: 13.2%) due to the decrease in EBIT and increase in revenue.

Additions to assets increased by € 145.0 million or 114.3% to € 271.8 million (previous year: € 126.8 million). Alongside additions of € 52.2 million resulting from ongoing investment in technology upgrades, replacements and expansion investments in the Shanghai plant, non-current assets increased by € 219.6 million at the new site in Chongqing. The first products of the new IC substrate line were successfully certified, and serial production was started. The further expansion of the site is on schedule. The second production line for IC substrates is currently being installed and serial production should start in financial year 2016/17. Additionally, installation began of the first production line in the plant for substrate-like PCBs in the nearly completed building of the plant which will also start operating in the next financial year 2016/17, resulting in initial revenue.

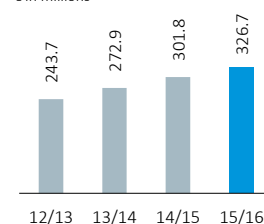
**AUTOMOTIVE, INDUSTRIAL, MEDICAL SEGMENT** With revenue growth of € 24.9 million to € 326.7 million (previous year: € 301.8 million), the Automotive, Industrial, Medical segment generated an increase of 8.2%. This positive development was based, on the one hand, on continually increasing demand in the automotive sector (the share of electronic components in vehicles, e.g. for advanced driver assistance systems, continues to increase) and, on the other hand, on a stronger demand in the medical technology sector.

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

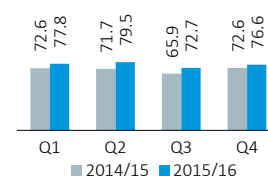
€ in millions (unless otherwise stated)

|  | 2015/16 | 2014/15 | Change in % |
|--|---------|---------|-------------|
| Segment revenue  | 326.7   | 301.8   | 8.2%        |
| Revenue from external customers                                | 306.5   | 282.9   | 8.4%        |
| Operating result before depreciation and amortisation (EBITDA) | 30.1    | 34.8    | (13.5%)     |
| EBITDA margin (%)  | 9.2%    | 11.5%   |             |
| Operating result (EBIT)  | 19.2    | 25.9    | (25.8%)     |
| EBIT margin (%)  | 5.9%    | 8.6%    |             |
| Additions to fixed assets                                      | 29.4    | 25.5    | 15.0%       |
| Employees (incl. leased personnel), average (no.)              | 2,616   | 2,489   | 5.1%        |

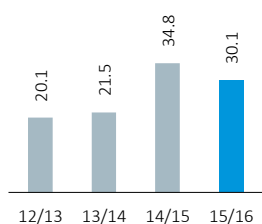
Automotive, Industrial, Medical  
Development of revenue  
€ in millions



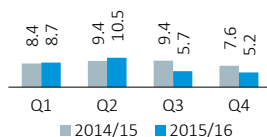
Automotive, Industrial, Medical  
Revenue from external customers by quarters  
€ in millions



Automotive, Industrial,  
Medical  
EBITDA development  
€ in millions



Automotive, Industrial,  
Medical  
EBITDA by quarters  
€ in millions



Regarding the development of the Leoben, Fehring, Ansan and Nanjangud sites allocated to the Automotive, Industrial, Medical segment, refer to Section 3 in the Group Management Report. In general, financial year 2015/16 was characterised by stable capacity utilisation at a high level.

The segment result was, however, affected by negative exchange rate effects in financial year 2015/16 which led to exchange rate based cost increases and had a severely negative impact on results. Overall, this resulted in an decrease in EBITDA of € 4.7 million or -13.5% to € 30.1 million (previous year: € 34.8 million).

The EBITDA margin decreased by 2.3 percentage points to 9.2% (previous year: 11.5%).

The operating result (EBIT) decreased by € 6.7 million or -25.8% to € 19.2 million (previous year: € 28.5 million). At 5.9%, the EBIT margin for the Automotive, Industrial, Medical segment was significantly below the previous year's figure of 8.6% due to the effects stated above.

Additions to assets rose by € 3.9 million or 15.0% to € 29.4 million (previous year: € 25.5 million). These additions were due to ongoing investment in technology upgrades, replacements and expansion at all sites.

**OTHERS SEGMENT** Alongside general holding activities, the Others segment also includes the Advanced Packaging business unit which is in the development phase. This business unit deals with embedding active and passive electronic components in printed circuit boards by using the ECP® technology patented by AT&S. The objective is to further miniaturise the printed circuit boards while improving heat distribution, electrical performance and service life. The business unit continued to significantly increase its revenue in financial year 2015/16, and to establish itself as a development partner to its customers. Due to the business unit still being small in size, it is still not reported as a standalone segment.

#### Others segment – overview

€ in millions (unless otherwise stated)

|  | 2015/16 | 2014/15 | Change in % |
|--|---------|---------|-------------|
| Segment revenue  | 22.1    | 10.9    | 102.9%      |
| Revenue from external customers                                | 3.9     | 2.0     | 90.2%       |
| Operating result before depreciation and amortisation (EBITDA) | 10.9    | 5.2     | 108.8%      |
| EBITDA margin (%)  | 49.2%   | 47.8%   |             |
| Operating result (EBIT)  | 9.4     | 4.0     | 136.8%      |
| EBIT margin (%)  | 42.4%   | 36.4%   |             |
| Additions to fixed assets                                      | 1.9     | 2.1     | (12.6%)     |
| Employees (incl. leased personnel), average (no.)              | 153     | 133     | 14.9%       |

## 5. Group

### 5.1. Employees

In today's environment, where change is the only constant, committed employees are especially important to us. To be the first choice for highly sophisticated technologies, a company like AT&S must offer its employees prospects and clear opportunities for development; it must support them and challenge them. Managers at AT&S play a particularly significant role in this respect. In order to embrace innovation as a company every day, we need people who are prepared to go in new directions and are open to thinking in terms of alternatives.

**HUMAN RESOURCES FACTS AND FIGURES** In financial year 2015/16, AT&S employed an average of 8,759 full-time equivalents including temporary employees. This means there were 1,121 more full-time equivalents compared to the average in the previous financial year. This increase is mainly attributable to the hiring of staff at the plants in Chongqing.

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

|   | 2015/16      | 2014/15      | Change       |
|---|--------------|--------------|--------------|
| Mobile Devices & Substrates segment     | 5,990        | 5,017        | 973          |
| Automotive, Industrial, Medical segment | 2,616        | 2,489        | 127          |
| Others                                  | 153          | 132          | 21           |
| <b>Total Group</b>                      | <b>8,759</b> | <b>7,638</b> | <b>1,121</b> |

**EXCELLENCE IN LEADERSHIP** Three principles have been defined for excellence in leadership based on the AT&S vision and mission: OPEN-MINDEDNESS, COMMITMENT and RESPONSIBILITY. We consider leadership to be an essential part in realising our vision and achieving our mission. Studies clearly show that good leadership practices have a significant influence on employee commitment and dedication. Our leadership values provide all of our managers with a framework that enables them to live effective leadership. In the past financial year, we offered our first-level managers the opportunity to attend modules with a focus on communication and a culture of feedback, which they also took advantage of. The improved dialogue they initiated leads to better mutual understanding and provides space for reflection. Open and appreciative feedback creates fertile ground for frictionless, open and dynamic development for the entire organisation. As a result of positive feedback, this initiative will be extended to the next level of management in financial year 2016/17.

**SUPPORT AND CHALLENGE** Communication and feedback are essential instruments for ensuring the commitment of our employees and their desire to grow, both now and in the future. Managers at AT&S therefore have a responsibility to create an atmosphere of lifelong learning and a culture of dialogue for every single employee. Their core responsibilities include talent management, continuous development of skills and abilities, ongoing development of an open, two-way feedback culture, as well as providing support and challenge for each individual employee.

The annual staff appraisal meeting is the basic tool that helps AT&S managers to obtain a structured view of the potential, experience and innovative ideas of their employees. In the staff appraisal meeting, goals are agreed, based on the company's goals, for each employee in line with their responsibilities for the following financial year. In addition, potential and development opportunities within the current position as well as possible career paths are discussed. It is the responsibility of every manager to support and challenge their employees according to their interests and potential.

In annual evaluations based on this, employees with the greatest development potential are selected for further career steps and the next steps required are decided upon.

AT&S employees have the opportunity to earn additional qualifications through internal and external training programmes, workshops and coaching. Internally, we provide introductory training for new employees to familiarise them with the market, our products, the organisational structure and procedures of AT&S, and our corporate values. Training programmes specific to AT&S are provided by internal specialists. Cross-functional, international and intercultural training supports our internal connections, the optimisation of processes and a continuous transfer of knowledge. Basic management training programmes include leadership principles and training on the ever-current topic of change management and strategic development. A number of important modules are offered as part of customised, site-specific training catalogues.

In the past financial year, AT&S began a customised programme of training based on a Lean Management (efficiency) and Six Sigma (effectiveness) approach in the areas of administration, research and production. The Lean Six Sigma initiative at AT&S is named iPOK internally (Implementation of Practice Oriented Knowledge) and encompasses all employee and organisational levels. The training consists of a theoretical and a practical section, with the latter designed to firmly anchor the theoretical learnings within the organisation for the long term. iPOK will help AT&S achieve its vision and mission by means of improvement projects and, moreover, have positive effects on our employees' work environment. Across all sites, a total of 52 employees have been certified or are participating in "Black Belt" training (project managers with cross-functional projects and around 140 hours of training) and 81 employees are certified or participating in "Green Belt" training (project managers with departmental projects and around 40 hours of training). There have been 133 Lean Six Sigma projects initiated as a result of this certification and training.

AT&S offers comprehensive apprenticeships for the skilled workers of tomorrow, primarily in the areas of mechatronics, laboratory technology, physics laboratory, mechanical engineering and metal technology, but also in the administrative area. At the end of the financial year, we employed 27 apprentices in Austria and one in Germany, and, during the past financial year, 11 apprentices started their apprenticeship with AT&S. So as to generate excitement among young people for technical professions at AT&S, we participate in career fairs specific to our target groups and offer school children a direct insight into production by means of our ongoing, interactive "AT&S High Technology Experience" as well as introductory and seasonal internships. AT&S also positions itself as an attractive employer for young academics. We provide information to them at career fairs and, in close cooperation with universities, we offer bachelor and master thesis projects. With our first "International Talent Programme", which enabled training in Austria for the seven participants in eight modules over a period of 12–18 months, we were able to train talented young academics from different countries and make them "fit" for our sites in China. We are currently recruiting the second generation for the international talent programme – this time for assignments in China and India. The tremendous international interest in this programme is evidenced by the applications received from 63 countries.

In the past financial year, around € 1,926 thousand was invested in external training and continuing professional development. The increase of €1,056 thousand compared to the previous year is primarily attributable to the specialised training of the new employees who were recruited in the course of establishing the plants in Chongqing. In addition, AT&S also invested in university training for employees in China and in global leadership and iPOK Lean Six Sigma initiatives. On the one hand, these figures reflect the importance of the qualifications of new labour forces, but they also reflect the focus we place on efficiency, effectiveness and leadership.

#### [Expenditure on external training sessions](#)

| € in thousands                          | 2015/16      | 2014/15    | Change in %   |
|---|--------------|------------|---------------|
| Mobile Devices & Substrates segment     | 1,147        | 384        | 198.9%        |
| Automotive, Industrial, Medical segment | 319          | 284        | 12.5%         |
| Others                                  | 460          | 202        | 127.3%        |
| <b>Total Group</b>                      | <b>1,926</b> | <b>870</b> | <b>121.5%</b> |

**DIVERSITY & MOBILITY** As a company that operates globally, diversity among our employees is a basic requirement for our success. AT&S promotes equal opportunities with regard to career paths and remuneration or training, irrespective of age, gender, background, religion, sexual orientation, ethnicity, disability, and religious or political belief.



At the end of the financial year, the proportion of female employees at AT&S was 35%. The female proportion in Europe, at 43%, and the United States, at 37%, is still significantly higher than in Asia, where the proportion of females within AT&S is 33%. Women constitute 10% of the employees reporting directly to the Management Board of the AT&S Group.

As an international company, AT&S employs people from 45 nationalities. We offer a variety of career options at an international level to our employees, and also to external applicants – through our “International Talent Programme”, for example – and we value professional mobility. We also promote cooperation across sites and provide intercultural training entirely in the interest of maintaining a learning organisation and in accordance with our leadership principle of “Open Mindedness”.

The average age at AT&S is 31 years. This is primarily a result of the large number of young employees in China, where the average age is 29. In Europe and the USA, the average age is 39 and 45 years, respectively. The average term of service Group-wide is 5.4 years based on each of the sites. It is higher in Europe, at 12.2 years, than in Asia, at 4.2 years. This is also attributable to our sites in China, and mainly to the ongoing build-up of employees in Chongqing.

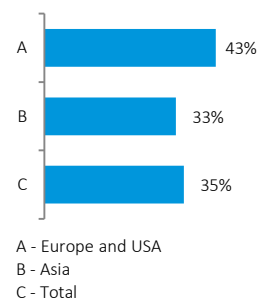
**CODE OF BUSINESS ETHICS AND CONDUCT** AT&S has made a voluntary commitment to corporate social responsibility (CSR) measures, and to the Electronic Industry Citizenship Coalition (EICC). In alignment with the Triple Bottom Line approach, we have a responsibility to conduct business sustainably and in the interests of all stakeholders from an economic, ecological and social point of view. Clear ecological standards and goals and the creation of an appropriate environment for employees as well as the company allows us to implement our environmental, economic and social goals equitably and simultaneously. We are proud that the same standards for the environment, health and safety apply – and are put into practice – at all of our plants. The Code of Business Ethics and Conduct requires all employees to conduct themselves in a responsible and respectful manner and to comply with the standards set by AT&S. This results in transparency and mutual trust, and at the same time appeals to the personal responsibility of every individual. Further details with regard to our sustainability activities can be found in the chapter “Sustainability” and in the current Sustainability Report.

**REMUNERATION SYSTEM** An important factor for motivating employees and for recruiting and retaining new talent, alongside remuneration in line with the market, is the opportunity to participate in the financial success of the company. Based on the AT&S global bonus system, individually and collectively agreed bonus payments are distributed whenever specific hurdle rates (defined minimums for key data) have been achieved. The basic requirement for participation is a positive EBIT for the Group as a whole. The hurdle rate itself is coupled with achievement of a certain EBIT figure in relation to the budgeted goals of the respective area of responsibility.

The level of the payment will depend on ROCE, Cash Earnings, the Innovation Revenue Rate (IRR) as well as the individual performance of each member of staff. Details on how ROCE, Cash Earnings and the IRR are determined can be found in Section 1.3. “Financial position” in the Management Report. The bonus system also ensures that, in more challenging economic times in which set aims were not achieved, bonus payments will be either reduced or entirely suspended.

**OUTLOOK** Excellence in leadership has an enormous impact on sustainable business success. The executive leadership programme – the further professional development of management in the interest of sustainability – is therefore a significant area of focus for financial year 2016/17 and the years that follow. Based on new standards, we will also aim for greater transparency and permeability with respect to our training and career paths in all areas. The introduction of an expert career path alongside the management career path will be an import pillar. Our goal is clear: we aim to create conditions for our employees that produce exceptional commitment to sustainably achieving our ambitious goals.

Proportion of female employees in %



## 5.2. Sustainability

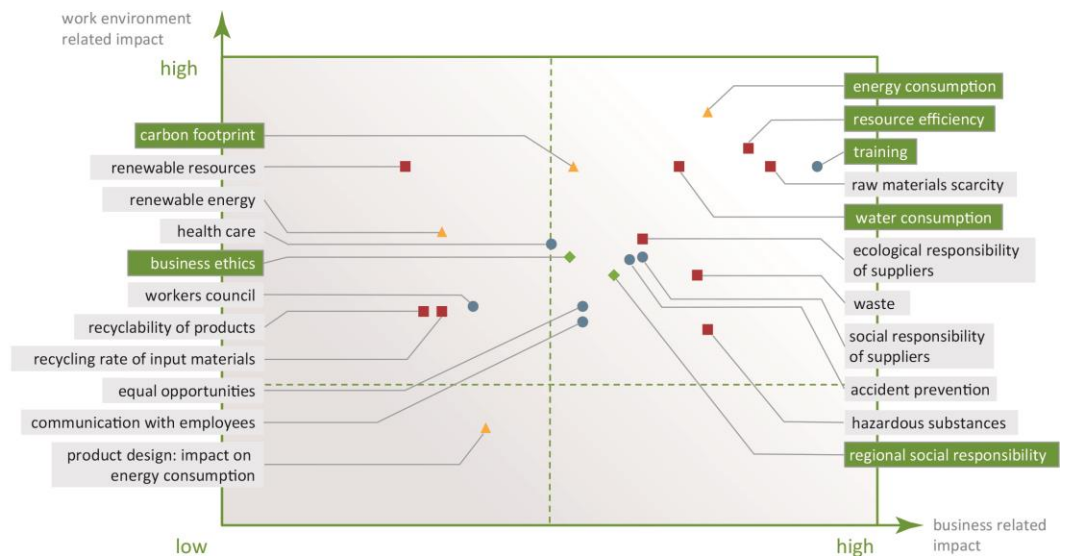
Conduct business responsibly and sustainably. This is a clear commitment, which AT&S has expressed again in the past financial year by means of the rigorous continuation of our corporate and sustainability strategy and the activities associated with it.

The significance of sustainability is clearly reflected in our corporate mission:

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

We create value that extends beyond a purely economic view. European standards at all sites, ambitious key performance indicators for resource consumption and emissions, and a clear commitment to good corporate citizenship are among the ways AT&S expresses sustainable management.

At AT&S, effective sustainability strategies centre on those areas that stand in the company's direct sphere of influence and are found within the sustainability triangle of economy, ecology and social responsibility. So as to satisfy this requirement, all important aspect groups were evaluated in a comprehensive process and the key topics of the AT&S sustainability strategy were jointly developed through a materiality analysis.



The following aspects from the materiality analysis define the key topics of AT&S sustainability activities:



**ENERGY AND CARBON FOOTPRINT** We established processes at all of our plants that sustainably ensure more energy-efficient operations. In this respect, the ongoing technological development in the printed circuit board industry presents a great challenge for energy efficiency: new processes need time for evaluation and optimisation of energy efficiency after the qualifying phase.

Toward the end of financial year 2014/15, the energy management standard ISO 50001 was introduced for both sites in Austria. Within this framework, analyses of the potential were conducted in the financial year 2015/16, which found an energy savings potential of around 7 GWh. Comparable efficiency analyses are already being planned for the sites in Asia and are expected to be implemented in financial year 2016/17.

Energy efficiency is reflected in the calculated CO<sub>2</sub> emissions because a significant portion of total emissions is based on the indicator "purchased electricity". In a four-year comparison, the CO<sub>2</sub> at AT&S calculated as CO<sub>2</sub> per square metre of printed circuit board produced declined from 51 kg to 50.7 kg per m<sup>2</sup>. In the past financial year, however, we were unable to achieve the set target of reducing CO<sub>2</sub> emissions by 5% compared to the previous year. This development is based on two factors: due to the high outdoor temperatures during the summer months of the past year, greater energy needs for process and building cooling were recorded. This resulted in higher CO<sub>2</sub> emissions. In addition to this, the production of ever more complex printed circuit boards with additional functional requirements also requires more energy consumption per m<sup>2</sup> of printed circuit board produced. We are working hard to implement further improvements for the coming year.

**WATER** Special attention continued to be paid to water consumption in the past financial year because the production of printed circuit boards is intensive in terms of water consumption. We therefore placed our focus, as we did in the energy area, on highlighting the major consumption areas through an effective measurement system and implementing the resulting optimisations – to the extent permitted by the production parameters.

By means of continuous improvement projects, we were able to reduce our global water consumption considerably. Details can be found in the Sustainability Report 2015/16.

**RESOURCES** Material costs represent a significant share of the production cost of a printed circuit board. Efficiency improvements in this area have not only an economic impact. Most importantly, we reduce unnecessary waste and improve our recycling rate.

Material consumption in the following table refers to the plants in production during financial year 2015/16.

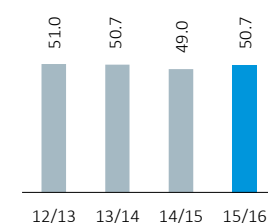
#### Purchase of significant materials

|                      | Unit        | 2015/16 | 2014/15 | 2013/14 |
|----------------------|-------------|---------|---------|---------|
| Gold                 | kg          | 593     | 596     | 484     |
| Copper <sup>*)</sup> | t           | 3,362   | 3,550   | 3,144   |
| Laminate             | million sqm | 13.5    | 13.4    | 12.5    |
| Chemicals            | tsd. t      | 96.2    | 92.9    | 87.2    |

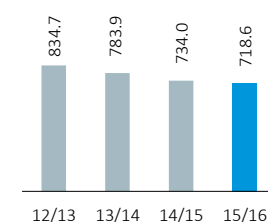
**AT&S AS A PLACE OF LEARNING** As in past years, one of our main priorities is the training and further development of our employees. In-depth training and corresponding experience not only benefits our employees, who thereby set the cornerstone for their further development within the company, but also benefits the quality of our technologies, the efficiency of our actions, and the relationships with our customers. A detailed presentation of the measures and programmes, as well as key indicators, is provided in the Human Resources section.

**SHAPING THE FUTURE BY THINKING AHEAD** Anticipate the future. This is the basis of our vision "First choice for advanced applications". Although we are faced with intense competition, especially in Asia, and generally constant price pressure, we do not compromise when it comes to the highest standards in all of our spheres of influence. Be it implementation of the work and safety standard OHSAS 18001 at all of our sites, which is now complete, or with regard to environmental and quality standards: we want to be the

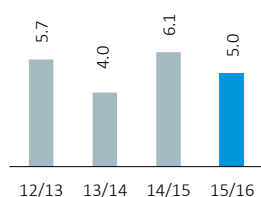
Carbon footprint  
in kg CO<sub>2</sub> per sqm weighted PCB



Freshwater consumption  
in litres per sqm weighted PCB



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



industry benchmark at all of our sites and simultaneously be among the most profitable manufacturers of printed circuit boards.

In the area of occupational safety, we were able to record an improvement compared to the previous year. We consider our focus in this area to be especially important and we will always work to improve the existing, extensive safety measures. Creating awareness among our employees plays a large role in this respect. For this reason, we launched the initiative "LIFE – Living in an Injury-Free Environment" at the Chongqing site. Through various measures, "LIFE" ensures that the issue of health and safety is ever present in the daily work routine.

Due to our global presence, ethical principles among our employees and partners is a major priority. In accordance with the code of conduct of the EICC, an electronics industry organisation, we ensure that a work environment is created at all of our plants that reaches beyond the legal requirements, one in which employees count as people. We provide this information to our business partners through an annually recurring self-disclosure.

We revised our Code of Business Ethics and Conduct in the past year. The code was adapted to the requirements of the EICC, the code of conduct of the electronic industry association. The code therefore reflects the most recent developments in our corporate ethic. Thus, we ensure that all of our employees are sensitised to important corporate issues such as preventing discrimination, anti-corruption or environmental matters and occupational safety, and that they conduct themselves in accordance with these rules and the expectations of the company. All employees commit to this through their signature. The management at the respective sites are required to continuously monitor compliance.

For AT&S, sustainability is an important contributor to the successful future of our company. Specific goals and measures can be found in the Sustainability Report 2015/16.

## 5.3. Research and development

### HIGHLIGHTS IN THE FINANCIAL YEAR 2015/16

- 19.6% of total revenue generated by technologically innovative products that have been on the market for less than three years (Innovation Revenue Rate)
- Development project for the production of first generation IC substrates successfully completed – significant, forward-looking innovation for AT&S
- Increased use of Industry 4.0 technologies and processes in production.

The key sentence in the AT&S Mission: “We industrialise leading-edge technologies” is having an impact. AT&S generated about 20% of its revenues with innovative products launched onto the market during the last three years. These products are the result of our consistent business and innovation strategy which has the further expansion of technological leadership as its goal. AT&S has set the target of achieving an Innovation Revenue Rate (IRR) of at least 20% each year. This is intended not only to make a significant contribution to revenue generation, but also as an expression of our major point of differentiation from the competition. Last year, this figure was 29.2%. The decline is attributable to the maturity of certain generations of technology during financial year 2015/16.

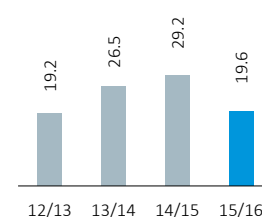
The electronics industry is currently undergoing profound change. This was triggered by the slowdown in the speed of development in processor technology. (Remark: Moore’s Law, which says that the complexity of integrated circuits always doubles within 12 to 24 months, is no longer valid.) This creates completely new opportunities for certain segments of the electronics supply chain: specifically for the packaging, substrate and printed circuit board industry. Many new functions and features can be produced with significantly less development expense than would be needed to produce them on chips. The further development in our areas of business will have an enormous impact on the entire electronics market in the next several years. AT&S is anticipating these trends by taking them into account in our short- and long-term focus areas for development.

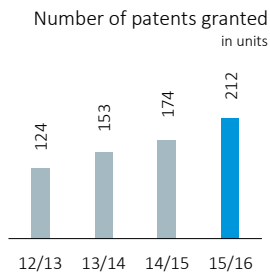
### R&D FOCUS AREAS IN THE PAST FINANCIAL YEAR

- Flexibility/Design: integration of electronics in the smallest of spaces and interconnection of electronic modules
- Miniaturisation/Weight reduction: devices are becoming increasingly smaller, lighter and more powerful – interconnection electronics need to create the foundation
- Modularisation/Packages: new, highly integrated modules to achieve the tightest packing density and highest performance capacity for a simplified value creation chain
- High speed/High frequencies: contactless communication of people and devices with large volumes of data and radar applications for self-driving cars and work equipment
- Power electronics/High currents: energy-efficient mobility implies the electrification of mobility – mechanical solutions are being replaced by energy-saving electronic solutions
- Production processes/Business models: use of data to optimise and improve production processes; integration of new and incremental steps in the value creation chain and more efficient use of resources in production

Research and development costs in financial year 2015/16 amounted to € 95.5 million. This corresponds to a research rate (i.e. ratio to revenue) of 12.5% compared to 8.7% in the previous year. The figure for financial year 2015/16 was heavily influenced by high development costs for the substrate technology. Adjusted for this special project, the research rate was 4.5%, and the associated research and development expenses increased by € 6.3 million or 22.3% to € 34.4 million (previous year: € 28.2 million). This research rate is the basis for securing our position as a technology leader in the coming years.

Innovation Revenue Rate (IRR)  
in %





Our innovative strength and long-term competitiveness is also demonstrated in the number and quality of our patents. In financial year 2015/16, AT&S submitted 46 new applications for patents. AT&S now has 162 patent families, resulting in 212 granted patents.

We ensure efficiency in our development through close cooperation with customers, suppliers and research institutions. Internally, AT&S pursues a two-stage innovation process. Development activities in the fields of materials, processes and applications are carried out at the AT&S research institutions in Leoben to the point where the basic technological feasibility has been demonstrated. This area thus covers applied research and technology evaluation. After that, it is the responsibility of the local departments that have responsibility for technology development and implementation situated at AT&S sites worldwide to continue the experimental development of products and processes in order to then integrate them within existing production operations.

**HIGHLIGHTS FROM RESEARCH AND DEVELOPMENT PROJECTS** In February 2016, after around 17 months of extensive development and intense effort, certification was completed for serial production of the first generation of IC substrates at Plant 1 in Chongqing. To obtain this certification, all facilities and hundreds of process steps had to be precisely defined and test substrate produced under serial-production conditions. This step signified the start of serial production for the first of two production lines, for the present. AT&S will be manufacturing IC substrate – so-called flip-chip ball grid array substrates – for use in micro-processors. AT&S thus becomes the first manufacturer of high-end IC substrates in China.

In the area of high-end high density interconnects (HDI), currently the core business, AT&S continued to develop the next generation of printed circuit boards, known as substrate-like printed circuit boards. The development of this technology made further advances at our Shanghai site by means of a test line, and even is leading to technological enhancement for the entire site. Serial production will take place at an additional plant at the site in Chongqing. The significant technological leap that comes with substrate-like printed circuit boards will be introduced in the second half of 2016. It will enable an entirely new generation of products with respect to miniaturisation and increasing the performance capacity of the products in our core business.

The trend continues toward higher currents on the printed circuit board and the related need for integrated thermal management in printed circuit boards and electronic modules, and clearly shows that the development by AT&S of the past years now is proving to be fertile ground. The driver behind this trend is rising electro-mobility and the future vision of autonomous driving. The new AT&S solutions for power electronics, which were developed as part of an international network, have generated great interest from customers. AT&S packaging solutions have been mirrored internationally, for example in the "Little Box Challenge" put forth by Google for the smallest 2kV power inverter. As a result of the development work carried out by AT&S, it was possible to reduce the volume by a factor of more than 10 compared to today's conventional inverters.

AT&S focuses increasingly on the deployment of Industry 4.0 methods in its production processes. Data from the manufacturing process is drawn upon to optimise product properties and the efficiency of the process flow. In recent years, AT&S has already introduced a "Manufacturing Execution System" (MES) at some sites, enabling process monitoring and control with data in real time. In order to progress even further with these methods and introduce additional applications, AT&S is part of a European consortium consisting of 37 partners from different positions along the electronics value creation chain. This is where, in the next three years, new and coordinated solutions will be developed that reach beyond the current boundaries in the value creation chain, which cannot be described here for competitive reasons.

# 6. Risk and opportunities management

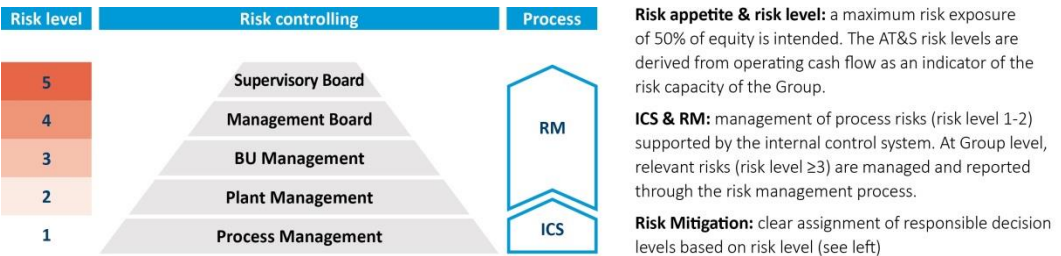
**PRINCIPLES, STRUCTURES AND PROCESSES** Risk and opportunities management is a fundamental part of conducting business within the AT&S Group. The target to increase enterprise value involves not just opportunities but also the taking of risks as well. In order to identify risks at an early stage and 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 Revision 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 inclusion of the Supervisory Board takes place within the framework of the twice yearly Audit Committee meeting. 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 2015/16** In addition to the expansion of the AT&S risk map and deeper integration of risk management at all sites, a consistent Group-wide quantitative evaluation method for all risks and opportunities was established in the past financial year. Uniform Group-wide documentation as part of the internal control system is ensured by the risk management software developed by AT&S for all significant processes and sites. As a result of further development of this software, also in the past financial year, the execution and documentation of the entire risk management process now takes place through this application as of the start of financial year 2016/17.



**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. 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 strategy               | Significant risks & opportunities   | Trend | Risk mitigation & opportunity realisation   |
|-----------------------------|---|-------|---|
| <b>STRATEGY</b>             | Sales price development<br>Capacity utilisation, technology development, investments (substrate & substrate-like PCB) | ↗     | <ul style="list-style-type: none"> <li>Consistent focus on high-end technology and target applications</li> <li>Future technological and strategic site alignment</li> <li>Technology development projects and technology roadmap</li> <li>Strict project control, periodic strategy workshops</li> </ul> |
| <b>MARKET</b>               | Market and segment development<br>Development of key customers<br>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<br>Single-source risk<br>Supply chain risk  | ↘     | <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<br>Political risk   | →     | <ul style="list-style-type: none"> <li>Internal &amp; external audits, emergency practice, insurance</li> <li>Business programme management, insurance</li> </ul>   |
| <b>OPERATIONS</b>           | Quality performance<br>Intellectual property<br>Technical project management<br>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 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<br>Financing & liquidity<br>Tax risk  | →     | <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> </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

## Strategy

**INVESTMENTS** In order to make the most of growth potential and remain competitive, AT&S undertakes substantial investments in new forms of technology as well as in the further development and capacity expansion of existing technologies. There are particular opportunities to be gained from, but also risks to be taken into account, in association with, entering into the substrates business. Entering this new business segment was carried out through a strategic partnership with a leading global semiconductor manufacturer. Furthermore, the location at Chongqing in China offers competitive advantages over the largely Japanese dominated competition with respect to production costs.

Incorrect assessments of technological developments, changes in demand, and negative price developments can have severe adverse effects on the intrinsic value of investments. These effects could relate, in particular, to entry into the substrate business, building capacity for substrate-like printed circuit boards in Chongqing, but also to all current AT&S business activities as well.

**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 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 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.



Advanced Packaging, a technology which was introduced to the market under the ECP® brand name, also offers considerable potential in itself, and the successful industrialisation of this technology continues to be 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 56% 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 from these customers. Therefore, the ongoing expansion of AT&S's competitiveness as well as the continued broadening of its customer base and development of new product segments are of enormous significance to our ability to quickly compensate a possible decline in the sales volume of any one key customer.

Market

**MARKET PERFORMANCE** Emergence of a weak market environment in financial year 2016/17 could have an adverse impact 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. Currently, the trend is positive, and will be further reinforced through targeted implementation of the procurement strategy.

Procurement

**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 main 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. So, with few exceptions – such as in the IC substrates area for which the supplier base is smaller – alternative supplier options are available in order to respond to supply risks.

**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.

Business environment

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.

**FRAUD, DATA SECURITY AND CYBERCRIME** The rising number of ever-more professional attempts at fraud and cybercrime has also been noted by AT&S. To successfully prevent attempted fraud, in the past, internal controls were further intensified in the financial year 2015/16 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.

#### Operations

**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. Any technical defects, quality deficiencies or difficulties in delivering products may expose AT&S to warranty claims, claims for damages and contractual penalties, resulting in product recalls and the loss of customers. AT&S has established a quality management system designed to rule out deficiencies in product quality 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.

**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 Group's know-how regarding project and technology development, particularly in China, enables the Group to exploit further promising growth opportunities, such as the establishment and expansion of capacity for IC substrates and substrate-like printed circuit boards in Chongqing. At the same time, however, this entails special risks, also in view of the substantial volume of investments in the Chongqing project. Complications in the further technological development and project implementation might result in major burdens for business development as well as existing financial and administrative resources. With the successful qualification/certification of the substrate plant in Chongqing, the focus in the coming financial year will be on the ramp-up of serial production and continuous performance improvement, as well as the qualification of additional production lines.

**COST CONTROL** Strict cost control at all sites is essential for maintaining the competitiveness and profitability of the Group. Rising costs, for example caused by a substantial increase in wage costs, particularly at the production sites in China, might 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 means of the long-term forecasting of cash flows in each currency.

**FINANCING AND LIQUIDITY** To secure the financial needs for the expansion strategy, the Group uses long-term financial and liquidity planning. 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.

## 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. As far as possible, 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 2015, 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:<br>Karl-Waldbrunner-Platz 1, A-1210 Vienna | 6,902,380 | 17.77%    | 17.77%          |
| Androsch Privatstiftung:<br>Schottengasse 10, A-1010 Vienna           | 6,339,896 | 16.32%    | 16.32%          |

At the reporting date 31 March 2015, 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 2016, 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/de/unternehmen/corporate-governance/berichte/>.

## 9. Outlook

The effects of digitalisation, the continuous connecting of devices (Internet of Things) and the processing of large amounts of data will require sustained increases in the performance of electronic devices.

This rising penetration of nearly all applications with electronic technologies will result in continued growth for the electronics industry. The interconnection technologies will follow these trends both in terms of volume and technological development. By combining various known and new technologies, innovative solutions will emerge that can meet the demanding requirements.

Following the slow-down of growth in the area of communications devices (smartphones, tablets), it can be expected that new stimulus for further growth will be provided by the area of Internet of Things. At the same time, it can be expected that there will be no one "big thing" in the future, but rather many connected "smart things".

Against this background, AT&S will focus in the coming years even more intensely than it has thus far on rapidly industrialising new technologies and developing new high-end interconnection solutions for the future in combination with existing technologies. The plants in Chongqing will make a decisive contribution in this respect. Therefore, in financial year 2016/17, the focus will be on further utilisation of the first production line for IC substrates, ramp-up of the second production line for IC substrates toward the end of calendar year 2016, and ramp-up of the first production line for substrate-like printed circuit boards during the second half of calendar year 2016. In the core business, high-end printed circuit boards and embedding technology, AT&S will make continuous investments in technological developments at the existing sites in order to expand our leading market position.

In financial year 2016/17, in view of a weakened growth dynamic in some areas of existing customer segments as well as more intense competition, AT&S again expects stronger seasonality in certain financial quarters (primarily the first and fourth quarters of financial year 2016/17) and a continuous limited visibility. Provided that the macroeconomic environment remains stable, a USD-EUR currency ratio at a level similar to the previous financial year, 2015/16, and stable demand in the core business, Management assumes revenue growth in the coming financial year of 10–12%. Based on costs related to the ramp-up of Chongqing, the EBITDA margin is expected to be at a level of 18–20%; the EBITDA margin in the core business, however, will be at a similar level to financial year 2015/16. Higher, additional depreciation and amortisation of around € 40 million in the financial year 2016/17 for the project Chongqing will have a significant impact on EBIT.

Leoben-Hinterberg, 9 May 2016

The Management Board

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.

# Auditor's Report

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS** We have audited the accompanying consolidated financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, which comprise the consolidated balance sheet as of March 31, 2016, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year then ended, and the notes to the consolidated financial statements.

**MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS** Management is responsible for the preparation and fair presentation of the 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.

**AUDITOR'S RESPONSIBILITY** Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Austrian generally accepted auditing standards. These standards require the application of the International Standards on Auditing according to which we are to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION** Our audit did not give rise to any objections. In our opinion, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of March 31, 2016 and of its financial performance and its cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a UGB.

**COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP** Pursuant to statutory provisions, 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 other disclosures are not misleading with respect to the Group's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 9 May 2016

PwC Wirtschaftsprüfung GmbH

signed:

Jürgen Schauer  
Austrian Certified Public Accountant

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.

Disclosure, publication and duplication of the consolidated financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.





AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK  
AKTIENGESELLSCHAFT

## FINANCIAL STATEMENTS AS OF 31 MARCH 2016

### TABLE OF CONTENTS

|                                   | Page |
|-----------------------------------|------|
| Balance Sheet                     | 90   |
| Income Statement                  | 91   |
| Notes to the Financial Statements | 92   |

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

**BALANCE SHEET AS OF 31 MARCH 2016  
(Prior year for comparison)**

| <b>ASSETS</b>   | 31 March 2016<br>EUR  | 31 March 2015<br>EUR  | <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                  | 31 March 2016<br>EUR  | 31 March 2015<br>EUR  |
|---|-----------------------|-----------------------|--|-----------------------|-----------------------|
| <b>A. NON-CURRENT ASSETS</b>  |                       |                       | <b>A. SHAREHOLDERS' EQUITY</b>                               |                       |                       |
| I. Intangible assets  |                       |                       | I. Share capital   | 42,735,000.00         | 42,735,000.00         |
| 1. Industrial property rights and similar rights,<br>and licences thereto | 13,260,937.80         | 1,694,012.63          | II. Capital reserves   |                       |                       |
| 2. Prepayments  | 0.00                  | 7,691,700.00          | Appropriated   | 163,270,702.50        | 163,270,702.50        |
|   | 13,260,937.80         | 9,385,712.63          | III. Revenue reserves  |                       |                       |
| II. Property, plant and equipment   |                       |                       | 1. Statutory reserve   | 4,273,500.00          | 4,273,500.00          |
| 1. Buildings on third party land  | 840,999.53            | 611,367.12            | 2. Other reserves (Free reserves)                            | 17,505,782.55         | 17,505,782.55         |
| 2. Machinery and technical equipment                                      | 32,337,098.42         | 28,768,479.54         | IV. Unappropriated retained earnings                         | 40,075,119.15         | 36,874,815.29         |
| 3. Other assets, fixtures and furniture                                   | 2,028,965.94          | 1,576,425.17          | <i>thereof prior period unappropriated retained earnings</i> |                       |                       |
| 4. Prepayments and construction in progress                               | 1,959,256.58          | 945,834.35            |  | 22,888,815.29         | 7,964,956.75          |
|   | 37,166,320.47         | 31,902,106.18         |  | 267,860,104.20        | 264,659,800.34        |
| III. Financial assets   |                       |                       | <b>B. GOVERNMENT GRANTS</b>                                  | 2,113,368.93          | 1,101,517.19          |
| 1. Shares in affiliated companies   | 287,608,368.82        | 287,336,365.29        | <b>C. PROVISIONS</b>   |                       |                       |
| 2. Loans to affiliated companies  | 232,766,673.26        | 118,877,518.37        | 1. Provisions for severance payments                         | 17,647,683.84         | 17,352,576.72         |
| 3. Securities   | 92,003.81             | 92,003.81             | 2. Provisions for pensions                                   | 1,393,719.15          | 1,493,347.96          |
| 4. Other loans and advances   | 4,734,259.59          | 4,129,389.19          | 3. Tax provisions  | 610,537.00            | 579,097.00            |
|   | 525,201,305.48        | 410,435,276.66        | 4. Other provisions  | 33,695,478.33         | 32,384,374.89         |
|   | 575,628,563.75        | 451,723,095.47        |  | 53,347,418.32         | 51,809,396.57         |
| <b>B. CURRENT ASSETS</b>  |                       |                       | <b>D. LIABILITIES</b>  |                       |                       |
| I. Inventories  |                       |                       | 1. Bonds   | 75,500,000.00         | 100,000,000.00        |
| 1. Raw materials and supplies   | 5,732,352.62          | 5,814,145.90          | 2. Bank loans  | 78,018,510.30         | 89,502,376.60         |
| 2. Work in progress   | 4,461,707.62          | 3,983,561.73          | 3. Promissory note loans                                     | 288,335,830.77        | 158,902,568.61        |
| 3. Finished goods and goods for resale                                    | 15,268,534.26         | 13,804,625.68         | 4. Trade payables  | 19,292,266.94         | 8,747,239.18          |
|   | 25,462,594.50         | 23,602,333.31         | 5. Payables to affiliated companies                          | 19,960,434.98         | 14,417,458.98         |
| II. Receivables and other assets  |                       |                       | 6. Other liabilities,  | 7,535,904.83          | 8,062,163.06          |
| 1. Trade receivables  | 46,899,983.36         | 42,861,042.80         | <i>thereof taxes</i>   | 1,883,302.09          | 2,575,823.78          |
| 2. Receivables from affiliated companies                                  | 5,311,084.99          | 16,098,972.25         | <i>thereof social security payables</i>                      | 1,295,848.50          | 1,246,619.80          |
| 3. Other receivables and assets   | 5,430,606.24          | 6,650,635.02          |  | 488,642,947.82        | 379,631,806.43        |
|   | 57,641,674.59         | 65,610,650.07         |  |                       |                       |
| III. Securities and shares  |                       |                       |  |                       |                       |
| 1. Other securities and shares  | 631,000.00            | 732,000.00            |  |                       |                       |
|   | 631,000.00            | 732,000.00            |  |                       |                       |
| IV. Cash on hand, bank balances   | 151,264,306.87        | 154,118,346.52        |  |                       |                       |
|   | 234,999,575.96        | 244,063,329.90        |  |                       |                       |
| <b>C. PREPAID EXPENSES AND DEFERRED CHARGES</b>                           | 1,335,699.56          | 1,416,095.16          |  |                       |                       |
| <b>TOTAL ASSETS</b>   | <b>811,963,839.27</b> | <b>697,202,520.53</b> | <b>TOTAL EQUITY AND LIABILITIES</b>                          | <b>811,963,839.27</b> | <b>697,202,520.53</b> |
|   |                       |                       | <b>CONTINGENT LIABILITIES</b>                                | 0.00                  | 51,317.25             |

**AT & S AUSTRIA TECHNOLOGIE & SYSTEMTECHNIK AKTIENGESELLSCHAFT**  
**LEOBEN-HINTERBERG**  
**INCOME STATEMENT FOR THE PERIOD**  
**FROM 1 APRIL 2015 TO 31 MARCH 2016**  
**(Prior year for comparison)**

|  | 2015/16<br>EUR              | 2014/15<br>EUR              |
|--|-----------------------------|-----------------------------|
| 1. Revenue   | 334,328,645.58              | 290,005,915.37              |
| 2. Changes in inventories of work in progress and finished goods                             | 474,854.54                  | 448,513.65                  |
| 3. Other own work capitalized  | 58,305.07                   | 556,205.00                  |
| 4. Other operating income  |                             |                             |
| a) Income from disposal of non-current assets excluding financial assets                     | 111,317.21                  | 19,728.46                   |
| b) Income from the reversal of provisions  | 10,246.79                   | 658,346.87                  |
| c) Other   | 27,867,158.57               | 32,036,941.94               |
| 5. Cost of materials and purchased services  |                             |                             |
| a) Cost of materials   | -220,242,777.40             | -183,308,000.83             |
| b) Cost of purchased services  | -15,806,773.62              | -14,323,795.80              |
| 6. Staff costs   |                             |                             |
| a) Wages   | -22,415,578.02              | -22,036,229.26              |
| b) Salaries  | -34,795,531.81              | -32,584,378.58              |
| c) Expenses for severance payments and contributions to staff provision funds                | -2,362,193.95               | -2,026,422.02               |
| d) Expenses for pensions   | -446,290.40                 | -461,298.40                 |
| e) Expenses for statutory social security, payroll-related taxes and mandatory contributions | -14,104,882.51              | -13,578,705.95              |
| f) Other social benefits   | -625,718.74                 | -680,988.17                 |
| 7. Depreciation and amortization   |                             |                             |
| a) of Property, plant and equipment and intangible assets                                    | -10,690,585.57              | -7,514,592.92               |
| b) less amortization of government grants  | 163,620.00                  | 311,593.50                  |
| 8. Other operating expenses  |                             |                             |
| a) Taxes not included in line 20   | -206,851.06                 | -213,227.51                 |
| b) Other   | -36,202,144.29              | -29,755,000.04              |
| <b>9. Subtotal of lines 1 to 8 (Operating result)</b>  | <b><u>5,114,820.39</u></b>  | <b><u>17,554,605.31</u></b> |
| 10. Income from participating interests  | 15,000,000.00               | 11,166,476.56               |
| <i>thereof from affiliated companies</i>   | <i>15,000,000.00</i>        | <i>11,166,476.56</i>        |
| 11. Income from other long-term securities and loans   | 8,516,850.92                | 5,398,679.70                |
| <i>thereof from affiliated companies</i>   | <i>8,508,621.92</i>         | <i>5,390,450.70</i>         |
| 12. Other interest and similar income  | 2,315,437.60                | 1,548,957.85                |
| <i>thereof from affiliated companies</i>   | <i>0.00</i>                 | <i>304.33</i>               |
| 13. Income from the disposal and write-up of fixed financial assets and current securities   | 7,628,427.11                | 14,452,851.77               |
| a) Income from affiliated companies  | 5,853,480.33                | 14,384,591.61               |
| therof from write-up   | 1,581,384.08                | 12,372,000.00               |
| 14. Expenses on fixed financial assets and current securities                                | -4,631,840.05               | -235,268.44                 |
| <i>thereof relating to affiliated companies</i>  | <i>-4,530,840.05</i>        | <i>-235,268.44</i>          |
| 15. Interest and similar expenses  | -16,264,435.43              | -21,697,926.11              |
| <b>16. Subtotal of lines 10 to 15 (Financial result)</b>                                     | <b><u>12,564,440.15</u></b> | <b><u>10,633,771.33</u></b> |
| <b>17. Net operating income</b>  | <b>17,679,260.54</b>        | <b>28,188,376.64</b>        |
| 18. extraordinary income   | 0.00                        | 1,612,267.31                |
| <b>19. extraordinary result</b>  | <b>0.00</b>                 | <b>1,612,267.31</b>         |
| 20. Taxes on income  | -492,956.68                 | -890,785.41                 |
| <b>21. Net income for the year</b>   | <b>17,186,303.86</b>        | <b>28,909,858.54</b>        |
| 22. Prior period unappropriated retained earnings carried forward                            | 22,888,815.29               | 7,964,956.75                |
| <b>23. Unappropriated retained earnings</b>  | <b><u>40,075,119.15</u></b> | <b><u>36,874,815.29</u></b> |

# NOTES TO THE FINANCIAL STATEMENTS

## TABLE OF CONTENTS

|  | Page |
|--|------|
| 1. GENERAL INFORMATION.....  | 93   |
| 2. GROUP RELATIONS AND RESTRUCTURING OPERATIONS.....                                       | 93   |
| 3. ACCOUNTING AND VALUATION METHODS.....   | 93   |
| 3.1. Non-current assets.....   | 93   |
| 3.2. Current assets .....  | 94   |
| 3.3. Provisions .....  | 94   |
| 3.4. Liabilities.....  | 95   |
| 4. BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS .....                                     | 95   |
| 4.1. Non-current assets.....   | 95   |
| 4.2. Additional disclosures pursuant to Section 238 No. 2 UGB.....                         | 97   |
| 4.3. Loans pursuant to Section 227 UGB .....   | 97   |
| 4.4. Receivables and other assets .....  | 98   |
| 4.5. Shareholders' equity.....   | 99   |
| 4.6. Provisions .....  | 101  |
| 4.7. Liabilities.....  | 105  |
| 4.8. Collaterals.....  | 106  |
| 4.9. Contingent liabilities pursuant to Section 199 UGB.....                               | 106  |
| 4.10. Obligations from the use of tangible assets not recognised in the balance sheet..... | 107  |
| 4.11. Derivative financial instruments .....   | 107  |
| 5. COMMENTS ON INCOME STATEMENT ITEMS.....   | 108  |
| 6. ADDITIONAL DISCLOSURES PURSUANT TO THE AUSTRIAN COMMERCIAL CODE (UGB).....              | 109  |
| 6.1. Capitalisable deferred taxes .....  | 109  |
| 6.2. Taxes on income .....   | 109  |
| 6.3. Board members, employees .....  | 110  |

## 1. GENERAL INFORMATION

The financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (hereinafter referred to as “AT&S”) as of 31 March 2016 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 2016, as well as of the results of its operations for the year then ended.

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.

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 241 (3) UGB (*nondisclosure*).

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

- In the financial year the remaining 1.24 % of outstanding shares of AT&S Korea Co., Ltd. were bought from the former shareholders in total of EUR 272,003.53 so that AT&S became 100 % owner of AT&S Korea Co., Ltd.
- AT & S Klagenfurt Leiterplatten GmbH in Liqu., Leoben, which had already been in liquidation on 1 April 2015, was deleted from the Austrian companies register on 8 September 2015.

## 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  |
| Buildings on third party land        | 10 - 15 years |
| Machinery and technical equipment    | 5 - 15 years  |
| Other assets, fixtures and furniture | 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.

At 31 March 2016, production costs of work in process and finished goods were determined based on full costs as provided by the option set forth under Section 203 (3) UGB.

**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. With regard to current securities, write-ups in the amount of EUR 0.00 (prior year: EUR 48,400.00) were omitted for tax purposes.

### 3.3. 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 2.00 % (prior year: 1.70 %) 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 made taking into account the provisions of the expert opinion KFS/RL 2 and 3 dated 5 May 2004 by the Institute of Business Administration, Tax Law and Organisation of the Chamber of Public Accountants and Tax Advisors. 2.50 % as a value adjustment for salaries and wages were recognised (prior year: 3.00 %). The defined benefit obligation (DBO) amounts to EUR 19,457,950.00 (prior year: EUR 20,067,976.00) 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 2015/16, thus one-fifth of this amount, or EUR 905,132.72 was recognised in the income statement.

By the increase in the interest rate results in an interest income of EUR 1,909,848.00 (prior year: expense of EUR 3,635,241.00), which is presented 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 2.00 % (prior year: 1.70 %) 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 1,393,719.00 (prior year: EUR 1,493,348.00) at the balance sheet date. Moreover, pension obligations were in part transferred to APK Pensionskasse Aktiengesellschaft, Vienna.

The change in the interest rate results in an interest income of EUR 53,413.00 (prior year: expense of EUR 268,401.00), which is presented 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 2.00 % (prior year: 1.70 %) as well as taking into account company-specific staff turnover by using an adequate turnover rate. 2.50 % as a value adjustment for salaries and wages were recognised (prior year: 3.00 %).

Persuant 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.

The change in the interest rate results in an interest income of EUR 221,020.00 (prior year: expense of EUR 486,977.00), which is presented in the financial result.

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

### 3.4. *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.

## 4. BREAKDOWN AND COMMENTS ON BALANCE SHEET ITEMS

### 4.1. *Non-current assets*

Reference is made to page 96 for the development of non-current asset items.

## AT&S Austria Technologie & Systemtechnik Aktiengesellschaft

### Non-current assets movement statement for the year ended 31 March 2016

|  | Acquisition/Production cost             |                  |                  |                  |                                       | Accumulated<br>amortisation/<br>depreciation<br>31 March 2016<br>EUR | Book value<br>31 March 2016<br>EUR | Book value<br>31 March 2015<br>EUR | Amortisation/<br>depreciation<br>current year<br>EUR | write-up<br>current year<br>EUR |
|--|---|------------------|------------------|------------------|---------------------------------------|--|------------------------------------|------------------------------------|--|---------------------------------|
|  | Acquisition cost<br>1 April 2015<br>EUR | Additions<br>EUR | Disposals<br>EUR | Transfers<br>EUR | Balance as of<br>31 March 2016<br>EUR |  |                                    |                                    |  |                                 |
| <b>I. Intangible assets</b>  |   |                  |                  |                  |                                       |  |                                    |                                    |  |                                 |
| <b>1. Industrial property and similar rights and assets, and licenses and licences thereto</b> | 14,779,463.48                           | 5,833,612.20     | 415,574.25       | 7,703,987.00     | 27,901,488.43                         | 14,640,550.63  | 13,260,937.80                      | 1,694,012.63                       | 1,970,674.03   | 0.00                            |
| <i>thereof low-value assets</i>  |   | 353,716.43       | 353,716.43       |                  |                                       |  |                                    |                                    | 353,716.43   | 0.00                            |
| <b>2. Prepayments</b>  | 7,691,700.00                            | 0.00             | 0.00             | -7,691,700.00    | 0.00                                  | 0.00   | 0.00                               | 7,691,700.00                       | 0.00   | 0.00                            |
| Subtotal   | 22,471,163.48                           | 5,833,612.20     | 415,574.25       | 12,287.00        | 27,901,488.43                         | 14,640,550.63  | 13,260,937.80                      | 9,385,712.63                       | 1,970,674.03   | 0.00                            |
| <b>II. Property, plant and equipment</b>   |   |                  |                  |                  |                                       |  |                                    |                                    |  |                                 |
| <b>1. Buildings on third party land</b>  | 934,758.44                              | 344,793.05       | 0.00             | 4,365.00         | 1,283,916.49                          | 442,916.96   | 840,999.53                         | 611,367.12                         | 119,525.64   | 0.00                            |
| <b>2. Machinery and technical equipment</b>  | 200,170,397.63                          | 10,224,782.94    | 10,780,589.44    | 890,182.35       | 200,504,773.48                        | 168,167,675.06   | 32,337,098.42                      | 28,768,479.54                      | 7,531,551.78   | 0.00                            |
| <b>3. Other assets, fixtures and furniture</b>   | 14,432,880.08                           | 1,523,541.12     | 2,085,866.40     | 0.00             | 13,870,554.80                         | 11,841,588.86  | 2,028,965.94                       | 1,576,425.17                       | 1,068,834.12   | 0.00                            |
| <i>thereof low-value assets</i>  |   | 228,290.41       | 228,290.41       |                  |                                       |  |                                    |                                    | 228,290.41   | 0.00                            |
| <b>4. Prepayments and construction in progress</b>   | 945,834.35                              | 1,920,256.58     | 0.00             | -906,834.35      | 1,959,256.58                          | 0.00   | 1,959,256.58                       | 945,834.35                         | 0.00   | 0.00                            |
| Subtotal   | 216,483,870.50                          | 14,013,373.69    | 12,866,455.84    | -12,287.00       | 217,618,501.35                        | 180,452,180.88   | 37,166,320.47                      | 31,902,106.18                      | 8,719,911.54   | 0.00                            |
| <b>III. Financial assets</b>   |   |                  |                  |                  |                                       |  |                                    |                                    |  |                                 |
| <b>1. Shares in affiliated companies</b>   | 311,672,066.62                          | 272,003.53       | 1,773,196.18     | 0.00             | 310,170,873.97                        | 22,562,505.15  | 287,608,368.82                     | 287,336,365.29                     | 0.00   | 0.00                            |
| <b>2. Loans to affiliated companies</b>  | 121,021,352.18                          | 144,611,128.34   | 28,334,967.21    | 0.00             | 237,297,513.31                        | 4,530,840.05   | 232,766,673.26                     | 118,877,518.37                     | 4,530,840.95   | 1,581,384.08                    |
| <b>3. Securities</b>   | 92,003.81                               | 0.00             | 0.00             | 0.00             | 92,003.81                             | 0.00   | 92,003.81                          | 92,003.81                          | 0.00   | 0.00                            |
| <b>4. Other loans and advances</b>   | 4,129,389.19                            | 604,870.40       | 0.00             | 0.00             | 4,734,259.59                          | 0.00   | 4,734,259.59                       | 4,129,389.19                       | 0.00   | 0.00                            |
| Subtotal   | 436,914,811.80                          | 145,488,002.27   | 30,108,163.39    | 0.00             | 552,294,650.68                        | 27,093,345.20  | 525,201,305.48                     | 410,435,276.66                     | 4,530,840.95   | 1,581,384.08                    |
| <b>Total</b>   | 675,869,845.78                          | 165,334,988.16   | 43,390,193.48    | 0.00             | 797,814,640.46                        | 222,186,076.71   | 575,628,563.75                     | 451,723,095.47                     | 15,221,426.52  | 1,581,384.08                    |



#### 4.2. Additional disclosures pursuant to Section 238 No. 2 UGB

|  | Book value<br>31 March 2016<br>EUR | Share<br>% | Shareholders'<br>equity<br>EUR | Result of the<br>past financial<br>year<br>EUR | Book value<br>31 March 2015<br>EUR |
|--|------------------------------------|------------|--------------------------------|--|------------------------------------|
| <b>Shares in affiliated companies</b>                              |                                    |            |                                |  |                                    |
| AT&S Deutschland GmbH, Nörvenich,<br>Germany                       | 1,053,000.00                       | 100        | 643,958.37                     | 119,917.42 <sup>1)</sup>                       | 1,053,000.00                       |
| AT&S India Private Limited, Nanjangud,<br>India                    | 16,898,516.89                      | 100        | 9,065,087.88                   | -738,926.27 <sup>1)</sup>                      | 16,898,516.89                      |
| AT & S Klagenfurt Leiterplatten GmbH in<br>Liqu., Leoben           | 0.00                               | 100        | 0.00                           | 121.68 <sup>2)</sup>                           | 0.00                               |
| AT&S Asia Pacific Limited, Hongkong,<br>People's Republic of China | 229,768,865.92                     | 100        | 249,767,532.13                 | 17,829,184.07 <sup>1)</sup>                    | 229,768,865.92                     |
| AT&S Korea Co., Ltd., Ansan-City,<br>South Korea                   | 39,881,541.67                      | 100        | 23,888,412.60                  | 8,509,593.00 <sup>1)</sup>                     | 39,609,538.14                      |
| AT&S Americas, LLC, San José,<br>California, USA                   | 6,444.34                           | 100        | 530,744.05                     | 306,434.70 <sup>1)</sup>                       | 6,444.34                           |
| <b>Total</b>   | <b>287,608,368.82</b>              |            |                                |  | <b>287,336,365.29</b>              |

<sup>1)</sup> Figures based on International Accounting Standards as of 31 March 2016

<sup>2)</sup> Net operating income from 1 April 2015 to 30 June 2015 pursuant to the Austrian Commercial Code (UGB)

The liquidation closing balance sheet as of 30 June 2015 for AT & S Klagenfurt Leiterplatten GmbH in Liqu, Leoben shows a net loss of EUR 469,764.69 for the liquidation period from 1 April 2013 to 30 June 2015.

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. In fiscal year 2015/16, a write-up of EUR 0.00 (prior year: EUR 12,372,000.00) was recorded.

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

The item „Loans to affiliated companies“ includes an amount of EUR 6,343,451.88 (prior year: EUR 14,254,012.45) which falls due within one year.

In connection with the loans write-ups in the amount to EUR 1,581,384.88 were recorded. In the prior year write-ups in the amount to EUR 2,143,833.81 in connection with the loans were omitted due to tax reasons.

#### 4.4. Receivables and other assets

##### 4.4.1. Additional disclosures pursuant to Section 225 (3) and Section 226 (5) UGB

|                                       | Book value<br>as of<br><b>31 March 2016</b><br>EUR | of which with<br>a remaining<br>maturity<br>> 1 year<br>EUR |
|---------------------------------------|--|---|
| Trade receivables                     | 46,899,983.36                                      | 0.00  |
| Receivables from affiliated companies | 5,311,084.99                                       | 0.00  |
| Other receivables and assets          | 5,430,606.24                                       | 0.00  |
| <b>Total</b>                          | <b>57,641,674.59</b>                               | <b>0.00</b>   |

|                                       | Book value<br>as of<br><b>31 March 2015</b><br>EUR | of which with<br>a remaining<br>maturity<br>> 1 year<br>EUR |
|---------------------------------------|--|---|
| Trade receivables                     | 42,861,042.80                                      | 0.00  |
| Receivables from affiliated companies | 16,098,972.25                                      | 0.00  |
| Other receivables and assets          | 6,650,635.02                                       | 0.00  |
| <b>Total</b>                          | <b>65,610,650.07</b>                               | <b>0.00</b>   |

The Company's receivables from affiliated companies include trade receivables in the amount of EUR 5,311,084.99 (prior year EUR 4,932,495.69) and other receivables in the amount of EUR 0.00 (prior year: EUR 11,166,476.56)

##### 4.4.2. 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:

|                                | <b>31 March 2016</b><br>EUR | <b>31 March 2015</b><br>EUR |
|--------------------------------|-----------------------------|-----------------------------|
| Energy tax reimbursements      | 1,169,902.22                | 1,937,129.63                |
| Supplies rebates               | 0.00                        | 150,000.00                  |
| Research services              | 0.00                        | 6,307.67                    |
| Subsidy for partial retirement | 1,743.59                    | 1,273.30                    |
| Tax-free premiums              | 2,599,822.61                | 3,169,810.50                |
| <b>Total</b>                   | <b>3,771,468.42</b>         | <b>5,264,521.10</b>         |

## **4.5. Shareholders' equity**

### **4.5.1. Share capital**

The ordinary shares of the Company as of 31 March 2016 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.

### **4.5.2. 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.

### **4.5.3. Approved Treasury shares/Reserve for treasury shares**

By a resolution passed at the 21st Annual General Meeting on 9 July 2015, the Management Board was again 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 again 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 programmes),
- 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).

#### **4.5.4. *Limitation for the distributable profit***

According to Section 235 No. 1 UGB there is a limitation for the distributable profit amounted of EUR 1,581,384.08, resulting from the write-up of a loan to affiliated company (prior year: EUR 12,372,000.00 which results from the write-up of shares in affiliated company).

## 4.6. Provisions

### 4.6.1. Other provisions

Breakdown:

|  | 31 March 2016<br>EUR | 31 March 2015<br>EUR |
|--|----------------------|----------------------|
| Holidays not yet consumed                                      | 3,801,764.95         | 3,471,992.51         |
| Other personnel expenses                                       | 7,355,683.77         | 7,170,586.92         |
| Holiday bonus/Christmas bonus                                  | 2,210,017.37         | 2,100,464.13         |
| Anniversary bonuses  | 3,370,802.72         | 2,997,907.48         |
| Impending losses arising from derivative financial instruments | 3,871,064.90         | 3,776,562.83         |
| Compensatory time off  | 1,008,013.29         | 1,060,344.27         |
| Impending losses arising from pending transactions             | 1,030,037.28         | 531,286.98           |
| Warranty and claims  | 339,553.81           | 153,000.00           |
| Legal and advisory expenses                                    | 581,763.15           | 356,253.50           |
| Debtors' discounts   | 255,359.46           | 286,736.89           |
| Stock options  | 207,295.00           | 417,715.00           |
| Stock appreciation rights                                      | 743,237.00           | 397,262.00           |
| Restructuring of the plant Leoben-Hinterberg                   | 7,545,662.66         | 8,153,050.29         |
| Remuneration to the Supervisory Board                          | 437,200.00           | 291,150.00           |
| Customer bonuses   | 786,309.11           | 813,121.29           |
| Other provisions < EUR 150,000                                 | 151,713.86           | 406,940.80           |
| <b>Total</b>   | <b>33,695,478.33</b> | <b>32,384,374.89</b> |

The item „Restructuring of the plant Leoben-Hinterberg“ mainly includes 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.

#### 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<br>Gerstenmayer | Harald<br>Sommerer | Thomas<br>Obendrauf | Steen E.<br>Hansen | Heinz<br>Moitzi | Executive<br>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   | 0                       | 0                  | -30,000             | 0                  | 0               | -1,500                 | -31,500        |
| 1 April 2012      | 40,000                  | 0                  | 30,000              | 0                  | 30,000          | 18,500                 | 118,500        |
| thereof expired   | 0                       | 0                  | -30,000             | 0                  | 0               | -1,500                 | -31,500        |
| thereof exercised | -20,000                 | 0                  | 0                   | 0                  | 0               | -4,500                 | -24,500        |
| <b>Total</b>      | <b>60,000</b>           | <b>0</b>           | <b>0</b>            | <b>0</b>           | <b>60,000</b>   | <b>29,500</b>          | <b>149,500</b> |

The options exercised during the financial year had a value of EUR 134,629.00 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:                    | 1 April 2011 | 1 April 2012 |
|--------------------------------|--------------|--------------|
|                                | EUR          | EUR          |
| Fair value as of 31 March 2016 | 0.00         | 193,750.00   |

**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.

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 granted SAR on 1 April 2015 is EUR 21.40.

**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<br>Gerstenmayer | Karl<br>Asamer | Heinz<br>Moitzi | Executive<br>employees | Total          |
|-----------------|-------------------------|----------------|-----------------|------------------------|----------------|
|                 | Number                  | Number         | Number          | Number                 | Number         |
| 1 April 2014    | 40,000                  | 30,000         | 30,000          | 130,000                | 230,000        |
| thereof expired | 0                       | 0              | 0               | -5,000                 | -5,000         |
| 1 April 2015    | 40,000                  | 30,000         | 30,000          | 140,000                | 240,000        |
| thereof expired | 0                       | 0              | 0               | -5,000                 | -5,000         |
| <b>Total</b>    | <b>80,000</b>           | <b>60,000</b>  | <b>60,000</b>   | <b>260,000</b>         | <b>460,000</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><br>EUR | <b>1 April 2015</b><br>EUR |
|--------------------------------|----------------------------|----------------------------|
| Fair value as of 31 March 2016 | 831,744.00                 | 417,760.00                 |



## 4.7. Liabilities

### 4.7.1. Additional disclosure to liabilities

| Name:                            | Balance sheet<br>value as of<br><b>31 March 2016</b><br>EUR | Remaining maturity    |                                 |                             |
|----------------------------------|---|-----------------------|---------------------------------|-----------------------------|
|                                  |   | up to 1 year<br>EUR   | between 1 and 5<br>years<br>EUR | more than 5<br>years<br>EUR |
| Bonds                            | 75,500,000.00   | 75,500,000.00         | 0.00                            | 0.00                        |
| Bank loans                       | 78,018,510.30   | 43,518,510.30         | 34,500,000.00                   | 0.00                        |
| Promissory note loans            | 288,335,830.77  | 1,694,153.85          | 215,186,676.04                  | 71,455,000.88               |
| Trade payables                   | 19,292,266.94   | 19,292,266.94         | 0.00                            | 0.00                        |
| Payables to affiliated companies | 19,960,434.98   | 19,960,434.98         | 0.00                            | 0.00                        |
| Other liabilities                | 7,535,904.83  | 7,007,750.83          | 528,154.00                      | 0.00                        |
| <b>Total</b>                     | <b>488,642,947.82</b>                                       | <b>166,973,116.90</b> | <b>250,214,830.04</b>           | <b>71,455,000.88</b>        |

| Name:                            | Balance sheet<br>value as of<br><b>31 March 2015</b><br>EUR | Remaining maturity   |                                 |                             |
|----------------------------------|---|----------------------|---------------------------------|-----------------------------|
|                                  |   | up to 1 year<br>EUR  | between 1 and 5<br>years<br>EUR | more than 5<br>years<br>EUR |
| Bonds                            | 100,000,000.00  | 0.00                 | 100,000,000.00                  | 0.00                        |
| Bank loans                       | 89,502,376.60   | 43,502,376.60        | 46,000,000.00                   | 0.00                        |
| Promissory note loans            | 158,902,568.61  | 540,371.22           | 126,862,197.39                  | 31,500,000.00               |
| Trade payables                   | 8,747,239.18  | 8,747,239.18         | 0.00                            | 0.00                        |
| Payables to affiliated companies | 14,417,458.98   | 14,417,458.98        | 0.00                            | 0.00                        |
| Other liabilities                | 8,062,163.06  | 7,553,893.06         | 508,270.00                      | 0.00                        |
| <b>Total</b>                     | <b>379,631,806.43</b>                                       | <b>74,761,339.04</b> | <b>273,370,467.39</b>           | <b>31,500,000.00</b>        |

In fiscal year bonds were repurchased in the nominal amount of EUR 24,500,000.00 prematurely. Repurchased tranches should in principle be held to maturity in November 2016. For this reason, offsetting was carried out.

For a better presentation of the financial situation the liabilities of promissory note loans were presented in a separate balance sheet item. The prior year values were also adjusted.

Payables to affiliated companies include trade payables in the amount of EUR 19,960,434.98 (prior year: EUR 14,417,458.98).

#### 4.7.2. 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 2016<br>EUR | 31 March 2015<br>EUR |
|-------------------------------|----------------------|----------------------|
| Interest with regard to bonds | 1,385,890.41         | 1,821,917.81         |
| Regional health insurance     | 1,295,848.50         | 1,246,619.80         |
| Tax authority                 | 705,091.37           | 782,458.94           |
| Wages and salaries            | 226,253.24           | 128,940.56           |
| Communities                   | 102,832.62           | 100,278.12           |
| <b>Total</b>                  | <b>3,715,916.14</b>  | <b>4,080,215.23</b>  |

#### 4.8. Collaterals

|                                | Balance sheet value<br>as of<br>31 March 2016<br>EUR | Balance sheet value<br>as of<br>31 March 2015<br>EUR |
|--------------------------------|--|--|
| Bank loans                     | 78,018,510.30  | 89,502,376.60  |
| thereof secured by collaterals | 32,000,000.00  | 32,000,000.00  |

Assigned receivables are provided as collateral to banks.

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

|                                  | Balance<br>31 March 2016<br>EUR | Balance<br>31 March 2015<br>EUR |
|----------------------------------|---------------------------------|---------------------------------|
| From guarantees                  | 0.00                            | 51,317.25                       |
| of which to affiliated companies | 0.00                            | 51,317.25                       |

In the financial year 2002/03, a guarantee agreement was entered into between Deutsche Bank AG, Bangalore, India, and AT&S:

The assumption of liability for an operating loan of INR 180,000,000.00 (EUR 2,388,959.82) is expired in the fiscal year 2015/16. At the balance sheet date EUR 0.00 (prior year: EUR 51,317.25) are outstanding.

#### 4.10. Obligations from the use of tangible assets not recognised in the balance sheet

|   | In the following financial year<br>EUR | In the next 5 financial years<br>EUR |
|---|--|--------------------------------------|
| Obligations from sale and lease back transactions | 1,418,898.98                           | 7,094,494.90                         |
| Prior year:                                       | 1,472,154.42                           | 7,360,772.10                         |
| Obligations from rental agreements                | 626,565.64                             | 679,573.99                           |
| Prior year:                                       | 318,410.00                             | 768,609.00                           |
| <b>Total</b>                                      | <b>2,045,464.62</b>                    | <b>7,774,068.89</b>                  |
| Prior year:                                       | 1,790,564.42                           | 8,129,381.10                         |

#### 4.11. 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<br>31 March 2016 | Fair value in EUR<br>31 March 2016 | Book value in EUR<br>31 March 2016 |
|----------------------------------|---------------------------------|------------------------------------|------------------------------------|
| <b>Interest-related products</b> |                                 |                                    |                                    |
| Swaps                            | EUR 92,000,000.00               | -3,871,064.90                      | -3,871,064.90                      |
|                                  |                                 |                                    |                                    |
|                                  | Nominal amount<br>31 March 2015 | Fair value in EUR<br>31 March 2015 | Book value in EUR<br>31 March 2015 |
| <b>Interest-related products</b> |                                 |                                    |                                    |
| Swaps                            | EUR 92,000,000.00               | -3,776,562.83                      | -3,776,562.83                      |

The Promissory note loans (underlying transactions) for which interest swaps in total of MEUR 92 (nominal value) exists, were totally repaid in the fiscal year 2015/16.

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

| in months                        | 31 March 2016 | 31 March 2015 |
|----------------------------------|---------------|---------------|
| interest related products: Swaps | 35 - 59       | 47 - 71       |

## 5. COMMENTS ON INCOME STATEMENT ITEMS

|  | 2015/16<br>EUR         | 2014/15<br>EUR         |
|--|------------------------|------------------------|
| <b>1. Revenue</b>  |                        |                        |
| Abroad   | 312,219,602.09         | 265,694,121.45         |
| Domestic   | 22,109,043.49          | 24,311,793.92          |
| <b>Total</b>   | <b>334,328,645.58</b>  | <b>290,005,915.37</b>  |
|  |                        |                        |
|  | 2015/16<br>EUR         | 2014/15<br>EUR         |
| <b>2. Other operating income</b>   |                        |                        |
| Income from intercompany transactions  | 20,369,037.23          | 17,473,417.46          |
| Income from exchange differences   | 2,537,106.91           | 7,731,838.10           |
| Income from non-taxable premium  | 1,495,643.08           | 1,163,052.35           |
| Residual of other operating result   | 3,465,371.35           | 5,668,634.03           |
| <b>Total</b>   | <b>27,867,158.57</b>   | <b>32,036,941.94</b>   |
| <b>3. Staff costs</b>  |                        |                        |
| <b>a) Expenses for severance payments and contributions to staff provision funds</b> | <b>2015/16<br/>EUR</b> | <b>2014/15<br/>EUR</b> |
| Members of the Management Board and executive employees                              | 233,761.10             | 236,905.16             |
| Other employees  | 2,128,432.85           | 1,789,516.87           |
| <b>Total</b>   | <b>2,362,193.95</b>    | <b>2,026,422.02</b>    |

Expenses for severance payments and contributions to staff provision funds include severance payments in the amount of EUR 2,027,002.04 (prior year: EUR 1,738,337.45).

|   | 2015/16<br>EUR    | 2014/15<br>EUR    |
|---|-------------------|-------------------|
| <b>b) Expenses for pensions</b>                         |                   |                   |
| Members of the Management Board and executive employees | 75,565.16         | 73,053.80         |
| Other employees   | 370,725.24        | 388,244.60        |
| <b>Total</b>  | <b>446,290.40</b> | <b>461,298.40</b> |

| 4. | Other operating expenses                         | 2015/16<br>EUR       | 2014/15<br>EUR       |
|----|--|----------------------|----------------------|
|    | Third party services                             | 11,625,981.27        | 10,057,786.09        |
|    | Expenses from exchange differences               | 3,502,669.64         | 1,342,423.47         |
|    | Legal and consulting fees                        | 3,328,241.50         | 2,427,331.47         |
|    | Maintenance of factory building and equipment    | 2,860,420.10         | 2,728,576.58         |
|    | Freight outward customers                        | 2,402,655.07         | 2,128,043.81         |
|    | Rental and leasing expenses                      | 2,218,628.83         | 2,037,271.96         |
|    | Travel expenses                                  | 1,979,963.60         | 1,846,132.63         |
|    | Insurance expenses                               | 1,474,259.96         | 1,496,141.23         |
|    | Marketing costs and commissions for sales agents | 1,089,379.00         | 987,212.18           |
|    | Cost of cleaning of buildings                    | 665,516.36           | 625,315.34           |
|    | Loss of accounts receivable                      | 654,034.67           | 720,989.87           |
|    | Expenses for company car                         | 199,694.07           | 182,666.30           |
|    | Residual of other operating expenses             | 4,200,700.22         | 3,175,109.11         |
|    | <b>Total other operating expenses</b>            | <b>36,202,144.29</b> | <b>29,755,000.04</b> |

#### 5. Extraordinary income

In the prior year the extraordinary income includes a reversal for provision for restructuring amounted to EUR 1,612,267.31. The first-time recognition for the provision for restructuring was also recorded in the extraordinary result.

#### 6. 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. Capitalisable deferred taxes

The option to capitalise **deferred taxes assets** on temporary differences between the commercial result and tax result was not used. The capitalisable amount pursuant to Section 198 (10) UGB amounts to EUR 2,523,218.00 (prior year: EUR 2,809,009.00).

### 6.2. Taxes on income

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 current 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.

Based on the tax group, the position "taxes on income" was with EUR 28,189.84 (prior year: EUR 7,569.69) lower.

### 6.3. Board members, employees

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

|                    | 2015/16      | 2014/15      |
|--------------------|--------------|--------------|
| Waged workers      | 660          | 658          |
| Salaried employees | 451          | 420          |
| <b>Total</b>       | <b>1,111</b> | <b>1,078</b> |

#### 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
- Franz KATZBECK (until 28 January 2016)
- Siegfried TRAUCH (since 28 January 2016)
- Günther WÖFLER

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

| in TEUR              | 2015/16      |              |              | 2014/15           |              |              |
|----------------------|--------------|--------------|--------------|-------------------|--------------|--------------|
|                      | fixed        | variable     | Total        | fixed             | variable     | Total        |
| Andreas Gerstenmayer | 430          | 457          | 887          | 429               | 506          | 935          |
| Karl Asamer          | 376          | 277          | 653          | 374 <sup>1)</sup> | 301          | 675          |
| Heinz Moitzi         | 360          | 289          | 649          | 359               | 361          | 720          |
| <b>Total</b>         | <b>1,166</b> | <b>1,023</b> | <b>2,189</b> | <b>1,162</b>      | <b>1,168</b> | <b>2,330</b> |

1) The prior year figure has been adjusted slightly for a pro rata 13th and 14th monthly salary due to joining the Board on 1 April 2014

The variable portion of the remuneration of Mr. Andreas Gerstenmayer includes remuneration with regard to stock options in the amount of TEUR 111 (prior year: TEUR 124). The variable portion of the remuneration of Mr. Heinz Moitzi includes remuneration with regard to stock options in the amount of TEUR 0 (prior year: TEUR 43).

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 2016  | 31 March 2015  |
|----------------------|----------------|----------------|
| Andreas Gerstenmayer | 60,000         | 80,000         |
| Heinz Moitzi         | 60,000         | 60,000         |
| <b>Total</b>         | <b>120,000</b> | <b>140,000</b> |

As of 31 March 2016, the exercise price of EUR 16.60 (70,000 pieces) of the stock options granted to the Management Board as of 1 April 2011 and the exercise price of EUR 9.86 (50,000 pieces) as of 1 April 2012 exceeds or is less than the current price of the shares as of the balance sheet date (EUR 12.90).

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

|                      | 31 March 2016  | 31 March 2015  |
|----------------------|----------------|----------------|
| Andreas Gerstenmayer | 80,000         | 40,000         |
| Karl Asamer          | 60,000         | 30,000         |
| Heinz Moitzi         | 60,000         | 30,000         |
| <b>Total</b>         | <b>200,000</b> | <b>100,000</b> |

As of 31 March 2016, 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, is less than the current price of the shares as of the balance sheet date (EUR 12.90).

With regard to members of **the Supervisory Board**, remuneration in the amount of EUR 437,200.00 (prior year: EUR 291,150.00) 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<br>31 March 2016 | Balance<br>31 March 2015 | Change  |
| <b>Management Board</b>    |                          |                          |         |
| Andreas Gerstenmayer       | 10,000                   | 10,000                   | 0       |
| Karl Asamer                | 9,000                    | 4,000                    | + 5,000 |
| Heinz Moitzi               | 5,000                    | 2,786                    | + 2,214 |
| <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>\*)</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.

Leoben-Hinterberg, 9 May 2016

The Management Board:

Andreas GERSTENMAYER m.p.

Heinz MOITZI m.p.

Karl ASAMER m.p.



# Management Report 2015/16

## 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

Over the past two decades, the global market for printed circuit boards has been shaped by the growth and technological change in the electronics industry in general and, in particular, by end devices such as computers – from servers to desktops and notebooks – in addition to smartphones and tablets.

The extraordinary growth rates for smartphones and tablets have receded considerably, and the market for desktop and notebook computers is declining. The communication and computer segment continue to be the largest buyers of high-end printed circuit boards and substrates.

Contrary to the original estimates by Prismark, which projected average growth in 2015 of around 3% in the market for printed circuit boards and substrates year on year, the market recorded an overall decline of around 4%. AT&S Group, however, recorded organic growth of 5.2%. A deciding factor in the market downturn in 2015 was a weak demand in the computer segment and in consumer products. The likewise above-average decline in substrates of 8.9% was directly connected to the setback of 10% in the computer segment.

Based on the most recent estimates by Prismark, average annual market growth between 2015 and 2018 will be around 2%. As a result, the global printed circuit board market would not return to its 2014 volume until 2017.

Further reasons for the outlook of low growth for the overall market are the increasing miniaturisation and higher integration in the semiconductor industry as well as the integration of components into substrates and printed circuit boards, which reduces the area needed for these connection platforms. Particularly affected by this are providers in the middle and low-end technology segments. For providers of high-end technologies such as AT&S, these broad market forecasts require a more differentiating analysis.

The technological development of high-end printed circuit boards and substrates will continue to be driven in the next several years by applications in the communication and computer areas. These segments will continue to influence the architecture of the electronic components they need, including semiconductors, and not only accelerate the already rapid technological development of substrates and printed circuit boards, but also drive the convergence of the technologies they use.

According to Moore’s law, the continuous miniaturisation in the semiconductor industry will define the associated increase in power density – even if, in the future, it is no longer every two years but a longer interval instead. There will be a simultaneous reduction in semiconductor size and miniaturisation in printed circuit boards and substrates, and thus continued growth in HDI and microvia technology. Furthermore, additional miniaturisation potential will emerge through the combination of production processes and materials for high-end printed circuit boards with the processes and technologies from substrate production.

With the additional integration of components in substrate and printed circuit boards, measurements in all dimensions will become smaller.

The opportunities that arise from the intelligent combination of various technologies also mean new growth potentials for the printed circuit board industry. Thus the assembly service market, which today is controlled exclusively by electronic manufacturing services and original device manufacturing companies, opens up for manufacturers of high-end printed circuit boards and substrates through embedding technologies, as does the packaging market currently dominated by the semiconductor industry.

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

As such, society is poised at the start of the "Internet of Things" (IoT), – a logical technological development based on how internet-connected devices are used to improve the exchange of data, automate complex industrial processes, and generate valuable information. The potential of the "Internet of Things" (IoT) as the "next big thing" is most often assessed based on the growth in devices connected through the internet.

However, the latest studies by Yole expect that the strongest areas of growth in connection with IoT will not be end-devices such as wearables and sensors or smartphones and tablets, but rather the necessary infra-structure such as base stations for the transmission of data as well as powerful computers and data centres to process and store the rapidly increasing volume of data.

This development will significantly influence further growth of the entire electronics industry in all segments. Servers and storage media show the greatest growth potential in the computer segment with average annual increase of 5.7% until 2018, end-devices in the consumer segment at 5.8%, electronics for automobiles at 7.9%, industrial electronics at 8.0% and the market for medical electronics at 5.4%.

A printed circuit board is a connection platform for electrical, electronic and mechanical components. It enables the mechanical attachment and the electrical connection of resistors, capacitors, microprocessors, memory chips, sensors, connectors and many other components that are required for a fully functioning electronic system. Since nearly every electronic device contains one or more printed circuit boards, they are an indispensable part of our daily life.

Printed circuit boards consist of electrically insulating carrier material (usually fibreglass mats saturated in epoxy resin) with conductive connections attached to them (normally made of etched copper layers). There are countless types of printed circuit boards, ranging from single-layer to highly complex multilayer models. The complexity of printed circuit boards and the related requirements for the different production processes are determined by several factors. These factors are the number of layers, the vertical connections of the individual layers and their minimum hole diameter, line width and spacing as well as the surface finish. Progressive miniaturisation of electronic components in end devices while simultaneously enlarging their power density increases the requirements for and the complexity of printed circuit boards. For many years, AT&S has placed its focus on the production of highly complex printed circuit boards for the most sophisticated applications. Over 75% of group revenue is now generated in this top category of technology.

IC substrates represent cutting edge technology for connection platforms. The most important difference compared with printed circuit boards are the achievable structures – a minimum of less than 10µm is possible. Unlike in the production of printed circuit boards, however, the clean room requirements that must be met are far more complex, and alternative plating processes are required to form vertical connections. Other than traditional printed circuit boards, IC substrates may also consist of ceramic or glass materials.

**INTERNATIONAL MARKET DEVELOPMENT** The global printed circuit board market is strongly influenced by the highly developed but increasingly difficult to predict electronics industry. As a result of rapidly changing customer needs and the shifting global economic climate, the markets for end devices and semiconductors are subject to increasingly greater fluctuations. The printed circuit board industry is also subject to these macro trends which determine the demand for electronic devices and systems. Additionally, the imbalance between supply and demand, the progressing geographic migration, the price decline and the fierce competition exert an influence over this highly fragmented market. Globally, there were around 2,400 producers in 2014 (source: NTI, August 2015). The top 30 companies have a combined market share of around 60% (source: Prismark, February 2016).

Independent market analysts predict an average annual growth of about 2% for the global printed circuit board market until 2018 (source: Prismark, February 2016), expecting above-average growth rates of 5.8% for more advanced technologies such as any-layer printed circuit boards (source: Prismark, June 2015).

In 2015, global demand for printed circuit boards stood at US\$ 55.3 billion (source: Prismark, February 2016), representing a decline of 4% from the previous year.

**COMMUNICATION: SMARTPHONES REMAIN THE TECHNOLOGICAL GROWTH DRIVER IN THE ELECTRONICS INDUSTRY** With about 1.429 billion devices sold, the smartphone market was by far the largest segment of the global electronics industry in 2015, and

also the fastest growing (10% growth) year-on-year. Even if independent market analysts predict significantly lower average growth rates of about 6.6% for the coming years (source: IDC, December 2015), smartphones will remain the largest segment of the electronics industry.

The market for communications infrastructure will become more important again in the next several years as a result of the IoT and, beginning in 2019, with the introduction of fifth generation networks (5G). Based on the most recent forecasts, it should grow by 2.6% annually (source: Prismark, February 2016).

**COMPUTERS: THE “INTERNET OF THINGS” WILL GENERATE NEW GROWTH IN SERVERS AND STORAGE MEDIA** The market for computers – desktop, notebook and tablet – recorded a decline of around 9% in 2015. Contrary to original forecasts, even the tablet computer market, for which average growth of 13% p.a. had been expected (source: IDC, January 2014) declined for the first time in 2015, by around 11.4% from 2014 (source: Prismark, February 2016). For the coming years, steady demand is projected with different growth rates for the various end devices.

For server and storage computing devices, solid and sustained growth of about 5% is anticipated in the next several years due to continuing digitalisation and thus the rising volume of data, which must be analysed and stored (source: Prismark, February 2016).

**CONSUMER** The consumer market, which has significant demand for high-end printed circuit boards in products such as digital cameras, TVs and so-called smart devices like smart watches and fitness trackers, also experienced a decline in 2015, of 1.3%, as wearable applications did not break through on the market and digital cameras are being replaced by smartphones.

According to Prismark, there will be no growth in this market again in 2016 but will begin to grow again in 2017 at an average rate of around 5.8%. Growth will be driven primarily by 4K TVs, smart watches, consumer robots and handheld projectors.

**AUTOMOTIVE ELECTRONICS: ABOVE-AVERAGE GROWTH THROUGH NEW DEVICES** The share of the automotive market in electronic systems declined in value in 2015 by 8.1% on a US\$ basis. It is expected to grow by 7.9% annually until 2018 (source: Prismark, March 2016). Demand for printed circuit boards for automotive electronics is anticipated to grow by an annual average of 4.6% (source: Prismark, February 2016). Thus the growth rates for electronic systems for the automotive market as well as for printed circuit boards in this segment are significantly higher than the average overall figures for the global electronics industry.

In this segment, applications in the area of safety and information also drive the demand and the use of HDI and microvia printed circuit boards. The applications in which HDI and microvia printed circuit boards are now used extend from navigation, multimedia and infotainment systems to emergency calling and camera systems and electronic transmission control.

The concept of "autonomous driving" has sparked the development of central systems to collect the data and information from camera systems, radar and ultrasound sensors, analyse it, and ultimately control the relevant actuators for braking, stability and steering systems. These new central computers also need HDI technology because of the large volumes of data and the required data transfer speed.

**INDUSTRIAL ELECTRONICS** The industrial electronics systems market declined from 2014 to 2015 by 3.9%. In 2016, independent market analysts expect a growth rate of 4.8% (Source: Prismark, February 2016). The correlated growth in printed circuit boards for this segment is expected to about 3% for the same time period. (Source: Prismark, February 2016).

The industrial electronics segment continues to be heavily influenced by applications in the areas of measurement and control technology, power electronics, lighting systems as well as diagnostic instruments, RFID readers and also railway technology. In the future, M2M (machine-to-machine and machine-to-man) communication modules driven by Industry 4.0 activities will enable further growth in this segment.

**MEDICAL ELECTRONICS** The global market for medical electronics systems had a value of US\$ 99 billion in 2015 (source: Prismark, February 2016), representing stagnation year on year. The medical electronics market is characterised by a high level of complexity with regard to applications such as diagnostic and imaging devices, therapy applications, patient monitoring. Further areas of applications are surgical lighting, analytical instruments and molecular diagnostics. Prices for medical technology, devices and systems range from low two-digit US\$ amounts for fitness trackers to several 100,000 US\$ for a computer tomography system. Average annual growth of around 5.4% is expected until 2018.

**THE MARKET FOR IC SUBSTRATES** Independent market analysts calculate the volume of surface produced for 2014 of 7.5 million m<sup>2</sup> (Yole) or 7.4 million m<sup>2</sup> (Prismark), and volume for 2015 of 8.7 million m<sup>2</sup> (Yole) or 7.5 million m<sup>2</sup> (Prismark). Based on the Yole calculation, this represents growth of around 16%, and based on Prismark, growth of 1.2%. The forecasts for 2016 amount to 9.6 million m<sup>2</sup> (Yole) and 7.5 million m<sup>2</sup> (Prismark).

These differing estimates arise from diverging ways of defining the market for substrates, i.e. the inclusion of different substrate technologies such as wire-bond substrates versus flip-chip substrates or even chip-on-board and chip-on-flex interconnection platforms. The different estimates are also related to the prediction of demand for end uses and applications, which is becoming increasingly difficult.

The substrates market in recent years has been shaped primarily by growth in the smartphone industry and decline in the computer market. In the next several years, the Internet of Things will have a significant influence on further growth in the semiconductor industry and the associated demand for substrates. IoT is not a single application but rather the connection of end devices such as wearables and sensors with "gateways" such as smartphones or tablets. These gateways are connected through base stations via WiFi networks and process the data through servers and data centres in the cloud. Differing growth forecasts result from how certain factors are assessed, such as the demand for end devices or the required expansion of networks and data centres as the engine of IoT.

IC substrates are used in all segments of the electronics industry, and more than 80% of them in smartphones, desktop and notebook computers, tablets, servers and storage systems (source: Prismark, July 2014). In contrast to the large number of printed circuit board producers, there are only a few manufacturers of IC substrates, among which the top 10 providers jointly lay claim to more than 80% of the market (source: Prismark, July 2014). This environment presents AT&S with the opportunity in the coming years to establish itself as a leading provider to this high-tech segment.

**MINIATURISATION, FUNCTIONAL INTEGRATION AND MODULARISATION DETERMINE THE MARKET FOR EMBEDDED COMPONENT PACKAGING (ECP) AND EMBEDDED DIE PACKAGING** Embedded die packaging technology is still in the market introductory phase. Yole analysts estimate the total market volume for 2015 to be US\$ 27 million and predict a market increase until 2018, reaching a total volume of about US\$ 142 million. This corresponds to an average annual growth rate of about 73% (source: Yole, March 2015).

Paramount to ECP technology is miniaturisation by integrating components – and thus functionality – into the printed circuit board, as well as improved reliability of the interconnection technology between components and printed circuit board. Further challenges include increasing mechanical stability and improving thermal and electrical properties for applications in the high frequency area, for power electronics but also for audio applications and high-speed data transfer.

ECP technology focuses on two different areas. So-called packages or system-in-package (SiP) modules currently represent the largest part. Typical examples for application include power modules, MOSFET and IGBT applications, MEMS modules, sensor and camera modules, audio and radio modules as well as DC/DC converters.

The second area relates to motherboards (main boards), including applications such as highly reliable printed circuit boards for tough environmental conditions (e.g. engine control), notebooks, mobile internet devices, smartphones, hearing aid devices and integrated RFID solutions.

### 3. BUSINESS DEVELOPMENT

#### 3.1. Financial performance

In the financial year 2015/16, AT&S's **REVENUE** rose by EUR 44.3 million, or 15.3%, to EUR 334.3 million year-on-year, owing to an increase in merchandise sales with Asian subsidiaries.

The **EBIT-MARGIN** decreased from 6.1% in the past financial year to currently 1.1% in the financial year under review. The main reasons of the decrease were negative FX-effects and higher depreciation and amortisation.

The **FINANCIAL RESULT** amounted to EUR 12.5 million (prior year: EUR 10.6 million) has been positively influenced in the financial year 2015/16 by a subsidiary's dividend distribution in the amount of EUR 15.0 million (prior year: EUR 11.2 million). Income from loans to subsidiaries increased to EUR 8.5 million (prior year: EUR 5.4 million), due to higher loans to affiliated companies. Income from the disposal and write-up of fixed financial assets decreased to EUR 7.6 million (prior year: EUR 14.4 million), due to the write-up on investment in affiliates in the amount of EUR 12.4 million in prior year. Negative foreign currency valuations of EUR 4.6 million (prior year: EUR 0.0 million) are included in the expenses on fixed financial assets.

Interest expenses decreased in comparison with the prior year by EUR 5.4 million to EUR 16.2 million. Such decrease is mainly caused by lower social capital interest that had a negative impact of EUR 5.0 million in the prior year.

In the prior financial year the **EXTRAORDINARY RESULT** contained a reversal of a restructuring reserve of EUR 1.6 million. There was no extraordinary result in the current financial year.

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 EUR 17.2 million (prior year: EUR 28.9 million).

#### 3.2. Financial position

As a result from investments in technological upgrades, the book value of **PROPERTY, PLANT AND EQUIPMENT** rose from EUR 31.9 million to EUR 37.2 million. The book value of **INTANGIBLE ASSETS** increased from EUR 9.4 million to EUR 13.2 million.

The **SHARES IN AFFILIATED COMPANIES** increased from EUR 287.3 million to EUR 287.6 million due to the acquisition of the residual shares in AT&S Korea Co., Ltd. in the current financial year. The book value of loans to affiliated companies increased from EUR 118.9 million to EUR 232.8 million.

In the short term **CURRENT ASSETS** the inventories slightly increased from EUR 23.6 million to EUR 25.5 million due to higher merchandise. The decline of receivables and other assets from EUR 65.6 million to EUR 57.6 million is based on omission of dividends receivable which overcompensated the increase of sales-related trade receivables.

Liquid funds slightly declined from EUR 154.1 million to EUR 151.3 million.

At the balance sheet date 31 March 2016, the **SHAREHOLDERS' EQUITY** increased from EUR 264.7 million to EUR 267.9 million. The increase was caused by the net income for the year of EUR 17.2 million which overcompensated the dividend payment of EUR 14.0 million. At the balance sheet date, the equity ratio had decreased from 38.0% to 33.0% due to the increase in total assets.

In the financial year 2015/16, AT&S's **NET DEBT** increased from EUR 193.6 million to currently EUR 290.0 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 73.1% in the previous year to 108.2%.

### 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                          | 2015/16 | 2014/15 | 2013/14 |
|---|---------|---------|---------|
| Net cash flow from operating activities | 54.0    | 17.3    | 32.4    |
| Net cash flow from investing activities | -137.4  | -46.7   | -13.2   |
| Net cash flow from financing activities | 80.5    | -19.3   | 161.2   |

The net cash flow from operating activities increased in the financial year 2015/16. The higher operating cash flow of EUR 31.2 million mainly results by higher payables and lower receivables of EUR 17.3 million to EUR 54.0 million.

With respect to investing activities, AT&S invested a total of EUR 19.7 million in intangible and tangible assets in the financial year 2015/16. These payments and higher loans to affiliated companies resulted in a net cash flow from investing activities in the amount of EUR -137.4 million.

By placement of promissory note loans in the amount of EUR 221.0 million the early redemption of the variable part of old promissory note loan, premature bond redemptions, scheduled loan repayments and dividends payment could be paid. The remaining net cash flow of EUR 80.5 million is used for refinancing the bond due in November 2016.

#### 4. Employees

At the present time in which change is the only constant, committed employees are especially important to us. To be the first choice for highly sophisticated technologies, a company like AT&S must offer its employees prospects and clear opportunities for development; it must support them and challenge them. Managers at AT&S play a particularly significant role in this respect. In order to embrace innovation as a company every day, we need people who are prepared to go in new directions and are open to thinking in terms of alternatives.

The average number of staff at AT&S AG (taking into consideration temporary workers) was 1,284 in the financial year 2015/16, meaning an increase of 61 on the average number in the previous year (2014/15: 1,223).

**EXCELENCE IN LEADERSHIP** Three principles have been defined for excellence in leadership based on the AT&S vision and mission: OPEN-MINDEDNESS, COMMITMENT and RESPONSIBILITY. We consider leadership to be an essential part in realising our vision and achieving our mission. Studies clearly show that good leadership practices have a significant influence on employee commitment and dedication. Our leadership values provide all of our managers with a framework that enables them to live effective leadership. In the past financial year, we offered our first-level managers the opportunity to attend modules with a focus on communication and a culture of feedback, which they also took advantage of. The improved dialogue they initiated leads to better mutual understanding and provides space for reflection. Open and appreciative feedback creates fertile ground for frictionless, open and dynamic development for the entire organisation. As a result of positive reception, this initiative will be extended to the next level of management in financial year 2016/17.

**SUPPORTING AND CHALLENGING** Communication and feedback are essential instruments for ensuring the commitment of our employees and their desire to grow, both now and in the future. Managers at AT&S therefore have a responsibility to create an atmosphere of lifelong learning and a culture of dialogue for every single employee. Their core responsibilities include talent management, continuous development of skills and abilities, ongoing development of an open, two-way feedback culture, as well as providing support and challenge for each individual employee.

The annual staff appraisal meeting is the basic tool that helps AT&S managers to obtain a structured view of the potential, experience and innovative ideas of their employees. In the staff appraisal meeting, goals are agreed, based on the company's goals, for each employee in line with their responsibilities for the following financial year. In addition, potential and development opportunities within the current position as well as possible career paths are discussed. It is the responsibility of each manager to support and challenge their employees according to their interests and potential.

In annual evaluations based on this, employees with the greatest development potential are selected for further career steps and the next steps required are decided.

AT&S employees have the opportunity to earn additional qualifications through internal and external training programmes, workshops and coaching. Internally we provide introductory training for new employees to familiarise them with the market, our products, the organisational structure and procedures of AT&S, and our corporate values. Training programmes specific to AT&S are provided by internal specialists. Cross functional, international and intercultural training supports our internal connections, the optimisation of processes and a continuous transfer of knowledge. Basic management training programmes include leadership principles and training on the ever-current topic of change management and strategic development. A number of important modules are offered as part of customised, site-specific training catalogues.

In the past financial year, AT&S began a customised programme of training based on a Lean Management (efficiency) and Six Sigma (effectiveness) approach in the areas of administration, research and production. The Lean Six Sigma initiative by AT&S is named iPOK internally (Implementation of Practice Oriented Knowledge) and encompasses all employee and organisational levels. The training consists of a theoretical and a practical section, with the latter designed to firmly anchor the theoretical learnings within the organisation for the long term. iPOK will help AT&S achieve its vision and mission by means of improvement projects and, moreover, have positive effects on our employees' work environment. Across all sites, a total of 52 employees have been certified or are participating in "Black Belt" training (project managers with cross-functional projects and around 140 hours of training) and 81 employees are certified or participating in "Green Belt" training (project managers with departmental projects and around 40 hours of training). There have been 133 Lean Six Sigma projects initiated as a result of this certification and training.



AT&S offers comprehensive apprenticeships for the skilled workers of tomorrow, primarily in the areas of mechatronics, laboratory technology, physics laboratory, mechanical engineering and metal technology, but also in the administrative area. At the end of the financial year, AT&S group employed 27 apprentices in Austria and one in Germany, and during the past financial year, 11 apprentices started their apprenticeship with AT&S. So as to generate excitement among young people for technical professions at AT&S, we participate in career fairs specific to our target groups and offer school children a direct insight into production by means of our ongoing, interactive "AT&S High Technology Experience" as well as introductory and seasonal internships. AT&S also positions itself as an attractive employer for young academics. We provide information to them at career fairs and, in close cooperation with universities, we offer bachelor and master these projects. With our first "International Talent Program", which enabled training in Austria for the 7 participants in 8 modules over a period of 12–18 months, we were able to train talented young academics from different countries and make them "fit" for our sites in China. We are currently recruiting the second generation for the international talent program – this time for assignments in China and India. The tremendous international interest in this programme is evidenced by the applications received from 63 countries.

In the past financial year, around EUR 0.7 million was invested in external training and continuing professional development. The increase of EUR 0.3 million compared to the previous year is primarily attributable to the specialised training of the new employees as well as global leadership and iPOK Lean Six Sigma initiatives. On the one hand, these figures reflect the importance of the qualifications of new labour forces, but it also reflects the focus we place on efficiency, effectiveness and leadership.

**DIVERSITY & MOBILITY** As a company that operates globally, diversity among our employees is a basic requirement for our success. AT&S promotes equal opportunities with regard to career paths and remuneration or training, irrespective of age, gender, background, religion, sexual orientation, ethnicity, disability, and religious or political belief.

At the end of the financial year, the proportion of female employees at all AT&S locations was 35%. The female proportion in Europe at 43% and the United States at 37% is still significantly higher than in Asia, where the proportion of females within AT&S is 33%. Women constitute 10% of the employees reporting directly to the Management Board of the AT&S Group.

As an international company, AT&S employs people from 45 countries. We offer a variety of career options at an international level to our employees, and also to external applicants – through our "International Talent Program", for example – and we value professional mobility. We also promote cooperation across sites and provide intercultural training entirely in the interest of maintaining a learning organisation and in accordance with our leadership principle of "Open Mindedness".

**CODE OF BUSINESS ETHICS AND CONDUCT** AT&S has made a voluntary commitment to corporate social responsibility (CSR) measures, and to the Electronic Industry Citizenship Coalition (EICC). In alignment with the Triple Bottom Line approach, we have a responsibility to conduct business sustainably and in the interests of all stakeholders from an economic, ecological and social point of view. Clear ecological standards and goals and the creation of an appropriate environment for employees as well as the company allows us to implement our environmental, economic and social goals equitably and simultaneously. We are proud that the same standards for the environment, health and safety apply - and are put into practice – at all of our plants. The Code of Business Ethics and Conduct requires all employees to conduct themselves in a responsible and respectful manner and to comply with the standards set by AT&S. This results in transparency and mutual trust, and at the same time appeals to the personal responsibility of every individual.

**REMUNERATION SYSTEM** An important factor for motivating employees and for recruiting and retaining new talent, alongside remuneration in line with the market, is the opportunity to participate in the financial success of the company. Based on the AT&S global bonus system, individually and collectively agreed bonus payments are distributed whenever specific hurdle rates (defined minimums for key data) have been achieved. The basic requirement for participation is a positive EBIT for the Group as a whole. The hurdle rate itself is coupled with achievement of a certain EBIT figure in relation to the budgeted goals of the respective area of responsibility. The extent of the payment will depend on ROCE, cash earnings, the innovation revenue rate as well as the individual performance of each member of staff. The bonus system also ensures that in more challenging economic times, in which set aims were not achieved, bonus payments will be either reduced or entirely suspended.



## 5. Sustainability

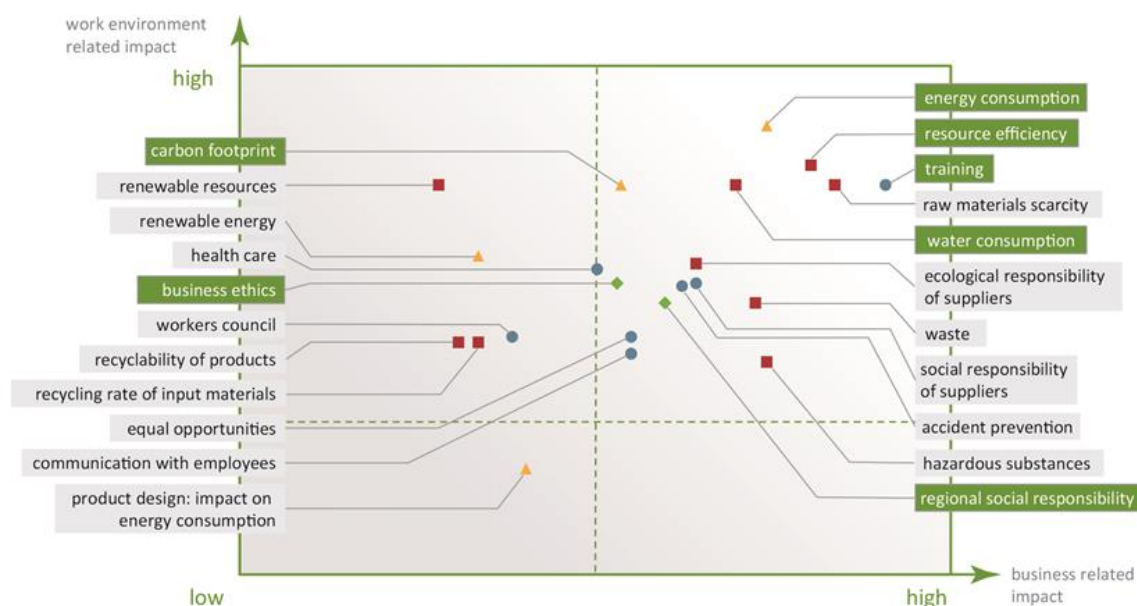
Conduct business responsibly and sustainably. This is a clear commitment, which AT&S has expressed again in the past financial year by means of the rigorous continuation of our corporate and sustainability strategy and the activities associated with it.

The significance of sustainability is clearly reflected in our corporate mission:

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

We create value that extends beyond a pure economic view. European standards at all sites, ambitious key performance indicators for resource consumption and emissions, and a clear commitment to good corporate citizenship are among the ways AT&S expresses sustainable management.

At AT&S, effective sustainability strategies centre on those areas that stand in the company's direct sphere of influence and are found within the sustainability triangle of economy, ecology and social responsibility. So as to satisfy this requirement, all important aspect groups were evaluated in a comprehensive process and the key topics of the AT&S sustainability strategy were jointly developed through a materiality analysis.



Supported by a number of employees from all types of departments and sites, central aspects of sustainability to AT&S were defined in the course of a comprehensive materiality analysis. By interviewing and involving departments such as production, sales, human resources, investor relations, environmental and safety at work, etc., a comprehensive idea of the different demands and key aspects impacting the Company was generated. Further details on the materiality analysis will be included in the 2015/16 Sustainability Report which will be published in July 2016.

The following aspects from the materiality analysis define the key topics of AT&S sustainability activities:

**ENERGY AND CARBON FOOTPRINT** We established processes at all of our plants that ensure continuously more energy efficient operations. In this respect, the ongoing technological development in the printed circuit board industry presents a great challenge for energy efficiency: new processes need time for evaluation and optimisation of energy efficiency after the qualifying phase.

Toward the end of financial year 2014/15, the energy management standard ISO 50001 was introduced for both sites in Austria. Within this framework, analyses of the potential were conducted in the financial year 2015/16, which found an energy savings

potential of around 7 GWh. Comparable efficiency analyses are already being planned for the sites in Asia and are expected to be implemented in financial year 2016/17.

Energy efficiency is reflected in the calculated CO<sub>2</sub> emissions because a significant portion of total emissions is based on the indicator "purchased electricity". In a four-year comparison, the CO<sub>2</sub> at AT&S group calculated as CO<sub>2</sub> per square metre of printed circuit board produced declined from 51 kg per m<sup>2</sup> to 50.7 kg. In the past financial year, however, we were unable to achieve the set target of reducing CO<sub>2</sub> emissions by 5% compared to the previous year. This development is based on two factors: due to the high outdoor temperatures during the summer months of the past year, greater energy needs for process and building cooling were recorded. This resulted in higher CO<sub>2</sub> emissions. In addition to this, the production of ever more complex printed circuit boards with additional functional requirements also requires more energy consumption per m<sup>2</sup> of printed circuit board produced. We are working hard to implement further improvements for the coming year.

**WATER** Special attention continued to be placed on water consumption in the past financial year because the production of printed circuit boards is water consumption intensive. We therefore placed our focus, as we did in the energy area, on highlighting the major consumption areas through an effective measurement system and implementing the resulting optimisations – to the extent permitted by the production parameters.

By means of continuous improvement projects, we were able to reduce our global water consumption considerably. Details can be found in the current Sustainability Report.

**RESOURCES** Material costs represent a significant share of the production cost of a printed circuit board. Efficiency improvements in this area have not only an economic impact. Most importantly, we reduce unnecessary waste and improve our recycling rate.

**PLACE OF LEARNING** As in past years, one of our main priorities is the training and further development of our employees. Solid training and corresponding experience not only benefits our employees, who thereby set the cornerstone for their further development within the company, it also benefits the quality of our technologies, the efficiency of our actions, and the relationship with our customers. A detailed presentation of the measures and programmes, as well as key indicators, is provided in the Human Resources section.

**SHAPING THE FUTURE BY THINKING AHEAD** Anticipate the future. This is the basis of our vision "First choice for advanced applications". Although we are faced with intense competition, especially in Asia, and generally constant price pressure, we do not compromise when it comes to the highest standards in all of our spheres of influence. Be it implementation of the work and safety standard OHSAS18001 at all of our sites, which is now complete, or with regard to environmental and quality standards: we want to be the industry benchmark at all of our sites and simultaneously be among the most profitable manufacturers of printed circuit boards.

In the area of occupational safety, we were able to record an improvement compared to the previous year. We consider our focus in this area to be especially important and we will always work to improve the existing, extensive safety measures. Creating awareness among our employees plays a large role in this respect. For this reason, we launched the initiative "LIFE – Living in an Injury-Free Environment" at the Chongqing site. Through various measures, "LIFE" ensures that the issue of health and safety is ever present in the daily work routine.

Due to our global presence, ethical principles among our employees and partners are the major priority. In accordance with the code of conduct of the EICC, an electronics industry organisation, we ensure that a work environment is created at all of our plants that reaches beyond the legal requirements, one in which employees count as people. We provide this information to our business partners through an annually recurring self-disclosure.

We revised our Code of Business Ethics and Conduct in the past year. The code was adapted to the requirements of the EICC, the code of conduct of the electronic industry association. The code therefore reflects the most recent developments in our corporate ethic. Thus, we ensure that all of our employees are sensitised to important corporate issues such as preventing discrimination, anti-corruption or environmental matters and occupational safety, and that they conduct themselves in accordance with these rules and the expectations of the company. All employees commit to this with their signature. The management at the respective sites are required to continuously monitor compliance.

## 6. Research and development

- 19.6% of AT&S's total revenue is generated by products which have new, innovative technologies and that were launched on the market within the last three years (Innovation Revenue Rate).
- Development project for the production of first generation IC substrates successfully completed – significant, forward-looking innovation for AT&S.
- Increased use of Industry 4.0 technologies and processes in production.

The key sentence in the AT&S Mission: "We industrialise leading-edge technologies" is having an impact. AT&S generated about 20% of its revenues with innovative products launched onto the market during the last three years. These products are the result of our consistent business and innovation strategy which has the further expansion of technological leadership as its goal. AT&S has set the target of achieving an Innovation Revenue Rate (IRR) of at least 20% each year. It is intended not only to make a significant contribution to revenue generation, but also as an expression of our major point of differentiation from the competition. Last year, this figure was 29.2%. The decline is attributable to the maturity of certain generations of technology during financial year 2015/16.

The electronics industry is currently undergoing profound change. This was triggered by the slowdown in the speed of development in processor technology. (Remark: Moore's Law, which says that the complexity of integrated circuits always doubles within 12 to 24 months, is no longer valid.) This creates completely new opportunities for certain segments of the electronics supply chain: specifically for the packaging, substrate and printed circuit board industry. Many new functions and features can be produced with significantly less development expense than would be needed to produce them on chips. The further development in our areas of business will have an enormous impact on the entire electronics market in the next several years. AT&S is anticipating these trends by taking them into account in our short- and long-term focus areas for development.

**R&D FOCUS AREAS IN THE PAST FINANCIAL YEAR** In its development activities, AT&S focuses on the core development areas:

- Flexibility/Design: integration of electronics on the smallest of spaces and interconnection of electronic modules
- Miniaturisation/Weight reduction: devices are becoming increasingly smaller, lighter and more powerful – interconnection electronics need to create the foundation
- Modularisation/Packages: new, highly integrated modules to achieve the tightest packing density and highest performance capacity for a simplified value creation chain
- High speed/High Frequencies: contactless communication of people and devices with large volumes of data and radar applications for self-driving cars and work equipment
- Power electronics/High currents: energy-efficient mobility implies the 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 incremental steps in the value creation chain and more efficient use of resources in production

Research and development costs in financial year 2015/16 amounted to EUR 95.5 million in AT&S group. This corresponds to a research rate (i.e. ratio to revenue) of 12.5% compared to 8.7% in the previous year. The figure for financial year 2015/16 was heavily influenced by high development costs for the substrate technology. Adjusted for this special project, the research rate was 4.5%, and the associated research and development expenses increased by EUR 6.3 million or 22.3% to EUR 34.4 million (prior year: EUR 28.2 million). This research rate is the basis for securing our position as a technology leader for the coming years.

Our innovative strength and long-term competitiveness is also demonstrated in the number and quality of our patents. In financial year 2015/16, AT&S submitted 46 new applications for patents worldwide. AT&S now has 162 patent families, resulting in 212 granted patents.

We ensure efficiency in our development through close cooperation with customers, suppliers and research institutions. Internally, AT&S pursues a two-stage innovation process. Development activities in the fields of materials, processes and applications are carried out at the AT&S research institutions in Leoben to the point where the basic technological feasibility has been demonstrated. This area thus covers applied research and technology evaluation. After that, it is the responsibility of the local depart-

ments that have responsibility for technology development and implementation situated at AT&S sites worldwide to continue the experimental development of products and processes in order to then integrate them within existing production operations.

**HIGHLIGHTS FROM RESEARCH AND DEVELOPMENT PROJECTS** In February 2016, after around 17 months of extensive development and intense effort, certification was completed for serial production of the first generation of IC substrates at Plant 1 in Chongqing. To obtain this certification, all facilities and hundreds of process steps had to be precisely defined and test substrate produced under series-production conditions. This step signified the start of serial production for the first of two production lines, for the present. AT&S will be manufacturing IC substrate – so-called flip-chip ball grid array substrates – for use in microprocessors. AT&S thus becomes the first manufacturer of high-end IC substrates in China.

In the area of high-end high density interconnects (HDI), currently the core business, AT&S continued to develop the next generation of printed circuit boards, known as substrate-like printed circuit boards. The development of this technology made further advances at our Shanghai site by means of a test line, and even leads to technological enhancement for the entire site. Serial production will take place at an additional plant at the site in Chongqing. The significant technological leap that comes with substrate-like printed circuit boards will be introduced in the second half of 2016. It will enable an entirely new generation of products with respect to miniaturisation and increasing the performance capacity of the products in our core business.

The trend continues toward higher currents on the printed circuit board and the related need for integrated thermal management in printed circuit boards and electronic modules, and clearly shows that the development by AT&S of the past years now falls on fertile ground. The driver behind this trend is rising electromobility and the future vision of autonomous driving. The new AT&S solutions for power electronics, which were developed as part of an international network, have generated great interest from customers. AT&S packaging solutions have been mirrored internationally, for example in the "Little Box Challenge" put forth by Google for the smallest 2kV power inverter. As a result of the development work carried out by AT&S, it was possible to reduce the volume by a factor of more than 10 compared to today's conventional inverters.

AT&S focuses increasingly on the deployment of Industry 4.0 methods in its production processes. Data from the manufacturing process is drawn upon to optimise product properties and the efficiency of the process flow. In recent years, AT&S has already introduced a "Manufacturing Execution System" (MES) at some sites, enabling process monitoring and control with data in real time. In order to progress even further with these methods and introduce additional applications, AT&S is part of a European consortium consisting of 37 partners from different positions along the electronics value creation chain. This is where in the next 3 years new and coordinated solutions will be developed that reach beyond the current boundaries in the value creation chain, which cannot be described here for competitive reasons.

## 7. Subsidiaries and representative offices

The AT&S Group currently operates the following six 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. Despite the high production capacity utilisation at the Leoben site, the flexibility to handle short-term requests was maintained. Production for the future market of Advanced Packaging is also operated in Leoben. The production capacity utilisation of the plant in Fehring showed a satisfying development in the reporting year. Synergies with other sites (Leoben and Nanjangud) are utilised in the outer layer manufacturing of multilayers. The decline in the original core business (double-layer printed circuit boards) was compensated by these measures.

**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 2015/16 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 2015/16, which were produced for the Automotive, Industrial, Medical segment. The trend towards thinner line space was proactively used by the site to secure its leading technological position for the upcoming years.

**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 was started. The second substrate line is intended to start operations in the financial year 2016/17. The buildup of the second plant for substrate-like PCBs is on schedule, the installation of the first line should be completed by the middle of the year, and the start of production and initial revenues are expected in the second half of the financial year.

**ANSAN** The positive performance of the Korean plant continued in the financial year 2015/16. 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 produced. The minority shares were acquired in the last financial year and with SAP-implementation the plant showed also an organizational progress.

**NANJANGUD** Revenue and the operating result showed a negative trend due to exchange rate effects. Manufacturing efficiency (material and energy consumption as well as maintenance costs) was improved through targeted measures. The plant's capacity was continuously at a very high level.

**HONGKONG** The company AT&S Asia Pacific, which is based in Hong Kong, is the holding company for the Mobile Devices & Substrates segment and the headquarters of Group-wide procurement for to this segment. The proximity to the CEMs of the customers and to the suppliers is another locational advantage which the business partners highly appreciate. About 60% of the Group's revenue is carried out via this company.

The sales offices in America, Germany, Japan and Taiwan continued to guarantee good and close contact with the customers in the financial year 2015/16.

## 8. Significant events after the balance sheet date

Until 9 May 2016, no events or developments came to AT&S'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 2016.

## 9. Capital share structure and disclosure of shareholder rights

As of the balance sheet date 31 March 2016, the Company's share capital amounts to EUR 42,735,000 and is made up of 38,850,000 no-par value shares with a notional value of EUR 1.10 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 AT&S, which at the reporting date amount to at least 10%, are presented below:

|   | Shares    | % capital | % capital |
|---|-----------|-----------|-----------|
| Dörflinger-Privatstiftung,<br>Karl-Waldbrunner-Platz 1, A-1210 Wien | 6,902,380 | 17.77%    | 17.77%    |
| Androsch-Privatstiftung,<br>Schottengasse 10, A-1010 Wien           | 6,339,896 | 16.32%    | 16.32%    |

At the reporting date 31 March 2016, 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. 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 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 § 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 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. 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 § 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 — 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. The Board was again 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 by the Supervisory Board to sell treasury shares other than through the stock exchange or through a public offering, in particular for servicing employee stock options, convertible bonds or as consideration of the acquisition of companies or other assets and to any other purpose permitted by law.

At 31 March 2016, the Group does not hold any treasury shares.

There are no off-balance sheet transactions between AT&S AG and its subsidiaries.

The AT&S AG has not issued loans to Board members and also any liabilities addressed in their favour.



## 10. Risk and opportunities management

**PRINCIPLES, STRUCTURES AND PROCESSES** Risk and opportunities management is a fundamental part in conducting business within the AT&S Group. The target 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 in the IIA standard.

From an organisational perspective, the Risk Management, Internal Control System and Internal Revision 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 inclusion of the Supervisory Board takes place within the framework of the twice yearly audit committee meeting. 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):

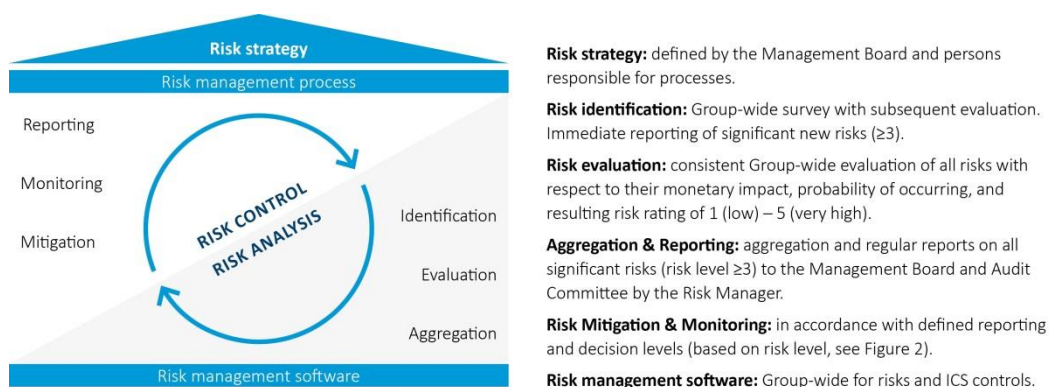
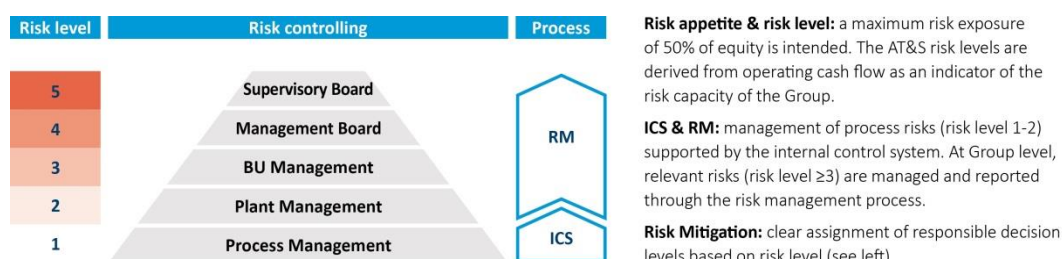


Figure. 1: AT&S Risk Management Process



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

Figure. 2: AT&S Risk Level and Risk Management

**RISK MANAGEMENT IN 2015/16** In addition to the expansion of the AT&S risk map and deeper integration of risk management at all sites, a consistent Group-wide quantitative evaluation method for all risks and opportunities was established in the past financial year. Uniform Group-wide documentation as part of the internal control system is ensured by the risk management software developed by AT&S for all significant processes and sites. As a result of further development of this software, also in the past financial year, the execution and documentation of the entire risk management process now takes place through this application as of the start of financial year 2016/17.

**OPERATIONAL RISK MANAGEMENT** The risks, uncertainties and opportunities facing the Group are generally based on worldwide developments on the printed circuit board and substrate market. 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 strategy               | Significant risks & opportunities   | Trend | Risk mitigation & opportunity realisation   |
|-----------------------------|---|-------|---|
| <b>STRATEGY</b>             | Sales price development<br>Capacity utilisation, technology development, investments (substrate & substrate-like PCB) | ↗     | <ul style="list-style-type: none"> <li>Consistent focus on high-end technology and target applications</li> <li>Future technological and strategic site alignment</li> <li>Technology development projects and technology roadmap</li> <li>Strict project control, periodic strategy workshops</li> </ul> |
| <b>MARKET</b>               | Market and segment development<br>Development of key customers<br>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<br>Single-source risk<br>Supply chain risk  | ↘     | <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<br>Political risk   | →     | <ul style="list-style-type: none"> <li>Internal &amp; external audits, emergency practice, insurance</li> <li>Business programme management, insurance</li> </ul>   |
| <b>OPERATIONS</b>           | Quality performance<br>Intellectual property<br>Technical project management<br>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 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<br>Financing & liquidity<br>Tax risk  | →     | <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> </ul>  |

IP: Intellectual property; FX: Foreign exchange; CF: Cashflow

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 as well as in the further development and capacity expansion of already existing technologies. There are particular opportunities to be gained from, but also risks to be taken into account, in association with entering into the substrates business. Entering this new business segment was carried out through a strategic partnership with a leading global semiconductor manufacturer. Furthermore, the location at Chongqing in China offers competitive advantages over the largely Japanese dominated competition with respect to production cost.

Incorrect assessments of technological developments, changes in demand, and negative price developments can have severe adverse effects on the intrinsic value of investments. These effects could relate, in particular, to entry into the substrate business, building capacity for substrate-like printed circuit boards in Chongqing, but also to all current AT&S business activities as well.

**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 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 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.

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

Competitor risks arise due to potential quality improvements and technological developments in countries with low production costs. This could mean 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 for some of the world's most renowned players in the

electronics industry. The revenue generated with the five largest among these customers accounts for 56% 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 there is a significant reduction in business volume from these customers. Therefore, the ongoing expansion of AT&S's competitiveness as well as the continued broadening of its customer base and development of new product segments are of enormous significance to our ability to quickly compensate a possible decline in the sales volume of any one key customer.

**MARKET PERFORMANCE** Emergence of a weak market environment in financial year 2016/17 could have an adverse impact 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, laminate) can have both a positive as well as a negative impact on achievable margins in the short term. Currently, the trend currently is positive, and will be further reinforced through 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 main 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. So, with few exceptions – such as in the IC substrates area for which the supplier base is smaller – alternative supplier options are available in order to respond to supply risks.

**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 of its employees with all applicable laws and regulations.

**FRAUD, DATA SECURITY AND CYBERCRIME** The rising number of ever more professional attempts at fraud and cybercrime has also been noted by AT&S. To successfully prevent attempted fraud, in the past, Internal Controls were further intensified in the financial year 2015/16 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 utilise growth opportunities in the future. Any technical defects, quality deficiencies or difficulties in delivering products may expose AT&S to warranty claims, claims for damages and contractual penalties, resulting in product recalls and the loss of customers. AT&S has established a quality management system designed to rule out deficiencies in product quality 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.

**INTELLECTUAL PROPERTY** AT&S endeavours to utilise any opportunities for obtaining intellectual property as well as gaining access to promising patents through the development of 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. Further, legal disputes with regard to the un-

authorised 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 Group's know-how regarding project and technology development, particularly in China, enables the Group to utilise further promising growth opportunities, such as the establishment and expansion of capacity for IC substrates and substrate-like printed circuit boards in Chongqing. At the same time, however, this entails special risks, also in view of the substantial volume of investments in the Chongqing project. Complications in the further technological development and project implementation might result in major burdens for business development as well as existing financial and administrative resources. With the successful qualification/certification of the substrate plant in Chongqing, the focus in the coming financial year will be on the ramp-up of serial production and continuous performance improvement, as well as the qualification of additional production lines.

**COST CONTROL** Strict cost control at all sites is essential for maintaining the competitiveness and profitability of the Group. Rising costs, for example caused by a substantial increase in wage costs, particularly at the production sites in China, might 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 was 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 members

**EXCHANGE RATE RISKS** Exchange rate fluctuations in the EUR, RMB and USD – and to a lesser extent in the 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 means of long term planning of cash flow in each currency.

**FINANCING AND LIQUIDITY** To secure the financial needs for the expansion strategy, the Group uses long-term financial and liquidity planning. 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.

## 11. Internal Control System 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 Revision 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. As far as possible, 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. Dates 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 (parts 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.

## 12. Outlook

The effects of digitalisation, the continuous connecting of devices (Internet of Things) and the processing of large amounts of data will require sustained increases in the performance of electronic devices.

This rising penetration of nearly all applications with electronic technologies will result in continued growth for the electronics industry. The interconnection technologies will follow these trends both in terms of volume and technological development. By combining various known and new technologies, innovative solutions will emerge that can meet the demanding requirements.

Following the softening of growth in the area of communications devices (smartphones, tablets), it can be expected that new stimulus for further growth will be provided from the area of Internet of Things. At the same time, it can be expected that there will be no one "big thing" in the future, but rather many connected "smart things".

Against this background, AT&S will focus in the coming years even more intensely than it has thus far on rapidly industrialising new technologies and developing new high-end interconnection solutions for the future in combination with existing technologies. The plants in Chongqing will make a decisive contribution in this respect. Therefore, in financial year 2016/17, the focus will be on further utilisation of the first production line for IC substrates, ramp up of the second production line for IC substrates toward the end of calendar year 2016, and ramp up of the first production line for substrate-like printed circuit boards during the second half of calendar year 2016. In the core business, high-end printed circuit boards and embedding technology, AT&S will make continuous investments in technological developments at the existing sites in order to expand our leading market position.

In financial year 2016/17, in view of a weakened growth dynamic in some areas of existing customer segments as well as more intense competition, AT&S again expects a stronger seasonality in certain financial quarters (primarily the first and fourth quarters of financial year 2016/17 and a continuous limited visibility. Provided that the macroeconomic environment remains stable, a USD-EUR currency ratio at a level similar to the previous financial year, 2015/16, and stable demand in the core business, management assumes revenue growth in the coming financial year of 10–12%. Based on costs related to the ramp-up of Chongqing, EBITDA margin is expected to be at a level of 18–20%; the EBITDA margin in the core business, however, will be at a similar level to financial year 2015/16. Higher, additional depreciation and amortisation of around EUR 40 million in the financial year 2016/17 for the project Chongqing will have a significant impact on EBIT.

Leoben-Hinterberg, 9 May 2016

The Management Board:

Andreas Gerstenmayer m.p.

Karl Asamer m.p.

Heinz Moitzi m.p.

# Auditor's Report on the Financial Statements

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 Financial Statements

We have audited the accompanying financial statements of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft, Leoben-Hinterberg, which comprise the balance sheet as of March 31, 2016, the income statement and the notes for the fiscal year then ended.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing according to which we are to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

Our audit did not give rise to any objections. In our opinion, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of March 31, 2016 and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

#### Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not mis-leading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, May 9, 2016

PwC Wirtschaftsprüfung GmbH

signed:

Jürgen Schauer  
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

# 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, 9 May 2016

The Management Board

Andreas Gerstenmayer m.p.  
Chief Executive Officer

Karl Asamer m.p.  
Chief Financial Officer

Heinz Moitzi m.p.  
Chief Operations Officer