

# Third Quarter Report 2014

Key figures EUR thousands (except earnings per share)	Q3 2014	Q3 2013	Q2 2014	9 months 2014	9 months 2013
Revenues	132,794	98,234	106,305	325,394	274,330
Gross margin in % (excluding acquisition-related costs)	57%	55%	57%	57%	54%
Result from operations (excluding acquisition-related costs)	37,370	22,546	26,413	81,646	47,209
Net result	31,862	18,614	22,205	68,762	37,492
Basic / diluted earnings per share in CHF <sup>1)</sup>	0.57 / 0.54	0.34 / 0.33 <sup>2)</sup>	0.40 / 0.38 <sup>2)</sup>	1.23 / 1.18	0.69 / 0.66 <sup>2)</sup>
Basic / diluted earnings per share in EUR	0.47 / 0.45	0.28 / 0.27 <sup>2)</sup>	0.33 / 0.31 <sup>2)</sup>	1.01 / 0.97	0.56 / 0.54 <sup>2)</sup>
Total backlog (excluding consignment stocks)	119,837	91,246	107,067	119,837	91,246

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

2) Earnings per share have been adjusted to reflect the share split of 1:5



**Third quarter revenues and earnings ahead of expectations; fourth quarter revenues expected to reach EUR 133-138 million; preparing for major growth opportunities in the coming years**

**Ladies and Gentlemen**

Our third quarter results show the strength of our portfolio, the positive impact of a major ramp-up in our consumer business, and the profitability of our business model.

Third quarter group revenues were EUR 132.8 million, 35% higher than in the same quarter 2013 (34% higher in constant currency terms), and 25% higher quarter-on-quarter. Gross margin was 57%, excluding acquisition-related costs, and 55%, including acquisition-related costs, compared to 55%, excluding acquisition-related costs, and 53%, including acquisition-related costs, in the third quarter 2013.

The result from operations (EBIT) excluding acquisition-related costs for the third quarter improved to EUR 37.4 million or 28% of revenues, compared to EUR 22.5 million in the third quarter of 2013. The result from operations (EBIT) including acquisition-related costs for the third quarter was EUR 34.5 million or 26% of revenues, compared to EUR 20.0 million in the same period 2013. The third quarter net result was EUR 31.9 million compared to EUR 18.6 million in the same period 2013. Basic/diluted earnings per share were CHF 0.57/0.54 or EUR 0.47/0.45 based on 68,071,765/70,796,466 shares (basic/diluted; weighted average) compared to CHF 0.34/0.33 or EUR 0.28/0.27 based on 67,220,166/69,181,615 shares (basic/diluted; split-adjusted weighted average) in the third quarter 2013.

Operating cash flow for the third quarter was EUR 37.1 million, compared to EUR 34.0 million in the third quarter 2013. Total backlog, excluding consignment stock agreements, was EUR 119.8 million on September 30, 2014, compared to EUR 107.1 million on June 30, 2014 and EUR 91.2 million on September 30, 2013.

Our business performed strongly in the third quarter given good demand in key end markets, the launch of a major new customer platform and our attractive position in sensor and analog solutions.

In our consumer and communications business, our innovative gesture sensor solution continued to ship into major device platforms at a brisk pace. The module combines advanced gesture recognition with RGB color and proximity sensing and mobile coupon redemption in a minimized footprint. We added another global device platform during the quarter and are seeing good traction for gesture with Asian smartphone OEMs. Shipments of our broad portfolio of intelligent light sensors and lighting and power management products to major smartphone and device vendors remained at high levels in the quarter. Our microphone IC business for a wide range of low noise applications continued to perform well at high run rates.



The expected steep ramp-up of high volume shipments for our unique NFC antenna booster supported the launch of a major global smartphone platform. As projected, NFC was therefore an important growth driver for ams in the third quarter with shipments continuing at very substantial levels. Our NFC antenna booster is key to enabling robust and dependable NFC in smartphones and other mobile devices. The solution ensures optimum signal transmission in complex or space-constrained device environments for successful NFC payment transactions.

Our industrial, medical and automotive businesses recorded another quarter of positive results. Demand in our industrial end-markets remains on attractive levels supporting the momentum of our diversified industrial business in the second half. ams' high performance sensors and sensor interfaces play a central role in a wide range of industrial applications for leading OEMs. Sensor solutions for digital imaging, which includes advanced computed tomography (CT), mammography, and ultrasound, were again key drivers for our high value medical business.

In our automotive business, healthy demand for ams' sensor and sensor interface solutions continued in the third quarter. Innovative safety systems such as LIDAR collision avoidance and critical applications including battery power management are built around ams' sensor expertise. Our products enable higher safety and reliability for an increasing number of volume platforms.

Given our full development pipeline we have decided to accelerate an additional investment into our internal production capacity in order to prepare for major growth opportunities in the coming years. Including this investment for approximately 20% additional wafer capacity we expect capital expenditures for 2014 to increase by EUR 10-15 million to EUR 65-70 million.

For the fourth quarter 2014, we expect sequential and year-on-year revenue growth with revenues of EUR 133-138 million. Additional ramp-ups in Consumer & Communications for new devices are expected to drive this growth. We see strong profitability continuing in the fourth quarter and expect EBIT margin on a comparable level quarter-on-quarter.

Our investments in R&D and production infrastructure underline our confidence in the strong development of ams' business in the future driven by the emerging markets for sensor solutions in our daily lives. These investments align with our growth outlook for the coming year and for substantial mid-term growth in revenues and earnings.

## Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q3 2014	9 months 2014	Q3 2013	9 months 2013
Revenue Products	122,975	295,269	89,685	247,938
Revenue Foundry & Other	9,818	30,125	8,549	26,392
<b>Total revenues</b>	<b>132,794</b>	<b>325,394</b>	<b>98,234</b>	<b>274,330</b>
Cost of sales	- 59,796	- 147,766	- 45,989	- 131,837
<b>Gross profit</b>	<b>72,998</b>	<b>177,628</b>	<b>52,245</b>	<b>142,493</b>
Gross margin in % (excluding acquisition-related costs)	57%	57%	55%	54%
Gross margin in % (including acquisition-related costs)	55%	55%	53%	52%
Research and development	- 19,589	- 53,944	- 16,833	- 51,215
Selling, general and administrative	- 20,804	- 55,024	- 16,665	- 53,114
Other operating income	2,086	5,742	1,252	3,670
Other operating expense	- 35	- 129	- 285	- 678
Result from investments in associates	-113	- 318	326	- 1,509
<b>Result from operations</b> (excluding acquisition-related costs)	<b>37,370</b>	<b>81,646</b>	<b>22,546</b>	<b>47,209</b>
<b>Result from operations</b> (including acquisition-related costs)	<b>34,544</b>	<b>73,954</b>	<b>20,041</b>	<b>39,648</b>
Net financing result	423	- 342	- 458	- 594
<b>Result before tax</b>	<b>34,967</b>	<b>73,612</b>	<b>19,584</b>	<b>39,053</b>
Income tax result	- 3,105	- 4,850	- 970	- 1,561
<b>Net result</b>	<b>31,862</b>	<b>68,762</b>	<b>18,614</b>	<b>37,492</b>
Basic / diluted earnings per share in CHF <sup>1)</sup>	0.57 / 0.54	1.23 / 1.18	0.34 / 0.33 <sup>2)</sup>	0.69 / 0.66 <sup>2)</sup>
Basic / diluted earnings per share in EUR	0.47 / 0.45	1.01 / 0.97	0.28 / 0.27 <sup>2)</sup>	0.56 / 0.54 <sup>2)</sup>

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## Consolidated Balance Sheet

(unaudited)

EUR thousands	as of	September 30, 2014	December 31, 2013
<b>Assets</b>			
Cash and cash equivalents		77,928	83,358
Financial assets		25,944	20,976
Trade receivables		84,971	63,724
Inventories		55,030	40,487
Other receivables and assets		14,224	10,544
<b>Total current assets</b>		<b>258,097</b>	<b>219,089</b>
Property, plant and equipment		191,938	145,409
Intangible assets		271,062	243,045
Investments in associates		6,393	5,074
Deferred tax assets		33,640	33,282
Other long-term assets		7,962	7,133
<b>Total non-current assets</b>		<b>510,995</b>	<b>433,944</b>
<b>Total assets</b>		<b>769,092</b>	<b>653,032</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Interest-bearing loans and borrowings		8,474	777
Trade liabilities		41,095	28,300
Provisions		31,191	23,176
Other liabilities		29,585	24,070
<b>Total current liabilities</b>		<b>110,345</b>	<b>76,324</b>
Interest-bearing loans and borrowings		60,334	59,318
Employee benefits		25,085	23,576
Provisions		25,351	22,853
Deferred tax liabilities		14,604	13,584
Other long-term liabilities		13,462	12,648
<b>Total non-current liabilities</b>		<b>138,835</b>	<b>131,979</b>
<b>Shareholders' equity</b>			
Issued capital		35,551	35,270
Additional paid-in capital		235,712	228,615
Treasury shares		- 51,838	- 41,726
Other reserves (translation adjustment)		29,093	6,319
Retained earnings		271,394	216,253
<b>Total shareholders' equity and reserves</b>		<b>519,912</b>	<b>444,729</b>
<b>Total liabilities and shareholders' equity</b>		<b>769,092</b>	<b>653,032</b>

## Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q3 2014	9 months 2014	Q3 2013	9 months 2013
<b>Operating activities</b>				
Result before tax	34,967	73,612	19,584	39,053
Depreciation (net of government grants)	9,516	26,735	8,739	26,724
Changes in employee benefits	530	1,509	- 1,170	665
Expenses from stock option plan (acc. to IFRS 2)	596	2,216	760	2,198
Changes in other long-term liabilities	1,649	4,332	- 1,836	- 2,041
Result from sale of plant and equipment	0	- 11	- 8	7
Result from sale of investments and securities	0	170	0	0
Result from investments in associates	113	318	- 326	1,509
Net financing result	- 423	342	458	594
Changes in assets	- 22,934	- 42,107	567	- 2,306
Changes in short-term operating liabilities and provisions	15,175	23,088	7,764	7,059
Tax payments	- 2,043	- 4,607	- 565	- 2,596
<b>Cash flows from operating activities</b>	<b>37,145</b>	<b>85,597</b>	<b>33,967</b>	<b>70,865</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	- 17,535	- 57,538	- 7,489	- 40,331
Acquisition of financial investments	- 7,500	- 26,210	0	- 2,000
Proceeds from sale of plant and equipment	0	11	8	604
Proceeds from sale of investments	3,000	5,850	0	0
Interest received	376	1,155	467	1,309
<b>Cash flows from investing activities</b>	<b>- 21,659</b>	<b>- 76,732</b>	<b>- 7,015</b>	<b>- 40,418</b>
<b>Financing activities</b>				
Proceeds from borrowings	8,151	9,115	11,459	11,859
Repayment of debt	0	- 383	- 15,595	- 18,213
Repayment of finance lease liabilities	- 263	- 779	- 269	- 808
Acquisition of treasury shares	- 68	- 14,914	- 8,327	- 10,844
Sale of treasury shares	2,797	4,802	1,105	2,996
Interest paid	- 333	- 1,287	- 534	- 1,853
Valuation of financial instruments	- 899	- 1,906	0	0
Dividends paid	0	- 14,106	0	- 19,371
Changes resulting from capital increase	2,545	5,163	1,072	8,956
<b>Cash flows from financing activities</b>	<b>11,930</b>	<b>- 14,294</b>	<b>- 11,089</b>	<b>- 27,279</b>
Change in cash and cash equivalents	27,417	- 5,430	15,863	3,169
Cash and cash equivalents at begin of period	50,512	83,358	55,222	67,916
<b>Cash and cash equivalents at end of period</b>	<b>77,928</b>	<b>77,928</b>	<b>71,085</b>	<b>71,085</b>

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