



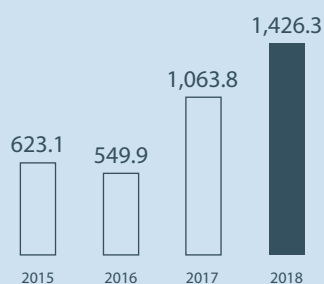
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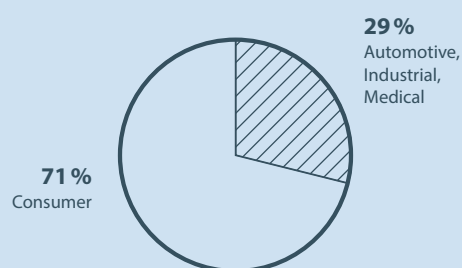
HIGHLIGHTS

In millions of EUR	2018	Changes to 2017	2017	2016
Revenues	1,426.3	34%	1,063.8	549.9
Gross margin (adjusted) ¹⁾	32%		43%	55%
Gross margin (IFRS reported)	27%		39%	52%
R&D expenses	239.1	12%	214.0	138.6
Operating result (EBIT) (adjusted) ¹⁾	127.6	-24%	168.7	97.1
EBIT margin in % (adjusted) ¹⁾	9%		16%	18%
Net result (adjusted) ³⁾	10.6	-92%	127.5	102.9
Earnings per share (in EUR, basic) ³⁾	0.13	-92%	1.56	1.53
Earnings per share (in CHF, basic) ^{2) 3)}	0.15	-91%	1.74	1.67
Operating cash flow	315.4	8,861	-3.6	82.3
Total order backlog (as of December 31)	291.8	-46%	541.9	136.1
Capital expenditures	412.9	-29%	582.0	91.7
Total assets (as of December 31)	3,584.5	10%	3,261.3	1,423.0
Equity ratio	36%		25%	47%
Employees (average)	10,166	45%	7,016	2,175

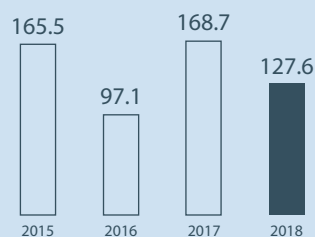
Total revenues in EURm



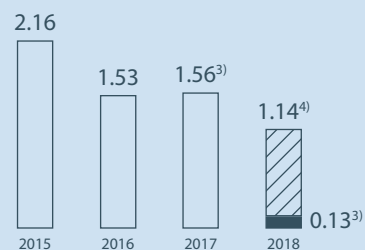
Revenues by market



Operating result (EBIT) in EURm ¹⁾



Earnings per share (EPS) in EUR (basic)



1) Excluding acquisition-related, one-time restructuring and share-based compensation costs.

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

3) Net result and earnings per share excluding valuation effect of the option element of the issued USD convertible bond.

4) Earnings per share according to IFRS including the valuation effect of the option element of the issued convertible bond.

“Sensing
is life”
for us
as sensors
touch every
aspect
of life

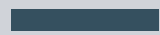
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PREFACES BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD



We grew strongly in 2018
but also faced challenges
in our markets

Preface by the Management Board

Dear Shareholders, Customers, and Employees,
Ladies and Gentlemen

2018 was a year of growth and challenges for ams.

Our revenues grew 34% to a record level of USD 1.63 billion last year. However, we also went through fast and unexpected changes in large customer demand which took a toll on our consumer business and overall performance. As a consequence, our financial results for full-year profit did not live up to expectations. We faced demand-related challenges that are persisting into the current year and are largely due to more volatile trends in consumer customer demand. These effects, however, do not change our successful long-term strategy to build the global leader in sensor solutions.

We focus on true leadership in the growth markets for optical, image, and audio sensing. This follows last year's decision to de-emphasize environmental sensing given larger mid- and long-term growth opportunities in our other areas, particularly optical. Defying short-term headwinds, we see strong market traction and expanding customer engagements for the technology investments we have made and continue to make. At the same time, we are actively managing our business through the current more difficult environment. We have already implemented steps to streamline operations and realize cost savings in multiple areas.

Our consumer business was the key growth driver last year with optical sensing again offering the largest revenue contribution. As the leader in optical sensing for consumer applications we serve the world's largest consumer OEMs. In the growth market for 3D sensing we strengthened our leadership position based on outstanding system and solution expertise across technologies. Last year we successfully ramped high volumes of 3D sensing for global smartphone platforms and strongly expanded our 3D hard- and software portfolio.

We have built the leading position in illumination for 3D sensing based on our highly differentiated high power Vertical Cavity Surface-Emitting Lasers (VCSELs). We are successful in all three 3D approaches Structured Light, Time-of-Flight and Active Stereo Vision and support both front- and world-facing 3D sensing. Over the coming years we see a continued expansion of 3D sensing in consumer devices. With our strong 3D portfolio this trend offers significant growth opportunities for us going forward. As the leader in display management we ramped high volumes of TrueColor sensing last year and recently launched innovative behind-OLED-display light sensing for bezel-less designs. Other consumer lines such as audio sensing also grew last year benefiting from microphone market growth and our leadership in ear- and headphone active noise cancellation.

Our automotive, industrial, and medical businesses showed a good performance last year. In automotive, our business developed very positively focused on solutions for safety, driver assistance, position, and chassis control. With our advantageous high power VCSEL technology we are very well positioned for the upcoming adoption of LIDAR-based 3D sensing from assisted towards autonomous driving. Significant development for our announced large-scale first 3D LIDAR program continues and, together with increasing market interest, supports our positive view. Other new sensing applications in 3D and other technologies add to our array of long-term growth opportunities in the automotive market.

We recorded attractive results in our industrial business as a leading supplier of solutions for industrial and factory automation, building control and other industrial sensing. Imaging is a growth driver for us where we introduced innovative solutions as the leader in global shutter technology. Our medical business performed well again based on our leadership in Medical Imaging for computed tomography and digital X-ray. We expanded market penetration in Asia ramping an additional regional OEM last year. Our micro camera technology is being adopted for disposable high quality endoscopes, an attractive growth market going forward.

Alexander Everke, CEO



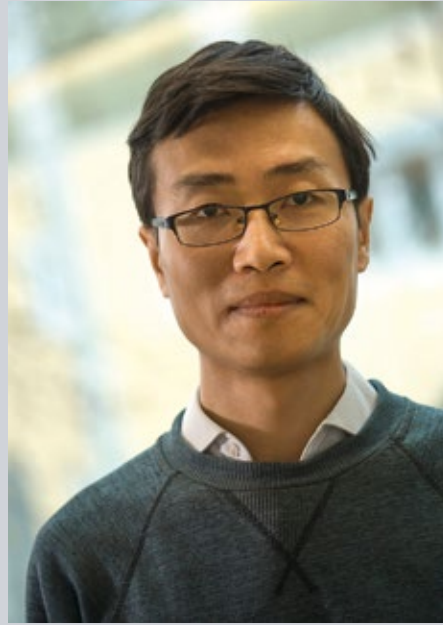
Michael Wachsler-Markowitsch, CFO



Dr. Thomas Stockmeier, COO



Mark Hamersma, CBO



We command an exciting technology portfolio, actively manage it to drive innovation and use M&A as a tool to accelerate our strategy. We added KeyLemon, a leader in 3D biometric software, last year to further expand our 3D sensing expertise. More recently, we streamlined our portfolio moving parts of our environmental business into a joint venture structure as we focus on our strategic pillars optical, image and audio.

We continue to invest strongly in R&D to advance and secure our leading technology position in sensing. Our hybrid manufacturing model combines outsourcing partnerships along our value chain with differentiated in-house manufacturing for wafers, optical filters and systems, and, in the foreseeable future, VCSELs. We are finalizing our internal production line for cutting-edge high power VCSELs in the current year with production ramp to follow. At year-end, we completed a significant two-year expansion and investment cycle which saw us investing substantially into our Singapore production capacity again to support customer plans. A major portion of 2018 capital expenditures of USD 471 million was related to these efforts. We ramped the additional capacity in the second half of 2018 following a demand-related meaningful under-utilization in the second quarter. However, utilization levels were again negatively impacted by consumer demand weakness towards year-end and into the current year while our internal CMOS wafer capacity was fully utilized in 2018. As a consequence, we recorded lower-than-expected profitability for the year despite a strong growth in revenues.

We are fully committed to our successful business model which supports attractive profitability and cash generation on a long-term basis. We have, however, decided to reflect the ongoing more volatile end market and less predictable macro-economic environment by continuing short-term financial guidance while discontinuing numerical mid- and longer-term guidance. We have also decided to suspend our cash dividend policy for fiscal year 2018. Aided by lower investment requirements following the conclusion of our major investment cycle, we focus on reinforcing our financial position including balance sheet improvements in 2019.

The Supervisory Board again offered constructive support for our plans and backed our strategic decisions last year while we honored our commitment to responsible business practices. We would like to thank our customers, partners, shareholders and, above all, the people of ams. Our employees' creativity, energy, ingenuity, and commitment as "one ams" are the most important building blocks of our global success.

We remain focused on executing our strategy and expect our strong market position to expand further in 2019. We concentrate on leadership in our sensing focus areas and pursue large long-term growth opportunities across our end markets. We continue to drive innovation and differentiation and are moving ahead to make ams the worldwide leader in sensor solutions.



Alexander Everke
CEO



Michael Wachsler-Markowitsch
CFO



Dr. Thomas Stockmeier
COO



Mark Hamersma
CBO



Preface by the Supervisory Board

Dear Ladies and Gentlemen

In 2018, the strong revenue growth of 34% did not lead to the increase in profit and the positive share price performance we were looking for. This development was disappointing for all stakeholders, particularly our shareholders. The success of ams' products and solutions in the marketplace is proof that our strategy works and we will continue to drive our evolution into a premier solution provider for optical, image and audio sensing technology. Expanding our sensor technologies into broader end-markets will require more time than initially anticipated, while changes in market demand over the course of 2018 created a negative impact on our results. These developments require us to improve our business processes, continue to expand our market presence and closely manage our costs and investments. Through these efforts, we seek to realize positive effects on profitability and our balance sheet structure this year. The main parameters for achieving these targets we have set in intense and close cooperation between the Management Board and the Supervisory Board.

During 2018, the Supervisory Board fulfilled its duties at six Supervisory Board meetings, a strategy and an information meeting as well as 16 committee meetings. The key areas of focus included ongoing business development, the acquisition of the Swiss software specialist KeyLemon, the issue of a convertible bond, the adjustments to the corporate structure in the United States and Switzerland, the resolution of final matters concerning the acquisition of Heptagon, and an adjustment to production capacities. This was in addition to general decisions related to the strategy, the budget and the annual financial statements.

The Supervisory Board fulfilled its statutory and corporate obligations during its meetings in 2018 and through numerous face-to-face discussions between the Supervisory Board's executive committee and members of the Management Board. The Supervisory Board received regular, prompt and comprehensive verbal and written information regarding the general development of the business, the financial position and other important issues. The Audit Committee's activities focused on the process of drafting and auditing the annual financial statements, the internal audit function, the risk management system and the internal control system.


2018 also saw changes occurring within the Supervisory Board. The long-time Deputy Chairperson of the Supervisory Board Prof. Dr. Siegfried Selberherr who served for 17 years, together with Klaus Iffland who served for 12 years, did not run for re-election. We would like to thank both gentlemen who offered their time, expertise and energy to ams during their long tenure. Without their contributions, important technological developments and successes in the automotive industry would have been very difficult to achieve. At the Annual General Meeting 2018, Prof. Dr. Monika Henzinger and Ms. Tan Yen-Yen were elected to the Supervisory Board. The new members bring additional expertise and experience in the

areas of software and market developments in Asia. Furthermore, the Supervisory Board recognized the relevance of technology development for the company, and accordingly established the Technology Committee. This committee allows the Supervisory Board to better monitor the significant technical developments within the ams group and the economic results they could realize.

During 2018, all members of the Supervisory Board attended all meetings and likewise all committee meetings had a full attendance rate. The members of the Supervisory Board again took the initiative to review their activities and decision-making procedures through a self-evaluation process supported by an external expert.

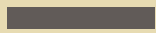
On behalf of the Supervisory Board, I would like to thank the Management for its commitment, and especially all ams employees for their dedication and service. Your hard work is the basis for the ongoing successful development of ams. I would also like to thank our shareholders, customers and business partners for their continued confidence and trust in the company.

On behalf of the Supervisory Board

A handwritten signature in black ink, appearing to read 'Hans Jörg Kaltenbrunner', with a stylized flourish at the end.

Hans Jörg Kaltenbrunner
Chairperson of the Supervisory Board

OUR COMPANY



We are passionate
about creating
sensor solutions

Our Vision

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

Our Company and Strategy

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

Our corporate strategy is focused on making ams the global leader in sensor solutions in three strongly growing areas: Optical, Image, and Audio sensing. These areas represent the three pillars of ams, and we are taking consistent and decisive steps to build true leadership in these high-value markets.

We actively manage a highly advanced technology and product portfolio around these three sensing areas to drive differentiation as the key factor for sustained leadership. Executing our strategic roadmap makes ams a strong and respected leader in the global semiconductor industry – to benefit our customers, shareholders, suppliers, and employees.

In each of our three focus areas we strive to offer our customers industry-leading performance and innovation by providing complete sensor solutions, so OEMs can rely on one trusted vendor for their technology needs. We are driving integration of sensor technologies into high performance solutions that may include sensing and related hardware, state-of-the-art sensing algorithms, sensor fusion software and application software. By offering solutions reflecting customers' evolving needs, we help the industry move forward while creating market advantages for our customers. We empower OEMs to deliver differentiated products that change and improve lives, and enable exciting new end-user experiences.

To advance our business more quickly towards global leadership in optical, image, and audio sensing, we use technology acquisitions as a strategic tool supplementing our continued strong

internal R&D efforts. Following our transformational 2016 acquisition of Heptagon, the global leader in micro-optics and high-performance optical packaging, we acquired Princeton Optronics, a leader in high power Vertical Cavity Surface-Emitting Lasers (VCSELs), in 2017. Their outstanding and highly differentiated VCSEL technology is driving strong competitive advantages in 3D and optical sensing illumination for ams, in both consumer devices and upcoming applications for assisted to autonomous driving, other automotive as well as industrial sensing. In 2018, we acquired KeyLemon, a leader in 3D face recognition software, significantly expanding our software and solution expertise for 3D sensing applications. Leveraging these acquisitions with our strong R&D efforts in optical technologies has been instrumental in creating our platform for leadership in the long-term growth market for 3D sensing and emerging optical technologies.

Our Talent

"One ams" means around 9,000 ams employees worldwide. Collaborating to drive our market success and envisaging the sensor solutions of the future, together we are "one ams".

Clearly, our workforce is the most valuable asset for the company and the core driver of our leading market position globally. Successful in our markets, we are able to attract, develop and retain the best and brightest talent in the industry offering exciting challenges and opportunities. A wide range of highly inventive, creative and unconventional thinkers unites at ams to realize innovation and bring cutting-edge technology to customers around the world.

The people of ams are our most valuable asset and the core driver of our leading market position globally





Our culture is built around the core values of ams and designed for pushing boundaries. Driven by a long-term strategy, we empower our employees while holding them accountable. Demanding integrity in everything we do, we want our staff to be trustworthy, loyal, authentic, and true role models. We embrace diversity as a key element of our culture with locations on three continents and over 60 nationalities working together at ams.

Over the course of last year we continued to add employees to support our growth plans for the future. Across the company we welcomed a range of highly qualified industry and functional profes-

sionals that strengthened and deepened our skills in different areas of our business. At the same time, we remain a major employer of skilled labor at our manufacturing locations in Singapore, Austria, and the Philippines.

We recognize every staff member's effort and commitment and value how every ams employee contributes to our success in a highly competitive sector. We are committed to offering a dynamic, positive work environment where our successful strategy creates significant opportunities for personal growth that are recognized in the industry.

Manufacturing

Our flexible hybrid manufacturing concept combines focused internal production capacity and strong external manufacturing partnerships to build competitive advantages. Following a consistent approach, we drive outsourcing with external production partners to create flexibility and pursue in-house manufacturing to the extent that specific differentiation in the production process or specific technology requirements warrant it.

We operate production sites in Austria, mainly for front-end CMOS wafer manufacturing, in the Philippines for testing and related production steps, and in Singapore for optical manufacturing and packaging back-end. We added our Singapore locations following the acquisition of Singapore-based Heptagon in 2016 and implemented a significant expansion of production capacity in Singapore in 2017 and 2018. These investments were driven by new technologies in 3D and optical

sensing, which our manufacturing helped bring to market for high volume consumer applications, and related customer needs. We are also able to strengthen the performance advantages of our VCSEL laser technology through internal manufacturing. To this end, we are nearing completion of a high volume production line for advanced VCSEL lasers for optical and 3D sensing in Singapore and expect to begin the mass production ramp of this front-end wafer facility around year-end 2019.

Our successful hybrid manufacturing model combines outsourced and internal supply chains across all areas of production

We will continue our successful hybrid manufacturing combining outsourced and internal supply chains across all areas of production: front-end CMOS wafer manufacturing, filter production,

optical packaging, and VCSEL manufacturing. After completing the major investment cycle last year we expect to pursue focused manufacturing investments going forward.

Corporate Responsibility

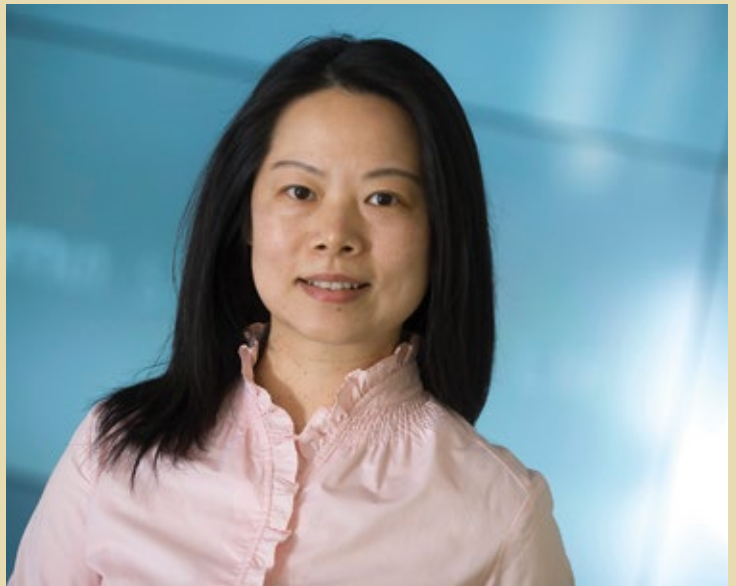
Rigorous standards regarding ethical, professional practices and environmental responsibility guide how ams conducts its business around the world. At the core of ams' business activities is our company code of conduct to which all our business functions worldwide adhere. The code of conduct is a public binding set of principles and procedures for all ams employees that safeguards consistent, responsible, and accountable corporate activity. We actively monitor compliance with the code of conduct and provide secure feedback channels for employees globally.

For almost 10 years we have been a member of the United Nations Global Compact, the world's largest corporate strategic policy initiative for responsible business and sustainability. Underwritten by more than 13,000 members in 161 countries, the United Nations Global Compact is committed to human rights, labor standards, environmental protection, and anti-corruption measures.

We recognize our responsibility as a business to engage with a broader set of stakeholders beyond the boundaries of our business focus. We therefore support a range of social initiatives and organizations on the community as well as international level, including recurring volunteer opportunities for employees at several ams locations.

Reflecting our leadership approach, we continue our firm commitment of protecting the environment and the sustainability of resources while being successful in our industry. We pursue a reduction of our global carbon emissions footprint in relation to the scope of our business and strive to deploy technologies designed to lower our electricity and natural gas consumption. To support these efforts our internal production sites in Austria and the Philippines are certified according to the Environmental Management System DIN EN ISO 14001. Expanding our engagement, we are currently in the process of receiving the equivalent certification for our production locations in Singapore.

Detailed information on our emissions footprint is published on a yearly basis within the framework of the Carbon Disclosure Project. The Carbon Disclosure Project was initiated by some of the world's largest institutional investors and is now well established as the leading international initiative for corporate disclosure of environmental information to stakeholders. Participating since 2009, we have built a solid track record of disclosure on this widely recognized platform.



OUR BUSINESS



We focus on our
strategic pillars
optical, image and
audio sensing

ams is a worldwide leader in sensor solutions providing high-performance sensing technologies with a clear focus on three strategic pillars, optical, image and audio sensing. Serving many of the world's leading companies as a key supplier, we power a wide range of innovative sensing applications in the mobile, consumer, automotive, industrial, and medical end markets.

Optical sensing

ams is the pre-eminent global player in optical sensing, holding a leadership position in key optical sensing applications. As our most relevant strategic pillar, optical sensing continues to provide the major share of our total business and is an important driver of long-term growth for ams.

Within optical sensing, 3D sensing continues to be a key growth market and we anticipate this technology to remain a bold driver for years to come as 3D sensing technologies are on course to become pervasive across our end markets. Face recognition and authentication, assisted and autonomous driving, object recognition, and augmented reality are among the first evident uses of 3D sensing. 3D depth information offers a wealth of new sensing data driving profound change in the world of sensing through three-dimensional interpretation of captured scenes or objects. This technology is poised to create new high value measurement and sensing applications in all end markets over time, from consumer and automotive to industrial and medical.

With our outstanding portfolio of differentiated optical technologies and extensive system know-how, we continue to build a leadership position in highly complex 3D sensing technology. Our unmatched optical sensing portfolio encompasses high performance optical sensors, illumination systems, and optical systems built around industry-leading micro-optics packaging, wafer-level optics and other optical components including diffractive optical elements.

The evolution of mobile devices is opening new possibilities with next generation applications re-defining the way we perceive and interact with the world. ams helped introduce the first high-volume application of 3D sensing technology, enabling a global smartphone platform in the consumer market. Based on our industry-leading 3D sensing know-how and portfolio we are moving ahead in the 3D market supplying all three 3D technologies structured light (SL), time-of-flight (ToF), and active stereo vision (ASV). As 3D sensing adoption in mobile devices is broadening we see ongoing co-existence of these 3D sensing approaches. We also cover front-facing as well as world-facing applications offering modules, components and solutions for all approaches.

Leveraging our optical technologies we continue to build a leadership position in complex 3D sensing technology

Our technology offers unique capabilities to create compact high-power illumination systems based on Vertical Cavity Surface Emitting Lasers (VCSEL) that will help drive innovation in consumer and non-consumer 3D sensing. We are able to differentiate in this area leveraging Princeton Optronics' outstanding high-power VCSEL technology and our in-house VCSEL driver circuit designs. Illumination systems increasingly define core aspects and system performance of 3D sensing solutions. We continue to gain traction in this market and stand out as an integrated supplier of VCSEL illumination systems with VCSEL, VCSEL driver and module capabilities under one roof.

The recent joint announcement with Qualcomm Technologies, Inc. and Face++ also shows how we actively build ecosystem partnerships based on combined development efforts. The announced 3D active stereo camera solution for Android-based mobile applications like biometric face authentication, 3D imaging, and scanning is based on our advanced VCSEL sources, our optical IR pattern technology with WLO, Snapdragon™ application processor integration and Face++ recognition software. At the same time, we continue to expand our 3D software portfolio following the acquisition of KeyLemon which enables deeper system involvement for us and offers OEMs a smoother path to implementing 3D sensing.

Our 3D sensing strategy therefore combines a market-leading hardware and software portfolio to offer a differentiated solution capability. We pursue a clearly defined roadmap in 3D sensing and tailor solutions that meet evolving customer needs.





We expect high-volume uses of 3D sensing to drive a multi-stage adoption cycle in consumer and non-consumer end markets over the coming years. The adoption of 3D sensing beyond the consumer market is already visible in significant automotive applications such as solid-state 3D LIDAR, a core technology required for higher level assisted towards autonomous driving. Based on our VCSEL and VCSEL driver expertise, we achieved a first large design-win for a 3D LIDAR illumination system last year at a leading Tier 1 automotive supplier. Given the advantages of our illumination technology in LIDAR applications, we expect to play a leading role in the growth of this exciting market in the coming decade. Innovative optical sensing inside the vehicle for driver monitoring and identification is another new application area where we are seeing early customer interest. In addition, OEMs are starting to show early interest in 3D technologies for industrial sensing and automation which will open up a further very large market for the future.

Holding a leadership position in advanced light sensing for display management and proximity sensing in mobile devices, our TrueColor ambient light sensors remain an important product area for ams. Precise enough to copy the light perception of the human eye, they enable device vendors to provide high quality paper-like display performance and a rich display experience. As the trend goes to all-screen or bezel-less smartphones, front-side functions need to move behind the OLED display. We recently launched innovative optical sensors which detect ambient light and proximity from be-

hind a smartphone's OLED screen. With this 'Behind OLED' solution we enable smartphone OEMs to achieve the highest possible ratio of display area to body size while ensuring high quality display adjustment and proximity detection. Incorporating unique algorithms the solution offers ultra-high sensitivity for the very low light levels passing through the display resulting in excellent performance in all lighting conditions. Separately, the world's smallest 1D time-of-flight sensor for accurate proximity sensing and distance measurement in smartphones integrates a VCSEL source, multiple SPAD (single photon avalanche photodiode) light detectors and advanced software to offer reliable performance even when the sensor aperture is smudged or dirty.

In the innovative field of spectral sensing, ams is working to bring next-generation optical technology to the mass market. Sophisticated spectral analysis based on proprietary ams IP creates a platform to develop strongly differentiated new applications including highly accurate matching of colors in consumer online shopping and, in future, food identification for mobile devices. Driven by our advances in optical sensing, biosensing is another future growth area benefitting from the trend to monitor personal health and bring diagnostics closer to the home. We are able to measure blood pressure, a very important health indicator, at up to medical grade accuracy and currently pursue a regulatory certification in the United States. Adding heart rate, vein elasticity, vagal tone, and pulse transit time measurement, our complete optical sensing hard- and software solution enables a

snapshot of personal health and a timeline of data for preventive care that was not available before. We believe this technology may also be embed-

ded unobtrusively in daily life applications such as smart toilets, car seating and car steering wheels.

Imaging

ams is a leader in high-performance image sensing for the medical and industrial markets, built around our market-leading portfolio in medical imaging and global shutter image sensor technology. We provide advanced sensor solutions in medical imaging for computer tomography, digital X-ray, and mammography offering highest diagnostic quality while minimizing radiation exposure for patients. We hold the leadership position in this area and continue to broaden our market penetration in Asia. Moreover, the latest generation of our miniaturized NanEye micro cameras powers high-quality imaging for disposable medical endoscopes as the world's smallest cameras for endoscopy. Here we help enable a new level of diagnostics and patient safety in a very attractive growth area.

We also lead the market through innovation with our industrial image sensing solutions focused on high-performance global shutter technology. We support a range of growth applications in

high-quality machine vision, inspection, traffic control and high-end imaging including the trend towards always-on vision. Our recently introduced new global shutter image sensors for machine vision and Automated Optical Inspection provide strongly superior image quality and higher throughput in the 1" optical format. Enabling embedded vision functionality, the NanEye micro camera technology with a tiny footprint of just 1 mm² is also offering innovative solutions for space-constrained industrial and even future consumer applications. We have started to develop a new generation of high-resolution IR image sensors to enhance our 3D sensing portfolio and are driving a strategic convergence opportunity for combined image and spectral sensing. Based on our exclusive ability to cover both sensing technologies we pursue a roadmap for highly innovative solutions for mobile applications that enable high-quality image capture and spectral analysis in one ams device.

Audio sensing

As the market leader in MEMS microphone interfaces, we focus on high-quality audio sensing for consumer devices. Besides the high volume market for smartphones and computing, the adoption of home assistants and hardware digital assistants continues to increase. This market expansion drives growth as speech-related applications require multiple high quality microphones per device.

We are a leader in high-performance image sensing, built around our portfolio in medical imaging and global shutter technology

Our active noise cancellation (ANC) solutions deliver excellent sound quality regardless of ambient noise levels for audio devices such as earphones, headphones and headsets. Powering wireless and wired designs with smallest form factors and very low power consumption, we hold the leading position in this attractively growing market. Providing analog, digital and hybrid ANC we offer customers full flexibility and are introducing innovative augmented hearing technology where important

acoustic information is selectively excluded from noise cancellation. Our exclusive single cable interface for audio devices allows simultaneous battery charging and data exchange over only two wires for more attractive design options and easier implementation. Looking ahead, we expect audio sensing to expand into new applications such as machine hearing in the coming years creating additional opportunities for our portfolio.

Other business lines

Beyond our sensing focus areas we remain active in select existing product lines where we add opportunistic business. Following a strategic decision last year, we have de-emphasized our environmental sensing development efforts to focus on very attractive mid- and long-term growth opportunities particularly in optical technologies. As a result we recently announced the creation of a joint venture for our environmental, flow and pressure sensor solutions with Wise Road Capital and will transfer IP, sensor products and solutions, relevant customers and employees to the joint venture.

Our other sensing lines include a leading position in contactless position sensing for the industrial and automotive markets. With our successful position sensor solutions we enable high-performance industrial sensing and measurement as well as a broad range of automotive sensing, from powertrain to chassis control and in-cabin applications. Based on our power management expertise and an opportunistic design win we are also supplying an advanced power management component into a high-volume consumer charging application.

Our Global Network

OUR GLOBAL NETWORK

Europe

Austria
Headquarters

Belgium

France

Germany
4 locations

Italy
3 locations

Netherlands

Portugal

Switzerland
3 locations

Spain

United Kingdom
2 locations

Asia

PR China
4 locations

India

Japan

South Korea

Philippines

Singapore
3 locations

Taiwan

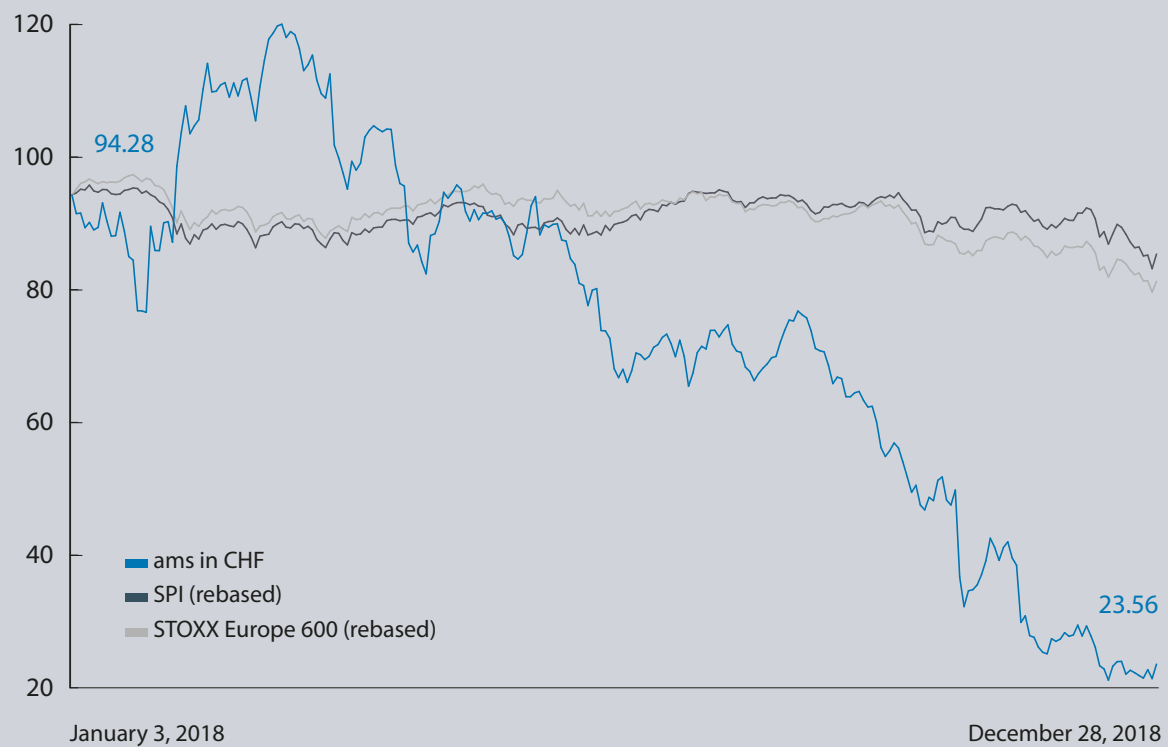
North America

USA
3 locations



INVESTOR RELATIONS AND EXECUTIVE BODIES

ams share price development



Investor Relations

As ams implements its successful sensor solutions strategy creating growth opportunities for the future the ams share continues to offer attractive potential for value appreciation despite a lackluster development and negative full year price performance in 2018.

Following a strong start reaching new all-time highs in the first quarter of the year, the ams share recorded a meaningful share price decrease which continued through most of the second half of 2018. This development was largely triggered by a noticeably weaker business performance in the second quarter due to lower demand in ams' consumer business. ams' business then showed an expected reversal in the third quarter, however, as the second half year progressed lower-than-expected demand in the smartphone market and macro-economic uncertainties created further negative impacts and required ams to reduce fourth quarter expectations in an intra-quarter update. For the share, this increase in consumer market volatility over the course of 2018 overshadowed the strong full year revenue growth ams was able to achieve. As a result, the ams share ended the year around 74% lower compared to the beginning of the year.

Given the current volatile capital market environment, ams has decided to postpone the planned secondary listing at the Hong Kong stock exchange. Nevertheless, ams successfully completed the prerequisite jurisdiction admission process for Austria in December 2018. ams expects to pursue the planned secondary listing at a later point in time as investor interest and ams' business presence in the Asia/Pacific region continue to increase.

In 2018, ams distributed a dividend of EUR 0.33 for fiscal year 2017 based on a cash dividend policy which provided for a dividend of at least the previous year's dividend amount. Reflecting a more volatile end market and macro-economic situation, ams has decided to suspend its cash dividend policy for fiscal year 2018 to focus on strengthening its business in 2019. ams continues to operate a share buyback scheme under which the company bought back 4,095,339 shares last year, equivalent to 4.9% of total issued shares at year-end 2018. ams plans to use a major portion of treasury shares held to cover employee long-term incentive plans.

At the Annual General Meeting in June 2018, all agenda items subject to a vote were approved with an overwhelming majority.

ams pursued a broad range of investor relations activities in 2018, based on its quarterly reports and regular presentations to research analysts, press, and institutional investors. ams continued

its extensive road show activities and attended a number of international investor conferences in Europe, North America and Asia/Pacific accessing existing shareholders and interested investors. Interest from U.S. and Asia/Pacific investors was again high or increased further in 2018, as a consequence these regions remained a focus of ams' investor relations activities. Together with the expansion of ams' business worldwide this helped advance the visibility of the ams share on a global scale.

A comprehensive suite of financial reports, press releases, presentations, and additional information on the ams share is available in the "Investor" section of the company website www.ams.com.

ISIN: AT0000A18XM4

Securities code: 24924656

Ticker symbol (SIX Swiss Exchange): AMS

Reuters / Bloomberg: AMS.S / AMS SW

Executive Bodies

Management Board

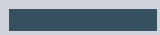
Alexander Everke (CEO)
Michael Wachsler-Markowitsch (CFO)
Dr. Thomas Stockmeier (COO)
Mark Hamersma (CBO)

Supervisory Board

Guido Klestil (Honorary Chairperson)

Hans Jörg Kaltenbrunner (Chairperson)
Prof. Dr. Siegfried Selberherr (Deputy Chairperson until June 6, 2018)
Michael Grimm (Deputy Chairperson)
Klaus Iffland (until June 6, 2018)
Jacob Jacobsson
Loh Kin-Wah
Tan Yen Yen (from June 6, 2018)
Prof. Dr. Monika Henzinger (from June 6, 2018)
Johann Eitner (employee representative)
Andreas Pein (employee representative)
Bianca Stotz (employee representative)

CORPORATE GOVERNANCE



Consolidated corporate governance information

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 as far as applicable to ams.

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 Premstaetten, 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 2.0 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 mobile, 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 101 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	-20,083	100 %
ams International AG	Rapperswil	97,775,667	100 %
ams Italy S.r.l.	Milan	1,241,803	100 %
ams R&D UK Ltd.	Launceston	366,457	100 %
ams Sensors Germany GmbH	Jena	8,475,097	100 %
ams Sensors Asia Pte. Ltd.	Singapore	27,900,523	100 %
ams Japan Co. Ltd.	Tokyo	613,835	100 %
ams Asia Inc.	Calamba City	24,861,367	100 %
ams Semiconductors India Private Ltd.	Hyderabad	534,177	100 %
ams R&D Spain S.L.	Valencia	608,000	100 %
Aspern Investment Inc.	County of Kent	4,193,116	100 %
AppliedSensor Sweden AB	Linköping		24,547,426
CMOSIS International BV	Berchem	74,490,723	100 %
Heptagon Advanced Micro-Optics Pte. Ltd.	Singapore	450,204,887	100 %

1.2 Significant Shareholders

Since January 1, 2016 ams is subject to article 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA) and the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIO-FINMA). 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:

Massachusetts Mutual Life Insurance Company	7.51%
Temasek Holdings Private Limited	5.40%
APG Asset Management N.V.	5.01%
BlackRock, Inc.	3.35%
Schroders plc	3.18%
T. Rowe Price Associates, Inc.	3.02%

Information on significant shareholders or groups of shareholders filed with ams and the Disclosure Office of SIX Swiss Exchange in accordance with article 120 FMIA 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, 2018, 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 are available at <https://ams.com/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 are available at <http://ams.com/eng/Investor/Corporate-Governance>)

Authorized Capital

In June 2018 the management board was authorized to increase – if required in several tranches – the share capital by up to EUR 8,441,982.00 by issuing up to 8,441,982 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 2018).

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 ten years after granting date at the latest. 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 95 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 667.56 million as of December 31, 2016, EUR 828.63 million as of December 31, 2017 and EUR 1,293.75 million as of December 31, 2018. 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, 2018 until December 31, 2018" in the financial section of this Annual Report (page 72).

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 to place 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.

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. In total, 1,130,720 options were distributed from SOP 2011.

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 Supervisory and Management Boards decided to adopt a 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 ten years after granting date at the latest 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 2018, 470,990 options from LTIP 2014 were granted to employees and management of the Company (2017: 546,090 options). In total, 2,906,270 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. In each case, 17% of the associated options can be exercised one, two, three, four and five years after grant. The remaining 15% of the options may be exercised six years after grant. In total, 2,362,000 stock options were granted from SSOP 2017.

The Supervisory Board and the Management Board adopted a Special Long Term Incentive Plan (SLTIP 2018) during the financial year 2018, which became effective on October 11, 2018. The SLTIP comprises a maximum of 350,000 options. This corresponds to approximately 0.5% of the share capital of Company at the time. Each option granted entitles each participant to purchase one share of the Company for an exercise price of EUR 43.41. The available options have been granted once

in 2018 after prior resolution by the LTIP committee. All granted options must be exercised by October 11, 2028. One-third of the options can be exercised after one, two and three years after the grant. During the financial year 2018, a total of 321,730 stock options were granted from SLTIP 2018 (2017: 0 options).

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 <https://ams.com/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 (Chairperson), born in 1957, Austrian citizen. Member of the Supervisory Board since 2009, Chairman since 2013. Re-elected in 2018, current term of office until 2022. 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 (ams 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.

Michael Grimm (Vice Chairperson), born in 1960, German citizen. Member of the Supervisory Board since 2009. Re-elected in 2018, current term of office until 2022. Michael Grimm studied Management at the University of Frankfurt and worked as a tax consultant and auditor at Arthur Andersen Wirtschaftsprüfungsgesellschaft, lately as partner and head of the Leipzig office. From 1997 until 2001 he was at Hoechst AG with responsibility for group accounts and was involved in the transformation of Hoechst AG into Aventis. From 2002 until 2005 Michael Grimm was director of finance, accounting and investments at Grohe Water Technology AG & Co. KG, then Managing Director of Triton Beteiligungsberatung GmbH, an investment company with holdings in medium-sized companies in Germany and Sweden. Since 2008 he has been Commercial Director of Dr. Johannes Heidenhain GmbH. Since January 2019, Michael Grimm is a member of the Management Board of Diadur SE, member of the Supervisory Board of Dr. Johannes Heidenhain GmbH and Deputy Chairperson of the Supervisory Board of MD Elektronik 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.

Loh Kin-Wah, born in 1954, Malaysian citizen. Member of the Supervisory Board since 2016, current term of office until 2019. Kin Wah Loh has over 40 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 Chairperson of Synesys Technologies Pte Ltd, Member of the Supervisory Board of BESI B.V. and Independent Director of AEM Holdings Ltd. 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).

Tan Yen Yen, born in 1965, Singapore citizen. Member of the Supervisory Board since 2018, current term of office until 2022. Yen Yen Tan held several different high-level positions in the technology sector, such as, Senior Vice President of Applications for Oracle Asia Pacific, Vice President and Managing Director for Hewlett-Packard Singapore (HP) and Regional Vice President and Managing Director of Asia Pacific (South) for SAS Institute. In addition she served as the Chairperson of the Singapore Infocomm Technology Federation, was Director of Infocomm Development Authority (IDA) of Singapore and Deputy Chairperson on the Ministry of Information, Communications and the Arts (MICA) Internet and Media Advisory Committee. Yen Yen Tan is currently the President of Vodafone Global Enterprise, Asia Pacific and the Chairperson of Singapore Science Centre. She has a degree in Computer Science from National University of Singapore and an Executive MBA degree with Helsinki School of Economics Executive Education.

Monika Henzinger, born in 1966, German citizen. Member of the Supervisory Board since 2018, current term of office until 2022. Monika Henzinger received her PhD from Princeton University and was working as a Director of Research for Google. From 2005 until 2009, she was a professor at the School of Computer & Communication Sciences of EPFL (École polytechnique fédérale de Lausanne), heading the Laboratory of Theory and Applications of Algorithms. In 2013 she was awarded a Dr. h. c. degree from the Technical University of Dortmund, Germany. She has published over 150 scientific articles, is the co-inventor of over 80 patents, is a fellow of the ACM as well as the EATCS and is a member of the Austrian Academy of Science. Currently Monika Henzinger is a Professor at the University of Vienna, Austria, heading the research group of "Theory and Applications of Algorithms".

Johann C. Eitner (Employee Representative), born in 1957, Austrian citizen. Member of the Supervisory Board since 1994. Re-elected in 2018, current term of office until 2023. Chairperson 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.

Andreas Pein (Employee Representative), born in 1964, Austrian citizen. Member of the Supervisory Board since February 2016, current term of office until 2023. Member of the Employee Council since 1998 and Chairperson 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. Since 2018 he has been working full-time as the deputy Chairperson of the Employees' Works Council.

Bianca Stotz (Employee Representative), born in 1988, Austrian citizen. Member of the Supervisory Board since October 2017, current term of office until 2023. 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 <https://ams.com/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 Chairperson and a Vice Chairperson. 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, Technology Committee and Convertible Bond 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 (Chairperson) and Michael Grimm.

– 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 (Chairperson), Jacob Jacobsson 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 (Chairperson), Kin Wah Loh, Jacob Jacobsson, Johann C. Eitner and Bianca Stotz.

– Technology Committee

The Technology Committee is responsible for reviewing and assessing targets set to measure short- and long-term technical performance and its commercial results, recommendations regarding important technology strategies, including R&D developments, as well as the protection of the company's intellectual property and evaluation of future trends in technology. The members of this committee are Loh Kin-Wah (Chairperson), Tan Yen Yen, Monika Henzinger, Jacob Jacobsson, Andreas Pein and Bianca Stotz.

– 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 were Hans Jörg Kaltenbrunner (Chairperson), Prof. Siegfried Selberherr (member of the Supervisory Board until June 6, 2018) 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 Chairperson and, in his absence, by a Vice Chairperson. Resolutions are passed by simple majority of the votes cast. In case of equality of votes, the Chairperson'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 chairperson 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 Chairperson, 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 Chairperson and an additional committee member as the Chairperson's deputy. Committee resolutions are passed by simple majority of the votes cast. In case of equality of votes, the Committee Chairperson's vote is decisive.

The Supervisory Board normally convenes five times a year. During the past year, the Supervisory Board convened a total of six times in meetings and held one additional strategy session and one additional information session. The Supervisory Board meetings lasted an average of around six hours. The Compensation Committee convened a total of seven 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 one time with the session lasting one hour. The Technology Committee convened a total of three times with sessions lasting an average of around four hours. 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 2021. 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 Wachslers-Markowitsch, born in 1968, Austrian citizen. Member of the Management Board responsible for finance since February 2004. Contract term until 2022. 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 Wachslers-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 Wachslers-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 2020. 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 2020. 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 more than 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 Chairperson and its Vice Chairperson 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 Chairperson and its Vice Chairperson. The Supervisory Board is informed about the developments in this process. In the period under review an external advisor 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 annual variable part of the remuneration paid in 2018, 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 91 of this report) regarding the terms and structure of the share ownership programs.

The annual variable part of the remuneration paid in 2018 was 47% of the basic remuneration for the Chairman of the Management Board (CEO), the CFO, the COO and the CBO.

In case of severance, two Management Board members receive a severance pay of two gross monthly salaries per year of service up to a maximum of two yearly gross salaries. In case of termination or

non-extension of their Board membership, these Management Board members have a claim in the amount of the severance pay. There are no further claims from company pension schemes or in case of termination of Board membership. D&O insurance is in place for members of the Management Board and for members of the Supervisory Board.

5.2 Remuneration report in keeping with Arts. 14 to 16 Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC)

Regarding compensation for acting Board members, the relevant details are available below. In the year under review, former Board members were not granted any compensation or severance pay. Regarding clauses on changes of control please refer to section 7.2

	Chairman of Management Board (CEO)		Management Board total	
Remuneration (in thousands of EUR)	2018	2017	2018	2017
Salary				
Salary, not variable	640	615	1,839	1,451
Salary, variable*	300	180	869	519
Options				
Options (value at allocation)	1,222	7,154	4,000	16,648
Non cash benefit				
Car	12	12	26	33
Expenses for precautionary measures				
Contribution to accident insurance	2	2	4	4

* Total variable salary of the Management Board paid in the financial years 2018 and 2017. The total variable salary of the Management Board for the financial year 2018 shown in note 30 of the Notes to the Consolidated Financial Statements (page 139 of this

report) differs as it is calculated as the net effect of the release of the provision for the variable salary for 2018, the provision for the variable salary for 2019 and the payout in 2018.

The company's executive officers hold 34,400 shares and call options for the purchase of 1,861,259 shares of ams AG as of December 31, 2018 (219,400 shares and call options for the purchase of 2,540,170 shares as of December 31, 2017).

During the year under review 25,540 (2017: 34,730) call options to purchase shares of ams AG under the LTIP 2014, 0 (2017: 514,000) call options to purchase shares of ams AG under SSOP 2017 and 0 (2017: 0) call options to purchase shares of ams AG under SLTIP 2018 were allocated to the Chairman of the Management Board. 77,380 call options under LTIP 2014 (2017: 78,330), 0 (2017: 1,200,000) call options under SSOP 2017 and 35,560 (2017: 0) call options to purchase shares of ams AG under the SLTIP 2018 were allocated to the Management Board in total. The strike price is EUR 1.00 for LTIP 2014 options, EUR 27.56 for SSOP 2017 options and EUR 43.41 for SLTIP 2018. For conditions and valuations of the call options for shares of ams AG based on the LTIP 2014, SSOP 2017 and SLTIP 2018 please refer to item (m) (iv) of the Significant Accounting Policies in the Notes to the Consolidated Financial Statements (page 95-98 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, 2018 (1,250 shares and 0 options as of December 31, 2017).

The remuneration of the company's Supervisory Board amounted to EUR 536 thousand (2017: EUR 488 thousand). All remunerations were or are to be paid directly by the company. One member of the Supervisory Board supplied consulting services amounting to EUR 5 thousand in the year under review (2017: EUR 18 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 2018 will be determined in the Annual General Meeting on June 5, 2019. Persons related to the Supervisory Board members held 0 shares and 0 options to purchase shares of ams AG as of December 31, 2018 (2,500 shares and 0 options as of December 31, 2017).

Supervisory Board remuneration 2018

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	Chairperson	105	0	0	0
Prof. Dr. Siegfried Selberherr	Vice Chairperson (until June 6, 2018)	85	2	0	0
Michael Grimm	Vice Chairperson	80	0	0	0
Klaus Iffland	Member (until June 6, 2018)	65	0	0	0
Jacob Jacobsson	Member	65	21	54,000	0
Yen Yen Tan	Member (since June 6, 2018)	0	10	0	0
Monika Henzinger	Member (since June 6, 2018)	0	0	0	0
Kin Wah Loh	Member	65	40	0	0
Johann Eitner	Employee representative	0	0	0	0
Bianca Stotz	Employee representative	0	0	0	0
Andreas Pein	Employee representative	0	0	0	335
		465	73	54,000	335

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	Chairperson	105	1	0	0
Prof. Dr. Siegfried Selberherr	Vice Chairperson	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

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 Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA) regarding public takeover offers apply at the reporting date. Under article 135 para. 1 FMIA, 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 6, 2018. 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 230,458.00 during the year under review.

8.3 Additional Fees

The auditing firm charged fees for additional consulting services amounting to EUR 31,460.00 during the year under review, mostly related to M&A activities and the convertible bond issuance.

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 2018, 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 <https://ams.com/investor-calendar>. The company's ad-hoc publications are available at <https://ams.com/ad-hoc> and can be subscribed via <https://ams.com/investor-contact>. 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 <https://ams.com/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 150 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 16% in fiscal year 2018 (14% in fiscal year 2017). The overall share of women in the company's workforce was 56% in fiscal year 2018 (60% in fiscal year 2017). According to its Code of Conduct, ams refrains from any form of discrimination based on, for example, race, religion, political affiliation, sexual orientation and, in particular, gender.



FINANCIAL INFORMATION



Financial information for fiscal year 2018

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

The global semiconductor sector showed a positive development in 2018 and benefitted from a benign macroeconomic environment in key regions. Total sales of the global semiconductor industry grew meaningfully in 2018, increasing by 13.7% to USD 468.8 billion, while market volume had increased by 21.6% in 2017 to USD 412.2 billion. The relevant market segment for ams, analog semiconductors, grew 10.8% to USD 58.8 billion in 2018 (previous year: USD 53.1 billion).

ams commands a leading position in advanced sensor solutions which is built around a strong focus on innovation and more than 35 years of experience in analog semiconductors and sensors. Serving more than 8,000 customers globally, ams continued to expand its worldwide business activities in 2018 and increased its presence in the relevant markets in Europe, Asia/Pacific, and North America.

ams successfully pursued its focused strategy for leadership in optical, imaging, and audio sensing and recorded substantial growth from both consumer and non-consumer end markets in 2018. As end market volatility increased towards the end of the year ams faced unexpected weakness in customer demand in its consumer business in the fourth quarter compared to original expectations.

ams' business segment "Consumer" comprises the products and sensor solutions for the market Consumer & Communication. ams' consumer business which is a major supplier of advanced sensor solutions for smartphones and consumer devices was the main growth driver for the company again in 2018. At the same time, optical sensing was once more the most important business area for

ams and commanded the largest share of group revenues. Consequently, optical sensing solutions in 3D sensing and advanced display management continued to be important revenue streams for the company.

As the leader in optical sensing, ams offers a broad portfolio of high performance solutions for 3D sensing including VCSEL-based illumination, TrueColor and other display management, advanced proximity sensing, spectral sensing, and other optical applications. ams continued to drive innovation in optical technologies in 2018 bringing new products and solutions to the market.

ams is a leading provider of 3D sensing technology and ramped significant 3D sensing volumes for a major global smartphone platform in the second half of 2018. As 3D sensing adoption in mobile devices is broadening, ams sees ongoing coexistence of the 3D sensing approaches structured light (SL), time-of-flight (iTOF), and active stereo vision (ASV). ams has been able to win designs in all three areas with more 3D sensing-enabled devices expected to be launched in 2019. ams does not see one dominant approach emerging, rather, technology choices will continue to be driven by application, performance, software, solution partner, size, and cost considerations. Currently focusing on 3D system illumination, ams is successful working alongside different image sensor vendors at multiple OEMs which underlines the strength of ams' illumination portfolio and ams' leading system capabilities. Consequently, ams' 3D portfolio spans dot projection, different types of flood illumination, TOF proximity sensing, and pattern projection for SL, iTOF and ASV.

With design-wins in SL, iTOF and ASV ams provides illumination solutions for a range of Android 3D-enabled devices which have either been commercially launched or are expected to be launched in 2019. Leveraging its solution know-how, ams started shipping first VCSEL and 3D sensing products for Android SL 3D face recognition to two Asian smartphone OEMs last year. ams additionally won Android iTOF designs for two 3D programs at Asian smartphone OEMs which are also built around ams' illumination expertise and are either shipping or expected to ship in 2019. Demonstrating the success of combined development efforts which had started in summer 2018, ams recently presented a high quality ASV implementation for 3D face recognition in partnership with leading software provider Face++/Megvii, Qualcomm Technologies, Inc. and Bellus 33D. ams has separately won a first design in ASV illumination and expects first ASV 3D systems using ams technology in Android smartphones in 2019.

Based on its leading portfolio in 3D sensing, ams addresses front-facing face-related and world-facing applications. For world-facing 3D sensing, ams expects a multi-year timeline of adoption as applications and solutions continue to evolve. However, supporting early adoption ams started working on an illumination solution for a world-facing 3D sensing system in 2018 and expects volume shipments in 2019. ams' differentiated VCSEL technology offers competitive advantages for 3D sensing that are recognized in the marketplace. Together with ams' 3D system know-how, these are driving strong market and design traction for ams' VCSEL solutions in SL, iTOF and ASV. As shown by its extensive engagements with OEMs and ecosystem players, ams' ongoing development efforts are driving the company's leadership position in 3D sensing which is built on ams' recognized solution capability and outstanding system expertise across all 3D technologies.

In other optical sensing, ams reinforced its market leader position in display management light sensors including TrueColor, ambient light and proximity sensing. ams shipped a wide range of display management solutions to a broad base of consumer OEMs last year. This included significant volumes of TrueColor solutions which ams ramped in the second half of 2018 and very small scale proximity sensing for audio accessories. Following an announcement in autumn 2018, ams introduced an innovative solution for under-OLED-display light and proximity sensing which enables bezel-less phone designs and won first design wins expected to ship in 2019. As bezel reduction is a key theme in the smartphone market, ams is seeing additional OEM interest in the technology.

Significant R&D activities for new and future optical sensing and VCSEL illumination continued in 2018 including spectral sensing product development. ams is finalizing a miniature spectral sensing solution for consumer applications and expects first shipments to start in 2019. ams' other consumer product lines provided valuable contributions in 2018 shipping in high volume to multiple OEMs.

Audio sensing was another growth area for ams in 2018. MEMS microphone interfaces where ams is the market leader recorded solid volume growth again last year. The strong market success of home assistant devices with multiple microphone content was an important driver of this development. In the growing market for ear- and headphone active noise cancellation (ANC), ams holds a leadership position serving a broad range of accessory and device OEMs. New technologies such as ams' single cable power and data interface and hybrid integrated ANC are seeing market traction and offer additional business opportunities.

In autumn 2018, ams decided to de-emphasize development efforts in environmental sensing and focus relevant resources on very attractive mid- and long-term growth opportunities in optical technologies. ams expects optical technologies including further innovation to support an even broader spectrum of applications in the future. ams therefore believes that optical sensing is offering higher market and revenue potential for the company. Based on the decision, ams has already implemented steps to internally redeploy R&D resources to its optical sensing focus area and is exploring strategic options for parts of the environmental sensing business.

As a result of these streamlining efforts, ams can pursue a more focused strategy around its three strategic pillars optical, image and audio sensing which are core drivers of differentiation for the company.

ams's business segment "Non-Consumer", which comprises of products and sensor solutions targeting the end markets industrial, medical and automotive, performed well in 2018 growing in-line with expectations. ams serves a diversified range of non-consumer end markets with a clear focus on advanced sensing applications for global OEMs. As a leading supplier of high value sensing solutions, ams continued to drive innovation and performance across non-consumer applications.

ams' automotive business showed attractive growth in 2018. Focused on applications for safety, driver assistance, autonomous driving, position, and chassis control, ams' automotive portfolio is strongly positioned towards structural growth areas in automotive sensing. ams shipped a broad range of differentiated sensing products to leading automotive system suppliers in 2018 and sees increasing customer interest for its solutions in Asia including Japan. In automotive LIDAR, development activities continue at a strong pace to support a large 3D LIDAR program for a VCSEL array/driver illumination system at a global automotive supplier. LIDAR and 3D technologies are gaining increasing attention for automotive applications, for these ams offers strong VCSEL and optical sensing as well as system integration know-how which enables high performance implementations. ams also sees OEM interest in in-cabin 3D sensing applications which are expected to offer additional opportunities in the future.

ams' industrial business recorded another year of growth in 2018. ams is an important supplier to industrial OEMs worldwide serving the industrial automation, factory automation, HABA, and additional industrial markets. Expanding its broad portfolio of differentiated solutions, ams was able to strengthen its leading position in industrial sensing based on application know-how and solution expertise. The industrial markets for manufacturing, HABA, industrial IoT and other applications

continue to see increasing demand for sensor-based data acquisition. As a consequence, ams expects new sensing applications and technologies including 3D sensing to create further growth opportunities for ams in the coming years. ams' industrial imaging and machine vision business was particularly successful last year expanding its customer base and winning new designs. Leveraging its industry-leading global shutter technology, ams brought innovation to the market and remains at the forefront of growth applications in high performance image sensing.

ams' medical business showed a good performance and solid growth again in 2018. ams' market leadership in Medical Imaging for computed tomography (CT), digital X-ray, and mammography remained the core driver of ams' medical business in 2018. ams successfully ramped first solutions for another new Asian medical imaging OEM and sees continuing good market traction in Asia. ams also introduced the next generation of micro cameras offering the world's smallest camera systems for endoscopy. Based on this strong technology position, next generation medical endoscopy is expected to be a growth area for ams.

ams' business segment "Foundry" which manufactures analog and mixed-signal ICs for customers in specialty processes performed well in 2018 and contributed to the company's results. Positioned as a full service provider the business retained its leading position in the analog specialty foundry market.

In operations, ams realized a substantial expansion of manufacturing capacity in its Singapore locations in 2018 to support customer plans. Simultaneously, ams achieved strong efficiency improvements and reduced process times in several production areas which resulted in a lower utilization of ams' expanded optical manufacturing and filter deposition capacity in the second half of 2018. ams' wafer front-end manufacturing capacity in Austria was again fully utilized through 2018. Construction of ams' internal VCSEL production line continued in 2018 with limited equipment investment remaining for 2019. ams sees additional differentiation opportunities in both design and manufacturing of high power VCSELs for consumer and other applications which ams is keen to exploit through this manufacturing investment. To optimize operational and cost effects of the wafer manufacturing line as part of ams' total VCSEL capacity the production ramp of the front-end facility is planned to start around the end of 2019.

2. Business Results

2.1 Development of Revenues

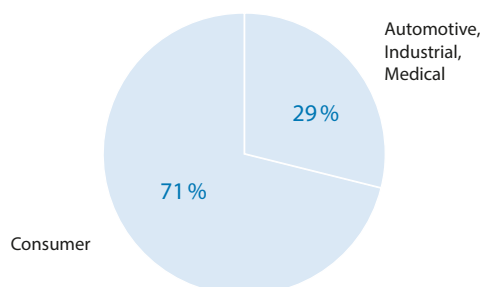
Consolidated group revenues for the financial year 2018 increased by 34% to EUR 1,426.3 million compared to EUR 1,063.8 million in 2017. This development was primarily due to the exceptional growth in demand in the target market Consumer (+38%) in conjunction with solid overall demand for ams' solutions in the Automotive, Industry and Medical markets (AIM). The revenue increase in the company's Consumer business was particularly driven by further deployment of optical sensing

solutions in 3D sensing and high-quality light sensors for advanced display management, as well as the business development of leading smartphone manufactures, who use ams-solutions. At the same time, ams' Automotive, Industry and Medical businesses were able to participate attractively in the worldwide development of demand.

The revenue distribution by markets is shown below:

in millions of EUR	2018	% of revenues	2017	% of revenues	Change in %
Consumer	1,007.9	71%	730.2	69%	+38%
AIM	418.4	29%	333.6	31%	+25%
	1,426.3		1,063.8		

Revenue breakdown by markets



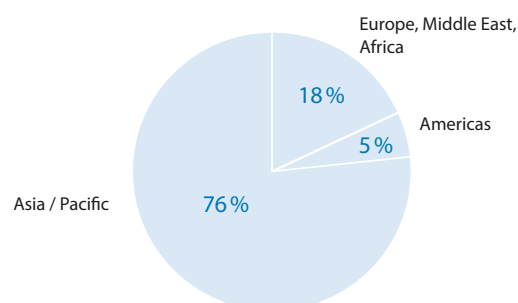
The distribution of revenues by region does not reflect the demand situation in ams' target markets but the geographic billing location of the company's customers. Business in the Asia / Pacific region showed a significant increase in 2018 compared to the previous year, particularly due to higher revenues from a major customer in Asia.

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

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

in millions of EUR	2018	% of revenues	2017	% of revenues	Change in %
EMEA	259.4	18%	352.7	33%	-26%
Americas	78.0	6%	212.3	20%	-63%
Asia / Pacific	1,088.9	76%	498.8	47%	+118%
	1,426.3		1,063.8		

Revenue breakdown by region



2.2 Orders Received and Order Backlog

Orders received reflect the positive business development across all major markets with EUR 1,258.0 million in 2018, however declined in total in comparison to the previous year of EUR 1,588.9 million in 2017 due to changing ordering patterns over the course of the year

ams' year-end order backlog decreased by 46% to EUR 291.8 million on December 31, 2018 compared to EUR 541.9 million at year-end 2017. This high level nevertheless constitutes an excellent basis for the year creating an excellent starting point for 2019.

Revenues and orders developed as follows:

in millions of EUR	2018	2017	Change in %
Revenues	1,426.3	1,063.8	+34%
Orders received	1,258.0	1,588.9	-21%
Total order backlog	291.8	541.9	-46%

2.3 Earnings

Gross profit decreased to EUR 387.9 million in 2018 compared to EUR 409.8 million in the previous year.

The company's full year gross margin excluding acquisition-related amortization share-based compensations costs and one-time restructuring costs decreased to 32% compared to 43% in 2017, gross margin including acquisition-related amortization share-based compensations costs and one-time restructuring costs also decreased to 27% compared to 39% in the previous year. This development was mostly driven by significantly lower than anticipated volume demand in the consumer market in the first half 2018. As a consequence this change in demand resulted into underutilization of the Singapore manufacturing capacities in the first half of 2018, which had a negative impact on gross margins. Selling prices for the company's products showed a stable overall level during the year.

Research and development costs, as well as marketing and sales expenses showed an increase in 2018 compared to the previous year. This develop-

ment resulted from significant product development efforts and an optimization of sales activities as personnel costs showed a further increase. Administrative costs were also higher compared to the year before mostly due to an increase in personnel costs.

Despite the revenue increase, the operating result (EBIT) (including acquisition-related amortization, share-based compensations costs and one-time restructuring costs) decreased due to an increase in fixed costs in conjunction with the expansion of production capacities for the year 2018, by EUR 63.1 million to EUR 12.9 million. In contrast to the lower EBIT, EBITDA (earnings before interest and taxes plus depreciation and amortization) increased by EUR 1.1 million to EUR 225.5 million.

Net result for 2018 increased to EUR 93.4 million compared to EUR 88.8 million in 2017. The return on equity reached 7% compared to 11% for 2017 while the return on revenues decreased by 1 percentage point to 7% (2017: 8%).

in millions of EUR	2018	2017	Change in %
Gross profit on revenues	387.9	409.8	-5%
Gross margin (excluding acquisition-related, one-time restructuring and share-based compensation costs)	32%	43%	
Gross margin (including acquisition-related, one-time restructuring and share-based compensation costs)	27%	39%	
EBITDA	225.5	224.4	+1%
Operating result (EBIT)	12.9	75.9	-83%
EBIT margin (including acquisition-related, one-time restructuring and share-based compensation costs)	1%	7%	
Financial result	78.4	-2.2	+3,639%
Result before tax	91.3	73.7	+24%
Net result	93.4	88.8	+5%
Return on equity	7%	11%	
Return on revenues	7%	8%	

2.4 Assets and Financial Position

The balance sheet structure shows a high ratio of fixed to total assets which is common to the semiconductor industry, at the same time intangible assets reflect the acquisitions concluded in the last years. The share of intangibles and property, plant and equipment in the total assets increased from 67% in 2017 to 68% in the reporting period 2018.

The investments in fixed assets affecting cash (capital expenditures) of EUR 412.9 million were significantly higher than the current depreciation and amortization of EUR 212.6 million and amounted to 29% of full year revenues (2017: 55%). The ratio of equity to fixed assets reached 53% in 2018 compared to 38% in the previous year, thus reflecting the investments in fixed assets, acquisitions and strategic investments.

In the past financial year ams completed strategic transactions to acquire 100% of the KeyLemon S.A., as well as ixellence GmbH.

The fixed assets include a deferred tax asset of EUR 16.3 million (previous year: EUR 26.1 million). Under the current tax legislation, this tax asset can be carried forward indefinitely but is expected to be used to offset profit taxes within the next five years.

Inventories amounted to EUR 309.9 million at the end of 2018 (2017: EUR 253.9 million). This increase was particularly driven by the further expansion of internal manufacturing capacities at a high level of capacity utilization and a comparable level of inventory turnover.

Trade receivables at balance sheet date decreased to EUR 121.0 million as a result of efficient debit management in the fourth quarter (2017: EUR 284.8 million). The average period of outstanding receivables showed a decrease compared to the previous year.

Financial liabilities increased by EUR 560.8 million to EUR 1,819.0 million from EUR 1,258.2 million in 2017 as a result of drawing long-term credit lines – exploiting the historically low interest rate levels – for acquisitions and strategic investments. Consequently, net debt increased to EUR 1,193.9 million in 2018 compared to a net debt position of EUR 865.8 million in 2017. Group equity increased by 56% to EUR 1,293.8 million due to positive effects of the revised earn-out structure with regards to the Heptagon acquisition, the collar transaction which has been carried out in conjunction with the mentioned earn-out, as well as the positive development of the net result.

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

in millions of EUR	2018	2017		2018	2017
Assets			Equity and liabilities		
Inventories	309.9	253.9	Financial liabilities	1,819.0	1,258.2
Trade receivables	121.0	284.8	Trade liabilities	175.9	308.4
Other current assets	663.3	469.4	Other liabilities	174.8	781.5
Fixed assets	2,474.1	2,227.1	Provisions	120.9	84.6
Deferred tax asset	16.3	26.1	Shareholders' equity	1,293.8	828.6
Total assets	3,584.5	3,261.3	Total equity and liabilities	3,584.5	3,261.3

Given the higher level of equity the company's debt-to-equity ratio decreased to 141% compared

to 152% in the previous year. At the same time, the equity ratio increased to 36% (2017: 25%).

	2018	2017
Equity ratio	36%	25%
Debt to equity ratio	141%	152%
Equity to fixed assets ratio	53%	38%

These figures are directly derived from the group financial statements.

2.5 Cash Flow

The operating cash flow increased significantly to EUR 315.4 million in 2018 compared to EUR -3.6 million in the previous year. This increase was primarily due to the higher result before taxes and changes in trade receivables. The cash flow from investing activities was EUR -414.7 million (2017: EUR -514.8 million) including EUR -412.9 million of expenditures for intangible assets, property, plant and equipment (2017: EUR -581.9 million)

and EUR 24.8 million for company acquisitions (2017: EUR 35.8 million). Free cash flow amounted to EUR -99.3 million (2017: EUR -518.4 million). The company's available liquidity increased by EUR 336.8 million to EUR 625.2 million at the end of 2018. The cash flow from financing activities amounted to EUR 406.5 million in 2018 compared to EUR 687.7 million in the previous year.

in millions of EUR	2018	2017	Change in %
Operating cash flow	315.4	-3.6	+8,861%
Cash flow from investing activities	-414.7	-514.8	+19%
Free cash flow	-99.3	-518.4	+81%
Cash flow from financing activities	406.5	687.7	-41%
Effects of changes in foreign exchange rates on cash and cash equivalents	-2.4	-23.3	+90%
Cash and cash equivalents	625.2	288.4	+117%

3. Research and Development

ams' technological leadership in the design and manufacture of high performance sensor solutions is based on more than 35 years of intensive research and development activities. In order to secure and strengthen its leading position, the company makes significant investments in research and development on a continuous basis. Research and development expenses amounted to EUR 239.1 million last year (17% of revenues) compared to EUR 214.0 million in the previous year (20% of revenues). Research and development activities mainly comprised sensor solutions, sensors and sensor interfaces for the company's core markets

regarding product development as well as the development of specialty variants of CMOS and SiGe processes. The average number of employees in research and development was 1,296 in 2018 (2017: 1,106).

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

4. Purchasing and Manufacturing

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

Due to the substantial expansion of the manufacturing capacities in Singapore and concurrent lower than expected demand in the consumer business, the manufacturing capacities in the Singapore facilities have not been fully utilized in the first half of 2018. After the successful ramp-up in the consumer business in the second half, the majority of the group's capacities were utilized at the end of 2018. Internal production capacity of the Austrian production location was fully utilized throughout the year 2018. Any unabsorbed fixed costs have been recorded in the income statement.

Gross margin excluding acquisition-related amortization, share-based compensations costs and one-time restructuring costs decreased to 32% compared to 43% in 2017, gross margin including acquisition-related amortization, share-based compensations costs and one-time restructuring costs decreased as well to 27% from 39% in the previous year. This negative development was mainly due to product mix effects and unabsorbed costs concerning the aforementioned underutilization of the Singapore facilities in the first half.

Given the positive demand environment for its products and solutions ams expects another year of very high capacity utilization for 2019.

5. Employees

On average, ams had 10,166 employees in 2018 (2017: 7,016) of which 1,374 worked at the company headquarters in Premstaetten (2017: 1,227). The increase of 3,150 employees comprises the addition of 190 employees in research and development, 2,482 employees in production and 478 employees in General and Administration. At 31.12.2018, the ams group employed 9,884 employees (2017: 11,168).

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

ams attempts to retain its employees with the help of a long-term remuneration model. A profit

sharing program for all ams employees augments the existing employee stock option and incentive programs by way of an attractive direct component. The profit sharing program expresses ams' belief that the company's employees are its most important success factor and honors every employee's contribution to ams' success.

Based on the earnings in 2018, the total amount for distribution which depends on the operating profit before taxes in relation to full year revenues (EBT margin) remains stable and totals EUR 1.6 million for 2018 (2017: EUR 1.6 million).

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

6. Environment

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

Sustainability as well as efforts to preserve environmental resources and reduce energy costs and carbon dioxide emissions are major concerns for ams which have been supported by a range

of activities for many years. Based on a thorough analysis of ams' carbon dioxide emission sources in 2009, measures to achieve further reductions in carbon dioxide emissions are being defined each subsequent year.

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

7. Subsidiaries and Branch Facilities

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

velopment activities. Branch facilities exist in Hong Kong, Singapore and Taiwan.

Principal shareholdings: The investment in NewScale Technologies, Inc., Victor, New York (USA), remained unchanged at 34.0%. NewScale Technologies develops piezo-based miniature motor technologies and licenses products and technologies to industrial partners.

In 2018 ams invested in 7Sensing Software NV, Leuven, Belgium and received 35.0% ownership. 7Sensing Software NV develops software-solutions for 3D Sensing, which are applicable in the consumer business.

8. Risk Management

Operating on a global basis, the ams group is exposed to a variety of risks that are inextricably linked to business activities. In order to identify, evaluate and counteract these risks in a timely manner, ams has developed and implemented tight internal risk management systems. This risk management system was implemented and benchmarked against best practices in conjunction with the company's auditors. The risk management process in place requires the business units to constantly monitor and evaluate risks. Regular risk

reports are prepared for the management board and supervisory board. This ensures that major risks are identified and counteraction can be taken at an early stage.

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

Business Interruption Risk

The company's state-of-the-art 200mm manufacturing facility went into operation in 2002. Although more than 15 years old the facility is regarded as comparatively new by analog semiconductor industry standards. In addition, the con-

tinuous maintenance and renewal process ensures uninterrupted operation of the production facility. Therefore the risk of breakdowns or prolonged downtime is relatively low. In addition, this risk is being minimized further by preventive maintenance.

nance activities. The business interruption risk is additionally insured for the replacement price and against loss of earnings for 18 months. ams' insurer,

FM Global, has awarded the company – as one of a select number of semiconductor manufacturers – the HPR (highly protected risk) status.

Financial Risks

Risk management is handled centrally by the treasury department in accordance with guidelines issued by the management board. These detailed internal guidelines regulate responsibility and

action parameters for the areas affected. The treasury department evaluates and hedges financial risks in close cooperation with the business units.

Receivables and Credit Risk

ams operates a strict credit policy. The creditworthiness of existing customers is constantly checked and new customers undergo a credit evaluation. Under ams' treasury and risk management policy, investments in liquid securities and transactions

involving derivative financial instruments are only carried out with financial institutions that have high credit ratings. As of the balance sheet date there were no significant concentrations of credit risk.

Interest Rate Risk

Interest rate risk – the possible fluctuation in value of financial instruments due to changes in market interest rates – arises in relation to medium and long-term receivables and payables (especially borrowings). ams' treasury policy ensures that part of the interest rate risk is reduced by fixed-interest borrowings. On the liability side, 51% of all amounts owed to financial institutions are at fixed

rates. Of the remaining borrowings on a floating rate basis (49%), 34% will be repaid over the next two years. The remaining floating rate borrowings undergo continual checks with regard to the interest rate risk. On the asset side, the interest rate risks are primarily attached to time deposits and securities in current assets that are tied to the market interest rate.

Foreign Exchange Risk

Financial transactions in the semiconductor industry are predominantly carried out in US dollars. To hedge the currency risk, all transaction and conversion risks are constantly monitored. Within the group, cash flow streams in the same currency are offset (netting). Currency fluctuations during

foreign currency transactions mainly concern the US dollar. From the company's point of view, due to the current extreme volatility in the currency markets, it is not reasonable to engage in economically feasible, efficient, and low risk currency hedges.

Product Liability and Quality Risk

The products manufactured by ams are integrated into complex electronic systems. Faults or functional defects in the products produced by ams may have a direct or indirect effect on the property, health or life of third parties. The company is not in a position to reduce or exclude its liability towards consumers or third parties in sales agreements. Every product that leaves the company undergoes several qualified checks regarding quality

and function. In spite of quality control systems certified to ISO/TS 16949, ISO/TS 13485, ISO 9001 und ISO 14001, product defects may occur and possibly only show up after installation and use of the finished products. Although this risk has been appropriately insured, quality problems could negatively impact ams' assets, financial and earnings position.

Patent Infringement Risk

ams manufactures complex ICs using various process technologies, line widths and production facilities. Like industry competitors, the company constantly has to develop these technologies further. Should ams infringe any existing patents while consistently monitoring processes, produc-

tion methods, and design blocks protected under patent law as well as related comprehensive licensing, this may negatively impact the assets, financial and earnings position of the company as well as the ams share price.

9. Events after the Balance Sheet Date

There were no significant events after balance sheet date identified.

10. Outlook

Uncertainties about the development of the world economy, global industrial production and private consumption prevail for the current year and ams is therefore experiencing growing end market volatility, customer performance that is becoming more difficult to anticipate, and less clarity regarding demand trends and semiconductor industry dynamics.

At the same time, ams sees itself well positioned in its markets based on the expected launch of new technologies for attractive sensing applications, continuing high volume shipments, and production ramps of various design-wins. For the sensor and analog segments of the worldwide semiconductor industry, market researchers assume the market volume to expand slightly in 2019 and currently expect year-on-year growth in the low to mid-single-digit percentage range (WSTS, January 2019)

However, should global semiconductor demand and the macro-economic environment develop

unfavorably in 2019 and/or the USD show notable weakness, ams would experience a meaningful impact on the development of its business and earnings.

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

ams' market-leading expertise in sensor solutions and its strategy of focusing on key sensing markets create a broad spectrum of growth opportunities for the company which are distributed across the consumer, automotive, industrial and medical markets. Building on its technical capabilities, ams expects to benefit from upcoming sensing applications in smartphones and other mobile devices and the expanding use of advanced sensor technologies in automotive, industrial, and medical applications.

11. Other Information

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

Premstaetten, February 25, 2019

ams AG, Premstaetten



Alexander Everke
Chairman of the
Management Board
CEO



Dr. Thomas Stockmeier
Member of the
Management Board
COO



Michael Wachsler-Markowitsch
Member of the
Management Board
CFO



Mark Hamersma
Member of the
Management Board
CBO

Consolidated Income Statement

acc. to IFRS from January 1, 2018 until December 31, 2018

in thousands of EUR	Note	2018	2017
Revenues	2	1,426,306	1,063,773
Cost of sales	4	-1,038,386	-653,951
Gross profit		387,920	409,822
Research and development	4	-239,064	-213,995
Selling, general and administrative	4	-142,098	-139,261
Other operating income	3	10,388	21,432
Other operating expense	4	-3,747	-1,943
Result from investments in associates	14	-514	-117
Result from operations		12,885	75,938
Finance income	5	130,926	50,232
Finance expenses	5	-52,483	-52,449
Net financing result		78,443	-2,217
Result before tax		91,328	73,722
Income tax result	6	2,088	15,024
Net result		93,416	88,745
Basic Earnings per Share in EUR	25	1.14	1.08
Diluted Earnings per Share in EUR	25	0.61	1.01

Consolidated Statement of Comprehensive Income

acc. to IFRS from January 1, 2018 until December 31, 2018

in thousands of EUR	Note	2018	2017
Net result		93,416	88,745
Items that will never be reclassified to profit and loss (after income taxes)	6		
Remeasurements of defined benefit liability	22	2,115	2,044
FVOCI equity instruments - net change in fair value		250	0
Items that may be reclassified to profit and loss (after income taxes)	6		
FVOCI debt instruments - net change in fair value		-501	14,348
Exchange differences on translating foreign operations		83,146	-161,154
Other comprehensive income		85,010	-144,762
Total comprehensive income		178,426	-56,017

Consolidated Balance Sheet

acc. to IFRS as of December 31, 2018

in thousands of EUR	Note	Dec. 31, 2018	Dec. 31, 2017
Assets			
Cash and cash equivalents	7	625,158	288,356
Financial assets	10	0	104,007
Trade receivables	8	121,015	284,799
Inventories	9	309,924	253,914
Other receivables and assets	11	38,021	77,103
Total current assets		1,094,117	1,008,179
Property, plant and equipment	12	1,206,516	996,876
Intangible assets	13	1,221,635	1,182,125
Investments in associates	14	2,960	1,896
Deferred tax assets	15	16,333	26,060
Other long term assets	16	7,327	46,179
Financial assets		35,645	0
Total non-current assets		2,490,416	2,253,136
Total assets		3,584,534	3,261,315
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings	17	220,022	586,417
Trade liabilities		175,887	308,392
Income tax liabilities		16,455	28,118
Provisions	18	80,673	44,394
Other liabilities	20	55,552	546,864
Total current liabilities		548,589	1,514,185
Interest-bearing loans and borrowings	17	1,599,013	671,787
Employee benefits	22	40,319	40,215
Deferred tax liabilities	19	65,666	67,085
Other long-term liabilities	20	37,193	139,411
Total non-current liabilities		1,742,191	918,498
Shareholders' equity			
Issued capital	23	84,420	84,420
Additional paid-in capital	23	709,958	577,592
Treasury shares	23	-118,462	-190,812
Other reserves	23	-18,148	-211,399
Retained earnings		635,986	568,831
Total shareholders' equity and reserves		1,293,754	828,632
Total liabilities and shareholders' equity		3,584,534	3,261,315

Consolidated Statement of Cash Flows

acc. to IFRS from January 1, 2018 until December 31, 2018

in thousands of EUR	Note	2018	2017
Operating activities			
Result before tax		91,328	73,722
Depreciation (net of government grants)	12, 13	212,600	148,494
Expense from stock option plan (acc. to IFRS 2)	4	16,613	20,259
Changes in other long-term liabilities		768	-5,406
Result from sale of plant and equipment	3	-106	27
Result from sale of financial assets		-57	0
Result from investments in associates		514	117
Net financing cost	5	-78,386	2,217
Change in inventories		-49,461	-146,164
Change in trade and other receivables		173,187	-179,552
Change in trade and other payables		-71,163	107,728
Change in provisions and employee benefits	22	36,245	-4,038
Change in deferred income		-5,469	3,580
Result from sale of discontinued business unit	3	0	-7,945
Tax Payments		-11,205	-16,591
Cash flows from operating activities		315,409	-3,553
Investing activities			
Acquisition of intangibles, property, plant and equipment		-412,943	-581,890
Acquisition of subsidiary, net of cash acquired		-24,803	35,834
Acquisition of other financial investments		-3,264	0
Proceeds from sale of plant and equipment		40	39
Disposal of discontinued business unit, net of cash disposed of		0	8,062
Proceeds from sale of financial assets		23,090	19,445
Interest received		3,213	3,691
Cash flows from investing activities		-414,667	-514,819
Financing activities			
Proceeds from borrowings		329,448	688,012
Repayment of debt		-316,900	-150,784
Repayment of finance lease liabilities		-77	-112
Proceeds from issue convertible bond		612,000	297,915
Acquisition of treasury shares		-185,834	-132,175
Sale of treasury shares		11,970	18,424
Interest paid		-16,536	-8,546
Dividends paid		-27,575	-25,047
Cash flows from financing activities	27	406,495	687,687
Change in cash and cash equivalents		307,237	169,315
Effects of changes in foreign exchange rates on cash and cash equivalents		-2,410	-23,342
Cash and cash equivalents pledged as security	24	31,975	-37,192
Cash and cash equivalents at begin of period		288,356	179,575
Cash and cash equivalents at end of period	7	625,158	288,356

Consolidated Statement of Changes in Shareholders' Equity

acc. to IFRS from January 1, 2018 until December 31, 2018

in thousands of EUR	Issued capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total share-holders' equity
Total equity as of January 1, 2017	73,409	211,625	-166,079	59,860	488,741	667,556
Net result	0	0	0	0	88,745	88,745
Remeasurement of defined benefit liability	0	0	0	0	2,044	2,044
Valuation of financial instruments	0	0	0	0	14,348	14,348
Exchange differences on translating foreign operations	0	0	0	-161,154	0	-161,154
Comprehensive income	0	0	0	-161,154	105,137	-56,017
Share based payments	0	16,418	0	0	0	16,418
Dividends paid	0	0	0	0	-25,047	-25,047
Capital increase	11,011	349,549	0	0	0	360,560
Commitment for share buyback	0	0	0	-110,104	0	-110,104
Purchase of treasury shares	0	0	-197,724	0	0	-197,724
Sale of treasury shares	0	0	172,990	0	0	172,990
Total equity as of December 31, 2017	84,420	577,592	-190,812	-211,399	568,831	828,632
Adjustment from first application of IFRS 9	0	0	0	0	-550	-550
Total equity as of January 1, 2018	84,420	577,592	-190,812	-211,399	568,281	828,082
Net result	0	0	0	0	93,416	93,416
Remeasurement of defined benefit liability	0	0	0	0	2,115	2,115
Valuation of financial instruments	0	0	0	0	-251	-251
Exchange differences on translating foreign operations	0	0	0	83,146	0	83,146
Comprehensive income	0	0	0	83,146	95,280	178,426
Share based payments	0	-5,275	0	0	0	-5,275
Dividends paid	0	0	0	0	-27,575	-27,575
Optionright convertible bond	0	93,570	0	0	0	93,570
Capital increase	0	53,682	0	0	0	53,682
Commitment for share buyback	0	-9,610	-75,227	110,104	0	25,266
Purchase of treasury shares	0	0	-185,834	0	0	-185,834
Sale of treasury shares	0	0	333,412	0	0	334,412
Total equity as of December 31, 2018	84,420	709,958	-118,462	-18,148	635,986	1,293,754

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

ams AG ("the Company") is a company located in 8141 Premstaetten, Austria. The Company is a global leader in the design, manufacture and sale of high performance analog and analog intensive mixed signal integrated circuits, some of which are manufactured for customer specific applications, as well as sensor solutions mainly for optical, imaging and audio sensor solutions. The consolidated finan-

cial statements for the year ended December 31, 2018 represent the parent company ams AG and its subsidiaries (together referred to as the "Group").

On February 25, 2019 the consolidated financial statements according to IFRS as of December 31, 2018 were completed and released for approval by the Supervisory Board.

(a) Statement of Compliance

The consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and all obligatory interpretations as issued by the International Financial Interpretations Committee. Furthermore these consolidated financial statements are in accordance with the International Financial Reporting Standards as to

be applied in the European Union as per the business year 2018, as well as additional requirements relating to §245a UGB.

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

Standard	Content	Initial application IASB ¹⁾	Initial application EU ²⁾
New standards and interpretations			
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	January 1, 2018
Amended standards and interpretations			
IFRS 2	Share-based Payment	January 1, 2018	January 1, 2018
IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018	January 1, 2018
IAS 40	Classification of Investment Property under construction	January 1, 2018	January 1, 2018
Annual improvements (2014-2016 cycle)	Various IFRS 1 and IAS 28	January 1, 2017 / January 1, 2018	January 1, 2018

¹⁾Standards to be applied for financial years which begin on or after the effective date according to the respective pronouncements of the International Accounting Standards Board.

²⁾The IFRS are to be applied for business years that begin on or after the effective date according to the respective EU regulation.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 sets out a comprehensive framework for determining whether and to what amount and at what time revenue is recognized. The new standard supersedes the previous guidance on revenue recognition, in particular IAS 18 Revenues and IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognized when a customer obtains control over goods or services. Differences between the previous regulations and IFRS 15 arise - among other things - on the question of whether or when the revenue for a contract is to be recognized at a point in time or over time, the recognition order acquisition costs, the distribution of revenues over several contract and service components, the consideration of financing costs or the recognition of license income. The application of the new guidelines, in particular the determination whether the power of disposition is point in time or over time, requires discretionary decisions.

ams has analyzed all customer contracts and orders to determine the impact of the new standard on recognizing revenue in the consolidated financial statements. With the exception of possible effects on contracts for the production of custom products

without alternative use and the right to reimbursement of costs and a reasonable margin of contract termination, the analysis provided no guidance on any potential impact of the application of the provisions of IFRS 15.

For manufacturing contracts for custom products without alternative use and the right to a reimbursement of costs and a reasonable profit margin, sales revenues are to be recorded on an accrual basis as part of the completion of the products and thus at a previous time. ams has determined the impact on all material contracts with customers as of December 31, 2017 and December 31, 2018 and has determined that the amount of revenue previously recognized in the past is less than EUR 5 million and the impact on net income is less than EUR 1 million is. Reason for the small deviation is that both the period for the production of the products as well as the period between binding order (conclusion of the contract with the customer) and delivery is short. Due to these insignificant effects, ams has not adjusted its revenue recognition. ams will continuously monitor the potential impact and, in the case of material amounts, recognize the revenue recognition in accordance with the guidelines of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 regulates the accounting and valuation of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial items. This standard supersedes IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains three basic categories for the classification of financial assets:

- measured at amortized cost,
- measured at fair value with recognition through other comprehensive income (FVOCI)
- and measured at fair value through statement of profit and loss (FVTPL).

The classification of financial assets under IFRS 9 is based on the entity's business model for managing financial assets and the characteristics of contractual cash flows. When acquiring equity instruments that are not held for trading for the first time, the Group can irrevocably make a one-off decision to present all subsequent changes in the fair value in other comprehensive income or in the income statement. This choice is made for each individual investment.

IFRS 9 eliminates the previous categories of IAS 39: held-to-maturity, loans and receivables and available-for-sale.

Under IFRS 9, derivatives embedded in contracts for which the asset is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument is assessed overall in terms of classification. Regarding the classification of financial liabilities, IFRS 9 largely follows the existing requirements of IAS 39.

ams applies IFRS 9 retrospectively in accordance with IFRS 9.7.2.1. The adjustment of the previous years was waived in accordance with IFRS 9.7.2.15. Any differences between the previous book value and the carrying amount in accordance with IFRS 9 as of January 1, 2018, the date of first-time application of IFRS 9, were recognized in the opening balance of retained earnings or, if appropriate, in another equity component.

The following table and the accompanying notes below show the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at January 1, 2018. Changes in value between the carrying amounts as at December 31, 2018 in accordance with IAS 39 and the carrying amounts as at January 1, 2018 in accordance with IFRS 9 result exclusively from the recognition of impairment losses in accordance with IFRS 9:

in thousands of EUR	original valuation category according to IAS 39	new valuation category according to IFRS 9	book value according to IAS 39 as reported	new book value according to IFRS 9
Debt instruments	Available for sale (FVOCI)	Hold-to-collect and sale (FVOCI)	23,534	23,534
Equity instruments	Available for sale (FVOCI)	Fair value through profit and loss (FVTPL)	30,852	25,002
		Fair value through other comprehensive income (FVOCI)		5,850
Derivative financial instruments	Held for trading	Mandatory fair value through profit and loss	80,473	80,473
Trade receivables	Loans and receivables (at amortized costs)	Hold at amortized cost	284,799	284,549
Contingent purchase price receivables	Loans and receivables (fair value through profit and loss)	Hold (fair value through profit and loss)	11,935	11,935
Cash and cash equivalents	Loans and receivables (at amortized costs)	Hold (at amortized cost)	288,356	288,056
Total financial assets			719,949	719,399

in thousands of EUR	original valuation category according to IAS 39	new valuation category according to IFRS 9	book value according to IAS 39 as reported	new book value according to IFRS 9
Loans & borrowings	At amortized costs	At amortized costs	1,007,063	1,007,063
Convertible bonds	At amortized costs	At amortized costs	251,141	251,141
Derivative financial liabilities	Held for trading	Fair value through profit and loss	83,250	83,250
Trade payables	Loans and receivables (at amortized costs)	Hold (at amortized cost)	308,392	308,392
Contingent purchase price liabilities	Loans and receivables (fair value through profit and loss)	Hold (fair value through profit and loss)	438,535	438,535
Total financial liabilities			2,079,381	2,079,381

Debt instruments classified as available-for-sale in accordance with IAS 39 are held by the Group to generate interest income, but can be sold to meet liquidity requirements that arise in the normal course of business. ams considers these securities to be in a business model whose objective is

achieved both by the inflow of contractual cash flows and the sale of securities. Therefore these assets were measured at fair value through other comprehensive income in accordance with IFRS 9 as financial assets.

The equity instruments were designated as available for sale in accordance with IAS 39. In accordance with IFRS 9, ams has decided to recognize changes in fair value through profit and loss for equity instruments that are held for developing future business activities. For an equity investment in which the option to recognize changes in fair value through other comprehensive income (FVOCI), has been selected ams intends to hold the investment for strategic purposes over a long term. Unlike IAS 39, the cumulated fair value reserve in OCI for these assets is never to be reclassified to profit or loss.

Derivative financial instruments are measured at fair value in accordance with both IAS 39 and IFRS 9. Changes in the fair value are recognized through profit or loss.

Trade receivables that have been classified as loans and receivables in accordance with IAS 39 are intended to be held to maturity by the Group

in order to collect the contractual cash flows. ams has therefore allocated these receivables to the holding business model and it is measured at amortized cost. Loans and advances to banks that are reported as cash and cash equivalents are also allocated to the holding business model and are measured at amortized cost.

Impairment of financial assets

IFRS 9 replaces IAS 39's incurred loss model with an Expected Credit Loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, to assets and investments in debt instruments (FVOCI), but not to investments in equity instruments. The ECL model recognizes credit losses sooner than under IAS 39. The first application of the ECL model on January 1, 2018 resulted in a reduction of equity amounting to EUR 550 thousand and consists of the following:

in thousands of EUR	
Loss allowance at 31 December 2017 under IAS 39 from application of the ECL model	868
Additional impairment recognized at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017	250
Contract assets recognized on adoption of IFRS 15	0
Cash and cash equivalents	300
Loss allowance at 1 January 2018 under IFRS 9	1,418

For additional information on the calculation of value adjustments, see Note 7 and 8.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction for purposes of determining the exchange rate is the initial recognition of the

non-monetary asset of the advance payment or non-monetary debt from payments received. If there are multiple payments or receipts in advance, a date of transaction is determined for each payment or receipt.

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

Standard/ Interpretations	Content	Initial application IASB ¹⁾	Initial application EU ²⁾
New standards and interpretations			
IFRS 16	Leases	January 1, 2019	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	January 1, 2019
Amended standards and interpretations			
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019	
IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019	January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019	
IAS 1 and IAS 8	Definition of Material	January 1, 2020	
IFRS 3	Definition of a Business	January 1, 2020	January 1, 2019
IFRS Conceptual Framework	Changes to the references to the framework	January 1, 2020	
Annual improvements (2015-2017 cycle)	Various Changes to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019	January 1, 2019

No premature application of the in the table above mentioned changes or amendments of standards

and interpretations are in effect, but are described in the following.

IFRS 16 Leases

IFRS 16 replaces the existing arrangements of accounting for leases (includes both leases and rental agreements) in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Lease - Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The Standard enters into force for financial years beginning on or after January 1, 2019.

IFRS 16 introduces a single accounting model that requires leases to be recognized in the lessee's balance sheet. A lessee recognizes a right of use that constitutes his right to use the underlying asset and a liability arising from the lease for the

obligation to pay the lease. Simplification rules exist for short-term leases and leases of low value. The expenses from the leasing contracts that were previously recognized on a straight-line basis over the term of the lease are replaced by the straight-line amortization of the right of use and the interest expense from the lease liability. As a result of the decreasing value of the lease liability, an earlier recognition of the total leasing expenditure is generally incurred.

The accounting by the lessor is comparable to the existing rules: that is, that the lessor continues to classify leases as finance or operating leases.

¹⁾ Standards to be applied for financial years which begin on or after the effective date according to the respective pronouncements of the International Accounting Standards Board.

²⁾ The IFRS are to be applied for business years that begin on or after the effective date according to the respective EU.

According to the calculations, ams has to recognize rights of use and debts for operating leases of factory buildings, office space, a gas farm as well as cars and IT equipment amounting to approx. EUR 80 million in the balance sheet, which is offset by a liability from the future lease payments in the same amount. Rental and leasing expenses will be reduced by around EUR 21 million in 2019 and depreciation expenses will increase by around EUR 20 million and interest expenses by around EUR 1 million.

No material effects are expected for the Group's finance leases.

ams will make use of the modified transitional regime and will not apply IFRS 16 retrospectively. For this reason, the cumulative effect from the application of IFRS 16 is recorded as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information is not adjusted.

The Group intends to use the simplification rule to maintain the definition of a lease in the changeover. This means that the Group will apply IFRS 16 to all contracts that were concluded before January 1, 2019 and that have been identified as leases under IAS 17 and IFRIC 4.

IFRIC 23: Uncertainty over Income Tax Treatments

Effective January 1, 2019, IFRIC 23 enters into force, clarifying uncertainties regarding the tax treatment of tax credits / losses and tax rates. ams has already used a comparable accounting method, therefore

the first-time application of this interpretation will not have any significant effects on the consolidated financial statements.

(b) Basis of Preparation

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

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

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

(c) Basis of consolidation

(i) Subsidiaries

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

Comments on the local financial statements of subsidiaries: The accounts of the subsidiary company ams R&D UK Ltd., ams Sensors UK Ltd., as well as Incus Laboratories Ltd. have not been audited. All members agree to the exemption in accordance with section 479A of the UK Companies Act 2006. For ams Sensors Germany GmbH the relief according to §264 par 3 HGB Germany is used for the year 2018 (as well as for year 2017).

(ii) Business combinations

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

contingent considerations are recognized at fair value, subsequent changes are recognized in profit or loss.

On February 22, 2018 ams obtained control of KeyLemon S.A., Switzerland ("KeyLemon") by acquiring 100% shares of the company.

The acquisition has been made by cash consideration of CHF 9.9 million, a deferred cash consideration totaling to CHF 9.2 million with maturity of one year and of two years after the acquisition date, as well as a contingent consideration up to CHF 5 million. This contingent part of the purchase price depends on sales of products based on KeyLemon IP in the years 2018 and 2019.

The contingent consideration has been determined as the present value based on the expected value for the amount to be paid based on possible scenarios.

KeyLemon is a leading provider of software development for 3D sensor technology. The software will be used in combination with the existing 3D technologies, such as high performance integrated optical systems and Vertical Cavity Surface Emitting Lasers (VCSEL), for consumer and non-consumer applications. In particular, the ability to differentiate by the unique system expertise for 3D systems and sensor solutions in the consumer market and the acceleration of the time-to-market of new 3D solutions should be optimized by using the KeyLemon software in conjunction with the existing technology.

The following table provides an overview of the acquired assets and assumed liabilities as well as the

purchase price allocation on the individual assets at the time of the acquisition (February 22, 2018):

in thousands of	February 2018	February 2018
	CHF	EUR
Cash and cash equivalents	275	239
Accounts receivable	6	5
Other receivables and assets	14	12
Property, plant and equipment	12	10
Intangible assets		
Technology	11,239	9,756
Goodwill	15,515	13,467
Other intangible assets	14	12
Accounts payable	-248	-216
Other current liabilities	-28	-24
Other non-current liabilities	-713	-619
Deferred tax liabilities	2,022	-1,756
Total of consideration transferred	24,061	20,886
thereof cash	9,892	8,586
thereof deferred consideration	9,169	7,959
thereof contingent purchase price components	5,000	4,341

Goodwill is essentially attributed to the abilities of the management and employees, 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 147 thousand in the current business year and were recognized under the item selling, general and administrative costs.

During the period of time between the date of the acquisition and June 30, 2018 the acquired company did not contribute essentially to the consolidated revenues; to the consolidated net result it contributed a loss in the amount of EUR 719 thousand.

On June 29, 2018 ams also obtained control of ixellence GmbH, Germany ("ixellence") by acquiring 100% shares of the company.

The acquisition has been made by cash consideration in the amount of EUR 2.2 million.

With the acquisition of ixellence, ams has continued to expand its 3D system and software capabilities. ixellence is an expert in customized DOE (diffractive optical element), dot-pattern-design and 3D system solution architecting.

The acquisition of ixellence brilliantly complements ams' portfolio and aids to optimize the sensor solutions of ams and to create new 3D applications for the consumer segment.

The following table provides an overview of the acquired assets and assumed liabilities as well as the

purchase price allocation on the individual assets at the time of the acquisition (June 29, 2018):

in thousands of	June 2018
	EUR
Cash and cash equivalents	82
Trade receivables	79
Other receivables and assets	3
Property, plant and equipment	3
Intangible assets	
Technology	1,082
Goodwill	1,252
Trade payables	-2
Other short term liabilities	-9
Deferred tax liabilities	-323
Total of consideration transferred	2,163
thereof cash	2,163

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

During the period of time between the date of the acquisition and June 30, 2018 the acquired company neither contributed essentially to the consolidated revenues nor essentially to the consolidated net result.

Costs that relate directly to the acquisition, were not material in the current business year.

The valuation techniques used to determine fair value in connection with business combinations of assets acquired and liabilities assumed significant investments were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique – The valuation model considers market prices for similar items, if they are available and, depreciated replacement costs when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets – Technology	„Relief from Royalty (RFR)“ – Free cash flows are estimated based on a royalty rate, which is the value of the royalty payments from which the company is relieved due to its ownership of the asset. The royalty rate is expressed as percentage of revenues.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any results from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) Loss of control

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

(v) Investments in associates

Investments in associates are accounted using the equity method if the company has a significant

influence on the investee (associate), but without control or joint control, and the concerned companies are material to present a true and fair view of the financial statements.

Under the equity method, on initial recognition the investment in an associate or a joint venture are recognized at cost including all transaction costs. After the initial recognition the consolidated profit or loss includes the share of the profit or loss of the investee until the significant influence ceases. If there are any indications that an investment may be impaired and the carrying amount is less than the recoverable amount an impairment loss has to be recognized as an expense. If a favorable change of the recoverable amount occurs, a reversal of the recognized impairment loss is possible in future.

(d) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into EUR at the average foreign exchange rate at the date of the transaction.

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

(ii) Financial statements of economic independent foreign entities

The functional currency of the mother company is the Euro (EUR). The functional currency of entities domiciled outside the EUR zone is their respective domestic currency or US Dollar (USD).

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

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

(iii) Net investment in a foreign operation

If settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly such differences are recognized in OCI and accumulated in the translation reserve.

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

(e) Property, Plant and Equipment

(i) Owned assets

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

(ii) Leased assets

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

Assets arising under other lease agreements are classified as operating leasing and are not recognized in the balance sheet. Operating lease payments should be recognized as an expense in the income statement over the lease term on a

straight-line basis. Incentives for the agreement should be recognized as a reduction of the rental expenses over the lease term.

(iii) Depreciation

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

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

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

(iv) Asset restoration obligation

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

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

Provision for restoration costs is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the

provision due to the passage of time is recognized in the statement of comprehensive income as finance expense. Changes in the estimated amount of the expenditure lead to an adjustment of the recognized cost of plant and equipment.

(f) Intangible Assets

(i) Intangible assets acquired by the Group

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

(ii) Amortization

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

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

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

(iii) Research and Development

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

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technical and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other expenses for Research & Development are recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment loss. Therefore the group recognized development costs in amount of EUR 43,336 thousand (2017: EUR 13,334 thousand) as addition to the intangible assets during the business year 2018.

(g) Financial Instruments (from January 1, 2018)

(i) Recognition and Measurement

Financial assets and financial liabilities are recognized at the date on which they arise. For purchases or sales of financial assets at market rates, which are either measured at amortized cost or at fair value through profit or loss, they are initially recog-

nized on the settlement or value date. Derivative financial instruments and non-derivative financial instruments that are measured at fair value through profit or loss are initially recognized on the trade date.

A financial asset (other than a trade receivable) or a financial liability is initially measured at fair value. An item that is not measured at FVTPL will incur transaction costs directly attributable to its acquisition or issuance. Trade receivables are initially valued at the transaction price.

(ii) Classification and subsequent assessment

Upon initial recognition, a financial asset is allocated to the following classes:

- At amortized cost
- FVOCI debt instruments (investments in debt instruments that are measured at fair value with changes in other comprehensive income)
- FVOCI equity instruments (equity investments measured at fair value with changes in other comprehensive income)
- FVTPL (at fair value with changes in profit or loss)

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage its financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following changes in the business model.

A financial asset is measured at amortized cost if both of the following conditions are met and it has not been designated as FVTPL:

- It is held as part of a business model whose objective is to hold financial assets to collect the contractual cash flows
- The terms and conditions of the financial asset give rise to payment flows at fixed dates, which represent only repayments and interest payments on the principal amount outstanding

A debt instrument is designated as FVOCI if both of the following conditions are met and it has not been designated as FVTPL:

- It is held within the framework of a business model whose objective is both to hold financial assets for the collection of contractual cash flows and in the sale of financial assets, and
- Its terms and conditions lead to payment flows at fixed dates which are solely payments of principal and interest on the outstanding principal amount

Upon initial recognition of an equity investment that is not held for trading, the Group may irrevocably choose to recognize subsequent changes in fair value through other comprehensive income. This choice is made on a case-by-case basis for each investment. All financial assets that are not measured at amortized cost or FVOCI are valued at FVTPL. This includes also all derivative assets.

For those financial assets allocated to the individual valuation categories, the following rules apply to

the subsequent valuation and to the recording of profits and losses:

Classification	Method of valuation
Financial assets at FVTPL	These assets are measured at fair value. Net gains and losses, including interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss. Likewise, a gain or loss arising on derecognition is recognized in the income statement.
Debt instruments at FVOCI	These assets are measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated other result is reclassified to the income statement. In 2018, this resulted in valuation effects of EUR -251 thousand (2017: EUR 14,348 thousand).
Equity investments at FVOCI	These assets are measured at fair value. Dividends are recognized as income in the income statement unless the dividend is to cover part of the cost of the investment. Other net gains or losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities are measured at amortized cost or at fair value through profit or loss (FVTPL). A financial liability is classified as FVTPL if it is held for trading, if it is a derivative or if it is designated as such at initial recognition.

Financial liabilities at FVTPL are measured at fair value. Any resulting net gains or losses, including interest expense, are recognized in the income statement.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign currency translation differences are recognized in the income statement. Gains or losses on derecognition are also recognized in the income statement.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the rights to receive the cash flows in a transaction that also transfers all material risks and rewards of ownership of the financial asset. A derecognition also occurs if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain control over the transferred asset.

The Group derecognizes a financial liability if the contractual obligations have been met, canceled or expired. The Group also derecognizes a financial liability if its terms of contract are changed and the cash flows of the adjusted liability are significantly different. In this case, a new financial liability is recognized based on the adjusted conditions at

fair value. When derecognizing a financial liability, the difference between the carrying amount of the redeemed liability and the consideration paid is recognized in the income statement.

(iv) Impairment

The Group recognizes impairment losses on expected credit losses (ECL) for:

- Financial assets that are measured at amortized cost
- Debt instruments valued at FVOCI
- contract assets

The Group measures the impairment losses over the life of the loan, except for the following allowances, which are measured at the expected 12-month credit loss:

- Bonds with a low default risk at the balance sheet date
- Other debt securities and bank deposits where the default risk has not significantly increased since the initial recognition

Value adjustments for trade receivables and contractual assets are always measured in the amount of the expected credit loss.

The Group assumes that the default risk of a financial asset has increased significantly if a financial asset is more than 30 days past due, an asset dis-

appears from an active market, it is likely that it will initiate bankruptcy and reorganization proceedings via borrowers or other warning indicators. The Group considers a financial asset to have defaulted if insolvency proceedings have been opened or if there are other significant reductions in liquidity. For probability of default the Group considers 20% and nine months overdue as significant.

The expected credit losses are generally measured as the present value of the probability-weighted estimates of defaults, discounted using the effective interest rate of the financial asset. Loans and advances to banks and cash and cash equivalents are measured using the expected credit losses on publicly available ratings. For trade receivables, the expected credit losses are measured using an impairment matrix.

The gross carrying amount of a financial asset is impaired if the Group no longer believes that the financial asset can be fully or partially realized. For this purpose, the Group makes an individual assessment of the timing and amount of the depreciation, based on whether there is an appropriate expectation of recovery. The Group does not expect a significant recovery of the impaired amount. Impaired financial assets may nevertheless be subject to enforcement measures for the recovery of overdue receivables.

(h) Derivative Financial Instruments and Hedge Accounting

The Group used derivative financial instruments during the year to reduce its financial exposure to operating financing and investing activities. In addition, the conversion option for the issued convertible bonds represents derivative financial instruments.

Derivatives are initially measured at fair value. As part of the subsequent valuation, derivatives are measured at fair value. Any resulting changes are recognized in the income statement.

As not all of the criteria for hedge accounting in IFRS 9 are met, the Group does not apply hedge accounting as defined by IFRS 9.

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

In fiscal year 2018, the Company issued a convertible bond in EUR, giving the holders of the bond an option to purchase shares at a fixed price instead of repaying the redemption amount. This option is recognized under equity in the amount of the fair value at the grant date and is not remeasured. For further information see Note 17. For fair value see Note 20.

(i) Inventories

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

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

(j) Equity

Issued capital is the fully paid-in capital of ordinary shares (bearer shares).

Directly attributable costs regarding issue or repurchasing of shares are, considering tax effects, deducted from equity. If shares are bought back,

the amount paid, including the directly attributable costs, will be deducted from equity as own shares. If treasury shares are sold later or issued again, the income including any difference to the carrying amount has to be recognized under equity.

(k) Impairment of Non-Financial Assets

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

(i) Calculation of recoverable amount

The recoverable amount is the higher value of their fair value less transaction costs or as the present value of expected future cash flows and value in use. In assessing value in use, the estimated future

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

(ii) Reversals of impairment

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

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

(l) Non-Current Assets Held for Sale

Non-current assets or disposal groups, including assets and liabilities, are classified as held for sale if its carrying amount will be recovered principally through a sale rather than through continuing use. These non-current assets or disposal groups are recognized at the lower of its carrying amount and fair value less cost to sell. On initial recognition an

impairment loss or reversal has to be recognized in the profit or loss. As soon as the intangible asset or property, plant and equipment are classified as held for sale they are no longer depreciated or amortized, as well as investments in associates are no longer recognized with the equity method.

(m) Employee Benefits

(i) Defined benefit plans

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

expectancy is calculated according to the respective country’s mortality tables. Remeasurements of the defined benefit liability are recognized in other comprehensive income.

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

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

(ii) Defined contribution plans

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

(iii) Other long-term employee benefits

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

(iv) Stock Option Plan

ams has introduced several stock option plans for employees and executives, under which a defined number of options to purchase ams shares to employees and officers are issued subject to compliance with specified terms.

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

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

Material information of the separate stock option plans are shown following:

Stock Option Plan 2011

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

Each option granted entitles each employee to purchase one share of the company. For holders of unvested options the exercise price equals the original exercise price under the TAOS plan. This price is in the range of USD 0.19 and USD 3.96. Certain employees of TAOS, who held a small number of TAOS shares (“Small Shareholders”), were granted exercisable options for shares of the Company as compensation for shares of TAOS held by them prior to the transaction (vested options). The option exercise price for these options is

CHF 8.27 which is the average of the market price of the shares of the Company on the SIX Swiss Exchange within 30 days following the date of grant of options.

The term of the unvested options will remain unchanged compared to the original TAOS plan.

The options will expire between September 3, 2017 and June 8, 2021.

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

The options developed as follows during the business year 2018 and 2017 respectively:

SOP 2011	2018		2017	
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	145,610	2.29	185,028	2.34
granted during the period	0	-	0	-
forfeited during the period	0	-	0	-
exercised during the period	94,428	2.40	39,418	2.52
expired during the period	0	-	0	-
outstanding at the end of the period	51,182	3.38	145,610	2.29
exercisable at the end of the period	51,182	3.38	145,610	2.29
not yet granted	0	-	0	-
weighted average share price at the date of exercise (in EUR)	89.77		59.66	
range of exercise prices (in EUR)	0.54-7.12		0.49-7.07	
remaining contractual life	from Sept. 3, 2017 until July 12, 2021		from Sept. 3, 2017 until July 12, 2021	

Stock Option Plan 2013

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

The SOP 2013 comprises a maximum of 2,000,000 options, of which (i) up to 1,575,000 options may be granted to employees and executive employees and (ii) up to 235,000 options may be granted to the Chief Executive Officer and up to 190,000

options may be granted to the Chief Financial Officer of the Management Board. This corresponds to 2.8% of the nominal capital of the Company at that time. Each option entitles the participants to acquire one no-par value ordinary share of ams AG. The available options shall be granted during the year 2013 after prior resolution by the SOP committee. All options granted can only be exercised by June 30, 2021. The exercise price for the new shares corresponds to the average strike price within the

last three months before the granting of the stock options.

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

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

(i) The benchmark growth of the market (sales growth of the analog semiconductor market as published by WSTS) has to be surpassed in the period 2013-2015 with stable gross margins (not

less than in 2012; adjusted for extraordinary time impacts in relation with a positive, long lasting development of the business like e.g. acquisition costs, financing costs etc.). If this does not apply to the whole period but to single calendar years, 1/3 of exercisability for the relevant year has to be taken into account.

(ii) Over the period 2013-2015 an increase of earnings per share has to be achieved. If this does not apply to the whole period but to single calendar years, an aliquot of 1/3 of exercisability for the relevant year has to be taken into account.

Any options reverted to the company can be issued under the options of the SOP 2013 until the end of the term.

The options developed as follows during the business year 2018 and 2017 respectively:

SOP 2013	2018		2017	
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	300,070	11.86	913,800	11.86
granted during the period	0	-	0	-
forfeited during the period	0	11.86	0	11.86
exercised during the period	92,240	11.86	613,730	11.86
expired during the period		-	0	-
outstanding at the end of the period	207,830	11.86	300,070	11.86
exercisable at the end of the period	207,830	11.86	300,070	11.86
not yet granted	567,375	-	567,375	-
weighted average share price at the date of exercise (in EUR)	89.78		56.27	
range of exercise prices (in EUR)	11.86		11.86	
remaining contractual life	until June 30, 2021		until June 30, 2021	

Long Term Incentive Plan 2014

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

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

This corresponds to approximately 7% of the share capital of the Company at the time. Each option granted entitles each participant to purchase one share of ams AG for an exercise price of EUR 1. The available options were to be granted during the year 2014 after prior resolution by the LTIP committee. All granted options can be exercised no later than 10 years after the grant date. The exercise price for the new shares is EUR 1.

Issuance of the options is subject to the following criteria:

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

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

The main basis data of the granted options according to the Long Term Incentive Plan structures as follows:

Valuation of options (weighted average)		2018	2017
Market price at granting	in EUR	63.77	56.63
Term of options	in years	3	3
Risk-free interest rate	in %	0.15	0.15
Dividend yield	in %	0.56	0.61
Expected volatility	in %	40.00	48.35
Present value of option	in EUR	47.83	42.06

The options developed in the fiscal years 2018 and 2017 as follows:

LTIP 2014	2018		2017	
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	1,904,881	1.00	1,730,300	1.00
granted during the period	470,990	1.00	546,090	1.00
forfeited during the period		1.00	0	1.00
exercised during the period	121,890	1.00	224,217	1.00
expired during the period	203,252	-	147,292	-
outstanding at the end of the period	2,050,729	1.00	1,904,881	1.00
exercisable at the end of the period	425,431	-	210,161	-
not yet granted	2,218,670		2,689,600	
weighted average share price at the date of exercise (in EUR)	71.32		73.78	
range of exercise prices (in EUR)	1.00		1.00	
remaining contractual life	until June 30, 2028		until June 30, 2027	

In 2018 470,990 options (2017: 546,090 options) were granted to 1,854 employees (2017: 1,609 employees) and to the executives of the company from LTIP 2014.

Special Stock Option Plan 2017

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

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

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

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

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

During the financial year 2018, the performance criteria were canceled in accordance with the approval of the Supervisory Board.

During the financial year 2018, a total of 0 (2017: 2,362,000) stock options were granted under the SSOP 2017.

The options developed in the fiscal years 2018 and 2017 as follows:

SSOP 2017	2018		2017	
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	2,362,000	27.56	0	-
granted during the period	0	-	2,362,000	27.56
forfeited during the period	0	-	0	-
exercised during the period	321,920	27.56	0	-
expired during the period	-51,540	-	0	-
outstanding at the end of the period	1,988,540	27.56	2,362,000	27.56
exercisable at the end of the period	0	-	0	-
not yet granted	38,000	-	38,000	-
weighted average share price at the date of exercise (in EUR)	84.41		-	
range of exercise prices (in EUR)	27.56		27.56	
remaining contractual life	until June 30, 2027		until June 30, 2027	

Special Long Term Incentive Plan 2018

During financial year 2018, the Supervisory Board and the Management Board adopted a Special Long Term Incentive Plan (SLTIP 2018). The SLTIP is setup in a way that it has been economically effective as of October 11, 2018.

The SLTIP comprises a maximum of 350,000 options. This corresponds to approximately 0.5% of the share capital of Company at the time. Each option granted entitles each participant to purchase

one share of ams AG for an exercise price of EUR 43.41. The available options have been granted once in 2018 after prior resolution by the LTIP committee. All granted options must be exercised by October 11, 2028.

One-third of the options can be exercised after one, two and three years after the grant. For the calculation of the option value of the first, second and third year following parameters were applied:

Valuation of options (weighted average)		1st year	2nd year	3rd year
Share price at grant	in EUR	41.07	41.07	41.07
Lifetime	years	1	2	3
Risk-free investment rate	in %	0.5	0.5	0.5
Dividend yield	in %	1.07	1.07	1.07
Expected volatility	in %	43.23	43.23	43.23
Value per option right	in EUR	5.96	8.66	10.60

During the financial year 2018, a total of 321,730 stock options (2017: 0) were granted under the SLTIP.

The options developed in the fiscal years 2018 and 2017 as follows:

SLTIP 2018	2018		2017	
	Options	weighted average exercise price (in EUR)	Options	weighted average exercise price (in EUR)
outstanding at January 1	0	-	0	-
granted during the period	321,730	43.41	0	-
forfeited during the period	0	-	0	-
exercised during the period	0	-	0	-
expired during the period	-8,300	-	0	-
outstanding at the end of the period	313,430	43.41	0	-
exercisable at the end of the period	0	-	0	-
not yet granted	36,570	-	0	-
weighted average share price at the date of exercise (in EUR)	-		-	
range of exercise prices (in EUR)	43.41		-	
remaining contractual life	until October 11, 2028		-	

(n) Provisions

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

(i) Warranties

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

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by ams from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(o) Trade and Other Payables

Trade and other payables are stated at amortized historical cost.

(p) Revenue from Contracts with Customers

The key sales of ams originate from the production and delivery of products in the consumer and non-consumer - segment as well as in the manufacture of products according to specific customer specifications ("Foundry").

As far as individual products can be used by several customers, customers generally gain control over the products when they are sent to customers. At this point in time, the invoices will be issued and the revenue is recognized.

For custom products in the Consumer, Non-Consumer and Foundry sectors, the products are typically manufactured based on customer pre-information and ordering, often based on existing framework agreements. The power of disposal over the products then passes to the customer, if an unconditional order is present and ams is – in case of a contract cancellation on the part of the customer - also entitled to the compensation of the

incurred costs including an adequate margin. Then, according to IFRS 15, revenue is to be recognized at the time of existence of these facts according to the stage of completion, which is determined using the cost-to-cost method. The invoices are usually issued according to the contractual agreements with delivery of the products. For longer production periods, ams issues partial invoices. Work already carried out with the customer within the scope of the respective contract is recognized as contractual assets, within inventory. Variable purchase price components and contract costs are insignificant within the customer contracts.

Due to the short lead time in the production of the products and the often relatively short-term binding orders made by the customers, there were no material instances as of January 1 and December 31, 2018, in which sales had to be recognized before the invoice or a partial invoice should have been issued.

(q) Government Grants

During the business year government grant was provided as R&D subsidy and R&D premium. The R&D premium is recognized as income under the item research and development expenses. If the

grants are related to capitalized project costs they are according to the net method deducted from the initial costs. R&D subsidies are recognized as other operating income.

(r) Net Financing Cost

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

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

the income statement on the date that the dividend is declared.

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

(s) Income Tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets

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

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

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

2. Segment Reporting and Revenues

Segment information is presented on the basis of the internal reporting structure for the segments "Consumer", "Non-Consumer" and "Foundry" and determined according to valuation and accounting regulations of IFRS. The segments "Consumer" and "Non-Consumer" comprise the development and distribution of analog Integrated Circuits ("ICs") and sensors. The segments' customers are mainly Consumer and for "Non-Consumer" from Industrial, Medical and Automotive markets. Within the "Foundry" segment we report manufacturing of analog/mixed signal ICs based on our customers' designs.

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

The segment assets comprise the directly allocable assets, i.e. customer receivables as well as segment specific tangible and intangible assets.

Business Segments

in thousands of EUR	2018				2017			
	Con- sumer	Non Con- sumer	Foundry	Total	Con- sumer	Non Con- sumer	Foundry	Total
Consolidated revenues	1,002,950	377,810	45,545	1,426,306	683,496	328,656	51,621	1,063,773
Research & development	107,150	100,520	1,382	209,053	100,661	83,049	1,592	185,301
Depreciation	80,271	4,188	79	84,538	32,530	3,947	71	36,548
Result from operations	174,865	49,486	14,153	238,505	142,352	50,646	16,153	209,151
Segment assets	799,278	55,611	6,778	861,667	751,857	66,959	5,746	824,563

Reconciliation of segments results to income statement

in thousands of EUR	2018	2017
Result from operations per segment reporting	238,505	209,151
Result from investments in associates	-514	-117
Depreciation due to business combinations	-70,048	-72,511
Unallocated research and development costs	-772	-2,737
Subsidies not recognized under research and development	4,814	5,360
Unallocated corporate costs	-159,100	-63,207
Result from operations	12,885	75,938

Reconciliation of segment assets to total assets

in thousands of EUR	2018	2017
Assets per segment reporting	861,667	824,563
Intangible assets deriving from PPA	1,140,938	1,149,255
Property, plant and equipment	461,703	462,667
Inventories	309,924	253,914
Cash, cash equivalents and short-term investments	625,158	392,363
Deferred tax asset	16,333	26,060
Intangible assets	83,569	28,074
Investments in associates	2,953	1,896
Other assets	82,288	122,524
	3,584,534	3,261,315

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.

in thousands of EUR	Consumer		Non-Consumer		Foundry		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
EMEA	33,524	149,621	193,833	171,940	32,032	31,096	259,390	352,658
Americas	51,125	191,364	25,410	18,754	1,474	2,181	78,009	212,300
Asia / Pacific	918,301	342,510	158,568	137,962	12,039	18,343	1,088,907	498,815
	1,002,950	683,496	377,810	328,656	45,545	51,621	1,426,306	1,063,773

Revenues per country

in thousands of EUR	2018	2017
Taiwan	555,943	92,168
Japan	277,277	33,626
Germany	127,591	121,126
Hongkong	86,818	59,250
USA	68,182	204,321
China	64,592	178,181
Austria	836	1,325
Rest of the world	245,067	373,775
	1,426,306	1,063,773

The change in sales by country is due to a partial change in the distribution structure.

Long-term assets per geographical segments

in thousands of EUR	2018	2017
Austria	1,466,831	1,480,713
Singapore	798,785	574,509
Switzerland	109,615	79,413
Other countries	52,920	44,367
	2,428,151	2,179,002

Revenues from one customer of the segment Products amount to EUR 365,046 thousand (2017: EUR 215,771 thousand).

3. Other Operating Income

in thousands of EUR	2018	2017
Government grants related to R&D expenses	5,907	8,510
Result from disposal of discontinued business unit	0	7,945
Results from M&A activities	0	2,300
Gain from reversal of allowances	445	161
Gain from disposal of assets	157	3
Insurance refunds	442	50
Other	3,436	2,462
	10,388	21,433

4. Expenses

Other operating expenses

in thousands of EUR	2018	2017
Expenses for monetary transactions	383	410
Allowance for bad debts	198	664
Contract penalties	1,915	733
Loss from disposal of assets	722	48
Other	529	87
	3,747	1,943

Expenses by nature

in thousands of EUR	2018	2017
Changes in inventories of finished goods and work in progress	48,200	78,870
Material expenses	-629,129	-438,248
Personnel expenses	-447,691	-344,340
Scheduled depreciation	-212,600	-148,409
Expenses for other third-party services	-102,750	-99,267
Other expenses	-75,577	-55,812
Sum of cost of sales, selling, general and administrative expenses as well as research and development costs	-1,419,548	-1,007,207

In 2018 the amount shown in the personnel expenses includes EUR 18,687 thousand (2017: EUR 23,649 thousand) for the SOP 2009, SOP 2011, SOP 2013, LTIP 2014, SSOP 2017 and SLTIP 2018.

The average number of employees was 10,166 in 2018 and 7,016 in 2017.

5. Net Financing Result

in thousands of EUR	2018	2017
Interest expense	-34,623	-12,754
Exchange differences	-17,681	0
Valuation of the option right from convertible bond	0	-39,669
Other financial result	-179	-26
Finance expense	-52,483	-52,449
Valuation of the option right from convertible bond	82,769	0
Interest income	3,203	2,436
Exchange differences	0	24,381
Result from the revised structure of the contingent purchase price liability and the collar transaction	18,899	23,416
Change in the fair value of contingent purchase price liabilities	25,968	0
Other	87	0
Finance income	130,926	50,232
	78,443	-2,217

Detailed information about the option right and the revised contingent purchase price liability following the Heptagon acquisition can be found

under note 20. For information about the collar see note 10.

6. Income Tax

Recognized in the income statement

in thousands of EUR	2018	2017
Current tax		
Current year	-7,372	-7,951
from previous years	7,416	17,717
	43	9,766
Deferred tax		
Change in temporary differences	-19,825	41,897
Effect of previously unrecognized tax losses	21,869	-36,640
	2,044	5,257
Total income tax result in income statement	2,088	15,024

Reconciliation of effective tax expense

in thousands of EUR	2018	2017
Result before tax	91,328	73,722
Income tax using the domestic corporation tax rate (25%)	-22,832	-18,430
Effect of tax rates in foreign jurisdictions	4,518	6,739
Effect from change of US tax rate	0	5,765
Non-tax effective expenses/income	23,893	31,246
Tax incentives (mainly for R&D)	2,734	2,974
Current year result for which no deferred tax asset was recognized	-35,510	-1,181
Effect of previously unrecognized tax losses	21,869	-29,807
Tax result from prior years	7,416	17,717
	2,088	15,024

Recognized in other comprehensive income

in thousands of EUR	2018	2017
From remeasurements of defined benefit liability	-306	-436
From valuation of available for sale financial instruments	0	-11
From exchange differences on translating foreign operations	-6,854	-4,042

Deferred tax assets are recognized for all temporary differences and tax losses carry forwards only to the extent that it is probable that future taxable profit will be available within a foreseeable period. Therefore deferred tax asset from temporary differences' amounting to EUR 0 thousand (2017: 3,605 EUR) and EUR 40,093 thousand

(2017: EUR 37,082 thousand) as losses carried forward are not recognized in the balance sheet.

Tax liabilities relating to investments in subsidiaries amounting to EUR 40,303 thousand (2017: EUR 0 thousand) are not recognized in the consolidated financial statements.

7. Cash and Cash Equivalents

in thousands of EUR	2018	2017
Bank deposits	625,463	288,279
Cash on hand	95	76
Expected valuation allowances	-400	0
	625,158	288,356

8. Trade Receivables, Net

in thousands of EUR	2018	2017
Trade receivables gross	121,780	285,667
Actual valuation allowances for doubtful accounts	-442	-868
Expected valuation allowances	-323	0
	121,015	284,799

Expected valuation allowances at December 31, 2018 have been calculated as follows

In thousands of EUR	Not due	1 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 90 days overdue	Total
Book value gross	101,389	15,027	3,782	462	355	121,015
Expected loss rate %	0.20%	0.55%	0.75%	1%	1.25%	
Expected loss	202	82	27	5	4	323

Expected loss rates have been derived from historical information.

The actual allowances for doubtful accounts are illustrated following:

In thousands of EUR	2018	2017
Balance at the beginning of the period	868	416
Consumptions during the year	0	-10
Reversal during the year	-445	-161
Additions from business combinations	-13	279
Additions during the year	32	345
Balance at the end of the period	442	868

Trade receivables by regions

in thousands of EUR	2018	2017
Region		
EMEA	34,755	98,974
Americas	3,524	82,838
Asia / Pacific	82,736	102,988
	121,015	284,799

Concentration of credit risks:

Same as last year, one trade receivable attributable to a single customer exceeded 10% of all trade

receivables but was less than 30% of all trade receivables.

9. Inventories

in thousands of EUR	2018	2017
Unfinished goods	120,798	130,158
Finished goods	81,698	24,742
Raw materials and supplies	100,369	95,352
Work in progress	7,058	3,662
	309,924	253,914

Inventories stated at net realizable value were EUR 26,269 thousand as of December 31, 2018 and EUR 8,524 thousand as of December 31, 2017 respectively. The valuation allowance from inventories amounts to EUR 66,417 thousand as of December 31, 2018 and to EUR 26,719 thousand as of De-

cember 31, 2017 respectively. During the business year allowances amounting to EUR 345 thousand (2017: EUR 315 thousand) have been released. As of December 31, 2018 spare parts in the amount of EUR 25,711 thousands are included in the raw materials and supplies.

10. Financial Assets

in thousands of EUR	2018	2017
Investment funds designated as at fair value through profit and loss	0	23,534
Derivative financial instruments	0	80,473
	0	104,007

The fixed interest securities are bonds issued by banks. As at December 31, 2018 no fixed-interest securities are held.

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

amount. The Collar is related to the obligation to pay own shares to meet the conditional purchase price condition for the acquisition of the Heptagon Group (see Note 20). The call option was carried at fair value as a current financial asset and the change in fair value was recognized in the income statement. The put option was reported as a current financial liability and recognized in other reserves. The put option represents the specified payment amount and is not subject to any subsequent valuation (with the exception of the currency change).

11. Other Receivables and Assets

in thousands of EUR	2018	2017
Financial assets		
Government grants related to R&D expenses	8,033	10,093
Bank deposits pledged as collateral	0	37,192
Other	9,716	8,372
	17,749	55,657
Non-financial assets		
Amounts due from tax authorities	14,666	14,508
Prepaid expenses	5,363	6,879
Deferred interests	243	60
	20,272	21,446
Total other receivables and assets	38,021	77,103

All other receivables and assets are not overdue.

12. Property, Plant and Equipment

in thousands of EUR	Land and buildings	Plant and equipment	Fixtures and equipment	Under construction	Government grants	Total
Cost						
Balance at January 1, 2018	219,760	1,212,725	32,754	106,670	-27,151	1,544,758
Additions from business combinations	0	0	10	0	0	10
Currency translation differences	2,189	15,787	265	21,096	0	39,338
Additions	49,390	156,910	6,139	87,938	0	300,377
Transfers	2,452	68,484	181	-71,118	0	0
Disposals	-1,184	-20,306	-2,664	0	57	-24,097
Balance at December 31, 2018	272,607	1,433,600	36,687	144,586	-27,093	1,860,387
Depreciation and impairment losses						
Balance at January 1, 2018	-84,870	-468,528	-20,429	0	25,946	-547,882
Additions from business combinations	0	0	0	0	0	0
Currency translation differences	1,105	5,272	48	0	0	6,425
Depreciation	-14,575	-103,084	-3,022	0	50	-120,631
Transfers	0	0	0	0	0	0
Disposals	1,073	4,723	2,479	0	-57	8,217
Balance at December 31, 2018	-97,267	-561,617	-20,924	0	25,938	-653,871
Carrying amount						
At January 1, 2018	134,890	744,197	12,325	106,670	-1,205	996,876
At December 31, 2018	175,340	871,982	15,763	144,586	-1,155	1,206,516

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

As of December 31, 2018, commitments for the acquisition of property, plant and equipment amounted to EUR 63,283 thousand (2017: EUR 197,902 thousand) and intangible assets amounted to EUR 2,490 thousand (2017: EUR 3,533 thousand).

Government grants shown have been a one-time subsidy for equipment which is recognized

through profit and loss during the useful life of the subsidized equipment.

The borrowing costs capitalized during the financial year amount to EUR 1,034 thousand (2017: EUR 939 thousand). The applied interest rates are between 1.5% and 4%.

13. Intangible Assets

in thousands of EUR	Goodwill	Custom- er base	Technol- ogy	Trade- marks	Patents & Licences	Develop- ment costs	In develop- ment	Total
Cost								
Balance at January 1, 2018	720,954	375,725	172,485	9,547	77,538	13,447	12,168	1,381,865
Additions from business combinations	14,719	0	11,178	0	2	0	0	25,898
Currency translation differences	23,857	8,374	3,322	0	2,317	1,427	637	39,935
Additions	0	0	0	0	18,915	24,733	26,619	70,266
Transfers	0	0	0	0	-5,867	9,354	-3,487	0
Disposals	0	0	0	0	-6,294	-14,124	0	-20,418
Balance at December 31, 2018	759,531	384,099	186,984	9,547	86,611	34,837	35,938	1,497,546
Amortization and impairment losses								
Balance at January 1, 2018	0	-93,364	-45,098	0	-59,033	-2,245	0	-199,739
Additions from business combinations	0	0	0		0	0	0	0
Currency translation differences	0	0	0	0	-1,158	-494	0	-1,652
Amortization	0	-43,277	-24,258	0	-10,934	-5,768	0	-84,237
Disposals	0	0	0	0	0	0	0	0
Balance at December 31, 2018	0	0	0	0	6,094	3,622	0	9,717
	0	-136,641	-69,356	0	-65,030	-4,884	0	-275,911
Carrying amount								
At January 1, 2018	720,954	282,361	127,387	9,547	18,505	11,203	12,168	1,182,125
At December 31, 2018	759,531	247,458	117,628	9,547	21,580	29,953	35,938	1,221,635

in thousands of EUR	Goodwill	Custom- er base	Technol- ogy	Trade- marks	Patents & Licences	Devel- opment costs	In develop- ment	Total
Cost								
Balance at January 1, 2017	421,164	145,822	73,125	9,547	61,117	3,009	8,434	722,218
Additions from business combinations	361,528	255,572	109,531	0	17,204	1,699	0	745,534
Currency translation differences	-61,738	-25,669	-10,171	0	-3,009	-786	-28	-101,401
Additions	0	0	0	0	7,995	6,227	7,107	21,329
Transfers	0	0	0	0	79	3,298	-3,323	54
Disposals	0	0	0	0	-5,848	0	-21	-5,869
Balance at December 31, 2017	720,954	375,725	172,485	9,547	77,538	13,447	12,168	1,381,864
Amortization and impairment losses								
Balance at January 1, 2017	0	-46,050	-22,302	0	-50,193	-225	0	-118,771
Additions from business combinations	0	0	0	0	-5,704	0	0	-5,704
Currency translation differences	0	-1,351	-557	0	-157	7	0	-2,058
Amortization	0	-45,962	-22,239	0	-8,722	-2,027	0	-78,951
Transfers	0	0	0	0	211	0	0	211
Disposals	0	0	0	0	5,532	0	0	5,532
Balance at December 31, 2017	0	-93,364	-45,098	0	-59,033	-2,245	0	-199,739
Carrying amount								
At January 1, 2017	421,164	99,771	50,823	9,547	10,924	2,784	8,434	603,447
At December 31, 2017	720,954	282,361	127,387	9,547	18,505	11,203	12,168	1,182,125

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

Cash generating unit	Book value as of Dec 31, 2018	Book value as of Dec 31, 2017
Integrated Optical Sensors (former Advanced Optical Sensors)	184,024	175,692
Optical Sensor Solutions	310,218	281,833
Environmental Sensors	39,808	40,053
Medical & Specialty Sensors (former Specialty Sensors)	17,509	17,509
CMOS Imaging Sensors	130,560	130,560
Color & Spectral Sensors (former Emerging Sensor Solutions)	26,089	26,141
Audio Sensors	3,135	3,161
Illumination Systems	48,187	46,005
	759,531	720,954

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

As of September 30, 2018 an impairment test has been done for all CGUs. This did not result in any required impairment. The recoverable amount was calculated on the basis of fair value less cost of disposal.

The fair value has been calculated using multiples, which is based on EBITDA multiples. These multiples have been derived from a peer group of companies comparable to the relevant CGUs. Cost of disposal have been considered with a 1.5% discount. The fair value has been checked for plausibility by way of discounted cash flow method using a detailed planning period up to 2023. The cash flow surplus of the following planning periods is considered sustainable and used as a basis for the calculation of the present value of a perpetuity. For extrapolation of cash flows in the perpetuity, a growth rate of 2% has been assumed for all CGUs. The interest rate was determined based on the weighted average cost of capital (WACC). The valuation of the fair value based valuation method's input factors has been categorized as level 3 (See Note 26).

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

	2018		2017	
	Multiple	Interest rate %	Multiple	Interest rate %
Integrated Optical Sensors	15.4	14.1	18.4	13.9
Optical Sensor Components	10.7	14.3	13.1	12.4
Environmental Sensors	11.4	11.3	11.8	10.9
Medical & Specialty Sensors	11.4	12.0	12.9	10.6
CMOS Imaging Sensors	13.7	12.0	13.8	11.7
Color & Spectral Sensors	13.6	12.4	13.1	12.1
Illumination Systems	10.7	14.3	13.1	12.4

A decrease of the multiples by 10% would not result in an impairment.

14. Investments in Associates

in thousands of EUR	Balance Jan 1, 2018	Additions	Proportional result	Impairment	Currency translation differences	Balance Dec 31, 2018
NewScale Technologies Inc.	639	0	25	0	-107	557
RF Micron Inc.	410	0	10	0	-269	152
Circadian Zirclight LLC	842	0	40	0	0	882
7Sensing Software NV	0	1,500	0	0	-138	1,362
	1,892	1,500	75	0	-514	2,953

Summary of financial information for associated companies

in thousands of EUR	2018					2017				
	NewScale Technol- ogies Inc.	RF Micron Inc.	Circadian Zirclight LLC	7Sensing Software NV	Total	NewScale Technol- ogies Inc.	RF Micron, Inc.	Circadian Zirclight LLC	7Sensing Software NV	Total
Reporting date	Sep. 30, 2018	Sep. 30, 2018	June 30, 2018	Sep. 30, 2018		Sep. 30, 2017	Sep. 30, 2017	Sep. 30, 2017	-	
Ownership %	34,00%	9,83%	6,13%	30,00%		34,00%	9,83%	7,80%	0	
Short term assets	1,091	1,558	0	1,849	4,498	1,264	2,004	0	0	3,268
Long term assets	207	283	3,057	38	3,584	295	222	2,918	0	3,435
Short term liabil- ities	335	939	5	304	1,583	271	4-00	7	0	678
Long term liabil- ities	85	3,109	0	234	3,428	141	1,314	0	0	1,455
Equity	877	-2,207	3,052	1,349	3,070	1,147	512	2,911	0	4,570
Revenues	1,434	2,182	4	1,236	4,856	2,849	3,487	9	0	6,345
Result of the year	-357	-1,916	2	-580	-2,851	288	-1,096	1	0	-807
									0	
% Share of equity	298	-217	187	405		390	50	227	0	
Goodwill / Impair- ment	-178	437	514	957		-163	413	514	0	
Currency transla- tion differences	437	-68	160	0		412	-53	102	0	
Carrying amount	557	152	882	1,362		639	410	842	0	

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

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

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

Circadian Zirclight LLC, Stoneham, Massachusetts (USA) is a developer of smart LED lighting systems, eyewear and systems for computer screen monitors that are spectrum-specific and adapted to the circadian rhythm, to offer solutions for night working places. Circadian Zirclight LLC is an associated company. Due to contractual agreements ams exercises significant influence although it owns 6.13%.

On March 29, 2018, ams acquired a 30% stake in 7Sensing Software NV for EUR 1,500 thousand. At the time of acquisition, the assets of the company are structured as follows:

in thousands of EUR	March 2018	March 2018
	100%	30%
Cash and cash equivalents	272	81
Trade receivables	250	75
Other receivables and assets	94	28
Property plant and equipment	16	5
Equity	-231	-70
Loans	-202	-60
Trade liabilities	-120	-36
Other short term liabilities	-77	-23

7Sensing Software NV is a software and software licensing company that primarily develops software solutions and IP for optical, imaging, ambient and audio security solutions.

These investments are of strategic nature.

15. Deferred Tax Assets

Deferred tax assets are to be allocated to the following items after netting with deferred tax liabilities within the respective taxable entity:

in thousands of EUR	2018	2017
Intangible assets, property, plant and equipment	-8,914	-7,037
Other long-term assets	-7,066	-612
Trade receivables and other assets	27,760	6,205
Interest bearing borrowings	-26,843	8,617
Employee benefits	7,262	7,183
Liabilities	419	13,899
Provisions	392	-42
Tax value of loss carry-forwards	23,322	1,453
Unrecognized temporary differences	0	-3,605
	16,333	26,060

The tax loss carryforwards recognized as deferred tax assets essentially relate to ams AG and can be carried forward indefinitely. Tax loss carryforwards can be carried forward indefinitely in Austria and can be offset against a maximum of 75% of the current taxable income.

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

16. Other Long-Term Assets

in thousands of EUR	2018	2017
Financial assets		
Long-term financial assets	35,645	30,852
Other long-term financial assets	5,615	12,992
	41,260	43,844
Non-financial assets		
Advance payments for licenses	1,712	2,335
	42,972	46,179

Long term financial assets relate to strategic equity investments that does not result in having significant influence or control. The changes in value recognized in other comprehensive income amounted to EUR -251 thousand as of December 31, 2018 (December 31, 2017: EUR 14,348 thousand) (See Note 26).

Other receivables include a contingent purchase price component of the sale of IP, technologies and product lines for NFC and RFID reader products to STMicroelectronics, valued at EUR 4.6 million (2017: EUR 11.9 million) at the balance sheet date (based on the expectation value of different scenarios).

17. Interest-Bearing Loans and Borrowings

in thousands of EUR	2018	2017
Non-current liabilities		
Bank loans	531,447	152,246
Promissory notes	268,400	268,400
Convertible bonds	799,166	251,141
	1,599,013	671,787
Current liabilities		
Current portion of bank loans	220,022	586,417

Terms and debt repayment schedule 2018

2018 in thousands of EUR	Total	1 year or less	2 – 5 years	More than 5 years
R & D loans				
EUR – fixed rate loans	19,568	8,677	10,891	0
EUR – floating rate loans	0	0	0	0
Export loans				
EUR – floating rate loan	106,000	106,000	0	0
Unsecured bank facilities				
EUR – fixed rate	366,000	20,000	346,000	0
EUR – floating rate	260,000	85,000	175,000	0
Promissory note				
EUR – fixed rate loans	137,400	0	44,000	93,400
EUR – floating rate loans	131,000	0	104,500	26,500
Convertible bond				
USD – convertible bond	271,523	345	271,178	0
EUR – convertible bond	527,543	0	0	527,543
	1,819,034	220,022	951,570	647,443
Financial lease liabilities				
USD – fixed rate	29	29	0	0
	1,819,064	220,051	951,570	647,443

Information about the conditions of the loans can be found under Note 26.

2017 in thousands of EUR	Total	1 year or less	2-5 years	More than 5 years
R & D loans				
EUR – fixed rate loans	21,663	5,637	16,026	0
EUR – floating rate loans	0	0	0	0
Export loans				
EUR – floating rate loan	106,000	106,000	0	0
Unsecured bank facilities				
EUR – fixed rate	366,000	300,000	66,000	0
EUR – floating rate	245,000	180,000	65,000	0
Promissory note				
EUR – fixed rate loans	137,400	0	44,000	93,400
EUR – floating rate loans	131,000	0	104,500	26,500
Convertible bond				
USD convertible bond	251,141	-5,220	256,361	0
	1,258,204	586,417	551,887	119,900
Financial lease liabilities				
USD – fixed rate	107	77	29	0
	1,258,311	586,494	551,917	119,900

On September 25, 2017, ams AG issued a convertible bond with a nominal value of USD 350 million. The term of the bond is 5 years. Holders of convertible bonds have the right at any time to convert the bond into a total of 3,273,858 common shares (conversion price USD 106.9075 / share). As of December 31, 2018, no bonds had yet been converted.

On February 26, 2018, ams AG issued a convertible bond with a nominal value of EUR 600 million. The term of the bond is 7 years. Holders of convertible bonds have the right at any time to convert the bond into a total of 4,410,412 ordinary shares (conversion price EUR 136.0417 / share). As of December 31, 2018, no bonds had yet been converted.

18. Provisions

in thousands of EUR	Warranties	Onerous contracts	Other personnel provisions	Other	Total
Balance at January 1, 2018	1,684	6,418	31,203	5,090	44,394
Additions due to business combinations	0	0	2	0	2
Provisions made during the year	4,433	8,699	27,608	34,930	75,669
Provisions used during the year	-1,070	-6,068	-21,234	-5,086	-33,458
Provisions reversed during the year	-684	0	-5,247	-4	-5,934
Balance at December 31, 2018	4,363	9,048	32,332	34,930	80,673

Warranties

A provision for warranties is recognized when a warranty claim is received from a customer. The amount shown is offset by claims for repayment of insurance amounting to EUR 3 million.

Onerous contracts

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

Other personnel provisions

Provisions for other personnel costs include

profit sharing and bonuses payable within twelve months after the respective balance sheet date and sales incentives for current employees.

Other provisions

Other provisions contain mainly provisions for outstanding invoices and liabilities to vendors amounting to EUR 3,440 thousand (2017: EUR 4,362 thousand). A significant increase in other provisions of EUR 25,960 thousand relates to non-recurring costs from the reversal of supplier obligations (EUR 21,345 thousand) and one-time restructuring measures (EUR 4,615 thousand).

19. Deferred Tax Liabilities

Deferred tax liabilities are offset against the following items after offsetting with deferred tax credits

within the respective taxable entity:

in thousands of EUR	2018	2017
Intangible assets, property, plant and equipment	65,485	66,982
Personnel expenses	74	120
Interest-bearing loans	-47	-24
Inventories	154	7
	65,666	67,085

20. Other Liabilities

in thousands of EUR	Current		Non-current	
	2018	2017	2018	2017
Finance lease liabilities	29	77	0	29
Employee related liabilities	12,216	10,482	0	0
Liabilities from license agreements	0	0	417	417
Derivative financial instruments	0	100,494	481	83,250
Contingent liabilities	5,236	392,220	17,318	46,315
Other	0	3,765	0	0
Financial liabilities	17,482	507,038	18,216	130,011
Accrued vacation days	13,116	11,605	0	0
Deferred income	14,460	9,982	0	0
Accrued expenses	7,268	12,743	0	0
Asset restoration obligation	0	0	11,095	6,536
Liabilities against tax authorities	1,632	1,052	0	0
Other	1,594	4,445	7,882	2,864
Non-financial liabilities	38,071	39,826	18,977	9,400
Total other liabilities	55,552	546,864	37,193	139,411

The short-term derivative financial instruments from the previous year 2017 relate to the liability for potential claims arising from the obligation to repurchase own shares as part of a collar transaction (see Note 10).

The contingent purchase price liabilities result from the acquisition of KeyLemon S.A. in 2018 (EUR 4,437 thousand), Princeton Optronics in 2017 (EUR 4,917 thousand) and from the acquisition of CCMOSS (EUR 9,996 thousand) and Incus Laboratories (EUR 2,767 thousand) in 2016.

From the acquisition of KeyLemon S.A. a conditional purchase price liability resulted in 2018. The Group has committed to make a sales-based payment of EUR 4,437 thousand. Basis for the evaluation are the sales of mobile phones containing KeyLemon software, up to and including 2021.

The acquisition of Princeton Optronics Inc. resulted in a contingent liability in 2017. The company committed to make a sales-related payment of EUR 4,917 thousand (2017: EUR 14,184 thousand). The basis for the valuation are the revenues in 2017 and 2018 with products based on Princeton IP.

Another purchase price liability results from the acquisition of CCMOSS in 2016. The purchase price liability comprises a sales related earn-out model until 2020. The Group agreed to pay the seller a sales-dependent purchase price share of up to EUR 9,996 thousand (2017: EUR 31,000 thousand). The basis for this is long-term sales planning based on CCMOSS technology-based products.

The acquisition of Incus in 2016 resulted in a contingent liability of EUR 2,767 thousand (2016: EUR 2,790 thousand). The purchase price liability includes a license earn-out model up to

and including 2022. This model includes royalty payments to the seller for products based on Incus technology. The basis is the long-term sales planning for these products.

The conversion right of the convertible bond issued in USD is recognized in other liabilities. The fair value amounted to EUR 43,581 thousand at the time of issue. The valuation of the option takes into account the conversion premium, the term, the development of the share price and the most recent dividend paid per share and amounts to EUR 481 thousand as of December 31, 2018 (2017: EUR 83,250 thousand).

When purchasing the Heptagon Group, ams committed to pay the sellers a conditional purchase

price. On March 8, 2018, ams carried out a revised conditional purchase price liability structure with 100% acceptance of the former Heptagon shareholders. The original structure included a payment of USD 194,229 thousand and transfer of 2,954,694 ams shares and was modified into USD 14,521 thousand and 3,810,855 ams shares.

On March 8, 2018, ams implemented a revised earn-out structure, with 100% approval of the former Heptagon shareholders. The subsequent valuation of the original earn-out structure from January 1, 2018 to March 27, 2018 showed financial loss of EUR -39,817 thousand. The revised earn-out structure shows a financial gain of EUR 63,724 thousand. This results in a financial gain for the Group from the revised earn-out structure in the amount of EUR 23,908 thousand.

21. Government Grants

As R&D premium EUR 12,016 thousand have been recognized in 2018 (2017: EUR 14,385 thousand), thereof EUR 733 thousand (2017: EUR 3,940 thousand) reduced acquisition costs of capitalized development costs. As R&D subsidies in total

EUR 7,983 thousand have been recognized (2017: EUR 9,102 thousand) thereof EUR 981 thousand (2017: EUR 502 thousand) reduced capitalized development costs.

22. Employee Benefits

Movements in the net liability recognized in the balance sheet:

in thousands of EUR	2018		2017	
	Severance payments	Longservice benefits	Severance payments	Longservice benefits
Present value of obligation (DBO) January 1	35,728	4,487	32,939	4,026
Expense recognized in the income statement	2,493	779	1,847	557
Actuarial gains / losses recognized from financial assumptions	-2,115	0	2,029	0
Payments during the year	-888	-165	-1,086	-96
Present value of obligation (DBO) December 31	35,219	5,100	35,728	4,487

The value of obligation is not financed by a fund.

The accumulated actuarial gains and losses amounted to EUR 12,222 thousand (2017: EUR 10,108 thousand) so far.

Expense recognized in the income statement:

in thousands of EUR	2018		2017	
	Severance payments	Long-service benefits	Severance payments	Long-service benefits
Current service cost	2,183	723	1,523	506
Interest cost	310	56	324	51
	2,493	779	1,847	557

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

in thousands of EUR	2018		2017	
	Severance payments	Long-service benefits	Severance payments	Long-service benefits
Cost of sales	1,187	371	779	235
Selling, general and administrative expenses	626	196	541	163
Research and development	680	213	526	159
	2,493	779	1,847	557

Principal actuarial assumptions at the balance sheet date:

	2018	2017
Discount rate at December 31	1.4%	1.3%
Future salary increases	2.7%	2.7%
Fluctuation < 40 years of age	8.3%	4.1%
Fluctuation > 40 years of age	3.4%	1.5%
Retirement age – women	56.5-60	56.5-60
Retirement age – men	61.5-65	61.5-65

Expenses for the severance payment fund in the business year were EUR 1,476 thousand (2017: EUR 1,347 thousand).

The weighted average duration of severance payments is 12.1 (2017: 12.6) years. Contributions amounting to EUR 370 thousand to the plan are expected for the year 2019.

Regarding a change of the interest rate, salary increase and fluctuation a sensitivity analysis has been performed. A change of the corresponding

parameters on balance sheet date would have the following effect on the debt benefit obligation.

Effect on debt benefit obligation

in thousands of EUR	decrease	increase
Change in the interest rate (+/- 20bp)	1,726	-1,588
Change in the salary increases (+/- 100bp)	-3,096	3,373
Change in the fluctuation (+/- 100bp)	229	-355

23. Shareholders' Equity

Share capital and share premium

in thousands of EUR	2018	2017
Share capital	84,420	84,420
Additional paid-in capital	709,958	577,592
	794,378	662,012

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

In recent years the annual general meeting has regularly authorized the Management Board to issue a limited number of shares (contingent capital increase according to § 159 (2) AktG). The current authorization was given in June 2017 by the annual general meeting, which empowers the Management Board to increase the share

capital in accordance to § 159 (2) Z3 AktG) by up to EUR 8,441,982.00 by issuing 8,441,982 new ordinary bearer and/or registered shares (no-par value shares) to creditors of financial instruments in accordance with § 174 AktG to the extent that the creditors make use of their conversion and / or subscription rights.

The Annual General Meeting of 6 June 2018 resolved to create a new authorized capital of 10% of the current share capital in the amount of EUR 84,419,826 which, with the approval of the Supervisory Board, authorizes the Board of Directors by issuing up to 8,441,982 new ordinary bearer or registered shares against cash and / or contribution in kind - if necessary in several tranches - and to fix the issue price, the terms of issue and the further details of the implementation of the capital increase in alignment with the Supervisory Board.

Furthermore, the board is also authorized:

- If necessary, to offer the new shares to the shareholders by way of indirect subscription rights pursuant to §153 Abs 6 AktG
- to exclude the subscription rights of shareholders with the approval of the Supervisory Board, under certain circumstances

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

The item Other reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities as of December 31, 2018 amounting to EUR 18,148 thousand (2017: 101,294 thousand). In the 2017 financial year, other reserves included a repurchase obligation for treasury shares.

Accumulated other comprehensive income amounted to EUR 23,942 thousand as of December 31, 2018 (2017: EUR 108,952 thousand).

Treasury Shares

In recent years the annual general meeting has authorized the Management Board to acquire treasury shares within the amounts given in the statutory regulations. The current authorization was given in June 2017 (according to § 65/1/4 and 8 AktG) by the annual general meeting, empowering the Management Board to buy bearer shares of ams AG, whereby the percentage of shares which are to be acquired, which were already acquired and treasury shares held by ams AG by the company should not exceed 10%. This authorization is valid until December 9, 2019.

Furthermore the Management Board has been authorized:

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

Management of Equity

The economic equity matches equity as shown in the Company's balance sheet. The Management Board's policy is to maintain a strong capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. Amongst other financial ratios the Management Board monitors equity ratio and return on equity. For establishing adequate capital resources, dividend payments and share buy-backs are considered appropriate. These aims have not changed during the business year of 2018. None of the group companies are subject to certain capital requirements.

The Management Board's long-term aim is to maintain a balance between profitability and liquidity. For this purpose a yearly return on equity (EBIT adjusted / equity) of 25-30% (2018: 10% 2017: 20%) and a return on assets ((EBIT adjusted + interest expenses) / total liabilities and equity) of 15-20 % (2018: 5%; 2017: 5%) should be achieved. The EBIT

has been adjusted by acquisition-related amortization and share-based compensation costs and one-time restructuring cost. Due to acquisitions during 2017 and one time effects in 2018 these aims have not been reached. Nevertheless these aims remain in the focus of the Management Board.

24. Cash Flow

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

sitions (see item 1.c.ii and item 20) through issue of shares and valuation of financial liabilities.

As of December 31, 2018, the Group holds no cash with limited power of disposal (2017: 37,192). The cash was deposited as pledged for security in relation to derivative financial instruments and became available again in 2018.

25. Earnings per Share

in EUR	2018	2017
Net profit for the year	93,415,740	88,745,192
Result not attributable to the common stockholders	-391,978	-3,250,996
Result attributable to the common stockholders	93,023,762	85,494,196
Weighted average number of shares outstanding	81,836,472	78,851,568
Earnings per share (basic)	1.14	1.08
Weighted average number of shares diluted shares	88,509,932	84,574,429
Earnings per share (diluted)	0.61	1.01
Dividends per share (paid in the business year)	0.33	0.30

The options granted according to the SOP 2005, SOP 2009, SOP 2011, SOP 2013, LTIP 2014, SSOP 2017 and SLTIP 2018 will generally have a dilutive effect. The dilution only occurs if the strike price is below the average stock-exchange price. An additional dilution effect results from the condi-

tional purchase price component to be paid in own shares in connection with the acquisition of Heptagon and the convertible bond issued in USD. Dilution effects from the USD convertible bond are only to be considered if they result in lower earnings per share or a higher loss per share.

Dilution effects from the issue of the EUR convertible bond may arise in the financial year 2018 and following financial years. Such dilutive effects should only be taken into account if they result in lower earnings per share or a higher loss per share.

When calculating the diluted earnings per share, no dilution effects regarding the EUR convertible bond were to be taken into account in the financial year 2018 because the effects of the EUR convertible bond did not result in lower earnings per share.

	2018	2017
Reconciliation of ordinary shares		
Outstanding shares as of January 1	81,780,468	66,044,738
Purchase and sale of treasury shares	334,423	4,724,449
Capital increase regarding stock option plan 2005	0	0
Issue in connection with business combination	0	11,011,281
Outstanding shares as of December 31	82,114,891	81,780,468
	2018	2017
Reconciliation of weighted number of shares		
Weighted average number of issued shares	81,961,626	81,898,559
Obligation of buy-back of shares	-125,154	-3,046,991
Weighted number of shares	81,836,472	78,851,568
	2018	2017
Reconciliation of number of diluted shares		
Weighted average number of shares outstanding as of Dec. 31	81,836,472	78,851,568
Dilution related to issue of stock options	2,640,379	2,956,939
Contingent liabilities from business combinations	758,682	2,765,922
Dilution related to the issue of convertible bonds	3,273,858	0
Weighted average number of shares diluted shares	88,509,392	84,574,429
	2018	2017
Reconciliation of treasury shares		
Treasury shares as of January, 1	2,664,155	7,339,010
Purchase of treasury shares	4,095,339	2,709,276
Sale of treasury shares	-3,820,448	-5,615,086
Sale related to SOP	-634,111	-1,769,045
Treasury shares as of December, 31	2,304,935	2,664,155

26. Financial Instruments

As part of its business, the company is exposed to a variety of risks from financial instruments. These relate to credit risk, interest rate risk, foreign currency risk and liquidity risk. We monitor and manage these risks on an ongoing basis.

All transactions in financial instruments are conducted centrally by the treasury department of the Group. In connection with these transactions, the company avails itself of consulting services from renowned national and international financial institutions.

Credit risk

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

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

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

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

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

Interest rate risk

Interest rate risk – the possible fluctuations in value of financial instruments and changes in future cash flows due to changes in market interest rates – arises in relation to medium and long-term receivables and payables (especially borrowings). ams' treasury policy ensures that part of the cash flow risk is reduced by fixed-interest borrowings. On the liability side, 51% (2017: 52%) of all amounts owed are at fixed rates. Of the remaining borrowings on a floating rate basis 49% (2017: 48%) 34% (2017: 51%) will be repaid over the next two years. The remaining floating rate borrowings are checked on a continuing basis with regard to the interest rate risk.

Foreign currency risk

The group is exposed to currency risks arising from assets and liabilities of subsidiaries, which are denominated in a different currency than the functional currencies of the subsidiaries, as well as from net investments by the Group in subsidiaries and foreign entities in another currency than Group currency EUR. The largest risk positions are receivables, liabilities and net investments in USD and CHF. The risk of these transactions and portfolios is being constantly evaluated and minimized if necessary. As of December 31, 2018 as well as December 31, 2017 ams holds no foreign currency forward contracts to minimize its foreign currency exposure.

Liquidity risk

Liquidity risk is the risk for the Company not to be able to fulfill its financial obligations on maturity. The management's approach is to ensure sufficient liquidity for the Company under ordinary and extraordinary conditions. The management monitors

constantly the cash demand and optimizes the cash flow. Detailed planning occurs for a period of at least 12 months in which also due payables and extraordinary circumstances as far as foreseeable are considered. Additionally the company has unused credit lines available.

Summary of financial instruments recorded on the balance sheet as of December 31, 2018:

in thousands of EUR	Hold and sell	Derivatives	Hold	Cash	Carrying amount	Fair value
Short-term financial assets						
Cash and cash equivalents	0	0	0	625,158	625,158	625,158
Trade receivables	0	0	121,015	0	121,015	121,015
Other receivables and assets						
thereof financial assets	0	0	17,749	0	17,749	17,749
Long-term financial assets						
thereof financial assets at FVOCI	6,768	0	0	0	6,768	6,768
thereof financial assets at FVTPL	28,887	0	0	0	28,887	28,887
thereof financial assets at amortized cost	0	0	5,615	0	5,615	5,615
	35,645	0	144,379	625,158	805,191	805,191

in thousands of EUR	Fair Value through P/L	At amortized cost	Carrying amount	Fair value
Short-term financial liabilities				
Interest bearing loans and borrowings	0	220,022	220,022	217,857
Trade payables	0	175,887	175,887	175,887
Other liabilities				
thereof financial liabilities	5,236	12,245	17,482	17,482
Interest bearing loans and borrowings	0	1,599,013	1,599,013	1,583,284
Other long-term liabilities				
thereof financial liabilities	17,799	417	18,216	18,216
	23,036	2,007,584	2,030,619	2,012,726

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

in thousands of EUR	Available for sale	Derivatives	Loans and receivables	Cash	Carrying amount	Fair value
Short-term financial assets						
Cash and cash equivalents	0	0	0	288,356	288,356	288,356
Financial assets	23,534	80,473	0	0	104,007	104,007
Trade receivables	0	0	284,799	0	284,799	284,799
Other receivables and assets						
thereof financial assets	0	0	18,465	37,192	55,657	55,657
Long-term financial assets						
thereof financial assets at FVOCI	30,853	0	0	0	30,853	30,853
thereof financial assets at amortized cost	0	0	12,992	0	12,992	12,992
	54,386	80,473	316,256	325,548	776,663	776,663
in thousands of EUR	Fair Value through P/L		At amortized cost		Carrying amount	Fair value
Short-term financial liabilities						
Interest bearing loans and borrowings	0		586,417		586,417	586,362
Trade payables	0		308,392		308,392	308,392
Other liabilities						
thereof financial liabilities	392,220		117,030		509,250	509,250
Interest bearing loans and borrowings	0		671,787		671,787	671,725
Other long-term liabilities						
thereof financial liabilities	129,564		446		130,011	130,011
	521,785		1,684,072		2,205,856	2,205,739

Due to the short-term maturity of these items, the fair value of the financial assets of the category loans and receivables and of trade payables and

current financial liabilities essentially corresponds to the book value.

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

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

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

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

2018 in thousands of EUR	Level 1	Level 2	Level 3	Total
Short-term financial assets				
Financial assets	0	0	0	0
Long-term financial assets				
Financial assets	29,730	0	5,915	35,645
	29,730	0	5,915	35,645
Short-term financial liabilities				
Other liabilities	0	0	5,236	5,236
Long-term financial liabilities				
Other liabilities	0	481	17,318	17,799
	0	481	22,554	23,035

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

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

Other liabilities comprised in level 3 relate to contingent considerations in connection with company acquisitions (see note 20). The valuation is based on the current assessment of the contractual payments.

Net gains and losses from financial instruments:

2018 in thousands of EUR	Interest	Result from valuation	Foreign currency valuation	Result from divestment
Financial assets				
Derivatives	0	-5,009	0	0
Financial assets FVTPL	0	1,457	0	0
Financial assets FVOCI	631	-251	0	57
Loans and receivables	2,571	8,013	13,441	0
	3,203	4,210	13,441	57
Financial liabilities				
At fair value through profit & loss	-548	99,354	0	23,908
At amortized costs (other financial liabilities)	-34,075	0	-3,974	0
	-34,623	99,354	-3,974	23,908

General allowance on loans and receivables (trade receivables and other receivables) amounting to

EUR 0 thousand (2017: EUR 320 thousand) have been recognized in other operating expenses.

2017 in thousands of EUR	Interest	Result from valuation	Foreign currency valuation	Result from divestment
Financial assets				
Derivatives	0	-39,695	0	0
Financial assets FVOCI	1,174	0	0	0
Loans and receivables	1,262	0	26,146	0
	2,436	-39,695	26,146	0
Financial liabilities				
At fair value through profit & loss	-3,321	-42,134	0	64,214
At amortized costs (other financial liabilities)	-9,433	0	-4,319	3,889
	-12,754	-42,134	-4,319	68,103

Effective interest rates and liquidity analysis

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

2018 in thousands of EUR	Effective interest rate	Carrying amount	Expected cash flow	0 – 1 year	2 – 5 years	More than 5 years
R & D loans						
EUR – Fixed rate loans	1.17%	19,568	19,920	8,854	11,066	0
Export loans						
EUR – floating rate loans	0.70%	106,000	106,738	106,738	0	0
Unsecured bank facilities						
EUR – Fixed rate loan	0.87%	366,000	372,838	23,066	349,772	0
EUR – Floating rate loan	0.78%	260,000	262,626	86,678	175,948	0
Promissory note						
EUR – Fixed rate loans	1.60%	137,400	147,383	2,188	88,459	56,736
EUR – Floating rate loans	1.50%	131,000	137,237	1,952	129,738	5,548
Convertible bond						
USD – Convertible bond	3.88%	271,523	307,821	2,643	305,178	0
EUR – Convertible bond	2.11%	527,543	600,000	0	0	600,000
		1,819,034	1,954,562	232,118	1,060,160	662,283
Liabilities from finance lease						
USD – Fixed rate	1.69%	29	30	30	0	0
Contingent consideration						
EUR	0.84%	22,117	22,555	5,236	17,318	0
		1,841,181	1,977,146	237,384	1,077,479	662,283

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

Risk of change of interest rates

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

in thousands of EUR	2018	2017
Financial assets		
Fixed rate financial instruments	0	23,534
Financial liabilities		
Fixed rate loans	522,968	525,063
Floating rate loans	497,000	482,000
Convertible bond (fixed rate)	799,066	251,141
Fixed rate financial lease	29	107

Fair value sensitivity analysis for fixed rate financial instruments

A change of +/- 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that

all other variables, in particular currency rates, remain constant. The analysis for the business year 2017 was performed on the same basis.

2018 in thousands of EUR	Profit & loss statement			Equity
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets				
Fixed rate financial instruments	0	0	0	0

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

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

Cash flow sensitivity analysis for variable rate financial instruments

A change of +/- 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that

all other variables, in particular currency rates, remain constant. The analysis for the business year 2017 was performed on the same basis.

2018 in thousands of EUR	Profit & loss statement			Equity
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial liabilities				
Floating rate loans	-8,602	8,602	-8,602	8,602

2017 in thousands of EUR	Profit & loss statement			Equity
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial liabilities				
Floating rate loans	-9,828	9,828	-9,828	9,828

Foreign currency risk

The company's exposure to foreign currency risk at the balance sheet date was as follows based on

notional amounts (without net investments in subsidiaries and investments in associated companies):

2018 in thousands of	USD	CHF	JPY
Trade receivables and other receivables	152,983	1,696	137,274
Trade liabilities and other liabilities	-128,362	-138,243	-926,401
Liabilities from finance lease	0	0	0
Net foreign currency risk	24,622	-136,547	-789,127

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

Sensitivity analysis

A 10 percent strengthening/weakening of the EUR against the following currencies would have

increased (decreased) equity and profit loss by the amounts shown below.

2018 in thousands of EUR	Profit & loss			Equity
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	22,772	-27,832	22,772	-27,832
CHF	11,016	-13,463	11,016	-13,463
JPY	570	-697	570	-697

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

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for the business year 2017 was performed on the same basis.

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

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

	Annual average exchange rate		Period end exchange rate	
	2018	2017	2018	2017
USD	1.1793	1.1370	1.1450	1.1993
CHF	1.1516	1.1163	1.1269	1.1702
JPY	130.01	127.30	125.85	135.01

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

in thousands of EUR	Other loans and borrowings	Convertible notes	Finance lease liabilities	Total
Balance at 1 January 2018	1,007,847	333,500	107	1,341,454
Changes from financing cash flow				
Proceeds from issue of convertible notes	0	612,000	0	612,000
Proceeds from loans and borrowings	329,448	0	0	329,448
Repayment of borrowings	-316,900	0	-77	-316,977
Interest paid	13,975	-2,560	-2	-16,536
Liability Changes of financing cash flows	-1,427	609,440	-79	607,934
The effect of changes in foreign exchange rates	-457	15,149	0	14,692
Changes in fair value	0	-82,769	0	-82,769
Capitalised borrowing costs	0	-1,034	0	-1,034
Interest expenses	13,975	18,831	2	32,808
Equity portion of the convertible bond	0	-93,570	0	-93,570
Total liability-related other changes	13,975	-75,773	2	-61,796
Total equity-related other changes	0	0	0	0
Balance at 31 December 2018	1,019,938	799,547	29	1,819,515

The column "Convertible bonds" includes both the debt component included in the item Interest-bearing loans in the balance sheet and the

option value of the USD convertible bond shown as other liabilities.

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

The column "Convertible bonds" includes both the debt component included in the item Interest-bearing loans in the balance sheet and the

option value of the USD convertible bond shown as other liabilities.

28. Leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

In thousands of EUR	2018	2017
Less than one year	21,657	19,833
Between one and five years	53,981	68,545
More than five years	5,291	15,491
	80,929	103,868

Some of the Group's subsidiaries lease office space. In addition, the Group leases the "gas farm" as well as automobiles under operating leases. The lease agreements typically run for an initial period of four to ten years, typically including an option

for the lessee to renew the lease after that date. The expenses for operating lease amounted to EUR 21,513 thousand in 2018 (2017: EUR 15,568 thousand).

Finance lease

2018 in thousands of EUR	Future minimum lease payments	Interest cost	Present value of minimum lease payments
Less than a year	30	0	29
Between one and five years	0	0	0
More than five years	0	0	0
	30	0	29

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

The lease contains property, plant & equipment with a carrying amount of EUR 32 thousand (2017:

EUR 112 thousand) completely and do not include conditional lease payments.

29. Contingencies

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

Material judgments for the application of accounting rules relate to:

- the accounting of the conditional purchase price liability from the acquisition of Heptagon and the revised earn-out structure (Note 17)
- the accounting of the associated collar transaction
- the classification of the option rights from the USD convertible bond as debt (Note 17 and 20)
- the classification of the option rights from the EUR convertible bond as equity (Note 17 and 20)
- the classification of leases as an operating or finance lease.

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

- The assessment of the recoverability of goodwill (impairment tests); the calculation of the fair value of the respective CGUs is based on EBITDA multipliers, the plausibility calculation to assess the recoverability of capitalized goodwill based on a forecasted cash flow for the next few years using a discount rate adjusted to the entity's cash-generating unit (Note 13)
- The application of deferred tax assets is under the assumption that taxable income will be available to take advantage of existing tax loss carry forwards in the future (Note 6 and 15)
- The valuation of provisions for severance payments and long service benefits is made using assumptions concerning the discount rate, retirement age, fluctuations and future salary increases. (Note 22)

30. Related Parties: Identity of Related Parties

The Company has a related party relationship with:

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

As of December 31, 2018 and December 31, 2017 respectively, the remuneration for the Management Board was as follows:

Remuneration (in thousands of EUR)	2018	2017
Salary		
Salary, not variable	1,839	1,451
Salary, variable	240	1,519
Options		
Options (value at allocation)	4,000	16,648
Non cash benefit		
Car	26	33
Expense for precautionary measures		
Contribution to accident insurance	4	4

The Company recorded an amount of EUR 421 thousand in the profit and loss from accrual for severance payments for the Management Board (2017: EUR 244 thousand recognized as income).

During the business year 77,380 call options (2017: 78,330) of LTIP 2014 for the Management board were allocated during the year as well as 0 options (2017: 1,200,000) of SSOP 2017 as well as 35,560 call options were allocated of SLTIP 2018. The strike price amounts to EUR 1.00 (2017: EUR 1.00) for LTIP 2014, EUR 27.56 for SSOP 2017 and EUR 43.41 for SLTIP 2018.

For conditions and valuations of the call options for shares of ams AG based on the LTIP 2014, SSOP 2017 and SLTIP 2018 please refer to Note 1 (m) (iii).

The Company's Executive Officers hold 34,400 shares and call options for the purchase of 1,861,259 shares as of December 31, 2018 (219,400 shares and call options for the purchase of 2,540,170 shares as of December 31, 2017).

Persons related to the Management Board held 1,250 shares and no options of ams AG as of December 31, 2018 and 1,250 shares and no options as of December 31, 2017, respectively.

The remuneration of the company's Supervisory Board amounted to EUR 538 thousand (2017: EUR 488 thousand). All remunerations were or are paid directly by the Company. The Company has no consulting agreements with the Company's known shareholders. The company has not concluded any consultancy agreements with known shareholders.

The shares and options holdings of the Supervisory board are as follows:

In thousands of EUR	2018	2017
Number of		
Shares as of Dec, 31	54,000	134,900
Options as of Dec, 31	335	270

The shown remunerations show the amounts actually paid during the business year, the remuneration for the business year 2018 will be determined at the general meeting on June 5, 2019.

As of December 31, 2018 persons related to the Supervisory Board held no shares (2017: 2,500) and no options of ams AG (2017: 0).

There are no open loan agreements with members of the Supervisory Board and the Management Board.

Related party transactions

in thousands of EUR	Transaction value for the business year		Balance outstanding as of Dec, 31	
	2018	2017	2018	2017
New Scale Technologies Inc., New York				
Sale of goods and services	12	16	4	0
Purchased services	-83	-149	0	9

ams has a loan agreement with 7Sensing Software amounting to EUR 2,500,000 which can be drawn anytime by 7Sensing Software. As of Dec. 31, 2018 no amounts referring to the loan agreement have been drawn.

These investments are of strategic nature.

31. Remuneration for the Auditors

The expense for the auditor's remuneration for the audit of the financial statements and annual consolidated financial statements 2018 amounted

to EUR 230,458.00. For other consultancy services EUR 31,460.00 have been additionally expensed.

32. Group Enterprises

	Accounting method	Country of incorporation	Functional currency	Ownership interest	
				2018	2017
ams France S.à.r.l.	fully consolidated	France	EUR	100%	100%
ams Italy S.r.l.	fully consolidated	Italy	EUR	100%	100%
ams International AG	fully consolidated	Switzerland	CHF	100%	100%
ams R&D Spain, S.L.	fully consolidated	Spain	EUR	100%	100%
ams R&D UK Ltd.	fully consolidated	UK	GBP	100%	100%
AMS USA Inc.**	fully consolidated	USA	USD	0%	100%
ams Japan Co. Ltd.	fully consolidated	Japan	JPY	100%	100%
ams Semiconductors India Pvt Ltd.	fully consolidated	India	INR	100%	100%
ams China Co. Ltd.	fully consolidated	China	RMB	100%	100%
ams Asia Inc.	fully consolidated	Philippines	PHP	100%	100%
Aspern Investment Inc.	fully consolidated	USA	USD	100%	100%
ams Sensors USA Inc.	fully consolidated	USA	USD	100%	100%
ams Korea Co. Ltd.	fully consolidated	Korea	KRW	100%	100%
ams R&D doo	fully consolidated	Slovenia	EUR	100%	100%
AppliedSensor Holding AB	fully consolidated	Sweden	SEK	100%	100%
ams Netherlands BV	fully consolidated	Netherlands	EUR	100%	100%
ams Finland Oy	fully consolidated	Finland	EUR	100%	100%
Austria Mikro Systeme International Ltd.	at amortized costs	Hong Kong	n/a	100%	100%
ams Sensors Belgium BVBA	fully consolidated	Belgium	EUR	100%	100%
CMOSIS International NV	fully consolidated	Belgium	EUR	100%	100%
CMOSIS America LLC	fully consolidated	USA	USD	0%	100%
AWAIBA Holding SA	fully consolidated	Switzerland	CHF	100%	100%
ams Sensors Portugal Unipessoal Lda	fully consolidated	Portugal	EUR	100%	100%
ams Sensors Germany GmbH	fully consolidated	Germany	EUR	100%	100%
ams Sensors UK Ltd.	fully consolidated	UK	GBP	100%	100%
Incus Laboratories Ltd.	fully consolidated	UK	GBP	100%	100%
ams Cayman Inc.	fully consolidated	Cayman Island	USD	100%	100%
Heptagon Advanced Micro-Optics Pte Ltd.	fully consolidated	Singapore	USD	100%	100%
ams Sensors Singapore Pte. Ltd.	fully consolidated	Singapore	USD	100%	100%
Heptagon Oy	fully consolidated	Finland	EUR	100%	100%
Heptagon Holding Switzerland AG	fully consolidated	Switzerland	CHF	100%	100%
Mesa Imaging AG*	fully consolidated	Switzerland	CHF	0%	100%
Heptagon Micro Optics Technologies Sdn Bhd	fully consolidated	Malaysia	MYR	100%	100%
AMK Inv Systems Pte. Ltd.	fully consolidated	Singapore	USD	100%	100%
Heptagon Holding CA Inc.	fully consolidated	USA	USD	100%	100%
RF Digital Corp.	fully consolidated	USA	USD	100%	100%

* The companies were merged with ams International AG in Rapperswil in the financial year 2018.

** The companies were merged with ams Sensors USA in the financial year 2018.

	Accounting method	Country of incorporation	Functional currency	Ownership interest	
				2018	2017
Simblee Corp.	fully consolidated	USA	USD	100%	100%
RFDuino Inc.	fully consolidated	USA	USD	100%	100%
Princeton Optronics Inc.	fully consolidated	USA	USD	100%	100%
ams Holding USA Inc.	fully consolidated	USA	USD	100%	100%
Heptagon USA, Inc.**	fully consolidated	USA	USD	0%	100%
ams Sensors Asia Pte. Ltd.	fully consolidated	Singapore	USD	100%	100%
KeyLemon SA	fully consolidated	Switzerland	CHF	100%	0%

** The companies were merged with ams Sensors USA in the financial year 2018.

33. Events After the Balance Sheet Date

No material events after the balance sheet date were identified.

Premstaetten, February 25, 2019



Alexander Everke
Management Board Member
CEO



Michael Wachsler-Markowitsch
Management Board Member
CFO



Dr. Thomas Stockmeier
Management Board Member
COO



Mark Hamersma
Management Board Member
CBO

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of ams AG, Premstätten, Austria, and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2018, and, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Goodwill impairment testing

Refer to notes section 13

Risk for the Consolidated Financial Statements

Under IAS 36, the Company is required to allocate its goodwill to cash-generating units (CGU) and to test the amount of goodwill for impairment, annually and whenever there is a triggering event that goodwill may be impaired. As of December 31, 2018, the carrying amount of goodwill was EUR 759,5 million.

The impairment test is based on the fair value less costs to sell. The fair value was calculated using the multiple method. This method is based on EBITDA multiples derived from a group of companies comparable to the CGU. Fair values are made plausible by a valuation on the basis of discounted future cash flows (DCF method).

Goodwill impairment tests require an appropriate valuation method and the application of an appropriate assessment process and the definition of significant assumptions and other inputs. This gives rise in particular to the risk that

- cash-generating units are not properly defined,
- methods used are not in accordance with the requirements of IAS 36, or
- assumptions and inputs are not appropriate

and, consequently, an impairment loss was not or not properly recognized in the financial statements.

Our Response

In the course of our audit, we have gained an understanding of the approach and the valuation methodologies. We have reviewed the determination of the cash-generating units and assessed their appropriateness. Our audit also included assessing the accounting principles used and significant estimates used by the Company, in particular the appropriateness of the multiples used and the interest rates used in the plausibility calculation. This assessment was carried out in consultation with our valuation specialist. Expected sales and margin projections on which the plausibility calculation is based were evaluated on the basis of information on the respective cash-generating units and the planning accuracy was assessed by comparing plans for prior years to actual results.

Acquisition of Heptagon / Revised Earn-Out

Refer to notes section 20

Risk for the Consolidated Financial Statements

ams AG acquired 100% of the shares in Heptagon Advanced Micro-Optics Pte. Ltd, Singapore, and its subsidiaries ("Heptagon") as of the acquisition date of January 24, 2017. The purchase agreement provided for a conditional purchase price consideration under which ams AG undertook to pay an additional cash amount and additional treasury shares in the first half of 2018, the amount of which depending on sales of Heptagon products.

In March 2019, ams AG proposed the former shareholders of Heptagon an amendment to the conditional purchase price consideration after it

had become apparent during the fiscal year 2018 that revenue targets would only be achieved because of efforts made by ams AG far beyond the expected level of support. The proposal included a significantly lower payment and the transfer of a higher number of shares of ams AG to the former shareholders. The offer was accepted by all former Heptagon shareholders.

Accounting for the change in the earn-out agreement requires the application of complex accounting rules and the use of market-related parameters such as share prices and foreign exchange rates. This may result to the risk for the consolidated financial statements that accounting standards may not be applied correctly and that the figures may not be derived correctly, and that the result from the measurement of the obligation recorded in the income statement may therefore not be presented correctly.

Our Response

In the course of our audit, we have gained an understanding of the approach and the valuation methodologies. We have reviewed the determination of the cash-generating units and assessed their reasonableness. Our audit also included assessing the accounting principles applied and significant estimates used by the Company, in particular the appropriateness of the multiples used and the interest rates used in the plausibility calculation. This assessment was carried out in consultation with our valuation specialist. Expected sales and margin projections on which the plausibility calculation is based were evaluated on the basis of information on the respective cash-generating units and the planning accuracy was assessed by comparing plans for prior years to actual results.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with

generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements

and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report. We expect the annual report to be provided to us after the date of the auditor's report.

Engagement Partner

The engagement partner is Mr. Helmut Kerschbaumer.

Vienna, 26 February 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Helmut Kerschbaumer
Wirtschaftsprüfer
(Austrian Chartered Accountant)

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

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

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

Glossary

3D sensing	Sensing technologies incorporating the acquisition of depth information to capture image or spatial data in three dimensions
ANC	Active Noise Cancellation; technologies which improve the sound quality by significantly reducing background ambient noise
ASV	Active Stereo Vision; 3D sensing technology which uses two cameras for stereo image capture to calculate depth information by triangulation and employs pattern projection based on an IR light emitter (VCSEL laser) to enable high accuracy in the depth calculation process
CMOS	Complementary Metal-Oxide-Semiconductor; a widely used technology for constructing integrated circuits (ICs)
DOE	Diffractive Optical Element; component that allows shaping and splitting of laser beams with maximum efficiency to form complex output patterns
Global shutter	CMOS image sensor technology which is able to expose and readout all pixels to an image at the same time. By contrast, rolling shutter sensors do not expose all pixels at the same time, reading out from top to bottom. Global shutter technology allows for excellent quality imaging at high speeds
Internet of Things (IoT)	Network of physical objects fitted with electronics including sensors and network connections that enables these objects to collect and exchange data for remote sensing and control
IR	Infrared Radiation; an electromagnetic radiation with longer wavelengths than those of visible light and therefore generally invisible to the human eye
LIDAR	Light Detection And Ranging; measuring technology that measures distance by illuminating the target with pulsed laser light and processing the reflected pulses with a sensor. Differences in laser return times and wavelengths can then be used to make digital 3D representations of the target (3D LIDAR)

MEMS microphone	Microphone based on a pressure-sensitive diaphragm etched into a silicon wafer as a micro-electromechanical structure
OLED	Organic Light-Emitting Diode (LED); LED where the emissive electroluminescent layer is an organic compound that emits light in response to an electric current. OLEDs are used to create high performance digital displays for devices such as smartphones, television screens, and computer displays
SL	Structured Light; 3D sensing technology which projects a known pattern (often dots) onto a scene by emitting IR light provided by a VCSEL laser. The deformation of the pattern when striking surfaces allows vision systems to calculate the depth and surface information of the objects in the scene
SPAD	Single Photon Avalanche Photodiode; class of photodetectors able to detect low intensity signals (down to the single photon) and to capture the photon arrival with high temporal resolution (few tens of picoseconds)
ToF	Time-of-Flight; 3D sensing technology which is able to resolve distance between the camera and an object for each point of the scanned image, by measuring the time between emission of a light signal provided by a laser (VCSEL) and detection of the reflected signal
VCSEL	Vertical-Cavity Surface-Emitting Laser; laser diode with laser beam emission perpendicular to the top surface allowing high quality laser beam shape and emission
WLO	Wafer Level Optics; the design and manufacture of miniaturized optics at the wafer level using advanced semiconductor-like techniques

Imprint

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