

First Quarter Report

2016

Key figures	Q1 2016	Q1 2015	Q4 2015	
EUR thousands (except earnings per share)				
Revenues	137,217	153,346	147,163	
Gross margin in % (adjusted – see footnote 1)	57%	56%	57%	
Result from operations (adjusted – see footnote 1)	28,156	43,393	35,161	
Operating margin in % (adjusted – see footnote 1)	21%	28%	24%	
Net result	13,595	42,240	30,643	
Basic / diluted earnings per share in CHF ²⁾	0.22 / 0.21	0.65 / 0.62	0.48 / 0.46	
Basic / diluted earnings per share in EUR	0.20 / 0.19	0.62 / 0.59	0.44 / 0.43	
Total backlog (excluding consignment stocks)	126,172	150,747	119,442	

¹⁾ Adjusted for acquisition-related and share-based compensation costs.

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

First quarter revenues of EUR 137 million near upper end of guidance range; positive first quarter results in a demanding market environment; increased market uncertainty drives expected flattish second quarter revenues of EUR 127-134 million including negative currency effects at comparable gross margin

Report to shareholders on the first quarter of 2016

Ladies and Gentlemen

Our first quarter results confirm the attractiveness of our high performance sensor and analog solutions in a demanding market environment caused by softness in the smartphone market.

First quarter group revenues were EUR 137.2 million, decreasing 11% year-on-year from EUR 153.3 million in the same quarter 2015 and decreasing 7% quarter-on-quarter. On a constant currency basis, first quarter revenues were 11% lower compared to the first quarter last year.

In the first quarter, gross margin excluding acquisition-related and share-based compensation costs remained unchanged from the previous quarter at 57% compared to 56% in the same quarter 2015. Gross margin excluding acquisition-related costs was 56%, unchanged from the same quarter 2015, while IFRS reported gross margin (including acquisition-related and share-based compensation costs) was 54%, unchanged from the same quarter 2015.

The result from operations (EBIT) excluding acquisition-related and share-based compensation costs for the first quarter was EUR 28.2 million or 21% of revenues, down from EUR 43.4 million in first quarter 2015. The result from operations (EBIT) excluding acquisition-related costs was EUR 26.0 million or 19% of revenues, down from EUR 42.1 million in the same period 2015, while the IFRS reported EBIT (including acquisition-related and share-based compensation costs) was EUR 19.7 million or 14% of revenues, down from EUR 38.2 million in the same period 2015. This expected development includes effects from a higher run rate of R&D costs following the acquisition of CMOSIS. The net result for the first quarter was EUR 13.6 million compared to EUR 42.2 million in the same period 2015. Basic and diluted earnings per share were CHF 0.22/0.21 or EUR 0.20/0.19 based on 68,667,002/70,932,874 shares (basic/diluted; weighted average) compared to CHF 0.65/0.62 or EUR 0.62/0.59 for the first quarter 2015 based on 68,638,875/71,483,195 shares (basic/diluted; weighted average).

Operating cash flow for the first quarter was EUR 7.5 million, down from EUR 38.5 million in the first quarter last year. Total backlog on March 31, 2016 (excluding consignment stock agreements) was EUR 126.2 million with current backlog on a comparable level, compared to EUR 119.4 million at the end of the fourth quarter 2015 and EUR 150.7 million on March 31, 2015.

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ams' business showed an attractive performance in the first quarter of 2016 despite softness in the smartphone and consumer market which noticeably exceeded typical seasonality, general seasonal effects, and volatile customer behavior.

Our consumer and communications product lines remained the most important driver of ams' business development with our light sensor business as the largest overall revenue contributor. For our portfolio of intelligent light sensors we continued to see high volume shipments to leading consumer and smartphone OEMs including support for newly released customer devices. This includes high performance ambient light sensing and our gesture sensor solution combining gesture recognition with RGB color, proximity sensing, and other functions shipping at attractive run rates. The current subdued demand environment in the consumer end market also influenced other consumer and communications product areas including audio and wireless solutions. Nevertheless, shipments of our products continued at high volumes supporting leading vendors' devices.

Our industrial, medical, and automotive businesses saw good results in the first quarter supported by their broad product portfolios. In our industrial end markets, we are an important player in precision sensor and sensor interface solutions offering high sensitivity and analog performance. Supplying a customer base of leading industrial OEMs, our products play a key role in a wide range of applications in position sensing and automation.

In the quarter, we began sample shipments for our range of new environmental sensor products to industrial customers as planned. Given the advantages of full CMOS-based integration of temperature, relative humidity, and pressure sensing, we expect this innovative product area to drive significant growth opportunities for ams from 2017 onwards. Our medical business remained stable with its focus on digital imaging sensor solutions for advanced computed tomography (CT), digital X-ray, and mammography.

Providing high value sensor and sensor interface solutions, our automotive business also performed to expectations in the quarter. Our automotive sensor expertise supports a broad range of expanding applications including advanced driver assistance LIDAR, position sensing, and level and chassis control.

For the second quarter 2016, we see ongoing volatility in demand patterns as well as in customer and supply chain behavior in the consumer market. End market and macroeconomic uncertainties are starting to spread beyond the consumer market into industrial automation for China end markets creating an unfavorable dynamic. In addition, the development of the USD/EUR exchange rate is expected to result in a negative quarter-on-quarter revenue effect. Based on available information and a USD/EUR exchange rate of 1.13, we expect second quarter revenue development to be flattish translating into expected revenues of EUR 127-134 million which reflects the deterioration of the USD/EUR exchange rate compared to the first quarter.

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At the same time, we anticipate gross margin for the second quarter excluding acquisition-based and share-based compensation costs to remain on a level comparable to the first quarter. Operating margin excluding acquisition-based and share-based compensation costs is expected to be around 17-19% of revenues reflecting the higher run rate of R&D costs for large-scale development projects across end markets including acquisitions.

Despite these short-term influences we confirm our 2019 organic revenue goal of EUR 1bn based on our leading position in sensor solutions, strong customer relationships, and major opportunities for revenue and earnings growth over the coming years. In this context, we continue to evaluate complementary strategic transactions and additions to our sensor technologies portfolio to help accelerate the implementation of our strategy.

Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q1 2016	Q1 2015
Revenue Products	127,527	142,784
Revenue Foundry & Other	9,689	10,562
Total revenues	137,217	153,346
Cost of sales	-63,294	-69,965
Gross profit	73,922	83,382
Gross margin in %	54%	54%
Research and development	-32,950	-23,688
Selling, general and administrative	-23,519	-22,801
Other operating income	2,188	1,707
Other operating expense	-59	-68
Result from investments in associates	135	-285
Result from operations	19,717	38,248
Net financing result	-5,350	6,771
Result before tax	14,367	45,018
Income tax result	-772	-2,778
Net result	13,595	42,240
Basic / diluted earnings per share in CHF ¹⁾	0.22 / 0.21	0.65 / 0.62
Basic / diluted earnings per share in EUR	0.20 / 0.19	0.62 / 0.59

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

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Consolidated Balance Sheet

(unaudited)

EUR thousands	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	119,089	103,579
Financial assets	35,922	40,321
Trade receivables	95,944	88,734
Inventories	80,310	79,752
Other receivables and assets	30,025	28,663
Total current assets	361,289	341,049
Property, plant and equipment	262,340	256,631
Intangible assets	568,123	582,022
Investments in associates	1,719	1,876
Deferred tax assets	34,827	34,824
Other long-term assets	6,197	6,979
Total non-current assets	873,206	882,332
Total assets	1,234,495	1,223,381
Liabilities and shareholders' equity		
Liabilities		
Interest-bearing loans and borrowings	95,381	74,961
Trade liabilities	42,198	58,590
Tax liabilities	41,014	46,333
Provisions	33,833	34,747
Other liabilities	29,531	30,972
Total current liabilities	241,957	245,603
Interest-bearing loans and borrowings	221,084	200,223
Employee benefits	33,071	32,449
Deferred tax liabilities	55,543	57,890
Other long-term liabilities	5,895	6,008
Total non-current liabilities	315,593	296,569
Shareholders' equity		
Issued capital	73,409	73,409
Additional paid-in capital	205,135	203,785
Treasury shares	-88,791	-77,612
Other reserves (translation adjustment)	51,684	60,288
Retained earnings	435,508	421,339
Total shareholders' equity and reserves	676,945	681,209
Total liabilities and shareholders' equity	1,234,495	1,223,381

Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q1 2016	Q1 2015
Operating activities		
Result before tax	14,367	45,018
Depreciation (net of government grants)	15,109	11,855
Expense from stock option plan (acc. to IFRS 2)	1,401	722
Changes in other long-term liabilities	-112	1,925
Result from sale of plant and equipment	-11	-13
Result from sale of financial assets	0	0
Result from investments in associates	-135	285
Net financing cost	5,352	-6,771
Change in inventories	-446	-2,341
Change in trade and other receivables	-7,211	-7,296
Change in trade and other payables	-15,601	-1,345
Change in provisions and employee benefits	-394	1,756
Change in deferred income	1,965	-1,142
Tax Payments	-6,787	-4,109
Change in non-cash items resulting from foreign exchange translation	0	0
Cash flows from operating activities	7,498	38,546
Investing activities		
Acquisition of intangibles, property, plant and equipment	-21,858	-25,538
Acquisition of other financial investments	-5,008	-15,023
Proceeds from sale of plant and equipment	22	14
Proceeds from the sale of financial assets	10,000	0
Interest received	388	-231
Cash flows from investing activities	-16,455	-40,777
Financing activities		
Proceeds from borrowings	45,861	31,281
Repayment of debt	-4,579	-61,227
Repayment of finance lease liabilities	-39	-310
Acquisition of treasury shares	-13,036	-8,558
Sale of treasury shares	1,858	2,980
Interest paid	-770	-29
Changes resulting from capital increase	0	509
Cash flows from financing activities	29,295	-35,354
Net increase in cash and cash equivalents	20,337	-37,585
Translation result of cash items	-4,827	8,739
Cash and cash equivalents at begin of period	103,579	203,681
Cash and cash equivalents at end of period	119,089	174,834

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