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## EANS-Adhoc: ams AG / ams reports solid full year and positive fourth quarter 2013 results; sees seasonality and OEM program shifts impacting first quarter 2014

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annual result/quarterly report

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### Financial information for fiscal year 2013 and fourth quarter 2013

Unterpremstaetten, Austria (4 February 2014) - ams (SIX: AMS), a leading worldwide manufacturer of high performance sensor and analog solutions, reports solid results for 2013 showing a slight year-on-year decrease in revenues and a larger impact on operating profitability. This was due to a slower revenue development in ams' consumer and communications business which the strong performance of the company's industrial, medical and automotive business could not offset. Focusing on advanced sensors, sensor interfaces, power management and wireless ams gained record design-wins in 2013 and is strongly positioned to return to growth in revenues and profitability. For the first quarter 2014, however, ams expects noticeable quarter-on-quarter seasonality including impacts from ramp-up shifts towards the end of the quarter by Asian OEMs.

2013 full year revenues were EUR 377.8 million (USD 502.1 million) while gross margin, excluding acquisition-related amortization, remained unchanged at 55% and the operating (EBIT) margin decreased to 17%. Revenues for the fourth quarter 2013 were EUR 103.5 million, up 6% year-on-year and 5% higher quarter-on-quarter. The gross margin, excluding acquisition-related amortization, for the fourth quarter 2013 was 56% while the operating (EBIT) margin improved to 23% when compared to the previous year.

### Financials

Group revenues for 2013 were EUR 377.8 million (USD 502.1 million), a decrease of 3% compared to EUR 387.6 million for 2012. In constant currency, full year revenues were unchanged compared to the previous year. Revenues for the fourth quarter 2013 were EUR 103.5 million, an increase of 6% from the EUR 97.5 million recorded in the last quarter 2012 (10% in constant currency) and an increase of 5% quarter-on-quarter.

Gross margin for the full year 2013 came to 55%, excluding acquisition-related amortization, and 52%, including acquisition-related amortization, unchanged from 55% and 52% in 2012, respectively. This positive result was mainly due to an improved product mix and manufacturing efficiencies. Gross margin for the fourth quarter 2013 was 56%, excluding acquisition-related amortization, and 54%, including acquisition-related amortization, compared to 56% and 53% in the same period 2012, respectively.

The result from operations (EBIT) for 2013 was EUR 63.9 million, or 17% of revenues, down from EUR 84.8 million or 22% of revenues in 2012. Investments in research and development amounted to EUR 68.5 million, or 18% of revenues, and were driven by an expansion of development re-sources to support major design-wins. The EBIT for the fourth quarter 2013 was EUR 24.2 million, or 23% of revenues, increasing by 24% from EUR 19.6 million in the fourth quarter 2012.

Net income for 2013 was EUR 60.8 million, down from EUR 81.9 million in 2012.

Basic / diluted earnings per share for 2013 were CHF 5.56 / 5.34 or EUR 4.52 / 4.35 based on 13,448,313 / 13,991,225 shares (2012: CHF 7.67 / 7.30 or EUR 6.37 / 6.06). Net income for the fourth quarter 2013 was EUR 23.3 million, increasing by 26% from EUR 18.5 million for the same period 2012. Basic / diluted earnings per share for the fourth quarter were CHF 2.12 / 2.03 or EUR 1.73 / 1.65 based on 13,502,672 / 14,103,068 shares (2012: CHF 1.69 / 1.60 or EUR 1.40 / 1.32).

Cash flow from operations was EUR 100.2 million in 2013, decreasing from EUR 124.8 million in 2012. Cash and short term investments increased to EUR 104.3 million on December 31, 2013 from EUR 86.8 million at year-end 2012, while net cash rose to EUR 44.2 million on December 31, 2013 (year-end 2012: EUR 6.0 million). Capital expenditures for 2013 were EUR 47.1 million compared to EUR 31.9 million for 2012 given the company's investment in an advanced 3D packaging line. The total backlog at year-end 2013, excluding consignment stock agreements, was EUR 76.6 million due to shortened lead times for upcoming product ramp-ups (EUR 91.2 million on September 30, 2013 and EUR 90.9 million at year-end 2012). The average number of group employees was 1,394 for fiscal year 2013, compared to 1,282 for 2012, and 1,417 for the fourth quarter 2013.

Based on the company's cash dividend policy stipulating the distribution of 25% of net earnings, ams will propose a dividend of EUR 1.04 per outstanding share for 2013.

## Business

ams' business performance in 2013 was impacted by a slower-than-expected development of the company's consumer and communications business which led to a slight decrease in group revenues compared to the previous year. At the same time, ams was able to gain a record number and value of design-wins with major OEMs last year. This achievement demonstrates ams' leadership in high performance sensor solutions and analog ICs and creates a strong foundation for growth going forward.

The company's Consumer & Communications business recorded a decrease in revenues in 2013 which resulted mainly from delayed customer projects and certain base effects. ams launched several sensor innovations and new technical solutions last year which strengthened its market position as a major supplier to leading smartphone, tablet PC and mobile device OEMs. Consequently, customer design activities for ams products remained on a high level through 2013 and to date.

ams continued to be successful as the leading provider of advanced light sensors worldwide and shipped very high volumes of ambient light and proximity sensors for a wide variety of consumer devices last year. ams is seeing a clear market trend towards RGB color sensors for ambient light analysis enabling sophisticated display management in smartphones and tablet PCs.

Creating new content opportunities at mobile device vendors, ams launched an innovative gesture sensor solution last year. ams combines gesture sensing with RGB color sensing, proximity sensing, and mobile coupon redemption in a very compact module offering impressive sensor performance in a minimized footprint. ams has started high volume production for its lead gesture sensor products supporting new platform ramps by several major Asian OEMs, with shipments starting this quarter. Based on multiple design wins, ams expects to benefit strongly from the adoption of gesture sensing in smartphones.

MEMS microphone interface shipments increased meaningfully again last year to around 1.6 billion units reflecting continuing device penetration and growth in smartphone and tablet PC volumes. ams continues to be the clear market leader in this area which is characterized by high market dynamics and active competition. Together with further improvements in audio quality, ongoing cost optimizations remain a key positioning aspect in this market. ams' power management solutions benefitted from the growth in compact outdoor video systems while the support of a mobile graphics processor vendor's recent and upcoming platforms offers attractive device opportunities.

ams' wireless business for RFID and NFC solutions and mobile applications showed a positive development last year but nevertheless fell short of expectations.

Particularly the market for NFC mobile payment hardware solutions did not provide the expected momentum for ams in 2013. This was mainly due to customer-specific factors. ams remains fully convinced that its innovative antenna booster solution for NFC mobile transactions together with its world class NFC expertise will drive substantial mobile device-based growth for the company in the foreseeable future.

ams' industrial, medical and automotive business recorded positive results in 2013 given the supportive development of end markets and ams' broad range of customers and applications.

Industrial product lines performed very well last year showing considerable improvements over 2012. As a leading supplier of sensors and sensor interfaces for a wide variety of applications in industrial automation and related areas, ams benefitted from the brightening macroeconomic outlook over the course of 2013. The positive demand trend in industrial end markets translated into attractive business momentum for ams' industrial solutions. Consequently, ams was able to expand its market position as a technology specialist for industrial sensors and position measurement.

ams' medical business continued to develop positively in 2013. Highly advanced sensor and sensor interface solutions are the foundation of ams' medical portfolio, particularly in the core area Medical Imaging for computed tomography (CT), digital X-ray, ultrasound and mammography. ams' high resolution CT imaging sensors define what is technically feasible and create significant performance advantages for the benefit of patients. In this long-term oriented environment, ams works in strategic partnership with global leaders in medical devices and systems and was able to add a number of attractive design-wins last year.

ams' automotive business recorded strong growth in 2013 driven by new vehicle platform launches and a sustained positive momentum in the end market. ams saw a significant increase in shipments last year helped by the increasing penetration of sensors and electronics in vehicles. ams' automotive portfolio continues to be focused on high performance sensor and position measurement solutions, innovative safety systems such as laser-based collision avoidance, and battery power management. ams achieved major automotive design-wins in 2013, above all in Japan and other Asian markets. These wins highlight ams' position at leading system suppliers and create a strong pipeline for the coming years. ams' dedicated specialty foundry business again provided an attractive contribution to the company's results.

ams' global customer base expanded last year with significant additions in the Asia/Pacific region in particular. Through ongoing selective investments into its sales and support network in Asia and the U.S. ams continues to improve customer reach and penetration in these important markets.

ams recorded full capacity utilization for its in-house manufacturing throughout 2013. Given the company's full product pipeline, ams has decided to implement certain additional investments in 2014 to optimize capacity at its wafer fab and grow test capacity in anticipation of new high volume business. These additional investments of EUR 10-15 million in 2014 will also enable ams to take full advantage of 0.18µm CMOS process technology going forward. To support its expected future growth and capacity needs, ams has started an internal project to identify suitable additional wafer fab assets outside Europe which are able to enhance ams' successful manufacturing model.

The company's investment in an advanced 3D packaging line at its wafer fab has been completed as planned. ams' proprietary TSV (Through Silicon Via) technology offers considerable advantages for light sensor packaging and substantial cost benefits from material savings and the insourcing of packaging process steps. This will allow ams to address highly price-sensitive segments of the light sensor market at attractive terms. The 3D packaging line is now undergoing pre-production flow optimization and final qualifications, after which ams expects mass production of TSV optical sensors to start around mid-year 2014.

Pursuing its strategic focus on sensor solutions and innovation, ams sees attractive opportunities to expand the scope of its sensor expertise to address exciting new applications. ams is therefore actively evaluating further

additions to its sensor technology portfolio.

## Outlook

Based on currently available information, ams sees significant new product ramps for major consumer and other OEMs in 2014 with a bias towards the second half of the year. These are expected to result in attractive new revenue streams and will be driving ams' expected positive business and margin development for the future.

Despite this strong outlook for revenue and profitability growth, ams expects the first quarter 2014 to show noticeable quarter-on-quarter seasonality including impacts from ramp-up shifts towards the end of the quarter by Asian customers. Revenues for the first quarter 2014 are expected to reach EUR 80-85m; at the same time, ams anticipates robust gross margins to result in better operating profitability than last year's first quarter.

Additional financial information for fiscal year 2013 and the fourth quarter 2013 is available on the company website at [www.ams.com/eng/Investor/Financial-Reports](http://www.ams.com/eng/Investor/Financial-Reports)

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