



2012 Letter to Stockholders

To Our Shareholders

2012 marked a challenging year for the semiconductor industry. For Atmel, it was a year of major investment and repositioning for substantial future growth in our key businesses. While the company's 2012 revenue of \$1.43 billion declined from 2011, our microcontroller business grew each consecutive quarter during 2012 and in the fourth quarter represented a record two-thirds of company revenue. Particularly noteworthy was the 7% growth of our 32-bit microcontroller business in 2012.

Market trends, and the product and technology investments undertaken during the past 12 to 18 months position us well for renewed revenue growth, market share gains and margin expansion in 2013 and beyond. Reflecting that investment, we introduced more 32-bit microcontroller products last year than in any prior year in the company's history. These new 32-bit products include our sensor hub devices, which manage the accelerometers, magnetometers, gyroscopes and the increasing number of other sensors found in smartphones, tablets, and other electronic devices.

2012 also marked the introduction of the Windows® 8 operating system, featuring capacitive touch as a key enabling technology. This dramatically expands the market opportunity for large-screen capacitive touch solutions beyond tablets to the entire PC marketplace, particularly for Ultrabooks, notebooks, and all-in-one computers. Atmel is a co-engineering partner with Microsoft for Windows 8 capacitive touch solutions and has emerged as the majority supplier for Windows 8 based devices. By early February 2013, Atmel's maXTouch® products had been Win 8 certified for approximately 40 different tablets and Ultrabooks and was actively engaged in well over 50 different Windows 8 programs. We are pleased to be the leading touch provider at the beginning of the ramp of Windows 8 which is a multi-year trend.

Building on our success with Android tablets, our MaXTouch touch controllers now power the touch for tablets from Samsung, Google, Amazon, Acer, Lenovo, Toshiba, and other manufacturers. Further applications incorporating touch include the automotive sector which continues to build momentum. We saw our first meaningful touch-related revenue for automotive applications during 2012 and expect continued growth during 2013 as customers accelerate their use of capacitive touch in new car models.

We also introduced our breakthrough touch sensor product, XSense®, in April 2012. XSense is based on innovative metal mesh technology with superior performance and cost advantages compared to existing ITO sensor alternatives. XSense gives us a significant opportunity to target the multi-billion dollar market for touch screen sensors. While we ramp production and manufacturing capabilities, XSense has already been incorporated into a tier-one customer's tablet with a production release scheduled for the first quarter of 2013 and a second tier-one customer has selected XSense for several of its 2013 tablet designs.

Continuing our strategy of pursuing high growth and high margin businesses, we acquired privately held Ozmo, Inc., a Wi-Fi Direct solutions provider. Combining Wi-Fi Direct technology with our microcontroller solutions enables Atmel to provide fully integrated wireless solutions for smart, connected devices that form the foundation for the evolving "Internet of Things," one of the fastest growing wireless marketplaces over the next several years. In addition, we divested our lower-margin serial flash business in the third quarter of 2012.

Looking forward to 2013, we expect to see revenue growth, market share gains and margin expansion as we introduce new products and continue to manage and align our business for today's markets. We continue to build a valuable microcontroller centric franchise with market leading products. Our new 32-

bit microcontroller product families have already led to a significant increase in customer design activity. We are confident that these new products offer us strong growth opportunities.

While we continually seek to drive significant revenue growth, we are also committed to improving our cost structure and to ensuring that our business operates efficiently. Toward that end, we have taken, and will continue to take, significant measures to enhance margins, expand earnings and increase cash flow.

In closing, we are excited by the high-growth opportunities we see ahead for Atmel. We remain confident that Atmel's long-term strategy, exceptional product portfolio and business execution set the foundation for a strong future and increased shareholder value.



Steven Laub
President and Chief Executive Officer
Atmel Corporation

This Annual Report contains forward-looking statements that involve risk and uncertainties, including our strategies and expected financial performance; our future business prospects; the effects of our strategic transactions and restructuring efforts; our market opportunities; our competitive position; and expectations for revenue from our products. We caution you that such statements reflect our best judgment based on factors currently known to us, and that actual events or results could differ materially. Please refer to the documents that we file from time to time with the SEC, including our Form 10-K for the year ended December 31, 2012, a copy of which is enclosed herein. We do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they are made.