One ams

=

11,000

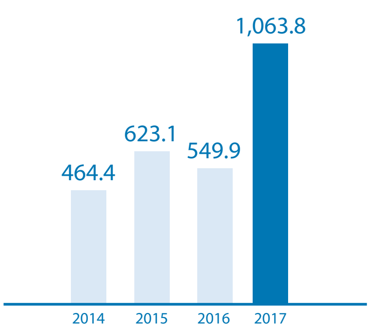
people worldwide

ams Annual Report 2017

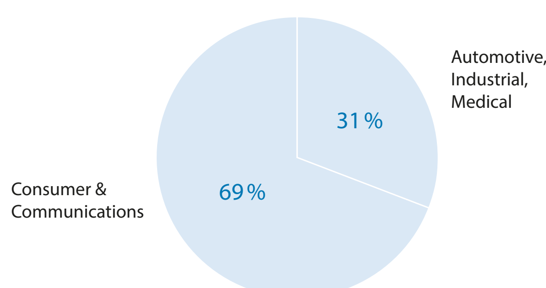
Highlights

In millions of EUR	2017	Changes to 2016	2016	2015
Revenues	**1,063.8**	**93%**	**549.9**	**623.1**
Gross margin (adjusted)[1)]	43%		55%	56%
Gross margin (IFRS reported)	39%		52%	54%
R&D expenses	214.0	54%	138.6	107.8
Operating result (EBIT) (adjusted)[1)]	168.7	74%	97.1	165.5
EBIT margin in % (adjusted)[1)]	16%		18%	27%
Net result (adjusted)[3)]	127.5	24%	102.9	148.7
Earnings per share (in EUR, basic)	1.56	2%	1.53	2.16
Earnings per share (in CHF, basic)[2)]	1.74	4%	1.67	2.30
Operating cash flow	-3.6	-104%	82.3	155.6
Total order backlog (as of December 31)	541.9	298%	136.1	119.4
Capital expenditures	582.0	535%	91.7	80,1
Total assets (as of December 31)	3,261.3	129%	1,423.0	1,223.4
Equity ratio	25%		47%	56%
Employees (average)	7,016	223%	2,175	1,921

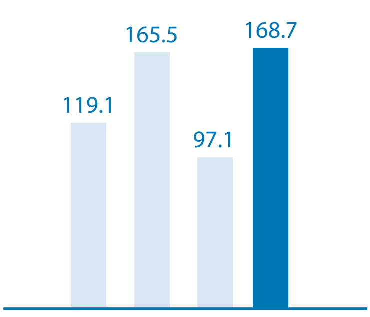
Total revenues in EURm



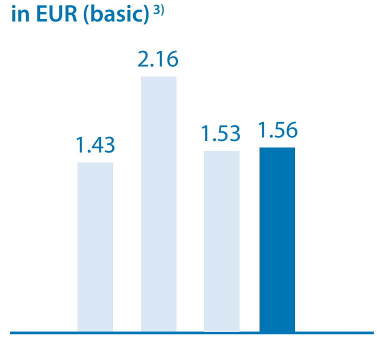
Revenues by market 2017 in %



Operating result (EBIT) in EURm [1)]



Earnings per share (EPS) in EUR (basic) [3)]



1) Excluding acquisition-related and share based compensation costs.
2) Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.
3) Net result and earnings per share excluding valuation effect of the option element of the issued convertible bond.

The most successful year
in our history because
we are “one ams”

Contents

One ams

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2.7

billion devices

shipped 2017

Preface by the Management Board

Dear Shareholders, Customers, and Employees, Ladies and Gentlemen

2017 was a record year and a year of records for ams.

We achieved record growth of over 90% year-on-year resulting in a historic record of more than 1 billion EUR in revenues, we showed record levels of adjusted full-year operating and net profit, we invested a record 582 million EUR in capital expenditures to support growth and customer needs, and we added a record number of more than 8,000 new employees, mostly due to our major expansion in Singapore.

Our clear corporate strategy to build the global leader in sensor solutions is a resounding success. We are focused on true leadership in the four fast-growing markets for optical, imaging, environmental and audio sensing, creating an ever stronger position across end markets. Based on our success we have been able to upgrade our growth expectations last year and again in the first quarter of this year. We now target 60% revenue growth (CAGR) through 2019 together with a goal of 30% EBIT margin (adj.) from 2019 to drive earnings growth – growing significantly faster than our industry peers.

Our consumer and communications business drove last year's exceptional growth as we successfully realized high-volume ramp-ups for innovative optical sensing solutions. We helped enable the first large-scale 3D sensing application by ramping a complex optical sensing solution for a leading high-end smartphone platform. The introduction of 3D sensing in smartphones marks the beginning of a significant new era in sensing where we expect broad 3D-sensing adoption across markets, driving outstanding growth opportunities in the coming years. Our True Color light sensing for a leading high-end smartphone platform was the other major new product ramp defining the next level of display management based on industry-leading optical filter expertise. As a result, optical sensing strengthened its role as our most important revenue contributor while other consumer lines such as audio sensing also showed robust growth.

Our automotive, industrial, and medical businesses also performed very well across end markets in 2017. We saw good growth momentum in our industrial business, including solid growth in imaging, and increased market penetration as a leading player in industrial and factory automation, building control and other industrial sensing. Our medical business recorded another attractive growth year as we lead the market in Medical Imaging for computed tomography (CT), digital X-ray, and mammography. We ramped a new Asian imaging OEM and recently won our first imaging program with another leading medical OEM.

Our automotive business showed continued robust growth driven by sensor solutions for safety, driver assistance, position, and chassis control. We are excellently positioned for major new applications such as autonomous driving where 3D sensing will play a crucial role. A first significant 3D sensing win in automotive demonstrates our early lead in this very large scale emerging market.

We actively manage our technology portfolio for strong innovation and fast time-to-market with M&A activities playing a key role to accelerate our strategy. Last year we acquired Princeton Optronics, a leader in high-power Vertical Cavity Surface-Emitting Lasers (VCSELs) for optical sensing. This highly strategic acquisition creates a unique position covering the optical sensing value chain and opens large new growth avenues for ams. We are already seeing a strong mid-term demand pipeline and have gained our first large design wins in both smartphone and automotive 3D sensing where Princeton's differentiating VCSELs generate significant competitive advantages. To fully exploit this patented technology, we are currently building internal high volume VCSEL production capacity in Singapore with expected mass production next year.

We also continue to invest strongly in R&D and we increased our R&D resources again last year. Our manufacturing model combines highly differentiated in-house production for wafers, optical filters, optical systems, and, as mentioned, VCSELs with external manufacturing across all segments of our value chain. While our internal wafer capacity remained fully utilized we completed a very significant expansion of optical manufacturing in Singapore last year, investing a major portion of EUR 582 million of total capital expenditures. We ramped this needed new production capacity at increasing utilization in the second half of 2017 recording expected under-utilization effects in the first half. Moreover, ams remained committed to responsible business practices and realized further advances in energy efficiency last year.

Effective this past January, we expanded the ams management board with the addition of Chief Business Development Officer Mark Hamersma, underscoring our focus on strategic business development. Previously responsible for corporate strategy/M&A and general manager of our environmental and audio sensing business, Mark Hamersma held strategy, business development and general management roles at NXP Semiconductors before joining ams in 2016. The other management board members welcome his wealth of expertise to the management board of ams.

In line with our current dividend policy we will propose a dividend of EUR 0.33 per share for 2017. Our financial position is solid and supported by our business model which enables multi-year growth and attractive profitability.

The Supervisory Board again offered constructive support for our strategic plans and backed our decisions last year. We would like to thank our customers, partners, shareholders and, above all, the people of ams. As "one ams," our employees' ingenuity, creativity, energy, and commitment are the key drivers of our worldwide success.

We expect our business to show another year of strong growth in 2018 as we move toward realizing our increased target of 60% annual revenue growth for the years 2016-2019. Our market positioning is stronger than ever and translating into multiple large-scale growth opportunities across our end markets. By driving leadership in our sensing focus areas, we will continue to implement our successful strategy based on innovation and differentiation.

Alexander Everke
CEO

Michael Wachsler-Markowitsch
CFO

Dr. Thomas Stockmeier
COO

Mark Hamersma
CBO

One ams

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93%

revenue growth

2017

Preface by the Supervisory Board

Dear Ladies and Gentlemen

Following two years of slowed growth, the global technology and semiconductor markets achieved above-average growth rates in 2017. Cloud-based applications, the Internet of Things, autonomous vehicle technology, new display technologies, facial recognition, Industry 4.0 and other innovations drove the ongoing technological transformation and digitalization of consumer and industrial goods. These innovations prompted an increase in the revenues and numbers of new products and applications. Leading indicators such as relevant patent applications also showed a strong upward trend. These dynamic developments presented our business with opportunities and challenges, and we fulfilled our mission to be a leading force in shaping technological change.

Our strategic focus on electronic sensor systems for optical, audio, environmental and imaging applications was the correct approach to strengthen our position in a changing marketplace. We have expanded our in-house technical capabilities through targeted acquisitions in recent years and developed them into a full system expertise through the integration of crucial steps in the value chain and by adding software skills. The goal of the Management Board to become the market leader in each of our strategic sensing areas was unreservedly endorsed by the Supervisory Board. Achieving ams' growth and profitability objectives and retaining a balanced financial structure will continue to remain our core goals in the future.

During the past fiscal year, the Supervisory Board fulfilled its duties in accordance with the law and the Articles of Association and monitored the work performed by the Management Board. The Supervisory Board and its committees received regular, prompt and comprehensive information - both in written and verbal form - on the business development, the company's financial position and other significant issues in the scheduled meetings, a strategy meeting as well as numerous face-to-face meetings between the Executive Committee of the Supervisory Board and the members of the Management Board. Besides the statutory duties, the main topics and areas of decision-making for 2017 included the following: the integration of the Heptagon Group purchased in 2016 with locations in Singapore and Switzerland; realizing our revenue potential through the major expansion of manufacturing capacity and workforce in new production sites in Singapore: the industrialization of ams' VCSEL laser capabilities in an in-house manufacturing facility; the support for establishing a software enterprise associated with ams; and the financing of the ams Group through the issue of convertible bonds.

The work performed by the Audit Committee focused on supervising the preparation and audit of the annual financial statements, new statutory regulations, the internal audit function, the risk management system and the internal control system.

The activities of the Nomination and Remuneration Committee mainly related to the strong growth of the ams Group and the resulting changes in the distribution of responsibilities within the Management Board, together with the Management Board compensation. Working together with an external consultant we developed a performance-related share compensation program incorporating the Heptagon transaction, and presented this to shareholders at the Annual General Meeting on June 9, 2017. To enable us to better manage forward-looking topics, Mark Hamersma was appointed to the Management Board of our company on January 1, 2018. A Netherlands native, Mr. Hamersma has been responsible for our environmental and audio sensing business as well as acquisitions at ams since 2016. As Chief Business Development Officer (CBO), he will continue to integrate corporate acquisitions and develop new revenue potential in our strategic business areas. Once again, in 2017 the Supervisory Board evaluated its activities and decisions by way of a self-assessment, performed via a questionnaire.

The work of the Supervisory Board was characterised by constructive interaction with the Management Board and management of the ams Group. Without the extraordinary commitment of the Management Board, the enthusiasm for the common goals, and the high motivation of each ams employee, a growth of more than 90% in revenues and historical highs in revenues and results would not have been possible. The Supervisory Board thanks the Management Board and every ams employee for this outstanding performance.

We would also like to thank the shareholders and customers of the ams Group for the trust they have shown in us.

On behalf of the Supervisory Board

Hans Jörg Kaltenbrunner
Chairman of the Supervisory Board

Our Company

One ams

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2,751

patents*

*granted and applied for

Our Company

Our Vision

For ams, “Sensing is Life”. Our passion is in creating sensor solutions that make devices and technology smarter, safer, more environmentally friendly and easier to use. We are shaping the world with sensor solutions, leading the way in forging continuous connections between people and technology, and envisioning a seamless experience between the two.

Our Company and Strategy

ams’ sensor solutions and sensor ICs are at the heart of the products and technologies that define our world today – from smartphones and mobile devices to smart homes and buildings, industrial automation, medical technology and driver-assisting vehicles. Leading manufacturers around the globe rely on our sensing expertise for advanced system designs. Our solutions excel in applications requiring extreme precision, dynamic range, high sensitivity, and low power consumption in small form factors.

Our bold corporate strategy is fully focused on making ams the global leader in sensor solutions in four fast growing areas: Optical, Imaging, Environmental and Audio sensing. These areas represent the four pillars of ams, and we are taking decisive and strategic steps to build true leadership in these high-value markets.

We actively manage a highly advanced technology and product portfolio around these four sensing areas driving market differentiation as the key factor for sustained leadership. Executing our strategy makes ams a highly respected leader in the global semiconductor industry – which benefits our customers, shareholders, suppliers, and employees.

In each of our four focus areas we offer our customers industry-leading performance and innovation through complete sensor solutions, so OEMs can rely on one trusted vendor for their technology needs.

We are driving integration of sensor technologies into monolithically integrated or multi-sensor solutions. These solutions may include sensing and related hardware, state-of-the-art sensing algorithms, sensor fusion software and application software. By offering solutions tailored to customers’ unique and evolving needs, we help the industry move forward while creating strategic and market advantages for our customers. We empower OEMs to deliver differentiated products and devices that change and improve lives, and enable exciting new end-user experiences.

To accelerate our growth path towards global leadership in optical, imaging, environmental and audio sensing, we use technology acquisitions as a strategic tool complementing our continued strong internal R&D investment. After our transformational 2016 acquisition of Heptagon, the global leader in micro-optics and high-performance optical packaging, we completed the acquisition of Princeton Optronics, a leader in high power Vertical Cavity Surface-Emitting Lasers (VCSELs), last year. Adding Princeton's outstanding and highly differentiated VCSEL technology for illumination enables broad coverage of the optical value chain and expands our optical solutions offering, particularly for 3D sensing. Beyond consumer devices, the VCSEL technology offers strong competitive advantages in emerging applications in autonomous driving and industrial sensing.

In early 2018, we significantly expanded our 3D software and solutions competence via the acquisition of KeyLemon, a leader in 3D face recognition software. We will leverage KeyLemon's robust and secure 3D face recognition IP to offer OEMs a faster time-to-market for high quality 3D face recognition in smartphones and other exciting applications.

Our Talent

We are one ams – about 11,000 individuals around the globe driving our company's success in the marketplace and looking for what is next.

Our workforce is the greatest asset for the company and the most important factor in our success. We are able to attract and retain the best and brightest talent in the industry, embracing a wide range of highly innovative, creative, and unconventional thinkers.

ams grew very strongly over the course of last year adding more than 8,000 employees predominantly through the expansion of ams' Singapore manufacturing operations. Besides the significant increase in production staff we welcomed a range of highly qualified industry and functional professionals strengthening and deepening ams' skill base across all business areas. The success of our focused strategy offers excellent opportunities for personal growth which is recognized inside and outside of ams.

Our culture is built around the core values of our company and designed for pushing boundaries. We empower our workforce while holding them accountable. Demanding integrity in everything we do, we want our staff to be loyal, trustworthy, authentic and true role models.

One ams also means that diversity is valued across our company and our locations on three continents. At the same time, we recognize that every staff member's effort and commitment contribute to our ongoing success in a highly competitive environment.

Our Company

Manufacturing

ams implements a flexible manufacturing concept which combines internal production capacity and external manufacturing partnerships for its products and technologies. This strategy is built around driving high differentiation also on the manufacturing side thus creating an additional sustainable competitive advantage. ams' consistent approach to manufacturing calls for use of external production partners wherever there is no compelling differentiation within the production process, including high value IP, which would warrant in-house manufacturing.

ams runs production sites in Austria, mainly for front-end wafer production, in the Philippines for testing and related production steps, and in Singapore for optical manufacturing and packaging. The addition of Singapore as a manufacturing location followed the acquisition of Heptagon in 2016 which was based in Singapore.

Last year ams successfully completed a unprecedented expansion of its internal production capacity in Austria and Singapore resulting in a record level of capital expenditures for the company. These investments were required to support the substantial new product ramps in the second half of the year. The expansion added a very large manufacturing site in the Ang Mo Kio district of Singapore in the first half of 2017 offering 30,000 m^2 of cleanroom space for high volume optical system and component manufacturing and packaging. In the second half of the year, ams opened a third newly-built manufacturing location in the Tampines district of Singapore where large scale production of optical filters has started in the meantime. At the same location, ams is currently commissioning a high volume manufacturing line for advanced VCSEL lasers for optical and 3D sensing with mass production planned in 2019.

ams will continue to pursue an aggressive dual manufacturing strategy leveraging a combination of external and internal supply chains across all areas of production including front-end wafer manufacturing, filter production, optical packaging, and VCSEL manufacturing. To this end ams expects to see further significant capacity investments over the course of this year to support customer needs for 2018 and beyond.

Corporate Responsibility

ams conducts its business guided by high standards regarding ethical professional practices and environmental responsibility. All our business functions worldwide adhere to our company code of conduct as the basis for their activities. The code of conduct consists of a public set of principles and procedures binding all ams employees which safeguards responsible, accountable, and consistent corporate activity. We actively monitor the code of conduct implementation and provide secure feedback channels across global operations.

We have been a member of the United Nations Global Compact, the world's largest corporate strategic policy initiative for sustainability and responsible business, since 2009. The United Nations Global Compact has more than 9,500 members in 160 countries that are committed to aligning their operations and strategies with universally accepted principles in the areas of human rights, labor standards, environment and anti-corruption.

From our leadership position in the industry we continue to drive our commitment of protecting the environment and the sustainability of resources while being successful as a business. We strive to reduce our carbon emissions footprint globally and pursue the company-wide deployment of advanced technologies designed to lower the consumption of electricity and natural gas. To support this approach, ams' internal production sites in Austria and the Philippines are certified according to the Environmental Management System DIN EN ISO 14001.

We publish information on our emissions footprint on a yearly basis within the framework of the Carbon Disclosure Project and have built a track record of quality disclosure over a number of years. Initiated and driven by some of the world's largest institutional investors, the Carbon Disclosure Project is the leading international initiative for corporate disclosure of environmental information.

Our Business

ams is a worldwide leader in sensor solutions offering high-performance sensing technologies with a clear strategic focus on our four core competency areas: optical, imaging, environmental and audio sensing. As a key supplier to many of the world's leading companies, we power innovative sensing applications in the consumer, communications, automotive, industrial, and medical end markets.

Optical sensing

ams is the pre-eminent global player in optical sensing, holding a leadership position across key optical sensing applications. As our most relevant area of focus, optical sensing provides the major share of our total business and is the key growth driver for ams.

Within optical sensing, 3D sensing is emerging as the most important new growth market and we anticipate it remain so for years to come. Face recognition and authentication, object recognition, augmented reality and autonomous driving are among the prime uses of 3D sensing today. The ability to acquire 3D depth information offers a wealth of new sensing data compared with today's technical limits, driving profound change in the world of sensing through three-dimensional interpretation of captured objects or scenes. We expect the technology to create new large-scale measurement and sensing applications in all end markets over time, from consumer and automotive to industrial and medical.

With our outstanding portfolio of differentiated optical technologies and extensive system know-how, ams is quickly building a leadership position in the highly complex area of 3D sensing. Our unmatched coverage of the optical sensing value chain encompasses optical systems built around industry-leading micro-optical packaging, wafer-level optics (WLO) and diffractive optical elements (DOE), high performance optical sensors, and illumination sources through our strategic acquisition of Princeton Optronics in 2017. Princeton Optronics is a best-in-class provider of high power Vertical Cavity Surface Emitting Lasers (VCSEL) which are increasingly differentiating core elements of 3D sensing solutions that determine the performance of the total system. The Princeton Optronics proprietary technology offers unique capabilities to create compact high-power illumination systems that will help drive innovation in consumer and non-consumer 3D sensing together with our VCSEL driver circuits. ams is therefore able to pursue a broad multi-generation roadmap for 3D sensing and tailor solutions that meet evolving customer needs.

Our 3D sensing strategy also recognizes the importance of combining hardware and software to offer a differentiated full solution capability as reflected by our recent acquisition of KeyLemon, a leading developer of biometric software for face recognition. We view secure face recognition as a key application in the consumer, automotive and industrial end markets. This important step enables us to create complete face recognition solutions for a wide range of customers and end uses.

One ams

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8,000

customers

ams helped introduce the first high-volume application of 3D sensing technology, supplying a global smartphone platform which ramped last year in the consumer market. At the same time, significant applications in the automotive market already are emerging. Earlier this year, we achieved our first very large design-win for a 3D LIDAR system for autonomous driving demonstrating this industry trend. We anticipate high-volume uses of 3D sensing technology driving a multi-stage adoption cycle in consumer and non-consumer end markets over the coming years. Given our technology portfolio and system expertise in 3D sensing we expect to play a leading role in the growth of this exciting market.

ams also holds a leading position in advanced light sensing for display management and small scale proximity sensing in consumer and mobile devices. Our innovative high-value TrueColor ambient light sensors create a more engaging, richer display experience and offer better color management while market adoption continues to expand. At the same time, our other existing light sensor lines already support tens of millions of consumer devices for improved display management.

In the highly innovative field of spectral sensing, ams is helping define next-generation technologies in optical sensing. Sophisticated spectral analysis - based on proprietary technology - creates a technology platform to develop strongly differentiated new sensor applications including highly accurate matching of colors in consumer online shopping and, in the near future, food identification for mobile devices. Driven by our advances in spectral sensing, biosensing is another growth area benefitting from the trend to monitor personal health and bring diagnostics closer to the home. For example, we now can measure blood pressure as an important health indicator at a level of accuracy comparable to a doctor's office. Together with heart rate, vein elasticity, vagal tone, and pulse transit time measurement, ams' optical sensing enables a snapshot of personal health and a timeline of data for preventive care that was not available before. We expect this technology to be embedded unobtrusively in daily life applications such as smart toilets and car steering wheels in the coming years.

Imaging

ams is a leader in high-performance image sensing for medical and industrial markets, built around our market-leading portfolio in medical imaging and global shutter image sensor technology. In medical imaging for computer tomography, digital X-ray, and mammography we provide advanced sensor solutions offering the highest diagnostic resolution and efficiency while minimizing patient radiation exposure. In 2017, we expanded our medical imaging customer base and recently won a first program at another large medical imaging OEM. Our innovative miniaturized NanEye image sensors power high-quality image acquisition for disposable medical endoscopy, enabling a new level of diagnostics.

We also lead the market through innovation with our industrial image sensing solutions focused on high-performance global shutter technology. We support a range of growth applications in high-quality machine vision, inspection, traffic control and high-end imaging including the trend towards always-on vision. Our latest developments around curved sensors offer significantly improved performance in advanced industrial image sensing where we recently won an important industry award.

In addition to creating a new generation of high-resolution IR image sensors to expand our 3D sensing portfolio, ams also is driving a strategic convergence opportunity for combined image and spectral sensing. Based on our exclusive ability to cover both sensing technologies we are developing highly innovative sensing solutions for mobile applications that enable high-quality image capture and spectral analysis in one ams device.

Audio and environmental sensing

As the market leader in MEMS microphone interfaces, ams focuses on high-quality audio sensing for mobile devices. The success of home assistants is driving growth for ams as their speech control applications require a high number of microphones per device. Our active noise cancellation (ANC) solutions deliver excellent sound quality regardless of ambient noise levels for audio accessories such as earphones, headsets and headphones. Powering wired and wireless designs with the smallest form factors, we hold the leading position in this quickly growing market.

ams is a technology leader in environmental sensing where we address pressure, temperature, relative humidity, and a range of gas sensing modalities with best-in-class solutions. Our latest pressure sensors detect vertical position at an extremely high resolution of one inch or better, opening new applications such as indoor or drone navigation. We are also engaged in the development of miniature particle sensors to identify levels of harmful microscopic airborne particles.

By leveraging our portfolio, we are pursuing a second strategic convergence play that combines audio and environmental sensing in smallest size multi-sensor solutions. Consumer OEMs are keen to reduce design complexity and, in particular, case openings while adding sensing functionalities to their devices. ams is uniquely positioned to address those needs with differentiated solutions such as combined microphone audio and pressure sensing.

Other business lines

Beyond our sensing focus areas, we remain active in select existing sensing product lines adding distinct opportunistic business based on available IP. These lines include a leading position in contactless position sensing for industrial and automotive markets, highly accurate industrial flow meter solutions, and ultra-low power wireless sensing which integrates our sensing and wireless IP into industrial IoT solutions. Our successful position sensor lines enable high-performance industrial measurement and sensing as well as a broad range of automotive sensing, from powertrain data acquisition to chassis control and in-cabin applications. Using our power management know-how for a large-scale customer opportunity we will also supply an advanced power management component into a high-volume consumer charging application.

Our Global Network

Europe

Austria
Headquarters

Belgium

Finland

France

Germany
4 locations

Italy
3 locations

Netherlands

Portugal

Switzerland
3 locations

Spain

United Kingdom
3 locations

Asia

China
4 locations

India

Japan

Korea

Philippines

Singapore
4 locations

Taiwan

North America

USA
5 locations

Investor Relations and Corporate Governance

One ams

=

9.8

soccer fields

of clean room space

Investor Relations

The ams share continues to offer attractive potential for value appreciation as ams' successful sensor solutions strategy drives growth potential for the company.

The ams share recorded an outstanding performance in 2017 with strong share price appreciation starting in the first quarter and continuing through the first half and into the second half. Following the third quarter results this positive trend accelerated further leading to new all-time high share price levels in the fourth quarter. As one of the best performing shares across European equity markets in 2017, the ams share ended the year around 204% higher compared to the beginning of the year, more than tripling its value over a 12 month period. This share price performance clearly reflected the growing visibility regarding ams' mid-term growth, including an increase in published growth expectation, and the strength of ams' strategic model.

ams sees investor interest in the Asia/Pacific region growing quickly while its business presence and growth potential in the region continues to increase. In order to better address the extensive additional investor base in Asia/Pacific, ams is preparing for a secondary listing at the Hong Kong stock exchange (HKEx) within the coming 9-12 months.

ams currently follows a dividend policy stipulating a dividend increase in case of a positive development of ams' business while any dividend shall at least equal the dividend amount of the previous year. This approach combines the potential for dividend growth with higher stability of dividends. Based on this, the Management Board will propose a dividend of EUR 0.33 for the fiscal year 2017 reflecting the positive development of ams' business (EUR 0.30 for fiscal year 2016).

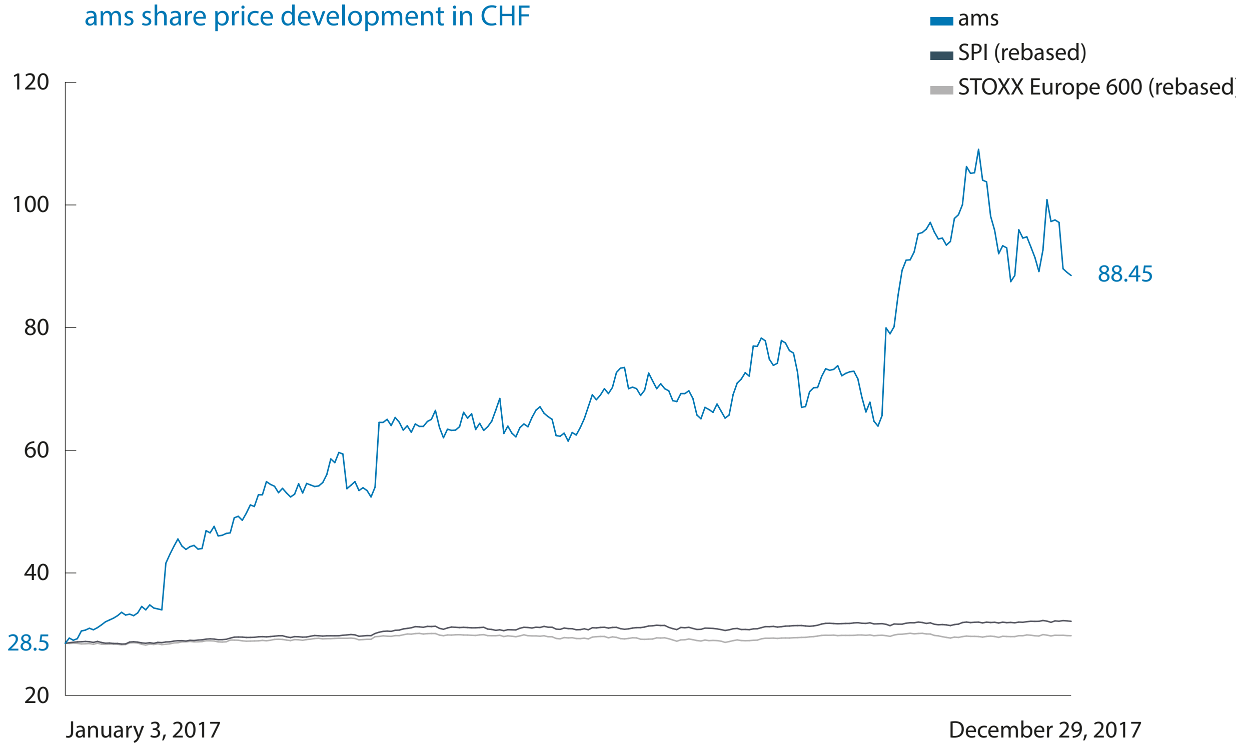
ams also operates a share buyback scheme under which the company bought back around 2.7 million shares last year, equivalent to around 3.2% of total issued shares at year end 2017. ams plans to use a major portion of these shares as partial consideration for the earn-out provision from the acquisition of Heptagon while treasury shares may also be used to cover employee long-term incentive plans.

At the Annual General Meeting in June 2017, all agenda items subject to a vote were approved with an overwhelming majority.

ams broadened its investor relations activities again in 2017, based on its quarterly reports and regular presentations to research analysts, press, and institutional investors. ams conducted extensive road show activities and attended international investor conferences across Europe, North America and Asia. Given strongly increasing interest from U.S. and Asian investors these regions were a focus of activities in 2017 which helped improve the visibility of the ams share on a global scale. As part of these efforts, ams held an analyst and investor day for the first time last year. The very successful event in Singapore was attended by a large number of analysts and investors from Asia/Pacific, Europe and the U.S. and received excellent feedback.

Financial reports, press releases, presentations, and additional information on the ams share are available in the "Investor" section of the company website www.ams.com.

ams share price development in CHF



Share details

ISIN	AT0000A18XM4
Securities code	24924656
Ticker symbol	AMS (SIX Swiss Exchange)
Reuters / Bloomberg	AMS.S / AMS SW

Executive Bodies

Management Board

Alexander Everke (CEO)
Michael Wachsler-Markowitsch (CFO)
Dr. Thomas Stockmeier (COO)
Mark Hamersma (CBO, since January 1, 2018)

Supervisory Board

Guido Klestil (Honorary Chairman)

Hans Jörg Kaltenbrunner (Chairman)
Prof. Dr. Siegfried Selberherr (Deputy Chairman)
Michael Grimm
Klaus Iffland
Jacob Jacobsson
Loh Kin-Wah
Johann Eitner (employee representative)
Andreas Pein (employee representative)
Vida Uhde-Djefroudi (employee representative, until February 7, 2017)
Günter Kneffel (employee representative, from February 7, 2017 until October 13, 2017)
Bianca Stotz (employee representative, since October 13, 2017)

One amu

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50

nationalities

Corporate Governance

As an Austrian company listed in Switzerland, ams AG ("ams") is subject to the compulsory regulations of the SIX Swiss Exchange's directive concerning information on corporate governance ("Swiss Corporate Governance Directive"). The Swiss Corporate Governance Directive is available at https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_16-DCG_en.pdf. This chapter also contains the Corporate Governance report information according to the stipulations of Austrian law.

In this context, ams points out that Austrian Corporate Law differs from the Swiss model in terms of the structure of its corporate bodies, their duties and their accountability. Hereinafter, the Austrian terms for the corporate bodies will be used. Corporations that are not constituted according to the Swiss Code of Obligations are required correspondingly to meet the regulations of the Swiss Corporate Governance Directive, which is formulated in close correspondence with the Swiss Code of Obligations. Consequently there follows a brief description of the particular features of the Austrian organizational structure:

– The Management Board is responsible for company management and representation of the company; it holds the monopoly on company management and representation. It is not subject to instructions by the shareholders or the Supervisory Board, acting rather on its own responsibility and without instructions. Where the Swiss Corporate Governance Directive calls for information on the Executive Board, corresponding details on the Management Board are provided. Nevertheless, the function of the Management Board does not correspond exactly with that of the Swiss Executive Board.

– The Supervisory Board is in charge of appointing and dismissing the Management Board and, in particular, supervising it. Furthermore, specific legal transactions also require the Supervisory Board's approval. Where the Swiss Corporate Governance Directive calls for information on the Administrative Board corresponding details on the Supervisory Board are provided. Nevertheless, the function of the Supervisory Board does not correspond exactly with that of the Swiss Administrative Board.

– The Annual General Meeting, functioning as the supreme means of decision-making body for a company, is responsible for appointing and dismissing the members of the Supervisory Board and the appointment of the auditor. Where the Swiss Corporate Governance Directive calls for information on the General Meeting corresponding details on the Annual General Meeting are provided. The Swiss and Austrian legal systems differ with regard to these two institutions.

1. Corporate Structure and Shareholders

1.1 Corporate Structure

ams, with headquarters in Premstätten, Austria, has been officially listed on the main segment of the SIX Swiss Exchange since May 17, 2004 (securities number 24924656, ISIN AT0000A18XM4). On the reporting date, the company had a market capitalization of approximately CHF 7.5 billion. ams' business activity is divided into the business segments Consumer, Non-Consumer and Foundry. The Segment "Consumer" is comprised of products and sensor solutions targeting the consumer and communications markets. The segment "Non-Consumer" is comprised of products and sensor solutions targeting the industrial, medical, and automotive markets. In the "Foundry" segment, ams reports the contract manufacturing of analog/mixed signal ICs based on its customers' designs. The company manages its business via a Management Team which includes managers responsible for managing the business areas within the framework of the strategy defined by the Management Board. These managers report directly to the Management Board of ams.

Further information on the business segments is provided in the Notes to the Consolidated Financial Statements under item 2 (page 85 of this report).

The company has active unlisted subsidiaries; there are no listed subsidiaries. The following table lists the company's direct active subsidiaries:

Company	Head office	Equity in EUR	Percentage of shares held
ams France S.à.r.l.	Vincennes	-41,649	100 %
ams International AG	Rapperswil	108,852,886	100 %
ams Italy S.r.l.	Milan	975,287	100 %
ams R&D UK Ltd.	Launceston	331,778	100 %
ams Sensors Germany GmbH	Jena	11,210,902	100 %
ams Sensors Asia Pte. Ltd.	Singapore	59,997,211	100 %
ams Japan Co. Ltd.	Tokyo	425,737	100 %
ams Asia Inc.	Calamba City	24,155,552	100 %
ams Semiconductors India Private Ltd.	Hyderabad	441,533	100 %
ams R&D Spain SL	Valencia	378,352	100 %
Aspern Investment Inc.	County of Kent	3,871,253	100 %
AppliedSensor Sweden AB	Linköping	24,556,194	100 %
CMOSIS International BV	Berchem	56,677,786	100 %
Heptagon Advanced Micro-Optics Pte. Ltd.	Singapore	437,180,119	100 %

1.2 Significant Shareholders

Since May 1, 2013 ams is subject to article 20 of the Swiss Federal Law on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) and the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance). Pursuant thereto, ownership interests in companies with registered office outside of Switzerland whose equity securities are mainly listed in whole or in part in Switzerland must be notified both to the issuer company and to SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33 1⁄3%, 50% and 66 2⁄3% of voting rights.

On the reporting date, the following ownership interests had been notified to ams:

Granite Global Ventures III L.L.C. (5.48%)	
Temasek Holdings Private Limited (3.14%)	
44 other acquiring shareholders	22.34%
(together as a lock-up group; the lock-up group has been dissolved in the meantime)	
APG Asset Management N.V.	5.01%
Vontobel Holding AG	4.57%
BlackRock, Inc.	3.06%
Massachusetts Mutual Life Insurance Company	3.03%

Information on significant shareholders or groups of shareholders filed with ams and the Disclosure Office of SIX Swiss Exchange in accordance with article 20 SESTA can also be viewed on the Disclosure Office's publication platform at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

1.3 Cross Shareholding
No cross shareholdings exist at this time.

2. Capital Structure

2.1 Capital
As of December 31, 2017, ams' ordinary capital amounted to nominally EUR 84,419,826.00, divided up into 84,419,826 no-par-value shares with a calculated nominal value of EUR 1.00 per share (Articles of Association available at http://ams.com/eng/Investor/Corporate-Governance).

2.2 Authorized and Conditional Capital in Particular
(the figures shown below reflect the situation at the time of authorization)
(Articles of Association available at http://ams.com/eng/Investor/Corporate-Governance)

Authorized Capital
In June 2016, the management board was authorized upon cancellation of the existing authorized capital (Authorized Capital 2012) to increase – if required in several tranches - the share capital by up to EUR 11,011,281.00 by issuing up to 11,011,281 new shares with a nominal value of EUR 1.00 per share (no-par value shares) against cash and/or contribution in kind and to determine, in agreement with the Supervisory Board, the terms of issue and further details of the implementation of the capital increase (Authorized Capital 2016). This authorized capital was fully used in January 2017 for a capital increase of 11,011,281 new shares (no-par value shares) related to the acquisition of Heptagon.

Conditional Capital
The Management Board was authorized in June 2015 to conditionally increase the share capital pursuant to § 159 paragraph 2 sub-par 3 Austrian Stock Corporation Act (AktG) in a manner that the share capital is increased up to EUR 5,000,000 by issuance of up to 5,000,000 no-par bearer shares (no-par value shares) for the purpose of granting stock options to employees, officers and directors of the Company and any company affiliated within the scope of the Performance Stock Unit Plan (PSP) 2014-2029. The issue price is calculated based on the stock exchange price before granting of the respective stock options, whereupon the issue price in any case is at least the amount of the share capital attributable to each no-par share. The Supervisory Board is authorized to decide changes in the Articles of Association resulting from the conditional capital increase. The other terms of issue are based on the provisions of the Long Term Incentive Plan (LTIP 2014) approved by the Management Board on October 17, 2014 which is the alternative name adopted for the PSP 2014-2029. Each option under the plan granted entitles each participant to purchase one share of the Company. The available options were to be granted during the year 2014 for the first time after prior resolution by the LTIP committee. All options granted must be exercised by October 17, 2024. The exercise price for the new shares is EUR 1.00. Issuance of the options is subject to the following criteria: a) approval of the plan by the annual general meeting – this was fulfilled by the authorization in June 2015 described above – ; b) exercisability of 50% of the options depends on an increase of earnings per share measured over a period of three years compared to the earnings per share of the year prior to the respective grant; c) exercisability of the remaining 50% of the options depends on the comparison of total shareholder return over a period of three years to a defined benchmark group of semiconductor companies. The earliest date for exercise of options is three years after grant and the LTIP committee's decision about fulfilment of the above criteria. Additional information on the plan is available on page 81 of this report.

The Management Board was authorized in June 2017 to conditionally increase the share capital pursuant to § 159 paragraph 2 sub-par 1 Austrian Stock Corporation Act (AktG) in a manner that the share capital is increased by up to EUR 8,441,982 by issuance of up to 8,441,982 no-par bearer shares with a nominal value of EUR 1.00 per share (no-par value shares) for the purpose of the issuance of financial instruments pursuant to § 174 Austrian Stock Corporation Act (AktG) (Conditional Capital 2017). In September 2017, the Management Board decided to place a convertible bond committing a portion of the Conditional Capital 2017 of 3,273,858 new ordinary no-par bearer shares (no-par value shares) as underlying for the possible conversion of the convertible bond. In February 2018, the Management Board decided to place another convertible bond committing a further portion of the Conditional Capital 2017 of 4,410,412 new ordinary no-par bearer shares (no-par value shares) as underlying for the possible conversion of the convertible bond. Consequently, 7,684,270 shares of the Conditional Capital 2017 have been committed.

2.3 Changes in Capital
In total, the ams Group's shareholders' equity amounted to EUR 681.21 million as of December 31, 2015, EUR 667.56 million as of December 31, 2016; and EUR 832.40 million as of December 31, 2017. Information about the changes in shareholders' equity over the last two reporting years is provided in the section entitled "Consolidated Statement of Changes in Shareholders' Equity according to IFRS from January 1, 2017 until December 31, 2017" in the financial section of this Annual Report (page 62).

2.4 Shares and Participation Certificates
On the date of reporting, ams' share capital consisted of 84,419,826 common no-par-value shares issued to bearer with a calculated nominal value of EUR 1.00 per share. Every bearer of a common share has the right to vote and is entitled to receive dividends; there are no preferential rights. All shares are equal in terms of the company's residual assets; all capital was paid in. There are no participation certificates.

2.5 Profit Sharing Certificates
There are no profit sharing certificates.

2.6 Restrictions on Transferability and Nominee Registration
The company only has bearer shares outstanding. There are no restrictions on transferability or corporate rules on nominee registration.

2.7 Convertible Bonds and Option Plan
In September 2017, the Management Board passed a resolution to place a convertible bond. Consequently, the company issued a convertible bond in an aggregate nominal amount of USD 350 million with a 5 year maturity and a conversion premium of 50%, resulting in a conversion price of USD 106.91 per share. The convertible bond has 3,273,858 new ordinary no-par bearer shares (no-par value shares) underlying for the possible conversion. These new ordinary no-par bearer shares are part of the Conditional Capital 2017, which was authorized in the Annual General Meeting in June 2017.

In February 2018, the Management Board passed a resolution issued another convertible bond. Consequently, the company issued a convertible bond in an aggregate nominal amount of EUR 600 million with a 7-year maturity and a conversion premium of 45%, resulting in a conversion price of EUR 136.04 per share. The convertible bond has 4,410,412 new ordinary no-par bearer shares (no-par value shares) underlying for the possible conversion. These new ordinary no-par bearer shares are part of the Conditional Capital 2017 which was authorized in the Annual General Meeting in June 2017.

A Stock Option Plan (SOP 2009) was approved at the Annual General Meeting of April 2, 2009. Under the terms of SOP 2009, over a period of 4 years a total not exceeding 5,500,000 options on no-par company shares was to be granted, corresponding to around 10 % of the company's capital at the time of approval. Every option granted entitles the participant to purchase a no-par share in ams. Exercise of options is possible annually to the extent of 25% on the days of the first, second, third and fourth anniversaries of granting, i.e. in four equal tranches. The preferential price of the options is calculated from the average stock market price over the 3 months prior to granting of the stock options. All options granted must be exercised by June 30, 2017. Differing from the practice in previous years, the options issued in 2013 vest to the extent of 33% on the first, second and third anniversary of the grant for 50% of the granted options. The earliest date for exercising the other 50% of the granted options is the third anniversary of the options grant date depending on the achievement of the following criteria: (i) The benchmark growth of the market (sales growth of the analog semiconductor market as published by WSTS) has to be surpassed in the period 2013-2015 with stable gross margins (not to be lower than in 2012; adjusted for extraordinary impacts related to a positive long-term development of the business such as e.g. acquisition costs or financing costs). If this does not apply to the whole period but only to single calendar years, a quota of one third of the exercisability for the relevant year has to be taken into account. (ii) Over the period 2013-2015 an increase of earnings per share has to be achieved. If this does not apply to the whole period but only to single calendar years (provided that earnings per share are not lower than in 2012), a quota of one third of the exercisability for the relevant year has to be taken into account. SOP 2009 expired in July 2017 and there are no more exercisable options existing from that Stock Option Plan.

In connection with the acquisition of TAOS Inc., the company committed to grant options to certain employees of TAOS Inc. by issuing a Stock Option Plan, which – as far as legally possible - matches the number of options and the option plan which has been granted to those employees under the TAOS Inc. - „Equity Incentive Plan 2000". To fulfill this obligation, the management board of ams adopted a new Stock Option Plan 2011 (SOP 2011), which the company's Supervisory Board approved on July 9, 2011. The SOP 2011 comprises unvested options and vested options. Each option granted entitles each employee to purchase one share of the company. For holders of unvested options the exercise price equals the original exercise price under the TAOS Inc. plan. This price is in the range of USD 0.19 and USD 3.96. Certain employees of TAOS Inc., who held a small number of TAOS Inc. shares („small Shareholders"), were granted exercisable options for shares of the Company as compensation for shares of TAOS Inc. held by them prior to the transaction (vested options). The option exercise price for these options is CHF 8.27 which is the average of the market price of the shares of the company on the SIX Swiss Exchange within 30 days following the date of grant of options. The term of the unvested options will remain unchanged compared to the original TAOS Inc. plan. The options will expire between September 3, 2017 and June 8, 2021. The options of the Small Shareholders expire ten years after the date of issuance, therefore on July 12, 2021.

The Supervisory and Management Boards decided to adopt a new Stock Option Plan (SOP 2013) on August 28, 2013. The SOP 2013 comprises a maximum of 2,000,000 options, of which (i) up to 1,575,000 options may be granted to employees and executive employees and (ii) up to 235,000 options may be granted to the Chairman of the Management Board / Chief Executive Officer and up to 190,000 options may be granted to the Chief Financial Officer. This corresponds to 2.8% of the nominal capital of the Company at that time. Each option entitles the relevant employee, executive employee and/or managing director (collectively „Participants") to acquire one no-par value ordinary share of ams. The available options were to be granted during the year 2013 after prior resolution by the SOP committee. All options granted must be exercised by June 30, 2021.The exercise price for the new shares corresponds to the average strike price within the last three months before the granting of the stock options. For 50% of the granted options, options can be exercised to the extent of 33% of the grant on the first, second and third anniversary of the options grant date at the earliest. For the other 50% of the granted options, the earliest date for exercising is the third anniversary of the options grant date depending on the achievement of the following criteria: (i) The benchmark growth of the market (sales growth of the analog semiconductor market as published by WSTS) has to be surpassed in the period 2013-2015 with stable gross margins (not to be lower than in 2012; adjusted for extraordinary impacts related to a positive long-term development of the business such as e.g. acquisition costs or financing costs). If this does not apply to the whole period but only to single calendar years, a quota of one third of the exercisability for the relevant year has to be taken into account. (ii) Over the period 2013-2015 an increase of earnings per share has to be achieved. If this does not apply to the whole period but only to single calendar years (provided that earnings per share are not lower than in 2012), a quota of one third of the exercisability for the relevant year has to be taken into account. In total, 1,571,005 options were distributed from SOP 2013.

The Management Board decided to adopt a new Long Term Incentive Plan (LTIP 2014) on October 17, 2014. The LTIP 2014 comprises a maximum of 5,124,940 options which corresponded to approximately 7% of the share capital of the Company at the time. Each option granted entitles each participant to purchase one share of the Company. The available options were to be granted during the year 2014 for the first time after prior resolution by the LTIP committee. All options granted must be exercised by October 17, 2024 and the exercise price for the new shares is EUR 1.00. Issuance of the options is subject to the following criteria: a) approval of the plan by the annual general meeting; b) exercisability of 50% of the options depends on an increase of earnings per share measured over a period of three years compared to the earnings per share of the year prior to the respective grant; c) exercisability of the remaining 50% of the options depends on the comparison of total shareholder return over a period of three years to a defined benchmark group of semiconductor companies. The earliest date for exercise of options is three years after grant and the LTIP committee's decision about fulfilment of the above criteria. In 2017, 546,090 options from LTIP 2014 were granted to employees and management of the Company (2016: 795,550 options). In total, 2,435,280 options have been distributed from LTIP 2014.

On June 9, 2017, the Supervisory and Management Boards adopted a Special Stock Option Plan (SSOP 2017). The SSOP 2017 comprises a maximum of 2,400,000 options which corresponded to approximately

3% of the share capital of the Company at the time. Each option granted entitles each participant to purchase one share of the Company for an exercise price of EUR 27.56. The available options were granted once in 2017 after prior resolution by the LTIP committee. All granted options must be exercised by June 30, 2027. The exercise of all options is subject to the following criteria: 30% of the options are subject to meeting certain sales targets over a six-year period, 30% of the options are subject to meeting certain EBIT targets over a six-year period, 40% of options are subject to meeting certain net result targets over a six-year period. In each case, 17% of the associated options can be exercised one, two, three, four and five years after grant, in conjunction with the decision of the LTIP Committee on the achievement of the criteria for the respective year. The remaining 15% of the options may be exercised six years after grant, in conjunction with the decision of the LTIP Committee on the achievement of the criteria for that year. In 2017, 2,362,000 stock options from SSOP 2017 were granted to employees and management of the Company.

3. Supervisory Board

On the reporting date, the company's Supervisory Board was composed of nine members, of whom three were employee representatives. The members were not employed as members of the company's or a subsidiary's management board and are therefore non-executive. The company's Articles of Association are available at http://ams.com/eng/Investor/Corporate-Governance.

3.1 / 3.2 / 3.3 / 3.4 Members of the Supervisory Board, Other Activities, Vested Interests, Cross-Involvement, Election and Terms of Office
Insofar as nothing to the contrary is mentioned below, no material activities, vested interests or cross-involvements exist regarding the members of the Supervisory Board. Under the Corporate Governance Directive and the relevant comment by SIX Swiss Exchange, activities and vested interests are only indicated in listed Swiss and foreign organizations or ones that operate in the same or a related industry sector as the company. The information below shows committee memberships as of the reporting date.

Hans Jörg Kaltenbrunner (Chairman), born in 1957, Austrian citizen. Member of the Supervisory Board since 2009, Chairman since 2013. Re-elected in 2014, current term of office until 2018. Having studied at the Vienna University of Business and Economics, Hans Jörg Kaltenbrunner began his professional career at the Austrian Trade Delegation in Taipei, Taiwan as Deputy Trade Delegate in 1982. From 1985-1994, he assumed management positions at the Hong Kong branch and in the asset management group of Creditanstalt-Bankverein. Following appointments to the management boards of RHI AG and Austria Mikro Systeme AG, he has been a partner of Andlinger & Company since 2002 and has served as a member of management and supervisory boards of international industrial companies in this capacity.

Prof. Dr. Siegfried Selberherr (Vice Chairman), born in 1955, Austrian citizen. Member of the Supervisory Board since 2001, Vice Chairman since 2001. Re-elected in 2014, current term of office until 2018. After completing his studies in Electrical Engineering, Prof. Selberherr earned a doctorate in Technical Sciences. He has been a full professor at the Institute of Microelectronics at Vienna University of Technology since 1988 and was Dean of the Faculty of Electrical Engineering and Information Technology from 1998 to 2005. Prof. Selberherr is internationally recognized for his research in microelectronics, particularly in the field of technology computer-aided design (TCAD), and advises several international semiconductor companies.

Klaus Iffland, born in 1956, German citizen. Member of the Supervisory Board since 2006. Re-elected in 2014, current term of office until 2018. Having graduated in Mechanical Engineering and Business Studies, Klaus Iffland held executive positions at Audi AG in production, development, and purchasing, and was head of purchasing from 1996. Since 2002 he has held executive positions at Magna International, a leading worldwide automotive supplier, first as a member of the management board of Magna Steyr Fahrzeugtechnik, then as President of Intier Automotive Europe and Magna Closures, VP Purchasing at Magna International Europe and VP Procurement & Supply at Magna Steyr. Since 2008 he is VP Global Purchasing Magna International Europe; in July 2011 he additionally assumed responsibility for Magna Logistics Europe and joined the Management Board of Magna Europe.

Michael Grimm, born in 1960, German citizen. Member of the Supervisory Board since 2009. Re-elected in 2014, current term of office until 2018. Michael Grimm studied Management at the University of Frankfurt and worked as a tax consultant and auditor at Arthur Andersen Wirtschaftsprüfungsgesellschaft, lately as partner and head of the Leipzig office. From 1997 until 2001 he was at Hoechst AG with responsibility for group accounts and was involved in the transformation of Hoechst AG into Aventis. From 2002 until 2005 Michael Grimm was director of finance, accounting and investments at Grohe Water Technology AG & Co. KG, then Managing Director of Triton Beteiligungsberatung GmbH, an investment company with holdings in medium-sized companies in Germany and Sweden. Since 2008 he has been Commercial Director of Dr. Johannes Heidenhain GmbH.

Jacob Jacobsson, born in 1953, Swedish and U.S. citizen. Member of the Supervisory Board since 2011. Re-elected in 2016, current term of office until 2019. Jacob Jacobsson has held CEO positions at Blaze DFM, Inc., Forte Design Systems and SCS Corporation, and executive positions at Xilinx Inc., Cadence Design Systems, and Daisy Systems. He has served on the board of directors at Actel Corp., and currently serves on the boards of a number of privately-held companies in the United States and Europe. He was a member of the board of directors for TAOS Inc. since 2003. Prior to his management career, Jacob Jacobsson was active in the fields of IC design and automated design of semiconductor chips. He holds M.S. degrees in Computer Science and Electrical Engineering from the Royal Institute of Technology (KTH, Stockholm) and a B.A. degree from the University of Stockholm.

Kin Wah Loh, born in 1954, Malaysian citizen. Member of the Supervisory Board since 2016, current term of office until 2019. Kin Wah Loh has over 35 years of management experience in world leading semiconductor enterprises. He was formerly Executive Vice President, Global Sales and Marketing of NXP Semiconductors; President and Chief Executive Officer of Qimonda AG, and Executive Vice President, Communication Group of Infineon Technologies AG. He is currently Vice Chairman of Synesys Technolgies Pte Ltd and Member of the Supervisory Board of BESI B.V. Kin Wah Loh holds an Honors degree in Chemical Engineering from the University of Malaya, Kuala Lumpur, and a postgraduate certified diploma in accounting and finance from ACCA (UK).

Johann C. Eitner (Employee Representative), born in 1957, Austrian citizen. Member of the Supervisory Board since 1994. Re-elected in 2014, current term of office until 2018. Chairman of the Workers' Council and Employee Representative on the Supervisory Board since 1994. During his more than 35-year career, Johann Eitner has been employed as an electrician in various positions and, since 1984, as supervisor in the mask lithography department at ams. He was trained as an electrician.

Günter Kneffel (Employee Representative), born in 1968, Austrian citizen. Member of the Supervisory Board from March 1999 until January 2016 and from February 2017 until October 2017. Chairman of the Employee Council since 1999. After completing his studies in RF Engineering and Electronics, Günter Kneffel gained more than 15 years of professional experience as a process engineer for photolithography and graduated in law in 2010 (Magister der Rechtswissenschaften).

Andreas Pein (Employee Representative), born in 1964, Austrian citizen. Member of the Supervisory Board since February 2016, current term of office until 2019. Member of the Employee Council since 1998 and Chairman of the Employee Council from February 2016 to August 2016. Andreas Pein joined the company in 1986 as a data preparation technician in the mask lithography department. In 2002, he moved to the IT department where he worked as an automation engineer. He is currently working as a technician in the IT operations team.

Bianca Stotz (Employee Representative), born in 1988, Austrian citizen. Member of the Supervisory Board since October 2017, current term of office until 2018. She joined the company in 2003 and has been a member of the Employee Council since 2005. After completing her education as an electronic technician with a focus on micro-technology, Bianca Stotz gained experience in semiconductor technology in various manufacturing areas of ams. Since 2011 she has been working in the field of training and certification of apprentices in technical and production-oriented vocations.

Unless decided otherwise by the Annual General Meeting, election periods for members of the Supervisory Board are for the longest period admissible acc. to § 87 subsect. 7 of the Austrian Stock Corporation Act, i.e. until the end of the Annual General Meeting that decides on their discharge for the fourth business year after the election. For this purpose, the business year in which they were elected is not included in the calculation. Individual election or election as a group are both possible under the Articles of Association (available at http://ams.com/eng/Investor/Corporate-Governance) and the Austrian Stock Corporation Act. The Articles of Association do not stipulate any staggering of the Supervisory Board members' terms of office.

3.5 Internal Organization

3.5.1 Allocation of tasks in the Supervisory Board

Both the Management Board and the Supervisory Board have rules of procedure. The Supervisory Board has a Chairman and a Vice Chairman. The Supervisory Board can appoint one or more committees from its midst for the purpose of preparing its negotiations and resolutions or monitoring the implementation of its resolutions. The Supervisory Board of ams has formed the following committees: Compensation Committee, Audit Committee, Nomination Committee and Emergency Committee.

3.5.2 Members list, tasks and area of responsibility for all committees of the Supervisory Board

The information below shows committee memberships as of the reporting date.

– Compensation Committee
The Compensation Committee is responsible for negotiating and passing resolutions on the relationship between the company and the members of the Management Board except resolutions on appointments and dismissals of members of the Management Board (signing, adaption and termination of the employment contracts for members and remuneration for the Management Board, etc.) The members of this committee are Hans-Jörg Kaltenbrunner (Chairman) and Prof. Siegfried Selberherr.

– Audit Committee
The Audit Committee is, amongst other matters, in charge of examining the annual financial statements, the management report and the proposal on the appropriation of profits, preparing the reports to be submitted to the Annual General Meeting and discussing the audit report with the auditor. The members of this committee are Michael Grimm (Chairman), Jacob Jacobsson, Hans-Jörg Kaltenbrunner, Johann C. Eitner and Andreas Pein.

– Nomination Committee
The Nomination Committee is responsible for preparing proposals to the Supervisory Board regarding appointments to executive positions that become available on the Management Board, strategies for succession planning and proposals to the Annual General Meeting regarding appointments to positions that become available on the Supervisory Board. The members of this committee are Hans-Jörg Kaltenbrunner (Chairman), Prof. Siegfried Selberherr, Jacob Jacobsson, Johann C. Eitner and Bianca Stotz.

– Emergency Committee
The Emergency Committee was set up to discuss the affairs of the Supervisory Board in cases of imminent danger ("danger in delay") and, if the situation absolutely requires it, to decide on them. The members of this committee are Hans-Jörg Kaltenbrunner (Chairman), Prof. Siegfried Selberherr, Klaus Iffland, Johann C. Eitner and Andreas Pein.

– Convertible Bond Committee
The Convertible Bond Committee was set up to resolve measures and details in connection with the launch of a convertible bond and the exclusion of the shareholders' subscription rights in conjunction with a convertible bond offering. The members of the committee are Hans-Jörg Kaltenbrunner (Chairman), Prof. Siegfried Selberherr and Johann C. Eitner.

3.5.3 Working procedures of the Supervisory Board and its committees

The meetings of the Supervisory Board (SB) are presided over by the Chairman and, in his absence, by a Vice Chairman. Resolutions are passed by simple majority of the votes cast. In case of equality of votes, the Chairman's vote is decisive. The SB is entitled to request written reports on corporate affairs and managerial issues from the Management Board at any time. In principle, the Management Board also attends the SB meetings. Unless the chairman of the meeting decides otherwise the Management Board is merely granted an advisory vote. 10 days in advance of a SB meeting, the members of the SB receive the meeting agenda, which has been aligned with the Chairman, and extensive information on the agenda items. The members of the SB can pose questions to the Management Board and request additional information via an internal communications tool. In the SB meeting the Management Board provides details on the development of the business including human resources, on the financial performance and on the progress of longer-term technical and commercial projects. Extensive time is allocated to discussions with the Management Board and within the SB. In accordance with the Management Board by-laws resolutions on investments, acquisitions and other proposals by the Management Board are a further important element of each SB meeting.

The SB committees are entitled to adopt a resolution which is binding for the Supervisory Board only in cases where the committee has been granted such decision-making power by the Supervisory Board in advance. The Supervisory Board appoints a committee member as Committee Chairman and an additional committee member as the Chairman's deputy. Committee resolutions are passed by simple majority of the votes cast. In case of equality of votes, the Committee Chairman's vote is decisive.

The Supervisory Board normally convenes five times a year. During the past year, the Supervisory Board convened a total of five times in meetings and held one additional strategy session. The Supervisory Board meetings lasted an average of around seven hours. The Compensation Committee convened a total of six times with sessions lasting an average of around one hour. The Audit Committee convened a total of five times with sessions lasting an average of around one hour. The Nomination Committee convened a total of two times with sessions lasting an average of around one hour. The Emergency Committee did not convene. With the exception of one member missing one meeting due to another commitment all members attended all meetings of the Supervisory Board and its Committees.

3.6 Definition of Area of Responsibility

The Management Board of ams acts on its own responsibility and is not subject to instructions from the shareholders or the Supervisory Board. Specific legal transactions individually listed in the Austrian Stock Corporation Act require approval by the Supervisory Board. Amongst other responsibilities including succession planning and nomination and compensation of Board members, the Supervisory Board supervises the business conduct of the Management Board. This includes discussing regular updates on the company's financial and business development internally and with the Management Board and approving the company's budget for the following year. The Management Board clears the company's strategic orientation with the Supervisory Board and discusses the status of strategy implementation with the Supervisory Board at regular intervals.

3.7 Information and Control Instruments vis-à-vis the Management Board

The company possesses a Risk Management System, a Management Information System (MIS) and an internal audit function. Within the framework of the Risk Management System, recognizable risks in numerous areas of the company are compiled and assessed at least twice a year. Further details on the Risk Management System are given in item 8 of the Group Management Report. The principal results are subsequently evaluated by the Management Board and brought to the attention of the Supervisory Board. The company's MIS compiles a multitude of performance indicators from various areas of the company as well as comprehensive financial information and promptly makes them available to management as processed files in electronic form. The Supervisory Board receives monthly and quarterly reports based on information from the MIS. The internal audit function compiles four audit reports per year which are made available to the Supervisory Board and cover specific areas of audit jointly defined by the Management and Supervisory Boards.

4. Management Board

4.1 / 4.2 Members of the Management Board, Other Activities and Vested Interests

Insofar as nothing to the contrary is mentioned below, no material activities or vested interests exist regarding the members of the Management Board.

Alexander Everke, born in 1963, German citizen. Member of the Management Board since October 2015 and Chairman of the Management Board since March 2016. Contract term until 2018. Alexander Everke started his career in the semiconductor industry in 1991 with Siemens as Marketing Manager and Director. In 1996 he joined the Siemens spinoff Infineon as Vice President Sales responsible for the Memory Products Division. In 2001 he became Senior Vice President Sales responsible for the Global Sales Organization of Infineon with an annual revenue of EUR 7.2 billion. His final position with Infineon was Senior Vice President and General Manager for the Chip Card & Security ICs Business Unit before joining NXP Semiconductor UK as General Manager in 2006. In 2007 Alexander Everke became a Member of the NXP Management Team and served as Executive Vice President and General Manager for the Business Units Multimarket Semiconductors, High Performance Mixed Signal and Infrastructure & Industrial reporting in all roles directly to the CEO of NXP Semiconductor. Alexander Everke holds a Master diploma in Electrical Engineering and a Master degree in Business Administration.

Michael Wachsler-Markowitsch, born in 1968, Austrian citizen. Member of the Management Board responsible for finance since February 2004. Contract term until 2019. He has been with ams since 2001, holding the position of Chief Financial Officer (CFO) since 2003. During his more than 20-year career, Michael Wachsler-Markowitsch was finance director of Ahead Communications AG and worked as a consultant and auditor for international mandates at KPMG Austria. He has extensive experience in accounting, corporate finance and tax consultancy. Michael Wachsler-Markowitsch studied Business Administration at Vienna University of Business and Economics (Magister degree) and founded Dynaconsult GmbH, an IT consulting firm, during the same period. He is member of the Management Board of the Styrian Federation of Industry and heads the representative body for the electrical and electronics industries at the Styrian Chamber of Commerce.

Dr. Thomas Stockmeier, born in 1958, German citizen. Member of the Management Board responsible for operations since October 2014. Contract term until 2021. He joined ams in April 2013 as Executive Vice President and General Manager of the Industrial & Medical business. In July 2014, he was appointed Executive Vice President and General Manager of the Division Sensors and Sensor Interfaces as well as Corporate Technology. Dr. Thomas Stockmeier has 29 years of broad experience in the electronics industry, gained with ABB in Switzerland and the U.S. where he spent 13 years holding various positions in R&D and management. Before joining ams, he worked at SEMIKRON for 13 years as Member of the Management Board and Chief Technology Officer (CTO) responsible for R&D, Operations, and Quality. Dr. Thomas Stockmeier received a Diploma Degree in Material Science and a Doctorate Degree in Electrical Engineering from the University of Erlangen-Nuremberg.

Mark Hamersma, born in 1968, Dutch citizen. Member of the Management Board responsible for Business Development since January 2018. Contract term until 2021. He joined ams in early 2016 as General Manager for the Division Environmental and Audio Sensors and head of Strategy and M&A. Mark Hamersma has 24 years of experience in the high-tech industry in strategy and business development, M&A and general management roles. Since joining ams he helped formulate ams' sensor solutions strategy and closed ten M&A and partnership deals. Before ams, Mark Hamersma was a Senior Vice President at NXP Semiconductors where over a period of 11 years he was responsible for Corporate Strategy, M&A, Strategic Marketing and Corporate Communications, and was General Manager of Emerging Businesses. Prior to that, Mark was a partner at McKinsey & Company focused on clients in the high-tech, telecoms and private equity sectors.

4.3 Management Contracts
There are currently no management contracts.

5. Compensation, Shareholdings and Loans

5.1 Content and Method of Determining Compensation and Share Ownership Programs
The Annual General Meeting is in charge of determining the remuneration of the company's Supervisory Board. A shareholder may submit a proposal for resolution to the Annual General Meeting.

The Compensation Committee determines the fixed compensation and the criteria for the variable remuneration of the individual Management Board members for the term of the respective contract. The targets for the variable remuneration on an annual basis and the share ownership programs of the individual Management Board members are determined by the Supervisory Board Chairman and its Vice Chairman in consultation with the employee representative members of the Supervisory Board. The Management Board members do not have a right to attend these meetings of Compensation Committee and of the Supervisory Board's Chairman and its Vice Chairman. The Supervisory Board is informed about the developments in this process. In the period under review an external advisors was consulted in this process.

The amount of the annual variable part of the Management Board remuneration is determined according to the fulfillment of annually determined performance targets for the members of the Management Board. For the year under review, the amount was based on targets for revenues and operating result (EBIT), with the level of achievement taking into account 50% each for revenues and operating result (EBIT). The determination of the annual compensation includes an external benchmarking of the remuneration and remuneration structure with respect to comparable positions in the European electronics and semiconductor industry. Further details are given below in section 5.2 regarding the remuneration and under item (m) of the Significant Accounting Policies in the Notes to the Consolidated Financial Statements (page 77 of this report) regarding the terms and structure of the share ownership programs.

In the period under review, the annual variable part of the remuneration was 50% of the basic remuneration for the Chairman of the Management Board (CEO), the CFO and the COO.

In case of severance, two Management Board members receive a severance pay of two gross monthly salaries per year of service up to a maximum of two yearly gross salaries. In case of termination or non-extension of their Board membership, these Management Board members have a claim in the amount of the severance pay. There are no further claims from company pension schemes or in case of termination of Board membership. D&O insurance is in place for members of the Management Board and for members of the Supervisory Board.

5.2 Remuneration report in keeping with Arts. 14 to 16 Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC)
Regarding compensation for acting Board members, the relevant details are available below. In the year under review, former Board members were not granted any compensation or severance pay. Regarding clauses on changes of control please refer to section 7.2.

	Chairman of Management Board (CEO)		Management Board total	
Remuneration (in thousands of EUR)	**2017**	**2016**	**2017**	**2016**
Salary				
Salary, not variable	615	613	1,451	1,704
Salary, variable	666	90	1,519	1,577
Options				
Options (value at allocation)	7,154	1,407	16,648	3,836
Non cash benefit				
Car	12	12	33	29
Expenses for precautionary measures				
Contribution to accident insurance	2	2	4	5

The company's executive officers hold 219,400 shares and call options for the purchase of 2,540,170 shares of ams AG as of December 31, 2017 (822,468 shares and call options for the purchase of 1,077,310 shares as of December 31, 2016).

During the year under review 34,730 (2016: 83,270) call options to purchase shares of ams AG under the LTIP 2014 and 514,000 (2016: 0) call options to purchase shares of ams AG under SSOP 2017 were allocated to the Chairman of the Management Board. 78,330 call options under LTIP 2014 (2016: 226,970) and 1,200,000 (2016: 0) call options under SSOP 2017 were allocated to the Management Board in total. The strike price is EUR 1.00 for LTIP 2014 options and EUR 27.56 for SSOP 2017 options. For conditions and valuations of the call options for shares of ams AG based on the LTIP 2014 please refer to item (m) (iv) of the Significant Accounting Policies in the Notes to the Consolidated Financial Statements (page 81-83 of this report). Persons related to the Management Board members held 1,250 shares and 0 options to purchase shares of ams AG as of December 31, 2017 (0 shares and 0 options as of December 31, 2016).

The remuneration of the company's Supervisory Board amounted to EUR 488 thousand (2016: EUR 532 thousand). All remunerations were or are be paid directly by the company. One member of the Supervisory Board supplied consulting services amounting to EUR 18 thousand in the year under review (2016: EUR 15 thousand). The company has no consulting agreements with its known shareholders.The remuneration for the Supervisory Board members presented shows the amounts actually paid during the fiscal year. The remuneration for fiscal year 2017 will be determined in the Annual General Meeting on June 6, 2018.

Persons related to the Supervisory Board members held 2,500 shares and 0 options to purchase shares of ams AG as of December 31, 2017 (0 shares and 0 options as of December 31, 2016).

Supervisory Board remuneration 2017

in thousands of EUR	**Function**	**Supervisory Board gross remuneration, fixed**	**Refund of travel expenses**	**Number of shares held as of Dec. 31**	**Number of options held as of Dec. 31**
Name					
Hans Jörg Kaltenbrunner	Chairman	105	1	0	0
Prof. Dr. Siegfried Selberherr	Vice Chairman	85	1	75,000	0
Michael Grimm	Member	80	0	0	0
Klaus Iffland	Member	65	0	2,900	0
Jacob Jacobsson	Member	65	21	57,000	0
Kin Wah Loh	Member	65	0	0	0
Johann Eitner	Employee representative	0	0	0	0
Günter Kneffel	Employee representative (from February 7, 2017 until October 13, 2017)	0	0	0	0
Bianca Stotz	Employee representative (since October 13, 2017)	0	0	0	0
Vida Uhde-Djefroudi	Employee representative (until February 7, 2017)	0	0	0	0
Andreas Pein	Employee representative	0	0	0	270
		465	**23**	**134,900**	**270**

Supervisory Board remuneration 2016

in thousands of EUR	Function	Supervisory Board gross remuneration, fixed	Refund of travel expenses	Number of shares held as of Dec. 31	Number of options held as of Dec. 31
Name					
Hans Jörg Kaltenbrunner	Chairman	105	0	0	0
Prof. Dr. Siegfried Selberherr	Vice Chairman	85	1	75,000	0
Gerald Rogers	Vice Chairman (until June 2, 2016)	85	15	0	0
Michael Grimm	Member	80	0	0	0
Klaus Iffland	Member	65	0	1,200	0
Jacob Jacobsson	Member	65	30	66,500	0
Kin Wah Loh	Member (since June 2, 2016)	0	0	0	0
Johann Eitner	Employee representative	0	0	0	0
Günter Kneffel	Employee representative (until February 8, 2016)	0	0	0	0
Vida Uhde-Djefroudi	Employee representative	0	0	0	0
Andreas Pein	Employee representative (since February 8, 2016)	0	0	0	1,205
		485	**47**	**142,700**	**1,205**

6. Shareholders' Right of Participation

6.1 Voting Rights and Representation Restrictions

All shareholders of ams hold common bearer shares. Every share entitles its bearer to one vote at the Annual General Meeting. There are no voting right restrictions. Voting by proxy is only possible with a written power of attorney which remains with the company.

6.2 Statutory Quorums

The resolutions passed by the Annual General Meeting require the majority of the votes cast (simple majority) insofar as the Austrian Stock Corporation Act or the Articles of Association do not foresee a larger majority or additional requirements. ams' Articles of Association do not call for a higher number of votes than those required by the Austrian Stock Corporation Act.

6.3 Convocation of the Annual General Meeting

Pursuant to the Austrian Stock Corporation Act, the Annual General Meeting is convened by the Management Board. In accordance with the company's Articles of Association, the Annual General Meeting shall be convened at least 28 days prior to the appointed date. The convocation is published in the "Wiener Zeitung" and announced in "Finanz & Wirtschaft".

6.4 Agenda

In compliance with the Austrian Stock Corporation Act, the agenda proposed for the Annual General Meeting shall be published in connection with the convocation of said meeting. Within 21 days prior to the date of the Annual General Meeting, a minority of 5% of the ordinary capital may demand that the agenda of a previously convened Annual General Meeting shall be supplemented. Those proposing must have been in possession of the shares for at least three months prior to making their proposal.

6.5 Inscriptions into the Share Register

The company only has bearer shares outstanding and therefore does not keep a share register.

7. Changes of Control and Defense Measures

7.1 Duty to Make a Public Offer

Since ams is an Austrian corporation mainly listed in Switzerland, the regulations of the Swiss Federal Law on Securities Exchanges and Securities Trading (SESTA) regarding public takeover offers apply at the reporting date. Under article 32 para. 1 SESTA, anyone acquiring equity securities with 33 1/3% or more of all voting rights must mandatorily make a public tender offer. The Articles of Association of ams (available at http://ams.com/eng/Investor/Corporate-Governance) contain neither an opting-up clause (in other words, they do not raise this percentage threshold) nor an opting-out clause (i.e., they do not waive the requirement of a tender offer). At the same time, the regulations of Austrian takeover law relating to offer obligations do not apply to ams.

7.2 Clauses on Changes of Control

At the reporting date, no clauses on changes of control existed in agreements or plans involving members of the Supervisory Board, the Management Board or other members of management.

8. Auditors

8.1 Duration of the Mandate and Term of Office of the Lead Auditor

The existing auditing mandate was assumed by KPMG Alpen-Treuhand GmbH, now KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, in 2005. Its election as auditor for the year under review was confirmed at the Annual General Meeting on June 9, 2017. The audit partner responsible for this mandate, Mag. Helmut Kerschbaumer, took office for the first time for fiscal year 2015.

8.2 Auditing Fees
The auditing firm charged auditing fees amounting to EUR 177,000.00 during the year under review.

8.3 Additional Fees
The auditing firm charged fees for additional consulting services amounting to EUR 64,966.02 during the year under review.

8.4 Supervisory and Control Instruments Pertaining to the Audit
The auditor reports to the Supervisory Board's Audit Committee both orally and in writing on a regular basis, typically several times over the course of the year. In the period under review, the auditor reported in five Audit Committee meetings, which were held in January, March, April, October, and December 2017, and attended one Supervisory Board meeting.

The auditor is monitored and evaluated by the Supervisory Board's Audit Committee at regular intervals. The auditor is selected on the basis of a tendering process that takes a catalog of criteria into account. The auditor's remuneration is regularly evaluated against prevailing market fees. The lead auditor for the company rotates every five years.

9. Information Policy
ams is committed to an open and transparent information policy towards the stakeholders. Important information on the development of business and the share price (reports, financial information and share price data) is available on the company website www.ams.com in the section "Investor". The financial calendar is available at http://www.ams.com/eng/Investor/Investor-Calendar. The company's ad-hoc publications are available at www.ams.com/eng/Investor/Financial-News/Ad-hoc and can be subscribed via www.ams.com/eng/Investor/Investor-Contact/Subscribe. Share-price-influencing events are published promptly through the media and on the website. ams issues quarterly reports regarding the development of its business. The publications are made available in electronic form at http://www.ams.com/eng/Investor/Financial-Reports. The Annual Report may also be made available in a printed version. For the company's contact details, refer to the publishing information at the end of the Annual Report (page 138 of this report).

Advancement of Women
ams is committed to facilitating the career development of women in management positions and to increasing the share of women in its workforce over the medium term. However, as a highly technical company in a high-tech industry it remains difficult for ams to increase the ratio of women in management positions in Austria as well as internationally. The share of women in management positions (except Management Board members) was 14% in fiscal year 2017 (13% in fiscal year 2016). Due to the very significant expansion of staff in Singapore last year the overall share of women in the company's workforce increased significantly and was 60% in fiscal year 2017 (27% in fiscal year 2016). According to its Code of Conduct, ams refrains from any form of discrimination based on, for example, race, religion, political affiliation, and in particular gender.

Financial Information

One ams

=

17.1

million working hours

2017

Group Management Report 2017

1. Overview of the Economic Environment and the Past Financial Year

The global semiconductor sector showed a positive development in 2017 and benefitted from a benign macroeconomic environment in key regions. Total sales of the global semiconductor industry grew meaningfully in 2017, increasing by 21.6% to USD 412.2 billion, while market volume had increased by 1.1% in 2016 to USD 338.9 billion. The relevant market segment for ams, analog semiconductors, grew 10.9% to USD 53.1 billion in 2017 (previous year: USD 47.8 billion)[1].

A strong focus on innovation is behind ams' leading position in advanced sensor solutions, together with more than 35 years of relevant experience in analog semiconductors and sensors. ams continued to broaden its worldwide network last year and expanded its presence in the relevant markets in Europe, Asia/Pacific and North America while more than 8,000 customers worldwide trust ams' sensing solution expertise.

ams successfully implemented its clear strategy around leadership in the fast-growing markets for optical, imaging, environmental and audio sensing last year. 2017 was an outstanding year of growth for ams as the company recorded significant new business, particularly in optical sensors, resulting from previous strategic investments into differentiating technologies.

ams' business segment "Consumer" comprises the products and sensor solutions for the market Consumer & Communications. This business segment, which is a major supplier of advanced sensor and analog solutions for smartphones and consumer devices was the key driver of last year's growth, more specifically new optical sensing solutions in 3D sensing and advanced light sensing for display management. ams' optical sensing product lines therefore had the largest share of group revenues again in 2017.

Both solutions mentioned above started to ramp in very high volumes into a newly launched global smartphone platform in the second half of the year and achieved significant shipment rates in the fourth quarter. To help enable innovative features for this platform ams successfully implemented a highly complex ramp-up involving mass production of multiple new optical sensing technologies. ams is quickly building a leadership position in the very attractive new growth market of 3D sensing based on the company's highly differentiated optical technologies and extensive system know-how across different 3D technologies.

As a further strategic step to expand its optical sensor solutions offering, ams acquired Princeton Optronics, Inc., a leading provider of Vertical Cavity Surface-Emitting Lasers (VCSELs), in the first half of last year. Princeton Optronics develops and supplies high performance VCSELs offering specific differentiation in mobile, consumer, automotive, and industrial applications. Princeton Optronics' technology enables benchmark power efficiency, accurate control of beam divergence and high power output for high beam count laser arrays in industry-leading form factors. VCSELs are becoming a core component of 3D sensing systems with very significant market growth expected for the coming years. Adding the illumination source therefore enables ams to offer a complete value chain in optical sensing and opens up strong new growth opportunities going forward.

1) Source: WSTS, February 2018

ams offers a broad and aggressive multi-generation 3D sensing roadmap to OEMs and is able to create solutions including best-in-class VCSEL lasers, integrated optical systems built around wafer-level optics (WLO) and diffractive optical elements (DOE), and high performance optical sensors, tailored to customer needs. Leveraging this industry-leading 3D portfolio ams started to see very good market traction for its 3D sensing products and solutions last year.

In other optical sensing, ams strengthened its worldwide market leader position in light sensors supplying a broad range of smartphone and consumer OEMs with mobile device color, ambient light and proximity sensing. At the same time, ams continued the development of its spectral sensing technologies which enable advanced consumer color matching, future food identification and new personal health applications and are seeing growing market interest.

In audio sensing, ams' MEMS microphone interfaces recorded strong growth last year helped by the success of consumer devices such as home assistants, underscoring ams' market leadership. ams is also the leading provider of active noise cancellation (ANC) for the growing market of consumer device accessories where the company expanded its business last year amid increasing adoption of ANC. Driving sensor convergence based on its strong IP position, ams plans to combine microphone audio and environmental sensing such as pressure sensing into new small form factor consumer solutions.

ams's business segment "Non-Consumer", which comprises of products and sensor solutions targeting the end markets industrial, medical and automotive, showed very solid growth in 2017. ams' solution focus and strong technology base continued to drive market success in ams' diversified non-consumer end markets as ams helps realize new applications for an expanding global customer base.

ams' industrial business performed very well last year, providing a wide range of sensing solutions for industrial and factory automation, building control and other industrial sensing. In industrial imaging and machine vision, ams recorded good growth driven by continued innovation enabling broader deployment of imaging technology, smaller form factors and higher optical performance. As a leading player in industrial end markets ams grew its portfolio of differentiated sensing technologies and solutions which enable next generation systems at major OEMs.

ams' medical business recorded another year of growth in 2017 based on the company's market leadership in Medical Imaging for computed tomography (CT), digital X-ray, and mammography. ams ramped a new Asian OEM last year broadening its market reach in high resolution medical imaging and has recently gained a first design-win at another leading medical imaging OEM. Smallest scale endoscopy imaging systems are seeing good growth in new applications, leveraging ams' image sensing innovation and optical manufacturing expertise.

Robust growth in ams' automotive business continued in 2017 given attractive demand for ams' high performance sensing solutions. Focused on applications in safety, driver assistance, autonomous driving, position, and chassis control, ams' portfolio is fully aligned with the accelerating structural growth of automotive sensing. ams sees 3D sensing as a highly relevant technology for new large scale automotive applications such as autonomous driving and driver recognition with strong longer-term growth potential for ams. ams has therefore started to engage with automotive industry participants on 3D sensing as market interest continues to increase.

ams' business segment Foundry which manufactures analog and mixed-signal ICs for customers in specialty processes recorded an attractive performance in 2017 and contributed to the company's results. Positioned as a full service provider offering a broad spectrum of services from design support to final test, ams' business retained a leading position in the analog specialty process foundry market.

In its operations, ams successfully completed an unprecedented expansion of manufacturing capacity at its locations in Singapore last year. Two new large-scale production facilities for consumer optical sensing solutions were commissioned, equipped, staffed and brought up to high volume production which including hiring around 8,000 employees in Singapore over the course of last year. ams' in-house front-end manufacturing capacity in Austria was again fully utilized in 2017.

Based on strong market traction and increasing revenue opportunities, ams also decided to accelerate the addition of new internal production capacity for VCSEL laser products last year. ams has started to implement this production capacity investment in Singapore towards the end of the year with mass production planned in 2019.

2. Business Results

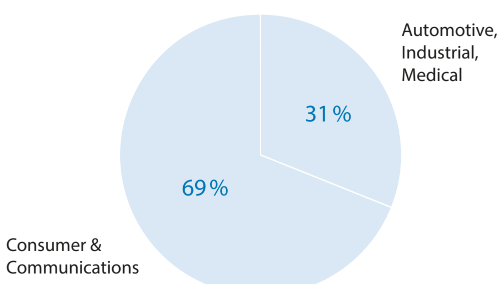
2.1 Development of Revenues

Consolidated group revenues for the financial year 2017 increased by 93% to EUR 1,063.8 million compared to EUR 549.9 million in 2016. This development was primarily due to the exceptional growth in demand in the target market Consumer & Communications (C&C) (161%) in conjunction with solid overall demand for ams' solutions in the Automotive, Industry and Medical markets (AIM). The revenue increase in the company's Consumer & Communications business resulted in particular from the entry in the new market of 3D sensing and high-quality light sensors, as well as the business development of important smartphone manufactures, who use ams-solutions. At the same time, ams' Automotive, Industry and Medical businesses were able to participate attractively in the worldwide development of demand.

The revenue distribution by markets is shown below:

in millions of EUR	2017	% of revenues	2016	% of revenues	Change in %
C&C	730.2	69%	279.4	51%	+161%
AIM	333.6	31%	270.4	49%	+23%
	1,063.8		**549.9**		

Revenue breakdown by markets



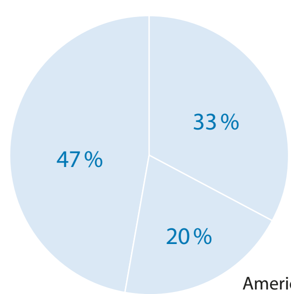
The distribution of revenues by region does not reflect the demand situation in ams' target markets but the geographic billing location of the company's customers. Business in the Americas region showed a significant increase in 2017 compared to the previous year, particularly due to higher revenues from a major customer in that region.

The expansion of the company's sales and distribution network continued last year enabling the addition of new customers and a higher market presence in all regions. Against this backdrop, ams expects all regions to continue to contribute to the overall growth of the company.

The revenue breakdown by region (based on billing location) is shown below:

in millions of EUR	2017	% of revenues	2016	% of revenues	Change in %
EMEA	352.7	33%	203.0	37%	+74%
Americas	212.3	20%	29.5	5%	+620%
Asia / Pacific	498.8	47%	317.5	58%	+57%
	1,063.8		**549.9**		

Revenue breakdown by region



2.2 Orders Received and Order Backlog

Given a remarkable positive business development across all key markets, orders received increased significantly over the course of the year growing from EUR 569.9 million in the previous year 2016 to EUR 1,588.9 million in 2017.

ams' year-end order backlog increased by 298% to a positive level of EUR 541.9 million on December 31, 2017 (EUR 136.1 million at year-end 2016) creating an excellent starting point for 2018.

Revenues and orders developed as follows:

in millions of EUR	2017	2016	Change in %
Revenues	1,063.8	549.9	+93%
Orders received	1,588.9	569.9	+179%
Total order backlog	541,9	136.1	+298%

2.3 Earnings

Gross profit increased to EUR 409.8 million in 2017 compared to EUR 288.1 million in the previous year.

The company's full year gross margin excluding acquisition-related amortization decreased to 43% (2016: 55%), gross margin including acquisition-related amortization also decreased to 39% compared to 52% in the previous year. The major ramp-up of the new production capacities in Singapore in the first half of 2017 led to some unutilized production capacities, which had a slightly negative effect here given lower revenue-related economics of scale. Selling prices for the company's products showed a stable overall level during the year.

Research and development costs, as well as marketing and sales expenses showed an increase in 2017 compared to the previous year. This development resulted from significant product development efforts and an optimization of sales activities as personnel costs showed a further increase.

Administrative costs were also higher compared to the year before due to an increase in personnel costs.

Despite the revenue increase, the operating result (EBIT) (including acquisition-related amortization and share-based compensations costs) decreased due to an increase in fixed costs in conjunction with the expansion of production capacities for the year 2017, by EUR 17.4 million to EUR 75.9 million. In contrast to the lower EBIT, EBITDA (earnings before interest and taxes plus depreciation and amortization) increased by EUR 68.8 million to EUR 224.4 million.

Net result for 2017 decreased to EUR 88.8 million compared to EUR 102.9 million in 2016. The return on equity reached 11% compared to 15% for 2016 while the return on revenues decreased by 11 percentage points to 8% (2016: 19%).

in millions of EUR	**2017**	**2016**	**Change in %**
Gross profit on revenues	409.8	288.1	+42%
Gross margin (excluding acquisition-related amortization and share based compensation)	43%	55%	
Gross margin (including acquisition-related amortization and share based compensation)	39%	52%	
EBITDA	224.4	155.6	+44%
Operating result (EBIT)	75.9	93.3	-19%
EBIT margin (including acquisition-related amortization and share based compensation)	7%	17%	
Financial result	-2.2	4.0	-155%
Result before tax	73.7	97.2	-24%
Net result	88.8	102.9	-14%
Return on equity	11%	15%	
Return on revenues	8%	19%	

2.4 Assets and Financial Position

The balance sheet structure shows a high ratio of fixed to total assets which is common to the semiconductor industry, at the same time intangible assets reflect the acquisitions concluded in 2017. The share of intangibles and property, plant and equipment in the total assets increased from 65% in 2016 to 67% in the reporting period 2017.

The investments in fixed assets affecting cash (capital expenditures) of EUR 581.9 million were significantly higher than the current depreciation and amortization of EUR 148.4 million and amounted to 55% of full year revenues (2016: 17%). The ratio of equity to fixed assets reached 38% in 2017 compared to 70% in the previous year, thus reflecting the investments in fixed assets, acquisitions and strategic investments.

In the past financial year ams completed strategic transactions to acquire 100% of Heptagon group, as well as Princeton Optronics Inc.

The fixed assets include a deferred tax asset of EUR 26.1 million (previous year: EUR 35.4 million). Under the current tax legislation, this tax asset can be carried forward indefinitely but is expected to be used to offset profit taxes within the next five years.

Inventories amounted to EUR 253.9 million at the end of 2017 (2016: EUR 92.9 million). This increase was particularly driven by the expansion of internal manufacturing capacity at a high level of capacity utilization and a comparable level of inventory turnover.

Trade receivables at balance sheet date increased to EUR 284.8 million due to the impact of fourth quarter revenues (2016: EUR 97.2 million). The average period of outstanding receivables showed a slight increase compared to the previous year.

Financial liabilities increased by EUR 786.1 million to EUR 1,258.2 million from EUR 472.1 million in 2016 as a result of drawing long-term credit lines – exploiting the historically low interest rate levels – for acquisitions and strategic investments. For the same reason, net debt increased to EUR 865.9 million in 2017 compared to a net debt position of EUR 256.2 million in 2016. Group equity increased by 24% to EUR 828.6 million due to a capital increase in conjunction with the Heptagon acquisition as well as the positive development of the net result.

Regarding financial instruments we refer to the information in the notes.

in millions of EUR	**2017**	**2016**		**2017**	**2016**
Assets			**Equity and liabilities**		
Inventories	253.9	92.9	Financial liabilities	1,258.2	472.1
Trade receivables	284.8	97.2	Trade liabilities	308.4	68.2
Other current assets	469.4	249.3	Other liabilities	781.5	158.3
Fixed assets	2,227.1	948.3	Provisions	84.6	56.8
Deferred tax asset	26.1	35.4	Shareholders' equity	828.6	667.6
Total assets	**3,261.3**	**1,423.0**	**Total equity and liabilities**	**3,261.3**	**1,423.0**

Given the higher level of gross debt the company's debt-to-equity ratio increased to 152% compared to 71% in the previous year. At the same time, the equity ratio decreased to 25% (2016: 47%).

	2017	2016
Equity ratio	25%	47%
Debt to equity ratio	152%	71%
Equity to fixed assets ratio	38%	70%

These figures are directly derived from the group financial statements.

2.5 Cash Flow

The operating cash flow decreased to EUR -3.6 million in 2017 compared to EUR 82.3 million in the previous year. This decrease was primarily due to the lower operating result and higher inventory. The cash flow from investing activities was EUR -514.8 million (2016: EUR -71.0 million) including EUR -581.9 million of expenditures for intangible assets, property, plant and equipment (2016: EUR 97.7 million) and EUR 35.8 million for company acquisitions (2016: EUR 48.3 million). Free cash flow amounted to EUR -518.4 million (2016: EUR 11.3 million). The company's available liquidity increased by EUR 108.8 million to EUR 288.4 million at the end of 2017. The cash flow from financing activities amounted to EUR 687.7 million in 2016 compared to EUR 58.5 million in the previous year.

in millions of EUR	**2017**	**2016**	**Change in %**
Operating cash flow	-3.6	82.3	-104%
Cash flow from investing activities	-514.8	-71.0	-625%
Free cash flow	-518.4	11.3	-4,687%
Cash flow from financing activities	687.7	58.5	+1,076%
Effects of changes in foreign exchange rates on cash and cash equivalents	-23.3	6.2	-476%
Cash and cash equivalents	288.4	179.6	+61%

3. Research and Development

ams' technological leadership in the design and manufacture of high performance sensor solutions and analog ICs is based on more than 35 years of intensive research and development activities. In order to secure and strengthen its leading position, the company makes significant investments in research and development on a continuous basis. Research and development expenses amounted to EUR 214.0m last year (20% of revenues) compared to EUR 138.6m in the year before (25% of revenues). Research and development activities mainly comprised sensor solutions, sensors and sensor interfaces for the company's core markets regarding product development as well as the development of specialty variants of CMOS and SiGe processes. The average number of employees in research and development was 1,106 in 2017 (2016: 677).

ams' R&D activities again allowed the filing of a large number of international patents and the publication of numerous papers in international specialist journals and at trade conferences last year.

4. Purchasing and Manufacturing

In purchasing, ams was able to reduce the cost of raw materials and assembly services slightly last year which had a positive effect on the gross profit margin. Given continuously rising personnel costs the cost pressures in manufacturing nevertheless remain high.

Due to the enormous expansions of the production locations in Singapore free production capacity have been raised in the first half of 2017. After the successful ramp-up of the production facilities all capacities of the group were utilized at the second half of 2017. Internal production capacity of the Austrian production location was fully utilized throughout the year 2017. Any unabsorbed fixed costs have been recorded in the income statement.

Gross margin excluding acquisition-related amortization decreased slightly to 43% compared to 55% in 2016, gross margin including acquisition-related amortization decreased as well to 39% from 52% in the previous year. This slightly negative development was mainly due to product mix effects and costs regarding the production ramp-up for the new productions facilities in Singapore.

Given the positive demand environment for its products ams expects another year of very high capacity utilization for 2018.

5. Employees

On average, ams had 7,016 employees in 2017 (2016: 2,175) of which 1,277 worked at the company headquarters in Premstätten (2016: 1,111). The increase of 4,841 employees comprises the addition of 429 employees in research and development, 4,278 employees in production and 134 employees in General and Administration. At 31.12.2017 the ams group employed 11,168 employees.

ams recognizes its responsibility as an important employer in the region. The company again offered a wide range of internal and external training and development opportunities for all employees last year and provided training positions for apprentices.

ams attempts to retain its employees with the help of a long-term remuneration model. A profit sharing program for all ams employees augments the existing employee stock option and incentive programs by way of an attractive direct component. The profit sharing program expresses ams' belief that the company's employees are its most important success factor and honors every employee's contribution to ams' success.

Owing to the earnings in 2017, the total amount for distribution which depends on the operating profit before taxes in relation to full year revenues (EBT margin) decreased and totals EUR 1.6m for 2017 (2016: EUR 1.7m).

Moreover, active internal and employee communications as well as regular employee events which form a company tradition serve to ensure the employees' identification with the company.

6. Environment

Acting responsibly towards the environment is a basic principle for ams in all business operations. ams is dedicated to meeting the highest environmental standards as well as using resources and the environment conservatively. ams has therefore been certified to ISO 14001:2004 for a number of years.

Sustainability as well as efforts to preserve environmental resources and reduce energy costs and carbon dioxide emissions are major concerns for ams which have been supported by a range of activities for many years. Based on a thorough analysis of ams' carbon dioxide emission sources in 2009, measures to achieve further reductions in carbon dioxide emissions are being defined each subsequent year.

ams also submits information on its carbon dioxide emissions to the Carbon Disclosure Project, a global transparency initiative which has created the world's largest freely available database of corporate carbon dioxide emissions.

7. Subsidiaries and Branch Facilities

ams currently has subsidiaries in Switzerland, Italy, Germany, France, Belgium, the United Kingdom, Spain, Portugal, Sweden, the U.S., the Cayman Islands, the Philippines, China, Japan, Korea, Slovenia, India and Singapore. The subsidiaries in the USA, Switzerland, Italy, Spain, the United Kingdom, Slovenia, Germany, Japan and India carry out development, marketing and sales activities, while the subsidiaries in France and China are active in marketing and sales and technical support. The subsidiary in the Philippines is responsible for production activities in testing, while the subsidiary in Korea is responsible for sales and assembly in the region. The subsidiary in Singapore conducts production, marketing, sales and research and development activities. Branch facilities exist in Hong Kong, Singapore and Taiwan.

Principal shareholdings: The investment in New Scale Technologies, Inc., Victor, New York (USA), remained unchanged at 34.5%. New Scale Technologies develops piezo-based miniature motor technologies and licenses products and technologies to industrial partners.

8. Risk Management

Operating on a global basis, the ams group is exposed to a variety of risks that are inextricably linked to business activities. In order to identify, evaluate and counteract these risks in a timely manner, ams has developed and implemented tight internal risk management systems. This risk management system was implemented and benchmarked against best practices in conjunction with the company's auditors. The risk management process in place requires the business units to constantly monitor and evaluate risks. Regular risk reports are prepared for the management board and supervisory board. This ensures that major risks are identified and counteraction can be taken at an early stage.

The internal audit function complements the risk management process. In close alignment with the supervisory board's audit committee it aims to analyze internal processes and if necessary propose improvements.

Business Interruption Risk

The company's state-of-the-art 200mm wafer manufacturing facility went into operation in 2002. Although 15 years old the facility is regarded as comparatively new by semiconductor industry standards. In addition, the continuous maintenance and renewal process ensures uninterrupted operation of the production facility. Therefore the risk of breakdowns or prolonged downtime is relatively low. In addition, this risk is being minimized further by preventive maintenance activities. The business interruption risk is additionally insured for the replacement price and against loss of earnings for 18 months. ams' insurer, FM Global, has awarded the company – as one of a select number of semiconductor manufacturers – the HPR (highly protected risk) status.

Financial Risks

Risk management is handled centrally by the treasury department in accordance with guidelines issued by the management board. These detailed internal guidelines regulate responsibility and action parameters for the areas affected. The treasury department evaluates and hedges financial risks in close cooperation with the business units.

Receivables and Credit Risk

ams operates a strict credit policy. The creditworthiness of existing customers is constantly checked and new customers undergo a credit evaluation. Under ams' treasury and risk management policy, investments in liquid securities and transactions involving derivative financial instruments are only carried out with financial institutions that have high credit ratings. As of the balance sheet date there were no significant concentrations of credit risk.

Interest Rate Risk

Interest rate risk – the possible fluctuation in value of financial instruments due to changes in market interest rates – arises in relation to medium and long-term receivables and payables (especially borrowings). ams' treasury policy ensures that part of the interest rate risk is reduced by fixed-interest borrowings. On the liability side, 52% of all amounts owed to financial institutions are at fixed rates. Of the remaining borrowings on a floating rate basis (48%), 51% will be repaid over the next two years. The remaining floating rate borrowings undergo continual checks with regard to the interest rate risk. On the asset side, the interest rate risks are primarily attached to time deposits and securities in current assets that are tied to the market interest rate.

Foreign Exchange Risk

Financial transactions in the semiconductor industry are predominantly carried out in US dollars. To hedge the currency risk, all transaction and conversion risks are constantly monitored. Within the group, cash flow streams in the same currency are offset (netting). Currency fluctuations during foreign currency transactions mainly concern the US dollar. From the company's point of view, due to the extreme volatility in the currency markets, it is not possible to engage in economically feasible, efficient, and low risk currency hedges.

Product Liability and Quality Risk

The products manufactured by ams are integrated into complex electronic systems. Faults or functional defects in the products produced by ams may have a direct or indirect effect on the property, health or life of third parties. The company is not in a position to reduce or exclude its liability towards consumers or third parties in sales agreements. Every product that leaves the company undergoes several qualified checks regarding quality and function. In spite of quality control systems certified to ISO/TS 16949, ISO/TS 13485, ISO 9001 und ISO 14001, product defects may occur and possibly only show up after installation and use of the finished products. Although this risk has been appropriately insured, quality problems could negatively impact ams' assets, financial and earnings position.

Patent Infringement Risk

ams manufactures complex ICs using various process technologies, line widths and production facilities. Like industry competitors, the company constantly has to develop these technologies further. Should ams infringe any existing patents while consistently monitoring processes, production methods, and design blocks protected under patent law as well as related comprehensive licensing, this may negatively impact the assets, financial and earnings position of the company as well as the ams share price.

9. Events after the Balance Sheet Date

On February 22, 2018, the company acquired 100% of the shares of KeyLemon SA and thus gained control of the acquired company. The acquisition has been made by cash consideration. The contingent consideration has been determined as the present value based on the expected value for the amount to be paid based on possible scenarios.

To ensure Heptagon's business achieved the expected success in 2017, ams had to provide financing for significantly higher levels of capital expenditures and committed significantly more resources than projected. To adequately reflect this situation, ams has submitted a proposal on a revised earn-out structure to all former Heptagon shareholders. The revised earn-out structure replaces the previous combination of cash payment and ams shares portion with a mainly increase of the share consideration, thereby the cash payment decreases.

The key element of the revised structure is a total distribution of up to 3.9 million ams shares at the average closing price of CHF 99.15 resulting from the 15 trading days before yesterday's proposal date (20 February 2018). The implementation of the proposal is contingent on a threshold of 60% of preferred Heptagon shares (approximately 56% of total Heptagon shares) represented by former Heptagon shareholders having offered their acceptance. Therefore an estimate of the financial impact is not possible at this time.

10. Outlook

Supported by more positive expectations for the development of the world economy, global industrial production and private consumption in the current year, ams expects its business to show meaningful growth in 2018 based on the market launch of new advanced sensor solutions, high run rates for existing products and the production ramp-up of a range of design-wins across end markets.

For the sensor and analog segments of the world-wide semiconductor industry, market researchers assume market volume to expand further in 2018 and currently expect year-on-year growth in the middle to higher single-digit percentage range (WSTS, February 2018). In contrast and in line with published expectations, ams is confident at this time to achieve a revenue growth rate well above the expected market growth rate for the current year. ams anticipates gross profit margin for 2018 to remain attractive, reflecting the business structure of the company. ams also expects the operating and net result for the current year to develop positively despite further increases in absolute research and development as well as sales and marketing expenses.

However, should global semiconductor demand and the macroeconomic environment develop unfavorably in 2018 and/or the USD show notable weakness, ams would experience an evident impact on the development of its business and earnings.

ams' market-leading expertise in sensor solutions and its clear strategy of focusing on key sensing markets is driving an expanding range of significant growth opportunities for the company. These include new and upcoming sensing applications in smartphones and other mobile devices as well as the rapidly growing use of advanced sensor technologies in automotive, industrial, and medical applications.

Implementing its growth strategy, ams pursues a continued leadership position in its target markets, the expansion of business with key accounts and a higher penetration of its global customer base as important mid-term priorities.

11. Other Information

Regarding information concerning equity and investments please refer to the notes of the financial statements.

Premstaetten, February 26, 2018

Alexander Everke
Chairman of the
Management Board
CEO

Dr. Thomas Stockmeier
Member of the
Management Board
COO

Michael Wachsler-Markowitsch
Member of the
Management Board
CFO

Mark Hamersma
Member of the
Management Board
CBO

Consolidated Income Statement

acc. to IFRS from January 1, 2017 until December 31, 2017

in thousands of EUR	Note	2017	2016
Revenues	2	1,063,773	549,940
Cost of sales	4	-653,951	-261,850
Gross profit		**409,822**	**288,091**
Research and development	4	-213,995	-138,590
Selling, general and administrative	4	-139,261	-96,361
Other operating income	3	21,432	39,886
Other operating expense	4	-1,943	-1,481
Result from investments in associates	14	-117	1,717
Result from operations		**75,938**	**93,263**
Finance income	5	50,232	8,879
Finance expenses	5	-52,449	-4,897
Net financing result		**-2,217**	**3,982**
Result before tax		**73,722**	**97,245**
Income tax result	6	15,024	5,653
Net result		**88,745**	**102,898**
Basic Earnings per Share in EUR	25	1.08	1.53
Diluted Earnings per Share in EUR	25	1.01	1.48

Consolidated Statement of Comprehensive Income

acc. to IFRS from January 1, 2017 until December 31, 2017

in thousands of EUR	Note	2017	2016
Net result		**88,745**	**102,898**
Items that will never be reclassified to profit and loss			
Remeasurements of defined benefit liability	22	2,044	-1,612
Items that may be reclassified to profit and loss			
Valuation of available for sale financial instruments	26	14,348	-429
Exchange differences on translating foreign operations		-161,154	691
Other comprehensive income		**-144,762**	**-1,349**
Total comprehensive income		**-56,017**	**101,549**

Consolidated Balance Sheet

acc. to IFRS as of December 31, 2017

in thousands of EUR	Note	Dec. 31, 2017	Dec. 31, 2016
Assets			
Cash and cash equivalents	7	288,356	179,575
Financial assets	10	104,007	36,259
Trade receivables	8	284,799	97,155
Inventories	9	253,914	92,855
Other receivables and assets	11	77,103	33,422
Total current assets		**1,008,179**	**439,264**
Property, plant and equipment	12	996,876	319,250
Intangible assets	13	1,182,125	603,447
Investments in associates	14	1,896	2,278
Deferred tax assets	15	26,060	35,389
Other long-term assets	16	46,179	23,360
Total non-current assets		**2,253,136**	**983,723**
Total assets		**3,261,315**	**1,422,988**
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings	17	586,417	108,018
Trade liabilities		308,392	68,231
Income Tax liabilities		28,118	36,750
Provisions	18	44,394	20,063
Other liabilities	20	546,864	31,449
Total current liabilities		**1,514,185**	**264.511**
Interest-bearing loans and borrowings	17	671,787	364,051
Employee benefits	22	40,215	36,965
Deferred tax liabilities	19	67,085	53,953
Other long-term liabilities	20	139,411	35,953
Total non-current liabilities		**918,498**	**490,921**
Shareholders' equity			
Issued capital	23	84,420	73,409
Additional paid-in capital	23	577,592	211,625
Treasury shares	23	-190,812	-166,079
Other reserves	23	-211,399	59,860
Retained earnings		568,831	488,741
Total shareholders' equity and reserves		**828,632**	**667,556**
Total liabilities and shareholders' equity		**3,261,315**	**1,422,988**

Consolidated Statement of Cash Flows

acc. to IFRS from January 1, 2017 until December 31, 2017

in thousands of EUR	Note	2017	2016
Operating activities			
Result before tax		73,722	97,245
Depreciation (net of government grants)	12, 13	148,494	62,343
Expense from stock option plan (acc. to IFRS 2)		20,259	8,283
Changes in other long-term liabilities		-5,406	-1,840
Result from sale of plant and equipment	3	27	-2
Result from sale of financial assets		0	0
Result from investments in associates		117	-1,717
Net financing cost		2,217	-3,980
Change in inventories		-146,164	-11,425
Change in trade and other receivables		-179,552	-5,274
Change in trade and other payables		107,728	-8,788
Change in provisions and employee benefits	22	-4,038	-11,110
Change in deferred income		3,580	1,247
Result from sale of discontinued business unit, net of tax	3	-7,945	-30,228
Tax Payments		-16,591	-12,433
Cash flows from operating activities		**-3,553**	**82,323**
Investing activities			
Acquisition of intangibles, property, plant and equipment		-581,890	-91,682
Acquisition of subsidiary, net of cash acquired		35,834	-48,274
Acquisition of other financial investments		0	-5,008
Proceeds from sale of plant and equipment		39	628
Disposal of discontinued business unit, net of cash disposed of		8,062	62,154
Proceeds from sale of financial assets		19,445	10,000
Interest received		3,691	1,154
Cash flows from investing activities		**-514,819**	**-71,028**
Financing activities			
Proceeds from borrowings		688,012	277,158
Repayment of debt		-150,784	-84,962
Repayment of finance lease liabilities		-112	-158
Proceeds from issue of convertible notes		297,915	0
Acquisition of treasury shares		-132,175	-106,357
Sale of treasury shares		18,424	11,269
Interest paid		-8,546	-3,811
Dividends paid		-25,047	-34,575
Cash flows from financing activities		**687,687**	**58,564**
Change in cash and cash equivalents		169,315	69,859
Effects of changes in foreign exchange rates on cash and cash equivalents		-23,342	6,137
Cash and cash equivalents pledged as security		-37,192	0
Cash and cash equivalents at begin of period		179,575	103,579
Cash and cash equivalents at end of period	**7**	**288,356**	**179,575**

Consolidated Statement of Changes in Shareholders' Equity

acc. to IFRS from January 1, 2017 until December 31, 2017

in thousands of EUR	Issued capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity
Total equity as of January 1, 2016	**73,409**	**203,785**	**-77,612**	**60,288**	**421,339**	**681,209**
Net result	0	0	0	0	102,898	102,898
Remeasurement of defined benefit liability	0	0	0	0	-1,612	-1,612
Valuation of financial instruments	0	0	0	0	691	691
Exchange differences on translating foreign operations	0	0	0	-429	0	-429
Comprehensive income	**0**	**0**	**0**	**-429**	**101,977**	**101,549**
Share based payments	0	7,839	0	0	0	7,839
Dividends paid	0	0	0	0	-34,575	-34,575
Capital increase	0	0	0	0	0	0
Purchase of treasury shares	0	0	-106,357	0	0	-106,357
Sale of treasury shares	0	0	17,891	0	0	17,891
Total equity as of December 31, 2016	**73,409**	**211,625**	**-166,079**	**59,860**	**488,741**	**667,556**
Net result	0	0	0	0	88,745	88,745
Remeasurement of defined benefit liability	0	0	0	0	2,044	2,044
Valuation of financial instruments	0	0	0	0	14,348	14,348
Exchange differences on translating foreign operations	0	0	0	-161.154	0	-161,154
Comprehensive income	**0**	**0**	**0**	**-161.154**	**105,137**	**-56,017**
Share based payments	0	16,418	0	0	0	16,418
Dividends paid	0	0	0	0	-25,047	-25,047
Capital increase	11,011	349,549	0	0	0	360,560
Commitment for share buyback	0	0	0	-110,104	0	-110,104
Purchase of treasury shares	0	0	-197,724	0	0	-197,724
Sale of treasury shares	0	0	172,990	0	0	172,990
Total equity as of December 31, 2017	**84,420**	**577,592**	**-190,812**	**-211.399**	**568,831**	**828,632**

Notes to the Consolidated Financial Statements

Significant Accounting Policies

ams AG ("the Company") is a company located in 8141 Premstätten, Austria. The Company is a global leader in the design, manufacture and sale of high performance analog and analog intensive mixed signal integrated circuits. The consolidated financial statements for the year ended December 31, 2017 represent the parent company ams AG and its subsidiaries (together referred to as the "Group").

On February 26, 2018 the consolidated financial statements according to IFRS as per December 31, 2017 were completed and released by the Management Board for approval by the Supervisory Board.

(a) Statement of Compliance

The consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and all obligatory interpretations as issued by the International Financial Interpretations Committee. Furthermore these consolidated financial statements are in accordance with the International Financial Reporting Standards as to be applied in the European Union as per the business year 2017, as well as additional requirements relating to §245a UGB.

New or amended standards and interpretations that have been applied for the first time during the business year:

Standard	Content	Initial application IASB[1]	Initial application EU[2]
Amended standards and interpretations:			
IAS 7	Statement of Cash Flows – Disclosure Initiative	January 1, 2017	January 1, 2017
IAS 12	Income Taxes	January 1, 2017	January 1, 2017

Amendment to IAS 7: Statemtent of Cash Flows Disclosure Initiative

The International Accounting Standards Board (IASB) has published amendments to IAS 7 'Statement of Cash Flows' on April 11, 2016. The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures to evaluate changes in liabilities. According to the amendments entities need to disclose information about changes of such financial liabilities, whose inflows and outflows are shown under cashflow from financing activities in the statement of cash flows. The new disclosures are shown under note 27.

[1] Standards to be applied for financial years which begin on or after the effective date according to the respective pronouncements of the International Accounting Standards Board.
[2] The IFRS are to be applied for business years that begin on or after the effective date according to the respective EU regulation.

Amendment to IAS 12: Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

On January 19, 2016 the amendment to IAS 12 Income Taxes has been published. The amendment clarifies how the provision of IAS 12 should be applied related to the recognition of deferred tax assets resulting from debt instruments acquired at fair value. The changes did not have any effect on the consolidated financial statements.

Already published but not yet mandatory standards, amended or new standards that could be relevant for the group:

Standard	Content	Initial application IASB[1]	Initial application EU[2]
New standards and interpretations			
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	January 1, 2018
IFRS 16	Leases	January 1, 2019	January 1, 2019
IFRS 9	Financial Instruments	January 1, 2018	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2018	January 1, 2018
Amended standards and interpretations			
IFRS 15	Revenue from Contracts with Customers – Clarifications	January 1, 2018	January 1, 2018
IFRS9	Prepayment Features with Negative Compensation	January 1, 2018	January 1, 2019
IFRS 2	Share-based Payment	January 1, 2018	January 1, 2018
IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018	January 1, 2018
IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019	January 1, 2019
IAS 40	Classification of Investment Property under construction	January 1, 2018	January 1, 2018
Annual improvements (2014-2016 cycle)	Various	January 1, 2017 / January 1, 2018	Pending

No premature application of the in the table above mentioned changes or amendments of standards and interpretations are made, but are described in the following. The management is currently evaluating the effect of these changes and amendments of standards on the consolidated financial statements.

[1] Standards to be applied for financial years which begin on or after the effective date according to the respective pronouncements of the International Accounting Standards Board.
[2] The IFRS are to be applied for business years that begin on or after the effective date according to the respective EU regulation.

IFRS 15: Revenue from Contracts with Customers

The rules and definitions of IFRS 15 will replace both IAS 18 and IAS 11. The new standard does not differentiate between different types of order and service types, but sets uniform criteria as to when a service provision is to be realized in terms of time or time as sales revenue is. The standard specifies a uniform, 5-step model that applies to all categories of sales transactions with customers.

The company has examined the probable effects on the consolidated financial statements. The investigation has shown that the application of the new standard for individual contracts with customers can lead to an earlier revenue recognition than the previous accounting methods, because these contracts relate to customer-specific products and from the time of retrieval of a delivery (30-60 days before the delivery date) a legal right exists to consideration including reasonable margin. However, as the legal right for in terms of quantity and value material contracts arises very late during the production process, the company does not consider the impact to be material. For customers using consignment stock, the company expects no early realization, because basically no legal right to consideration including appropriate margin arises before the date of withdrawal. In all, the company does not expect any material effects on the consolidated financial statements. The company will apply the new regulations prospectively from the first quarter of 2018.

IFRS 9: Financial Instruments

The standard (including the amendments adopted since its publication) contains new rules on the classification and measurement of financial instruments, the identification and recognition of impairments, and the application of hedge accounting.

For the first time application the company expects changes for the amount of impairment losses as well as for the classification und resulting subsequent measurement of financial instruments. Impairment effects mainly relate to bank balances.

The company expects an impairment of approximately EUR 300 thousand to be recognized in the balance sheet related to bank balances. So far, no impairments have been recorded for these assets. Trade receivables are not expected to have a material impact on the consolidated financial statements. The changes in classification of financial instruments means that changes in the value of long-term securities recognized in other comprehensive income cannot be recognized in profit or loss. Based on current information, the company does not expect the first-time application of IFRS 9 to have a material impact on the consolidated financial statements. The company will apply the new regulations prospectively from the first quarter of 2018.

IFRS 16: Leasing

The core idea of the standard is generally to record all leases, real estate leases and related rights as assets and liabilities in the balance sheet. The differentiation between finance and operating leases previously required under IAS 17 does not apply to the lessee. IFRS 16 provides exemptions for short-term leases with a term of twelve months or less and for leases for low-value assets. The accounting of the lessor continues to provide the classification for finance and operating leases. The Company expects to increase its balance sheet total from the first-time adoption of IFRS 16 resulting in particular from the recognition of assets and liabilities from leases currently classified as operating leases. At present there is no final assessment of the impact of the first-time application of the standard. The scope of existing operating leases is given in Note 28.

Amendment to IFRS 2: Share-based Payment – Classification and Measurement

On June 20, 2016, the amendments to IFRS 2 Share-based Payment were published. The amendments affect three areas and have no impact on the consolidated financial statements.

Amendment to IAS 28: Long-Term Interests in Associates and Joint Ventures

The amendments to IAS 28 now clarify that IFRS 9 is applicable to other financial instruments issued by an associate or joint venture that are not accounted for using the equity method. This includes long-term investments that are part of the net investment. The changes have no impact on the consolidated financial statements.

Amendments to IAS 40, IFRS 4 and IFRS 17

IFRS 17, IAS 40 and IFRS 4 are not relevant for ams AG. The amendments to these standards therefore have no impact on the consolidated financial statements.

(b) Basis of Preparation

The financial statements are presented in EUR and rounded to the nearest thousand. The use of automated calculation systems may lead to rounding differences in totals of rounded amounts and percentages.

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial positions:

- Available-for-sale financial assets measured at fair value
- Derivative financial instruments are stated at their fair value
- Employee benefits: fair value of the defined benefit liability (or asset)
- Share-based payments: fair value

(c) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all operative enterprises controlled by the Company. Control exists when the Company is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Audits of major subsidiaries were carried out locally.

The accounts of the subsidiary company AMS R&D UK Ltd, ams Sensors UK Ltd, as well as Incus Laboratories Ltd have not been audited. All members agree to the exemption in accordance with section 479A of the UK Companies Act 2006.

(ii) Business combinations

The acquisition method is used for all business combinations, at the time the Company obtained control. The value of the consideration transferred as well as the identifiable assets acquired and the liabilities assumed are generally measured at fair value. If the fair value is higher than the assets acquired a goodwill is indicated. An impairment test under IAS 36 has to be performed annually. A profit resulting from an acquisition below market value is accounted in the income statement in the period occurred. Acquisition related costs are recognized in profit or loss immediately. All contingent consideration are recognized at fair value, subsequent changes are recognized in profit or loss.

On January 24, 2017, the Group obtained control of Heptagon Advanced Micro-Optics Pte. Ltd., Singapore (Heptagon) by acquiring 100% shares of the company.

The consideration for the acquisition consisted of cash, the issuance of 11,011,281 new shares from a capital increase and the issuance of 5,450,586 treasury shares. The valuation of the shares issued was based on their stock exchange price on the acquisition date. Another part of the purchase price is dependent on the sales development of Heptagon in the 2017 financial year (Contingent Consideration). This amount consists also of a cash consideration of up to USD 192.2 million (EUR 178.2 million) and the issue of up to 2,954,694 shares. On the basis of existing plans, the contingent consideration was determined within the contractually agreed maximum. The amount of the contingent consideration to be paid in cash is at its present value; the own shares to be paid are valued at their fair value.

Heptagon, headquartered in Singapore, is a technology and innovation leader in micro-optics and optical technologies. Meanwhile, the company employs more than 7,500 employees.

Heptagon brings best-in-class optical packing expertise with strong capabilities in wafer level optics, wafer level stacking, wafer level integration and focus controlled packaging, all of which are protected by a substantial number of patent families. Currently focused on the consumer market, Heptagon is a major supplier into applications for mobile devices that require high volume optical packaging in very small form factors. In addition, Heptagon has an emerging IoT and Automotive, Industrial and Medical optical sensing solutions business. Heptagon is expected to realize extensive synergies with ams' sensor businesses and gain significant leverage from ams' global sales coverage.

The following gives an overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition:

In thousands	January 2017	January, 2017
	USD	EUR
Cash and cash equivalents	154,667	143,903
Financial assets	9,242	8,599
Accounts receivable	12,502	11,632
Inventories	19,230	17,892
Other receivables and assets	9,973	9,279
Property, plant and equipment	128,285	119,357
Intangible assets		
Customer relationship	274,688	255,571
Technology	87,699	81,595
Goodwill	338,003	314,479
Other intangible assets	877	816
Other long-term assets	19,909	18,523
Deferred tax assets	10	9
Accounts payable	-14,550	-13,537
Other current liabilities	-57,111	-53,136
Non-current provisions	-16,365	-15,226
Other non-current liabilities	-28,880	-26,870
Deferred tax liabilities	-21,632	-20,127
Total of consideration transferred	**916,546**	**852,760**
thereof transferred cash	64,277	59,804
thereof transferred shares	544,343	506,460
thereof contingent purchase price components	307,926	286,496

Trade receivables include gross amounts contractually due amounting to EUR 11,645 thousand, of which EUR 13 thousand were expected to be uncollectible at the time of acquisition.

Goodwill is essentially attributed to the abilities of the management and employees, 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 that relate directly to the acquisition were EUR 1,790 thousands which have been recognized in other operating expenses.
During the period of time between the date of acquisition and December 31, 2017 the acquired company contributed revenues amounting to EUR 473,525 thousands to the consolidated revenues and a loss amounting to EUR 41,671 thousands to the consolidated net result as well as EUR 14,720 thousands to other comprehensive income. If the acquisition had taken place on January 1, 2017, that Group sales including Heptagon would have been around EUR 1,070 million and consolidated net income for the year would have been around EUR 76.4 million based on estimations of the management board.

On July 3, the Group also obtained control of Princeton Optronics Inc ("Princeton") by acquiring 100% shares of the company.

The acquisition has been made by cash consideration. Part of the purchase price is dependent on sales of products based on Princeton IP in the years 2017 and 2018 (Contingent Consideration). This is amount is to be paid in cash – up to USD 17.4 million. The contingent consideration has been determined as the present value based on the expected value for the amount to be paid based on possible scenarios.

Princeton Optronics develops and supplies high performance VCSELs which offer specific differentiation for mobile, consumer, automotive, and industrial applications. The use of VCSELs is expected to gain momentum in optical sensor solutions for human machine interface applications (HMI).

The following gives an overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition (July 3, 2017):

In thousands	**July 2017**	**July, 2017**
	USD	**EUR**
Cash and cash equivalents	523	446
Trade receivables	1,241	1,058
Other receivables and assets	47	40
Property, plant and equipment	32	27
Intangible assets		
Technology	31,658	26,995
Goodwill	55,174	47,049
Trade payables	-170	-145
Other short term liabilities	-4,592	-3,916
Deferred tax liabilities	-12,663	-10,798
Total of consideration transferred	**71,250**	**60,758**
thereof cash	54,358	46,353
thereof contingent purchase price components	16,892	14,404

Trade receivables include gross amounts contractually due amounting to EUR 1,186 thousand, of which EUR 128 thousand were expected to be uncollectible at the time of acquisition.

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

During the period of time between the date of acquisition and December 31, 2017 the acquired company contributed revenues amounting to EUR 3,971 thousands to the consolidated revenues and a loss amounting to EUR 0.3 thousands to the consolidated net result. If the acquisition had taken place on January 1, 2017, that Group sales including Princeton would have been around EUR 1,067 million and consolidated net income for the year would have been around EUR 88.8 million based on estimations of the management board.

The valuation techniques used for measuring the fair value of material assets were as follows:

Assets acquired	Valuation technique
Propery, plant and equipment	Market comparison technique and cost technique - The valuation model considers market prices for similar items, if they are available and depreciated replacement costs when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets – customer relationship	„Multi-Period Excess Earnings (MEEM)" – Valuation based on residual profits. A margin is applied to the revenue generated by the concerned asset to calculate the profit. Further the contributory asset charge rate (which are supporting assets that cannot be allocated to any direct sale or cash flow) is deducted to calculate the valuation-related free cash flow which is the basis for valuation.
Intangible assets – technology	„Relief from Royalty (RFR)" – Free cash flows are estimated based on a royalty rate, which is the value of the royalty payments from which the company is relieved due to its ownership of the asset. The royalty rate is expressed as percentage of revenues.

(iii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any results from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) Loss of control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates
Investments in associates are accounted using the equity method if the company has a significant influence on the investee (associate), but without control or joint control, and the concerned companies are material to present a true and fair view of the financial statements.

Under the equity method, on initial recognition the investment in an associate or a joint venture are recognized at cost including all transaction costs. After the initial recognition the consolidated profit or loss includes the share of the profit or loss of the investee until the significant influence ceases.

If there are any indications that an investment may be impaired and the carrying amount is less than the recoverable amount an impairment loss has to be recognized as an expense. If a favorable change of the recoverable amount occurs, a reversal of the recognized impairment loss is possible in future.

(vi) Financial assets
Investments are accounted as non-current assets if the company has not a significant influence on the investee and the concerned companies are not material to present a true and fair view of the financial statements. In this case the assets are classified as equity instruments held for sale and all changes of the values are recognized through the other comprehensive income (OCI).

(vii) Sale of discontinued business unit
In November 2017, the Group sold its LED backlight technology and product portfolio to Dialog Semiconductor in an asset transaction for a purchase price of EUR 8,062 thousand. As part of the transaction, Dialog Semiconductor has also acquired ams' proprietary intellectual property (IP). The divested portfolio of LED backlight ICs is already in volume production for TV manufacturers in the Asia/Pacific region.

The transaction is part of ams' active management of its technology portfolio, with full focus on the corporate strategy with a focus on sensor solutions. The transaction resulted in a gain of EUR 7,945 thousand, which was recognized in other operating income in the income statement. The book value of the assets and liabilities disposed of during the transaction was not material.

(d) Foreign Currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated into EUR at the average foreign exchange rate at the date of the transaction. Foreign exchange rate differences are recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into EUR at the foreign exchange rate at that date and provided from the ECB (European Central Bank).

(ii) Financial statements of economic independent foreign entities
The functional currency of the mother company is the Euro (EUR). The functional currency of entities domiciled outside the EUR zone is their respective domestic currency.

Accordingly, the assets and liabilities of these entities including goodwill from subsidiaries outside the Eurozone are translated into EUR at the average foreign exchange rates at the balance sheet date. Revenues and expenses of foreign entities are translated into EUR at the average foreign exchange rates of the year. Translation differences are recognized directly within other comprehensive income.

In the case of loss of control the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(iii) Net investment in a foreign operation
If settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly such differences are recognized in OCI and accumulated in the translation reserve. In the case of loss of control the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(e) Property, Plant and Equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses and net of related government grants. The cost of internally generated assets includes the cost of materials, direct labor, directly attributable proportion of production overheads and borrowing costs for qualified assets.

(ii) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment recorded by way of finance leases is stated at an amount at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Minimum lease payments should be appointed between the finance charge and the reduction of the outstanding liability. The leasing costs are distributed over the term of the lease so that the interest rate for the remaining liability remains constant over the period.

Assets arising under other lease agreements are classified as operating leasing and are not recognized in the balance sheet. Operating lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis. Incentives for the agreement should be recognized as a reduction of the rental expenses over the lease term.

(iii) Depreciation
Depreciation on property, plant and equipment is charged to the income statement on a straight-line basis over the estimated useful life of the assets. Land is not depreciated. The estimated useful life is as follows:

Buildings	15 – 40 years
Plants, technical equipment and machines	4 – 12 years
Other equipment	4 – 10 years

Due to the application of the cost of sales method the annual depreciation is distributed over all cost positions.

(iv) Asset restoration obligation
In some cases for rented buildings an obligation exists to return the rented object to the lessor in the original state existing at the date of lease inception (asset restoration obligation).

The projected cost of restoration is recognised as part of the cost of plant and equipment as well as an provision for the asset restoration obligation.

Provision for restoration costs is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expenses. Changes in the estimated amount of the expenditure lead to an adjustment of the recognized cost of plant and equipment

(f) Intangible Assets

(i) Intangible assets acquired by the Group
Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortization and impairment losses. The goodwill arising out of business combinations are recognized at cost less accumulated impairment losses.

(ii) Amortization
Amortization of intangible assets is charged to the income statement on a straight-line basis over the estimated useful economic life of the assets, unless it is not an intangible asset with indefinite useful lives (goodwill). The estimated useful life is as follows:

Patent and Licenses	5 years
Customer base	7 – 18 years
Technology	5 – 15 years

Due to the application of the cost of sales method the annual depreciation is distributed over all cost positions. All intangible assets have a limited useful economic life.

(iii) Research and Development
Expenditures on research activities, expecting to gain new scientific or technical knowledge and understanding, are expensed as incurred and are recognized as expenses for Research and Development.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technical and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment loss. In the business year 2015 the criteria for capitalization of development costs were met for the first time. Therefore the group recognized development costs amounting to EUR 13,334 thousand (2016: EUR 8,099 thousand) as addition to the intangible assets during the business year 2017.

(g) Primary Financial Instruments

(i) Recognition and Measurement
Non-derivative financial instruments are classified into following measurement categories by the group:

- Available-for-sale financial assets
- Held-for-trading
- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities at (amortized) costs

The Group recognizes non-derivative financial instruments at value date.

Available-for-sale financial assets are recognized at fair value including any directly attributable transaction costs and are recognized under the item financial instruments in the balance sheet item "Financial assets". Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and directly in equity. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. In the business year 2017 valuation effects amounting to EUR 14,348 thousand (2016: EUR 691 thousand) have been recognized in other result.

Financial instruments classified as Held-for-Trading and the performances are constantly monitored and are recognized at fair value through profit or loss.

Loans and receivables are recognized at fair value at initial recognition and further at amortized costs including impairment losses. Whereby resulting gains or losses have to be recognized in the profit and loss statement. Loans and receivables are recognized in the balance sheet items "Trade receivables", and sometimes "Other receivables and assets" or "Other assets".

Non-derivative financial liabilities are included in the balance sheet items "Interest-bearing loans and borrowings", "Trade liabilities" and sometimes "Other liabilities" and "Other long-term liabilities" and are measured at amortized costs minus directly attributable transaction costs. For non-current financial liabilities the effective interest method is used.

(ii) Impairment
An entity is required to assess at each balance sheet date whether there is any objective evidence of impairment for all primary financial assets, which are not classified as held-for-trading or designated at fair value. An impairment loss or reversal of impairment is recognized pursuant to the relevant valuation group. Evidence of impairment may include indications like the failure or default of a debtor, the disappearance of an active market for shares or observable data indicating a notable decrease in expected cash flows from a specific group. An objective evidence indicator for the impairment of equity instruments is a significant or longer lasting decline of the fair value. The company defines a decline of 20% as significant and nine months as longer lasting.

(h) Derivative Financial Instruments

Derivative financial instruments were used by the Group to reduce financial risks from financing and investing activities. Due to the fact that not all criteria for hedge accounting under IAS 39 are met the Group does not apply hedge accounting. Derivative financial instruments are recognized at cost (equal to the fair value) on initial recognition. Directly attributable transaction costs are recognized in profit or loss. At further recognition derivative financial instruments are accounted for at fair value. Resulting changes are recognized in profit or loss. Positive market values are shown in the balance sheet item "Other receivables and assets" whereby negative market values are reported under the line item "Other liabilities".

During the fiscal year 2017, the Company issued a convertible bond which gives the bondholders an option to purchase shares at a fixed price instead of repaying the redemption amount. This option is measured at fair value. For further information, please refer to Note 17 and for fair value refer to Note 20.

In addition, as of December 31, the Company held a number of put and call options ("collar"), which are measured at fair value (see Note 10).

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense.

The cost of inventories is based on the moving average price formula and includes expenditures incurred in their acquisition as well as bringing them to their existing location and condition. For manufactured inventories and work in progress, cost includes an appropriate share of overhead based on normal operating capacity.

(j) Equity

Issued capital is the fully paid-in capital of ordinary shares (bearer shares). If shares are repurchased the value is recognized as own shares.

Directly attributable costs regarding issue or repurchasing of shares are, considering tax effects, deducted from equity. If treasury shares are sold later or issued again, the income including any difference to the carrying amount has to be recognized in equity (retained earnings).

(k) Impairment of Non-Financial Assets

At each balance sheet date the Group is required to assess whether there is any objective evidence of impairment. Therefore assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units), that are largely independent of cash inflows from either assets or cash-generating units. Goodwill acquired in a business combination shall be allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If there is an indication of a value impairment the recoverable amount of the asset or cash-generating unit is determined. At each balance sheet date the recoverable amount of intangible assets with an indefinite useful life and intangible assets not yet available for use is estimated. An impairment loss shall be recognized if the carrying amount of the asset or cash-generating unit, to which independent results can be attributed, exceeds the recoverable amount. An impairment loss is recognized in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount is the higher value of their fair value less transaction costs or as the present value of expected future cash flows and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For assets that do not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Goodwill acquired in a business combination shall be allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

(ii) Reversals of impairment

An impairment loss recognized for an asset shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss recognized for goodwill shall not be reversed.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized, when they are classified as held for sale.

(l) Non-Current Assets Held for Sale

Non-current assets or disposal groups, including assets and liabilities, are classified as held for sale if it's highly probable that its carrying amount will be recovered through a sale rather than through continuing use. These non-current assets or disposal groups are recognized at the lower of its carrying amount and fair value less cost to sell. On initial recognition an impairment loss or reversal has to be recognized in the profit or loss. As soon as the intangible asset or property, plant and equipment are classified as held for sale they are no longer depreciated or amortized. Investments in associates are no longer recognized with the equity method.

(m) Employee Benefits

(i) Defined benefit plans

According to Austrian labor regulations, employees who joined the Company prior to December 31, 2002, are entitled to receive severance payments – depending on the job tenure – equal to a multiple of their monthly compensation, which comprises fixed plus variable amounts such as overtime and bonus payments. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation. All employees of the Swiss companies are covered by pension funds at pension fund providers, with benefit contributions made by employers and employees. Because employers and employees are charged a "restructuring contribution" in the event that the fund does not have sufficient assets to cover the employees' entitlements, IAS 19 identifies this system as a defined benefit plan. The obligation for such severance payments is measured using the projected unit credit method. The discount rate is the yield at the balance sheet date on AAA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The assumptions for discount rates, salary increase and fluctuation used to calculate severance and pension provisions vary according to the country's economic situation. Life expectancy is calculated according to the respective country's mortality tables. Remeasurements of the defined benefit liability are recognized in other comprehensive income.

The conditions applied to calculate the severance and pension provisions for discounting, pay rises and fluctuation vary from country to country depending on the economic situation.

The defined benefit plans expose the Group to actuarial and financial risks such as longevity risk, currency risk, interest rate risk and investment risk.

(ii) Defined contribution plans

For all Austrian based employees who entered into an employment contract after December 31, 2002, the Company is obliged to contribute 1.53 % of their monthly remuneration to an employee benefit fund. There is no additional obligation for the Company. Therefore, this plan constitutes a defined contribution plan. Contributions are recognized as an expense in the income statement as incurred. There are no further obligations for the Company.

(iii) Other long-term employee benefits
All Austrian employees under the collective agreement are eligible for jubilee payments. Under this plan, eligible employees receive a cash payment after a specified service period. This payment equals one to three months salary, depending on the number of years of service. The amount recognized as a liability from this compensation is measured using the projected unit credit method. Actuarial assumptions are identical to those applied for defined benefit plans. All actuarial gains and losses are recognized immediately. Remeasurements of the defined benefit liability are recognized in profit and loss.

(iv) Stock Option Plan
The stock options issued to employees are recognized at fair value of the single option at the grant date. The determined value of the options will be spread over the period until vesting. The amount recognized as expense is adjusted, if expectations regarding the settlement of service conditions and independent performance conditions change, in such a way as recognized expenses are based on the options, which fulfill the service conditions and the independent performance conditions at the end of the vesting period respectively. The fair values for market condition based stock option plans are determined on the grant date including these conditions; an adjustment of occurring differences between expected and actual results is not being recognized.

The options were measured based on option-pricing models. The interpretation of market information necessary for the estimation of market values also requires a certain degree of subjective judgement. The expected volatilities were extrapolated from the historical stock-exchange price of the ams share (source: Bloomberg). This can result in a difference between the figures shown here and values subsequently realized on the marketplace.

The shareholders approved a further Stock Option Plan 2009 (SOP 2009) in the annual general meeting on April 2, 2009.

Within the SOP 2009 a total of up to 5,500,000 options of no-par-value shares may be issued over 4 years. This reflects 10% of the issued capital at the time of approval. The SOP 2009 is administered by the SOP Committee. The Committee may define terms for allocation and exercise of the options. It is envisaged to grant the options during a 4-year-program. One option entitles the holder to receive one no-par-value share of ams AG. The options may be exercised during each of the next succeeding four years on the first, second, third and fourth anniversary of the grant date to the maximum extent of twenty-five percent (25%) of the total number of shares covered thereby (vesting period). The strike price for each tranche will be defined based on a 3-month average price of the ams share prior to the grant date. All granted options under the Stock Option Plan 2009 had to be exercised prior to June 30, 2017. Any options reverted to the company can be issued under the options of the SOP 2009 until the end of the term.

The options developed as follows during the business year 2017 and 2016 respectively:

SOP 2009	2017		2016	
	Options	**weighted average exercise price (in EUR)**	**Options**	**weighted average exercise price (in EUR)**
outstanding at January 1	916,528	10.08	1,584,646	10.05
granted during the period	0	-	0	-
forfeited during the period	24,890	9.52	27,585	11.15
exercised during the period	891,638	10.10	640,533	9.96
expired during the period	0	-	0	-
outstanding at the end of the period	0	-	916,528	10.08
exercisable at the end of the period	0	-	916,528	10.08
not yet granted	0	-	149,920	-
weighted average share price at the date of exercise (in EUR)	49.47		26.92	
range of exercise prices (in EUR)	1.54-16.25		1.54-16.25	
remaining contractual life	until June 30, 2017		until June 30, 2017	

In connection with the acquisition of TAOS, the Company has committed to grant options to certain employees of TAOS – by issuing a Stock Option Plan, which – as far as legally possible - matches the number of options and the option plan which has been granted to those employees under the TAOS - "Equity Incentive Plan 2000". To fulfil this obligation, the management board of ams AG has adopted a new Stock Option Plan 2011 (SOP 2011), which the company's Supervisory Board approved on July 9, 2011.

Each option granted entitles each employee to purchase one share of the company. For holders of unvested options the exercise price equals the original exercise price under the TAOS plan. This price is in the range of USD 0.19 and USD 3.96. Certain employees of TAOS, who held a small number of TAOS shares ("Small Shareholders"), were granted exercisable options for shares of the Company as compensation for shares of TAOS held by them prior to the transaction (vested options). The option exercise price for these options is CHF 8.27 which is the average of the market price of the shares of the Company on the SIX Swiss Exchange within 30 days following the date of grant of options.

The term of the unvested options will remain unchanged compared to the original TAOS plan. The options will expire between September 3, 2017 and June 8, 2021.

The options of the Small Shareholders expire ten years after the date of issuance, therefore on July 12, 2021.

The options developed as follows during the business year 2017 and 2016 respectively:

SOP 2011		2017		2016
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	185,028	2.34	203,068	2.33
granted during the period	0	-	0	-
forfeited during the period	0	-	0	-
exercised during the period	39,418	2.52	18,040	2.21
expired during the period	0	-	0	-
outstanding at the end of the period	145,610	2.29	185,028	2.34
exercisable at the end of the period	145,610	2.29	185,028	2.34
not yet granted	0		0	
weighted average share price at the date of exercise (in EUR)	59.66		26.86	
range of exercise prices (in EUR)	0.49-7.07		0.44-7.07	
remaining contractual life	from Sept. 3, 2017 until July 12, 2021		from Sept. 3, 2017 until July 12, 2021	

The management board has decided to adopt a new Stock Option Plan (SOP 2013) on August 28, 2013.

The SOP 2013 comprises a maximum of 2,000,000 options, of which (i) up to 1,575,000 options may be granted to employees and executive employees and (ii) up to 235,000 options may be granted to the Chief Executive Officer and up to 190,000 options may be granted to the Chief Financial Officer of the management board. This corresponds to 2.8% of the nominal capital of the Company at that time. Each option entitles the participants to acquire one no-par value ordinary share of ams AG. The available options shall be granted during the year 2013 after prior resolution by the SOP committee. All options granted can only be exercised by June 30, 2021. The exercise price for the new shares corresponds to the average strike price within the last three months before the granting of the stock options.

Regarding the earliest date for exercising 50% of the granted options, these vest to the extent of 33% on the first, second and third anniversary of the granting.

The earliest date for exercising the other 50% granted options is the third anniversary of the options grant date depending on the achievements of the following criteria:

(i) The benchmark growth of the market (sales growth of the analog semiconductor market as published by WSTS) has to be surpassed in the period 2013-2015 with stable gross margins (not less than in 2012; adjusted for extraordinary time impacts in relation with a positive, long lasting development of the business like e.g. acquisition costs, financing costs etc.). If this does not apply to the whole period but to single calendar years, 1/3 of exercisability for the relevant year has to be taken into account.
(ii) Over the period 2013-2015 an increase of earnings per share has to be achieved. If this does not apply to the whole period but to single calendar years, an aliquot of 1/3 of exercisability for the relevant year has to be taken into account.´
Any options reverted to the company can be issued under the options of the SOP 2013 until the end of the term.

The options developed as follows during the business year 2017 and 2016 respectively:

SOP 2013		2017		2016
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	913,800	11.86	1,295,599	11.86
granted during the period	0	-	0	-
forfeited during the period	0	11.86	55,520	11.86
exercised during the period	613,730	11.86	326,279	11.86
expired during the period	0	-	0	-
outstanding at the end of the period	300,070	11.86	913,800	11.86
exercisable at the end of the period	300,070	11.86	913,800	11.86
not yet granted	571,050	11.86	571,050	11.86
weighted average share price at the date of exercise (in EUR)	56.27		27.41	
range of exercise prices (in EUR)	11.86		11.86	
remaining contractual life	until June 30, 2021		until June 30, 2021	

On October 17, 2014 a Long Term Incentive Plan (LTIP 2014) was adopted by the Supervisory Board and the Management Board.

The LTIP 2014 comprises a maximum of 5,124,940 options.

This corresponds to approximately 7% of the share capital of the Company at the time. Each option granted entitles each participant to purchase one share of ams AG for an exercise price of EUR 1. The available options were to be granted during the year 2014 after prior resolution by the LTIP committee. All options granted must be exercised by October 17, 2024. The exercise price for the new shares is EUR 1.

Issuance of the options is subject to the following criteria:

- Approval during annual general meeting
- 50% of the options are depending on an increase of earnings per share over a period of three years compared to the earnings per share between 2013 and 2016
- 50% of the options are depending on the comparison of Total Shareholder Returns over a period of 3 years to a defined benchmark of companies.

The earliest date for exercising is three years after granting and the LTIP committee's decision of meeting the criteria.

The main basis data of the granted options in year 2017 and 2016 according to the Long Term Incentive Plan 2014 structures as follows:

Valuation of Options (weighted average)		2017	2016
Market price at granting	in EUR	56.63	24.16
Term of options	in years	3	3
Risk-free interest rate	in %	0.15	0.15
Dividend yield	in %	0.61	1.5
Expected volatility	in %	48.35	52.06
Present value of Option	in EUR	42.06	16.90

The Options developed in the fiscal years 2017 and 2016 as follows:

LTIP 2014	2017		2016	
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	1,730,300	1.00	1,069,930	1.00
granted during the period	546,090	1.00	795,550	1.00
forfeited during the period	147,292	1.00	135,180	1.00
exercised during the period	224,217	-	0	-
expired during the period	0	-	0	-
outstanding at the end of the period	1,904,881	1.00	1,730,300	1.00
exercisable at the end of the period	210,161	-	0	-
not yet granted	2,995,842		3,394,640	1.00
weighted average share price at the date of exercise (in EUR)	73.78		-	
range of exercise prices (in EUR)	1.00		1.00	
remaining contractual life	until October 17, 2024		until October 17, 2024	

In 2017 546,090 options (2016: 795,550 options) were granted to 1,609 employees (2016: 912) and to the executives of the company (LTIP 2014).

On June 9, 2017 a Special Stock Option Plan (SSOP 2017) has been adopted by the Supervisory board and management board. The SSOP 2017 is setup in a way that the economic effect has been effective as per January 24, 2017.

The SSOP 2017 comprises a maximum of 2,400,000 options. This corresponds to approximately 3% of the share capital of Company at the time. Each option granted entitles each participant to purchase one share of ams AG for an exercise price of EUR 27.56. The available options have been granted once in 2017 after prior resolution by the LTIP committee. All granted options must be exercised by June 30, 2027.

The exercise of all options is subject to the following criteria:

- 30% of the options are subject to the criterion of meeting certain revenue targets over a six-year period
- 30% of the options are subject to the criterion of meeting certain EBIT targets over a six-year period
- 40% of options are subject to the criterion of meeting certain net result targets over a six-year period

In each case, 17% of the options can be exercised after one, two, three, four and five years after allocation, in conjunction with the decision of the LTIP committee on the achievement of the criteria for the respective year. The remaining 15% of the options may be exercised after six years of assignment, along with the decision of the LTIP Committee to meet the criteria of that year.

During the financial year 2017, a total of 2,362,000 stock options were granted under the SSOP 2017.

The Options developed in the fiscal years 2017 and 2016 as follows:

SSOP 2017		2017		2016
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	0	-	-	-
granted during the period	2,362,000	27.56	-	-
forfeited during the period	0	-	-	-
exercised during the period	0	-	-	-
expired during the period	0	-	-	-
outstanding at the end of the period	2,362,000	27.56	-	-
exercisable at the end of the period	0	-	-	-
not yet granted	38,000	-	-	-
weighted average share price at the date of exercise (in EUR)	-		-	
range of exercise prices (in EUR)	27.56		-	
remaining contractual life	bis 30. Juni 2027		-	

(n) Provisions

A provision is recognized on the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranties
A provision for warranties is recognized when a warranty claim is received from a customer. The amount recognized is the best estimate of the expenditure required to settle the claim based on historical experience.

(ii) Onerous contracts
A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the una-voidable cost of meeting its obligations under the contract.

(o) Trade and Other Payables

Trade and other payables are stated at amortized historical cost.

(p) Revenue

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenues from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(q) Government Grants

During the business year government grant was provided as R&D subsidy and R&D premium. The R&D premium is recognized as income under the item research- and development expenses. The R&D subsidy is recognized as other operating income. If the grants are related to capitalized project costs they are according to the net method deducted from the initial costs. R&D subsidy is recognized as other operating expenses.

(r) Net Financing Cost

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and dividend income, foreign exchange gains and losses, and gains and losses on derivative financial instruments related to financing activities.

Interest income is recognized in the income statement as it accrues, taking into account the asset's effective yield. Dividend income is recognized in the income statement on the date that the dividend is declared.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing cost. The interest expense component of finance lease payments is recognized in the income statement using the effective interest method.

(s) Income Tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly within other comprehensive income or income taxes directly related to acquisitions.

(i) Current tax
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date and all adaptions concerning earlier years.

(ii) Deferred tax
Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for IFRS financial reporting purposes

and the amounts used for tax purposes as well as for tax assets existing at the balance sheet date. Deferred tax assets and liabilities for temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not recognized.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is only recognized, when it is probable, based on current planning, that within a foreseeable period future taxable results can be used against unused tax losses and unused tax credits.

2. Segment Reporting and Revenues

Segment information is presented on the basis of the internal reporting structure for the segments "Consumer", "Non-Consumer" and "Foundry" and determined according to valuation and accounting regulations of IFRS. The Segments "Consumer" and "Non-Consumer" comprise the development and distribution of analog Integrated Circuits ("ICs"). The segments' customers are mainly Consumer and for "Non-Consumer" from Industrial, Medical and Automotive markets. Within the "Foundry" segment we report manufacturing of analog/mixed signal ICs based on our customers' designs. In the previous year, the segments "Consumer" and "Non-Consumer" were presented as one segment. Due to the acquisition of Heptagon Advanced Micro-Optics Pte. Ltd. and the growing importance of the Consumer segment, we have adjusted our internal reporting and segment reporting accordingly.

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

The segment assets basically comprise the directly 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.

Business Segments

In thousands of EUR				2017				2016
	Con-sumer	Non Con-sumer	Foundry	Total	Con-sumer	Non Con-sumer	Foundry	Total
Revenues gross	683,496	328,656	51,621	1,063,773	210,249	285,177	54,515	549,940
Eliminations of intersegment revenues	-	-	-	-	-	-	-	-
Consolidated revenues	**683,496**	**328,656**	**51,621**	**1,063,773**	**210,249**	**285,177**	**54,515**	**549,940**
Research & development	100,661	83,049	1,592	185,301	44,075	73,785	9,704	127,564
Depreciation	32,530	3,947	71	36,548	1,334	3,789	76	5,199
Result from operations	142,352	50,646	16,153	209,151	42,066	41,026	7,146	90,238
Segment Assets	751,857	66,959	5,746	824,563	60,849	44,566	14,071	119,487

Reconciliation of segments results to income statement

In thousands of EUR	2017	2016
Result from operations per segment reporting	209,151	90,238
Result from investments in associates	-117	1,717
Depreciation due to business combinations	-72,511	-25,166
Unallocated research- and development costs	-2,737	-17,712
Subsidies not recognized under research and development	5,360	4,408
Unallocated corporate costs	-63,207	39,778
Result from operations	**75,938**	**93,263**

Reconciliation of segment assets to total assets

in thousands of EUR	2017	2016
Assets per segment reporting	824,563	119,487
Intangible assets deriving from PPA	1,149,255	581,177
Property, plant and equipment	462,667	298,216
Inventories	253,914	92,855
Cash, cash equivalents and short-term investments	392,363	215,833
Deferred tax asset	26,060	35,389
Intangible assets	28,074	18,089
Investments in associates	1,896	2,278
Other assets	122,524	59,663
	3,261,315	**1,422,988**

Non-allocated segment assets comprise all assets that are not directly allocable to the segments.

The geographic regions 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 regions, segment revenue is based on the geographical billing location of customers.

Revenues per geographical segments

in thousands of EUR	2017	2016
Americas	212,300	29,471
Asia / Pacific	498,815	317,514
EMEA	352,658	202,955
	1,063,773	**549,940**

Revenues per country

in thousands of EUR	2017	2016
USA	204,321	19,374
China	178,181	48,169
Ireland	123,028	45
Germany	121,126	100,110
Taiwan	92,168	92,371
Austria	1,325	1,566
Rest of the world	343,624	288,305
	1,063,773	**549,940**

Long-term assets per geographical segments

in thousands of EUR	2017	2016
Austria	1,480,713	790,416
Switzerland	79,413	81,429
Singapore	574,509	0
Philippines	18,191	22,165
Other countries	26,176	28,688
	2,179,002	**922,697**

Revenues from one customer of the segment Products amount to EUR 215,771 thousand (2016: EUR 80,221 thousand).

3. Other Operating Income

in thousands of EUR	2017	2016
Government grants related to R&D expenses	8,510	7,750
Result from disposal of discontinued operation	7,945	30,228
Results from post M&A activities	2,300	0
Gain from reversal of allowances	161	0
Gain from disposal of assets	3	112
Insurance refunds	50	11
Other	2,462	1,786
	21,433	**39,886**

4. Expenses

Other operating expenses

in thousands of EUR	2017	2016
Expenses for monetary transactions	410	424
Allowance for bad debts	664	327
Contract penalties	733	0
Loss from disposal of assets	48	0
Other	87	729
	1,943	**1,481**

Expenses by nature

in thousands of EUR	2017	2016
Changes in inventories of finished goods and work in progress	78,870	-125
Material expenses	-438,248	-171,895
Personnel expenses	-344,340	-172,297
Scheduled depreciation	-148,409	-62,343
Expenses for other third-party services	-99,267	-58,898
Other expenses	-55,812	-31,242
Sum of cost of sales, selling, general and administrative expenses as well as research and development costs	**-1,007,207**	**-496,801**

5. Net Financing Result

in thousands of EUR	2017	2016
Interest expense	-12,754	-4,905
Valuation of the option right from convertible bond	-39,669	0
Other financial result	-26	9
Finance expense	**-52,449**	**-4,897**
Interest income	2,436	1,166
Exchange differences	24,381	6,604
Changes of fair value of the collar and the contingent liability from acquisitions	23,416	1,109
Finance income	**50,232**	**8,879**
	-2,217	**3,982**

Detailed information about the option right can be found under note 20, about the collar can be found under note 11.

6. Income Tax

Recognized in the income statement

in thousands of EUR	2017	2016
Current tax		
Current year	-7,951	-12,375
from previous years	17,717	10,031
	9,766	**-2,344**
Deferred tax		
Change in temporary differences	41,897	1,824
Effect of previously unrecognized tax losses	-36,640	6,172
	5,257	**7,997**
Total income tax result in income statement	**15,024**	**5,653**

Reconciliation of effective tax expense

in thousands of EUR	2017	2016
Result before tax	73,722	97,245
Income tax using the domestic corporation tax rate (25%)	-18,430	-24,311
Effect of tax rates in foreign jurisdictions	6,739	11.761
Effect from change of US tax rate	5,765	0
Non-tax effective expenses/income	31,246	-811
Tax incentives (mainly for R&D)	2,974	3,795
Current year result for which no deferred tax asset was recognized	-1,181	-984
Effect of previously unrecognised tax losses	-29,807	6,172
Tax result from prior years	17,717	10,031
	15,024	**5,653**

Recognized in other comprehensive income

in thousands of EUR	2017	2016
From remeasurements of defined benefit liability	-436	421
From valuation of available for sale financial instruments	-11	-230
From exchange differences on translating foreign operations	-4,042	2,252

Deferred tax assets are recognized for all temporary differences and tax losses carry forwards only to the extent that it is probable that future taxable profit will be available within a foreseeable period. Therefore deferred tax asset from temporary differences' amounting to EUR 3,605 thousand (2016: 0 EUR) and EUR 37,082 thousand (2016: EUR 7,275 thousand) as losses carried forward are not recognized in the balance sheet.

Tax liabilities relating to investments in subsidiaries amounting to EUR 0 (2016: EUR 1,139 thousand) are not recognized in the consolidated financial statements.

7. Cash and Cash Equivalents

in thousands of EUR	2017	2016
Bank deposits	288,279	179,556
Cash on hand	76	19
	288,356	**179,575**

8. Trade Receivables, Net

in thousands of EUR	2017	2016
Trade receivables gross	285,667	97,570
Allowance for bad debt	-868	-416
	284,799	**97,155**

Allowance for bad debt developed as follows:

In thousands of EUR	2017	2016
Balance at the beginning of the period	416	301
Consumptions during the year	-10	-5
Reversal during the year	-161	0
Additions from business combinations	279	0
Additions during the year	345	119
Balance at the end of the period	**868**	**416**

Trade receivables by regions

in thousands of EUR	2017	2016
Region		
EMEA	98,974	37,721
Americas	82,838	3,165
Asia / Pacific	102,988	56,269
	284,799	**97,155**

Concentration of credit risks

Same as last year – one trade receivable attributable to a single customer exceeded 10% of all trade receivables but was less than 30% of all trade receivables.

Ageing analysis for trade receivables

in thousands of EUR	2017		2016	
	Receivables gross	Impairment	Receivables gross	Impairment
Receivables more than 30 days overdue and not impaired	65,198	0	2,380	0
Receivables more than 30 day overdue and impaired	741	-741	424	-414
Receivables not overdue or less than 30 days overdue and not impaired	219,601	0	94,765	0
Receivables less than 30 days overdue and impaired	126	-126	2	-2
Total trade receivables not adjusted	**285,667**	**-867**	**97,570**	**-416**

9. Inventories

in thousands of EUR	2017	2016
Unfinished goods	130,158	53,268
Finished goods	24,742	23,122
Raw materials and supplies	95,352	12,172
Work in progress	3,662	4,292
	253,914	**92,855**

Inventories stated at net realizable value were EUR 8,524 thousand as per December 31, 2017 and EUR 4,550 thousand as per December 31, 2016 respectively. The valuation allowance from inventories amounts to EUR 26,719 thousand as of December 31, 2017 and to EUR 19,916 thousand as of December 31, 2016 respectively. During the business year allowances amounting to EUR 315 thousand (2016: EUR -386 thousand) have been released.

10. Financial Assets

in thousands of EUR	2017	2016
Investment funds (available for sale)	23,534	35,989
Derivative financial instruments	80,473	270
	104,007	**36,259**

Current investments are government backed corporate bonds issued by banks. Maturity dates are January 17, 2020, February 9, 2021 and December 30, 2021 which can be sold anytime before maturity.

During the 2017 financial year, ams AG entered into a contract with a bank for a combined call / put option (Collar) on own shares. This collar consists of the same number of call and put options, which on the one hand grants ams AG the right to acquire a total of 3,768,115 shares at a fixed amount and, on the other hand, obliges ams AG to buy the same number of own shares at a fixed amount.

The Collar is related to the obligation to pay own shares to meet the conditional purchase price condition for the acquisition of Heptagon (see Note 1 (c) (ii)). The call option is recognized under current financial assets at fair value and the change in fair value has been recognized in the income statement. The put option is recognized under current financial liabilities and recognized in other reserves. The put option represents the specified payment amount and is not subject to any subsequent valuation (with the exception of foreign exchange translation).

11. Other Receivables and Assets

in thousands of EUR	2017	2016
Financial assets		
Government grants related to R&D expenses	10,093	16,674
Bank deposits pledged as collateral	37,192	0
Other	8,372	9,047
	55,657	**25,721**
Non-financial assets		
Amounts due from tax authorities	14,508	4,901
Prepaid expenses	6,879	2,671
Deferred interests	60	129
	21,446	**7,701**
Total other receivables and assets	**77,103**	**33,422**

All other receivables and assets are neither overdue nor impaired. The bank deposits pledged were available again at the preparation of the financial statements.

12. Property, Plant and Equipment

In thousands of EUR	Land and buildings	Plant and equipment	Fixtures and equipment	Under con-struction	Govern-ment grants	Total
Cost						
Balance at January 1, 2017	**127,365**	**566,046**	**20,452**	**24,146**	**-27,481**	**710,528**
Additions from business combinations	55,915	160,753	7,514	0	0	224,182
Currency translation differences	-9,675	-16,689	-787	-7,089	0	-34,239
Additions	44,061	500,367	7,600	112,175	0	664,204
Transfers	5,529	16,583	131	-22,296	0	-53
Disposals	-3,437	-14,336	-2,155	-267	331	-19,863
Balance at December 31, 2017	**219,760**	**1,212,725**	**32,754**	**106,670**	**-27,151**	**1,544,758**
Depreciation and impairment losses						
Balance at January 1, 2017	**-57,440**	**-345,444**	**-14,620**	**0**	**26,226**	**-391,278**
Additions from business combinations	-19,216	-88,538	-5,190	0	0	-112,944
Currency translation differences	2,731	8,615	226	0	0	11,573
Depreciation	-12,639	-56,458	-2,687	0	50	-71,734
Transfers	0	0	0	0	0	0
Disposals	1,693	13,297	1,841	0	-331	16,501
Balance at December 31, 2017	**-84,870**	**-468,528**	**-20,429**	**0**	**25,946**	**-547,882**
Carrying amount						
At January 1, 2017	**69,926**	**220,602**	**5,832**	**24,146**	**-1,255**	**319,250**
At December 31, 2017	**134,890**	**744,197**	**12,325**	**106,670**	**-1,205**	**996,876**

	Land and buildings	Plant and equipment	Fixtures and equipment	Under con-struction	Govern-ment grants	Total
Cost						
Balance at January 1, 2016	**107,287**	**508,476**	**20,192**	**22,896**	**-27,835**	**631,016**
Additions from business combinations	5,621	2,461	1,051	189	0	9,322
Currency translation differences	143	-89	10	-1	0	63
Additions	8,487	63,264	901	21,544	0	94,195
Transfers	7,347	12,724	59	-20,130	0	0
Disposals	-1,519	-20,789	-1,761	-352	353	-24,068
Balance at December 31, 2016	**127,365**	**566,046**	**20,452**	**24,146**	**-27,481**	**710,528**
Depreciation and impairment losses						
Balance at January 1, 2016	53,915	332,595	14,365	0	-26,488	374,386
Additions from business combinations	916	1,893	575	0	0	3,383
Currency translation differences	453	-772	-506	0	0	-825
Depreciation	2,336	29,855	1,871	0	-91	33,971
Transfers	0	8	-8	0	0	0
Disposals	-179	-18,135	-1,677	0	353	-19,638
Balance at December 31, 2016	**57,440**	**345,444**	**14,620**	**0**	**-26,226**	**391,278**
Carrying amount						
At January 1, 2016	**53,372**	**175,881**	**5,827**	**22,896**	**-1,347**	**256,630**
At December 31, 2016	**69,926**	**220,602**	**5,832**	**24,146**	**-1,255**	**319,250**

As of December 31, 2017, commitments for the acquisition of property, plant and equipment amounted to EUR 197,902 thousand (2016: EUR 36,084 thousand) and intangible assets amounted to EUR 3,533 thousand (2016: EUR 300 thousand).

Government grants shown have been a one-time subsidy which is recognized through profit and loss during the useful life of the subsidized equipment. The equipment subsidized is depreciable.

The borrowing costs capitalized during the financial year amount to EUR 939 thousand (2016: EUR 0 thousand). The applied interest rates are between 0.84% and 4.02%.

13. Intangible Assets

in thousands of EUR	Goodwill	Custom-er base	Technol-ogy	Trade-marks	Patents & Licences	Devel-opment costs	In devel-opment	Total
Cost								
Balance at January 1, 2017	**421,164**	**145,822**	**73,125**	**9,547**	**61,117**	**3,009**	**8,434**	**722,218**
Additions from business combinations	361,528	255,572	109,531	0	17,204	1,699	0	745,534
Currency translation differences	-61,738	-25,669	-10,171	0	-3,009	-786	-28	-101,401
Additions	0	0	0	0	7,995	6,227	7,107	21,329
Transfers	0	0	0	0	79	3,298	-3,323	54
Disposals	0	0	0	0	-5,848	0	-21	-5,869
Balance at December 31, 2017	**720,954**	**375,725**	**172,485**	**9,547**	**77,538**	**13,447**	**12,168**	**1,381,864**
Amortization and impairment losses								
Balance at January 1, 2017	**0**	**-46,050**	**-22,302**	**0**	**-50,193**	**-225**	**0**	**-118,770**
Additions from business combinations	0	0	0	0	-5,704	0	0	-5,704
Currency translation differences	0	-1,351	-557	0	-157	7	0	-2,058
Amortization	0	-45,962	-22,239	0	-8,722	-2,027	0	-78,950
Disposals	0	0	0	0	211	0	0	211
Balance at December 31, 2017	**0**	**0**	**0**	**0**	**5,532**	**0**	**0**	**5,532**
	0	**-93,364**	**-45,098**	**0**	**-59,033**	**-2,245**	**0**	**-199,739**
Carrying amount								
At January 1, 2017	**421,164**	**99,772**	**50,823**	**9,547**	**10,924**	**2,784**	**8,434**	**603,447**
At December 31, 2017	**720,954**	**282,361**	**127,387**	**9,547**	**18,505**	**11,203**	**12,168**	**1,182,125**

	Goodwill	Custom-er base	Technol-ogy	Trade-marks	Patents & Licences	Devel-opment costs	In devel-opment	Total
Cost								
Balance at January 1, 2016	**391,827**	**145,591**	**67,714**	**9,547**	**59,254**	**871**	**4,104**	**678,907**
Additions from business combinations	65,650	0	15,045	0	2,342	0	8	83,045
Currency translation differences	1,573	230	-255	0	56	14	13	1,631
Additions	0	0	0	0	2,477	2,159	5,936	10,572
Transfers	0	0	0	0	250	1,377	-1,627	0
Disposals	-37,886	0	-9,379	0	-3,262	-1,412	0	-51,938
Balance at December 31, 2016	**421,164**	**145,822**	**73,125**	**9,547**	**61,117**	**3,009**	**8,434**	**722,218**
Amortization and impairment losses								
Balance at January 1, 2016	**0**	**29,211**	**19,500**	**0**	**47,814**	**360**	**0**	**96,886**
Additions from business combinations	0	0	0	0	2,297	0	0	2,297
Currency translation differences	0	0	0	0	22	3	0	25
Amortization	0	16,839	8,299	0	3,088	91	0	28,318
Transfers	0	0	0	0	174	-174	0	0
Disposals	0	0	-5,498	0	-3,202	-55	0	-8,755
Balance at December 31, 2016	**0**	**46,050**	**22,302**	**0**	**50,193**	**225**	**0**	**118,771**
Carrying amount								
At January 1, 2016	**391,827**	**116,380**	**48,213**	**9,547**	**11,440**	**510**	**4,104**	**582,022**
At December 31, 2016	**421,164**	**99,771**	**50,823**	**9,547**	**10,924**	**2,784**	**8,434**	**603,447**

For impairment testing, the goodwill has been allocated to the cash generating units (CGUs) as follows:

Cash generating unit	**Book value as per Dec 31, 2017**	**Book value as per Dec 31, 2016**
Integrated Optical Sensors (former Advanced Optical Sensors)	175,692	199,893
Optical Sensor Solutions	281,833	0
Environmental Sensors	40,053	42,803
Medical & Specialty Sensors (former Specialty Sensors)	17,509	17,509
CMOS Imaging Sensors	130,560	130,560
Color & Spectral Sensors (former Emerging Sensor Solutions)	26,141	27,055
Audio Sensors	3,161	3,344
Illumination Systems	46,005	0
	720,954	**421,164**

CGU Integrated Optical Sensors comprises TAOS Inc. which has been acquired during 2011. The goodwill determined during the acquisition of the Heptagon Group in 2017 has been allocated to the CGU Optical Sensor Solutions. The goodwills resulting from the acquisition of AppliedSensor in 2014 and the CMOS business area acquired in 2015, as well as a proportionate goodwill arising from the acquisition of CCMOSS in 2016 have been allocated to the cash generating unit Environmental Sensors. CGU Medical & Specialty sensors includes a goodwill resulting from the acquisition of acam in 2014. CGU CMOS Imaging Sensors comprises the goodwill of CMOSIS International NV acquisition in 2015. The goodwill resulting from the acquisition of MAZeT in 2016 and a proportionate goodwill resulting from the CCMOSS acquisition in 2016 are allocated to CGU Color & Spectral Sensors. The CGU Audio Sensors comprises the goodwill from the acquisition of Incus Laboratories Ltd. The goodwill resulting from the acquisition of Princeton Optronics Inc. in 2017 has been allocated to CGU Illumination Systems.

As per September 30, 2017 an impairment test has been done for all CGUs. This did not result in any impairment necessary. The recoverable amount was calculated on the basis of fair value less cost of disposal.

The fair value has been calculated using multiples, which is based on EBITDA multiples. These multiples have been derived from a peer group of companies comparable to the relevant CGUs. Cost of disposal has been considered with a 1.5% discount. The fair value has been checked for plausibility by way of discounted cash flow method using a detailed planning period up to 2022. The cash flow surplus of the following planning periods is considered sustainable and used as a basis for the calculation of the present value of a perpetuity. For extrapolation of cash flows in the perpetuity, a growth rate of 2% has been assumed for all CGUs. The interest rate was determined based on the weighted average cost of capital (WACC). The valuation of the fair value based valuation method's input factors has been categorized as 3 (details can be found under note 26).

The determination of the fair value is based on the following significant parameters:

	2017		2016	
	Multiple	**Interest rate %**	**Multiple**	**Interest rate %**
Integrated Optical Sensors	18.4	13.9	14.4	13.1
Optical Sensor Solutions	13.1	12.4	NA	NA
Environmental Sensors	11.8	10.9	11.0	11.0
Medical & Specialty Sensors	12.9	10.6	13.0	10.9
CMOS Imaging Sensors	13.8	11.7	14.2	11.7
Color & Spectral Sensors	13.1	12.1	10.8	11.8
Illumination Systems	13.1	12.4	NA	NA

14. Investments in Associates

in thousands of EUR	Balance Jan. 1, 2017	Additions	Proportional result	Currency translation differences	Balance Dec. 31, 2017
NewScale Technologies Inc.	632	81	0	-74	639
RF Micron Inc.	695	-213	0	-72	410
Circardian Zirclight LLC	949	0	0	-106	842
	2,276	**-131**	**0**	**-252**	**1,892**

Summary of financial information for associated companies

in thousands of EUR				2017				2016
	NewScale Technologies Inc.	RF Micron Inc.	Circadian Zirclight LLC	TOTAL	NewScale Technologies Inc.	RF Micron, Inc.	Circadian Zirclight LLC	Total
Reporting date	Sep. 30, 2017	Sep. 30, 2017	Sep. 30, 2017		Sep. 30, 2016	Sep. 30, 2016	Sep. 30, 2016	
Ownership %	34.00%	9.83%	7.80%		34.00%	9.83%	7.80%	
Short term assets	1,264	2,004	0	3,268	1,400	5,503	0	6,903
Long term assets	295	222	2,918	3,435	713	249	2,609	3,570
Short term liabilities	271	400	7	678	815	1,741	9	2,566
Long term liabilities	141	1,314	0	1,455	263	1,425	0	1,688
Equity	1,147	512	2,911	4,570	1,034	2,585	2,600	6,219
Revenues	2,849	3,487	9	6,345	3,494	5,237	5	8,737
Result	288	-1,096	1	-807	527	2,231	-1	2,757
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	**288**	**-1,096**	**1**	**-807**	**527**	**2,231**	**-1**	**2,757**
% Share of equity	390	50	227		352	254	203	
Goodwill / Impairment	-163	413	514		-206	566	529	
Currency translation differences	412	-53	102		487	-125	217	
Carrying amount	**639**	**410**	**842**		**632**	**695**	**949**	

The figures above are not adjusted for the percentage of ownership held by the group.

RF Micron is a developer of next generation RFID microchips and RFID platforms for itemized tracking applications and is an associated company of ams-TAOS USA, Inc. Due to contractual agreements ams-TAOS USA, Inc. exercises significant influence although it owns 9.83%.

New Scale Technologies Inc., Victor, New York (USA) creates Piezo-based micro-motor technology and licenses products and technologies to industrial partners.

Circadian Zirclight LLC, Stoneham, Massachusetts (USA) is a developer of smart LED lighting systems, eyewear and systems for computer screen monitors that are spectrum-specific and adapted to the circadian rhythm, to offer solutions for night working places. Circadian Zirclight LLC is an associated company. Due to contractual agreements ams exerts significant influence although it owns 7.8%.

These investments are of strategic nature.

15. Deferred Tax Assets

Deferred tax assets are attributable to the following items (for assets and liabilities the difference between IFRS and tax carrying value.

in thousands of EUR	2017	2016
Intangible assets, property, plant and equipment	-7,037	-4,395
Other long-term assets	-612	-4,670
Trade receivables and other assets	6,205	-727
Interest bearing borrowings	8,617	-65
Employee benefits	7,183	7,372
Liabilities	13,899	414
Provisions	-42	-631
Tax value of loss carry-forwards	1,453	38,092
Unrecognized temporary differences	-3,605	0
	26,060	**35,389**

Tax loss carry forwards mainly relate to Austria and do not expire. Tax losses carried forward can be offset with a maximum of 75% of the current taxable income.

Based on the business plan and the related tax planning of the Company it is probable that deferred tax assets recognized in the balance sheet are recovered within a foreseeable period.

16. Other Long-Term Assets

in thousands of EUR	2017	2016
Financial assets		
Long-term financial assets available for sale	30,852	0
Other long-term financial assets	12,992	17,810
Long term loans	0	617
	43,844	**18,426**
Non-financial assets		
Advance payments for licenses	2,335	4,933
	46,179	**23,360**

Long term financial assets available for sale relate to strategic investments that do not give rise to significant influence or control. The changes in value recognized in other comprehensive income amounted to EUR 14,348 thousand as of December 31, 2017 (December 31, 2016: EUR 691 thousand).

Other receivables include a contingent purchase price component of the sale of IP, technologies and product lines for NFC and RFID reader products to STMicroelectronics, valued at EUR 11.9 million (2016: EUR 12.9 million) (based on the expectation value of different scenarios).

17. Interest-Bearing Loans and Borrowings

in thousands of EUR	2017	2016
Non-current liabilities		
Bank loans	671,787	364,051
Current liabilities		
Current portion of bank loans	586,417	108,018

Terms and debt repayment schedule 2017

in thousands of EUR	Total	1 year or less	2-5 years	More than 5 years
R & D loans				
EUR – fixed rate loans	21,663	5,637	16,026	0
EUR – floating rate loans	0	0	0	0
Export loans				
EUR – floating rate loan	106,000	106,000	0	0
Unsecured bank facilities				
EUR – floating rate	366,000	300,000	66,000	0
USD – floating rate	245,000	180,000	65,000	0
Promissory note				
EUR – fixed rate loans	137,400	0	44,000	93,400
EUR – floating rate loans	131,000	0	104,500	26,500
Convertible bond				
USD convertible bond	251,141	-5,220	256,361	0
	1,258,204	**586,417**	**551,887**	**119,900**
Financial lease liabilities				
USD – fixed rate	107	77	29	0
	1,258,311	**586,494**	**551,917**	**119,900**

Information about significant terms and conditions are to be found under note 26.

On September 28, 2017, ams AG issued a convertible bond with a nominal value of USD 350 million. The term of the bond is 5 years. Holders of convertible bonds have the right at any time to convert the bond into a total of 3,273,858 common shares (conversion price USD 106.9075 / share). As of 31 December 2017, no bonds had yet been converted.

The agreements on loans and bank facilities contain contractual provisions which, if certain key figures are fulfilled, provide for a possibility of termination by the lending bank (debt covenants). As of December 31, 2017, due to the material change in the balance sheet structure in 2017, these conditions for four bank loans with a carrying amount of EUR 220 million were not met. These bank loans are therefore shown as current liabilities in the balance sheet.

2016 in thousands of EUR	Total	1 year or less	2-5 years	More than 5 years
R & D loans				
EUR – fixed rate loans	23,272	4,721	18,551	0
EUR – floating rate loans	0	0	0	0
Export loans				
EUR – floating rate loan	70,000	70,000	0	0
Unsecured bank facilities				
EUR – floating rate	102,464	2,464	100,000	0
USD – floating rate	100,833	30,833	70,000	0
Promissory note				
EUR – fixed rate loans	72,000	0	34,500	37,500
EUR – floating rate loans	103,500	0	82,500	21,000
	472,069	**108,018**	**305,551**	**58,500**
Financial lease liabilities				
USD – fixed rate	219	112	107	0
	472,288	**108,131**	**305,657**	**58,500**

18. Provisions

in thousands of EUR	Warranties	Onerous contracts	Other personnel provisions	Other	Total
Balance at January 1, 2017	**2,193**	**6,596**	**7,180**	**4,094**	**20,063**
Additions due to business combinations	0	0	21,367	310	21,677
Provisions made during the year	455	6,418	17,244	5,082	29,200
Provisions used during the year	-274	-6,596	-14,104	-4,338	-25,311
Provisions reversed during the year	-690	0	-484	-59	-1,234
Balance at December 31, 2017	**1,684**	**6,418**	**31,203**	**5,090**	**44,394**

Warranties
A provision for warranties is recognized when a warranty claim is received from a customer.

Onerous contracts
Provisions for onerous contracts are accrued when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Other personnel provisions
Provisions for other personnel costs include profit sharing and bonuses payable within twelve months after the respective balance sheet date and sales incentives for current employees.

Other provisions
Other provisions contain mainly and provisions for outstanding invoices amounting to EUR 4,362 thousand (2016: EUR 2,901 thousand).

19. Deferred Tax Liabilities

Deferred tax liabilities are attributable to the following items (for assets and liabilities the difference between IFRS and tax carrying value).

in thousands of EUR	2017	2016
Intangible assets, property, plant and equipment	66,982	53,690
Personnel epxenses	120	-14
Interest-bearing loans	-24	208
Inventories	7	68
	67,085	**53,953**

20. Other Liabilities

in thousands of EUR		Current		Non-current
	2017	**2016**	**2017**	**2016**
Finance lease liabilities	77	112	29	107
Employee related liabilities	10,482	6,130	0	0
Liabilities from license agreements	0	1,255	417	439
Derivative financial instruments	100,494	0	83,250	0
Contingent liabilities	392,220	2,427	46,315	34,322
Other	3,765	0	0	0
Financial liabilities	**507,038**	**9,925**	**130,011**	**34,868**
Accrued vacation days	11,605	7,008	0	0
Deferred income	9,982	2,931	0	700
Accrued expenses	12,743	9,198	0	0
Asset restoration obligation	0	0	6,536	0
Liabilities against tax authorities	1,052	1,911	0	0
Other	4,445	476	2,864	385
Non-financial liabilities	**39,826**	**21,524**	**9,401**	**1,085**
Total other liabilities	**546,864**	**31,449**	**139,411**	**35,953**

The short-term derivative financial instruments relate to the liability for potential claims arising from the obligation to repurchase own shares as part of a collar transaction (see Note 10).

Contingent liabilities result from the acquisition of Heptagon (EUR 390,561 thousand), Princeton Optronics (EUR 14,184 thousand), the acquisition of CCMOSS (EUR 31,000 thousand) in 2016 and Incus Laboratories (EUR 2,790 thousand).

Upon acquisition of Heptagon ams AG agreed to pay a contingent consideration to the sellers (see pt 1(c) (ii)). At the acquisition date cash portion of the consideration was USD 192.2 million (EUR 178.2 million) and the fair value of shares amounted to EUR 109.5 million. The contingent liability relating to shares is measured at fair value through profit and loss and amounts to EUR 229.0 million at Dec 31, 2017.

The acquisition of Princeton Optronics Inc. in 2017 results in a contingent liability. The company committed to make a sales-related payment of EUR 14,184 thousand. The basis for the valuation is the revenues in 2017 and 2018 with products based on Princeton IP.

Another purchase price liability results from the acquisition of CCMOSS in 2016. The Group undertook to pay the seller a profit-dependent purchase price share of up to EUR 31,000 thousand (2016: EUR 31,000 thousand). The purchase price liability includes a revenue-related earn-out model up to and including 2020. The basis for this is long-term sales planning based on CCMOSS technology-based products.

The acquisition of Incus in 2016 results in a contingent liability of EUR 2,790 thousand (2016: EUR 2,891 thousand). The purchase price liability includes a license earn-out model up to and including 2022. This model includes royalty payments to the seller for products based on Incus technology. The basis is the long-term sales planning for these products.

The conversion right of the convertible bond issued is recognized in other liabilities and amounts to EUR 43,581 thousand at the time of issuance. The valuation of the option takes into account the conversion premium, the term, the development of the share price and the most recent dividend paid per share and amounts to EUR 83,250 thousand as of December 31, 2017.

21. Government Grants

As R&D premium EUR 14,385 thousand have been recognized in 2017 (2016: EUR 9,401 thousand), thereof EUR 3,940 thousand (2016: EUR 1,550 thousand) reduced acquisition costs of capitalized development costs. As R&D subsidies in total EUR 9,102 thousand have been recognized (2016: EUR 8,222 thousand) thereof EUR 502 thousand (2016: EUR 472 thousand) reduced capitalized development costs.

22. Employee Benefits

Movements in the net liability recognized in the balance sheet:

in thousands of EUR	2017		2016	
	Severance payments	Longservice benefits	Severance payments	Longservice benefits
Present value of obligation (DBO) January 1	**32,939**	**4,026**	**28,930**	**3,519**
Expense recognized in the income statement	1,847	557	6,613	596
Actuarial gains / losses recognized from financial assumptions	2,029	0	-1,612	0
Payments during the year	-1,086	-96	-993	-89
Present value of obligation (DBO) December 31	**35,728**	**4,487**	**32,939**	**4,026**

The value of obligation is not financed by a fund. The accumulated actuarial gains and losses amounted to EUR 10,108 thousand (2016: EUR 8,079 thousand) so far.

Expense recognized in the income statement:

in thousands of EUR	2017		2016	
	Severance payments	Longservice benefits	Severance payments	Longservice benefits
Current service cost	1,523	506	6,173	527
Interest cost	324	51	440	69
	1,847	**557**	**6,613**	**596**

The expense is recognized in the following line items in the income statement:

in thousands of EUR	2017		2016	
	Severance payments	Longservice benefits	Severance payments	Longservice benefits
Cost of sales	779	235	1,865	168
Selling, general and administrative expenses	541	163	2,539	229
Research and development	526	159	2,209	199
	1,847	**557**	**6,613**	**596**

Principal actuarial assumptions at the balance sheet date:

	2017	2016
Discount rate at December 31	1.3%	1.3%
Future salary increases	2.7%	2.7%
Fluctuation < 40 years of age	4.1%	7.8%
Fluctuation > 40 years of age	1.5%	5.2%
Retirement age - women	56.5-60	56.5-60
Retirement age - men	61.5-65	61.5-65

The total personnel expense amounted to EUR 344,340 thousand in 2017 and EUR 172,297 thousand in 2016. In 2017 the amount shown includes EUR 23,649 thousand (2016: EUR 8,283 thousand) for the SOP 2009, SOP 2011, SOP 2013, LTIP 2014 and SSOP 2017.

The average number of employees was 7,016 in 2017 and 2,175 in 2016.

Expenses for the severance payment fund in the business year were EUR 1,347 thousand (2016: EUR 1,049 thousand).

The weighted average duration of severance payments is 12.62 (2016: 13.4) years. Contributions amounting to EUR 599 thousand to the plan are expected for the year 2018.

Regarding a change of the interest rate, salary increase and fluctuation a sensitivity analysis has been performed. A change of the corresponding parameters on balance sheet date would have the following effect on the debt benefit obligation.

Effect on debt benefit obligation

in thousands of EUR	decrease	increase
Change in the interest rate (+/- 20bp)	1,653	-1,523
Change in the salary increases (+/- 100bp)	- 2,880	3,317
Change in the fluctuation (+/- 100bp)	287	- 287

23. Shareholders' Equity

Share capital and share premium

in thousands of EUR	2017	2016
Share capital	84,420	73,409
Additional paid-in capital	577,592	211,625
	662,012	**285,033**

Share capital comprises 84,419,826 bearer shares with a par value of EUR 1. The holders of ordinary shares are entitled to receive dividends based on the distributable net income ("Bilanzgewinn") presented in the separate financial statements of the parent company compiled in accordance with the Austrian Commercial Code (UGB) and as declared by shareholders' resolution and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

In recent years the annual general meeting has regularly authorized the management board to issue a limited number of shares (contingent capital increase according to § 159 (2) AktG). The current authorization was given in June 2017 by the annual general meeting, which empowers the management board to increase the share capital in accordance to § 159 (2) Z3 AktG) by up to EUR 8,441,982.00 by issuing 8,441,982 new ordinary bearer and/or registered shares (no-par value shares) to creditors of financial instruments in accordance with § 174 AktG, which are issued under this authorization by the Company or any affiliated company in the future – to the extent that the creditors make use of their conversion and / or subscription rights.

The item Additional paid-in capital affects the difference between paid-in capital when the shares were issued and the par value as well as expenses recognized according to IFRS 2 for share based payments.

The item Other reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities and actuarial gains and losses from employee benefits, as well as a Buyback-obligation for treasury shares.

Treasury Shares

In recent years the annual general meeting has authorized the management board to acquire treasury shares within the amounts given in the statutory regulations. The current authorization was given in June 2017 (according to to §65 (1) Z4 and Z8 AktG) by the annual general meeting, empowering the management board to buy bearer shares of ams AG, whereby the percentage of shares which are to be acquired, which were already acquired and treasury shares held from ams AG by the company should not exceed 10%. This authorization is valid until December 8, 2019.

Furthermore the management board has been authorized:

- to use treasury shares to service stock options granted to employees, officers and members of the board of the company or affiliated companies,
- to use treasury shares to service convertible bonds,
- to use treasury shares as consideration for the acquisition of companies, business operations or parts thereof or shares of one or more companies at home or abroad,
- to reduce the nominal capital of the company by withdrawing of shares without par value and to reduce bearer shares without further resolution of the general meeting. The supervisory board is authorized to resolve all necessary changes of the articles of incorporation and by-laws which result from this reduction, and
- for a duration of 5 years – until June 8, 2022 – to sell treasury shares through a stock exchange or any other public offering or any other legally permitted manner, even over the counter, with authorization of the supervisory board. The management board may decide on the exclusion of the general purchase opportunity

Management of Equity
The economic equity matches equity as shown in the Company's balance sheet. The management board's policy is to maintain a strong capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. Amongst other financial ratios the management board monitors equity ratio and return on equity. For establishing adequate capital resources, dividend payments and share buy-backs are considered appropriate.

These aims have not changed during the business year of 2017. None of the group companies are subject to certain capital requirements.

The management board's long-term aim is to maintain a balance between profitability and liquidity. For this purpose a yearly return on equity (EBIT adjusted / equity) of 25-30% (2017: 20% 2016: 15%), a return on assets ((EBIT adjusted + interest expenses) / total liabilities and equity) of 15-20 % (2017: 5%; 2016: 7%) and an average net liquidity ((cash and cash equivalents + financial assets – short-term and long-term interest bearing loans) / revenues) of 0.3x – 0.5x revenues (2017: -0.8; 2016: -0.5) should be achieved. The adjusted result has been adjusted by acquisition-related amortization and share-based compensation costs. Due to acquisitions during the year these aims have not been reached. Nevertheless these aims remain in the focus of the management board.

24. Cash Flow

The cash flow statement, which was prepared using the indirect method, shows the changes of cash and cash equivalents from operating activities, investing activities and financing activities. Cash and cash equivalents include cash on hand as well as bank deposits due at any time. Non-cash transaction are not shown. These mainly relate to not yet capital expenditures, acquisition of companies by issuance of shares and valuation of financial liabilities.

As of Dec 31, 2017, the Group holds cash with limited power of disposal amounting EUR 37,192 thousand (2016: 0). The cash was deposited as collateral in connection with derivative financial instruments.

25. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders.

Net profit attributable to ordinary shareholders

in EUR	**2017**	**2016**
Net profit for the year	**88,745,192**	**102,897,978**
Result not attributable to the common stockholders	-3,250,996	0
Result attributable to the common stockholders	**85,494,196**	**102,897,978**
Weighted average number of shares outstanding	78,851,568	67,241,926
Earnings per share (basic)	**1.08**	**1.53**
Weighted average number of shares diluted shares	84,574,429	69,373,197
Earnings per share (diluted)	**1.01**	**1.48**
Dividends per share (paid in the business year)	**0.30**	**0.51**

The result that is not attributable to common stockholders is related to the obligation to acquire own shares (see note 10).

The options granted according to the SOP 2005, SOP 2009, SOP 2011, SOP 2013, LTIP 2014 and SSOP 2017 will dilute in general. The dilution only occurs if the strike price is below the average stock-exchange price. Considering the requirements to be fulfilled by the employees during the vesting period of SOP 2005, SOP 2009, SOP 2013, LTIP 2014 and SSOP 2017 there will be a dilution for. An additional dilution effect results from the conditional purchase price component to be paid in own shares in connection with the acquisition of Heptagon.

Dilution effects from the issue of the convertible bond may arise in the 2017 financial year. Such dilutive effects should only be taken into account if they result in lower earnings per share or a higher loss per share. When calculating the diluted earnings per share, no dilution effects were to be taken into account in the 2017 financial year because the effects of the convertible bond did not result in lower earnings per share.

	2017	2016
Reconciliation of ordinary shares		
Outstanding shares as of January 1	**66,044,738**	**68,878,861**
Purchase and sale of treasury shares	4,724,449	-2,834,123
Capital increase regarding stock option plan 2005	0	0
Issue in connection with business combination	11,011,281	0
Outstanding shares as of December 31	**81,780,468**	**66,044,738**

	2017	2016
Reconciliation of weighted number of shares		
Weighted average number of issued shares	81,898,559	67,241,926
Obligation of buy-back of shares	-3,046,991	0
Weighted number of shares	**78,851,568**	**67,241,926**

	2017	2016
Reconciliation of number of diluted shares		
Weighted average number of shares outstanding	78,851,568	67,141,926
Dilution related to issue of stock options	2,956,939	2,231,271
Contingent liabilities from business combinations	2,765,922	0
Weighted average number of shares diluted shares	**84,574,429**	**69,373,197**

	2017	2016
Reconciliation of treasury shares:		
Treasury shares as per January, 1	**7,339,010**	**4,529,684**
Purchase of treasury shares	2,709,276	4,017,500
Sale of treasury shares	-5,615,086	-198.525
Sale related to SOP	-1,769,045	-984,852
Treasury shares as per December, 31	**2,664,155**	**7,363.807**

26. Financial Instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business.

All transactions related to financial instruments are carried out centrally by the Group's treasury department. In connection with these financial instruments, the Company utilizes advisory services from renowned national and international financial institutions.

Credit risk
According to the Management's credit policy the exposure to credit risk is continuously monitored. Credit evaluations are performed on all customers applying for a certain term of payment.

According to the Company's treasury and risk management policy, investments are allowed in liquid securities only, and solely with counter parties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are done with counter parties with high credit ratings and with whom the Group has a signed netting agreement.

To reduce credit risk ams AG limits its cooperation to financial partners with excellent credit ratings and limits the investment of cash and cash equivalents (as well as securities) to a common level.

Possible risks also exist for financial partners with excellent credit ratings, developments of financial markets are under continuous monitoring and investments of cash and cash equivalents as well as in securities are adjusted.

At the balance sheet date there were no concentrations of credit risk above average. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments in the balance sheet.

Interest rate risk

Interest rate risk – the possible fluctuations in value of financial instruments and changes in future cash flows due to changes in market interest rates – arises in relation to medium and long-term receivables and payables (especially borrowings). ams' treasury policy ensures that part of the cash flow risk is reduced by fixed-interest borrowings. On the liability side, 52% (2016: 42%) of all amounts owed to financial institutions are at fixed rates. Of the remaining borrowings on a floating rate basis (48% (2016: 58%)) 51% (2016: 37%) will be repaid over the next two years. The remaining floating rate borrowings are checked on a continuing basis with regard to the interest rate risk. On the asset side, the interest rate risks are primarily with time deposits that are tied to the market interest rate.

Foreign currency risk

The group is exposed to currency risks arising from assets and liabilities of subsidiaries, which are denominated in a different currency than the functional currencies of the subsidiaries, as well as from net investments by the Group in subsidiaries and foreign entities in another currency than Group currency (Euro). The largest risk positions are receivables, liabilities and net investments in USD and CHF. The risk of these transactions and portfolios is being constantly evaluated and minimized if necessary. As per December 31, 2017 as well as December 31, 2016 ams holds no foreign currency forward contracts to minimize its foreign currency exposure.

Liquidity risk

Liquidity risk is the risk for the Company not to be able to fulfill its financial obligations on maturity. The management's approach is to ensure sufficient liquidity for the Company under ordinary and extraordinary conditions. The management monitors constantly the cash demand and optimizes the cash flow. Detailed planning occurs for a period of at least 12 months in which also due payables and extraordinary circumstances as far as foreseeable are considered. Additionally the company has unused credit lines available.

Summary of financial instruments recorded on the balance sheet as of December 31, 2017:

in thousands of EUR	Available for sale	Derivatives	Loans and liabilities	Cash	Carrying amount	Fair value
Short-term financial assets						
Cash and cash equivalents	0	0	0	288,356	288,356	288,356
Financial assets	23,534	80,473	0	0	104,007	104,007
Trade receivables	0	0	284,799	0	284,799	284,799
Other receivables and assets						
thereof financial assets	0	0	18,465	37,192	55,657	55,657
Long-term financial assets						
thereof financial assets	30,853	0	12,992	0	43,844	43,844
	54,386	**80,473**	**316,256**	**325,548**	**776,663**	**776,663**

in thousands of EUR	Fair Value through P/L	At amortized cost	Carrying amount	Fair value
Short-term financial liabilities				
Interest-bearing loans and borrowings	0	586,417	586,417	586,362
Trade payables	0	308,392	308,392	308,392
Other liabilities				
thereof financial liabilities	392,220	117,030	509,250	509,250
Interest bearing loans and borrowings	0	671,787	671,787	671,725
Other long-term liabilities				
thereof financial liabilities	129,564	446	130,011	130,011
	521,785	**1,684,072**	**2,205,856**	**2,205,739**

Summary of financial instruments recorded on the balance sheet as of December 31, 2016:

in thousands of EUR	Available for sale	Derivatives	Loans and liabilities	Cash	Carrying amount	Fair value
Short-term financial assets						
Cash and cash equivalents	0	0	0	179,575	179,575	179,575
Financial assets	35,989	270	0	0	36,259	36,259
Trade receivables	0	0	97,155	0	97,155	97,155
Other receivables and assets						
thereof financial assets	0	0	25,721	0	25,721	25,721
Long-term financial assets						
thereof financial assets	1	0	15,491	0	15,492	15,492
	35,990	**270**	**138,367**	**179,575**	**354,201**	**354,201**

in thousands of EUR	Fair Value through P/L	At amortized cost	Carrying amount	Fair value
Short-term financial liabilities				
Interest beraing loans and borrowings	0	108,018	108,018	107,782
Trade payables	0	68,231	68,231	68,231
Other liabilities				
thereof financial liabilities	2,427	7,498	9,925	9,925
Interest bearing loans and borrowings	0	364,051	364,051	363,255
Other long-term liabilities				
thereof financial liabilities	34,322	546	34,868	34,868
	36,750	**548,343**	**585,093**	**584,061**

Due to the short-term maturity of these items, the fair value of the financial assets of the category loans and receivables and of trade payables and current financial liabilities essentially corresponds to the book value.

The following table shows, for the financial assets and liabilities measured at fair value, which level in the fair value hierarchy is to be allocated to the fair value. The levels have the following meaning:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2017 in thousands of EUR	Level 1	Level 2	Level 3	Total
Short-term financial assets				
Financial assets	23,534	80,237	237	104,007
Long-term financial assets				
Financial assets	25,002	0	5,850	30,852
	48,536	**80,237**	**6,087**	**134,859**
Short-term financial liabilities				
Other liabilities	0	0	392,220	392,220
Long-term financial liabilities				
Other liabilities	0	83,250	46,315	129,564
	0	**83,250**	**438,535**	**521,785**

2016 in thousands of EUR	Level 1	Level 2	Level 3	Total
Short-term financial assets				
Financial assets	35,989	0	270	36,259
Long-term financial assets				
Financial assets	0	0	1	1
	35,989	**0**	**270**	**36,260**
Short-term financial liabilities				
Other liabilities	0	0	2,427	2,427
Long-term financial liabilities				
Other liabilities	0	0	34,322	34,322
	0	**0**	**36,750**	**36,750**

The Level 2 financial asset relates to the right to purchase shares at a specified price in the future (call component of the collar). The valuation is based on a Black-Scholes model.

The option to convert the bond into shares of ams AG (see Note 17), which is part of the convertible bond, is classified as non-current liabilities of Level 2. The fair value of the option is determined taking into account the conversion premium, the term, the development of the share price and the most recent dividend paid per share.

Other liabilities comprised in level 3 relate to contingent considerations in connection with company acquisitions (see note 20). The valuation is based on the current assessment of the contractual Net gains and losses from financial instruments payments. The contingent consideration arising from the acquisition of Heptagon also includes the obligation to provide shares (see Note 1 (c) (ii)). The valuation was based on the fair value of the future delivery obligation determined on the basis of the stock market price of the shares on the balance sheet date.

Net gains and losses from financial instruments

2017 in thousands of EUR	**Interest**	**Result from valuation**	**Foreign currency valuation**	**Result from divestment**
Financial assets				
Derivate	0	-39,695	0	0
Loans and receivables	2,436	0	26,146	0
	2,436	**-39,695**	**26,146**	**0**
Financial liabilities				
At fair value through profit & loss	-3,321	-42,134	0	64,214
At amortized costs (other financial liabilities)	-9,433	0	-4,319	3,889
	-12,754	**-42,134**	**-4,319**	**68,103**

Impairment losses on loans and receivables (trade receivables and other receivables) amounting to EUR 320 thousand (2016: EUR 180 thousand) have been recognized in other operating expenses.

2016 in thousands of EUR	**Interest**	**Result from valuation**	**Foreign currency valuation**	**Result from divestment**
Financial assets				
Derivate	0	9	0	0
Loans and receivables	1,166	0	8,747	0
	1,166	**9**	**8,747**	**0**
Financial liabilities				
At fair value through profit & loss	0	1,109	0	0
At amortized costs (other financial liabilities)	-4,905	0	-3,565	1,422
	-4,905	**1,109**	**-3,565**	**1,422**

Interest income and interest expenses

Interest income and expenses from financial assets which are valued at fair value and are not affecting net income are as follows:

In thousands of EUR	2017	2016
Interest income	2,436	1,166
Interest expenses	-12,754	-4,905

Effective interest rates and liquidity analysis

In the following are the contractual maturities of financial liabilities including interest payments and the effective interest rates at the balance sheet date.

in thousands of EUR 2017	Effective interest rate	Carrying amount	Expected cash flow	0-1 year	2-5 years	More than 5 years
R & D loans						
EUR – Fixed rate loans	1.11%	21,663	22,090	5,824	16,266	0
Export loans						
EUR – Floating rate loans	0.66%	106,000	106,639	106,639	0	0
Unsecured bank facilities						
EUR – Fixed rate loan	1.12%	366,000	369,598	301,747	67,851	0
EUR – Floating rate loan	0.86%	245,000	247,787	181,687	66,100	0
Promissory note						
EUR – Fixed rate loans	1.52%	137,400	148,944	1,950	51,286	95,708
EUR – Floating rate loans	1.21%	131,000	137,633	1,581	109,300	26,752
Convertible bond						
USD – Convertible bond	4.02%	251,141	310,464	2,643	307,821	0
		1,258,204	**1,343,155**	**602,071**	**618,624**	**122,460**
Liabilities from finance lease						
USD – Fixed rate	1.69%	107	109	79	30	0
Contingent consideration						
EUR	1.19%	438,535	170,188	119,745	49,928	515
		1,696,845	**1,513,452**	**721,895**	**668,582**	**122,975**

in thousands of EUR 2016	Effective interest rate	Carrying amount	Expected cash flow	0-1 year	2-5 years	More than 5 years
R & D loans						
EUR – Fixed rate loans	1.07%	23,272	23,824	4,932	18,892	0
Export loans						
EUR – Floating rate loans	0.66%	70,000	70,461	70,461	0	0
Unsecured bank facilities						
EUR – Floating rate loan	0.99%	102,464	104,354	3,444	100,910	0
USD – Floating rate loan	0.90%	100,833	102,205	31,761	70,443	0
Promissory note						
EUR – Fixed rate loans	1.47%	72,000	77,945	903	38,112	38,930
EUR – Floating rate loans	1.56%	103,500	111,612	1,232	87,429	22,951
Convertible bond						
USD – Convertible bond	-	0	0	0	0	0
		472,069	**490,401**	**112,733**	**315,787**	**61,881**
Liabilities from finance lease						
USD – Fixed rate	1.69%	219	226	117	109	0
Contingent consideration						
EUR	6.95%	36,313	44,486	2,464	41,488	534
		508,601	**535,114**	**115,315**	**357,384**	**62,415**

Risk of change of interest rates

At the balance sheet date the interest bearing financial instruments carry the following values:

in thousands of EUR	2017	2016
Financial assets		
Fixed rate financial instruments	23,534	28,512
Floating rate financial instruments	0	7,478
Interest rate swaps	0	0
Financial liabilities		
Fixed rate loans	525,063	197,736
Floating rate loans	482,000	274,333
Convertible bond (fixed rate)	251,141	0
Fixed rate financial lease	107	219
Interest rate swaps	0	0

Fair value sensitivity analysis for fixed rate financial instruments

A change of +/- 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular currency rates, remain constant. The analysis for the business year 2016 was performed on the same basis.

2017 **in thousands of EUR**	**Profit & loss statement**			**Equity**
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets				
Fixed rate financial instruments	0	0	-682	776

2016 **in thousands of EUR**	**Profit & loss statement**			**Equity**
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets				
Fixed rate financial instruments	0	0	-908	1,021

Fixed-interest financial liabilities have no impact on the income statement and equity due to their measurement at amortized cost.

Cash flow sensitivity analysis for variable rate financial instruments

A change of +/- 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular currency rates, remain constant. The analysis for the business year 2016 was performed on the same basis.

2017 **in thousands of EUR**	**Profit & loss statement**			**Equity**
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets				
Variable rate financial instruments	0	0	0	0
Financial liabilities				
Floating rate loans	-9,828	9,828	-9,828	9,828

2016 in thousands of EUR	Profit & loss statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets				
Variable rate financial instruments	-2	2	-2	2
Financial liabilities				
Floating rate loans	-7,382	7,382	-7,382	7,382

Foreign currency risk

The company's exposure to foreign currency risk at the balance sheet date was as follows based on notional amounts (without net investments in subsidiaries and investments in associated companies):

2017 in thousands of	USD	CHF	JPY
Trade receivables and other receivables	382,017	271	70,687
Trade liabilities and other liabilities	-623,808	-122,100	-1,074,616
Liabilities from finance lease	0	0	0
Net foreign currency risk	**-241,791**	**-121,829**	**-1,003,929**

2016 in thousands of	USD	CHF	JPY
Trade receivables and other receivables	94,896	19	0
Trade liabilities and other liabilities	-35,952	-1,040	-348,039
Liabilities from finance lease	0	0	0
Net foreign currency risk	**58,944**	**-1,021**	**-348,039**

Sensitivity analysis

A 10 percent strengthening/weakening of the EUR against the following currencies would have increased (decreased) equity and profit loss by the amounts shown below.

2017		Profit & loss		Equity
in thousands of EUR	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	48,647	-59,458	48,647	-59,458
CHF	2,170	-2,653	2,170	-2,653
JPY	676	-826	676	-826

2016		Profit & loss		Equity
in thousands of EUR	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	-5,084	6,213	-5,084	6,213
CHF	86	-106	86	-106
JPY	256	-313	256	-313

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for the business year 2016 was performed on the same basis.

The above table does not include the impact of currency translation effects on the translation of foreign currency financial statements into equity.

The following FX exchange rates were used during the business year:

		Annual average exchange rate		Period end exchange rate
	2017	2016	2017	2016
USD	1.1370	1.1032	1.1993	1.0541
CHF	1.1163	1.0909	1.1702	1.0739
JPY	127.30	120.44	135.01	123.40

27. Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

in thousands of EUR	Other loans and borrowings	Convertible notes	Finance lease liabilities	Sum
Balance at January 1, 2017	**472,069**	**0**	**219**	**472,288**
Changes from financing cash flow				
Proceeds from issue of convertible notes	0	297,915	0	297,915
Proceeds from loans and borrowings	678,012	0	0	678,012
Repayment of borrowings	-140,784	0	-112	-140,896
Interest paid	-8,541	0	-5	-8,546
Liability Changes of financing cash flows	**528,687**	**297,915**	**-117**	**826,484**
The effect of changes in foreign exchange rates	**-1,449**	**-6,111**	**0**	**-7,560**
Changes in fair value	**0**	**39,669**	**0**	**39,669**
Capitalised borrowing costs	-835	-104	0	-939
Interest expenses	9,375	2,131	5	11,512
Total liability-related other changes	**8,541**	**2,026**	**5**	**10,573**
Total equity-related other changes	**0**	**0**	**0**	**0**
Balance at December 31, 2017	**1,007,847**	**333,500**	**107**	**1,341,454**

The convertible bonds are included in the item Interest-bearing loans in the balance sheet. The amount of the convertible bond includes an option premium of EUR 83,250 thousand, which was recognized as a non-current other liability.

28. Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of EUR	2017	2016
Less than one year	19,833	4,004
Between one and five years	68,545	9,449
More than five years	15,491	3,091
	103,868	**16,544**

Some of the Group's subsidiaries lease office space. In addition, the Group leases the "gas farm" as well as automobiles under operating leases. The lease agreements typically run for an initial period of four to ten years, typically including an option for the lessee to renew the lease after that date. The expenses for operating lease amounted to EUR 15,568 thousand in 2017 (2016 EUR 3,549 thousand).

Finance lease

2017 In thousands of EUR	Future minimum lease payments	Interest cost	Present value of minimum lease payments
Less than a year	79	2	77
Between one and five years	30	0	29
More than five years	0	0	0
	109	**2**	**107**

2016 In thousands of EUR	Future minimum lease payments	Interest cost	Present value of minimum lease payments
Less than a year	117	5	112
Between one and five years	109	2	107
More than five years	0	0	0
	226	**7**	**219**

The lease contains property, plant & equipment with a carrying amount of EUR 112 thousand (2016: EUR 231 thousand) completely and do not include conditional lease payments.

29. Contingencies

The preparation of the consolidated financial statements in accordance with IFRS requires judgments for the application of accounting rules and estimates relating to the determination of assumptions about future developments by management, the recognition and value of assets and liabilities, disclosure of other commitments at the balance sheet date and presentation of income and expenses during the financial year.

Material judgments for the application of accounting rules relate to:

- The accounting of the contingent consideration related to the acquisition of Heptagon (item 1. (c) (ii))
- The accounting of the associated collar transaction
- The classification of the option rights from the convertible bond as debt (note 20)
- The classification of leases as an operating or finance lease.

Within the following assumptions there exist risks which could lead to changes in the value of assets or liabilities during the following fiscal year:

- The valuation of contingent liabilities, particularly for Heptagon (item 1 (c) (ii)). Therefore assumptions are necessary such as, for example the occurrence of the specified conditions and the valuation of the obligation to be paid in shares.
- The assessment of the recoverability of goodwill (impairment tests); the plausibility calculation to assess the recoverability of capitalized goodwill is based on a forecasted cash flow for the next few years using a discount rate adjusted to the entity's cash-generating unit (Note 13).
- The application of deferred tax assets is under the assumption that taxable income will be available to take advantage of existing tax loss carry forwards in the future (Note 6).
- The valuation of provisions for severance payments and long service benefits is made using assumptions concerning the discount rate, retirement age, fluctuations and future salary increases (Note 22).

30. Related Parties: Identity of Related Parties

The Company has a related party relationship with:

- the Company's Executive Officers (CEO, CFO, COO, CBO)
- the members of the Company's Supervisory Board (Aufsichtsrat)
- persons related to the Management Board of the Company (CEO, CFO, COO, CBO)
- associated companies
- the not consolidated affiliated company Austria Mikro Systeme International Ltd.

As of December 31, 2017 and December 31, 2016 respectively, the remuneration for the Management Board was as follows:

Remuneration (in thousands of EUR)	**2017**	**2016**
Salary		
Salary, not variable	1,451	1,704
Salary, variable	1,519	1,577
Options		
Options (Value at allocation)	16,648	3,836
Non cash benefit		
Car	33	29
Expense for precautionary measures		
Contribution to accident insurance	4	5

The Company recorded an amount of EUR 244 thousand in the profit and loss from accrual (2016: accrual) for severance payments for the Management Board (2016: EUR 256 thousand recognized as expense).

During the business year 78,330 call options (2016: 226.970) of LTIP 2014 for the Management Board as a whole were allocated during the year as well as 1,200,000 options of SSOP 2017. The strike price amounts to EUR 1.00 (2016: EUR 1.00) for LTIP 2014, EUR 27.56 for SSOP 2017.

For conditions and valuations of the call options for shares of ams AG based on the LTIP 2014 and SOP 2017 please refer to note (m) (iii).

Persons related to the Management Board held 1,250 shares and no options of ams AG as per December 31, 2017 and no shares and no options as per December 31, 2016, respectively.

The remuneration of the company's Supervisory Board amounted to EUR 529 thousand (2016: EUR 532 thousand). All remunerations were or are be paid directly by the Company. The Company has no consulting agreements with the Company's known shareholders. One member of the Supervisory Board has supplied consulting services amounting to EUR 18 thousand (2016: EUR 15 thousand).

The Company's Executive Officers held 219,400 shares and call options for the purchase of 2,540,170 shares as of December 31, 2017 (822,468 shares and call options for the purchase of 1,077,310 shares as of December 31, 2016).

The remuneration for the supervisory board is as follows:

In thousands of EUR	2017	2016
Directors' gross remuneration fixed	465	485
Travel expenses	23	47
	488	**532**
Number of		
Shares as per Dec, 31	134,900	218,806
Options as per Dec, 31	270	1,205

The shown remunerations show the amounts actually paid during the business year. The remuneration for the business year 2017 will be determined at the general meeting on June 6, 2018.

As per Dec 31, 2017 persons related to the Supervisory Board held 2,500 shares (2016:0) and no options of ams AG (2016:0).

There are no open credit relationships with members of the Supervisory Board and the Management Board.

Related party transactions

In thousands of EUR	Transaction value for the business year		Balance outstanding as of Dec. 31	
	2017	2016	2017	2016
New Scale Technologies Inc., New York				
Sale of goods and services	16	0	0	0
Purchased services	-149	-85	9	-11

Identity of associated companies:

New Scale Technologies Inc., New York:
Creates disruptively small motion systems. Based on its patented micro-motor technology, New Scale Technlogy Inc. invents, manufactures and sells miniature ultrasonic motors and integrated positioning systems.

RF Micron Inc., Texas:
The company is a developer of next generation RFID microchips and platforms for itemized tracking applications.

These investments are of strategic nature.

31. Remuneration for the Auditors

The expense for the auditor's remuneration for the audit of the financial statements and annual consolidated financial statements 2017 amounted to EUR 177,000.00. For other consultancy services EUR 64,966.02 have been expensed.

32. Group Enterprises

	Accounting method	Country of incorporation	Functional currency		Ownership interest
				2017	2016
ams France S.à.r.l.	fully consolidated	France	EUR	100%	100%
ams Germany GmbH	deconsolidated	Germany	EUR	0%	100%
ams Italy S.r.l.	fully consolidated	Italy	EUR	100%	100%
ams International AG	fully consolidated	Switzerland	CHF	100%	100%
ams R&D Spain, S.L.	fully consolidated	Spain	EUR	100%	100%
ams R&D UK Ltd.	fully consolidated	U. K.	GBP	100%	100%
AMS USA Inc.	fully consolidated	USA	USD	100%	100%
ams Japan Co. Ltd.	fully consolidated	Japan	JPY	100%	100%
ams Semiconductors India Pvt Ltd.	fully consolidated	India	INR	100%	100%
ams China Co Ltd.	fully consolidated	China	RMB	100%	100%
ams Asia Inc.	fully consolidated	Philippines	PHP	100%	100%
Aspern Investment Inc.	fully consolidated	USA	USD	100%	100%
AMS-TAOS USA Inc.	fully consolidated	USA	USD	100%	100%
AMS-TAOS International	deconsolidated	Cayman Islands	USD	0%	100%
ams Korea Co. Ltd.	fully consolidated	Korea	KRW	100%	100%
ams R&D doo	fully consolidated	Slovenia	EUR	100%	100%
AppliedSensor Holding AB	fully consolidated	Sweden	SEK	100%	100%
ams Sensor Solutions Germany GmbH, Stutensee*	fully consolidated	Germany	EUR	0%	100%
ams Sensor Solutions Germany GmbH, Reutlingen*	fully consolidated	Germany	EUR	0%	100%
ams Netherlands BV	fully consolidated	Netherlands	EUR	100%	100%
ams Finland Oy	fully consolidated	Finland	EUR	100%	100%
Austria Mikro Systeme International Ltd.	at amortized costs	China	n/a	100%	100%
ams Sensors Belgium BVBA	fully consolidated	Belgium	EUR	100%	100%
CMOSIS International NV	fully consolidated	Belgium	EUR	100%	100%
CMOSIS America LLC	fully consolidated	USA	USD	100%	100%
AWAIBA Holding SA	fully consolidated	Switzerland	CHF	100%	100%
ams Sensors Portugal Unipessoal Lda	fully consolidated	Portugal	EUR	100%	100%
ams Sensor Solutions Germany GmbH, Nuremberg*	fully consolidated	Germany	EUR	0%	100%
ams Sensors Germany GmbH, Jena	fully consolidated	Germany	EUR	100%	100%
ams Sensors UK Ltd.	fully consolidated	UK	GBP	100%	100%
Incus Laboratories Ltd.	fully consolidated	UK	GBP	100%	100%

*The companies were merged with ams Sensors Germany GmbH, Jena, in the 2017 financial year.

	Accounting method	Country of incorporation	Functional currency		Ownership interest
				2017	2016
ams Cayman Inc.	fully consolidated	Cayman Island	USD	100%	100%
Heptagon Advanced Micro-Optics Pte. Ltd.	fully consolidated	Singapore	USD	100%	0%
Heptagon Micro Optics Pte. Ltd.	fully consolidated	Singapore	USD	100%	0%
Heptagon Oy	fully consolidated	Finland	EUR	100%	0%
Heptagon Holding Switzerland AG	fully consolidated	Switzerland	CHF	100%	0%
Mesa Imaging AG	fully consolidated	Switzerland	CHF	100%	0%
Heptagon Micro Optics Technologies Sdn Bhd	fully consolidated	Malaysia	MYR	100%	0%
AMK Inv Systems Pte Ltd.	fully consolidated	Singapore	USD	100%	0%
Heptagon Holding CA Inc.	fully consolidated	USA	USD	100%	0%
RF Digital Corp.	fully consolidated	USA	USD	100%	0%
Simblee Corp.	fully consolidated	USA	USD	100%	0%
RFDuino Inc.	fully consolidated	USA	USD	100%	0%
Princeton Optronics Inc.	fully consolidated	USA	USD	100%	0%
ams Sensors USA Inc.	fully consolidated	USA	USD	100%	0%
Heptagon USA, Inc.	fully consolidated	USA	USD	100%	0%
ams Sensors Asia Pte. Ltd.	fully consolidated	Singapore	USD	100%	0%

33. Events After the Balance Sheet Date

On February 22, 2018, the company acquired 100% of the shares of KeyLemon SA and thus gained control of the acquired company. The acquisition has been made by cash consideration. The contingent consideration has been determined as the present value based on the expected value for the amount to be paid based on possible scenarios.

To ensure Heptagon's business achieved the expected success in 2017, ams had to provide financing for significantly higher levels of capital expenditures and committed significantly more resources than projected. To adequately reflect this situation, ams has submitted a proposal on a revised earn-out structure to all former Heptagon shareholders. The revised earn-out structure replaces the previous combination of cash payment and ams shares portion with a mainly increase of the share consideration, thereby the cash payment decreases.

The key element of the revised structure is a total distribution of up to 3.9 million ams shares at the average closing price of CHF 99.15 resulting from the 15 trading days before proposal date (20 February 2018). The implementation of the proposal is contingent on a threshold of 60% of preferred Heptagon shares (approximately 56% of total Heptagon shares) represented by former Heptagon shareholders having offered their acceptance. Therefore, it is not possible to estimate the financial impact at this time.

Premstaetten, February 26, 2018

Alexander Everke Management Board Member CEO	Michael Wachsler-Markowitsch Management Board Member CFO	Dr. Thomas Stockmeier Management Board Member COO	Mark Hamersma Management Board Member CBO

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion
We have audited the consolidated financial statements of ams AG, Premstätten, Austria, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU (IFRS) and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion
We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

In the following, we present the key audit matters from our point of view:

- Acquisition of Heptagon
- Goodwill impairment testing
- Accounting for income taxes
- Issuance of a convertible bond

Acquisition of Heptagon
Refer to notes section 1.c)

Risk for the Financial Statements
Effective as of January 24, 2017, ams AG has acquired 100 % of the shares of Heptagon Advanced Micro-Optics Pte. Lted, Singapore, and subsidiaries ("Heptagon"). Consideration paid for the acquisition consisted of cash and own shares from an increase in share capital and from treasury shares. In addition ams AG is required to pay an additional cash amount and additional treasury shares in

the first half year of 2018, for which the amount depends on the revenue derived from Heptagon products (contingent consideration). The fair value of the consideration transferred amounted to EUR 852.8 million in total. The allocation of the purchase price to identifiable assets and liabilities acquired was performed by ams AG with support from external advisors and lead to the recognition of intangible assets amounting to EUR 652.5 million, of which EUR 314.5 million is goodwill.

Accounting for acquisitions requires the application of complex accounting policies, mainly IFRS 3 Business Combinations, and involves significant judgments and assumptions. For the financial statements, this leads to the risk that the determination of the consideration paid, including the contingent consideration or the allocation of acquisition cost to assets acquired and liabilities assumed are not in accordance with IFRS 3. In addition, assumptions and methods used in required valuations may not be reasonably determined and consequently resulting values may not be appropriate.

Our response
With respect to the accounting for the acquisition we have read the relevant parts of the purchase/sale agreements, obtained an understanding of the deal structure and assessed whether the accounting treatment in accordance with IFRS 3 has been appropriately applied. This comprises, inter alia, the evaluation of the interpretation of specific sections of the agreements and the application of accounting policies to thereon.

We have assessed the reasonableness of the assumptions used to determine the contingent consideration and the purchase price allocation, and have evaluated the valuation methods used by involving internal experts and have tested the valuation for mathematical accuracy. In addition we have assessed whether the disclosures in the notes to the financial statements are in line with the requirements of IFRS 3.

Valuation of Goodwill
Refer to notes section 13

Risk for the Financial Statements
Under IAS 36, the Company is required to test the amount of goodwill for impairment, annually and if there is a triggering event for testing. At December 31, 2017, goodwill amounted to EUR 721.0 million.

Goodwill impairment tests require the application of an appropriate assessment process and the definition of significant assumptions and other inputs. In particular, there is a risk that

- Cash generating units (CGU) are not properly defined,
- Methods used for impairment testing are not in accordance with IAS 36 or
- Assumptions and other inputs not reasonably estimated

and consequently, a required impairment charge is not or not properly recognized in the financial statements.

Our response
In course of our audit we have evaluated the determination of cash generating units for reasonableness. In addition, our audit procedures included, amongst others the assessment of the methodologies and assumptions used by the Company, in particular those relating to the determination of multiples and discount rates in the plausibility check. For these procedures, we have been supported by our valuation expert.

We have evaluated the sales and margin projections used in the plausibility check based on information available for each CGU, and assessed the historical accuracy of management's estimates by comparing plans for prior periods to actual results.

Accounting for Income Tax Positions
Refer to notes section 6, 15 and 19

Risk for the Financial Statements
ams AG's business activities are located in a large number of legislations. Consequently, the Group is subject to various different tax jurisdictions and resulting tax obligations. In addition, the relevant financial reporting standards, especially IAS 12 Income Taxes, contain comprehensive rules that require estimates on future developments and involve a high degree of complexity in their application.

This may lead to a situation where current or deferred taxes are not correctly determined, existing tax obligations are not properly recognized and tax risks are not appropriately assessed, or tax receivables and deferred tax assets cannot be used. For the financial statements, there is a risk of tax liabilities or provisions being omitted or understated or of tax receivables or deferred tax assets being overstated.

Our response
We have tested the completeness and accuracy of the amounts reported for current and deferred tax. In this area our audit procedures included, amongst others, assessment of correspondence with the relevant tax authorities and obtaining information and confirmations from the Group's external tax advisors. Based on this information we have obtained an understanding about the tax status of ams AG and significant group components. We have involved our tax specialists to assist us in assessing whether current taxes and corresponding tax liabilities are complete, accurate and reasonably valued. Deferred taxes recognized in the consolidated financial statements have been evaluated by us with respect to their agreement with IAS 12 and mathematical accuracy. In order to confirm the valuation of deferred tax assets we have reviewed the respective tax planning, underlying assumptions and forward-looking estimates.

Accounting for the convertible bond
Refer to notes section 6, 15 and 19

Risk for the Financial Statements
On 28 September 2017 ams AG issued a convertible bond with par value of USD 350 million (EUR 297.9 million) and a term of five years. When accounting for this convertible bond, the right of the bondholder to convert the bond into shares of ams AG at a fixed price (the conversion option) has to be separated for from the obligation to redeem the debt. Both, the debt component and the conversion option are classified as financial liability. The

conversion option is valued at its fair value while the debt component is valued at amortized cost. The fair value of the conversion option amounted to EUR 43.6 million at inception of the convertible bond and EUR 83.3 million at 31 December 2017. The change in fair value of EUR 39.7 million is recognized in the consolidated income statement.

The accounting for the convertible bond in accordance with the requirements of IAS 32 and 39 is subject to significant judgment. A key judgement relates to question of whether to classify the conversion option as a financial liability or as equity. Depending on this judgement, the change in fair value of the conversion option is recognized in the income statement or directly in equity. The fair value of the conversion option is derived from the market value of the convertible bond and the application of a current interest rate for comparable bonds without conversion rights. An incorrect assessment of the classification or an inadequate valuation of the conversion option would lead to a material misstatement of ams AG's financial results.

Our response

We have read the terms and conditions of the convertible and have gained an understanding of the structuring of this financial instrument. Based on this understanding, we have assessed the appropriateness of the classification of the option right as a financial liability in accordance with the requirements of IAS 32. In addition, we reviewed the calculation of the amortized cost of the bond and the fair value of the option right at the inception date and the balance sheet date with regard to mathematical correctness and evaluated the presentation of the expense items relating to the convertible bond in the consolidated income statements.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) 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.

Management is also responsible for assessing the Group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings including any significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events

that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Group Management Report

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements. The legal representatives of the Company are responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion
In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement
Based on our knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information
The legal representatives of the Company are responsible for other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon. We expect the annual report to be provided to us after the date of the opinion.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any kind of assurance on it.
In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact.

Engagement Partner
The engagement partner is Mr. Helmut Kerschbaumer.

Vienna, 26 February 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Helmut Kerschbaumer
Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Section 2 UGB (Austrian Commercial Code) applies.

Glossary

3D sensing	Sensing technologies incorporating the acquisition of depth information to capture image or spatial data in three dimensions
ANC	Active Noise Cancellation; technologies which improve the sound quality by significantly reducing background ambient noise
CMOS	Complementary Metal-Oxide-Semiconductor; a widely used technology for constructing integrated circuits (ICs)
DOE	Diffractive Optical Element; component that allows shaping and splitting of laser beams with maximum efficiency to form complex output patterns
Internet of Things (IoT)	Network of physical objects fitted with electronics including sensors and network connections that enables these objects to collect and exchange data for remote sensing and control
LIDAR	Light Detection And Ranging; measuring technology that measures distance by illuminating the target with pulsed laser light and processing the reflected pulses with a sensor. Differences in laser return times and wavelengths can then be used to make digital 3D representations of the target (3D LIDAR)
MEMS microphone	Microphone based on a pressure-sensitive diaphragm etched into a silicon wafer as a micro-electromechanical structure, also called silicon microphone
VCSEL	Vertical-Cavity Surface-Emitting Laser; laser diode with laser beam emission perpendicular to the top surface allowing high quality laser beam shape and emission
WLO	Wafer Level Optics; the design and manufacture of miniaturized optics at the wafer level using advanced semiconductor-like techniques

Imprint

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