AT & S Austria Technologie & Systemtechnik Aktiengesellschaft
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Report on item 9 of the agenda of the General Meeting

Report by the Management Board of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft with regard to the authorization of the Management Board to issue convertible bonds with exclusion of shareholders' pre-emptive rights (sections 174 (4) in conjunction with 153 (4) Stock Corporation Act)

1. Authorization

The Management and Supervisory Boards of AT & S Austria Technologie Systemtechnik Aktiengesellschaft envisage to propose a resolution to the General Meeting, by which the Management Board shall be authorized to issue until July 6, 2015 and with the consent of the Supervisory Board once or repeatedly convertible bonds in bearer form in a total nominal amount of up to EUR 100.000.000 and to grant the holders of the convertible bonds rights of subscription or conversion rights for no-par value bearer shares in the Company in accordance with the terms and conditions for the convertible bonds to be defined by the Management Board. The Management Board shall be authorized to determine with the consent of the Supervisory Board and under consideration of the regulations under stock corporation law the emission and configuration features as well as the bond terms for the convertible bonds (including without limitation the interest rate, issue price, maturity and denomination, dilution protection provisions, conversion period, conversion rights and obligations, conversion ratio and conversion price). The Management Board shall be further authorized to exclude in whole or partly shareholders' pre-emptive rights for convertible bonds, if this is objectively justified and in the interest of the Company.

With regard to the economic justification of such authorization as well as with regard to the authorization to exclude any pre-emptive rights of shareholders included in this proposal, the Management Board pursuant to section 174 (4) in conjunction with Sec 153 (4) Stock Corporation Act reports as follows:

2. Purpose of the convertible bond

The Company envisages issuing convertible bonds in order to be able to actively organize its capital structure and to optimize its cost of capital. For this purpose convertible bonds may be an appropriate tool in the future. By subscribing convertible bonds, investors additionally to the interest payments for their invested capital get entitled to purchase shares in the Company at a price already determined at the time of the issuance of the convertible bond in the future. Therefore, they also get the opportunity to participate in a possible increase of the value of the Company. In comparison to debt capital markets, by the issuance of convertible bonds the Company is enabled to reach more attractive financing possibilities. Furthermore, convertible bonds bear the opportunity to utilize the high volatility of the shares in the case of a positive performance and, therefore, to reduce the capital costs of the Company.

Convertible bonds are mainly subscribed by institutional investors which are specialized in that kind of investment and which shall be reached by the convertible bond to be issued. Institutional investors make specific demands on the configuration and temporal flexibility of convertible bonds. It is appropriate for the Company to take into consideration such demands by excluding pre-emptive rights. Therefore, by the issuance of convertible bonds without pre-emptive rights, the Company is able to gain access to a new investor base.

Therefore, the authorization of the Management Board to exclude pre-emptive rights is necessary due to strategic, financial and organizational reasons in order to position the convertible bond appropriately in the capital markets, to offer them to investors specialized in convertible bonds in the best way possible and, therefore, to best utilize the benefits to the Company arising from the issuance of convertible bonds. The issuance of convertible bonds to retail investors could substantially reduce the aforementioned benefits which result from the comparably favorable interest component as well as from the fast implementation possibility and the flexibility for the Company, because of the heavily increased processing efforts (in particular the time-intensive preparation, marketing- and commercial efforts) and the one-time, non-recurrent processing costs related thereto.

Furthermore, the possibility to exclude the pre-emptive rights on the convertible bonds enables the Company to seize the opportunities arising from the respective conditions at the stock exchange in a fast, flexible and cost-efficient way. Due to the waiver of the time and cost intensive processing of pre-emptive rights, the capital needs of the Company which may result from short term market opportunities, as the case may be, may be covered in a time-efficient way. In addition, new domestic and international investors may be acquired. Therefore, by the possibility to exclude pre-emptive rights, the best possible strengthening of the equity as well as a reduction of the financing costs in the interests of the Company and therefore in the interests of all shareholders can be reached.

The issue price of the shares to be issued at the exercise of the exchange and/or subscription rights shall be calculated based on the average of the closing prices at the Vienna Stock Exchange or the Stock Exchange on which the Company's shares are primarily listed during the 20 trading days preceding the allocation date of the convertible bond. To such average closing price a surcharge of 30% or any higher surcharge corresponding to the expected price development of the Company in connection with similar transactions in the relevant market shall be added. For determining whether a transaction is similar, the term, interest rate and volume shall be decisive. Thereby the Company is enabled during the authorization period of five years, to set forth favorable issue conditions, to take into account the expected development of the share performance and to react to conditions and practice, in place at the time of issuance in the international capital markets. In case the expectations on the future development of the Company and the market conditions allow a higher surcharge on the price level at that time, also this potential can be fully exploited to the benefit of the Company and, therefore, to the benefit of all shareholders. Therefore, the designated determination of the issue price appears to be appropriately chosen and objectively justified.

Further, the following applies: Practice has shown that mostly the conversion price for issues with exclusion of pre-emptive rights may be set forth at a higher amount than for equivalent issues with the granting of pre-emptive rights. This is a consequence of the structure of issues with pre-emptive rights, with regard to which a subscription period of at least two weeks has to be observed. Therefore, in the case of an exclusion of pre-emptive rights, more financial funds may be generated in a shorter period of time for the Company. For that reason, the exclusion of pre-emptive rights by this time is also common practice in the course of the issuance of convertible bonds in the capital markets.

Additionally, by the issuance of convertible bonds the capital structure of the Company can be optimized and the balance sheet structure of the Company can be improved. Depending on the structure chosen, a part of the outside capital acquired through the convertible bond may be assessed like equity by external analysts. Such an assessment may allow an improved rating of the Company by investors and, therefore, can lead to lower financing costs for future debt capital of the Company. Furthermore, a convertible bond is often valued as a positive signal in the capital markets in relation to the confidence of the management with regard to the future development of the share price. Such confidence is reflected in the conversion price, which mostly can – due to the above mentioned reasons – be set forth at a higher level, if the pre-emptive rights are excluded.

The preparation and structuring of transactions connected to the acquisition of participations, businesses or other assets require the best possible flexibility of the Management Board with regard to the utilization of the available financial instruments. Also in this respect, the Management Board needs to have the authorization to exclude pre-emptive rights of shareholders. This shall not only be feasible in the case of contributions in kind, but also in the case of cash contributions if the Company has a special interest therein and the legal requirements are met, e.g. in the case of a cooperation with another company in the interest of the Company, if the partner makes its engagement subject to the acquisition of convertible bonds, or if a third party offers necessary additional financial services which can not be obtained otherwise.

In order to allow the implementation of the issuance of convertible bonds, the Management Board shall also have the possibility to offer the convertible bonds by way of an indirect exclusion of pre-emptive rights pursuant to section 153 (6) Stock Corporation Act.

If the Management Board exercises the granted authorization to exclude pre-emptive rights, a new written report by the Management Board on the reasons for the exclusion of the pre-emptive rights would have to be established and published pursuant to section 174 (4) in conjunction with section 153 (4) Stock Corporation Act.

3. Weighing of Interests

The proposed authorization for an exclusion of pre-emptive rights is by all means objectively justified by the mentioned purposes and appropriate to accomplish the intended targets (optimization of capital structure, reduction of financing costs, further stabilization and improvement of the competitive position of the Company) in the interest of the Company and the shareholders. The exclusion of pre-emptive rights appears to be necessary for that purpose, as the expected additional capital raised and the mentioned financial benefits of convertible bonds safeguard a flexible business planning and realization of corporate targets for the benefit of the Company. The Management Board assumes that the value for the Company arising from the issuance of convertible bonds with exclusion of pre-emptive rights benefits all shareholders and prevails over the proportional reduction of the participations of the shareholders excluded from pre-emptive rights. The proposed authorization of the Management Board for an exclusion of pre-emptive rights is further in the interest of the Company, as the acquisition of participations, businesses or other assets or other, special transaction structures in the interest of the Company or of the shareholders, may require the issuance of convertible bonds with the exclusion of pre-emptive rights. The Management Board kindly asks for approval.

Leoben, July 2010 The Management Board