

# Third Quarter Report 2019

Key figures USD thousands (except earnings per share)	Q3 2019	Q3 2018	Q2 2019	9 months 2019	9 months 2018
Revenues	<b>644,985</b>	458,731	411,396	1,438,744	1,107,859
Gross margin in % (adjusted – see footnote 1)	<b>44%</b>	33%	37%	39%	30%
Result from operations (adjusted – see footnote 1)	<b>177,943</b>	57,616	49,502	250,477	81,554
Operating margin in % (adjusted – see footnote 1)	<b>28%</b>	13%	12%	17%	7%
Net result (adjusted – see footnote 3)	<b>158,101</b>	17,775	24,910	173,746	10,194
Basic / diluted earnings per share in CHF <sup>2)</sup> (adjusted – see footnote 3)	<b>1.92 / 1.87</b>	0.22 / 0.21	0.31 / 0.28	2.18 / 2.13	0.13 / 0.13
Basic / diluted earnings per share in USD (adjusted – see footnote 3)	<b>1.95 / 1.91</b>	0.22 / 0.21	0.31 / 0.28	2.17 / 2.12	0.11 / 0.11
Total backlog (excluding consignment stocks)	<b>253,068</b>	575,530	301,387	253,068	575,530

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

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

<sup>3)</sup> Net result and earnings per share excluding valuation effect of the option element of the USD convertible bond.

**Third quarter revenues above top end of guidance range with strong operating profitability well above expectations; high volume ramps in consumer optical solutions; further strength expected in fourth quarter with revenues of USD 610-650 million and adjusted fourth quarter EBIT margin to reach at least the level of the third quarter; confident in success of recently announced takeover offer for OSRAM**

Report to shareholders on the third quarter of 2019

**Ladies and Gentlemen**

Our third quarter results demonstrate the strong performance of our business driven by our consumer solutions. Smartphone and consumer ramps were the key drivers of our strong growth in revenues while manufacturing efficiencies enabled an operating performance above expectations.

**Financial results**

Third quarter group revenues were USD 645.0 million, up 57% sequentially compared to the second quarter and up 41% from USD 458.7 million in the same quarter 2018. Adjusted gross margin for the third quarter was 44% (excluding acquisition-related and share-based compensation costs) with IFRS reported gross margin at 42% (including acquisition-related and share-based compensation costs), compared to 33% and 31% respectively in the same quarter 2018.

The adjusted result from operations (EBIT) for the third quarter was USD 177.9 million or 28% of revenues (excluding acquisition-related and share-based compensation costs), strongly increasing from USD 57.6 million in the same period 2018 (USD 146.5 million or 23% of revenues including acquisition-related and share-based compensation costs, up from USD 35.7 million in the same period 2018). This very positive development was particularly driven by our consumer business.

Adjusted net income for the third quarter was USD 158.1 million (excluding valuation effect of option element of foreign currency convertible bond), compared to USD 17.8 million for the same period 2018 (third quarter 2019: USD 158.0 million including valuation effect). Adjusted basic/diluted earnings per share for the third quarter were CHF 1.92/1.87 or USD 1.95/1.91 based on 81,059,682/82,981,954 shares (CHF 1.91/1.87 or USD 1.95/1.90 including valuation effect; third quarter 2018: CHF 0.22/0.21 or USD 0.22/0.21 based on 82,518,624/84,893,054 shares, all as weighted average).

Operating cash flow for the third quarter was USD 299.0 million compared to USD 82.2 million in the same quarter last year. Total backlog on 30 September 2019 (excluding consignment stock agreements) was USD 253.1 million compared to USD 301.4 million at the end of the second quarter and USD 575.5 million on 30 September 2018.

### Business overview

Our business showed a very strong performance in the third quarter of 2019 with results above or well above our expectations. Given strong demand for consumer solutions we achieved this positive development in light of a more subdued market situation in our non-consumer end markets.

Our consumer business again provided the largest contribution to our results in the third quarter. Leading in optical sensing, we offer high performance solutions for 3D sensing including VCSEL (Vertical Cavity Surface-Emitting Laser)-based illumination, high quality display management including behind-OLED and TrueColor technologies, micro-scale proximity sensing, bio- and spectral sensing, and other optical applications. We are a leading supplier of 3D sensing technology shipping significant volumes of consumer 3D sensing solutions. Our extensive 3D sensing portfolio and system know-how including 3D hard- and software serves all three approaches, structured light (SL), time-of-flight (ToF), and active stereo vision (ASV) with a main focus on 3D illumination for front-facing and world-facing applications.

Our advanced high power VCSEL portfolio and our optics capabilities are key factors in our market success in 3D sensing. We offer high quality 3D sensing illumination in all technologies SL, ToF and ASV and are able to serve different customer needs across these approaches. We are shipping very substantial volumes of 3D sensing solutions to the leading smartphone OEMs globally as we continue to expand our position in the Android market. This includes strongly increasing volumes of world-facing iToF 3D sensing illumination solutions as the camera enhancement features which these systems support are highly successful in the market. We therefore expect customer adoption of these features to continue to broaden going forward.

A first smartphone implementation of ASV is coming to the market as expected while our partnership with Qualcomm on ASV is progressing successfully. We are receiving highly positive market feedback for our combined solution with major OEM interest to introduce ASV in mobile computing. We also see increasing OEM interest to explore dToF technology for 3D sensing applications and have active product developments in this promising area. We are able to offer 3D illumination solutions that build on our broad portfolio of VCSELs, drivers, optics, design, and manufacturing allowing us to adapt to customer requirements and application needs. Given our extensive capabilities across SL, iToF, dToF and ASV we continue to build our leading position in 3D sensing and illumination.

Our long-distance 1D ToF solution for accurate distance capture records further positive market feedback following a first design-win for smartphone laser detect autofocus (LDAF). The recently announced partnership with image sensor specialist SmartSens for high quantum efficiency NIR image sensing has good traction with progress for our ASV reference design for consumer 3D applications. Validating industrial applications, we continue our activities with a global OEM for an ASV application in a household device while industrial OEM engagement continues to increase.

In display management, the market success of our innovation for high performance behind-OLED (BOLED) proximity and light sensing is expanding at a quick pace. This unmatched technology allows OEMs to move light and proximity sensing invisibly behind the OLED display as they pursue maximized screen-to-body ratio and bezel-less phone designs. We are supplying an increasing range of high volume Android smartphone and mobile device platforms including additional newly launched models. The ability to remove bezel-placed elements from the device front is driving continuing

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adoption across the full spectrum of leading Android OEMs. Overall, we shipped significant volumes of our broad range of advanced display management solutions in the quarter. This also includes flicker detection sensing which improves picture quality by detecting artificial light flicker and is seeing increasing adoption at Android OEMs.

New optical sensing technologies and applications remain a focus of continued R&D investment. Building on our excellent BOLED capabilities, development activities for behind-display 3D sensing technology have started. Fully aligned with the market trend to reduce visible components on the device front, we expect this technology to create very attractive penetration opportunities in smartphones and mobile devices. While too early to provide a timeframe for commercial deployment we expect to solve the related technical challenges within the next 18 months. OEM engagements for our high quality measurement solution for blood pressure and additional health parameters, which provides extensive personal health data, are ongoing while we continue to pursue medical grade certification for blood pressure measurement in the United States. In a different application area, we see potential for lower resolution spectral sensing in smartphones and mobile devices to enable high performance functions enhancing photo camera picture quality. Our audio sensing business recorded a positive quarter with other consumer product lines shipping in solid volumes. As a leader in noise cancellation, consumer OEM interest in our innovative digital noise cancelling solution for loose-fitting wireless earbuds continues to be strong with several design activities underway.

Our automotive, industrial and medical businesses performed in line with expectations in the third quarter. Our automotive business is experiencing a more subdued market environment as demand trends have turned increasingly muted across world regions. With our focus on safety, driver assistance/autonomous driving, position sensing, and chassis control we offer a broad spectrum of sensing solutions for a range of Tier 1 suppliers, OEMs and market segments. We continue strong R&D investments for advanced LIDAR architectures where our VCSEL illumination technology is seeing substantial interest from major automotive players. Besides the large true solid-state 3D LIDAR illumination program for ZF, the leading tier 1 system supplier, in conjunction with IBEO, we are pursuing active LIDAR engagements in different geographies. Our capabilities in addressable high power VCSEL arrays offer significant system-level advantages for multiple scanning architectures and can be leveraged into future applications in different markets. In-cabin monitoring as another new automotive optical application offers attractive opportunities in the coming years as Tier 1 and OEM interest continues to increase. We are seeing very good traction in this new market where we pursue several development projects and have gained a design win for in-cabin 3D ToF illumination at a global tier 1 supplier. Positive momentum also continues in the sizeable emerging automotive projected lighting market. Based on advanced illumination and projector systems this technology enables new comfort and safety features as well as differentiated lighting applications such as light carpets.

Our industrial business showed a more muted performance in the third quarter, reflecting a challenging market and demand situation in industrial markets worldwide. Serving a wide range of applications in industrial and factory automation, HABA, other industrial sensing and industrial imaging as a leader in high performance solutions, we are able to benefit from a broad portfolio and customer base in the current environment. Industrial imaging, where we are leading in high performance global shutter technologies, developed in line with end market trends while contributing positively to our overall performance. Our medical business performed well in the third quarter benefiting from its leading market position in medical imaging for computed tomography (CT), digital X-ray, and mammography

as well as miniature camera endoscopy. Our market penetration is strong across geographies with Asian markets providing ongoing opportunities for expansion. Supporting next generation medical endoscopy, we supply NanEye micro camera solutions to several customers in volume and note ongoing market traction for new micro camera applications.

In operations, we are seeing very positive effects from the significant cost reductions and yield improvements in our Singapore manufacturing. These ongoing benefits which include lower staffing levels and materials usage enable our strong profitability on the basis of robust capacity utilization at our manufacturing sites. For VCSEL-based solutions, our outsourced supply chain fully supports the attractive volumes we are recording this year. At the same time, our internal VCSEL line for differentiated designs is ready for the planned front-end ramp from around year-end. Combining scalable outsourced and internal VCSEL capacity creates a strong position to support expected future volume needs in this growth area. Capital expenditures are developing fully in line with expectations to realize the significantly lower capital expenditures we expect for full year 2019 compared to 2018.

In the context of our expired takeover offer for OSRAM, we have become the largest shareholder of OSRAM with a shareholding of 19.99% and have confirmed that we would continue to pursue the full acquisition of OSRAM. We feel confident about the new takeover offer for OSRAM our subsidiary ams Offer GmbH announced on 18 October 2019 with an offer price of EUR 41.00 as it is financially attractive, strategically compelling and the viable option for OSRAM shareholders. We are offering a clear path forward for ams and OSRAM with the vision to create a global leader in sensor solutions and photonics. This includes commitments to OSRAM stakeholders, including holistic covenants aimed at safeguarding the employees and production facilities of OSRAM in Germany. Bringing together two technology leaders will allow the creation of a stronger combined company to benefit all stakeholders. Subject to BaFin approval, we currently expect the offer period to commence by the end of October 2019.

### Outlook

For the fourth quarter 2019, we expect our business to show a strong performance with large scale consumer programs continuing to provide very attractive contributions based on positive smartphone volumes. In our other end markets, however, business momentum is expected to reflect a more challenging macro-economic environment with higher levels of cautiousness.

On the basis of available information, we expect fourth quarter revenues of USD 610-650 million showing continuing strength and a year-on-year increase of 28% at the midpoint. The adjusted operating (EBIT) margin for the fourth quarter is expected to reach at least the level of the third quarter reflecting operational performance benefits and sequential strength while more than doubling year-on-year. Based on this positive outlook, we anticipate leverage in terms of net debt/EBITDA for ams on a stand-alone basis (excluding any effect from OSRAM share purchases) to decrease significantly to a level of 1.5 or lower at year-end 2019.

## Consolidated Income Statement

(unaudited)

USD thousands (except earnings per share)	Q3 2019	9 months 2019	Q3 2018	9 months 2018
Revenue Products	635,880	1,400,830	445,527	1,071,883
Revenue Foundry & Other	9,104	37,913	13,204	35,976
<b>Total revenues</b>	<b>644,985</b>	<b>1,438,744</b>	<b>458,731</b>	<b>1,107,859</b>
Cost of sales	-373,901	-912,367	-318,564	-811,131
<b>Gross profit</b>	<b>271,084</b>	<b>526,377</b>	<b>140,167</b>	<b>296,729</b>
Gross margin in %	42%	37%	31%	27%
Research and development	-72,539	-226,168	-65,184	-177,648
Selling, general and administrative	-52,742	-143,101	-40,847	-120,136
Other operating income	2,241	8,829	2,092	8,095
Other operating expense	-1,444	-1,955	-366	-925
Result from equity investments	-145	-230	-196	-431
<b>Result from operations</b>	<b>146,455</b>	<b>163,751</b>	<b>35,666</b>	<b>5,683</b>
Net financing result	11,826	14,082	33,260	103,914
<b>Result before tax</b>	<b>158,281</b>	<b>177,833</b>	<b>68,926</b>	<b>109,598</b>
Income tax result	-316	-4,220	-3,112	-6,772
<b>Net result</b>	<b>157,965</b>	<b>173,613</b>	<b>65,813</b>	<b>102,826</b>
Basic / diluted earnings per share in CHF <sup>1)</sup>	1.91 / 1.87	2.18 / 2.13	0.82 / 0.79	1.33 / 1.25
Basic / diluted earnings per share in USD	1.95 / 1.90	2.17 / 2.13	0.80 / 0.78	1.28 / 1.20

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

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## Consolidated Balance Sheet

(unaudited)

USD thousands	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	889,688	695,613
Financial investments	175,734	0
Trade receivables	217,734	134,653
Inventories	267,366	344,852
Other receivables and assets	51,327	42,305
Assets held for sale	111,737	0
<b>Total current assets</b>	<b>1,713,586</b>	<b>1,217,424</b>
Property, plant and equipment	1,316,305	1,342,490
Intangible assets	1,443,669	1,359,313
Investments in associates	3,152	3,294
Deferred tax assets	18,233	18,174
Other long-term assets	8,557	8,153
Long-term financial assets	39,077	39,662
<b>Total non-current assets</b>	<b>2,828,992</b>	<b>2,771,086</b>
<b>Total assets</b>	<b>4,542,578</b>	<b>3,988,511</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Interest-bearing loans and borrowings	287,214	244,818
Trade liabilities	177,487	195,710
Tax liabilities	15,841	18,310
Provisions	98,551	89,765
Other liabilities	67,353	61,813
Liabilities associated with assets held for sale	664	0
<b>Total current liabilities</b>	<b>647,111</b>	<b>610,415</b>
Interest-bearing loans and borrowings	1,894,676	1,779,222
Employee benefits	46,958	44,863
Deferred tax liabilities	70,757	73,067
Other long-term liabilities	180,568	41,385
<b>Total non-current liabilities</b>	<b>2,192,959</b>	<b>1,938,536</b>
<b>Shareholders' equity</b>		
Issued capital	93,934	93,934
Additional paid-in capital	793,758	789,970
Treasury shares	-154,632	-131,813
Other reserves	69,977	-20,193
Retained earnings	899,473	707,661
<b>Total shareholders' equity and reserves</b>	<b>1,702,509</b>	<b>1,439,560</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,542,578</b>	<b>3,988,511</b>

## Consolidated Statement of Cash Flows

(unaudited)

USD thousands	Q3 2019	9 months 2019	Q3 2018	9 months 2018
<b>Operating activities</b>				
Result before tax	158,281	177,833	68,926	109,598
Depreciation (net of government grants)	78,960	230,119	59,769	170,225
Expense from stock option plan	7,353	25,694	3,564	14,263
Changes in other long-term liabilities	5,090	816	315	-908
Result from sale of plant and equipment	1,058	1,053	-89	-114
Result from sale of investments	0	0	-63	-63
Result from investments in associates	145	230	196	431
Net financing cost	-11,826	-14,082	-33,197	-103,851
Change in inventories	53,035	67,987	-6,428	-39,822
Change in trade and other receivables	-39,656	-86,219	-50,159	-12,851
Change in trade and other payables	39,677	35,724	32,544	-47,481
Change in provisions and employee benefits	10,029	12,324	10,812	-7,389
Change in deferred income	0	0	-1,385	-6,001
Tax Payments	-3,144	-8,089	-2,624	-11,291
<b>Cash flows from operating activities</b>	<b>299,001</b>	<b>443,390</b>	<b>82,180</b>	<b>64,746</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	-34,642	-168,248	-101,745	-413,120
Acquisition of subsidiaries net of cash acquired	0	-9,012	91	-27,598
Acquisition of other financial investments	-168,383	-168,383	-949	-3,632
Proceeds from sale of plant and equipment	5	7	11	40
Proceeds from the sale of investments	0	0	25,692	25,692
Interest received	2,148	5,456	733	2,196
<b>Cash flows from investing activities</b>	<b>-200,873</b>	<b>-340,181</b>	<b>-76,166</b>	<b>-416,422</b>
<b>Financing activities</b>				
Proceeds from borrowings	338,601	352,681	181,362	237,363
Repayment of debt	-22,676	-130,494	-3,281	-340,096
Repayment of finance lease liabilities	-5,515	-16,045	-22	-64
Proceeds from issue of convertible notes	0	0	0	680,694
Repayment of convertible notes	-5,902	-80,595	0	0
Acquisition of treasury shares	-624	-34,519	-48,002	-185,605
Sale of treasury shares	2,096	3,927	695	12,515
Interest paid	-8,849	-18,202	-8,024	-14,696
Dividends paid	0	0	0	-30,683
<b>Cash flows from financing activities</b>	<b>297,130</b>	<b>76,754</b>	<b>122,729</b>	<b>359,427</b>
Net increase in cash and cash equivalents	395,259	179,963	128,742	7,752
Effects of changes in foreign exchange rates on cash and cash equivalents	18,362	14,112	35	-2,166
Cash and cash equivalents pledged as security	0	0	0	35,579
Cash and cash equivalents at begin of period	476,067	695,613	233,241	320,854
<b>Cash and cash equivalents at end of period</b>	<b>889,688</b>	<b>889,688</b>	<b>362,018</b>	<b>362,018</b>



## Reconciliation from adjusted figures to reported figures

USD thousands	Q3 2019	9 months 2019	Q3 2018	9 months 2018
<b>Gross profit – adjusted</b>	<b>282,343</b>	<b>560,031</b>	<b>150,412</b>	<b>332,901</b>
Acquisition-related costs	-10,546	-31,311	-10,078	-35,072
Share-based compensation costs	-713	-2,344	-167	-1,100
<b>Gross profit – reported</b>	<b>271,084</b>	<b>526,377</b>	<b>140,167</b>	<b>296,729</b>
Gross margin in % – adjusted	44%	39%	33%	30%
Gross margin in % – reported	42%	37%	31%	27%
<b>Operating expenses – adjusted</b>	<b>-104,400</b>	<b>-309,554</b>	<b>-92,796</b>	<b>-251,347</b>
Acquisition-related costs	-13,454	-29,408	-8,305	-24,199
Share-based compensation costs	-6,775	-23,664	-3,401	-15,499
<b>Operating expenses – reported</b>	<b>-124,629</b>	<b>-362,625</b>	<b>-104,501</b>	<b>-291,045</b>
<b>Result from operations – adjusted</b>	<b>177,943</b>	<b>250,477</b>	<b>57,616</b>	<b>81,554</b>
Acquisition-related costs	-24,001	-60,718	-18,383	-59,272
Share-based compensation costs	-7,488	-26,007	-3,568	-16,599
<b>Result from operations – reported</b>	<b>146,455</b>	<b>163,751</b>	<b>35,666</b>	<b>5,683</b>
Operating margin in % – adjusted	28%	17%	13%	7%
Operating margin in % – reported	23%	11%	8%	1%

## **Financial statements in EUR**

## Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q3 2019	9 months 2019	Q3 2018	9 months 2018
Revenue Products	571,475	1,258,947	400,401	963,318
Revenue Foundry & Other	8,182	34,073	11,867	32,332
<b>Total revenues</b>	<b>579,657</b>	<b>1,293,020</b>	<b>412,268</b>	<b>995,650</b>
Cost of sales	-336,030	-819,958	-286,298	-728,975
<b>Gross profit</b>	<b>243,627</b>	<b>473,062</b>	<b>125,970</b>	<b>266,675</b>
Gross margin in %	42%	37%	31%	27%
Research and development	-65,192	-203,260	-58,582	-159,654
Selling, general and administrative	-47,400	-128,607	-36,710	-107,968
Other operating income	2,014	7,935	1,880	7,275
Other operating expense	-1,297	-1,757	-329	-832
Result from Equity Investments	-130	-207	-176	-388
<b>Result from operations</b>	<b>131,621</b>	<b>147,166</b>	<b>32,053</b>	<b>5,108</b>
Net financing result	10,628	12,656	29,891	93,389
<b>Result before tax</b>	<b>142,249</b>	<b>159,822</b>	<b>61,944</b>	<b>98,497</b>
Income tax result	-284	-3,792	-2,797	-6,086
<b>Net result</b>	<b>141,965</b>	<b>156,029</b>	<b>59,147</b>	<b>92,411</b>
Basic / diluted earnings per share in CHF <sup>1)</sup>	1.91 / 1.87	2.18 / 2.13	0.82 / 0.79	1.33 / 1.25
Basic / diluted earnings per share in EUR	1.75 / 1.71	1.95 / 1.91	0.72 / 0.70	1.15 / 1.08

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

## Consolidated Balance Sheet

(unaudited)

EUR thousands	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	799,576	625,158
Financial investments	157,934	0
Trade receivables	195,681	121,015
Inventories	240,286	309,924
Other receivables and assets	46,128	38,021
Assets held for sale	100,420	0
<b>Total current assets</b>	<b>1,540,025</b>	<b>1,094,117</b>
Property, plant and equipment	1,182,983	1,206,516
Intangible assets	1,297,446	1,221,635
Investments in associates	2,833	2,960
Deferred tax assets	16,387	16,333
Other long-term assets	7,690	7,327
Long-term financial assets	35,119	35,645
<b>Total non-current assets</b>	<b>2,542,457</b>	<b>2,490,416</b>
<b>Total assets</b>	<b>4,082,482</b>	<b>3,584,534</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Interest-bearing loans and borrowings	258,124	220,022
Trade liabilities	159,510	175,887
Tax liabilities	14,237	16,455
Provisions	88,569	80,673
Other liabilities	60,531	55,552
Liabilities associated with assets held for sale	597	0
<b>Total current liabilities</b>	<b>581,568</b>	<b>548,589</b>
Interest-bearing loans and borrowings	1,702,773	1,599,013
Employee benefits	42,201	40,319
Deferred tax liabilities	63,591	65,666
Other long-term liabilities	162,279	37,193
<b>Total non-current liabilities</b>	<b>1,970,844</b>	<b>1,742,191</b>
<b>Shareholders' equity</b>		
Issued capital	84,420	84,420
Additional paid-in capital	713,362	709,958
Treasury shares	-138,970	-118,462
Other reserves	62,889	-18,148
Retained earnings	808,369	635,986
<b>Total shareholders' equity and reserves</b>	<b>1,530,070</b>	<b>1,293,754</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,082,482</b>	<b>3,584,534</b>

## Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q3 2019	9 months 2019	Q3 2018	9 months 2018
<b>Operating activities</b>				
Result before tax	142,249	159,822	61,944	98,497
Depreciation (net of government grants)	70,962	206,811	53,715	152,983
Expense from stock option plan (acc. to IFRS 2)	6,608	23,091	3,203	12,819
Changes in other long-term liabilities	4,575	733	283	-816
Result from sale of plant and equipment	951	946	-80	-103
Result from sale of investments	0	0	-57	-57
Result from investments in associates	130	207	176	388
Net financing cost	-10,628	-12,656	-29,835	-93,333
Change in inventories	47,663	61,101	-5,777	-35,789
Change in trade and other receivables	-35,639	-77,487	-45,079	-11,549
Change in trade and other payables	35,658	32,106	29,248	-42,672
Change in provisions and employee benefits	9,013	11,076	9,717	-6,640
Change in deferred income	0	0	-1,244	-5,393
Tax Payments	-2,825	-7,269	-2,358	-10,147
<b>Cash flows from operating activities</b>	<b>268,717</b>	<b>398,481</b>	<b>73,857</b>	<b>58,188</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	-31,133	-151,207	-91,440	-371,277
Acquisition of subsidiaries net of cash acquired	0	-8,099	82	-24,803
Acquisition of other financial investments	-151,329	-151,329	-853	-3,264
Proceeds from sale of plant and equipment	5	6	10	36
Proceeds from the sale of investments	0	0	23,090	23,090
Interest received	1,930	4,904	659	1,974
<b>Cash flows from investing activities</b>	<b>-180,527</b>	<b>-305,726</b>	<b>-68,452</b>	<b>-374,244</b>
<b>Financing activities</b>				
Proceeds from borrowings	304,305	316,960	162,993	213,322
Repayment of debt	-20,379	-117,277	-2,949	-305,650
Repayment of finance lease liabilities	-4,957	-14,419	-19	-58
Proceeds from issue of convertible notes	0	0	0	611,750
Repayment of convertible notes	-5,304	-72,432	0	0
Acquisition of treasury shares	-561	-31,023	-43,140	-166,806
Sale of treasury shares	1,884	3,529	625	11,247
Interest paid	-7,953	-16,358	-7,211	-13,208
Dividends paid	0	0	0	-27,575
<b>Cash flows from financing activities</b>	<b>267,035</b>	<b>68,980</b>	<b>110,298</b>	<b>323,023</b>
Net increase in cash and cash equivalents	355,225	161,735	115,703	6,967
Effects of changes in foreign exchange rates on cash and cash equivalents	16,502	12,683	31	-1,947
Cash and cash equivalents pledged as security	0	0	0	31,975
Cash and cash equivalents at begin of period	427,849	625,158	209,617	288,356
<b>Cash and cash equivalents at end of period</b>	<b>799,576</b>	<b>799,576</b>	<b>325,351</b>	<b>325,351</b>

## Reconciliation from adjusted figures to IFRS reported figures

EUR thousands	Q3 2019	9 months 2019	Q3 2018	9 months 2018
<b>Gross profit – adjusted</b>	<b>253,746</b>	<b>503,308</b>	<b>135,177</b>	<b>299,183</b>
Acquisition-related costs	-9,478	-28,139	-9,057	-31,520
Share-based compensation costs	-641	-2,106	-150	-989
<b>Gross profit – IFRS reported</b>	<b>243,627</b>	<b>473,062</b>	<b>125,970</b>	<b>266,675</b>
Gross margin in % – adjusted	44%	39%	33%	30%
Gross margin in % – IFRS reported	42%	37%	31%	27%
<b>Operating expenses – adjusted</b>	<b>-93,826</b>	<b>-278,201</b>	<b>-83,397</b>	<b>-225,889</b>
Acquisition-related costs	-12,091	-26,429	-7,463	-21,748
Share-based compensation costs	-6,089	-21,267	-3,056	-13,929
<b>Operating expenses – IFRS reported</b>	<b>-112,006</b>	<b>-325,897</b>	<b>-93,917</b>	<b>-261,567</b>
<b>Result from operations – adjusted</b>	<b>159,920</b>	<b>225,107</b>	<b>51,780</b>	<b>73,294</b>
Acquisition-related costs	-21,570	-54,568	-16,521	-53,268
Share-based compensation costs	-6,729	-23,373	-3,206	-14,918
<b>Result from operations – IFRS reported</b>	<b>131,621</b>	<b>147,166</b>	<b>32,053</b>	<b>5,108</b>
Operating margin in % – adjusted	28%	17%	13%	7%
Operating margin in % – IFRS reported	23%	11%	8%	1%

# Third Quarter Report 2019



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