

Half Year Report 2021

Key figures USD millions (except earnings per share)	Q2 2021	Q2 2020	Q1 2021	1st Half 2021	1st Half 2020
Revenues	1,491	503	1,543	3,035	1,050
Gross margin in % (adjusted - see footnote 1)	33%	40%	35%	34%	40%
Result from operations (adjusted - see footnote 1)	131	99	172	303	209
EBIT margin in % (adjusted - see footnote 1)	9%	20%	11%	10%	20%
Net result (adjusted - see footnote 1)	84	63	89	174	91
Basic / diluted earnings per share in CHF ²⁾ (adjusted - see footnote 1)	0.29 / 0.29	0.21 / 0.20	0.34 / 0.34	0.63 / 0.63	0.47 / 0.50
Basic / diluted earnings per share in USD (adjusted - see footnote 1)	0.32 / 0.32	0.24 / 0.22	0.38 / 0.38	0.70 / 0.69	0.53 / 0.57
Net debt	2,296	-61	2,015	2,296	-61

¹⁾ Excluding M&A-related, transformation and share-based compensation costs as well as results from sale of business and equity investments

²⁾ Earnings per share in CHF were converted using the average currency exchange rate for the respective periods

Second quarter group results well above mid-point of guidance range with revenues of USD 1,491 million and adj. operating margin of 9%

Report to shareholders on the second quarter and first half of 2021

- Portfolio re-alignment fully underway with disposal of Digital Systems North America closed and further announcements expected in the next months
- Synergy creation and integration programs fully on track
- Successful completion of delisting offer for OSRAM Licht AG share; ownership now at 80.4%

Ladies and Gentlemen

We are very pleased with our performance in the second quarter, with our metrics coming in well above the midpoint of our guidance, and again delivering strong operational cash flow. Demand for our automotive solutions continued to be strong, and we saw good results in our consumer business. The generation of synergies from the combination is fully on track after only one full quarter of operational control of OSRAM, and we are very confident in our synergy targets and savings. The successful delisting offer for OSRAM is another important step in driving the integration while closing the disposal of Digital Systems North America shows our commitment and momentum towards creating the future streamlined portfolio of ams OSRAM.

Looking forward, ongoing tightness in chip supply and imbalances in supply chains continue to limit the ability to fully deliver against what is ongoing strong demand, particularly in the automotive market. We expect these imbalances to extend well into the latter part of the second half year. Short-term revenue drivers continue to be automotive lighting and consumer optical sensing in areas like display management and camera enhancement. At the same time, we are moving on integrated product roadmaps that will drive our position in mid-term growth markets including UV-C LED, advanced LED front lighting systems, AR, 3D applications, and more. We look forward to updating investors on our strategy, our new aligned business portfolio and strong technology position at a Capital Markets Day envisaged for early 2022.

Financial results

Second quarter group revenues were USD 1,491 million, 3% lower sequentially compared to the first quarter 2021, in line with typical seasonality in the group's end markets. Comparable prior year figures are not available due to the acquisition of OSRAM. Adjusted¹ group gross margin for the second quarter 2021 was 33%, down from 35% for the first quarter 2021 with comparable prior year figures not available. First half group revenues were USD 3,035 million with comparable prior year figures not available due to the acquisition of OSRAM. Adjusted¹ group gross margin for the first half 2021 was 34% with comparable prior year figures not available.

The adjusted¹ group result from operations (EBIT) was USD 131 million or 9% of revenues for the second quarter compared to USD 172 million or 11% for the first quarter (excluding adjustments: USD -144 million or -10% of revenues for the second quarter) with comparable prior year figures not

¹ Excluding M&A-related, transformation and share-based compensation costs as well as results from sale of business and equity investments

available. The group result from operations excluding adjustments for the second quarter reflects an impairment charge related to certain manufacturing assets in Asia in our Semiconductors consumer business following a review of useful life. This is a one-time, non-cash effect of approximately USD 182 million which solely relates to tangible fixed assets. Adjusted¹ group result from operations (EBIT) was USD 303 million or 10% of revenues for the first half 2021 with comparable prior year figures not available.

Adjusted¹ group net income was USD 84 million for the second quarter compared to USD 89 million for the first quarter with comparable prior year figures not available (excluding adjustments: USD -190 million for the second quarter). Adjusted¹ basic/diluted earnings per share¹ for the second quarter were USD 0.32/0.32 or CHF 0.29/0.29 and USD -0.73/-0.73 or CHF -0.67/-0.67 excluding adjustments. Adjusted¹ group net income was USD 174 million for the first half with comparable prior year figures not available (excluding adjustments: USD -193 million). Adjusted¹ basic/diluted earnings per share² for the first half were USD 0.70/0.69 or CHF 0.63/0.63 and USD -0.70/-0.70 or CHF -0.64/-0.64 excluding adjustments.

The group operating cash flow for the second quarter was robust at USD 229 million while group free cash flow reached USD 176 million. The group operating cash flow for the first half was healthy at USD 478 million with group free cash flow reaching USD 329 million. Group net debt stood at USD 2,296 million on 30 June 2021, translating into a group leverage of 1.7x net debt/adjusted¹ EBITDA. Cash and cash equivalents were USD 1,613 million on 30 June 2021, also reflecting the settlement of the delisting offer for OSRAM Licht AG at a total consideration of USD 436 million.

Business development

Our Semiconductors segment showed a very healthy development generating 64% of revenues in the second quarter of 2021, combined with a robust adjusted operating margin of 13%. In this segment, the automotive market area continued to show very strong demand, with total backlog further increasing. The consumer market area also recorded a healthy performance in line with seasonal effects, driven by the group's range of optical sensing solutions. We pursue development activities for new optical solutions in light sensing and 3D technologies including solutions for world-facing AR and 3D authentication as well as camera enhancement and display management. Other innovation areas encompass future near-to-eye visualization and sensing technologies for AR devices. The industrial and medical market areas showed very attractive results benefitting from increasing macroeconomic momentum. Demand for industrial lighting applications has seen a robust recovery while horticultural lighting demand is expanding. Medical and other imaging product lines also developed positively in the quarter.

The Lamps & Systems (L&S) segment recorded a very solid overall performance in the second quarter, providing 36% of revenues. The L&S automotive business including traditional markets performed strongly and contributed very positively to group results, driven by a sustained demand recovery and in line with typical seasonality. Other parts of the L&S business recorded a very attractive recovery in industrial demand including building-related end markets while certain industrial and medical markets still saw a mixed demand environment.

¹ Based on 261,165,151 basic / 261,469,132 diluted shares

² Based on 261,075,946 basic / 261,739,155 diluted shares

Outlook

For the third quarter 2021, ams OSRAM expects group revenues of USD 1,450-1,550 million which exclude the disposed revenues of the DS North America business, slightly up sequentially at the midpoint, with an expected adjusted operating (EBIT) margin of 8-11%, based on currently available information and exchange rates. This expectation reflects continuing strong demand in the automotive market where the supply situation remains constrained as well as a decreased revenue contribution year-on-year from the consumer market, in line with previous comments. As previously communicated, ams OSRAM expects group revenues for the second half year to be slightly higher compared to the first half year, using the comparable revenue basis.

Premstaetten, 30 July 2021

Alexander Everke, CEO
Thomas Stockmeier, CTO

Ingo Bank, CFO
Mark Hamersma, Chief Business Development Officer

Consolidated Income Statement

(unaudited)

USD millions (except earnings per share)	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Revenues	1,491	3,035	503	1,050
Cost of sales	-1,210	-2,255	-317	-661
Gross profit	282	779	187	390
Gross margin in %	19%	26%	37%	37%
Research and development	-215	-402	-75	-146
Selling, general and administrative	-240	-475	-71	-142
Other operating income	30	52	2	7
Other operating expense	4	-8	0	0
Result from equity investments	-4	-8	0	-1
Result from operations	-143	-63	43	108
Net financing result	-40	-108	-35	-114
Result before tax (contin. operations)	-183	-171	7	-6
Income tax result	-10	-20	-1	-4
Net result (continuing operations)	-193	-191	6	-11
Results from discontinued operations	2	0	-	-
Net result	-190	-191	6	-11
Thereof non-controlling interests	-1	-10	0	0
Thereof ams shareholders	-189	-184	6	-11
Basic earnings per share in CHF ¹⁾	-0.66	-0.64	0.02	-0.06
Diluted earnings per share in CHF ¹⁾	-0.66	-0.64	0.01	0.00
Basic earnings per share in USD	-0.73	-0.70	0.02	-0.06
Diluted earnings per share in USD	-0.72	-0.70	0.01	0.00
Basic earnings per share in CHF ¹⁾ (continuing operations)	-0.67	-0.64	0.02	-0.06
Diluted earnings per share in CHF ¹⁾ (continuing operations)	-0.67	-0.64	0.01	0.00
Basic earnings per share in USD (continuing operations)	-0.73	-0.70	0.02	-0.06
Diluted earnings per share in USD (continuing operations)	-0.73	-0.70	0.01	0.00

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

Consolidated Statement of Comprehensive Income

(unaudited)

USD millions	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Net result	-190	-193	6	-11
Remeasurements of defined benefit liability	16	40	0	0
FVOCI equity instruments - net change in fair value	-5	6	272	-52
Items that will never be reclassified to profit and loss (after income taxes)	11	46	272	-52
FVOCI debt instruments - net change in fair value	0	0	0	0
Exchange differences on translating foreign operations	-35	112	-54	7
Derivative financial instruments for hedging purposes	0	-13	0	0
Items that may be reclassified to profit and loss (after income taxes)	-35	97	-54	7
Other comprehensive income	-24	143	217	-45
Total comprehensive income	-214	-49	224	-55
Attributable to:				
Non-controlling interests	-1	-7	0	0
Shareholders of ams AG	-213	-42	224	-55

Consolidated Balance Sheet

(unaudited)

USD millions	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	1,613	1,922
Financial Investments short-term	8	23
Trade receivables	815	747
Inventories	1,058	1,033
Other receivables and assets	196	203
Assets held for sale	131	58
Total current assets	3,822	3,987
Property, plant and equipment	1,899	2,333
Intangible assets	4,923	4,876
Right of use assets	341	348
Investments in associates	88	90
Deferred tax assets	225	199
Other long term assets	136	130
Financial assets	41	30
Total non-current assets	7,654	8,007
Total assets	11,476	11,992
Liabilities and Equity		
Current liabilities		
Short-term interest-bearing loans and borrowings	363	285
Trade payables	809	656
Income tax payables	95	125
Current Provisions	406	412
Other current liabilities	1,634	2,041
Liabilities associated with assets held for sale	160	153
Total current liabilities	3,465	3,674
Interest-bearing loans and borrowings	3,546	3,691
Employee benefits	242	262
Deferred tax liabilities	262	273
Provisions	51	53
Other liabilities	571	395
Total non-current liabilities	4,672	4,675
Equity		
Issued capital	330	330
Additional paid-in capital	2,346	2,619
Treasury shares	-148	-153
Retained earnings	962	1,113
Other components of equity	-84	-194
Total equity attributable to shareholders of ams AG	3,405	3,717
Non-controlling interests	-66	-73
Total equity	3,339	3,644
Total liabilities and equity	11,476	11,992

Consolidated Statement of Cash Flows

(unaudited)

USD millions	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Operating activities				
Net income (loss)	-190	-193	6	-11
<i>Adjustments to reconcile net income (loss) to cash provided/used</i>				
Income (loss) from discontinued operations, net of tax	-2	0	-	-
Amortization, depreciation, and impairment	366	556	90	182
Expenses from stock option plans (acc. to IFRS 2)	13	26	26	40
Income taxes	10	20	1	4
Net financial result	40	108	35	114
Other non-cash (income) expenses	2	2	-	-
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant, and equipment, net	-29	-29	0	0
Result from sale of financial assets	0	0	0	0
(Gains) losses on investments accounted for using the equity method	0	6	0	1
Change in current assets and liabilities				
<i>(Increase) decrease in inventories</i>	-30	-59	-2	-16
<i>(Increase) decrease in trade receivables</i>	-13	-52	19	111
<i>(Increase) decrease in other current assets</i>	-37	-4	-36	-66
<i>Increase (decrease) in trade payables</i>	118	144	-10	11
<i>Increase (decrease) in current provisions</i>	-4	-19	-25	-17
<i>Increase (decrease) in other current liabilities</i>	6	20	4	20
Change in other assets and liabilities	4	10	5	-1
Income taxes paid	-24	-63	1	-1
Dividends received	0	0	0	0
Interest received	1	2	1	4
Cash flows from operating activities (continuing operations)	229	478	117	376
Cash flows from operating activities discontinued operations	-	-	-	-
Cash flows operating activities	229	478	117	376
Investing activities				
Additions to intangible assets and property, plant, and equipment	-53	-149	-22	-61
Acquisitions, net of cash and cash equivalents acquired	-516	-532	0	0
Purchases of investments	-1	-11	-30	-218
Proceeds and payments from sales of investments, intangible assets, and property, plant, and equipment	7	11	0	0
Proceeds and payments from sales of business activities, net of cash and cash equivalents disposed of	88	93	0	49
Proceeds from sale of financial assets	0	0	0	0
Cash flows from investing activities (continuing operations)	-475	-590	-52	-230
Cash flows from investing activities discontinued operations	-	-	-	-
Cash flows from investing activities	-475	-590	-52	-230

Financing activities				
Payments from capital increases in subsidiaries with minority interests	16	16	-	-
Purchase of common stock of company	0	-1	-153	-153
Proceeds from loans	1	116	2	111
Repayment of convertible notes	-20	-20	-	-
Repayment of loans	-5	-203	-130	-166
Repayment of lease liabilities	-24	-40	-8	-13
Sale of treasury shares	2	5	0	169
Interest paid	-22	-88	-10	-22
Transaction costs from loans and borrowing	-	-	-116	-129
Dividends paid	-1	-1	-	-
Changes resulting from capital increase	-	0	1,985	1,985
Cash flows from financing activities (continuing operations)	-53	-216	1,571	1,783
Cash flows from financing activities (discontinued operations)	-	-	-	-
Cash flows from financing activities	-53	-216	1,571	1,783
Change in cash and cash equivalents	-299	-331	1,636	1,929
Effects of changes in foreign exchange rates on cash and cash equivalents	-17	23	-10	0
Cash and cash equivalents at the begin of period	1,944	1,937	903	602
Cash and cash equivalents at end of period	1,627	1,627	2,530	2,530
Less: Cash and cash equivalent of assets held for sale at the end of reporting period	14	14	-	-
Cash and cash equivalents at end of period (continuing operations)	1,613	1,613	2,530	2,530

Consolidated Statement of Changes in Shareholders' Equity

(unaudited)

USD millions	Issued capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Total equity as of January 1, 2020	101	865	-161	12	1,216	2,034	0	2,034
Net result	0	0	0	0	-11	-11	0	-11
Other comprehensive income (loss), net of tax	0	0	0	7	-52	-45	0	-45
Comprehensive income	0	0	0	7	-63	-55	0	-55
Share based payments	0	47	0	0	0	47	0	47
Dividends paid	0	0	0	0	0	0	0	0
Capital Increase / Re-issuance of treasury shares	229	1,677	0	0	0	1,905	0	1,905
Purchase of treasury shares	0	0	-153	0	0	-153	0	-153
Sale/Issue of treasury shares	0	0	161	0	0	2	161	161
Total equity as of June 30, 2020	330	2,589	-153	19	1,153	3,939	0	3,939
Total equity as of January 1, 2021	330	2,619	-153	-194	1,113	3,717	-73	3,644
Net result	0	0	0	0	-184	-184	-10	-193
Other comprehensive income (loss), net of tax	0	0	0	110	32	141	2	143
Comprehensive income	0	0	0	110	-152	-42	-7	-49
Share based payments	0	26	0	0	0	26	0	26
Dividends paid	0	0	0	0	0	0	-1	-1
Buyback convertible bond	0	0	0	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0	0	0	0
Sale/Issue of treasury shares	0	0	5	0	0	5	0	5
Acquisition on Non Controlling Interests	0	-69	0	0	0	-69	0	-69
Non-Controlling interests - annual cash compensation	0	-226	0	0	0	-226	0	-226
Other changes in equity	0	-6	0	0	0	-6	16	10
Total equity as of June 30, 2021	330	2,346	-148	-84	962	3,405	-66	3,339

Selected Notes on the Condensed Consolidated Interim Financial Statements as of June 30, 2021

(unaudited)

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

1. Segment reporting and revenues

Segment information is presented on the basis of the internal reporting structure for the segments “Semiconductors” and “Lamps & Systems” and are determined according to valuation and accounting regulations of IFRS. The segment “Semiconductors” comprises the historical ams business and the historical OSRAM Opto Semiconductor business and focuses on semiconductor-based products and solutions (incl. LEDs) targeting the markets automotive, consumer, industrial and medical. The segment “Lamps & Systems” comprises the historical OSRAM Automotive and Digital businesses, providing lamps and lighting systems focusing on the end markets automotive and industrial.

Due to the fact that consolidation of OSRAM started with beginning of Q3 2020 (closing of the transaction took place on July 9, 2020), no comparable segment information for the first half year 2020 is available.

The geographic regions are structured by the three main regions in which sales occur: “EMEA” (Europe, Middle East and Africa), “Americas” and “Asia/Pacific”. Revenues by geographical regions are based on the geographical billing location of customers.

The largest revenue from a direct customer was within the semiconductor segment, which accounted for more than 10% of revenues (2020: more than 20%).

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

The segment assets include solely assets that are directly attributable to the respective segment such as segment-specific tangible and intangible assets as well as right of use assets. For this reason, assets that are used by both segments due to their equipment are not allocated to a segment.

In the figures reported in the Annual Report 2020 as of December 31, 2020, the purchase price allocation to non-current assets from previous acquisitions was still allocated centrally. These have now been allocated to the local entities. Additionally, the ams OSRAM Group started with January 1, 2021, to allocate central costs to the segments. Therefore, no costs are held centrally anymore.

USD millions		1st Half 2021/2020				
Business Segments	Semiconductors		Lamps & Systems		Total	
	2021	2020	2021	2020	2021	2020
Consolidated revenues	1,952	1,050	1,082	0	3,035	1,050
Research and development	-313	-146	-89	0	-402	-146
Depreciation, Amortization and Impairment	-482	-182	-74	0	-556	-182
Segment result (Result from operations)	-38	108	-25	0	-63	108

USD millions		1st Half 2021/2020				
Business Segments	Semiconductors		Lamps & Systems		Total	
	2021	2020	2021	2020	2021	2020
Segment assets	5,964	6,111	1,200	1,446	7,165	7,557
Reconciliation to consolidated financial statements						
Investments accounted for using the equity method					88	90
Financial assets					50	53
Inventories					1,058	1,033
Trade receivables					814	747
Cash and cash equivalents					1,613	1,922
Deferred taxes					225	199
Assets held for sale					132	57
Other unallocated assets					332	334
Total assets (continuing operations)					11,477	11,993

Revenues per geographical segments

USD millions		1st Half 2021/2020				
	Semiconductor		Lamps & Systems		Total	
	2021	2020	2021	2020	2021	2020
EMEA	472	157	357	0	829	157
Americas	151	30	454	0	604	30
Asia / Pacific	1,330	864	271	0	1,601	864
Total	1,953	1,050	1,082	0	3,035	1,050

Non-current assets by Regions

USD millions	June 30, 2021	Dec 31, 2020
EMEA	3,298	3,405
Americas	1,142	1,158
Asia / Pacific	2,724	2,994
Total	7,165	7,557
thereof Austria	458	457
thereof Germany	2,298	2,392

2. Business combinations

On July 9, 2020, ams obtained control in accordance with IFRS 10 over OSRAM Licht AG, Germany ("OSRAM") by acquiring 69% of the shares in this company.

The acquisition was made by purchasing shares in several steps. In 2019, shares of about 20% amounting to USD 935 million were acquired on the stock market. In 2020, further share purchases were made as part of the following transactions:

- Purchase of shares on the market of approximately 5% in the amount of USD 217 million
- Purchase of shares in the amount of approximately 5% from Sand Grove in the amount of USD 230 million
- Purchase of shares based on the 2019 takeover offer of approximately 39% in the amount of USD 1,822 million

Until the acquisition date, these shares were measured at fair value with changes in value recognized in other comprehensive income.

As of June 30, 2021, ams holds around 80% of OSRAM due to further share purchases of around 2% for USD 96 million on the stock market and purchases of around 7% for USD 437 million were made via the delisting offer in the first half year of 2021. The delisting offer, announced as of May 21, 2021, ended on June 18, 2021 and was offered with a price of EUR 52,30 per OSRAM share. 6,935,319 shares have been tendered and were settled on June 30, 2021.

Under the domination and profit and loss transfer agreement ("DPLTA") between OSRAM Licht AG and ams Offer GmbH ("ams"), which was concluded on September 22, 2020 and amended on November 2, 2020, approved by the Extraordinary General Meeting of OSRAM Licht AG on November 3, 2020, and entered in the commercial register on March 3, 2021, ams has a time-limited obligation to acquire the OSRAM shares on demand of any OSRAM shareholder in return for cash compensation of EUR 45,54 per OSRAM share (plus interest of five percentage points above the respective prime rate from the OSRAM EGM on November 3, 2020 onwards). For this reason, the shares held by these shareholders are not included in the item "Non-controlling interests," but in the item "Other liabilities". In addition, the minority shareholders, unless they have tendered their shares, will receive a guaranteed annual cash compensation of EUR 2,57 (gross) or EUR 2,24 (net) per financial year from FY 2021 (October 1, 2020 to September 30, 2021) onwards (with a pro rata temporized reduction for short fiscal years).

The obligation to acquire the OSRAM shares generally ends two months after the date of the entry of the existence of the DPLTA in the commercial register has been made public. Due to applications for an appraisal procedure in the context with the DPLTA the obligation to acquire OSRAM shares is extended until two months after the date on which the final closing of appraisal procedure is announced, which may last up to 4 or 5 years. Over this period, minority shareholders remain entitled to tender their shares. Shareholders who tender their shares may retain already received annual cash compensation payments (whereas interest on the annual cash compensation payments will be credited against received annual cash compensation payments). Accordingly, an accrual referring to the guaranteed annual cash compensation was built via the equity in the item "Other Liabilities" in the amount of USD 226 million.

The following table provides an overview of the assets acquired and liabilities assumed as well as the purchase price allocation, which was finalized within the one-year adaptation period (referring to Goodwill, Trademarks, PPE and deferred tax), to the individual assets at the time of acquisition (July 9, 2020):

USD millions	July, 2020
Cash and cash equivalents	739
Trade receivables	433
Inventories	911
Financial investments	42
Investments in associated companies	51
Other assets	234
Deferred tax assets	201
Right-of-Use Assets	240
Property, plant, and equipment	1,249
Intangible assets	3,775
Customer base	347
Trademarks	303
Technology	181
Goodwill	2,944
Other intangible assets	60
Trade payables	532
Interest-bearing loans and borrowings	1,341
Provisions	338
Employee benefits	224
Other current liabilities	450
Other non-current liabilities	147
Deferred tax liabilities	206
Total consideration transferred for 100% of shares	4,697
thereof cash and cash equivalents for 69% of the shares	3,168
thereof measurement of existing shares at fair value	46
thereof non-controlling interests measured at fair value for 31% of the shares	1,483

Goodwill (which is not deductible for tax purposes) mainly reflects the know-how of OSRAM's employees and the expected synergies from the combination with ams. Customer relationships mainly comprise the sales network and market knowledge. The brand identifiers mainly relate to the OSRAM brand. The technology reflects the value of existing technology and technology under development of the acquired company.

Costs incurred in connection with the acquisition and integration of the company amounted to USD 13 million in the current financial year 2021 and were recognized in the position administrative and selling expenses.

3. Seasonality - economic cycles

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

4. Financial Instruments

Summary of financial instruments recorded on the balance sheet as of June 30, 2021:

in USD millions		June 30, 2021		December 31, 2020	
	Category according to IFRS 9 ¹⁾	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets					
Cash and cash equivalents	FAaC	1,613	1,613	1,922	1,922
Trade receivables	FAaC	596	596	571	571
Trade receivables allocated to the hold and sell business model under IFRS 9 due to factoring programs	FVOCI	202	202	0	0
Trade receivables allocated to the sell business model under IFRS 9 due to factoring programs ²⁾	FVTPL	16	16	177	177
Other receivables and assets					
Derivatives not designated in a hedge accounting relationship	FVTPL	8	8	8	8
Derivatives in connection with cash flow hedges	n.a.	1	1	15	15
Other financial assets	FAaC	49	49	75	75
Other assets	FAaC	25	25	29	29
Financial assets					
Equity instruments	FVOCI	17	17	5	5
Equity instruments	FVTPL	15	15	19	19
Shares in investment funds	FVTPL	9	9	7	7
Assets held for sale	FAaC	54	54	40	40
Financial liabilities					
Interest-bearing loans	FLaC	3,910	4,508	3,976	4,711
Trade payables	FLaC	809	809	658	658
Other current liabilities^{3/4)}					
Derivatives not designated in a hedge accounting relationship	FVTPL	6	6	8	8
Derivatives in connection with cash flow hedges	n.a.	4	4	0	0
Contingent purchase price liabilities due to business combinations	FVTPL	1	1	21	21
Obligation to acquire the non-controlling interests in OSRAM Licht AG	FVTPL	1,047	1,047	1,512	1,512
Other financial liabilities	FLaC	211	211	213	213
Other non-current liabilities^{3/4)}					
Derivatives not designated in a hedge accounting relationship	FVTPL	1	1	1	1
Contingent purchase price liabilities due to business combinations	FVTPL	1	1	3	3
Other financial liabilities	FLaC	448	448	282	282
Liabilities associated with assets held for sale	FLaC	134	134	137	137

¹⁾ FAaC - Financial assets measured at amortized cost

FVOCI - Financial assets measured at fair value through other comprehensive income without recycling to profit or loss

FVTPL - Financial assets or financial liabilities measured at fair value through profit or loss

FLaC - Financial liabilities measured at amortized cost

²⁾ As of June 30, 2021 trade receivables amounting to USD 202 million were reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category due to a change in the business model for selling trade receivables under factoring programs.

³⁾ Derivatives are forward exchange contracts.

⁴⁾ As of June 30, 2021, the balance sheet items Other liabilities and Other non-current liabilities include lease liabilities totaling USD 357 million (previous year USD 349 million), which are accounted for in accordance with IFRS 16.

The following table shows, for the financial assets and liabilities measured at fair value, which level in the fair value hierarchy is to be allocated to the fair value. The levels have the following meaning:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2021 USD millions	Level 1	Level 2	Level 3	Total
current financial assets	0	227	0	227
non-current financial assets	20	0	21	41
current financial liabilities	0	1,057	1	1,058
non-current financial liabilities	0	168	1	170

December 31, 2020 USD millions	Level 1	Level 2	Level 3	Total
current financial assets	0	200	0	200
non-current financial assets	19	0	11	30
current financial liabilities	0	1,520	22	1,542
non-current financial liabilities	0	1	2	4

The decrease in other current financial assets mainly results from the payment of an insurance compensation in the amount of USD 29 million.

On March 22, 2021, the ams OSRAM Group announced a repurchase program of its convertible bonds under which all outstanding convertible bonds with a total volume of up to USD 120 million can be repurchased. The repurchase started on April 8, 2021 and will continue until December 30, 2021 at the latest. By end of June 2021, the Group has repurchased 100 units of the EUR 2025 convertible bond for a total of USD 20 million. This resulted in a financial profit of USD 2 million and a reduction of balance sheet liabilities of USD 23 million.

Material long-term financial assets relate to the investment in HLJ Technologies (USD 19 million) und Recogni, Inc. (USD 8 Mio.). The change in fair value for the holdings in HLJ Technologies is recorded in the net financing result with USD -4 million.

Other short and long-term financial liabilities measured at fair value through profit and loss relate to obligations to acquire the non-controlling interests in OSRAM Licht AG, in addition to the obligation resulting from the acquisition of Incus Laboratories in 2016 (June 30, 2021 USD 2 million; December 31, 2020 USD 2 million) and to the conversion right of the convertible USD bond issued (June 30, 2021 USD 1 million; December 31, 2020 USD 1 million). The change in contingent purchase price obligations from business combinations in the first half of the financial year 2021 resulted mainly from the reversal of the liabilities for the acquired companies Fluence Bioengineering, Inc. (USD 11 million) and Vixar, Inc. (USD 7 million), Inc. with an effect on profit or loss.

Fair values of short-term financial assets, trade payables and other short term financial liabilities (except those measured at fair value) are deemed to approximate their respective book value due to their short term character. Long-term financial liabilities measured at amortized cost mainly contain lease liabilities in accordance with IFRS 16 and as of June 30, 2021 also the guaranteed annual cash compensation to minority shareholders of OSRAM Licht AG.

5. Property, plant & equipment

Related to the loss of market share in certain consumer applications, the book value of specific machinery, manufacturing equipment and other related tangible assets within the ams OSRAM Group was reviewed, as a result the mentioned tangible assets have been impaired in the amount of USD 182 million.

6. Intangible assets and goodwill

The group has assessed whether there is a trigger that would lead to an impairment. Due to the related loss of market share in certain consumer applications, ams OSRAM Group has reviewed the fair value of the related intangible assets. There was no indication for an impairment.

7. Assets held for sale

Digital Systems (DS) North America

As part of its strategic realignment, ams OSRAM Group has signed an agreement with Acuity Brands, USA, for the sale of the North American activities of the Digital Systems business on May 31, 2021. The agreement includes the sale of the DS business in the USA, Canada and Mexico. The closing of the transaction took place on July 1, 2021.

As of June 30, 2021, the assets and liabilities to be transferred to Acuity are reported as held for sale in accordance with IFRS 5 as follows:

Assets and liabilities held for sale – DS North America

USD millions	June 30, 2021
Inventories	40
Non-current assets	36
Assets held for sale	76
Other current liabilities	1
Liabilities associated with assets held for sale	1
Net assets and liabilities	75

OSRAM Continental

Due to the difficult automotive market environment, ams OSRAM Group and Continental AG jointly decided in September 2020 to separate their businesses contributed to OSRAM Continental and transfer them to the respective companies of the shareholders. The business remaining with ams OSRAM Group will continue to be managed as part of the Lamps and System Segment. The transaction is expected to be completed in the fall of 2021.

From the perspective of the ams OSRAM Group, the completion of the separation of the businesses will result in a repatriation of the business to be transferred to Continental and a derecognition of the non-controlling interests.

As a result, the assets and liabilities to be transferred to Continental are reported as held for sale in accordance with IFRS 5 since September 30, 2020 as follows:

Assets and liabilities held for sale – OSRAM Continental

USD millions	June 30, 2021	December 31, 2020
Cash and cash equivalents	15	14
Trade receivables and other current assets	32	26
Non-current assets	9	18
Assets held for sale	56	58
Short-term interest-bearing loans and borrowings	119	114
Current liabilities	33	32
Employee benefits	2	2
Long-term liabilities and provisions	5	5
Liabilities associated with assets held for sale	159	153
Net assets and liabilities	-103	-94

Bulgarian production facility

On January 29, 2021, ams OSRAM Group contractually agreed the sale of a Bulgarian production site. The transaction was completed on April 6, 2021. The proceeds from the sale is a mid-double-digit million EUR amount and almost corresponded to the carrying amounts.

Sale of land and buildings in Berlin

On February 26, 2021 ams OSRAM Group contractually agreed the sale of land and buildings in Berlin, Germany. The closing of the transaction with cash inflow and resulting disposal impact on Statement of Income took place on June 30, 2021. The cash inflow represents an USD amount in the high-double million digit range, the disposal impact on Statement of Income amounts to USD 29 million. For part of the land and buildings, ams OSRAM Group contractually agreed a lease agreement, the term of which commenced upon closing of the sale transaction.

Other

Furthermore, in the first half of the 2021 financial year, ams OSRAM Group invested around USD 5 million in Bolb, Inc., Livermore/USA, which are accounted for using the equity method.

8. Treasury shares

The group acquired no treasury shares during the reporting period. 425,900 treasury shares have been sold to fulfill obligations for employee stock option plans.

9. Dividends

ams AG has not distributed any dividend during the reporting periods 2021 and 2020.

10. Personnel-related Restructuring Expenses

In the first half year 2021, ams OSRAM Group implemented cross-company structural, operational and personnel measures to enable a fast and successful integration of ams and OSRAM into a combined company.

In the first half year 2021, personnel-related restructuring expenses of USD 34 million were incurred (first half year 2020 USD 59 million). These were mainly attributable to Germany and relate in particular to personnel measures from a volunteer program.

Personnel-related restructuring expenses in the first half year 2021 and 2020 mainly affect cost of sales, selling and general administrative expenses, but also research and development expenses.

11. Number of employees

The average number of employees was 26,240 during the first half of 2021, compared to 8,639 during the first half of 2020. The increase mainly results from the business combination with OSRAM.

12. Related parties

There were no material changes regarding the group's related entities and the management board. Effective June 26, 2021, Margarete Haase and Brigitte Ederer as shareholder representatives joined the supervisory board of ams AG. Patrick Reinisch has been delegated by the works council as an employee representative to the supervisory board of ams AG. There were no other material changes regarding group's related parties in the reporting period.

13. Subsequent events

On July 1, 2021, the sale of Digital Systems (DS) North America was completed. In the reporting, as of June 30, 2021, the assets and liabilities of DS North America were classified as held for sale (see Note 7).

The preliminary transaction price represents an USD amount in the high-double digit million range and is subject to a possible adjustment for the value of working capital at the transaction date, which at present would not result in a material impact on the results for the third quarter of fiscal year 2021.

Supplemental financial information

Reconciliation from adjusted figures to reported figures

USD millions	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Gross profit – adjusted	494	1,033	200	415
M&A related costs (information - see footnote 1)	-24	-49	-12	-23
Share-based compensation	0	-1	-2	-3
Transformation costs	-7	-20	0	0
Asset restructuring	-182	-182	0	0
Gross profit – IFRS reported	281	779	187	389
Gross margin in % – adjusted	33%	34%	40%	40%
Gross margin in % – IFRS reported	19%	26%	37%	37%
Operating expenses – adjusted	-365	-729	-101	-206
M&A related costs (information - see footnote 1)	-33	-57	-18	-38
Share-based compensation	-14	-27	-24	-37
Result from the sale of a business	24	24	0	0
Transformation costs	-37	-45	0	0
Result from equity investments	-3	-8	-1	-1
Operating expenses – reported	-425	-842	-144	-281
Result from operations – adjusted	131	303	99	209
M&A related costs (information - see footnote 1)	-57	-106	-29	-61
Share-based compensation	-13	-28	-26	-40
Transformation costs	-43	-65	0	0
Result from the sale of a business	24	24	0	0
Asset restructuring	-182	-182	0	0
Result from equity investments	-3	-8	-1	-1
Result from operations – IFRS reported	-144	-63	43	108
Operating margin in % – adjusted	9%	10%	20%	20%
Operating margin in % – reported	-10%	-2%	9%	10%
Result from operations – adjusted	131	303	99	209
Net financing result	-40	-108	-35	-114
Income tax result	-10	-20	-1	-4
Net result adjusted (continuing operations)	82	174	63	91
Results from discontinued operations	2	0	0	0
Net result - adjusted	84	174	63	91
Basic adjusted earnings per share (in USD)	0.32	0.70	0.24	0.53

¹⁾ M&A related costs includes depreciation and amortization of purchase price allocated assets, integration, carve-out and acquisition related costs

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Condensed Consolidated Interim Financial Statements as of June 30, 2021

(according to IAS 34 – unaudited)

Consolidated Income Statement according to IFRS

(unaudited)

EUR millions (except earnings per share)	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Revenues	1,239	2,521	418	872
Cost of sales	-1,005	-1,873	-263	-549
Gross profit	234	647	155	324
Gross margin in %	19%	26%	37%	37%
Research and development	-179	-334	-62	-121
Selling, general and administrative	-199	-395	-59	-118
Other operating income	25	43	2	6
Other operating expense	3	-7	0	0
Result from equity investments	-3	-7	0	-1
Result from operations	-119	-52	36	90
Net financing result	-33	-90	-29	-95
Result before tax (contin. operations)	-152	-142	6	-5
Income tax result	-8	-17	-1	-3
Net result (continuing operations)	-160	-160	5	-9
Results from discontinued operations	2	0	-	-
Net result	-158	-160	5	-9
Thereof non-controlling interests	-1	-8	0	0
Thereof ams shareholders	-157	-153	5	-9
Basic earnings per share in CHF ¹⁾	-0.66	-0.64	0.02	-0.06
Diluted earnings per share in CHF ¹⁾	-0.66	-0.64	0.01	0.00
Basic earnings per share in EUR	-0.60	-0.58	0.02	-0.05
Diluted earnings per share in EUR	-0.60	-0.58	0.01	0.00
Basic earnings per share in CHF ¹⁾ (continuing operations)	-0.67	-0.64	0.02	-0.06
Diluted earnings per share in CHF ¹⁾ (continuing operations)	-0.67	-0.64	0.01	0.00
Basic earnings per share in EUR (continuing operations)	-0.61	-0.58	0.02	-0.05
Diluted earnings per share in EUR (continuing operations)	-0.61	-0.58	0.01	0.00

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

Consolidated Statement of Comprehensive Income acc. to IFRS

(unaudited)

EUR millions	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Net result	-158	-160	5	-9
Remeasurements of defined benefit liability	13	33	0	0
FVOCI equity instruments - net change in fair value	-4	5	226	-43
Items that will never be reclassified to profit and loss (after income taxes)	9	38	226	-43
FVOCI debt instruments - net change in fair value	0	0	0	0
Exchange differences on translating foreign operations	-29	93	-45	6
Derivative financial instruments for hedging purposes	0	-11	0	0
Items that may be reclassified to profit and loss (after income taxes)	-29	81	-45	6
Other comprehensive income	-20	119	180	-37
Total comprehensive income	-178	-41	186	-46
Attributable to:				
Non-controlling interests	-1	-6	0	0
Shareholders of ams AG	-177	-35	186	-46

Consolidated Balance Sheet according to IFRS

(unaudited)

EUR millions	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	1,340	1,597
Financial Investments short-term	7	19
Trade receivables	677	621
Inventories	879	858
Other receivables and assets	163	169
Assets held for sale	109	48
Total current assets	3,175	3,312
Property, plant and equipment	1,578	1,938
Intangible assets	4,090	4,051
Right of use assets	283	289
Investments in associates	73	75
Deferred tax assets	187	165
Other long term assets	113	108
Financial assets	34	25
Total non-current assets	6,359	6,652
Total assets	9,534	9,963
Liabilities and Equity		
Current liabilities		
Short-term interest-bearing loans and borrowings	302	237
Trade payables	672	545
Income tax payables	79	104
Current Provisions	337	342
Other current liabilities	1,357	1,696
Liabilities associated with assets held for sale	133	127
Total current liabilities	2,879	3,052
Interest-bearing loans and borrowings	2,946	3,066
Employee benefits	201	218
Deferred tax liabilities	218	227
Provisions	42	44
Other liabilities	474	328
Total non-current liabilities	3,881	3,884
Equity		
Issued capital	274	274
Additional paid-in capital	1,949	2,176
Treasury shares	-123	-127
Retained earnings	799	925
Other components of equity	-70	-161
Total equity attributable to shareholders of ams AG	2,829	3,088
Non-controlling interests	-55	-61
Total equity	2,774	3,027
Total liabilities and equity	9,534	9,963

Consolidated Statement of Cash Flows according to IFRS

(unaudited)

EUR millions	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Operating activities				
Net income (loss)	-158	-160	5	-9
<i>Adjustments to reconcile net income (loss) to cash provided/used</i>				
Income (loss) from discontinued operations, net of tax	-2	0	-	-
Amortization, depreciation, and impairment	304	462	75	151
Expenses from stock option plans (acc. to IFRS 2)	11	22	22	33
Income taxes	8	17	1	3
Net financial result	33	90	29	95
Other non-cash (income) expenses	2	2	-	-
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant, and equipment, net	-24	-24	0	0
Result from sale of financial assets	0	0	0	0
(Gains) losses on investments accounted for using the equity method	0	5	0	1
Change in current assets and liabilities				
<i>(Increase) decrease in inventories</i>	-25	-49	-2	-13
<i>(Increase) decrease in trade receivables</i>	-11	-43	16	92
<i>(Increase) decrease in other current assets</i>	-31	-3	-30	-55
<i>Increase (decrease) in trade payables</i>	98	120	-8	9
<i>Increase (decrease) in current provisions</i>	-3	-16	-21	-14
<i>Increase (decrease) in other current liabilities</i>	5	17	3	17
Change in other assets and liabilities	3	8	4	-1
Income taxes paid	-20	-52	1	-1
Dividends received	0	0	0	0
Interest received	1	2	1	3
Cash flows from operating activities (continuing operations)	190	397	97	312
Cash flows from operating activities discontinued operations	-	-	-	-
Cash flows operating activities	190	397	97	312
Investing activities				
Additions to intangible assets and property, plant, and equipment	-44	-124	-18	-51
Acquisitions, net of cash and cash equivalents acquired	-429	-442	0	0
Purchases of investments	-1	-9	-25	-181
Proceeds and payments from sales of investments, intangible assets, and property, plant, and equipment	6	9	0	0
Proceeds and payments from sales of business activities, net of cash and cash equivalents disposed of	73	77	0	41
Proceeds from sale of financial assets	0	0	0	0
Cash flows from investing activities (continuing operations)	-395	-490	-43	-191
Cash flows from investing activities discontinued operations	-	-	-	-
Cash flows from investing activities	-395	-490	-43	-191

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2021 (according to IAS 34)



Financing activities				
Payments from capital increases in subsidiaries with minority interests	13	13	-	-
Purchase of common stock of company	0	-1	-127	-127
Proceeds from loans	1	96	2	92
Repayment of convertible notes	-17	-17	-	-
Repayment of loans	-4	-169	-108	-138
Repayment of lease liabilities	-20	-33	-7	-11
Sale of treasury shares	2	4	0	140
Interest paid	-18	-73	-8	-18
Transaction costs from loans and borrowing	-	-	-96	-107
Dividends paid	-1	-1	-	-
Changes resulting from capital increase	-	.	1,649	1,649
Cash flows from financing activities (continuing operations)	-44	-182	1,305	1,481
Cash flows from financing activities (discontinued operations)	-	-	-	-
Cash flows from financing activities	-44	-182	1,305	1,481
Change in cash and cash equivalents	-249	-273	1,359	1,602
Effects of changes in foreign exchange rates on cash and cash equivalents	-14	19	-8	0
Cash and cash equivalents at the begin of period	1,615	1,609	750	500
Cash and cash equivalents at end of period	1,352	1,352	2,102	2,102
Less: Cash and cash equivalent of assets held for sale at the end of reporting period	12	12	-	-
Cash and cash equivalents at end of period (continuing operations)	1,340	1,340	2,102	2,102

Consolidated Statement of Changes in Shareholders' Equity according to IFRS

(unaudited)

EUR millions	Issued capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Total equity as of January 1, 2020	84	719	-134	10	1,010	1,690	0	1,690
Net result	0	0	0	0	-9	-9	0	-9
Other comprehensive income (loss), net of tax	0	0	0	6	-43	-37	0	-37
Comprehensive income	0	0	0	6	-52	-46	0	-46
Share based payments	0	39	0	0	0	39	0	39
Dividends paid	0	0	0	0	0	0	0	0
Capital Increase / Re-issuance of treasury shares	190	1 393	0	0	0	1,583	0	1,583
Purchase of treasury shares	0	0	-127	0	0	-127	0	-127
Sale/Issue of treasury shares	0	0	134	0	0	134	0	134
Total equity as of June 30, 2020	274	2,151	-127	16	958	3,272	0	3,272
Total equity as of January 1, 2021	274	2,176	-127	-161	925	3,088	-61	3,027
Net result	0	0	0	0	-153	-153	-8	-160
Other comprehensive income (loss), net of tax	0	0	0	91	27	117	2	119
Comprehensive income	0	0	0	91	-126	-35	-6	-41
Share based payments	0	22	0	0	0	22	0	22
Dividends paid	0	0	0	0	0	0	-1	-1
Buyback convertible bond	0	0	0	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0	0	0	0
Sale/Issue of treasury shares	0	0	4	0	0	4	0	4
Acquisition on Non Controlling Interests	0	-57	0	0	0	-57	0	-57
Non-Controlling interests - annual cash compensation	0	-188	0	0	0	-188	0	-188
Other changes in equity	0	-5	0	0	0	-5	13	8
Total equity as of June 30, 2021	274	1,949	-123	-70	799	2,829	-55	2,774

Selected notes on the Condensed Consolidated Interim Financial Statements as of June 30, 2021

(unaudited)

1. Basis of preparation

The condensed consolidated interim financial statements as of June 30, 2021 were prepared in accordance with IAS 34. In line with IAS 34 (Interim Financial Reporting) the condensed consolidated interim financial statements do not include all information and disclosures that are required for a full set of financial statements and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2020. The interim consolidated financial statements have been prepared in millions of euros (EUR million). Due to rounding, differences may arise when individual amounts or percentages are added together.

The ams OSRAM Group has adjusted the presentation of the Consolidated Balance Sheet as of December 31, 2020 and reclassified strategic equity investments in the amount of EUR 8 million from the item investments in associates to the item financial assets. In addition, other non-current assets in the amount of EUR 20 million have been reclassified from the item financial assets to the item other long term assets in order to ensure a better and more comprehensible analysis.

Furthermore, the ams OSRAM Group has adjusted the presentation of the consolidated statement of cash flows as of June 30, 2021 (including the comparative periods for the previous year) in particular with regard to the following items, as we believe this is suitable for a better understanding of the financial position. The derivation of cash flows from operating activities starts with net income (loss) after tax instead of the result before tax as before. In the change in current assets and liabilities, additional current asset items are presented separately to better understand the inflows and outflows. In addition, interest received is no longer presented within cash flows from investing activities, but within operating activities.

2. Accounting policies

The accounting policies applied in this interim financial statement are the same as those applied in the group's consolidated financial statements as at and for the year ended December 31, 2020. A number of new standards or amendments are effective from January 1, 2021, however none of these have a material effect on the group's consolidated financial statements.

3. Segment reporting and revenues

Segment information is presented on the basis of the internal reporting structure for the segments "Semiconductors" and "Lamps & Systems" and are determined according to valuation and accounting regulations of IFRS. The segment "Semiconductors" comprises the historical ams business and the historical OSRAM Opto Semiconductor business and focuses on semiconductor-based products and solutions (incl. LEDs) targeting the markets automotive, consumer, industrial and medical. The segment "Lamps & Systems" comprises the historical OSRAM Automotive and Digital businesses, providing lamps and lighting systems focusing on the end markets automotive and industrial.

Half Year Report

2021 (according to IAS 34)



Due to the fact that consolidation of OSRAM started with beginning of Q3 2020 (closing of the transaction took place on July 9, 2020), no comparable segment information for the first half year 2020 is available.

The geographic regions are structured by the three main regions in which sales occur: “EMEA” (Europe, Middle East and Africa), “Americas” and “Asia/Pacific”. Revenues by geographical regions are based on the geographical billing location of customers.

The largest revenue from a direct customer was within the semiconductor segment, which accounted for more than 10% of revenues (2020: more than 20%).

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

The segment assets include solely assets that are directly attributable to the respective segment such as segment-specific tangible and intangible assets as well as right of use assets. For this reason, assets that are used by both segments due to their equipment are not allocated to a segment.

In the figures reported in the Annual Report 2020 as of December 31, 2020, the purchase price allocation to non-current assets from previous acquisitions was still allocated centrally. These have now been allocated to the local entities. Additionally, the ams OSRAM Group started with January 1, 2021, to allocate central costs to the segments. Therefore, no costs are held centrally anymore

Business Segments	1st Half 2021/2020					
	Semiconductors		Lamps & Systems		Total	
	2021	2020	2021	2020	2021	2020
Consolidated revenues	1,622	872	899	0	2,521	872
Research and development	-260	-121	-74	0	-334	-121
Depreciation, Amortization and Impairment	-401	-151	-61	0	-462	-151
Segment result (Result from operations)	-31	90	-21	0	-52	90

Half Year Report

2021 (according to IAS 34)



EUR millions	1st Half 2021/2020						
	Business Segments	Semiconductors		Lamps & Systems		Total	
		2021	2020	2021	2020	2021	2020
Segment assets	4,955	5,077	997	1,201	5,952	6,278	
Reconciliation to consolidated financial statements							
Investments accounted for using the equity method					73	75	
Financial assets					41	44	
Inventories					879	858	
Trade receivables					677	621	
Cash and cash equivalents					1,340	1,597	
Deferred taxes					187	165	
Assets held for sale					109	48	
Other unallocated assets					276	278	
Total assets (continuing operations)					9,534	9,963	

Revenues per geographical segments

EUR millions	1st Half 2021/2020					
	Semiconductor		Lamps & Systems		Total	
	2021	2020	2021	2020	2021	2020
EMEA	392	130	296	0	689	130
Americas	125	25	377	0	502	25
Asia / Pacific	1,105	717	225	0	1,330	717
Total	1,622	872	899	0	2,521	872

Non-current assets by Regions

EUR millions	June 30, 2021	Dec 31, 2020
EMEA	2,740	2,829
Americas	949	962
Asia / Pacific	2,263	2,488
Total	5,952	6,278
thereof Austria	381	380
thereof Germany	1,910	1,987

4. Business combinations

On July 9, 2020, ams obtained control in accordance with IFRS 10 over OSRAM Licht AG., Germany ("OSRAM") by acquiring 69% of the shares in this company.

The acquisition was made by purchasing shares in several steps. In 2019, shares of about 20% amounting to EUR 777 million were acquired on the stock market. In 2020, further share purchases were made as part of the following transactions:

- Purchase of shares on the stock market of approximately 5% in the amount of EUR 180 million
- Purchase of shares in the amount of approximately 5% from Sand Grove in the amount of EUR 191 million
- Purchase of shares based on the 2019 takeover offer of approximately 39% in the amount of EUR 1,514 million

Until the acquisition date, these shares were measured at fair value with changes in value recognized in other comprehensive income.

As of June 30, 2021, ams holds around 80% of OSRAM because further share purchases of about 2% for EUR 80 million were made on the stock market and purchases of about 7% for EUR 363 million were made via the delisting offer in the first half year of 2021. The delisting offer, announced as of May 21, 2021, ended on June 18, 2021 and was offered with a price of 52.30 EUR per OSRAM share. 6,935,319 shares have been tendered and were settled on June 30, 2021.

Under the domination and profit and loss transfer agreement ("DPLTA") between OSRAM Licht AG and ams Offer GmbH ("ams"), which was concluded on September 22, 2020 and amended on November 2, 2020, approved by the Extraordinary General Meeting of OSRAM Licht AG on November 3, 2020, and entered in the commercial register on March 3, 2021, ams has a time-limited obligation to acquire the OSRAM shares on demand of any OSRAM shareholder in return for cash compensation of EUR 45.54 per OSRAM share (plus interest of five percentage points above the respective prime rate from the OSRAM EGM on November 3, 2020 onwards). For this reason, the shares held by these shareholders are not included in the item "Non-controlling interests," but in the item "Other liabilities". In addition, the minority shareholders, unless they have tendered their shares, will receive a guaranteed annual cash compensation of EUR 2.57 (gross) or EUR 2.24 (net) per financial year from FY 2021 (October 1, 2020 to September 30, 2021) onwards (with a pro rata temporis reduction for short fiscal years).

The obligation to acquire the OSRAM shares generally ends two months after the date of the entry of the existence of the DPLTA in the commercial register has been made public. Due to applications for an appraisal procedure in the context with the DPLTA the obligation to acquire OSRAM shares is extended until two months after the date on which the final closing of appraisal procedure is announced, which may last up to 4 or 5 years. Over this period, minority shareholders remain entitled to tender their shares. Shareholders who tender their shares may retain already received annual cash compensation payments (whereas interest on the annual cash compensation payments will be credited against received annual cash compensation payments). Accordingly, an accrual referring to the guaranteed annual cash compensation was built via the equity in the item "Other Liabilities" in the amount of EUR 188 million.

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The following table provides an overview of the assets acquired and liabilities assumed as well as the purchase price allocation, which was finalized within the one-year adaption period (referring to Goodwill, Trademarks, PPE and deferred tax), to the individual assets at the time of acquisition (July 9, 2020):

EUR millions	July, 2020
Cash and cash equivalents	614
Trade receivables	360
Inventories	757
Financial investments	35
Investments in associated companies	42
Other assets	194
Deferred tax assets	167
Right-of-Use Assets	199
Property, plant, and equipment	1,038
Intangible assets	3,136
Customer base	288
Trademarks	252
Technology	150
Goodwill	2,446
Other intangible assets	50
Trade payables	442
Interest-bearing loans and borrowings	1,114
Provisions	281
Employee benefits	186
Other current liabilities	374
Other non-current liabilities	122
Deferred tax liabilities	171
Total consideration transferred for 100% of shares	3,902
thereof cash and cash equivalents for 69% of the shares	2,632
thereof measurement of existing shares at fair value	38
thereof non-controlling interests measured at fair value for 31% of the shares	1,232

Goodwill (which is not deductible for tax purposes) mainly reflects the know-how of OSRAM's employees and the expected synergies from the combination with ams. Customer relationships mainly comprise the sales network and market knowledge. The brand identifiers mainly relate to the OSRAM brand. The technology reflects the value of existing technology and technology under development of the acquired company.

Costs incurred in connection with the acquisition and integration of the company amounted to EUR 11 million in the current financial year 2021 and were recognized in the position administrative and selling expenses.

5. Seasonality - economic cycles

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

6. Financial Instruments

Summary of financial instruments recorded on the balance sheet as of June 30, 2021:

in EUR millions		June 30, 2021		December 31, 2020	
	Category according to IFRS 9 ¹⁾	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets					
Cash and cash equivalents	FAaC	1,340	1,340	1,597	1,597
Trade receivables	FAaC	495	495	474	474
Trade receivables allocated to the hold and sell business model under IFRS 9 due to factoring programs	FVOCI	168	168	0	0
Trade receivables allocated to the sell business model under IFRS 9 due to factoring programs ²⁾	FVTPL	14	14	147	147
Other receivables and assets					
Derivatives not designated in a hedge accounting relationship	FVTPL	6	6	7	7
Derivatives in connection with cash flow hedges	n.a.	1	1	12	12
Other financial assets	FAaC	41	41	42	42
Other assets	FAaC	21	21	24	24
Financial assets					
Equity instruments	FVOCI	14	14	15	15
Equity instruments	FVTPL	13	13	16	16
Shares in investment funds	FVTPL	8	8	6	6
Assets held for sale	FAaC	44	44	33	33
Financial liabilities					
Interest-bearing loans	FLaC	3,248	3,745	3,303	3,914
Trade payables	FLaC	672	672	546	546
Other current liabilities ^{3/4)}					
Derivatives not designated in a hedge accounting relationship	FVTPL	5	5	7	7
Derivatives in connection with cash flow hedges	n.a.	3	3	0	0
Contingent purchase price liabilities due to business combinations	FVTPL	0	0	18	18
Obligation to acquire the non-controlling interests in OSRAM Licht AG	FVTPL	870	870	1,256	1,256
Other financial liabilities	FLaC	175	175	177	177
Other non-current liabilities ^{3/4)}					
Derivatives not designated in a hedge accounting relationship	FVTPL	1	1	1	1
Contingent purchase price liabilities due to business combinations	FVTPL	1	1	3	3
Other financial liabilities	FLaC	372	372	234	234
Liabilities associated with assets held for sale	FLaC	111	111	114	114

¹⁾ FAaC - Financial assets measured at amortized cost

FVOCI - Financial assets measured at fair value through other comprehensive income without recycling to profit or loss

FVPL - Financial assets or financial liabilities measured at fair value through profit or loss

FLaC - Financial liabilities measured at amortized cost

²⁾ As of June 30, 2021 trade receivables amounting to EUR 168 million were reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category due to a change in the business model for selling trade receivables under factoring programs.

³⁾ Derivatives are forward exchange contracts.

⁴⁾ As of June 30, 2021, the balance sheet items Other liabilities and Other non-current liabilities include lease liabilities totaling EUR 297 million (previous year EUR 290 million), which are accounted for in accordance with IFRS 16.

The following table shows, for the financial assets and liabilities measured at fair value, which level in the fair value hierarchy is to be allocated to the fair value. The levels have the following meaning:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2021 EUR millions	Level 1	Level 2	Level 3	Total
current financial assets	0	188	0	188
non-current financial assets	17	0	18	34
current financial liabilities	0	878	0	878
non-current financial liabilities	0	140	1	141

December 31, 2020 EUR millions	Level 1	Level 2	Level 3	Total
current financial assets	0	166	0	166
non-current financial assets	16	0	9	25
current financial liabilities	0	1.263	18	1.281
non-current financial liabilities	0	1	2	3

The decrease in other current financial assets mainly results from the payment of an insurance compensation in the amount of EUR 24 million.

On March 22, 2021, the ams OSRAM Group announced a repurchase program of its convertible bonds under which all outstanding convertible bonds with a total volume of up to EUR 100 million can be repurchased. The repurchase started on April 8, 2021 and will continue until December 30, 2021 at the latest. By end of June 2021, the Group has repurchased 100 units of the EUR 2025 convertible bond for a total of EUR 17 million. This resulted in a financial profit of EUR 2 million and a reduction of balance sheet liabilities of EUR 19 million.

Material long-term financial assets relate to the investment in HLJ Technologies (EUR 16 million) und Recogni, Inc. (EUR 7 Mio.). The change in fair value for the holdings in HLJ Technologies is recorded in the net financing result with EUR -3 million.

Other short and long-term financial liabilities measured at fair value through profit and loss relate to obligations to acquire the non-controlling interests in OSRAM Licht AG, in addition to the obligation resulting from the acquisition of Incus Laboratories in 2016 (June 30, 2021 EUR 2 million; December 31, 2020 EUR 2 million) and to the conversion right of the convertible USD bond issued (June 30, 2021 EUR 1 million; December 31, 2020 EUR 1 million). The change in contingent purchase price obligations from business combinations in the first half of the financial year 2021 resulted mainly from the reversal of the liabilities for the acquired companies Fluence Bioengineering, Inc. (EUR 9 million) and Vixar, Inc. (EUR 6 million), Inc. with an effect on profit or loss.

Fair values of short-term financial assets, trade payables and other short-term financial liabilities (except those measured at fair value) are deemed to approximate their respective book value due to their short-term character. Long-term financial liabilities measured at amortized cost contain lease

liabilities in accordance with IFRS 16 and as of June 30, 2021 also the guaranteed annual cash compensation to minority shareholders of OSRAM Licht AG.

7. Property, plant & equipment

Related to the loss of market share in certain consumer applications, the book value of specific machinery, manufacturing equipment and other related tangible assets within the ams OSRAM Group was reviewed, as a result the mentioned tangible assets have been impaired in the amount of EUR 151 million.

8. Intangible assets and goodwill

The group has assessed whether there is an impairment trigger that would lead to an impairment. Due to the related loss of market share in certain consumer application, ams OSRAM Group has reviewed the fair value of the related intangible assets. There was no indication for an impairment.

9. Assets held for sale

Digital Systems (DS) North America

As part of its strategic realignment, ams OSRAM Group has signed an agreement with Acuity Brands, USA, for the sale of the North American activities of the Digital Systems business on May 31, 2021. The agreement includes the sale of the DS business in the USA, Canada and Mexico. The closing of the transaction took place on July 1, 2021.

As of June 30, 2021, the assets and liabilities to be transferred to Acuity are reported as held for sale in accordance with IFRS 5 as follows:

Assets and liabilities held for sale – DS North America

EUR millions	June 30, 2021
Inventories	33
Non-current assets	30
Assets held for sale	63
Other current liabilities	1
Liabilities associated with assets held for sale	1
Net assets and liabilities	62

OSRAM Continental

Due to the difficult automotive market environment, ams OSRAM Group and Continental jointly decided in September 2020 to separate their businesses contributed to OSRAM Continental and transfer them to the respective companies of the shareholders. The business remaining with ams OSRAM Group will continue to be managed as part of the Lamps and System Segment. The transaction is expected to be completed in the fall of 2021.

From the perspective of the ams OSRAM Group, the completion of the separation of the businesses will result in a repatriation of the business to be transferred to Continental and a derecognition of the non-controlling interests.

As a result, the assets and liabilities to be transferred to Continental are reported as held for sale in accordance with IFRS 5 since of September 30, 2020 as follows:

Assets and liabilities held for sale – OSRAM Continental

EUR millions	June 30, 2021	December 31, 2020
Cash and cash equivalents	12	12
Trade receivables and other current assets	26	22
Non-current assets	8	15
Assets held for sale	47	48
Short-term interest-bearing loans and borrowings	98	95
Current liabilities	28	27
Employee benefits	2	2
Long-term liabilities and provisions	4	4
Liabilities associated with assets held for sale	132	127
Net assets and liabilities	-86	-78

Bulgarian production facility

On January 29, 2021, ams OSRAM Group contractually agreed the sale of a Bulgarian production site. The transaction was completed on April 6, 2021. The proceeds from the sale is a mid-double-digit million EUR amount and almost corresponded to the carrying amounts.

Sale of land and buildings in Berlin

On February 26, 2021 ams OSRAM Group contractually agreed the sale of land and buildings in Berlin, Germany. The closing of the transaction with cash inflow and resulting disposal impact on Statement of Income took place on June 30, 2021. The cash inflow is in the mid-double million digit EUR range, the disposal impact on Statement of Income amounts to EUR 24 million. For part of the land and buildings, ams OSRAM Group contractually agreed a lease agreement, the term of which commenced upon closing of the sale transaction.

Other

Furthermore, in the first half of the 2021 financial year, ams OSRAM Group invested around EUR 4 million in Bolb, Inc., Livermore/USA, which are accounted for using the equity method.

10. Treasury shares

The group acquired no treasury shares during the reporting period. 425,900 treasury shares have been sold to fulfill obligations for employee stock option plans.

11. Dividends

ams AG has not distributed any dividend during the reporting periods 2021 and 2020.

12. Personnel-related Restructuring Expenses

In the first half year 2021, ams OSRAM Group implemented cross-company structural, operational and personnel measures to enable a fast and successful integration of ams and OSRAM into a combined company.

In the first half year 2021, personnel-related restructuring expenses of EUR 28 million were incurred (first half year 2020 EUR 49 million). These were mainly attributable to Germany and relate in particular to personnel measures from a volunteer program.

Personnel-related restructuring expenses in the first half year 2021 and 2020 mainly affect cost of sales, selling and general administrative expenses, but also research and development expenses.

13. Number of employees

The average number of employees was 26,240 during the first half of 2021, compared to 8,639 during the first half of 2020. The increase mainly results from the business combination with OSRAM.

14. Related parties

There were no material changes regarding the group's related entities and the management board. Effective 26 June 2021, Margarete Haase and Brigitte Ederer as shareholder representatives joined the supervisory board of ams AG. Patrick Reinisch has been delegated by the works council as an employee representative to the supervisory board of ams AG. There were no other material changes regarding group's related parties in the reporting period.

15. Subsequent events

On July 1, 2021, the sale of Digital Systems (DS) North America was completed. In the reporting, as of June 30, 2021, the assets and liabilities of DS North America were classified as held for sale (see Note 9).

The preliminary transaction price represents an USD amount in the high-double digit million range and is subject to a possible adjustment for the value of working capital at the transaction date, which at present would not result in a material impact on the results for the third quarter of fiscal year 2021.

Supplemental financial information

Reconciliation from adjusted figures to reported figures according to IFRS

EUR millions	Q2 2021	1st Half 2021	Q2 2020	1st Half 2020
Gross profit – adjusted	411	858	166	345
M&A related costs (information - see footnote 1)	-20	-40	-10	-19
Share-based compensation	0	-1	-2	-2
Transformation costs	-6	-17	0	0
Asset restructuring	-151	-151	0	0
Gross profit – IFRS reported	234	647	155	324
Gross margin in % – adjusted	33%	34%	40%	40%
Gross margin in % – IFRS reported	19%	26%	37%	37%
Operating expenses – adjusted	-303	-606	-84	-171
M&A related costs (information - see footnote 1)	-27	-47	-15	-32
Share-based compensation	-11	-22	-20	-30
Result from the sale of a business	20	20	0	0
Transformation costs	-30	-38	0	0
Result from equity investments	-3	-7	0	-1
Operating expenses – reported	-353	-700	-119	-234
Result from operations – adjusted	109	251	82	174
M&A related costs (information - see footnote 1)	-47	-88	-24	-51
Share-based compensation	-11	-23	-22	-33
Transformation costs	-36	-54	0	0
Result from the sale of a business	20	20	0	0
Asset restructuring	-151	-151	-	-
Result from equity investments	-3	-7	0	-1
Result from operations – IFRS reported	-119	-52	36	90
Operating margin in % – adjusted	9%	10%	20%	20%
Operating margin in % – reported	-10%	-2%	9%	10%
Result from operations – adjusted	109	251	82	174
Net financing result	-33	-90	-29	-95
Income tax result	-8	-17	-1	-3
Net result adjusted (continuing operations)	68	144	52	76
Results from discontinued operations	2	0	0	0
Net result - adjusted	70	144	52	76
Basic adjusted earnings per share (in EUR)	0.26	0.58	0.20	0.44

¹⁾ M&A related costs includes depreciation and amortization of purchase price allocated assets, integration, carve-out and acquisition related costs

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