

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 (together as a lock-up group; the lock-up group has been dissolved in the meantime)	22.34%
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 Beratungsberatung 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 Technologies 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.

Remuneration (in thousands of EUR)	Chairman of Management Board (CEO)		Management Board total	
	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.