

# Third Quarter Report 2017

Key figures EUR thousands (except earnings per share)	Q3 2017	Q3 2016	Q2 2017	9 months 2017	9 months 2016
Revenues	262,615	146,705	181,530	593,459	416,327
Gross margin in % (adjusted – see footnote 1)	41%	55%	41%	43%	56%
Result from operations (adjusted – see footnotes)	34,827 <sup>1)</sup>	28,041 <sup>2)</sup>	1,331 <sup>1)</sup>	40,256 <sup>1)</sup>	80,626 <sup>2)</sup>
Operating margin in % (adjusted – see footnotes)	13% <sup>1)</sup>	19% <sup>2)</sup>	1% <sup>1)</sup>	7% <sup>1)</sup>	19% <sup>2)</sup>
Net result	20,201	55,937	-17,813	-13,833	89,176
Basic / diluted earnings per share in CHF <sup>3)</sup>	0.28 / 0.27	0.91 / 0.88	-0.23 / -0.22	-0.21 / -0.20	1.45 / 1.40
Basic / diluted earnings per share in EUR	0.24 / 0.23	0.84 / 0.81	-0.21 / -0.21	-0.19 / -0.19	1.32 / 1.28
Total backlog (excluding consignment stocks)	440,445	132,185	210,976	440,445	132,185

<sup>1)</sup> Excluding acquisition-related and share-based compensation costs

<sup>2)</sup> Excluding acquisition-related, share-based compensation costs and divestiture-related accounting profit (EUR 29.7m)

<sup>3)</sup> Earnings per share in CHF were converted using the average currency exchange rate for the respective periods

**Significant third quarter revenue growth in expected range with adjusted EBIT margin above expectations; major ramps for consumer optical sensing solutions continue at high volumes; very strong expected fourth quarter growth above previous expectations with expected revenues of EUR 440-480 million and adjusted EBIT margin of 26-29%; new independent software services company to accelerate software development for ams sensor solutions**

Report to shareholders on the third quarter of 2017

**Ladies and Gentlemen**

Our third quarter results reflect the positive impact of major ramps for new consumer optical solutions showing significant revenue growth within our guidance range. Despite the evident ramp-up nature of the quarter we achieved attractive profitability above expectations driven by the success of our sensing products across end markets.

We continue to execute these high volume consumer ramps in the current quarter which we expect to result in very strong revenue and earnings growth quarter-on-quarter.

**Financial results**

Third quarter group revenues were EUR 262.6 million (EUR 266.3 million based on the guidance EUR/USD exchange rate of 1.16), up 45% sequentially compared to the second quarter and up 79% from EUR 146.7 million in the same quarter 2016. On a constant currency basis, third quarter revenues were 87% higher compared to the third quarter last year.

In the third quarter, adjusted gross margin (excluding acquisition-related and share-based compensation costs) was 41% while IFRS reported gross margin (including acquisition-related and share-based compensation costs) stood at 37%, compared to 55% and 53% respectively in the same quarter 2016.

The adjusted result from operations (EBIT) (excluding acquisition-related and share-based compensation costs) for the third quarter was EUR 34.8 million or 13% of revenues which was above previous expectations, increasing from EUR 28.0 million in the same period 2016. The IFRS reported result from operations (EBIT) (including acquisition-related and share-based compensation costs) for the third quarter was EUR 10.5 million or 4% of revenues, decreasing from EUR 49.7 million in the same period 2016. The positive quarter-on-quarter development was due to increasing utilization of the expanded capacity in our optical sensing business starting in the second half of the quarter.

The net result for the third quarter was EUR 20.2 million compared to EUR 55.9 million in the same period last year. Basic and diluted earnings per share were CHF 0.28/0.27 or EUR 0.24/0.23 based on 83,390,747/86,716,951 shares (basic/diluted; weighted average) compared to CHF 0.91/0.88 or EUR 0.84/0.81 for the third quarter 2016 based on 66,860,524/69,171,109 shares (basic/diluted; weighted average).

Operating cash flow for the third quarter was EUR -32.4 million compared to EUR 45.2 million in the same quarter last year. Total backlog on September 30, 2017 (excluding consignment stock agreements) was EUR 440.4 million compared to EUR 211.0 million at the end of the second quarter and EUR 132.2 million on September 30, 2016, today's total backlog exceeds EUR 500 million.

## Business overview

Our business grew substantially in the third quarter of 2017 led by a sharp revenue increase in our consumer business in combination with overall positive demand for our advanced sensing solutions. New product introductions drove this revenue expansion despite a negative influence from the EUR/USD exchange rate development in the quarter while all end markets offered healthy contributions to our business performance.

Our consumer and communications business recorded strong growth in the third quarter as anticipated. We are implementing the expected steep ramps of new optical solutions for a recently launched global platform by a leading smartphone OEM following the start of high volume shipments in the middle of the quarter. Our optical sensing business is at the center of these ramps and contributing even more significantly to our overall business performance. Quickly moving to very high run rates, we focus on successfully continuing these complex ramps in our expanded manufacturing operations in Singapore and, to a lesser extent, Austria. As a consequence, our optical sensing portfolio spanning 3D sensing, spectral sensing, TrueColor and color/RGB ambient light sensing, proximity sensing and multi-function modules has become the core growth driver for ams while our audio business continued to perform well in the third quarter. Our multi-year product and development pipeline is driven by major consumer OEMs exploring new sensing possibilities for future devices which we expect to translate into substantially higher ams content opportunities in the coming years.

We are successfully integrating our Princeton Optronics VCSEL business into our R&D framework and are pursuing new technical approaches to drive real innovation in infrared illumination for consumer applications. The previously announced investment into internal VCSEL manufacturing capacity is moving ahead with capital expenditure starting in the fourth quarter 2017.

To accelerate the development of dedicated software IP for our optical, imaging, environmental and audio sensor solutions including optical 3D and spectral sensing, we have initiated the formation of an independent software services and licensing company which will work primarily with ams and its customers. Starting from locations in Europe, the company plans to open additional locations in the US and Asia in 2018. This novel approach creates an autonomous software-centric environment that will be able to attract top quality entrepreneurial and creative talent in the software industry, which will then develop differentiating application solutions for ams sensors. We have agreed to acquire a 30% shareholding in the company in the first quarter of 2018 at a pre-agreed valuation and have the option to fully acquire the company at a later point in time. The company will help us quickly expand our software portfolio with proprietary IP, especially for optical 3D and spectral sensing, and also work with our customers to realize a faster time-to-market for their devices incorporating ams sensor solutions.

Our industrial, medical and automotive businesses continued their attractive performance in the third quarter 2017. The demand environment in these non-consumer end-markets remains healthy for ams



in the second half of the year. As expected, we saw a further positive development of our industrial business which includes the major product areas automation, building technology and industrial imaging. Our strong position as a leader in industrial sensing is built on a broad global customer base and a firm grasp of evolving OEM needs. First OEM discussions support our belief that innovative technologies such as 3D sensing will create major growth opportunities in new industrial applications and drive change across sensing markets. Our medical business recorded another attractive quarter as the leading provider of imaging sensor solutions for computed tomography (CT), digital X-ray, and mammography. We continue to ramp a new imaging customer in Asia through the second half while new applications in endoscopy are seeing positive market traction. In our automotive business, good demand for our advanced sensing solutions continued in the third quarter. Supporting applications in safety, driver assistance, position, and chassis control through an expanding range of technologies we are already starting to evaluate projects in emerging areas such as 3D LIDAR.

In operations, we have continued to expand manufacturing capacity in Singapore and Austria related to the current high volume ramps of new consumer optical sensing solutions. In order to support additional customer needs with a view towards 2018 we are implementing further investments in optical back-end manufacturing and optical filter deposition before year-end with total capital expenditures for 2017 expected to reach around EUR 600 million. This includes a first portion of investments for the previously announced VCSEL manufacturing line in Singapore. At the same time, we expect capital expenditures for 2018 to be lower than the expected total for this year, based on current information.

### Outlook

For the fourth quarter 2017, we see very strong quarter-on-quarter growth for ams. Based on available information and a current EUR/USD exchange rate of 1.18 we expect fourth quarter revenues to show a substantial increase to EUR 440-480 million, up 68-83% quarter-on-quarter, given the steep ramp of new consumer optical solutions and the high volume production already ongoing. These expectations highlight our strong position in innovative optical sensing technologies including 3D sensing and advanced display management.

The adjusted operating margin for the fourth quarter is expected to show a significant increase to 26-29% (excluding acquisition-based and share-based compensation costs), predominantly driven by increasing capacity utilization in our optical sensing business. Under IFRS rules we are required to record changes in the value of the option element of the recently issued foreign currency convertible bond that result from changes in the ams share price as non-cash items in the group financial result. To adjust for this accounting treatment, we will report adjusted net result and earnings per share (EPS) values excluding this effect starting from the fourth quarter.

For completeness, we reiterate our revenue growth expectation of more than 40% compound annual growth rate (CAGR) for the period 2016-2019 and our adjusted EBIT margin target of 30% from 2019 onwards which are based on our extended revenue and project pipeline.

# Third Quarter Report

## 2017



## Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q3 2017	9 months 2017	Q3 2016	9 months 2016
Revenue Products	250,071	553,998	131,721	379,710
Revenue Foundry & Other	12,544	39,461	14,984	36,617
<b>Total revenues</b>	<b>262,615</b>	<b>593,459</b>	<b>146,705</b>	<b>416,327</b>
Cost of sales	-165,473	-374,097	-68,981	-193,989
<b>Gross profit</b>	<b>97,142</b>	<b>219,362</b>	<b>77,723</b>	<b>222,338</b>
Gross margin in %	37%	37%	53%	53%
Research and development	-54,672	-154,990	-36,533	-101,761
Selling, general and administrative	-34,367	-98,760	-23,143	-71,936
Other operating income	2,723	10,886	31,856	36,279
Other operating expense	-256	-1,194	-263	-429
Result from investments in associates	-22	-52	98	1,646
<b>Result from operations</b>	<b>10,548</b>	<b>-24,748</b>	<b>49,739</b>	<b>86,137</b>
Net financing result	5,279	8,866	-1,631	-2,814
<b>Result before tax</b>	<b>15,828</b>	<b>-15,882</b>	<b>48,108</b>	<b>83,323</b>
Income tax result	4,374	2,050	7,829	5,852
<b>Net result</b>	<b>20,201</b>	<b>-13,833</b>	<b>55,937</b>	<b>89,176</b>
Basic / diluted earnings per share in CHF <sup>1)</sup>	0.28 / 0.27	-0.21 / -0.20	0.91 / 0.88	1.45 / 1.40
Basic / diluted earnings per share in EUR	0.24 / 0.23	-0.19 / -0.19	0.84 / 0.81	1.32 / 1.28

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

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## 2017



## Consolidated Balance Sheet

(unaudited)

EUR thousands	September 30, 2017	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	407,695	179,575
Financial assets	23,859	36,259
Trade receivables	185,271	97,155
Inventories	213,623	92,855
Other receivables and assets	81,898	33,422
<b>Total current assets</b>	<b>912,346</b>	<b>439,264</b>
Property, plant and equipment	882,120	319,250
Intangible assets	1,169,683	603,447
Investments in associates	1,981	2,278
Deferred tax assets	35,420	35,389
Other long-term assets	34,781	23,360
<b>Total non-current assets</b>	<b>2,123,985</b>	<b>983,723</b>
<b>Total assets</b>	<b>3,036,332</b>	<b>1,422,988</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Interest-bearing loans and borrowings	138,921	108,018
Trade liabilities	309,899	68,231
Tax liabilities	27,521	36,750
Provisions	41,365	20,063
Other liabilities	481,855	31,449
<b>Total current liabilities</b>	<b>999,560</b>	<b>264,511</b>
Interest-bearing loans and borrowings	1,064,027	364,051
Employee benefits	43,821	36,965
Deferred tax liabilities	75,051	53,953
Other long-term liabilities	57,271	35,953
<b>Total non-current liabilities</b>	<b>1,240,170</b>	<b>490,921</b>
<b>Shareholders' equity</b>		
Issued capital	84,420	73,409
Additional paid-in capital	572,494	211,625
Treasury shares	-70,729	-166,079
Other reserves (translation adjustment)	-240,575	59,860
Retained earnings	450,992	488,741
<b>Total shareholders' equity and reserves</b>	<b>796,601</b>	<b>667,556</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,036,332</b>	<b>1,422,988</b>

## Consolidated Statement of Cash Flow

(unaudited)

EUR thousands	Q3 2017	9 months 2017	Q3 2016	9 months 2016
<b>Operating activities</b>				
Result before tax	15,828	-15,882	48,108	83,323
Depreciation (net of government grants)	37,602	101,987	15,857	46,351
Expense from stock option plan (acc. to IFRS 2)	5,961	13,636	1,626	4,628
Changes in other long-term liabilities	-3,470	-4,295	-745	-905
Result from sale of plant and equipment	-6	5	-75	-94
Result from sale of financial assets	0	0	0	0
Result from investments in associates	22	52	-98	-1,646
Net financing result	-5,279	-8,866	1,631	2,816
Change in inventories	-71,306	-102,842	-4,320	-6,567
Change in trade and other receivables	-85,987	-80,808	3,473	-12,612
Change in trade and other payables	75,268	72,850	8,488	-13,444
Change in provisions and employee benefits	-168	-4,192	1,785	-3,203
Change in deferred income	2,273	2,502	453	2,266
Result from sale of discontinued operation net of tax	0	0	-29,681	-29,681
Tax payments	-3,096	-13,501	-1,309	-11,208
<b>Cash flows from operating activities</b>	<b>-32,358</b>	<b>-39,355</b>	<b>45,193</b>	<b>60,025</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	-144,694	-376,418	-24,324	-69,162
Acquisition of subsidiaries, net of cash acquired	-47,353	35,834	-8,686	-46,433
Acquisition of other financial investments	0	0	0	-5,008
Proceeds from sale of plant and equipment	0	30	530	562
Disposal of discontinued operations net of cash disposed of	0	0	62,154	62,154
Proceeds from the sale of financial assets	14,445	19,445	0	10,000
Interest received	577	1,880	272	917
<b>Cash flows from investing activities</b>	<b>-177,024</b>	<b>-319,229</b>	<b>29,946</b>	<b>-46,970</b>
<b>Financing activities</b>				
Proceeds from borrowings	526,983	875,362	181,894	257,206
Repayment of debt	-112,197	-140,784	-80,153	-85,115
Repayment of finance lease liabilities	-39	-118	-39	-119
Acquisition of treasury shares	-40,104	-73,780	-47,023	-94,088
Sale of treasury shares	1,204	16,088	5,010	9,187
Interest paid	-3,173	-6,759	-888	-2,771
Dividends paid	0	-25,047	0	-34,575
Changes resulting from capital increase	0	0	0	0
<b>Cash flows from financing activities</b>	<b>372,673</b>	<b>644,962</b>	<b>58,800</b>	<b>49,725</b>
Change in cash and cash equivalents	163,291	286,377	133,940	62,779
Effects of changes in foreign exchange rates on cash and cash equivalents	-8,710	-21,065	-301	-3,047
Cash and cash equivalents at begin of period	253,113	142,383	29,672	103,579
<b>Cash and cash equivalents at end of period</b>	<b>407,695</b>	<b>407,695</b>	<b>163,311</b>	<b>163,311</b>

# Third Quarter Report

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### Reconciliation from adjusted figures to IFRS reported figures

EUR thousands (except earnings per share)	Q3 2017	9 Months 2017	Q3 2016	9 Months 2016
<b>Gross profit – adjusted</b>	<b>108,793</b>	<b>252,738</b>	<b>81,292</b>	<b>233,562</b>
Acquisition-related costs	-11,227	-32,448	-3,440	-10,910
Share-based compensation costs	-423	-928	-128	-314
<b>Gross profit – IFRS reported</b>	<b>97,142</b>	<b>219,362</b>	<b>77,723</b>	<b>222,338</b>
Gross margin in % – adjusted	41.4 %	42.6 %	55.4 %	56.1 %
Gross margin in % – IFRS reported	37.0 %	37.0 %	53.0 %	53.4 %
<b>Operating expenses – adjusted</b>	<b>-73,965</b>	<b>-212,482</b>	<b>-53,251</b>	<b>-152,936</b>
Acquisition-related costs	-7,091	-18,921	-2,917	-8,632
Share-based compensation costs	-5,538	-12,708	-1,497	-4,314
Result from discontinued operation	0	0	29,681	29,681
<b>Operating expenses – IFRS reported</b>	<b>-86,594</b>	<b>-244,111</b>	<b>-27,984</b>	<b>-136,201</b>
<b>Result from operations – adjusted</b>	<b>34,827</b>	<b>40,256</b>	<b>28,041</b>	<b>80,626</b>
Acquisition-related costs	-18,318	-51,368	-6,358	-19,542
Share-based compensation costs	-5,961	-13,636	-1,626	-4,628
Result from discontinued operation	0	0	29,681	29,681
<b>Result from operations – IFRS reported</b>	<b>10,548</b>	<b>-24,748</b>	<b>49,739</b>	<b>86,137</b>
Operating margin in % – adjusted	13.3 %	6.8 %	19.1 %	19.4 %
Operating margin in % – IFRS reported	4.0 %	-4.2 %	33.9 %	20.7 %



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