

Half Year Report 2017

Key figures EUR thousands (except earnings per share)	Q2 2017	Q2 2016	Q1 2017	1st Half 2017	1st Half 2016
Revenues	181,530	132,405	149,314	330,845	269,622
Gross margin in % (adjusted - see footnote 1)	41%	56%	46%	44%	57%
Result from operations (adjusted - see footnote 1)	1,331	24,429	4,098	5,429	52,585
Operating margin in % (adjusted - see footnote 1)	1%	18%	3%	2%	20%
Net result	-17,813	19,644	-16,222	-34,034	33,239
Basic / diluted earnings per share in CHF ²	-0.23 / -0.22	0.32 / 0.31	-0.23 / -0.23	-0.47 / -0.45	0.53 / 0.52
Basic / diluted earnings per share in EUR	-0.21 / -0.21	0.29 / 0.28	-0.22 / -0.21	-0.43 / -0.42	0.49 / 0.47
Total backlog (excluding consignment stocks)	210,976	146,633	195,585	210,976	146,633

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.

Second quarter revenues above guidance range despite negative EUR/USD trend; revised expected revenue growth CAGR 2016-2019 of more than 40%, EBIT margin target confirmed; strong expected quarter-on-quarter growth with third quarter revenues of EUR 260-290 million at adjusted EBIT margin above 10%; ongoing optical solutions ramp drives expectation of record second half and substantial sequential revenue growth in fourth quarter; VCSEL manufacturing investment pulled forward given significant business opportunities

Report to shareholders on the first half of 2017

Ladies and Gentlemen

Our second quarter and first half results demonstrate the success of our solutions-focused sensing business across end markets while we significantly increased capacity to prepare for major new programs in consumer optical technologies. We see strong sequential revenue and earnings growth in the third quarter as we have started to ramp these consumer sensing solutions in high volume.

Financial results

Second quarter group revenues were EUR 181.5 million, up 22% sequentially compared to the first quarter and up 37% from EUR 132.4 million in the same quarter 2016 (EUR 184.1 million based on the guidance EUR/USD exchange rate of 1.08). Group revenues for the first half of 2017 were EUR 330.8 million, up 23% compared to EUR 269.6 million recorded in the first half of 2016. On a constant currency basis, second quarter revenues were 35% higher compared to the second quarter last year with first half revenues 21% higher compared to the first half of 2016.

In the second quarter, adjusted gross margin (excluding acquisition-related and share-based compensation costs) was 41% with IFRS reported gross margin (including acquisition-related and share-based compensation costs) at 35%, compared to 56% and 53% respectively in the same quarter 2016. In the first half of 2017, adjusted gross margin (excluding acquisition-related and share-based compensation costs) stood at 44% and IFRS reported gross margin (including acquisition-related and share-based compensation costs) at 37%, compared to 57% and 54% respectively in the first half of 2016.

The adjusted result from operations (EBIT) (excluding acquisition-related and share-based compensation costs) for the second quarter was EUR 1.3 million or 1% of revenues in line with previous expectations, decreasing from EUR 24.4 million in the same period 2016. The IFRS reported result from operations (EBIT) (including acquisition-related and share-based compensation costs) for the second quarter was a loss of EUR 21.5 million or -12% of revenues, down from a profit of EUR 16.7 million in the same period 2016. This expected result reflects the underutilization of expanded capacity in our Heptagon business in the second quarter. For the first half of 2017, the adjusted EBIT (excluding acquisition-related and share-based compensation costs) was

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EUR 5.4 million, down from EUR 52.6 million in the same period 2016, and the IFRS reported EBIT (including acquisition-related and share-based compensation costs) was a loss of EUR 35.3 million, down from a profit of EUR 36.4 million in the first half year 2016.

The net result for the second quarter was a loss of EUR 17.8 million compared to a profit of EUR 19.6 million in the same period last year. Basic and diluted earnings per share were CHF -0.23/-0.22 or EUR -0.21/-0.21 based on 83,327,015/86,462,424 shares (basic/diluted; weighted average) compared to CHF 0.32/0.31 or EUR 0.29/0.28 for the second quarter 2016 based on 68,085,043/70,016,054 shares (basic/diluted; weighted average). The net profit for the first half year 2017 was a loss of EUR 34.0 million, equivalent to CHF -0.47/-0.45 or EUR -0.43/-0.42 per share (basic/diluted) based on 78,870,841/81,254,354 shares (basic/diluted; weighted average), compared to a profit of EUR 33.2 million, i.e. CHF 0.53/0.52 or EUR 0.49/0.47 per share (basic/diluted) based on 68,321,871/70,388,158 shares (basic/diluted; weighted average), for the same period last year.

Operating cash flow for the second quarter was EUR -33.1 million compared to EUR 7.3 million in the second quarter last year, while operating cash flow for the first half was EUR -7.0 million compared to EUR 14.8 million in the first half year 2016. Total backlog on June 30, 2017 (excluding consignment stock agreements) was EUR 211.0 million compared to EUR 195.6 million at the end of the first quarter and EUR 146.6 million on June 30, 2016, today's total backlog exceeds EUR 275 million.

Business overview

Our business showed a strong performance in the second quarter and first half of 2017 as all end markets contributed meaningfully to our second quarter results. Despite the negative EUR/USD exchange rate trend in the second half of the quarter our second quarter results demonstrate the attractive demand environment for our sensor solutions resulting in group revenues above the top end of our guidance range.

Our consumer and communications business performed well in the second quarter driven by high run rates for existing products, a new platform launch by a major smartphone OEM and positive effects from a display management ramp for another Asian smartphone OEM. Light sensor solutions were again the most important product segment in our consumer business in the second quarter. Our latest display management products are gaining importance in our optical sensing portfolio which is expanding from color/RGB ambient light sensing, proximity sensing and multi-function modules into 3D sensing and advanced spectral sensing. These cutting-edge technologies are seeing increasing market interest as OEMs explore new sensing possibilities for future devices. Our multi-year product and development pipeline which also covers audio and environmental sensing mirrors these trends. Our Heptagon business recorded the expected flattish revenue development in the second quarter compared to the first quarter while our audio business showed a good performance in the first half of the year. In the quarter, we won a prestigious industry award for our innovative ACI interface allowing power and high speed data transmission over the microphone line in 3.5mm or USB-C audio designs.

Our industrial, medical and automotive businesses recorded very attractive results in the second quarter and first half 2017. End-market demand in these non-consumer areas continues to be solid as we enter the second half of the year. Our industrial business had a successful second quarter with our industrial imaging and machine vision product lines showing noticeable strength. We are a key

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supplier to industrial OEMs worldwide for an expanding range of industrial sensing solutions. Our low-power low-latency Simblee Bluetooth offering is seeing increasing customer interest for emerging industrial IoT applications. Here we can offer an integrated solution capability to create high performance connected sensing systems. In our medical business, digital imaging sensor solutions for computed tomography (CT), digital X-ray, and mammography continued to show good volumes while we ramp new business in Asia this year as the market and technology leader. Our automotive business recorded another positive quarter amid attractive demand across product lines which we see continuing. We focus on sensing applications for safety, driver assistance, position, and chassis control and see strong market interest to explore next generation applications. Our specialty analog foundry business contributed attractively to our results in the first half.

In manufacturing operations, we have been expanding capacity in Singapore and Austria to support volume requirements for the recently initiated ramps of new consumer optical sensing solutions while we continue to add capacity to support expected customer needs for 2018. This includes investments in optical back-end manufacturing and optical filter deposition equipment.

Faster than expected, we completed the acquisition of Princeton Optronics, a leading provider of high power single and array Vertical Cavity Surface-Emitting Lasers (VCSELs) earlier this month. We are now able to cover the complete value chain in optical sensing including VCSEL illumination and can aggressively pursue end-to-end solutions for new growth areas such as 3D sensing, the Human Machine Interface (HMI) or spectral sensing. This strategic approach offers strong potential to increase ams' presence in innovative consumer applications as well as future automotive sensing systems. We are already seeing substantial VCSEL business opportunities and have therefore decided to pull forward an investment into internal VCSEL manufacturing capacity to exploit differentiating technology and cost advantages. In order to prepare for expected volume opportunities from 2019 onwards we plan to build a VCSEL manufacturing line in Singapore in two stages at a total expense of around EUR 100 million over a period of approximately 24 months.

Outlook

For the third quarter 2017, we see significant upward momentum for ams as we start to ramp new optical solutions in our consumer business and our other end markets continue to contribute positively to our overall growth. Based on available information and a current EUR/USD exchange rate of 1.16, we expect third quarter revenues to show strong sequential growth to EUR 260-290 million which reflects the ramp-up nature of the quarter in our consumer business and headwinds from a negative EUR/USD exchange rate trend.

Driven by these ongoing high value consumer ramps, ams expects to see a record second half year 2017. This includes substantial sequential revenue growth for the fourth quarter at an expected growth rate comparable to the expected growth rate from second quarter to third quarter, based on currently available information. These expectations confirm the excellent positioning of ams as a key provider of innovative high performance optical technologies including 3D sensing and advanced display management. The adjusted operating margin for the third quarter (excluding acquisition-based and share-based compensation costs) is expected to show a significant sequential improvement to more than 10%, predominantly resulting from increasing capacity utilization in our Heptagon business.

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Based on substantially increased customer forecasts and a higher revenue pipeline for this year and particularly 2018 we increase our revenue growth target for the period 2016-2019 to more than 40% compound annual growth rate (CAGR). The continuing strong market traction we see for our innovative technologies adds to our confidence in this new target. Despite this steep revenue growth and ongoing investments supporting this business expansion we confirm our adjusted EBIT margin target of 30% from 2019 onwards.

Premstaetten, July 24, 2017

Alexander Everke, CEO

Michael Wachsler-Markowitsch, CFO

Thomas Stockmeier, COO



**Condensed Consolidated Interim
Financial Statements as of
June 30, 2017**

Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q2 2017	1st Half 2017	Q2 2016	1st Half 2016
Revenue Products	167,139	303,928	120,462	247,989
Revenue Foundry & Other	14,391	26,917	11,944	21,633
Total revenues	181,530	330,845	132,405	269,622
Cost of sales	-118,612	-208,625	-61,713	-125,008
Gross profit	62,919	122,220	70,692	144,614
Gross margin in %	35%	37%	53%	54%
Research and development	-53,800	-100,318	-32,278	-65,228
Selling, general and administrative	-34,430	-64,394	-25,274	-48,793
Other operating income	4,592	8,163	2,235	4,423
Other operating expense	-910	-939	-107	-166
Result from investments in associates	98	-30	1,412	1,547
Result from operations	-21,531	-35,297	16,681	36,398
Net financing result	6,209	3,587	4,168	-1,182
Result before tax	-15,322	-31,710	20,849	35,215
Income tax result	-2,490	-2,324	-1,205	-1,976
Net result	-17,813	-34,034	19,644	33,239
Basic / diluted earnings per share in CHF ¹⁾	-0.23 / -0.22	-0.47 / -0.45	0.32 / 0.31	0.53 / 0.52
Basic / diluted earnings per share in EUR	-0.21 / -0.21	-0.43 / -0.42	0.29 / 0.28	0.49 / 0.47

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

Statement of Comprehensive Income

(unaudited)

EUR thousands	Q2 2017	1st Half 2017	Q2 2016	1st Half 2016
Net result	-17,813	-34,034	19,644	33,239
Items that may be reclassified to profit and loss				
Translation adjustment	-75,982	-79,563	649	-7,955
Valuation of available for sale financial instruments	-382	1,423	-49	525
Other comprehensive income	-76,364	-78,141	600	-7,430
Total comprehensive income	-94,176	-112,175	20,244	25,809

Consolidated Balance Sheet

(unaudited)

EUR thousands	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	253,113	179,575
Financial assets	39,244	36,259
Trade receivables	96,947	97,155
Inventories	142,342	92,855
Other receivables and assets	77,712	33,422
Total current assets	609,359	439,264
Property, plant and equipment	701,173	319,250
Intangible assets	1,136,807	603,447
Investments in associates	2,029	2,278
Deferred tax assets	35,405	35,389
Other long-term assets	40,137	23,360
Total non-current assets	1,915,551	983,723
Total assets	2,524,910	1,422,988
Liabilities and shareholders' equity		
Liabilities		
Interest-bearing loans and borrowings	121,253	108,018
Trade liabilities	184,324	68,231
Tax liabilities	32,873	36,750
Provisions	42,243	20,063
Other liabilities	465,745	31,449
Total current liabilities	846,438	264,511
Interest-bearing loans and borrowings	668,244	364,051
Employee benefits	43,121	36,965
Deferred taxes liabilities	67,101	53,953
Other long term liabilities	44,711	35,953
Total non-current Liabilities	823,176	490,921
Shareholders' equity		
Issued capital	84,420	73,409
Additional paid-in capital	577,888	211,625
Treasury shares	-43,427	-166,079
Other reserves	-194,668	59,860
Retained earnings	431,083	488,741
Total shareholders' equity and reserves	855,296	667,556
Total liabilities and shareholders' equity	2,524,910	1,422,988

Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q2 2017	1st Half 2017	Q2 2016	1st Half 2016
Operating activities				
Result before tax	-15,322	-31,710	20,849	35,215
Depreciation (net of government grants)	34,965	64,385	15,385	30,494
Expense from stock option plan (acc. to IFRS 2)	4,438	7,675	1,601	3,003
Changes in other long-term liabilities	-1,313	-826	-48	-161
Result from sale of plant and equipment	-6	11	-8	-19
Result from investments in associates	-98	30	-1,412	-1,547
Net financing cost	-6,209	-3,587	-4,168	1,185
Change in inventories	-17,679	-31,536	-1,802	-2,248
Change in trade and other receivables	-7,792	5,179	-8,874	-16,085
Change in trade and other payables	-17,718	-2,418	-6,331	-21,932
Change in provisions and employee benefits	-2,044	-4,024	-4,595	-4,988
Change in deferred income	1,630	229	-152	1,814
Tax Payments	-5,917	-10,406	-3,112	-9,899
Cash flows from operating activities	-33,066	-6,997	7,333	14,831
Investing activities				
Acquisition of intangibles, property, plant and equipment	-137,708	-231,725	-22,980	-44,838
Acquisition of subsidiary, net of cash acquired	0	83,186	-37,747	-37,747
Acquisition of other financial investments	0	0	0	-5,008
Proceeds from sale of plant and equipment	10	30	10	32
Proceeds from the sale of financial assets	5,000	5,000	0	10,000
Interest received	676	1,303	257	645
Cash flows from investing activities	-132,022	-142,205	-60,460	-76,916
Financing activities				
Proceeds from borrowings	247,424	348,379	29,451	75,312
Repayment of debt	-26,134	-28,587	-383	-4,962
Repayment of finance lease liabilities	-39	-79	-40	-80
Acquisition of treasury shares	-33,359	-33,676	-34,028	-47,065
Sale of treasury shares	6,636	14,885	2,319	4,178
Interest paid	-1,876	-3,586	-1,114	-1,884
Dividends paid	-25,047	-25,047	-34,575	-34,575
Cash flows from financing activities	167,605	272,289	-38,370	-9,076
Net increase in cash and cash equivalents	2,516	123,086	-91,497	-71,160
Translation result of cash items	-12,981	-12,355	2,081	-2,746
Cash and cash equivalents at begin of period	263,578 ¹⁾	142,383 ¹⁾	119,089	103,579
Cash and cash equivalents at end of period	253,113	253,113	29,672	29,672

¹⁾ As per June 30, 2017, restrictions on cash and cash equivalents amounted to EUR 37,192 thousand (December 31, 2016: 0).

Changes in Equity

(unaudited)

EUR thousands	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	33,239	33,239
Valuation of available for sale financial instruments	0	0	0	0	525	525
Exchange differences on translating foreign operations	0	0	0	-7,955	0	-7,955
Comprehensive income	0	0	0	-7,955	33,764	25,809
Share based payments	0	2,903	0	0	0	2,903
Dividend paid	0	0	0	0	-34,575	-34,575
Capital increase	0	0	0	0	0	0
Acquisition of treasury shares	0		-47,840	0	0	-47,840
Sale of treasury shares	0		4,953	0	0	4,953
Total equity as of June 30, 2016	73,409	206,688	-120,499	52,333	420,528	632,459
Total equity as of January 1, 2017	73,409	211,625	-166,078	59,860	488,741	667,556
Net result	0	0	0	0	-34,034	-34,034
Valuation of available for sale financial instruments	0	0	0	0	1,423	1,423
Exchange differences on translating foreign operations	0	0	0	-79,563	0	-79,563
Comprehensive income	0	0	0	-79,563	-32,612	-112,175
Share based payments	0	-6,511	0	0	0	-6,511
Dividend paid	0	0	0	0	-25,047	-25,047
Capital increase	11,011	372,774	0	0	0	383,785
Payable from share buyback obligation	0	0	0	-174,964	0	-174,964
Acquisition of treasury shares	0	0	-34,054	0	0	-34,054
Sale of treasury shares	0	0	156,706	0	0	156,706
Total equity as of June 30, 2017	84,420	577,888	-43,427	-194,668	431,083	855,296

Selected notes on the Condensed Consolidated Interim Financial Statements as of June 30, 2017

(unaudited)

1. Basis of preparation

The condensed consolidated interim financial statements as of June 30, 2017 were prepared in accordance with IAS 34 as adopted by the European Union.

In line with IAS 34 (Interim Financial Reporting) the condensed consolidated interim financial statements do not include all information and disclosures that are required for a full set of financial statements.

2. Accounting policies

The accounting policies applied in this interim financial statement are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2016, except for new standards that are applicable to the current reporting period.

Newly applicable standards for the reporting period are:

IAS 7 – Amendments Disclosure Initiative (not yet endorsed in the EU)

IAS 12 Amendments Recognition of Deferred Tax Assets for Unrealised Losses (not yet endorsed in the EU)

Annual improvements to IFRS (2014-2016)

During this project three standards were amended. Existing regulations should be clarified by adapting the wording of single IFRS standards. The amendments affected the standards IFRS 1, IFRS 12 and IAS 28. (For the current period the amendment concerning IFRS 12 is applicable, the others are not yet endorsed in the EU)

The amendments have no material impact on condensed consolidated interim financial statements.

3. Segment reporting and revenues

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

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 from one customer of the segment Products amount to EUR 31,001 thousand (1st half 2016: EUR 40,587 thousand). This customer is a distributor that serves different end customers.

The segment key figure “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 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.

EUR thousands	1st half 2017			1st half 2016		
Business segments	Products	Foundry	Total	Products	Foundry	Total
Consolidated revenues	303,928	26,917	330,845	247,989	21,633	269,622
Research & development	87,883	811	88,694	59,536	1,545	61,080
Result from operations	7,762	8,895	16,657	43,779	7,318	51,097

EUR thousands	June 30, 2017			December 31, 2016		
Business segments	Products	Foundry	Total	Products	Foundry	Total
Segment assets	448,567	7,357	455,924	105,416	14,071	119,487

Reconciliation of segment results to income statement

EUR thousands	1st half 2017	1st half 2016
Result from operations per segment reporting	16,657	51,097
Result from investments in associates	-30	1,547
Depreciation from Purchase Price Allocation	-33,050	-13,185
Subsidies for research and development	2,441	2,010
Unallocated corporate costs	-21,314	-5,071
Result from operations	-35,297	36,398
Financial result	3,587	-1,182
Result before tax	-31,710	35,215

Reconciliation of segment assets to total assets

EUR thousands	June 30, 2017	Dec 31, 2016
Assets per segment reporting	455,924	119,487
Intangible assets derived from PPA	1,107,367	581,177
Property, plant and equipment	339,443	298,216
Inventories	142,342	92,855
Cash, cash equivalents and financial assets	284,461	215,833
Deferred tax asset	35,405	35,389
Intangible assets	32,988	18,089
Investments in associates	2,029	2,278
Other assets	124,950	59,663
	2,524,910	1,442,988

Revenues per geographical segments

EUR thousands	1st half 2017	1st half 2016
EMEA ¹⁾	114,756	99,343
Americas	14,303	14,997
Asia/Pacific	201,786	155,282
	330,845	269,622

1) Europe, Middle East, Africa

Revenues per countries

EUR thousands	1st half 2017	1st half 2016
Germany	60,426	48,405
China	59,587	20,005
Taiwan	39,642	44,168
South Korea	31,934	5,832
Hong Kong	18,474	51,405
Austria	567	716
Rest of the world	120,216	99,092
	330,845	269,622

Long term assets per geographical areas

EUR thousands	June 30, 2017	Dec 31, 2016
Austria	1,374,131	790,461
Switzerland	79,305	81,429
Philippines	19,505	22,165
Singapore	329,689	0
Other countries	35,350	28,688
	1,837,980	922,697

4. Business combinations

On January 24, 2017, the Group obtained control of Heptagon Advanced Micro-Optics Pte. Ltd, Singapore (Heptagon).

Heptagon, headquartered in Singapore, is a technology and innovation leader in micro-optics and optical technologies. Meanwhile, the company employs more than 4,400 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 AIM optical sensing solutions business. Heptagon is expected to realize extensive synergies with ams' sensor businesses and gain significant leverage from ams' global sales coverage.

Through this highly strategic acquisition ams becomes the clear market and innovation leader in optical sensing solutions. The transaction is therefore another key step in making ams the world's leading supplier of sensor solutions for consumer, automotive, industrial, and medical applications.

The following gives a preliminary overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition (January 24, 2017):

In thousands of USD/EUR	January 2017 USD ¹⁾	January 2017 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	655,203	609,605
Customer relationship	274,688	255,571
Technology	88,629	82,461
Goodwill	291,009	270,756
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	-9,200	-8,560
Deferred tax liabilities	-22,216	-20,670
Total of consideration transferred		
thereof cash	64,277	59,804
thereof transferred shares	544,343	506,460
thereof contingent purchase price components	280,959	261,406

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 1,780 thousands.

During the period of time between the date of acquisition and June 30, 2017 Heptagon contributed revenues in the amount of EUR 39,970 thousands to the consolidated revenues and a loss in the amount of EUR 45,213 thousands to the consolidated net result.

5. Number of employees

The average number of employees was 4,580 during the first half of 2017, compared to 2,129 during the first half of 2016.

¹ Transaction currency
www.ams.com

6. Seasonality, economic cycles

In the past, results have varied from quarter to quarter as revenues are derived from a number of end markets which may display different seasonal demand patterns over the course of a calendar year. The company currently derives a substantial portion of its revenues from the consumer electronics market, which has in the past displayed meaningful seasonality between quarters due to factors such as consumer acceptance of technologies, changes in buying behavior and seasonal demand before major holidays such as Christmas. In addition, general economic cycles may have an additional impact on demand for the company's products across end markets. As the net effect of the different factors mentioned above may differ from quarter to quarter and cannot be predicted, variations of the company's quarterly results will continue in the future.

7. Related parties

Besides the acquisition of Heptagon, there were no changes regarding the Group's related parties.

8. Financial Instruments

Summary of financial instruments recorded on the balance sheet date as per June 30, 2017:

EUR thousands	Available for sale	Held for trading	Designated at fair value	Loans and liabilities	Cash	Carrying amount	Fair value
Short-term financial assets							
Cash and cash equivalents	0	0	0	0	253,113	253,113	253,113
Financial assets	38,975	269	0	0	0	39,244	39,244
Trade receivables	0	0	0	96,947	0	96,947	96,947
Other receivables and assets							
thereof financial assets	0	0	0	56,116	0	56,116	56,116
thereof non-financial assets	0	0	0	0	0	21,597	0
Long-term financial assets							
thereof financial assets	18,608	0	17,225	617	0	36,449	36,449
thereof non-financial assets	0	0	0	0	0	0	0
	57,582	269	17,225	153,680	253,113	503,466	481,869

EUR thousands	Fair value through P/L	At amortized cost	Carrying amount	Fair value
Short-term financial liabilities				
Interest bearing loans and borrowings	0	121,253	121,253	120,988
Trade payables	0	184,324	184,324	184,324
Other liabilities				
thereof financial liabilities	247,390	180,288	427,679	427,679
thereof non-financial liabilities	0	0	38,066	0
Long-term liabilities				
Interest bearing loans and borrowings	0	668,244	668,244	666,784
Other long-term liabilities				
thereof financial liabilities	33,795	9,976	43,771	43,771
thereof non-financial liabilities	0	0	940	0
	281,185	1,164,085	1,484,277	1,443,546

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

EUR thousands	Available for sale	Held for trading	Designated at fair value	Loans and liabilities	Cash	Carrying amount	Fair value
Short-term financial assets							
Cash and cash equivalents	0	0	0	0	179,575	179,575	179,575
Financial assets	35,989	270	0	0	0	36,259	36,259
Trade receivables	0	0	0	97,155	0	97,155	97,155
Other receivables and assets							
thereof financial assets	0	0	0	25,721	0	25,721	25,721
thereof non-financial assets	0	0	0	0	0	7,701	0
Long-term financial assets							
thereof financial assets	1	0	19,808	617	0	20,425	20,425
thereof non-financial assets	0	0	0	0	0	0	0
	35,990	270	19,808	123,492	179,575	366,835	359,134

EUR thousands	Fair value through P/L	At amortized cost	Carrying amount	Fair value
Short-term financial liabilities				
Interest bearing 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
thereof non-financial liabilities	0	0	21,524	0
Long term liabilities				
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
thereof non-financial liabilities	0	0	1,085	0
	36,750	548,343	607,702	584,061

June 30, 2017 EUR thousands	Level 1	Level 2	Level 3	Total
Short-term financial assets				
Financial assets	31,079	0	8,165	39,244
Other receivables and financial assets	0	0	0	0
Long-term financial assets				
Financial assets	12,797	17,841	5,811	36,449
Other receivables and financial assets	0	0	0	0
	43,876	17,841	13,976	75,693
Short-term financial liabilities				
Interest bearing loans	0	120,988	0	120,988
Other liabilities	0	0	247,390	247,390
Long-term financial liabilities				
Interest bearing loans	0	666,784	0	666,784
Other liabilities	0	0	33,795	33,795
	0	787,772	281,185	1,068,958

December 31, 2016 EUR thousands	Level 1	Level 2	Level 3	Total
Short-term financial assets				
Financial assets	35,989	0	270	36,259
Other receivables and financial assets	0	0	0	0
Long-term financial assets				
Financial assets	0	6,758	13,667	20,425
Other receivables and financial assets	0	0	0	0
	35,989	6,758	13,937	56,684
Short-term financial liabilities				
Interest bearing loans	0	107,782	0	107,782
Other liabilities	0	0	2,427	2,427
Long-term financial liabilities				
Interest bearing loans	0	363,255	0	363,255
Other liabilities	0	0	34,322	34,322
	0	471,038	36,750	507,787

Current investments do also present the option value of a convertible loan granted by ams. The option entitles ams to require the conversion of the loan into shares of 25.01% of the borrower's company. This embedded derivate is measured at fair value through profit or loss. The valuation is done based on Black Scholes model. Sole significant value-affecting parameter is the borrower's enterprise value. As of June 30, 2017 the option amounts to EUR 269 thousand (December 31, 2016: EUR 270 thousand).

Contingent purchase price liabilities follow from the acquisition of CCMOSS in 2016. ams has committed to pay up to EUR 31,000 thousand (December 31, 2016: EUR 31,000 thousand) of performance related compensation to the seller. The purchase price liabilities comprise revenue based earn-out payments until 2020. The basis for the valuation is the relevant long term sales plan of products based on CCMOSS technology.

Following from the acquisition of Incus in 2016 ams has committed to pay a contingent purchase price liability of EUR 2,815 thousand (December 31, 2016: EUR 2,891 thousand). The purchase price liabilities comprise revenue based royalty-earn-out payments until 2022. The basis for the valuation is the relevant long term sales plan of products based on Incus technology.

With respect to acquisition of Heptagon in 2017 ams has committed to pay a contingent purchase price liability of EUR 247,371 thousand. The purchase price liabilities comprise revenue based earn-out payments by way of cash and stock. Basis for the valuation is the relevant sales of Heptagon between time of acquisition and December 31, 2017.

9. Property, plant & equipment

The Group acquired property plant and equipment amounting to EUR 264,310 thousand, mainly for expansion of production capacity on all locations of the ams Group.

10. Intangible assets and goodwill

The Group has assessed whether there is an impairment trigger that would lead to an impairment. There was no indication for impairment.

11. Treasury shares

The group acquired a total of 609,500 treasury shares during the reporting period which amounted to EUR 32,961,492.95. 1,352,434 treasury shares have been sold to fulfill obligations of the Stock Option Plans.

12. Dividends

On June 29, 2017 ams AG distributed a dividend of 0.30 EUR per share amounting to a total of EUR 25,047,011.40.

13. Subsequent events

ams signed an agreement to acquire the laser diode specialist Princeton Optronics Inc., based in Mercerville, USA, for an undisclosed amount. Focused on vertical cavity surface-emitting lasers, Princeton offers extensive know-how in advanced optical technologies and strong optical engineering expertise. The legal closing of the transaction took place on July 3, 2017.

ams disposed of its shareholding of 13.9% in InVisage Technologies Inc. for an undisclosed amount. The legal closing of the transaction took place on July 1, 2017.



Supplemental financial information

Reconciliation from adjusted figures to IFRS reported figures

EUR thousands (except earnings per share)	Q2 2017	1st Half 2017	Q2 2016	1st Half 2016
Gross profit – adjusted	75,061	143,945	74,074	152,270
Acquisition-related costs	-11,948	-21,220	-3,289	-7,470
Share-based compensation costs	-194	-505	-93	-186
Gross profit – IFRS reported	62,919	122,220	70,692	144,614
Gross margin in % – adjusted	41.3 %	43.5 %	55.9 %	56.5 %
Gross margin in % – IFRS reported	34.7 %	36.9 %	53.4 %	53.6 %
Operating expenses – adjusted	-73,730	-138,516	-49,646	-99,685
Acquisition-related costs	-6,476	-11,830	-2,857	-5,715
Share-based compensation costs	-4,244	-7,170	-1,508	-2,817
Operating expenses – IFRS reported	-84,450	-157,517	-54,011	-108,217
Result from operations – adjusted	1,331	5,429	24,429	52,585
Acquisition-related costs	-18,424	-33,050	-6,146	-13,185
Share-based compensation costs	-4,438	-7,675	-1,601	-3,003
Result from operations – IFRS reported	-21,531	-35,297	16,681	36,398
Operating margin in % – adjusted	0.7 %	1.6 %	18.4 %	19.5 %
Operating margin in % – IFRS reported	-11.9 %	-10.7 %	12.6 %	13.5 %

Half Year Report

2017



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