



Letter to Stockholders

To Our Stockholders

Atmel achieved significantly improved performance during 2014 as we grew revenue and substantially increased profitability. On a non-GAAP basis, gross margin expanded from 42.5% in 2013 to 46.3% and earnings per share increased by over 44%. Along with those operating and financial improvements, we positioned the company to grow in attractive markets including the Internet of Things, security, wireless, and smart energy. These fast growing markets align well with our global customer base, including those in the industrial and automotive segments, which together represent greater than 50% of our revenue.

Our microcontroller business grew during 2014 driven by core microcontrollers. With a record number of new products launched during the past three years, Atmel provides one of the semiconductor industry's highest performing and lowest power microcontroller product portfolios. To drive our 32-bit microcontroller business, we substantially accelerated the pace of new product introductions, particularly those based on the ARM core. These new products have translated into high levels of customer design activity, which position us well for future revenue growth. In our core 8-bit microcontroller business, product revenue increased approximately 11% as we continued to gain share in that market.

Atmel is uniquely positioned to benefit from the Internet of Things. With over 40 billion connected devices predicted by 2020, the Internet of Things offers enormous growth opportunities for Atmel. Our portfolio of ultra-low power microcontrollers, broad suite of wireless connectivity technologies (including Wi-Fi, Bluetooth, Bluetooth low energy and Zigbee), and advanced security products enable us to deliver the industry's leading solutions for the Internet of Things marketplace. In addition, Atmel has taken a leading role in significant industry alliances focused on improving interoperability and defining the connectivity requirements for the billions of devices that will make up the Internet of Things.

During 2014, our maXTouch® business stabilized while achieving record revenue in the automotive, consumer, and industrial end markets where Atmel has established a leadership position. Customer adoption increased significantly with our new maXTouch "T" Series as all devices in the family were released to full production during 2014. To further enhance our technology position in 2015, we will introduce our next generation maXTouch family with advanced capabilities for display integration and other significant performance enhancements that will position us for growth and increased market share.

We are enjoying increasing success in our memory business with our crypto-authentication products as the need for data security, authentication, and brand protection have become paramount. The products based on this technology are being rapidly adopted across multiple end markets. We foresee continued strong growth during 2015 for our memory segment as cyber-security and data protection remain a critical focus for many of our global customers.

During 2014 we also made fundamental structural changes to the company leading to higher profitability. We delivered seven consecutive quarters of non-GAAP gross margin expansion and reached our non-GAAP quarterly gross margin target of 49%. We believe our higher gross margin level is sustainable and will continue to rise on an annual basis. Additionally, we completed a strategic review of our XSense® business and decided to exit the business. We will benefit from a significant reduction in operating expenses in future quarters as a result of that decision and from other operational improvements we implemented in 2014.

We begin 2015 well positioned for long-term growth and profitability, a renewed emphasis on our core businesses, sharper focus on our traditional end markets, and a substantially improved operating model with consistent positive cash flow. Based on our long-term growth prospects and improved operating performance, our Board of Directors approved a quarterly cash dividend program and Atmel paid its first ever dividend during the first quarter of 2015. As Atmel has transformed into a sustainably higher margin and cash generating business, a dividend is a natural progression of our shareholder capital return program. The quarterly dividend program, combined with our existing stock repurchase program (which returned more than \$130 million to our stockholders during 2014), demonstrates our confidence in the business and commitment to driving long-term value for our stockholders.

In closing, we remain confident that Atmel's long-term strategy, outstanding product portfolio, and exceptional employees will create increased value for our world-class customers and stockholders.

A handwritten signature in black ink, appearing to read 'S. Laub', is positioned above the name and title of the signatory.

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, 2014, 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.