First Quarter Report 2017

Key figures EUR thousands (except earnings per share)	Q1 2017	Q1 2016	Q4 2016
Revenues	149,314	137,217	133,614
Gross margin in % (excluding acquisition-related and share-based compensation costs)	46%	57%	52%
Result from operations (excluding acquisition-related and share-based compensation costs)	4,098	28,156	16,443
Operating margin in % (excluding acquisition-related and share-based compensation costs)	3%	21%	12%
Net result	-16,222	13,595	13,722
Basic / diluted earnings per share in CHF [1)]	-0.23 / -0.23	0.22 / 0.21	0.22 / 0.22
Basic / diluted earnings per share in EUR	-0.22 / -0.21	0.20 / 0.19	0.21 / 0.20
Total backlog (excluding consignment stocks)	195,585	126,172	136,064

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

First quarter revenues and operating profitability above previous guidance; sequential revenue growth expected for second quarter; fully on track for expected second half 2017 ramp-ups; significantly increased customer forecasts and revenue pipeline drive increase in capital expenditures; mid-term revenue growth target under upward revision

Report to shareholders on the first quarter of 2017

Ladies and Gentlemen

Our first quarter results demonstrate the positive business environment for our differentiated sensor solutions supported by attractive volume demand in our chosen end markets.

First quarter reported group revenues were EUR 149.3 million, above the upper end of our previous guidance, up 12% sequentially compared to the fourth quarter and increasing 9% from EUR 137.2 million in the same quarter 2016. On a constant currency basis, first quarter revenues were up 6% compared to the first quarter last year. Excluding the Heptagon business, revenues were slightly up sequentially compared to the fourth quarter 2016, which was also above previous guidance.

In the first quarter, adjusted gross margin (excluding acquisition-related and share-based compensation costs) stood at 46% with IFRS reported gross margin at 40%, compared to 57% and 54% respectively, in the same quarter 2016. The lower gross margin was due to the underutilization of our production facilities in Singapore which reflects the ongoing capacity expansion to support high volume product ramp-ups expected to start in the third quarter 2017.

The adjusted result from operations (EBIT) (excluding acquisition-related and share-based compensation costs) for the first quarter was EUR 4.1 million or 3% of revenues which was above previous guidance, decreasing from EUR 28.2 million in the same period 2016. Excluding the Heptagon business, the adjusted EBIT margin stood at 14%, which was well above previous guidance. The IFRS reported result from operations (EBIT) for the first quarter was EUR -13.8 million or -9% of revenues, down from EUR 19.7 million in the same period 2016.

The net result for the first quarter was EUR -16.2 million compared to EUR 13.6 million in the same period last year. Basic and diluted earnings per share were CHF -0.23/-0.23 or EUR -0.22/-0.21 based on 74,496,209/76,213,409 shares (basic/diluted; weighted average) compared to CHF 0.22/0.21 or EUR 0.20/0.19 for the first quarter 2016 based on 68,667,002/70,932,874 shares (basic/diluted; weighted average).

Operating cash flow for the first quarter was EUR 26.1 million compared to EUR 7.5 million in the same quarter last year. Total backlog on March 31, 2017 (excluding consignment stock agreements) was EUR 195.6 million – a sharp increase compared to EUR 136.1 million at the end of the fourth quarter 2016 and EUR 126.2 million on March 31, 2016.

Our business had a strong start into the year in the first quarter of 2017 recording a meaningful quarter-on-quarter increase in revenues amid solid demand from most end markets. These results demonstrate our strong market position in both the consumer and smartphone markets and across our balanced portfolio of consumer and non-consumer businesses.

The consumer and communications business showed attractive results in the first quarter based on overall better volumes across our broad customer base. Leading OEMs rely on ams solutions and drove positive run rates of our high performance optical sensor solutions including ambient light sensing, proximity sensing and other optical applications. Our other consumer product lines including audio solutions saw continued good volume shipments to a range of device vendors which contributed positively to our first quarter results. Design momentum in our consumer business remains strong as OEMs realize the attractiveness of ams' offering across key areas of sensing. Our multi-year project and product pipeline is supported and advanced by our clear development focus on next generation sensing in optical / 3D, audio and environmental.

We are receiving positive market feedback on the acquisition of Princeton Optronics which we announced in the quarter. Our ability to offer a complete value chain in optical sensing including VCSEL illumination sources opens up very attractive new growth opportunities for the coming years. We see the potential to increase ams' presence in consumer and smartphone applications as well as future automotive applications for 3D sensing, based on the combination of Princeton and ams technologies.

Our industrial, medical, and automotive businesses performed well in the first quarter 2017. Demand in these non-consumer end markets is showing positive momentum and appears improved when compared to last year. Our strong market position in industrial sensing is based on differentiated sensor and sensor interface solutions that enable high performance applications for leading OEMs and their customers globally. In our medical business, digital imaging sensor solutions for computed tomography (CT), digital X-ray, and mammography continued their attractive contribution driven by technology leadership. New Asian customers are offering future opportunities in this area. Our automotive sensing business is built around sensor and sensor interface technologies for safety, driver assistance, position, and emerging applications where we see good demand continuing this year.

We expect significant high volume ramp-ups in our consumer business in the second half of 2017. Our preparation for these growth opportunities is fully on track and related activities are progressing to plan. We are seeing significantly increased customer forecasts and a higher revenue pipeline for 2017 and particularly 2018 while we are adding new projects and additional design-wins. As a consequence, we are strongly increasing our capital expenditures this year and now expect group capital expenditures of around EUR 400-450 million in 2017. This increase includes additional equipment investments for optical layer deposition and an acceleration of capacity expansion at our Singapore sites to prepare for expected customer volume needs into 2018.

Given these very positive forecast and pipeline developments our mid-term revenue growth target is currently under upward revision.

For the second quarter 2017, we are seeing a positive development of our business apart from the Heptagon business which we expect to show the anticipated more flattish revenue development quarter-on-quarter. Based on available information and a current USD/EUR exchange rate of 1.08, we expect second quarter revenues of EUR 174-181 million, a sequential growth of 17-21%. This expected quarter-on-quarter growth echoes a stronger business momentum in both our consumer and non-consumer businesses driven by an improved backlog and order intake as all end markets are expected to contribute positively.

The adjusted operating margin for the second quarter (excluding acquisition-based and share-based compensation costs) is expected to be around break-even reflecting the current underutilization of production capacity in our Heptagon business. This anticipated underutilization in the second quarter is due to the installation of additional production capacity at our Singapore sites for expected high volume ramp-ups in the second half. The related adjusted EBIT margin excluding the Heptagon business is expected to be above 18% of revenues.

Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q1 2017	Q1 2016
Revenue Products	136,788	127,527
Revenue Foundry & Other	12,526	9,689
Total revenues	149,314	137,217
Cost of sales	-90,013	-63,294
Gross profit	59,301	73,922
Gross margin in %	40%	54%
Research and development	-46,518	-32,950
Selling. general and administrative	-29,963	-23,519
Other operating income	3,571	2,188
Other operating expense	-28	-59
Result from investments in associates	-128	135
Result from operations	-13,766	19,717
Net financing result	-2,622	-5,350
Result before tax	-16,388	14,367
Income tax result	166	-772
Net result	-16,222	13,595
Basic / diluted earnings per share in CHF[1)]	-0.23 / -0.23	0.22 / 0.21
Basic / diluted earnings per share in EUR	-0.22 / -0.21	0.20 / 0.19

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

Consolidated Balance Sheet

(unaudited)

EUR thousands	March 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	263,578	179,575
Financial assets	36,377	36,259
Trade receivables	89,021	97,155
Inventories	123,057	92,855
Other receivables and assets	75,101	33,422
Total current assets	587,134	439,264
Property, plant and equipment	544,264	319,250
Intangible assets	1,188,220	603,447
Investments in associates	38,359	2,278
Deferred tax assets	35,407	35,389
Other long-term assets	22,765	23,360
Total non-current assets	1,829,015	983,723
Total assets	2,416,148	1,422,988
Liabilities and shareholders‘ equity		
Liabilities		
Interest-bearing loans and borrowings	106,365	108,018
Trade liabilities	123,275	68,231
Tax liabilities	35,871	36,750
Provisions	43,772	20,063
Other liabilities	487,203	31,449
Total current liabilities	796,485	264,511
Interest-bearing loans and borrowings	463,762	364,051
Employee benefits	42,723	36,965
Deferred tax liabilities	70,108	53,953
Other long-term liabilities	46,023	35,953
Total non-current liabilities	622,616	490,921
Shareholders‘ equity		
Issued capital	84,420	73,409
Additional paid-in capital	582,787	211,625
Treasury shares	-25,798	-166,079
Other reserves (translation adjustment)	56,279	59,860
Retained earnings	299,360	488,741
Total shareholders‘ equity and reserves	997,047	667,556
Total liabilities and shareholders‘ equity	2,416,148	1,422,988

Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q1 2017	Q1 2016
Operating activities		
Result before tax	-16,388	14,367
Depreciation (net of government grants)	29,421	15,109
Expense from stock option plan (acc. to IFRS 2)	3,237	1,401
Changes in other long-term liabilities	487	-112
Result from sale of plant and equipment	17	-11
Result from investments in associates	128	-135
Net financing cost	2,622	5,352
Change in inventories	-13,856	-446
Change in trade and other receivables	12,971	-7,211
Change in trade and other payables	15,301	-15,601
Change in provisions and employee benefits	-1,980	-394
Change in deferred income	-1,402	1,965
Tax Payments	-4,488	-6,787
Cash flows from operating activities	26,069	7,498
Investing activities		
Acquisition of intangibles, property, plant and equipment	-94,016	-21,858
Acquisition of subsidiaries net of cash acquired	83,186	0
Acquisition of other financial investments	0	-5,008
Proceeds from sale of plant and equipment	20	22
Proceeds from the sale of financial assets	0	10,000
Interest received	627	388
Cash flows from investing activities	-10,183	-16,455
Financing activities		
Proceeds from borrowings	100,954	45,861
Repayment of debt	-2,453	-4,579
Repayment of finance lease liabilities	-39	-39
Acquisition of treasury shares	-317	-13,036
Sale of treasury shares	8,249	1,858
Interest paid	-1,710	-770
Cash flows from financing activities	104,683	29,295
Net increase in cash and cash equivalents	120,569	20,337
Translation result of cash items	626	-4,827
Cash and cash equivalents at begin of period	142,383[1)]	103,579
Cash and cash equivalents at end of period	263,578	119,089

[1)] As per March 31, 2017 restrictions on cash and cash equivalents amounted to EUR 37,192 thousand (December 31, 2016: 0).

Reconciliation from adjusted figures to IFRS reported figures

EUR thousands	Q1 2017	Q1 2016
Gross profit – adjusted	**68,884**	**78,196**
Acquisition-related costs	-9,272	-4,181
Share-based compensation costs	-310	-93
Gross profit – IFRS reported	**59,301**	**73,922**
Gross margin in % – adjusted	46.1%	57.0%
Gross margin in % – IFRS reported	39.7%	53.9%
Operating expenses – adjusted	**-64,786**	**-50,040**
Acquisition-related costs	-5,354	-2,857
Share-based compensation costs	-2,926	-1,308
Operating expenses – IFRS reported	**-73,067**	**-54,205**
Result from operations – adjusted	**4,098**	**28,156**
Acquisition-related costs	-14,627	-7,038
Share-based compensation costs	-3,237	-1,401
Result from operations – IFRS reported	**-13,766**	**19,717**
Operating margin in % – adjusted	2.7%	20.5%
Operating margin in % – IFRS reported	-9.2%	14.4%

First Quarter Report
2017

ams AG
Tobelbader Strasse 30
8141 Premstaetten, Austria
T +43 3136 500-0
investor@ams.com
www.ams.com

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