

Half Year Report 2014

Key figures EUR thousands (except earnings per share)	Q2 2014	Q2 2013	Q1 2014	1st Half 2014	1st Half 2013
Revenues	106,305	91,238	86,295	192,600	176,096
Gross margin in % (excluding acquisition-related costs)	57%	54%	56%	56%	54%
Result from operations (excluding acquisition-related costs)	26,413	11,629	17,863	44,276	24,663
Net result	22,205	8,958	14,694	36,900	18,878
Basic / diluted earnings per share in CHF ¹⁾	1.99 / 1.91	0.83 / 0.79	1.32 / 1.26	3.32 / 3.17	1.73 / 1.66
Basic / diluted earnings per share in EUR	1.64 / 1.57	0.67 / 0.64	1.08 / 1.04	2.72 / 2.60	1.41 / 1.35
Total backlog (excluding consignment stocks)	107,067	82,435	85,462	107,067	82,435

1) Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Second quarter revenues and profitability above expectations; third quarter expected revenues of EUR 127-132 million with higher profitability; strong outlook for growth into 2015 and onwards

Report to shareholders on the first half of 2014

Ladies and Gentlemen

Our second quarter and first half results demonstrate the success of our high performance sensor and analog solutions while further significant ramp-ups in our consumer business are expected to drive growth in the coming quarters.

Financial results

Second quarter group revenues were EUR 106.3 million, the highest quarterly revenues in the company's history, up 23% sequentially compared to the first quarter and up 17% from EUR 91.2 million in the same quarter 2013. Group revenues for the first half of 2014 were EUR 192.6 million, increasing 9% from EUR 176.1 million recorded in the first half of 2013. On a constant currency basis, second quarter revenues were 20% higher compared to the second quarter last year and first half revenues were 13% higher compared to the first half of 2013.

In the second quarter, gross margin also increased to a record level of 57% excluding acquisition-related costs and 55% including acquisition-related costs, compared to 54% and 51% respectively, in the same quarter 2013. For the first half of 2014, gross margin increased to 56% excluding acquisition-related costs and 54% including acquisition-related costs, compared to 54% and 51% respectively, in the first half of 2013.

The result from operations (EBIT) excluding acquisition-related costs for the second quarter was EUR 26.4 million or 25% of revenues, an increase of 127% compared to EUR 11.6 million in the second quarter of 2013. The result from operations (EBIT) including acquisition-related costs for the second quarter was EUR 24.0 million or 23% of revenues, an increase of 164% compared to EUR 9.1 million in the second quarter of 2013. This result reflects our active operating expense and R&D resource management. For the first half of 2014, the result from operations (EBIT) including acquisition-related costs was EUR 39.4 million, up 101% from EUR 19.6 million in the same period 2013.

The net result for the second quarter was EUR 22.2 million compared to EUR 9.0 million in the same period last year. Basic and diluted earnings per share were CHF 1.99/1.91 or EUR 1.64/1.57 based on 13,564,460/14,166,654 shares (basic/diluted; weighted average) compared to CHF 0.83/0.79 or EUR 0.67/0.64 for the second quarter 2013. The net profit for the first half year 2014 was EUR 36.9 million, equivalent to CHF 3.32/3.17 or EUR 2.72/2.60 per share (basic/diluted) based on 13,557,717/14,171,154 shares (basic/diluted; weighted average), compared to EUR 18.9 million, i.e. CHF 1.73/1.66 or EUR 1.41/1.35 per share (basic/diluted), for the same period last year.



Operating cash flow for the second quarter was EUR 34.2 million compared to EUR 23.2 million in the second quarter last year, while operating cash flow for the first half was EUR 48.5 million compared to EUR 36.9 million in the first half year 2013. Total backlog on June 30, 2014 (excluding consignment stock agreements) was EUR 107.1 million compared to EUR 85.5 million at the end of the first quarter and EUR 82.4 million on June 30, 2013.

Business overview

ams' business performed very well in the second quarter and first half of 2014 as major OEMs around the world rely on ams' sensor and analog expertise for high performance applications.

Our Consumer & Communications business developed strongly in the second quarter and first half, particularly driven by our intelligent light sensor product lines. We shipped significant volumes of our innovative gesture sensor solution into two major smartphone platforms by leading Asian manufacturers. The module which started shipping in the first quarter combines RGB color and proximity sensing with mobile coupon redemption and advanced gesture recognition for mobile device applications. Run rates for our other optical sensors as well as lighting and power management products remained at high levels in the quarter. We also shipped high volumes of our market-leading MEMS microphone ICs supporting low noise applications and highest audio quality.

In our wireless business for NFC and RFID, key projects and customer design-ins are progressing to plan. As projected, we have started to ramp production of our NFC antenna boost solution towards the end of the quarter. The ramp-up of high volume shipments supports the expected major customer device launches in the second half of this year. With our unique NFC signal boost capabilities we enable best-in-class mobile payment hardware solutions and are leveraging our deep analog and RF expertise into next generation integrated NFC solutions. Consequently, we are strongly positioned for the accelerating adoption of NFC as a ubiquitous payment and authentication technology for mobile devices.

Our industrial business showed a good performance in the second quarter and first half. We are seeing robust demand for our differentiated sensor and sensor interface solutions across a range of industrial end markets. With our extensive sensor know-how, we are helping leading OEMs solve complex challenges in industrial applications. Our medical business again posted attractive results in the second quarter and first half focusing on digital imaging solutions for computed tomography (CT), mammography and ultrasound. As an example, our customer in mammography is seeing very positive market feedback for its latest imaging solution based on ams' high resolution technology.

The positive development of our automotive business continued in the second quarter, mainly due to a strengthened worldwide demand environment. We are a key provider of advanced sensor and sensor interface solutions for critical systems and benefit from new platform launches with additional sensor applications. The expanding electronic and sensor content in vehicles remains a major driver for our automotive business going forward. Our specialty foundry business again contributed positively to our results in the first half.



In operations, the expansion of our internal wafer fab capacity to about 155,000 wafer starts per year, which includes volume production capabilities in 0.18µm CMOS, is advancing as planned and will be finalized during the second half.

We successfully completed the acquisition of AppliedSensor, a global leader in solid-state chemical gas sensor solutions for appliance, automotive, building automation, consumer and industrial applications. AppliedSensor is an important supplier of MEMS sensors for the detection of gases such as CO, NO₂, NH₃, CH₄, and volatile organic compounds (VOC), based in Reutlingen, Germany. We are excited to add this technology to our sensor portfolio and have already started to integrate AppliedSensor's activities into our existing businesses.

During the quarter we announced that we were in preliminary talks with Dialog Semiconductor regarding a potential merger of equals. Recently, we announced that these talks have been terminated as agreement on the terms of a transaction could not be reached.

Outlook

For the third quarter 2014, we expect revenues of EUR 127-132 million driven by product ramp-ups in our consumer business for new device platforms. We anticipate gross margins to remain on a comparable level quarter-on-quarter in the third quarter and EBIT margin to expand further by more than 300 basis points sequentially.

We expect strong revenue and earnings momentum from our value-driven business model to continue into 2015, based on available information. At the same time, we confirm our outlook for substantial revenue growth and further margin increases in the coming years. Our focus on high performance sensor solutions offers significant growth opportunities for ams as demonstrated by our full design-in and development pipeline across the markets for smartphones, mobile devices, industrial, medical, and automotive systems.

Unterpremstaetten, 28 July 2014

Kirk Laney, CEO

Michael Wachsler-Markowitsch, CFO

Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q2 2014	1st Half 2014	Q2 2013	1st Half 2013
Revenue Products	95,486	172,294	81,471	158,253
Revenue Foundry & Other	10,819	20,306	9,767	17,843
Total revenues	106,305	192,600	91,238	176,096
Cost of sales	- 48,204	- 87,971	- 44,414	- 85,848
Gross profit	58,102	104,630	46,824	90,248
Gross margin in % (excluding acquisition-related costs)	57%	56%	54%	54%
Gross margin in % (including acquisition-related costs)	55%	54%	51%	51%
Research and development	- 17,904	- 34,355	- 17,896	- 34,383
Selling, general and administrative	- 18,231	- 34,220	- 18,813	- 36,449
Other operating income	2,173	3,655	1,200	2,418
Other operating expense	- 56	- 94	- 324	- 393
Result from investments in associates	- 103	- 205	- 1,897	- 1,835
Result from operations (excluding acquisition-related costs)	26,413	44,276	11,629	24,663
Result from operations (including acquisition-related costs)	23,981	39,410	9,095	19,606
Net financing result	- 691	- 765	37	- 137
Result before tax	23,290	38,645	9,132	19,469
Income tax result	- 1,085	- 1,745	- 174	- 591
Net result	22,205	36,900	8,958	18,878
Basic / diluted earnings per share in CHF ¹⁾	1.99 / 1.91	3.32 / 3.17	0.83 / 0.79	1.73 / 1.66
Basic / diluted earnings per share in EUR	1.64 / 1.57	2.72 / 2.60	0.67 / 0.64	1.41 / 1.35

1) Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Statement of comprehensive income

(unaudited)

EUR thousands (except earnings per share)	Q2 2014	1st Half 2014	Q2 2013	1st Half 2013
Net result	22,205	36,900	8,958	18,878
Items that may be reclassified to profit and loss				
Translation adjustment	2,797	2,430	- 6,485	843
Valuation of available for sale financial instruments	147	404	0	0
Other comprehensive income	2,944	2,833	- 6,485	843
Total comprehensive income	25,149	39,733	2,473	19,721

Consolidated Balance Sheet

(unaudited)

EUR thousands	as of	June 30, 2014	December 31, 2013
Assets			
Cash and cash equivalents		50,512	83,358
Financial assets		21,362	20,976
Trade receivables		68,659	63,724
Inventories		50,899	40,487
Other receivables and assets		11,613	10,544
Total current assets		203,045	219,089
Property, plant and equipment		182,181	145,409
Intangible assets		257,785	243,045
Investments in associates		5,676	5,074
Deferred tax assets		33,619	33,282
Other long-term assets		8,083	7,133
Total non-current assets		487,344	433,944
Total assets		690,388	653,032
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings		5,301	777
Trade liabilities		36,726	28,300
Provisions		24,688	23,176
Other liabilities		30,243	24,070
Total current liabilities		96,958	76,324
Interest-bearing loans and borrowings		55,356	59,318
Employee benefits		24,555	23,576
Provisions		23,463	22,853
Deferred tax liabilities		14,504	13,584
Other long-term liabilities		13,800	12,648
Total non-current liabilities		131,678	131,979
Shareholders' equity			
Issued capital		35,395	35,270
Additional paid-in capital		232,726	228,615
Treasury shares		- 54,567	- 41,726
Other reserves (translation adjustment)		8,748	6,319
Retained earnings		239,450	216,253
Total shareholders' equity and reserves		461,753	444,729
Total liabilities and shareholders' equity		690,388	653,032

Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q2 2014	1st Half 2014	Q2 2013	1st Half 2013
Operating activities				
Result before tax	23,290	38,645	9,132	19,469
Depreciation (net of government grants)	8,750	17,219	9,018	17,985
Changes in employee benefits	475	979	1,281	1,835
Expenses from stock option plan (acc. to IFRS 2)	810	1,620	719	1,438
Changes in other long-term liabilities	3,490	2,683	- 1,741	- 205
Result from sale of plant and equipment	- 1	- 11	- 4	14
Result from sale of investments	0	170	0	0
Result from investments in associates	103	205	1,897	1,835
Net financing result	691	765	- 37	137
Changes in assets	- 12,709	- 19,173	4,924	- 2,873
Changes in short-term operating liabilities and provisions	9,613	7,914	- 159	- 705
Tax payments	- 314	- 2,564	- 1,848	- 2,031
Cash flows from operating activities	34,198	48,452	23,182	36,899
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 16,992	- 40,003	- 19,348	- 32,842
Acquisition of financial investments	- 15,707	- 18,710	0	- 2,000
Proceeds from sale of plant and equipment	1	11	4	597
Proceeds from sale of investments	0	2,850	0	0
Interest received	452	779	400	842
Cash flows from investing activities	- 32,246	- 55,073	- 18,945	- 33,403
Financing activities				
Proceeds from borrowings	964	964	136	400
Repayment of debt	- 383	- 383	- 670	- 2,617
Repayment of finance lease liabilities	- 256	- 515	- 272	- 539
Acquisition of treasury shares	- 11,088	- 14,846	- 2,294	- 2,518
Sale of treasury shares	937	2,005	265	1,891
Interest paid	- 584	- 954	- 874	- 1,319
Valuation of financial instruments	- 1,007	- 1,007	0	0
Dividend paid	- 14,106	- 14,106	- 19,371	- 19,371
Changes resulting from capital increase	1,235	2,618	81	7,883
Cash flows from financing activities	- 24,289	- 26,225	- 22,999	- 16,190
Change in cash and cash equivalents	- 22,338	- 32,846	- 18,763	- 12,694
Cash and cash equivalents at begin of period	72,849	83,358	73,984	67,916
Cash and cash equivalents at end of period	50,512	50,512	55,222	55,222

Changes in Equity

(unaudited)

EUR thousands	Issued capital	Additional paid-in capital	Treasury shares	Translation adjustment	Retained earnings	Total shareholders' equity
Total equity as of January 1, 2013	34,658	214,763	- 35,240	17,946	177,387	409,514
Net result	0	0	0	0	18,878	18,878
Exchange differences on translating foreign operations	0	0	0	843	0	843
Comprehensive income	0	0	0	843	18,878	19,721
Share based payments	0	8,878	0	0	0	8,878
Dividend paid	0	0	0	0	- 19,371	- 19,371
Capital increase	443	0	0	0	0	443
Acquisition of treasury shares	0	0	- 2,518	0	0	- 2,518
Sale of treasury shares	0	0	1,891	0	0	1,891
Total equity as of June 30, 2013	35,101	223,641	- 35,866	18,789	176,894	418,558
Total equity as of January 1, 2014	35,270	228,615	- 41,726	6,319	216,253	444,729
Net result	0	0	0	0	36,900	36,900
Valuation of available for sale financial instruments	0	0	0	0	404	404
Exchange differences on translating foreign operations	0	0	0	2,430	0	2,430
Comprehensive income	0	0	0	2,430	37,303	39,733
Share based payments	0	4,112	0	0	0	4,112
Dividend paid	0	0	0	0	- 14,106	- 14,106
Capital increase	126	0	0	0	0	126
Acquisition of treasury shares	0	0	- 14,846	0	0	- 14,846
Sale of treasury shares	0	0	2,005	0	0	2,005
Total equity as of June 30, 2014	35,395	232,726	- 54,567	8,748	239,450	461,753

Notes on the Interim Financial Statements June 30, 2014

(unaudited)

1. Accounting principles

The consolidated financial statements of ams Group are based on the accounts of the individual group companies at June 30, 2014. This half year report is consistent with IAS 34. The accounting principles applied in this half-year report basically correspond with the reporting policies in the Full Year Consolidated Financial Statements dated December 31, 2013

2. Segment reporting and revenues

EUR thousands	1st half 2014			1st half 2013		
Business segments	Products	Foundry	Total	Products	Foundry	Total
Revenues gross	172,294	20,306	192,600	158,253	17,843	176,096
Eliminations of inter-segment revenues	0	0	0	0	0	0
Consolidated revenues	172,294	20,306	192,600	158,253	17,843	176,096
Research & development	30,395	909	31,305	33,862	1,068	34,930
Result from operations	45,081	6,502	51,584	26,683	5,174	31,857
Segment assets	341,123	5,255	346,378	317,331	4,542	321,873

Reconciliation of segment results to income statement

EUR thousands	1st half 2014	1st half 2013
Result from operations per segment reporting	51,584	31,857
Result from investments in associates	- 205	- 1,835
Depreciation from Purchase Price Allocation	- 4,866	- 5,057
Subsidies for research and development	2,433	1,949
Unallocated corporate costs	- 9,535	- 7,309
Result from operations (including acquisition-related costs)	39,410	19,606
Financial result	- 765	- 137
Result before tax	38,645	19,469

Reconciliation of segment assets to total assets

EUR thousands	1st half 2014	1st half 2013
Assets per segment reporting	346,378	321,873
Property, plant and equipment	153,677	129,180
Inventories	50,899	45,793
Cash, cash equivalents and financial assets	71,874	76,008
Deferred tax asset	33,619	32,831
Intangible assets	6,772	7,576
Investments in associates	5,676	4,765
Other assets	21,494	20,119
	690,388	638,145

Revenues per geographical segments

EUR thousands	1st half 2014	1st half 2013
EMEA ²⁾	91,462	60,067
Americas	8,988	11,917
Asia/Pacific	92,151	104,112
	192,600	176,096

²⁾ Europe, Middle East, Africa

Long term assets per geographical segments

EUR thousands	1st half 2014	1st half 2013
Austria	402,849	378,234
USA	21,908	12,091
Philippines	12,397	13,396
Other countries	2,811	1,357
	439,966	405,077



Segment information is presented on the basis of the internal reporting structure for the segments “Products” and “Foundry”. The Segment “Products” comprises the development and distribution of analog Integrated Circuits (“ICs”). The segment’s customers are mainly in the Consumer, Communications, Industrial, Medical and Automotive markets. In the “Foundry” segment we report the contract manufacturing of analog/mixed signal ICs based on our customers’ designs.

The geographic segments are structured by the three regions in which sales occur: “EMEA” (Europe, Middle East and Africa), “Americas”, and “Asia/Pacific”. In presenting information on the basis of geographical segments, segment revenue is based on the geographical billing location of customers. Revenues from one customer of the segment Products amount to EUR 32,361 thousand during the reporting period. This customer is a distributor that serves different end customers.

All segment information is based on IFRS valuation and accounting principles.

The segment “Foundry” contains no unallocated cost and income items, reflecting the internal reporting structure. Unallocated income and expense items are shown in the respective reconciliations of segment measures to the interim financial statements. In addition, process development costs are allocated to the operating segments based on usage. According to the internal reporting structure, the production areas do not represent a separate segment. The services rendered by these areas to the segments are therefore not shown as intersegment revenues.

The segment measure “Result from operations” consists of gross profit, expenses for research and development, expenses for selling, general & administrative as well as other operating income and expenses.

The segment assets in principle comprise the allocable assets, i.e. customer receivables as well as segment specific tangible and intangible assets.

The reconciliations comprise items which by definition are not part of the segments.

3. Business combinations

As of June 3, 2014 ams has taken control of AppliedSensor Sweden Holding AB, Sweden and its subsidiaries AppliedSensor GmbH, Germany as well as APPLIEDSENSOR INC., USA.

AppliedSensor, a global leader in solid-state chemical gas sensor solutions for high volume markets, designs, manufactures and markets chemical gas sensors for appliance, automotive, building automation, consumer and industrial applications. AppliedSensor provides MEMS sensors for the detection of gases such as CO, NO₂, NH₃, CH₄, and volatile organic compounds (VOC), as well as Field Effect (FE) sensors for the selective detection of hydrogen. As an important supplier of safety, energy efficiency and comfort solutions for global mass markets, AppliedSensor is currently developing a dedicated gas sensor solution together with a leading German industrial OEM. AppliedSensor's corporate headquarters are located in Reutlingen, Germany, and the group has approximately 25 employees. ams plans to fully integrate AppliedSensor's activities into its sensor and sensor interfaces business.

The addition of AppliedSensor's MEMS gas sensor technology to ams' expertise in advanced sensor design underlines ams' evolution into a sensor solutions provider focused on industry-leading innovation and best-in-class performance.

The following table gives an overview of assets and liabilities and a breakdown of the consideration at the date of acquisition (June, 2014):

EUR thousands	June, 2014
Cash and cash equivalents	2,084
Other short-term assets	1,808
Property, plant and equipment	803
Intangible assets	
Goodwill	10,068
Customer relationship	3,677
Technology	4,058
Other intangible assets	353
Deferred tax	323
Short-term provisions	- 427
Other short-term liabilities	- 1,492
Deferred tax	- 2,253
Other long-term liabilities	- 252
Total consideration transferred	18,750
thereof cash	17,791
thereof incurred liabilities	959

Goodwill is essentially attributed to the abilities of the management and employees, the existing technologies as well as expected synergies deriving from the integration. No portion of the goodwill is expected to be deductible for tax purposes.

Costs incurred in connection with the acquisition amounted to EUR 190 thousand in the fiscal year and were included in selling, general and administrative expenses. No issuance costs were incurred.

During the period between acquisition and June 30, 2014, AppliedSensor contributed sales of EUR 603 thousand to the consolidated sales revenue and a profit of EUR 137 thousand to the consolidated net result. If the acquisition had taken place on January 1, 2014, according to management estimates, AppliedSensor would have contributed a profit of EUR 1,081 thousand to the consolidated net result and EUR 4,205 thousand to the consolidated sales revenue.

4. Number of employees

The average number of employees was 1,565 during the first half of 2014, compared to 1,379 during the first half of 2013.

5. Seasonality, economic cycles

In the past, the results varied from quarter to quarter. It is expected that these variations will continue in the future.

Half Year Report

2014



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This report is also available in German. All figures are unaudited.