

Preface by the Management Board

Dear Shareholders, Customers, and Employees,
Ladies and Gentlemen

2018 was a year of growth and challenges for ams.

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

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

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

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

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

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

Alexander Everke, CEO



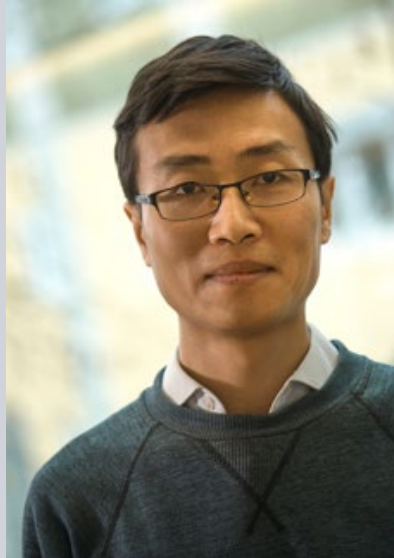
Michael Wachsler-Markowitsch, CFO



Dr. Thomas Stockmeier, COO



Mark Hamersma, CBO



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

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

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

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

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



Alexander Everke
CEO



Michael Wachsler-Markowitsch
CFO



Dr. Thomas Stockmeier
COO



Mark Hamersma
CBO



Preface by the Supervisory Board

Dear Ladies and Gentlemen

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

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

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

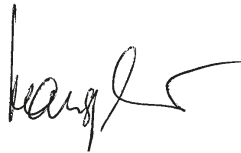
2018 also saw changes occurring within the Supervisory Board. The long-time Deputy Chairperson of the Supervisory Board Prof. Dr. Siegfried Selberherr who served for 17 years, together with Klaus Iffland who served for 12 years, did not run for re-election. We would like to thank both gentlemen who offered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

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

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

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

On behalf of the Supervisory Board

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

Hans Jörg Kaltenbrunner
Chairperson of the Supervisory Board

OUR COMPANY

We are passionate
about creating
sensor solutions



Our Vision

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

Our Company and Strategy

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

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

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

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

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

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

Our Talent

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

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

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





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

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

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

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

Manufacturing

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

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

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

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

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

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

Corporate Responsibility

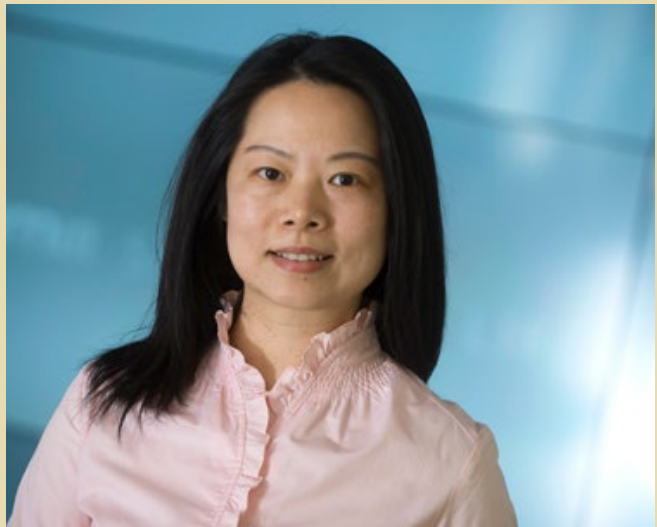
Rigorous standards regarding ethical, professional practices and environmental responsibility guide how ams conducts its business around the world. At the core of ams' business activities is our company code of conduct to which all our business functions worldwide adhere. The code of conduct is a public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

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

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

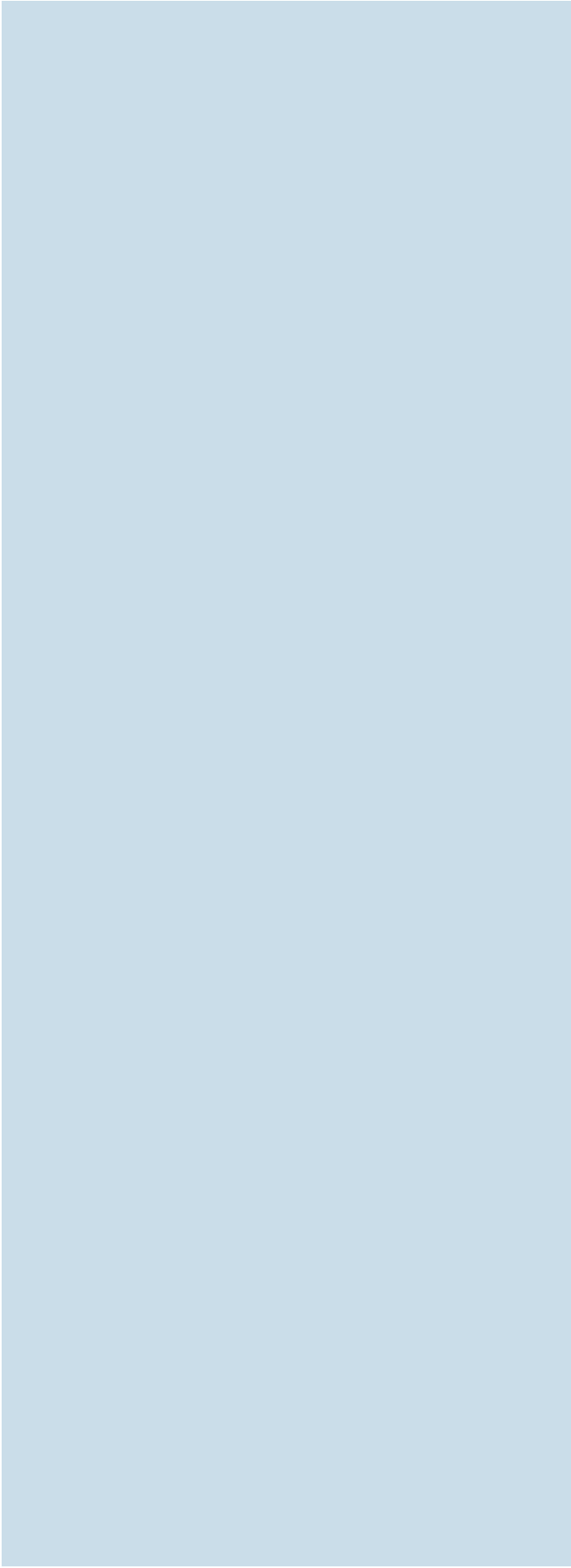
Reflecting our leadership approach, we continue our firm commitment of protecting the environment and the sustainability of resources while being successful in our industry. We pursue a reduction of our global carbon emissions footprint in relation to the scope of our business and strive to deploy technologies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

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



OUR BUSINESS

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



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

Optical sensing

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

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

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

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

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

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

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

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





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

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

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

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

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

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

Imaging

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

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

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

Audio sensing

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

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

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

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

Other business lines

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

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

Our Global Network

OUR GLOBAL NETWORK

Europe

- Austria**
Headquarters
- Belgium**
- France**
- Germany**
4 locations
- Italy**
3 locations
- Netherlands**
- Portugal**
- Switzerland**
3 locations
- Spain**
- United Kingdom**
2 locations

Asia

- PR China**
4 locations
- India**
- Japan**
- South Korea**
- Philippines**
- Singapore**
3 locations
- Taiwan**

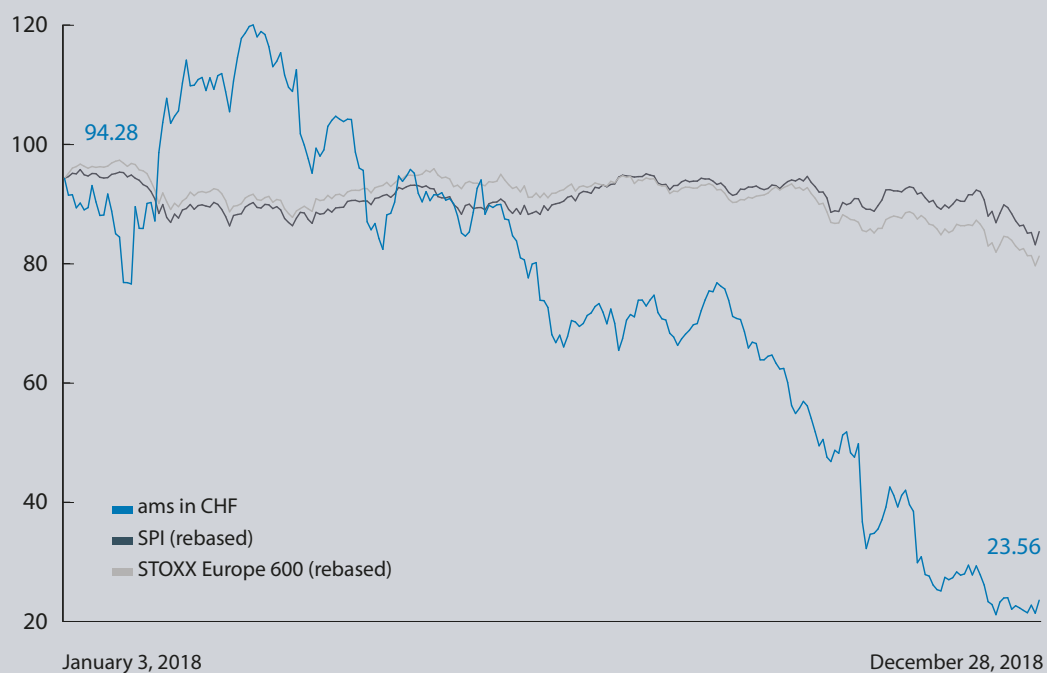
North America

- USA**
3 locations



INVESTOR RELATIONS AND EXECUTIVE BODIES

ams share price development



Investor Relations

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

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

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

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

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

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

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

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

ISIN: AT0000A18XM4

Securities code: 24924656

Ticker symbol (SIX Swiss Exchange): AMS

Reuters / Bloomberg: AMS.S / AMS SW

Executive Bodies

Management Board

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

Supervisory Board

Guido Klestil (Honorary Chairperson)

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

Group Management Report 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Business Results

2.1 Development of Revenues

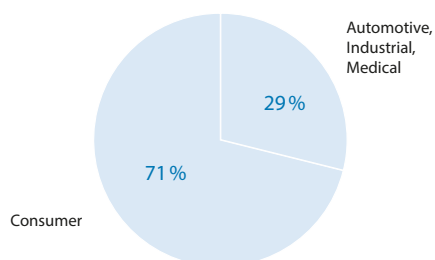
Consolidated group revenues for the financial year 2018 increased by 34% to EUR 1,426.3 million compared to EUR 1,063.8 million in 2017. This development was primarily due to the exceptional growth in demand in the target market Consumer (+38%) in conjunction with solid overall demand for ams' solutions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

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

The revenue distribution by markets is shown below:

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

Revenue breakdown by markets



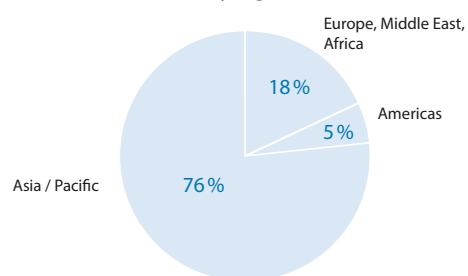
The distribution of revenues by region does not reflect the demand situation in ams' target markets but the geographic billing location of the company's customers. Business in the Asia / Pacific region showed a significant increase in 2018 compared to the previous year, particularly due to higher revenues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

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

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

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

Revenue breakdown by region



2.2 Orders Received and Order Backlog

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

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

Revenues and orders developed as follows:

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

2.3 Earnings

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

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

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

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

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

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

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

2.4 Assets and Financial Position

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

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

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

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

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

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

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

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

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

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

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

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

These figures are directly derived from the group financial statements.

2.5 Cash Flow

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

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

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

3. Research and Development

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

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

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

4. Purchasing and Manufacturing

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

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

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

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

5. Employees

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

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

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

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

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

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

6. Environment

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

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

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

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

7. Subsidiaries and Branch Facilities

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

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

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

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

8. Risk Management

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

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

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

Business Interruption Risk

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

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

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

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

Financial Risks

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

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

Receivables and Credit Risk

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

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

Interest Rate Risk

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

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

Foreign Exchange Risk

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

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

Product Liability and Quality Risk

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

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

Patent Infringement Risk

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

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

9. Events after the Balance Sheet Date

There were no significant events after balance sheet date identified.

10. Outlook

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

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

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

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

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

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

11. Other Information

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

Premstaetten, February 25, 2019

ams AG, Premstaetten



Alexander Everke
Chairman of the
Management Board
CEO



Dr. Thomas Stockmeier
Member of the
Management Board
COO



Michael Wachsler-Markowitsch
Member of the
Management Board
CFO



Mark Hamersma
Member of the
Management Board
CBO