

# Half Year Report 2018

Key figures USD thousands (except earnings per share)	Q2 2018	Q2 2017	Q1 2018	1st Half 2018	1st Half 2017
Revenues	<b>252,757</b>	213,298	432,716	685,473	388,742
Gross margin in % (adjusted – see footnote 1)	<b>15%</b>	41%	36%	28%	44%
Result from operations (adjusted – see footnote 1)	<b>-48,584</b>	1,564	73,862	25,278	6,379
Operating margin in % (adjusted – see footnote 1)	<b>-19%</b>	1%	17%	4%	2%
Net result (adjusted – see footnote 3)	<b>-103,531</b>	-20,930	95,525	-8,006	-39,990
Basic / diluted earnings per share in CHF <sup>2)</sup> (adjusted – see footnote 3)	<b>-1.24 / -1.19</b>	-0.23 / -0.22	1.20 / 1.12	-0.10 / -0.10	-0.47 / -0.45
Basic / diluted earnings per share in USD <sup>3)</sup> (adjusted – see footnote 3)	<b>-1.24 / -1.20</b>	-0.25 / -0.25	1.19 / 1.12	-0.10 / -0.10	-0.51 / -0.49
Total backlog (excluding consignment stocks)	<b>549,872</b>	247,897	330,686	549,872	247,897

<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.

**Second quarter revenues and profitability above previous guidance; anticipated major ramps in consumer optical sensing underway; expecting steep third quarter growth with revenues of USD 450-490 million, up 46-59% year-on-year, and adjusted EBIT margin in the low teens driving record expected second half revenues**

Report to shareholders on the second quarter and first half of 2018

**Ladies and Gentlemen**

Our second quarter and first half results show a lower-than-expected effect from the anticipated significant customer volume impact in our consumer business in the second quarter while the ongoing market success of our sensor solutions supported our first half results. In line with previous expectations, we see strong sequential revenue and profitability growth in the third quarter as high volume ramp-ups in consumer optical sensing have started.

**Financial results**

Second quarter group revenues were USD 252.8 million, down 42% sequentially compared to the first quarter and up 18% from USD 213.3 million in the same quarter 2017. Group revenues for the first half of 2018 were USD 685.5 million, up 76% compared to USD 388.7 million recorded in the first half of 2017. Adjusted gross margin for the second quarter was 15% (excluding acquisition-related and share-based compensation costs) with IFRS reported gross margin at 9% (including acquisition-related and share-based compensation costs), compared to 41% and 35% respectively in the same quarter 2017. For the first half of 2018, adjusted gross margin stood at 28% (excluding acquisition-related and share-based compensation costs) and IFRS reported gross margin at 24% (including acquisition-related and share-based compensation costs), compared to 44% and 37% respectively in the first half of 2017.

The adjusted result from operations (EBIT) for the second quarter was a loss of USD 48.6 million or -19% of revenues (excluding acquisition-related and share-based compensation costs), above previous expectations while decreasing from USD 1.6 million in the same period 2017 (a loss of USD 76.1 million or -30% of revenues including acquisition-related and share-based compensation costs, up from a loss of USD 25.3 million in the same period 2017). This expected result reflects the underutilization of our manufacturing capacity in Singapore, driven by previously anticipated significantly lower customer volumes in our consumer business in the second quarter. For the first half of 2018, the adjusted EBIT was USD 25.3 million (excluding acquisition-related and share-based compensation costs), up from USD 6.4 million in the same period 2017 (a loss of USD 31.7 million including acquisition-related and share-based compensation costs, down from a loss of USD 41.5 million in the first half year 2017).

Adjusted net income for the second quarter was a loss of USD 103.5 million (excluding valuation effect of option element of foreign currency convertible bond), compared to a loss of USD 20.9 million for the same period 2017 (second quarter 2018: USD -34.6 million including valuation effect). Adjusted basic/diluted earnings per share for the second quarter were CHF -1.24/-1.19 or USD -1.24/-1.20

based on 83,377,425/86,388,635 shares (weighted average; second quarter 2018: CHF -0.41/-0.40 or USD -0.41/-0.40 including valuation effect; second quarter 2017: CHF -0.23/-0.22 or USD -0.25/-0.25 based on 83,327,015/86,462,424 shares, weighted average). Adjusted net income for the first half year 2018 was a loss of USD 8.0 million (excluding valuation effect of option element of foreign currency convertible bond), compared to a loss of USD 40.0 million for the same period 2017 (first half 2018: USD 39.1 million including valuation effect). Adjusted basic/diluted earnings per share for the first half were CHF -0.10/-0.10 or USD -0.10/-0.10 per share based on 77,344,938/80,159,144 shares (weighted average; first half 2018: CHF 0.50/0.45 or USD 0.51/0.45 including valuation effect; first half 2017: CHF -0.47/-0.45 or USD -0.51/-0.49 based on 78,870,841/81,254,354 shares, weighted average).

Operating cash flow for the second quarter was USD -72.3 million compared to USD -38.9 million in the same quarter last year, while operating cash flow for the first half was USD -18.4 million compared to USD -8.2 million in the first half year 2017. Total backlog on 30 June 2018 (excluding consignment stock agreements) was USD 549.9 million compared to USD 330.7 million at the end of the first quarter and USD 247.9 million on 30 June 2017.

### Business overview

Our business achieved an overall solid performance in the second quarter and first half of 2018 while we recorded the previously anticipated significantly lower customer volumes in our consumer business in the second quarter. The resulting impact on group revenues and profitability remained lower than expected allowing us to report second quarter results above previous guidance.

Our consumer and communications business was strongly impacted in the second quarter by the above mentioned substantial reduction in customer volumes for certain optical solutions. At the same time, volume shipments of other consumer products continued for a broad range of customers. Leading in optical sensing, we provide a wide array of high performance solutions for 3D sensing including VCSEL (Vertical Cavity Surface-Emitting Laser)-based illumination, advanced spectral sensing, TrueColor and color display management, smallest scale advanced proximity sensing, and other optical applications.

We drive innovation in optical technologies and leverage a broad and expanding portfolio of hardware and software for fast growing applications in optical sensing. In the emerging growth market for 3D sensing we strengthened our position as a leading provider of consumer 3D sensing technologies.

We recently announced a further design-win in Android 3D sensing at Xiaomi, the fast-growing Chinese smartphone vendor. We power the first face recognition solution in an Android smartphone via a VCSEL array for structured light illumination and a further VCSEL array for IR flood illumination. The design-win underscores the strong competitive advantages of ams' VCSEL technology in 3D sensing applications. This success adds to a previously announced large program win for an Asian smartphone OEM which will also include ams VCSEL technology for illumination. We currently expect that program to start ramping before the end of 2018.

The consumer 3D sensing market remains in a formation phase as OEMs and other participants continue to identify valid technical approaches for different market, application and performance

needs. We also note an emerging trend where large Android ecosystem players want to support robust reference designs to enable 3D sensing adoption across applications and market segments. As a result, besides OEMs we now see major ecosystem players starting to engage with us to define and create consumer 3D sensing solutions in different technologies. Through our industry-leading portfolio of 3D technologies, expertise and IP we are strongly positioned for these efforts and able to support relevant systems for all 3D sensing approaches – structured light, ToF and stereo vision.

To accelerate time-to-market for structured light solutions that address diversified market needs, we have started a cooperation with OmniVision Technologies to define and develop tightly aligned structured light systems based on both partners' technology portfolio. We have also expanded our 3D system design and software capabilities through the acquisition of Germany-based ixellence in the quarter, which is an expert in customized DOE dot pattern design and 3D system solution architecting. Further expanding our 3D sensing capabilities and leveraging our existing know-how and IP in stereo vision, we recently concluded an equity investment into US-based 3D software specialist Bellus3D. Bellus3D develops active stereo vision reference solutions for front-facing smartphone 3D sensing which will include ams' proprietary pattern projector. Promoting these reference solutions to Chinese smartphone OEMs through Face++, Bellus3D enables cost-efficient implementations for face authentication and other innovative face-related applications.

In the context of our collaboration with Bellus3D, a worldwide leader in semiconductor and software solutions for consumer devices is engaging with us to explore new reference solutions for stereo vision 3D systems. These will target cost-efficient 3D sensing for a wider range of consumer devices and smartphones. At the same time, we are in discussions with a leading software provider for smartphone platforms to cooperate on new reference solutions enabling faster time-to-market and easier adoption of stereo vision 3D sensing in Android smartphones.

As market interest keeps increasing we also pursue major developments for other optical sensing, spectral sensing, and multi-sensor solutions for consumer applications which include audio. Our audio sensing business continued to expand through the first half of 2018 while our other consumer product lines saw further attractive volumes at a wide range of device vendors. In consumer spectral sensing, we expect volume shipments for the first smartphone implementation of a spectral sensing application to start within the next six months.

Our industrial, medical and automotive businesses performed well and in line with expectations in the second quarter and first half. We see a continuing positive demand environment in our non-consumer end markets as we enter the second half of the year. Our industrial business recorded attractive results in the second quarter as automation, HABA, industrial sensing, and industrial imaging all contributed to the performance. Showcasing our leadership in global shutter technology for demanding applications, our latest generation award-winning industrial imaging solution entered volume production in the quarter. A key supplier to OEMs worldwide, we enable new sensing functions and high quality data acquisition in manufacturing, HABA, industrial IoT and other industrial areas. Our medical business continued to be successful in the second quarter and first half with good volumes in digital imaging for computed tomography (CT), digital X-ray, mammography, and miniature camera applications. Our market position in Asia is expanding while our unmatched biosensing capabilities including high quality blood pressure monitoring create OEM interest in multiple end markets.

Our automotive business recorded another positive quarter as attractive demand for our automotive solutions continues across product lines. We focus on applications in safety, driver assistance, position sensing, and chassis control where market interest remains high on a global basis. Besides the reported major program win for VCSEL illumination in solid-state LIDAR, we see increased interest in our autonomous driving portfolio as industry leaders recognize our outstanding expertise in laser systems and LIDAR. A global pioneer in autonomous driving platforms is engaging with us to explore innovative technical solutions for solid-state LIDAR, based on our leadership in optical technologies. In addition, OEM interest in other automotive 3D sensing such as in-cabin monitoring continues to solidify.

In manufacturing operations, we have expanded our Singapore facilities to support capacity requirements for the current production ramps in consumer optical sensing and expect further investments into our production infrastructure in the second half of 2018. The investments into our internal VCSEL production line in Singapore continue to plan with volume production scheduled for next year. In addition, we concluded an agreement with Taiwan-based VCSEL vendor HLJ Technology in order to strengthen and expand our external VCSEL supply chain. Supporting this relationship we also retain a meaningful shareholding in HLJ Technology.

Moreover, we recently announced that the Supervisory Board has extended the Management Board contract of CEO Alexander Everke until 2021 which enables us to continue on our strategic path towards the global leadership position in sensor solutions.

### Outlook

For the third quarter 2018, we see steep sequential growth as we are ramping very high volume smartphone sensing solutions and our other end markets continue their positive contribution. Based on available information, we expect third quarter revenues to grow strongly to USD 450-490 million, up 78-94% sequentially and 46-59% year-on-year. This expected development reflects the ramp-up nature of the third quarter as production and shipment volumes in our consumer business continue to expand. Driven by these large scale consumer ramps, we currently expect a record level of revenues for the second half of 2018.

The adjusted operating margin for the third quarter (excluding acquisition-based and share-based compensation costs) is expected to show a significant sequential increase to a low teens percentage, predominantly resulting from the ongoing improvement in capacity utilization.

We have recently initiated a strategic review of specific business areas taking an active approach to align our business portfolio for long-term attractive growth, profitability and end market diversification. Simultaneously, we are actively evaluating strategic expansion opportunities in line with our strategy to build the global leader in sensor solutions based on our focus areas optical, imaging, environmental, and audio sensing. Focused on enhancing ams' long-term positioning, we currently expect to provide an update on both developments in the fourth quarter 2018.

While taking into account potential effects from possible future changes to our business portfolio, we endorse our growth target for ams revenues of 60% CAGR for the 2016-2019 period. At the same time, we are convinced of the long-term strength of our business model and committed to driving

# Half Year Report 2018



balanced profitable growth. We therefore also endorse reaching the target of 30% adjusted EBIT margin for ams in 2020, prudently taking into consideration potential financial effects that could result from possible future changes to our business portfolio.

Premstaetten, 23 July 2018

Alexander Everke, CEO  
Thomas Stockmeier, COO

Michael Wachsler-Markowitsch, CFO  
Mark Hamersma, Chief Business Development Officer

## Consolidated Income Statement

(unaudited)

USD thousands (except earnings per share)	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
Revenue Products	240,027	661,427	196,389	357,115
Revenue Foundry & Other	12,730	24,047	16,909	31,628
<b>Total revenues</b>	<b>252,757</b>	<b>685,473</b>	<b>213,298</b>	<b>388,742</b>
Cost of sales	-228,796	-520,145	-139,369	-245,134
<b>Gross profit</b>	<b>23,961</b>	<b>165,328</b>	<b>73,929</b>	<b>143,608</b>
Gross margin in %	9%	24%	35%	37%
Research and development	-59,987	-118,760	-63,215	-117,873
Selling, general and administrative	-41,937	-83,728	-40,455	-75,662
Other operating income	2,486	6,339	5,396	9,592
Other operating expense	-481	-590	-1,069	-1,103
Result from equity investments	-163	-249	116	-35
<b>Result from operations</b>	<b>-76,121</b>	<b>-31,661</b>	<b>-25,299</b>	<b>-41,474</b>
Net financing result	43,905	74,610	7,295	4,214
<b>Result before tax</b>	<b>-32,215</b>	<b>42,949</b>	<b>-18,004</b>	<b>-37,259</b>
Income tax result	-2,360	-3,865	-2,926	-2,731
<b>Net result</b>	<b>-34,576</b>	<b>39,085</b>	<b>-20,930</b>	<b>-39,990</b>
Basic / diluted earnings per share in CHF <sup>1)</sup>	-0.41 / -0.40	0.50 / 0.45	-0.23 / -0.22	-0.47 / -0.45
Basic / diluted earnings per share in USD	-0.41 / -0.40	0.51 / 0.45	-0.25 / -0.25	-0.51 / -0.49

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

## Statement of Comprehensive Income

(unaudited)

USD thousands	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
<b>Net result</b>	<b>-34,576</b>	<b>39,085</b>	<b>-20,930</b>	<b>-39,990</b>
Items that will never be reclassified to profit and loss				
Measurement at fair value of financial assets	-38	-513	0	0
Items that may be reclassified to profit and loss				
Translation adjustment	114,025	63,755	-89,279	-93,487
Measurement at fair value of financial assets	-713	-663	-449	1,672
<b>Other comprehensive income</b>	<b>113,275</b>	<b>62,579</b>	<b>-89,728</b>	<b>-91,816</b>
<b>Total comprehensive income</b>	<b>78,699</b>	<b>101,663</b>	<b>-110,657</b>	<b>-131,806</b>



## Consolidated Balance Sheet

(unaudited)

USD thousands	June 30, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	246,300	338,818
Financial assets	0	122,208
Trade receivables	293,811	334,639
Inventories	336,610	298,348
Other receivables and assets	57,493	90,596
<b>Total current assets</b>	<b>934,214</b>	<b>1,184,611</b>
Property, plant and equipment	1,344,503	1,171,330
Intangible assets	1,438,798	1,388,997
Investments in associates	3,830	2,228
Deferred tax assets	30,576	30,620
Other long-term assets	21,366	54,260
Long-term financial assets	80,379	0
<b>Total non-current assets</b>	<b>2,919,452</b>	<b>2,647,435</b>
<b>Total assets</b>	<b>3,853,666</b>	<b>3,832,046</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Interest-bearing loans and borrowings	215,325	689,040
Trade liabilities	191,842	362,361
Tax liabilities	32,031	33,038
Provisions	30,432	52,163
Other liabilities	77,467	642,565
<b>Total current liabilities</b>	<b>547,096</b>	<b>1,779,167</b>
Interest-bearing loans and borrowings	1,593,558	789,350
Employee benefits	49,619	47,252
Deferred tax liabilities	77,749	78,825
Other long-term liabilities	122,349	163,808
<b>Total non-current liabilities</b>	<b>1,843,275</b>	<b>1,079,236</b>
<b>Shareholders' equity</b>		
Issued capital	99,193	99,193
Additional paid-in capital	768,604	678,671
Treasury shares	-22,474	-224,205
Other reserves	-55,266	-248,393
Retained earnings	673,238	668,377
<b>Total shareholders' equity and reserves</b>	<b>1,463,295</b>	<b>973,643</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,853,666</b>	<b>3,832,046</b>

## Consolidated Statement of Cash Flows

(unaudited)

USD thousands	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
<b>Operating activities</b>				
Result before tax	-32,215	42,949	-18,004	-37,259
Depreciation (net of government grants)	60,091	116,640	41,083	75,653
Expense from stock option plan	5,722	11,298	5,215	9,018
Changes in other long-term liabilities	73	-1,292	-1,542	-970
Result from sale of plant and equipment	-6	-26	-7	13
Result from investments in associates	163	249	-116	35
Net financing cost	-43,905	-74,610	-7,295	-4,214
Change in inventories	-39,615	-35,264	-20,773	-37,055
Change in trade and other receivables	11,198	39,397	-9,156	6,085
Change in trade and other payables	-27,994	-84,506	-20,819	-2,841
Change in provisions and employee benefits	-1,543	-19,219	-2,402	-4,728
Change in deferred income	-714	-4,874	1,915	269
Tax Payments	-3,506	-9,152	-6,953	-12,227
<b>Cash flows from operating activities</b>	<b>-72,252</b>	<b>-18,410</b>	<b>-38,853</b>	<b>-8,222</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	-162,534	-328,809	-161,807	-272,276
Acquisition of subsidiaries net of cash acquired	-2,535	-29,240	0	97,744
Acquisition of other financial investments	0	-2,833	0	0
Proceeds from sale of plant and equipment	10	31	11	36
Proceeds from the sale of financial assets	0	0	5,875	5,875
Interest received	820	1,545	794	1,530
<b>Cash flows from investing activities</b>	<b>-164,238</b>	<b>-359,306</b>	<b>-155,126</b>	<b>-167,091</b>
<b>Financing activities</b>				
Proceeds from borrowings	59,137	59,137	302,474	421,095
Repayment of debt	-649	-355,673	-42,457	-45,340
Repayment of finance lease liabilities	-23	-45	-46	-92
Proceeds from issue of convertible notes	0	718,806	0	0
Acquisition of treasury shares	-18,609	-145,308	-39,197	-39,570
Sale of treasury shares	508	12,481	7,797	17,489
Interest paid	-2,289	-7,046	-2,204	-4,213
Dividends paid	-32,401	-32,401	-29,430	-29,430
<b>Cash flows from financing activities</b>	<b>5,675</b>	<b>249,952</b>	<b>196,936</b>	<b>319,939</b>
Net increase in cash and cash equivalents	-230,815	-127,765	2,957	144,626
Effects of changes in foreign exchange rates on cash and cash equivalents	2,595	-2,324	-15,253	-14,517
Cash and cash equivalents pledged as security	0	37,571	0	-43,701
Cash and cash equivalents at begin of period	474,520	338,818	309,704	211,000
<b>Cash and cash equivalents at end of period</b>	<b>246,300</b>	<b>246,300</b>	<b>297,408</b>	<b>297,408</b>

## Changes in Equity

(unaudited)

USD thousands	Issued capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity
<b>Total equity as of January 1, 2017</b>	<b>86,255</b>	<b>248,659</b>	<b>-195,142</b>	<b>70,335</b>	<b>574,271</b>	<b>784,378</b>
Net result	0	0	0	0	-39,990	-39,990
Valuation of available for sale financial instruments	0	0	0	0	1,672	1,672
Translation adjustment	0	0	0	-93,487	0	-93,487
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-93,487</b>	<b>-38,318</b>	<b>-131,804</b>
Share based payments	0	-7,650	0	0	0	-7,650
Dividends paid	0	0	0	0	-29,430	-29,430
Capital increase	12,938	438,009	0	0	0	450,948
Payable from share buyback obligation	0	0	0	-205,583	0	-205,583
Acquisition of treasury shares	0	0	-40,013	0	0	-40,013
Sale of treasury shares	0	0	184,130	0	0	184,130
<b>Total equity as of June 30, 2017</b>	<b>99,193</b>	<b>679,018</b>	<b>-51,026</b>	<b>-228,734</b>	<b>506,523</b>	<b>1,004,974</b>
<b>Total equity as of December 31, 2017</b>	<b>99,193</b>	<b>678,671</b>	<b>-224,205</b>	<b>-248,393</b>	<b>668,377</b>	<b>973,643</b>
Adjustments <sup>1)</sup>	0	0	0	0	-646	-646
<b>Total equity as of January 1, 2018</b>	<b>99,193</b>	<b>678,671</b>	<b>-224,205</b>	<b>-248,393</b>	<b>667,731</b>	<b>972,997</b>
Net result	0	0	0	0	39,085	39,085
Valuation of available for sale financial instruments	0	0	0	0	-1,176	-1,176
Translation adjustment	0	0	0	63,755	0	63,755
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,755</b>	<b>37,908</b>	<b>101,663</b>
Share based payments	0	-8,720	0	0	0	-8,720
Dividends paid	0	0	0	0	-32,401	-32,401
Option rights for convertible bond	0	109,945	0	0	0	109,945
Capital increase	0	0	0	0	0	0
Payable from share buyback obligation	0	-11,292	0	129,372	0	118,080
Acquisition of treasury shares	0	0	-234,271	0	0	-234,271
Sale of treasury shares	0	0	436,001	0	0	436,001
<b>Total equity as of June 30, 2018</b>	<b>99,193</b>	<b>768,604</b>	<b>-22,474</b>	<b>-55,266</b>	<b>673,238</b>	<b>1,463,295</b>

<sup>1)</sup> See footnote on page 29.

**Selected information from the Notes on the Condensed Consolidated Interim Financial Statements as of June 30, 2018**

(unaudited)

For consistency of presentation, selected information from the notes on the condensed consolidated financial interim statements has been converted to USD.

**1. Segment reporting and revenues**

The geographic regions are structured by the three regions in which sales occur: “EMEA” (Europe, Middle East and Africa), “Americas” and “Asia/Pacific”. In presenting information on the basis of geographical regions, segment revenue is based on the geographical billing location of customers. Revenues from one customer of the segment Products amount to USD 119,709 thousand (1st half 2017: USD 36,426 thousand). This customer is a distributor that serves different end customers.

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

The segment assets basically comprise the allocable assets, i.e., customer receivables as well as segment specific tangible and intangible assets. The reconciliations comprise items which by definition are not part of the segments.

USD thousands	1st Half 2018				1st Half 2017			
	Consumer	Non-Consumer	Foundry	Total	Consumer	Non-Consumer	Foundry	Total
Consolidated revenues	449,590	211,836	24,046	685,473	167,824	189,291	31,627	388,743
Research & development	59,779	60,534	687	121,000	57,439	45,824	953	104,215
Result from operations	71,307	26,308	7,230	104,845	-25,798	34,919	10,452	19,572

USD thousands	June 30, 2018				December 31, 2017			
	Consumer	Non-Consumer	Foundry	Total	Consumer	Non-Consumer	Foundry	Total
Segment assets	981,480	78,973	6,526	1,066,979	883,432	78,677	6,752	968,862

### Reconciliation of segment results to income statement

USD thousands	1st Half 2018	1st Half 2017
<b>Result from operations per segment reporting</b>	<b>104,845</b>	<b>19,572</b>
Result from investments in associates	-249	-35
Depreciation from Purchase Price Allocation	-43,179	-38,834
Subsidies for research and development	3,350	2,868
Unallocated corporate costs	-96,430	-25,044
<b>Result from operations</b>	<b>-31,662</b>	<b>-41,474</b>
Financial result	74,610	4,215
<b>Result before tax</b>	<b>42,950</b>	<b>-37,259</b>

### Reconciliation of segment assets to total assets

USD thousands	June 30, 2018	Dec 31, 2017
Assets per segment reporting	1,066,979	968,862
Intangible assets derived from PPA	1,360,122	1,350,375
Property, plant and equipment	567,211	543,634
Inventories	336,610	298,349
Cash, cash equivalents and financial assets	246,300	461,027
Deferred tax asset	30,576	30,621
Intangible assets	83,067	32,987
Investments in associates	3,822	2,228
Other assets	158,979	143,966
	<b>3,853,666</b>	<b>3,832,045</b>

### Revenues per geographical segments

In the following table the external revenue is split by the primary geographic segments.

USD thousands		1st Half 2018/2017						
	Consumer		Non-Consumer		Foundry		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Primary geographical segments</b>								
Americas	56,527	2,949	16,157	12,321	733	1,536	73,418	16,806
Asia / Pacific	363,249	150,888	85,715	75,044	7,178	11,166	456,142	237,099
EMEA <sup>1)</sup>	29,814	13,987	109,964	101,927	16,135	18,926	155,913	134,838
<b>Total</b>	<b>449,590</b>	<b>167,824</b>	<b>211,836</b>	<b>189,291</b>	<b>24,046</b>	<b>31,627</b>	<b>685,473</b>	<b>388,743</b>

1) Europe, Middle East, Africa

### Revenues per countries

USD thousands	1st Half 2018	1st Half 2017
Taiwan	226,558	46,579
Japan	113,599	15,511
Germany	74,589	71,001
USA	62,007	12,295
China	34,053	70,015
Hong Kong	24,104	21,707
Austria	545	666
Others	150,019	150,969
<b>Total</b>	<b>685,473</b>	<b>388,743</b>

### Long-term assets per geographical areas

USD thousands	June 30, 2018	Dec 31, 2017
Austria	1,731,757	1,739,838
Switzerland	125,430	93,310
Singapore	845,556	675,048
Others	80,558	52,131
<b>Total</b>	<b>2,783,301</b>	<b>2,560,327</b>

## 2. Business combinations

On February 22, 2018 the Group obtained control of KeyLemon S.A. ("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 of CHF 9.2 million after one year and a contingent consideration. This contingent part of the purchase price depends on sales of products based on KeyLemon IP in the years 2018 and 2019. This amount is to be paid in cash – up to CHF 5 million. 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 leading 3D technologies, such as high performance integrated optical systems and Vertical Cavity Surface Emitting Lasers (VCSEL), for consumer and industrial 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 illustrates a preliminary overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition (February 22, 2018):

CHF/USD thousands	February 2018 CHF <sup>1)</sup>	February 2018 USD
Cash and cash equivalents	275	281
Accounts receivable	6	6
Other receivables and assets	14	14
Property, plant and equipment	12	12
Intangible assets		
Technology	11,239	11,463
Goodwill	15,515	15,824
Other intangible assets	14	14
Accounts payable	-248	-254
Other current liabilities	-28	-28
Other non-current liabilities	-713	-727
Deferred tax liabilities	-2,023	-2,063
<b>Total of consideration transferred</b>	<b>24,061</b>	<b>24,541</b>
thereof cash	9,892	10,089
thereof deferred consideration	9,169	9,352
thereof contingent purchase price components	5,000	5,101

<sup>1</sup> Transaction currency

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

Costs that relate directly to the acquisition, were USD 175 thousand in the current business year and were allocated in 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 neither contributed essentially to the consolidated revenues nor essentially to the consolidated net result.

On June 29, 2018 the Group also obtained control of ixellence GmbH (“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 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 applications for the consumer segment.

The following table gives a preliminary overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition (June 29, 2018):

EUR/USD thousand	June 2018 EUR <sup>1)</sup>	June 2018 USD
Cash and cash equivalents	13	15
Trade receivables	69	81
Other receivables and assets	11	13
Property, plant and equipment	17	20
Intangible assets		
Technology	1,079	1,268
Goodwill	1,315	1,545
Trade payables	-11	-13
Other short term liabilities	-10	-12
Deferred tax liabilities	-324	-381
<b>Total of consideration transferred</b>	<b>2,157</b>	<b>2,534</b>
thereof cash	2,157	2,534

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

<sup>1</sup> Transaction currency



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

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.

### 3. Number of employees

The average number of employees was 9,935 during the first half of 2018, compared to 4,580 during the first half of 2017.

### 4. Seasonality - economic cycles

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

### 5. Related parties

Besides the acquisition of ixellence GmbH and KeyLemon S.A., there were no changes regarding the Group's related entities. Besides the replacement of the Supervisory Board seats of Mr. Klaus Iffland and Mr. Siegfried Selberherr with Ms. Monika Henzinger and Ms. Yen Yen Tan, there were no changes regarding Group's related parties.

### 6. Financial Instruments

Summary of financial instruments recorded on the balance sheet date as of June 30, 2018:

USD thousands	Available for sale	Derivatives	Designated at fair value	Loans and liabilities	Cash	Carrying amount	Fair value
<b>Short-term financial assets</b>							
Cash and cash equivalents	0	0	0	0	246,300	246,300	246,300
Financial assets	0	0	0	0	0	0	0
Trade receivables	0	0	0	293,811	0	293,811	293,811
Other receivables and assets							
thereof financial assets	0	0	0	30,467	0	30,467	30,467
<b>Long-term financial assets</b>							
thereof financial assets	80,379	0	0	18,665	0	99,044	99,044
	<b>80,379</b>	<b>0</b>	<b>0</b>	<b>342,941</b>	<b>246,300</b>	<b>669,621</b>	<b>669,621</b>

USD thousands	Fair value through P/L	At amortized cost	Carrying amount	Fair value
<b>Short-term financial liabilities</b>				
Interest bearing loans and borrowings	0	215,325	215,325	215,305
Trade payables	0	191,842	191,842	191,842
Other liabilities				
thereof financial liabilities	9,335	14,398	23,734	23,734
<b>Long-term liabilities</b>				
Interest bearing loans and borrowings	0	1,593,559	1,593,559	1,593,410
Other long-term liabilities				
thereof financial liabilities	107,307	524	107,831	107,831
	<b>116,642</b>	<b>2,015,648</b>	<b>2,132,290</b>	<b>2,132,122</b>

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

USD thousands	Available for sale	Derivatives	Designated at fair value	Loans and liabilities	Cash	Carrying amount	Fair value
<b>Short-term financial assets</b>							
Cash and cash equivalents	0	0	0	0	338,818	338,818	338,818
Financial assets	27,652	94,556	0	0	0	122,208	122,208
Trade receivables	0	0	0	334,639	0	334,639	334,639
Other receivables and assets							
thereof financial assets	0	0	0	21,696	43,701	65,397	65,397
<b>Long-term financial assets</b>							
thereof financial assets	36,252	0	0	15,266	0	51,517	51,517
	<b>63,904</b>	<b>94,556</b>	<b>0</b>	<b>371,601</b>	<b>382,519</b>	<b>912,579</b>	<b>912,579</b>

# Half Year Report

## 2018



USD thousands	Fair value through P/L	At amortized cost	Carrying amount	Fair value
<b>Short-term financial liabilities</b>				
Interest bearing loans and borrowings	0	689,040	689,040	688,975
Trade payables	0	362,364	362,361	362,631
Other liabilities				
thereof financial liabilities	460,859	137,510	598,369	598,369
<b>Long term liabilities</b>				
Interest bearing loans and borrowings	0	789,350	789,350	789,277
Other long-term liabilities				
thereof financial liabilities	152,238	524	152,763	152,763
	<b>613,097</b>	<b>1,978,785</b>	<b>2,591,811</b>	<b>2,591,743</b>

June 30, 2018 USD thousands	Level 1	Level 2	Level 3	Total
<b>Short-term financial assets</b>				
Financial assets	0	0	0	0
<b>Long-term financial assets</b>				
Financial assets	73,307	0	7,072	80,381
	<b>73,307</b>	<b>0</b>	<b>7,072</b>	<b>80,381</b>
<b>Short-term financial liabilities</b>				
Interest bearing loans	0	0	9,335	9,335
<b>Long-term financial liabilities</b>				
Interest bearing loans	0	0	107,307	107,307
	<b>0</b>	<b>0</b>	<b>116,642</b>	<b>116,642</b>

December 31, 2017 USD thousands	Level 1	Level 2	Level 3	Total
<b>Short-term financial assets</b>				
Financial assets	27,652	94,278	278	122,208
<b>Long-term financial assets</b>				
Financial assets	29,377	0	6,874	36,251
	<b>57,030</b>	<b>94,278</b>	<b>7,152</b>	<b>158,459</b>
<b>Short-term financial liabilities</b>				
Other liabilities	0	0	460,859	460,859
<b>Long-term financial liabilities</b>				
Other liabilities	0	97,819	54,420	152,238
	<b>0</b>	<b>97,819</b>	<b>515,279</b>	<b>613,097</b>

On March 8, 2018, ams implemented a revised earn-out-structure with a 100% acceptance rate of the former Heptagon shareholders. The follow-up valuation of the original earn-out-structure shows a financial loss in the amount of USD -53,407,494. The revised earn-out-structure illustrates a financial gain in the amount of USD 76,136,029. The total financial surplus from the revised earn-out-structure for the group was therefore USD 22,728,535.

On February 26, 2018, ams AG issued a convertible bond with a nominal value of EUR 600 million. The duration of the bond is 7 years. Holders of convertible bonds have the right to convert the bond into a total of 4,410,412 common shares (conversion price 136.0417 EUR/share) at any time. As of June 30, 2018, no bonds have been converted.

Contingent liabilities result from the acquisition of KeyLemon (USD 5,078 thousand) in 2018, Princeton (USD 17,325 thousand) in 2017, the acquisition of CCMOSS (USD 30,917 thousand) in 2016 and Incus (USD 3,282 thousand) in 2016.

Upon acquisition of KeyLemon in 2018, ams agreed to pay a contingent consideration to the sellers. The Group committed to a sale-related payment of up to USD 5,078 thousand. The basis for the valuation is the number of products sold with KeyLemon IP until March 31, 2021.

The acquisition of Princeton in 2017 results in a contingent liability. The Group committed to a sale-related payment of up to USD 17,325 thousand (December 31, 2017: USD 16,666 thousand). The basis for the valuation are the revenues in 2017 and 2018 with products based on Princeton IP.

Another purchase price liabilities results from the acquisition of CCMOSS in 2016. The Group committed to pay the seller a revenue-dependent purchase price share of up to USD 30,917 thousand (December 31, 2017: USD 36,425 thousand). The purchase price liability includes a revenue-related earn-out model up to and including 2020. The basis for this is long-term sales planning of products based on CCMOSS technology.

The acquisition of Incus in 2016 results in a contingent liability of USD 3,282 thousand (December 31, 2017: USD 3,278 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.

### **7. Property, plant & equipment**

The Group acquired property plant and equipment amounting to USD 238,536 thousand, mainly for expansion of production capacity on all locations of the ams Group.

### **8. Intangible assets and goodwill**

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

### **9. Treasury shares**

The group acquired a total of 2,710,339 treasury shares during the reporting period which acquisition costs amounted to USD 234,270,566.09.

471,446 treasury shares have been sold to fulfill obligations of the Stock Option Plans.

### **10. Dividends**

On June 26, 2018 ams AG distributed a dividend of EUR 0.33 per share amounting to a total of EUR EUR 27,575,202.60 (USD 32,400,863.06).

### **11. Subsequent events**

No significant events have taken place after the reporting date.

# **Supplemental financial information**

## Reconciliation from adjusted figures to reported figures

USD thousands	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
<b>Gross profit – adjusted</b>	<b>37,554</b>	<b>192,707</b>	<b>88,197</b>	<b>169,135</b>
Acquisition-related costs	-13,184	-26,394	-14,039	-24,934
Share-based compensation costs	-409	-986	-228	-593
<b>Gross profit – reported</b>	<b>23,961</b>	<b>165,328</b>	<b>73,929</b>	<b>143,608</b>
Gross margin in % – adjusted	15%	28%	41%	44%
Gross margin in % – reported	9%	24%	35%	37%
<b>Operating expenses – adjusted</b>	<b>-86,137</b>	<b>-167,429</b>	<b>-86,633</b>	<b>-162,757</b>
Acquisition-related costs	-8,575	-16,785	-7,609	-13,900
Share-based compensation costs	-5,370	-12,775	-4,987	-8,425
<b>Operating expenses – reported</b>	<b>-100,082</b>	<b>-196,989</b>	<b>-99,228</b>	<b>-185,082</b>
<b>Result from operations – adjusted</b>	<b>-48,584</b>	<b>25,278</b>	<b>1,564</b>	<b>6,379</b>
Acquisition-related costs	-21,759	-43,178	-21,648	-38,834
Share-based compensation costs	-5,778	-13,761	-5,215	-9,018
<b>Result from operations – reported</b>	<b>-76,121</b>	<b>-31,661</b>	<b>-25,299</b>	<b>-41,474</b>
Operating margin in % – adjusted	-19%	4%	1%	2%
Operating margin in % – reported	-30%	-5%	-12%	-11%

# **Condensed Consolidated Interim Financial Statements as of June 30, 2018**

(according to IAS 34 – unaudited)



# Half Year Report

2018 (according to IAS 34)



## Consolidated Income Statement

(unaudited)

EUR thousands (except earnings per share)	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
Revenue Products	204,278	562,916	167,139	303,928
Revenue Foundry & Other	10,834	20,465	14,391	26,917
<b>Total revenues</b>	<b>215,112</b>	<b>583,381</b>	<b>181,530</b>	<b>330,845</b>
Cost of sales	-194,720	-442,677	-118,612	-208,625
<b>Gross profit</b>	<b>20,392</b>	<b>140,705</b>	<b>62,919</b>	<b>122,220</b>
Gross margin in %	9%	24%	35%	37%
Research and development	-51,053	-101,073	-53,800	-100,318
Selling, general and administrative	-35,691	-71,258	-34,430	-64,394
Other operating income	2,116	5,395	4,592	8,163
Other operating expense	-409	-503	-910	-939
Result from Equity Investments	-139	-212	98	-30
<b>Result from operations</b>	<b>-64,784</b>	<b>-26,946</b>	<b>-21,531</b>	<b>-35,297</b>
Net financing result	37,366	63,498	6,209	3,587
<b>Result before tax</b>	<b>-27,417</b>	<b>36,553</b>	<b>-15,322</b>	<b>-31,710</b>
Income tax result	-2,009	-3,289	-2,490	-2,324
<b>Net result</b>	<b>-29,426</b>	<b>33,264</b>	<b>-17,813</b>	<b>-34,034</b>
Basic / diluted earnings per share in CHF <sup>1)</sup>	-0.41 / -0.40	0.50 / 0.45	-0.23 / -0.22	-0.47 / -0.45
Basic / diluted earnings per share in EUR	-0.35 / -0.34	0.43 / 0.39	-0.21 / -0.21	-0.43 / -0.42

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

# Half Year Report

2018 (according to IAS 34)



## Statement of Comprehensive Income

(unaudited)

EUR thousands	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
<b>Net result</b>	<b>-29,426</b>	<b>33,264</b>	<b>-17,813</b>	<b>-34,034</b>
Items that will never be reclassified to profit and loss				
Measurement at fair value of financial assets	-32	-437	0	0
Items that may be reclassified to profit and loss				
Translation adjustment	97,043	54,259	-75,982	-79,563
Measurement at fair value of financial assets	-606	-564	-382	1,423
<b>Other comprehensive income</b>	<b>96,404</b>	<b>53,258</b>	<b>-76,364</b>	<b>-78,141</b>
<b>Total comprehensive income</b>	<b>66,978</b>	<b>86,522</b>	<b>-94,177</b>	<b>-112,175</b>

# Half Year Report

2018 (according to IAS 34)



## Consolidated Balance Sheet

(unaudited)

EUR thousands	June 30, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	209,617	288,356
Financial assets	0	104,007
Trade receivables	250,052	284,799
Inventories	286,477	253,914
Other receivables and assets	48,930	77,103
<b>Total current assets</b>	<b>795,076</b>	<b>1,008,179</b>
Property, plant and equipment	1,144,258	996,876
Intangible assets	1,224,509	1,182,125
Investments in associates	3,259	1,896
Deferred tax assets	26,022	26,060
Other long-term assets	18,184	46,179
Long-term financial assets	68,408	0
<b>Total non-current assets</b>	<b>2,484,640</b>	<b>2,253,136</b>
<b>Total assets</b>	<b>3,279,716</b>	<b>3,261,315</b>
<b>Liabilities and shareholders' equity</b>		
Liabilities		
Interest-bearing loans and borrowings	183,255	586,417
Trade liabilities	163,270	308,392
Tax liabilities	27,260	28,118
Provisions	25,900	44,394
Other liabilities	65,929	546,864
<b>Total current liabilities</b>	<b>465,613</b>	<b>1,514,185</b>
Interest-bearing loans and borrowings	1,356,220	671,787
Employee benefits	42,229	40,215
Deferred tax liabilities	66,169	67,085
Other long-term liabilities	104,127	139,411
<b>Total non-current liabilities</b>	<b>1,568,745</b>	<b>918,498</b>
<b>Shareholders' equity</b>		
Issued capital	84,420	84,420
Additional paid-in capital	654,131	577,592
Treasury shares	-19,127	-190,812
Other reserves	-47,035	-211,399
Retained earnings	572,969	568,831
<b>Total shareholders' equity and reserves</b>	<b>1,245,358</b>	<b>828,632</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,279,716</b>	<b>3,261,315</b>

# Half Year Report

2018 (according to IAS 34)



## Consolidated Statement of Cash Flows

(unaudited)

EUR thousands	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
<b>Operating activities</b>				
Result before tax	-27,417	36,553	-15,322	-31,710
Depreciation (net of government grants)	51,142	99,268	34,965	64,385
Expense from stock option plan (acc. to IFRS 2)	4,869	9,615	4,438	7,675
Changes in other long-term liabilities	62	-1,099	-1,313	-826
Result from sale of plant and equipment	-5	-22	-6	-11
Result from investments in associates	139	212	-98	30
Net financing cost	-37,366	-63,498	-6,209	-3,587
Change in inventories	-33,715	-30,012	-17,679	-31,536
Change in trade and other receivables	9,530	33,530	-7,792	5,179
Change in trade and other payables	-23,824	-71,920	-17,718	-2,418
Change in provisions and employee benefits	-1,313	-16,357	-2,044	-4,024
Change in deferred income	-608	-4,148	1,630	229
Tax Payments	-2,984	-7,789	-5,917	-10,406
<b>Cash flows from operating activities</b>	<b>-61,491</b>	<b>-15,668</b>	<b>-33,066</b>	<b>-6,997</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	-138,327	-279,838	-137,708	-231,725
Acquisition of subsidiaries net of cash acquired	-2,157	-24,885	0	83,186
Acquisition of other financial investments	0	-2,411	0	0
Proceeds from sale of plant and equipment	9	26	10	30
Proceeds from the sale of financial assets	0	0	5,000	5,000
Interest received	698	1,315	676	1,303
<b>Cash flows from investing activities</b>	<b>-139,777</b>	<b>-305,793</b>	<b>-132,022</b>	<b>-142,205</b>
<b>Financing activities</b>				
Proceeds from borrowings	50,329	50,329	257,424	358,379
Repayment of debt	-552	-302,701	-36,134	-38,587
Repayment of finance lease liabilities	-19	-38	-39	-79
Proceeds from issue of convertible notes	0	611,750	0	0
Acquisition of treasury shares	-15,837	-123,666	-33,359	-33,676
Sale of treasury shares	432	10,622	6,636	14,885
Interest paid	-1,948	-5,997	-1,876	-3,586
Dividends paid	-27,575	-27,575	-25,047	-25,047
<b>Cash flows from financing activities</b>	<b>4,830</b>	<b>212,725</b>	<b>167,605</b>	<b>272,289</b>
Net increase in cash and cash equivalents	-196,438	-108,736	2,516	123,086
Effects of changes in foreign exchange rates on cash and cash equivalents	2,208	-1,978	-12,981	-12,355
Cash and cash equivalents pledged as security	0	31,975	0	-37,192
Cash and cash equivalents at begin of period	403,847	288,356	263,578	179,575
<b>Cash and cash equivalents at end of period</b>	<b>209,617</b>	<b>209,617</b>	<b>253,113</b>	<b>253,113</b>

# Half Year Report

2018 (according to IAS 34)



## Changes in Equity

(unaudited)

EUR thousands	Issued capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity
<b>Total equity as of January 1, 2017</b>	<b>73,409</b>	<b>211,625</b>	<b>-166,078</b>	<b>59,860</b>	<b>488,741</b>	<b>667,556</b>
Net result	0	0	0	0	-34,034	-34,034
Valuation of available for sale financial instruments	0	0	0	0	1,423	1,423
Translation adjustment	0	0	0	-79,563	0	-79,563
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-79,563</b>	<b>-32,611</b>	<b>-112,174</b>
Share based payments	0	-6,511	0	0	0	-6,511
Dividends paid	0	0	0	0	-25,047	-25,047
Capital increase	11,011	372,774	0	0	0	383,785
Payable from share buyback obligation	0	0	0	-174,964	0	-174,964
Acquisition of treasury shares	0	0	-34,054	0	0	-34,054
Sale of treasury shares	0	0	156,706	0	0	156,706
<b>Total equity as of June 30, 2017</b>	<b>84,420</b>	<b>577,888</b>	<b>-43,427</b>	<b>-194,667</b>	<b>431,083</b>	<b>855,297</b>
<b>Total equity as of December 31, 2017</b>	<b>84,420</b>	<b>577,592</b>	<b>-190,812</b>	<b>-211,399</b>	<b>568,831</b>	<b>828,632</b>
Adjustments <sup>1)</sup>	0	0	0	0	-550	-550
<b>Total equity as of January 1, 2018</b>	<b>84,420</b>	<b>577,592</b>	<b>-190,812</b>	<b>-211,399</b>	<b>568,281</b>	<b>828,082</b>
Net result	0	0	0	0	33,264	33,264
Valuation of available for sale financial instruments	0	0	0	0	-1,001	-1,001
Translation adjustment	0	0	0	54,259	0	54,259
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,259</b>	<b>32,262</b>	<b>86,522</b>
Share based payments	0	-7,421	0	0	0	-7,421
Dividends paid	0	0	0	0	-27,575	-27,575
Option rights for convertible bond	0	93,570	0	0	0	93,570
Capital increase	0	0	0	0	0	0
Payable from share buyback obligation	0	-9,610	0	110,104	0	100,494
Acquisition of treasury shares	0	0	-199,379	0	0	-199,379
Sale of treasury shares	0	0	371,065	0	0	371,065
<b>Total equity as of June 30, 2018</b>	<b>84,420</b>	<b>654,131</b>	<b>-19,127</b>	<b>-47,035</b>	<b>572,969</b>	<b>1,245,357</b>

1) The balance as of January 1, 2018 was restated due to the initial application of IFRS 9 and IFRS 15.

## Selected notes on the Condensed Consolidated Interim Financial Statements as of June 30, 2018

(unaudited)

### 1. Basis of preparation

The condensed consolidated interim financial statements as of June 30, 2018 were prepared in accordance with IAS 34 as adopted by the European Union.

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

### 2. Accounting policies

The accounting policies applied in this interim financial statement are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2017, except for new standards that are applicable to the current reporting period.

Newly applicable standards for the reporting period are:

IFRS 15 – Revenue from contracts with customers

IFRS 9 – Financial instruments

The group has applied the rules of IFRS 15 and IFRS 9 with effective date January 1, 2018.

Annual improvements to IFRS (2015-2017)

During this project three standards were amended. Existing regulations should be clarified by adapting the wording of certain IFRS standards. The amendments affected the standards IFRS 3 in relation to IFRS 11, IAS 12 and IAS 23. (For the current period the amendments are not applicable. All improvements are not yet endorsed in the EU.)

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

# Half Year Report

2018 (according to IAS 34)



## **IFRS 15 Revenue from contracts with customer**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

ams has examined all customer contracts as well as orders and determined that for certain made-to-order products, the customer controls all of the work in progress as the products are being manufactured. This is because under those made-to-order products are manufactured to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Therefore, revenue from these contracts and the associated costs are recognized over time – i.e., before the goods are delivered to the customers' premises.

Based on an analysis of all material contracts with customers in place as of June 30, 2018 and December 31, 2017 ams concluded that the first time application of IFRS 15 did not have any material effect on the amount and timing of revenue recognized.

## **IFRS 9 Financial Instruments**

### **Classification and measurement**

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost, FVOCI (Fair value through other comprehensive income) – debt investment, FVOCI – equity investment or FVTPL (Fair value through profit and loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This decision is made on an investment-by-investment basis.

ams has conducted reclassifications due to the IFRS 9. The total amount of EUR 23,534 thousand is reclassified from short-term investments to long-term financial assets. Also the reported amount of EUR 30,852 thousand in the annual report 2017 are reclassified from other long-term assets to long-term financial assets.

### **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

# Half Year Report

2018 (according to IAS 34)



The following table and the accompanying notes below explain 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 of January 1, 2018:

EUR thousands	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	Hold-to-collect and sale (FVOCI)	23,534	23,534
Equity instruments for which the fair value option was chosen	Available for sale	Hold-to-collect and sale (FVTPL)	25,002	25,002
Other equity instruments	Available for sale	Hold-to-collect and sale (FVOCI)	5,850	5,850
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss	80,473	80,473
Trade receivables	Loans and receivables	Amortized cost	284,799	284,549
Cash and cash equivalents	Loans and receivables	Amortized cost	288,356	288,056
<b>Total financial assets</b>			<b>708,014</b>	<b>707,464</b>

Debt instruments classified under IAS 39 as available for sale are held by the group to collect interest income, but may be sold to meet liquidity requirements arising in the normal course of business. ams considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.

All equity instruments were determined as available for sale under IAS 39. Under IFRS 9 the decision of making use of the fair value option can be done on investment-by-investment basis. For equity instruments for which the Group has elected to use the fair value option, ams considered the intention to develop future businesses together with the participation in the financial development of the investment. For the equity investments, where the FVOCI is applicable, ams intends to hold the investments long term for strategic purposes. Unlike IAS 39, the accumulated fair value reserve in OCI related to these investments will never be reclassified to profit or loss.

Derivative financial instruments are measured at fair value under IAS 39 as well as under IFRS 9. Changes in fair value are recognized in profit or loss.

Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows. An increase of EUR 250 thousand in the allowance for impairment over these receivables was recognized in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Receivables from banks presented as cash and cash equivalents are classified at amortized cost. Under IFRS 9, an allowance for impairment in the amount of EUR 300 thousand has been recognized in opening retained earnings at 1 January 2018.



# Half Year Report

2018 (according to IAS 34)



The following table summarizes the impact of the first time application of IFRS 9 on the loss allowance recognized in the balance sheet:

EUR thousands	
<b>Loss allowance as of December 31, 2017 under IAS 39</b>	<b>868</b>
Additional impairment recognized as of January 1, 2018 on:	
Trade and other receivables	250
Cash and cash equivalents	300
<b>Loss allowance as of January 1, 2018 under IFRS 9</b>	<b>1,418</b>

## IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Based on the initial assessment, the most significant impact identified is that the Group will recognize additional assets and liabilities for its operating leases of factory buildings, office space, a gas farm as well as automobiles and IT-Equipment amount to approx. EUR 150 million, on an undiscounted basis. In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. No significant impact is expected for the Group's finance leases.

# Half Year Report

2018 (according to IAS 34)



## 3. 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 are determined according to valuation and accounting regulations of IFRS. The Segment “Consumer” is comprised of products and sensor solutions targeting the 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 geographic regions are structured by the three regions in which sales occur: “EMEA” (Europe, Middle East and Africa), “Americas” and “Asia/Pacific”. In presenting information on the basis of geographical regions, segment revenue is based on the geographical billing location of customers. Revenues from one customer of the segment Products amount to EUR 101,880 thousand (1st half 2017: EUR 31,001 thousand). This customer is a distributor that serves different end customers.

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

The segment assets basically comprise the allocable assets, i.e., customer receivables as well as segment specific tangible and intangible assets. The reconciliations comprise items which by definition are not part of the segments.

EUR thousands	1st Half 2018				1st Half 2017			
Business segments	Consumer	Non-Consumer	Foundry	Total	Consumer	Non-Consumer	Foundry	Total
Consolidated revenues	382,630	180,286	20,465	583,381	142,829	161,099	26,917	330,845
Research & development	50,876	51,518	584	102,979	48,884	38,999	811	88,694
Result from operations	60,687	22,390	6,153	89,230	-21,956	29,718	8,895	16,657

EUR thousands	June 30, 2018				December 31, 2017			
Business segments	Consumer	Non-Consumer	Foundry	Total	Consumer	Non-Consumer	Foundry	Total
Segment assets	835,302	67,211	5,554	908,067	751,857	66,959	5,746	824,563

# Half Year Report

2018 (according to IAS 34)



## Reconciliation of segment results to income statement

EUR thousands	1st Half 2018	1st Half 2017
<b>Result from operations per segment reporting</b>	<b>89,230</b>	<b>16,657</b>
Result from investments in associates	-212	-30
Depreciation from Purchase Price Allocation	-36,748	-33,050
Subsidies for research and development	2,851	2,441
Unallocated corporate costs	-82,068	-21,314
<b>Result from operations</b>	<b>-26,946</b>	<b>-35,297</b>
Financial result	63,498	3,587
<b>Result before tax</b>	<b>36,553</b>	<b>-31,710</b>

## Reconciliation of segment assets to total assets

EUR thousands	June 30, 2018	Dec 31, 2017
Assets per segment reporting	908,067	824,563
Intangible assets derived from PPA	1,157,551	1,149,255
Property, plant and equipment	482,733	462,667
Inventories	286,477	253,914
Cash, cash equivalents and financial assets	209,617	392,363
Deferred tax asset	26,022	26,060
Intangible assets	70,695	28,074
Investments in associates	3,253	1,896
Other assets	135,301	122,524
	<b>3,279,716</b>	<b>3,261,315</b>

## Revenues per geographical segments

In the following table the external revenue is split by the primary geographic segments.

EUR thousands	1st Half 2018/2017							
	Consumer		Non-Consumer		Foundry		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Primary geographical segments</b>								
Americas	48,108	2,510	13,751	10,486	624	1,307	62,483	14,303
Asia / Pacific	309,148	128,415	72,949	63,867	6,109	9,503	388,206	201,786
EMEA <sup>1)</sup>	25,374	11,904	93,586	86,746	13,732	16,107	132,692	114,756
<b>Total</b>	<b>382,630</b>	<b>142,829</b>	<b>180,286</b>	<b>161,099</b>	<b>20,465</b>	<b>26,917</b>	<b>583,381</b>	<b>330,845</b>

1) Europe, Middle East, Africa

# Half Year Report

2018 (according to IAS 34)



## Revenues per countries

EUR thousands	1st Half 2018	1st Half 2017
Taiwan	192,815	39,642
Japan	96,680	13,201
Germany	63,480	60,426
USA	52,772	10,464
China	28,981	59,587
Hong Kong	20,514	18,474
Austria	464	567
Others	127,676	128,484
<b>Total</b>	<b>583,381</b>	<b>330,845</b>

## Long-term assets per geographical areas

EUR thousands	June 30, 2018	Dec 31, 2017
Austria	1,473,836	1,480,713
Switzerland	106,749	79,413
Singapore	719,622	574,509
Others	68,560	44,367
<b>Total</b>	<b>2,368,767</b>	<b>2,179,002</b>

## 4. Business combinations

On February 22, 2018 the Group obtained control of KeyLemon S.A. ("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 of CHF 9.2 million after one year and a contingent consideration. This contingent part of the purchase price depends on sales of products based on KeyLemon IP in the years 2018 and 2019. This amount is to be paid in cash – up to CHF 5 million. 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 leading 3D technologies, such as high performance integrated optical systems and Vertical Cavity Surface Emitting Lasers (VCSEL), for consumer and industrial 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.

# Half Year Report

2018 (according to IAS 34)



The following table illustrates a preliminary overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition (February 22, 2018):

CHF/EUR thousands	February 2018 CHF <sup>1)</sup>	February 2018 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	-2,023	-1,756
<b>Total of consideration transferred</b>	<b>24,061</b>	<b>20,886</b>
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, existing technologies as well as expected synergies deriving from the integration. No portion of the goodwill is expected to be deductible for tax purposes.

Costs that relate directly to the acquisition, were EUR 149 thousand in the current business year and were allocated in 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 neither contributed essentially to the consolidated revenues nor essentially to the consolidated net result.

On June 29, 2018 the Group also obtained control of ixellence GmbH ("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 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 applications for the consumer segment.

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<sup>1</sup> Transaction currency

# Half Year Report

2018 (according to IAS 34)



The following table gives a preliminary overview of assets and liabilities as well as the purchase price allocation of single assets at the time of acquisition (June 29, 2018):

EUR thousand	June 2018 EUR
Cash and cash equivalents	13
Trade receivables	69
Other receivables and assets	11
Property, plant and equipment	17
Intangible assets	
Technology	1,079
Goodwill	1,315
Trade payables	-11
Other short term liabilities	-10
Deferred tax liabilities	-324
<b>Total of consideration transferred</b>	<b>2,157</b>
thereof cash	2,157

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

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

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.

## 5. Number of employees

The average number of employees was 9,935 during the first half of 2018, compared to 4,580 during the first half of 2017.

## 6. Seasonality - economic cycles

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

# Half Year Report

2018 (according to IAS 34)



## 7. Related parties

Besides the acquisition of ixellence GmbH and KeyLemon S.A., there were no changes regarding the Group's related entities. Besides the replacement of the Supervisory Board seats of Mr. Klaus Iffland and Mr. Siegfried Selberherr with Ms. Monika Henzinger and Ms. Yen Yen Tan, there were no changes regarding Group's related parties.

## 8. Financial Instruments

Summary of financial instruments recorded on the balance sheet date as of June 30, 2018:

EUR thousands	Available for sale	Derivatives	Designated at fair value	Loans and liabilities	Cash	Carrying amount	Fair value
<b>Short-term financial assets</b>							
Cash and cash equivalents	0	0	0	0	209,617	209,617	209,617
Financial assets	0	0	0	0	0	0	0
Trade receivables	0	0	0	250,052	0	250,052	250,052
Other receivables and assets							
thereof financial assets	0	0	0	25,929	0	25,929	25,929
<b>Long-term financial assets</b>							
thereof financial assets	68,408	0	0	15,885	0	84,293	84,293
	<b>68,408</b>	<b>0</b>	<b>0</b>	<b>291,865</b>	<b>209,617</b>	<b>569,890</b>	<b>569,890</b>

EUR thousands	Fair value through P/L	At amortized cost	Carrying amount	Fair value
<b>Short-term financial liabilities</b>				
Interest bearing loans and borrowings	0	183,255	183,255	183,255
Trade payables	0	163,270	163,270	163,270
Other liabilities				
thereof financial liabilities	7,945	12,254	20,199	20,199
<b>Long-term liabilities</b>				
Interest bearing loans and borrowings	0	1,356,220	1,356,220	1,356,094
Other long-term liabilities				
thereof financial liabilities	91,325	446	91,771	91,771
	<b>99,270</b>	<b>1,715,445</b>	<b>1,814,715</b>	<b>1,814,572</b>

# Half Year Report

2018 (according to IAS 34)



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

EUR thousands	Available for sale	Derivatives	Designated at fair value	Loans and liabilities	Cash	Carrying amount	Fair value
<b>Short-term financial assets</b>							
Cash and cash equivalents	0	0	0	0	288,356	288,356	288,356
Financial assets	23,534	80,473	0	0	0	104,007	104,007
Trade receivables	0	0	0	284,799	0	284,799	284,799
Other receivables and assets							
thereof financial assets	0	0	0	18,465	37,192	55,657	55,657
<b>Long-term financial assets</b>							
thereof financial assets	30,853	0	0	12,992	0	43,844	43,844
	<b>54,386</b>	<b>80,473</b>	<b>0</b>	<b>316,256</b>	<b>325,548</b>	<b>776,663</b>	<b>776,663</b>

EUR thousands	Fair value through P/L	At amortized cost	Carrying amount	Fair value
<b>Short-term financial liabilities</b>				
Interest bearing loans and borrowings	0	586,417	586,417	586,362
Trade payables	0	308,395	308,392	308,392
Other liabilities				
thereof financial liabilities	392,220	117,030	509,250	509,250
<b>Long term liabilities</b>				
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
	<b>521,785</b>	<b>1,684,072</b>	<b>2,205,856</b>	<b>2,205,739</b>



# Half Year Report

2018 (according to IAS 34)



June 30, 2018 EUR thousands	Level 1	Level 2	Level 3	Total
<b>Short-term financial assets</b>				
Financial assets	0	0	0	0
<b>Long-term financial assets</b>				
Financial assets	62,389	0	6,019	68,409
	<b>62,389</b>	<b>0</b>	<b>6,019</b>	<b>68,409</b>
<b>Short-term financial liabilities</b>				
Interest bearing loans	0	0	7,945	7,945
<b>Long-term financial liabilities</b>				
Interest bearing loans	0	0	91,325	91,325
	<b>0</b>	<b>0</b>	<b>99,270</b>	<b>99,270</b>

December 31, 2017 EUR thousands	Level 1	Level 2	Level 3	Total
<b>Short-term financial assets</b>				
Financial assets	23,534	80,237	237	104,007
<b>Long-term financial assets</b>				
Financial assets	25,002	0	5,850	30,852
	<b>48,536</b>	<b>80,237</b>	<b>6,087</b>	<b>134,859</b>
<b>Short-term financial liabilities</b>				
Other liabilities	0	0	392,220	392,220
<b>Long-term financial liabilities</b>				
Other liabilities	0	83,250	46,315	129,564
	<b>0</b>	<b>83,250</b>	<b>438,535</b>	<b>521,785</b>

On March 8, 2018, ams implemented a revised earn-out-structure with a 100% acceptance rate of the former Heptagon shareholders. The follow-up valuation of the original earn-out-structure shows a financial loss in the amount of EUR -45,453,186. The revised earn-out-structure illustrates a financial gain in the amount of EUR 64,796,620. The total financial surplus from the revised earn-out-structure for the group was therefore EUR 19,343,434.

On February 26, 2018, ams AG issued a convertible bond with a nominal value of EUR 600 million. The duration of the bond is 7 years. Holders of convertible bonds have the right to convert the bond into a total of 4,410,412 common shares (conversion price 136.0417 EUR/share) at any time. As of 30 June, 2018, no bonds have been converted.

# Half Year Report

2018 (according to IAS 34)



Contingent liabilities result from the acquisition of KeyLemon (EUR 4,322 thousand) in 2018, Princeton (EUR 14,745 thousand) in 2017, the acquisition of CCMOSS (EUR 26,312 thousand) in 2016 and Incus (EUR 2,793 thousand) in 2016.

Upon acquisition of KeyLemon in 2018, ams agreed to pay a contingent consideration to the sellers. The Group committed to a sale-related payment of up to EUR 4,322 thousand. The basis for the valuation is the number of products sold with KeyLemon IP until March 31, 2021.

The acquisition of Princeton in 2017 results in a contingent liability. The Group committed to a sale-related payment of up to EUR 14,745 thousand (December 31, 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 liabilities results from the acquisition of CCMOSS in 2016. The Group committed to pay the seller a revenue-dependent purchase price share of up to EUR 26,312 thousand (December 31, 2017: EUR 31,000 thousand). The purchase price liability includes a revenue-related earn-out model up to and including 2020. The basis for this is long-term sales planning of products based on CCMOSS technology.

The acquisition of Incus in 2016 results in a contingent liability of EUR 2,793 thousand (December 31, 2017: 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.

## 9. Property, plant & equipment

The Group acquired property plant and equipment amounting to EUR 203,009 thousand, mainly for expansion of production capacity on all locations of the ams Group.

## 10. Intangible assets and goodwill

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

## 11. Treasury shares

The group acquired a total of 2,710,339 treasury shares during the reporting period which acquisition costs amounted to EUR 199,379,205.18.

471,446 treasury shares have been sold to fulfill obligations of the Stock Option Plans.

## 12. Dividends

On June 26, 2018 ams AG distributed a dividend of EUR 0.33 per share amounting to a total of EUR 27,575,202.60.

## 13. Subsequent events

No significant events have taken place after the reporting date.

# Supplemental financial information

# Half Year Report

2018 (according to IAS 34)



## Reconciliation from adjusted figures to IFRS reported figures

EUR thousands	Q2 2018	1st Half 2018	Q2 2017	1st Half 2017
<b>Gross profit – adjusted</b>	<b>31,960</b>	<b>164,006</b>	<b>75,061</b>	<b>143,945</b>
Acquisition-related costs	-11,220	-22,463	-11,948	-21,220
Share-based compensation costs	-348	-839	-194	-505
<b>Gross profit – IFRS reported</b>	<b>20,392</b>	<b>140,705</b>	<b>62,919</b>	<b>122,220</b>
Gross margin in % – adjusted	15%	28%	41%	44%
Gross margin in % – IFRS reported	9%	24%	35%	37%
<b>Operating expenses – adjusted</b>	<b>-73,308</b>	<b>-142,493</b>	<b>-73,730</b>	<b>-138,516</b>
Acquisition-related costs	-7,298	-14,285	-6,476	-11,830
Share-based compensation costs	-4,570	-10,873	-4,244	-7,170
<b>Operating expenses – IFRS reported</b>	<b>-85,176</b>	<b>-167,650</b>	<b>-84,450</b>	<b>-157,517</b>
<b>Result from operations – adjusted</b>	<b>-41,348</b>	<b>21,514</b>	<b>1,331</b>	<b>5,429</b>
Acquisition-related costs	-18,518	-36,748	-18,424	-33,050
Share-based compensation costs	-4,918	-11,711	-4,438	-7,675
<b>Result from operations – IFRS reported</b>	<b>-64,784</b>	<b>-26,946</b>	<b>-21,531</b>	<b>-35,297</b>
Operating margin in % – adjusted	-19%	4%	1%	2%
Operating margin in % – IFRS reported	-30%	-5%	-12%	-11%

# Half Year Report

2018 (according to IAS 34)



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