

Half Year Report 2023

Key figures EUR millions (except earnings per share)	Q2 2023	Q2 2022	Q1 2023	1st Half 2023	1st Half 2022
Revenues	851	1,183	927	1,778	2,429
Gross margin in % (adjusted - see footnote 1)	28%	32%	29%	29%	32%
Result from operations (EBIT) (adjusted - see footnote 1)	50	104	50	100	230
EBIT margin in % (adjusted - see footnote 1)	5.9%	9%	5.4%	6%	9%
Net result (adjusted - see footnote 1)	31	-54	6	37	48
Basic / diluted earnings per share in CHF ²⁾ (adjusted - see footnote 1)	0.12 / 0.12	-0.21 / -0.21	0.02 / 0.02	0.14 / 0.14	0.18 / 0.18
Basic / diluted earnings per share in EUR (adjusted - see footnote 1)	0.12 / 0.12	-0.21 / -0.21	0.02 / 0.02	0.14 / 0.14	0.18 / 0.18
Operating cash flow	232	100	162	394	247
Net debt	2,034	1,727	1,940	2,034	1,727

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

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

Second quarter results in line with expectations with revenues at midpoint and profitability at top end of guidance range in challenging environment

Report to shareholders on the second quarter and first half of 2023

- Second quarter revenues of EUR 851 million and adjusted EBIT margin of 5.9% in line with guidance range
- First half 2023 revenues of EUR 1,778 million and adjusted EBIT margin of 5.6%
- Continued meaningful capital expenditures driven by investment into industry-first 8" LED front-end fab, in line with plans
- Strategy update and portfolio realignment announced: Future portfolio will be focused on differentiated, intelligent sensors and emitters with stronger commitment to Automotive, Industrial and Medical markets
- Company continues to pursue differentiated opportunities in Consumer markets, like microLED
- Re-assessment long-term business outlook led to non-cash impairment on goodwill of EUR 1,313 million

Ladies and Gentlemen

Our business performed as expected in the second quarter where we delivered results fully in line with our previous guidance, while our profitability came in at the top end of our guidance range.

The demand situation in important product areas remained unfavorable during the quarter and the first half overall, in line with expectations. At the same time, our Semiconductors business stabilized and saw a positive trend in the second quarter compared to the first quarter, benefitting from improvements in some areas of our Consumer business coupled with a strong performance of our Medical business. The Lamps & Systems business segment developed as expected in line with typical seasonal trends in the second quarter.

We also recorded substantial capital expenditures (Capex) during the first half and second quarter, reflecting strategic investments into our long-term manufacturing capabilities. These expenditures were in line with plans and particularly driven by our industry-first 8" LED front-end facility under construction in Malaysia, next to focused investments in the group's European manufacturing footprint in Austria and Germany. We expect to return to our targeted 10% CAPEX over revenues ratio over an investment cycle in 2025.

As planned, we have continued significant development and industrialization activities for our leading microLED technology of smallest structure size. These activities will continue to be a focus of R&D spending and investment for us as we move towards high volume manufacturing of this next-generation display technology in the new 8" LED front-end facility.

With the last closings in March and April, we have completed all communicated disposals of businesses outside of our strategic focus and successfully completed the planned portfolio re-alignment following the acquisition of OSRAM. For all disposal transactions since 2021, we expect total proceeds amount to close to EUR 600 million. Our other integration efforts and creation of synergies also continue to proceed according to plan.

In July 2023 we have presented an update on our group strategy. Further information on the strategy update is available in the section “Subsequent events” on page 24 of this report.

Financial results

Quarterly financial summary

EUR millions (except per share data)	Q2 2023	Q1 2023	QoQ	Q2 2022	YoY
Revenues	851	927	-8%	1,183	-28%
Gross margin adj. ¹⁾	27.8%	29.3%	-150 bps	31.6%	-380 bps
Result from operations (EBIT) – adj. ¹⁾	50	50	0%	104	-52%
EBIT margin in % ¹⁾	5.9%	5.4%	+50 bps	8.8%	-290 bps
Net result adj. ¹⁾	31	6	464%	-54	N/A
Diluted EPS adj. ¹⁾	0.12	0.02		-0.21	
Diluted EPS adj. (in CHF) ¹⁾²⁾	0.12	0.02		-0.21	
Operating Cash Flow	231	162	42%	100	132%
Net debt	2,034	1,940	5%	1,727	18%

¹⁾ Excluding M&A-related, transformation and share-based compensation costs, results from investments in associates and sale of businesses

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

Second quarter group revenues amounted to EUR 851 million, down 8% sequentially compared to the previous quarter and down 28% compared to same quarter 2022, influenced by deconsolidation effects among others. Adjusted¹⁾ group gross margin for the second quarter 2023 was 28%, down from 29% in the first quarter and from 32% in the same quarter 2022. Group revenues in the first half of 2023 amounted to EUR 1,778 million, compared to EUR 2,429 million for the same period 2022. Adjusted¹⁾ group gross margin in the first half 2023 was 29% compared to 32% in the same period 2022.

The second quarter adjusted¹⁾ group result from operations (EBIT) was EUR 50 million or 6% of revenues compared to EUR 50 million or 5% for the first quarter and EUR 104 million or 9% of revenues for the same period 2022 (unadjusted: EUR -11 million or -1% of revenues for the second quarter 2023). The adjusted¹⁾ group result from operations (EBIT) for the first half year was EUR 100 million or 6% of revenues compared to EUR 230 million or 9% for the same period 2022.

Second quarter adjusted¹⁾ group net result was EUR 31 million compared to EUR 6 million for the first quarter and compared to EUR -54 million for the same quarter 2022 (unadjusted: EUR -1,342 million for the second quarter 2023). Second quarter adjusted¹⁾ diluted earnings per share²⁾ were EUR 0.12 or CHF 0.12 (EUR -5.14 or CHF -5.02 unadjusted). First half year adjusted¹⁾ group net result was EUR 43

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

²⁾ Based on 261,344,259 basic / 261,344,259 diluted shares

million compared to EUR 48 million for the same period 2022. First half year adjusted¹ diluted earnings per share³ were EUR 0.16 or CHF 0.16 (EUR -5,65 or CHF -5,58 unadjusted).

The second quarter group operating cash flow developed very well with EUR 232 million while group free cash flow was negative with EUR -31 million, reflecting substantial capital expenditures as expected. First half year group operating cash flow was EUR 394 million with a negative free cash flow of EUR 171 million. Group net debt was EUR 2,034 million on June 30, 2023, translating into a group leverage of 2.9x net debt/adjusted EBITDA. Cash and cash equivalents amounted to EUR 841 million on June 30, 2023.

In view of the current macro-economic environment, a careful look at the prospects of each business line including some low-performing consumer businesses, revealed that the outlook required a significant reset. This led to non-cash impairment charges on goodwill of EUR 1,313 million. The outlook for our core business remains positive. Additional information on this impairment is available on page 19 of this report.

Business development

“We were pleased to see some stabilizing trends in the Automotive semiconductor supply chain lately. Despite better sales in certain Industrial and Consumer businesses, the macro-economic sentiment in these markets remains very challenging. We worked hard to improve our operational cash flow and will continue to work on improving our profitability”, comments Aldo Kamper, CEO of ams OSRAM.

Our Semiconductors segment again offered the largest contribution to our results providing 71% or EUR 600 million of revenues in the second quarter and 65% or EUR 1,147 million of revenues in the first half year.

The segment showed mixed traction across the various end-markets. The automotive business showed mixed traction across the various end-markets. The automotive business showed normalizing order-patterns after almost two years of erratic behavior and inventory corrections in the wake of the various macro-economic shocks to the automotive supply chain. Industrial and Medical business performed better than in Q1, but still showed the typical mixed behavior during a macro-economic weak period with certain applications running well such as laser welding and others running very soft such as hyper-red LEDs for Horticulture lighting. The Consumer business showed signs of improvement with an 18% quarter-on-quarter increase due to higher sales from existing supply relationships. Overall, the Consumer business remains challenging for the Group compared to previous levels a year ago as the smartphone market has contracted, certain designs reach gradually End-of-Life, price pressure remains high and won designs are not yet launching until 2024,.

Our Lamps & Systems (L&S) segment contributed 29% or EUR 251 million of revenues in the second quarter and 35% or EUR 631 million of revenues in the first half year.

The segment recorded robust revenues in spite of the typical seasonal decline in the Automotive aftermarket lamps business. The specialty lamps for entertainment and industrial application sold as expected. Within that, the specialty lamps for semiconductor manufacturing equipment saw soft traction due to the global slowdown of that sector.

³ Based on 261,349,067 basic / 261,349,067 diluted shares

Outlook

Third Quarter 2023 Outlook

With a strengthening demand for our Automotive products, we expect third quarter revenues to improve to a level of EUR 840 – 940 million. The adjusted EBIT is expected to come in at 5% to 8%.

FY2024 comments

Our Group will have a lower revenue base in 2024 after exiting non-core semiconductor businesses. Further information on the strategy update is available in the section “Subsequent events” on page 24 of this report. From this new base, including the Lamps and System segment, we expect revenues to outgrow our target markets, assuming the end-markets stabilize.

We also target a slightly positive Free Cash Flow in 2024 with significantly reduced CAPEX compared to 2023, assuming the end-markets stabilize.

Premstaetten, July 27, 2023

Aldo Kamper, CEO
Thomas Stockmeier, CTO

Rainer Irle, CFO
Mark Hamersma, Chief Business Development Officer

Condensed Consolidated Interim Financial Statements as of June 30, 2023

(in accordance with IAS 34 – unaudited)

Consolidated Statement of Income

(unaudited)

in EUR million (except earnings per share)	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Revenues	851	1,778	1,183	2,429
Cost of sales	-650	-1,368	-834	-1,695
Gross profit	201	411	348	733
Research and development expenses	-118	-265	-151	-313
Selling, general and administrative expenses	-108	-250	-157	-313
Other operating income	27	42	160	163
Other operating expenses	-1,324	-1,341	17	-14
Results from investments accounted for using the equity method, net	-2	-10	-1	-1
Result from operations	-1,324	-1,413	216	256
Financial income	7	53	9	13
Financial expenses	-32	-110	-59	-113
Net financial result	-25	-57	-50	-100
Result before income taxes	-1,349	-1,471	166	156
Income taxes	7	-5	-108	-82
Net result	-1,342	-1,476	58	74
Attributable to:				
Non-controlling interests	0	0	0	0
Shareholders of ams-OSRAM AG	-1,342	-1,476	58	73
Basic earnings per share (in EUR)	-5.14	-5.65	0.22	0.28
Diluted earnings per share (in EUR)	-5.14	-5.65	0.22	0.28

Consolidated Statement of Comprehensive Income

(unaudited)

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Net result	-1,342	-1,476	58	74
Remeasurements of defined benefit plans	5	2	77	87
<i>therein income tax effect</i>	1	0	-3	-6
Fair value measurements of equity instruments (FVOCI)	-2	-20	0	0
<i>therein income tax effect</i>	0	0	0	0
Items that will not be reclassified to profit or loss	3	-18	77	87
Currency translation differences	-50	-98	168	228
Fair value measurement of debt instruments (FVOCI)	5	1	-1	-1
<i>therein income tax effect</i>	0	0	0	0
Derivative financial instruments for hedging purposes	-5	-7	-8	-8
<i>therein income tax effect</i>	2	3	4	4
Items that may be reclassified subsequently to profit or loss	-49	-103	159	218
Other comprehensive income (loss), net of tax	-47	-121	237	306
Total comprehensive income (loss)	-1,388	-1,597	295	379
Attributable to:				
Non-controlling interests	0	-1	0	1
Shareholders of ams-OSRAM AG	-1,388	-1,597	295	379

Consolidated Balance Sheet

(unaudited)

in EUR million	June 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	841	1,087
Current financial investments	19	21
Trade receivables	435	533
Inventories	804	864
Other current receivables and assets	209	223
Assets held for sale	77	157
Total current assets	2,385	2,884
Property, plant, and equipment	2,008	1,856
Intangible assets	2,272	3,645
Right-of-use assets	216	230
Investment in associates	24	35
Deferred tax assets	68	69
Other non-current assets	50	54
Non-current financial investments	36	59
Total non-current assets	4,674	5,948
Total assets	7,059	8,832
LIABILITIES AND EQUITY		
Liabilities		
Current interest-bearing loans and borrowings	275	169
Trade payables	686	811
Income tax payables	89	87
Current provisions	199	256
Other current liabilities	1,384	1,345
Liabilities associated with assets held for sale	23	50
Total current liabilities	2,656	2,717
Non-current interest-bearing loans and borrowings	2,600	2,635
Employee benefits	168	179
Deferred tax liabilities	72	105
Non-current provisions	44	45
Other non-current liabilities	262	318
Total non-current liabilities	3,146	3,281
Equity		
Issued capital	274	274
Additional paid-in capital	2,056	2,036
Treasury shares	-120	-121
Other components of equity	183	280
Retained earnings	-1,141	358
Total equity attributable to shareholders of ams-OSRAM AG	1,251	2,826
Non-controlling interests	6	7
Total equity	1,257	2,833
Total liabilities and equity	7,059	8,832

Consolidated Statement of Cash Flows

(unaudited)

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Operating activities				
Net result	-1,342	-1,476	58	74
Reconciliation between net result and cash flows from operating activities				
Amortization, depreciation, and impairment ¹⁾	1,446	1,618	141	298
Expenses from stock option plans (acc. to IFRS 2)	1	21	13	24
Income taxes	-7	5	108	82
Net financial result	25	57	50	100
Result from sales of businesses, intangible assets, and property, plant, and equipment	-12	-9	-152	-152
Result from fair value measurement and sale of financial assets	-	0	-10	-10
Result from investments in associates	2	10	1	1
Other adjustments for non-cash items	0	0	-1	-1
Change in current assets and current liabilities				
Inventories	39	11	-72	-107
Trade receivables	88	68	-24	16
Other current assets	2	12	-11	-40
Trade payables	18	-17	30	-19
Current provisions	-69	-53	-57	-72
Other current liabilities	75	195	26	70
Change in other assets and liabilities	-13	-22	13	9
Income taxes paid	-23	-37	-15	-28
Dividends received	0	0	1	1
Interest received	2	10	2	3
Cash flows from operating activities	232	394	100	247

¹⁾ Q 2 2023 / 1st Half 2023: EUR 85 million / EUR 196 million for property, plant, and equipment; EUR 1,361 million / EUR 1,422 million for intangible assets

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Investing activities				
Additions to intangible assets and property, plant, and equipment	-263	-565	-97	-210
Acquisitions of subsidiaries, net of cash and cash equivalents acquired*	-64	-95	-7	-7
Acquisition of financial investments	0	-1	0	-1
Proceeds from sales of investments, intangibles and property, plant, and equipment	5	21	1	5
Proceeds and payments from sales of businesses, net of cash and cash equivalents disposed	78	89	251	251
Cash flows from investing activities	-245	-551	148	39
Financing activities				
Payments from transactions with former non-controlling shareholders	-	-	-	-3
Acquisition of treasury shares	-	0	0	0
Sale of treasury shares	0	1	0	1
Proceeds from loans	151	151	-	0
Repayment of loans	-83	-85	-5	-67
Repayment of lease liabilities	-14	-29	-39	-56
Interest paid	-30	-76	-16	-62
Dividends paid to shareholders of OSRAM Licht AG	-37	-37	-53	-53
Cash flows from financing activities	-13	-76	-112	-239
Change in cash and cash equivalents	-30	-255	200	111
Effects of changes in foreign exchange rates on cash and cash equivalents	-5	-22	65	65
Cash and cash equivalents at the beginning of the period	874	1,098	1,250	1,339
Cash and cash equivalents at the end of the period	844	844	1,450	1,450
Less: Cash and cash equivalent of assets held for sale at end of period	3	3	37	37
Cash and cash equivalents at the end of the period	841	841	1,413	1,413

²⁾ Contained therein EUR -95 million (2022: EUR 0 million) for additional purchases of OSRAM Licht AG shares

Consolidated Statement of Changes in Equity

(unaudited)

in EUR million	Issued capital	Additional paid-in capital	Treasury shares	Other components of equity	Retained earnings	Total equity attributable to shareholders of ams-OSRAM AG	Non-controlling interests	Total equity
Balance as of January 1, 2022	274	1,997	-122	115	877	3,142	8	3,150
Net result					73	73	0	74
Other comprehensive income (loss), net of tax				228	78	306	0	306
Total comprehensive income (loss)	0	0	0	228	151	379	1	379
Share based payments		24				24		24
Sale of treasury shares			0			0		0
Total equity as of June 30, 2022	274	2,021	-122	343	1,028	3,545	9	3,554
Balance as of January 1, 2023	274	2,036	-121	280	358	2,826	7	2,833
Net result					-1,476	-1,476	0	-1,476
Other comprehensive income (loss), net of tax				-97	-23	-120	-1	-121
Total comprehensive income (loss)	0	0	0	-97	-1,499	-1,597	-1	-1,597
Share based payments		20				20		20
Sale of treasury shares			1			1		1
Total equity as of June 30, 2023	274	2,056	-120	183	-1,141	1,251	6	1,257

Selected notes on the Condensed Consolidated Interim Financial Statements as of June 30, 2023

(unaudited)

1. Basis of preparation

The condensed consolidated interim financial statements as of June 30, 2023, 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, 2022. The condensed consolidated interim consolidated financial statements have been prepared in millions of euros (in EUR million). Due to rounding, differences may arise when individual amounts or percentages are added together.

2. Accounting policies as well as estimates and uncertainties

The accounting policies applied in these condensed consolidated interim financial statements are essentially the same as those applied in the Group's consolidated financial statements as of December 31, 2022, except for the changes described below.

On May 23, 2023, the International Accounting Standards Board (IASB) issued "International Tax Reform - Pillar-2 Model Rules (Amendments to IAS 12)". The amendments introduce an additional clarifying rule that any income taxes arising from the national implementation of Pillar-2 are generally within the scope of IAS 12, as well as a temporary exemption from accounting for deferred taxes arising from the implementation of the global tax rules on Pillar-2 by the respective countries. Additional disclosures are also required in the notes to help users of financial statements better understand an entity's exposure to income taxes in connection with the implementation of the Pillar 2 rules:

- Disclosure that the deferred tax accounting exception applies,
- Separate disclosure of current income tax expense due to the application of Pillar 2 rules,
- To the extent that Pillar 2 rules have been adopted but are not yet effective: Qualitative disclosure of the significant jurisdictions in which the company is affected by Pillar 2 rules and how, and Indicative quantitative disclosure of which components of income are additionally taxed under Pillar 2 and the average effective tax rate for those components of income or indicative quantitative disclosure of how the average effective tax rate would have changed had Pillar 2 rules already been in effect.

The exemption and the requirement to disclose that the exemption shall be applied immediately after the amendments to IAS 12 have been published. The other new disclosure requirements must be met for the first time in annual reporting periods beginning on or after January 1, 2023. For interim periods ending in 2023, the disclosures are not yet mandatory.

Moreover, ams OSRAM has early applied amendments to IAS 7 and IFRS 7 issued by the IASB on May 25, 2023, with respect to Supplier Finance Arrangements and made additional disclosures about a supply-chain financing program, see note 5. Financial instruments.

Both amendments have not yet been endorsed by the EU Commission.

New standards or amendments effective from January 1, 2023, have no material effect on the Group's condensed consolidated interim financial statements.

A description of the main judgments made in applying accounting rules and the assumptions with a not insignificant risk that they could lead to changes in the value of assets and liabilities, is included in the Annual Report 2022, Notes to the Consolidated Financial Statements in note 1. Contingencies and Main Judgments.

The income tax expense/income to be recognized during interim periods is determined based on the expected effective tax rate for the fiscal year for each significant tax jurisdiction, taking into account special effects that are attributable to a particular interim period. Income taxes recognized in other comprehensive income during an interim period is determined on the basis of the tax rates applicable to the significant individual components of other comprehensive income.

3. Segment reporting

Segment information is presented on the basis of the internal reporting structure for the segments 'Semiconductors' and 'Lamps & Systems' and determined in accordance with the IFRS accounting policies. The segment "Semiconductors" focuses on semiconductor-based products and solutions (incl. LEDs) targeting the automotive, consumer, industrial and medical markets. The segment "Lamps & Systems" comprises the traditional lamps and illumination business focusing on the end markets automotive and industrial.

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

The highest amount of revenue came from a customer in the Semiconductors segment and accounted for more than 10% of revenues (2022: less than 20%).

Segment result comprises gross profit, research and development expenses, administrative and selling expenses, other operating income and expenses, and the result from investments in associates.

Segment assets include only those assets that are directly attributable to the segment, such as segment-specific property, plant, and equipment, intangible assets, and right-of-use assets under leases.

Business Segments

in EUR million		1st Half 2023/2022				
Business Segments	Semiconductors		Lamps & Systems		Total	
	2023	2022	2023	2022	2023	2022
Consolidated revenues	1,147	1,587	631	842	1,778	2,429
Research and development	-246	-271	-19	-42	-265	-313
Depreciation, Amortization and Impairment	-1,577	-247	-41	-51	-1,618	-298
Segment result	-1,461	102	47	153	-1,413	256

Segment Assets

in EUR million		June 30, 2023/Dec 31, 2022				
Business Segments	Semiconductors		Lamps & Systems		Total	
	2023	2022	2023	2022	2023	2022
Segment assets	3,814	5,009	682	722	4,496	5,731
Reconciliation to consolidated financial statements						
Cash and cash equivalents					841	1,087
Inventories					804	864
Trade receivables					435	533
Deferred taxes					68	69
Assets held for sale					77	157
Financial Investments					55	80
Investments in associates					24	35
Other unallocated assets					259	277
Total assets					7,059	8,832

Revenues by Region

in EUR million		1st Half 2023/2022				
	Semiconductors		Lamps & Systems		Total	
	2023	2022	2023	2022	2023	2022
EMEA	335	425	217	328	551	753
Americas	122	144	260	285	383	429
Asia / Pacific	690	1,018	154	229	844	1,247
Total	1,147	1,587	631	842	1,778	2,429

Non-current assets by Region

in EUR million	June 30, 2023	Dec 31, 2022
EMEA	2,242	2,668
Americas	472	836
Asia / Pacific	1,783	2,228
Total	4,496	5,731
thereof Austria	381	317
thereof Germany	1,522	1,941

4. Seasonality - economic cycles

Results may vary 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 significant cyclical and seasonal influences due to factors such as consumer acceptance of technologies, changes in buying behavior and seasonal demand such as before Christmas.

5. Financial Instruments

in EUR million		June 30, 2023		December 31, 2022	
	Category according to IFRS 9 ¹⁾	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	FAaC	841	841	1,087	1,087
Trade receivables	FAaC	381	381	464	464
Trade receivables that are to be held/sold under a factoring agreement	FVOCI	43	43	61	61
Trade receivables that are to be sold under a factoring agreement	FVTPL	11	11	8	8
Other receivables and assets					
Derivatives not designated in a hedge accounting relationship	FVTPL	13	13	5	5
Derivatives in connection with cash flow hedges	n.a.	6	6	16	16
Other financial assets	FAaC	56	56	51	51
Other non-current assets	FAaC	3	3	4	4
Financial investments					
Equity instruments	FVOCI	36	36	59	59
Assets held for sale					
Receivables and other assets	FAaC	6	6	-	-
Shares in investment funds	FVTPL	-	-	10	10
Financial liabilities					
Interest-bearing loans	FLaC	2,875	2,881	2,803	2,785
Trade payables	FLaC	686	686	811	811
Other current liabilities ^{2) 3)}					
Derivatives not designated in a hedge accounting relationship	FVTPL	17	17	25	25
Derivatives in connection with cash flow hedges	n.a.	1	1	1	1
Obligation to acquire the non-controlling interests in OSRAM Licht AG	n.a.	748	748	843	843
Other financial liabilities	FLaC	381	381	239	239
Other non-current liabilities ³⁾	FLaC	198	198	252	252
Liabilities associated with assets held for sale	FLaC	5	5	14	14

¹⁾ FAaC - Financial assets measured at amortized cost

FVOCI - Financial assets measured at fair value through other comprehensive income; for equity instruments 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⁾ Derivatives are forward exchange contracts.

³⁾ As of June 30, 2023, other current liabilities and other non-current liabilities include lease liabilities totaling EUR 202 million (December 31, 2022 EUR 217 million), which are accounted for in accordance with IFRS 16.

The fair value of current financial assets and current financial liabilities essentially corresponds to their carrying amount due to their short maturities.

The following table shows, for the financial assets and liabilities measured at fair value, the level of fair value measurement hierarchy applicable to their fair value measurement. 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, 2023 in EUR million	Level 1	Level 2	Level 3	Total
Current financial assets	0	74	0	74
Non-current financial assets	0	0	36	36
Current financial liabilities	0	18	0	18
Non-current financial liabilities	0	0	0	0

December 31, 2022 in EUR million	Level 1	Level 2	Level 3	Total
Current financial assets	0	100	0	100
Non-current financial assets	0	0	59	59
Current financial liabilities	0	26	0	26
Non-current financial liabilities	0	0	0	0

The change in the carrying amount of non-current financial assets of Level 3 in the first half of 2023 is mainly due to changes in the fair values of the investments in LeddarTech Inc., Recogni, Inc. and SiLC Technologies Inc., which were recognized through other comprehensive income.

The increase in other current financial liabilities from EUR 239 million to EUR 381 million was mainly due to the use of a supply-chain financing program in the amount of EUR 152 million. This resulted in the derecognition of the original trade payables and the recognition of other financial liabilities to the payment service provider of EUR 152 million each. The program, which was first used in the first quarter of fiscal year 2023, includes EUR and USD liabilities. It has a maximum volume of EUR 130 million and USD 45 million. There is a debt-discharging payment of the original trade payables by the payment service provider. The payments to the payment service provider are reported in the consolidated statement of cash flows within operating activities. By using the supply-chain financing program, the original payment terms for ams OSRAM are extended by 60 days. Payment terms to suppliers are usually between 45 and 90 days.

The liability from the obligation to acquire the non-controlling interests in OSRAM Licht AG decreased by EUR 95 million following the acquisition of 2,092,901 shares in OSRAM Licht AG. The current liabilities from the guaranteed dividend to shareholders of OSRAM Licht AG amounted to EUR 37 million (December 31, 2022: EUR 41 million).

Non-current financial liabilities include lease liabilities of EUR 162 million (December 31, 2022: EUR 172 million) and the non-current portion of liabilities from the guaranteed dividend to shareholders of OSRAM Licht AG of EUR 36 million (December 31, 2022: EUR 81 million).

6. Goodwill

Detailed information on the amount and development of goodwill and other intangible assets can be found in the Annual Report 2022, 12. Intangible assets.

Goodwill is allocated to a cash-generating unit (CGU) or a group of CGUs if the CGU is expected to benefit from the synergies of the business combination. The Business Units (BU) represent the CGUs or groups of CGUs for the consolidated ams OSRAM Group at the level of which goodwill is monitored by the Management Board.

At the beginning of the reporting period, the Optical Components (OPC) business was reclassified from the Optical Semiconductors (OS) BU to the Image Sensor Solutions (ISS) BU. As a result, the goodwill of EUR 17 million allocated to the OPC business was reclassified from BU OS to BU ISS. In addition, after the disposals within the BU Digital (DI), this BU was dissolved, and the remaining business was integrated into the new BU Automotive & Specialty Lamps (AMSP).

In the first half of fiscal year 2023, ams OSRAM assessed whether there were any indications of potential impairment. The business plans were updated for all BUs. In particular for OS and AOS the plans were adjusted downwards regarding long-term market expectations. In addition, the market capitalization of ams OSRAM remained below the book value of equity. Impairment tests were therefore carried out for all BUs.

Based on the updated business plans, an impairment loss attributable to goodwill of EUR 1.019 million for BU OS and EUR 294 million for BU AOS was recognized.

A long-term growth rate of 1.3% (31.12.22: 1.2%) was used for the BU OS and of 1.2% (31.12.22: 1.1%) for the BU AOS. A discount rate (before taxes) of 12.1% (31.12.22: 12.4%) was used for BU OS and 12.2% (31.12.22: 12.7%) for BU AOS. The long-term EBITDA margin is 28.8% for OS (31.12.22: 31.0%), for AOS it is 21.7% (31.12.22: 23.3%).

The recoverable amount of the BU OS and BU AOS was determined based on its value in use (fair value hierarchy level 3).

The recoverable amount of the BU AMSP exceeds its book value by EUR 29 million. The underlying pre-tax discount rate is 14.4%. The underlying long-term EBITDA margin is 16.2%. If the discount rate increased by 0.3% or the long-term EBITDA margin decreased by 0.7%, the recoverable amount would roughly correspond to the book value.

The goodwill impairment recognized in the reporting period ending June 30, 2023, has no impact on the expected income tax expense and therefore results in a significant change in the effective tax rate compared to the last reporting year ending December 31, 2022.

7. Property, plant & equipment and other intangible assets

As of June 30, 2023, commitments to acquire fixed assets amounted to EUR 314 million (June 30, 2022: EUR 716 million), which will be cash-effective in the current and future fiscal years. These commitments are mainly due to the planned expansion investments in an 8-inch front-end production site for LED and MicroLED in Malaysia.

Investments in property, plant and equipment and intangible assets amounted to EUR 565 million in the first half of fiscal year 2023 (June 30, 2022: EUR 210 million) and mainly relate to technical equipment and machinery, down payments for expansion investments in the production site in Malaysia and capitalized development costs, particularly in connection with MicroLED technology.

In the 1st half year of 2023, the consolidation of production capacity in Singapore led to an impairment of idle equipment of EUR 34 million in the segment semiconductors that mainly affected technical machinery and equipment. The discontinuation of capitalized development projects in the first half of 2023 resulted in impairment losses of EUR 23 million in the semiconductors segment.

8. Disposals of Business Activities and Assets and Liabilities Classified as Held for Sale

Disposal of Business Activities and Shares in Investment Funds

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On March 1, 2023, ams OSRAM sold its entertainment lighting business to ARRI AG, Munich, Germany, as part the strategic realignment following the acquisition of OSRAM. Prior to the sale, this business was reported in the segment "Lamps & Systems". On classification as held for sale in December 2022, an impairment loss of EUR 44 million was recognized for the non-current tangible and intangible assets, as well as on inventories. On completion of the sale in March 2023, a loss on disposal amounting to EUR 2 million was recognized in other operating expenses. Cash inflows from the disposal less the cash disposed of amounted to EUR 15 million and were recorded under cash flows from investing activities.

in EUR million	March 1, 2023
Cash and cash equivalents	3
Trade receivables and other current assets	24
Inventories	5
Non-current assets	1
Assets	32
Current liabilities	8
Employee benefits	3
Liabilities	11
Net assets	21

Digital Systems (DS) Europe and Asia

On April 4, 2023, ams OSRAM completed the disposal of the DS business in Germany, Italy and China through a share deal to Inventronics Inc., Hangzhou, China. Prior to the sale, this business was reported in the segment "Lamps & Systems". This transaction represents another milestone in the implementation of ams OSRAM's strategy to focus on core technologies and to sell businesses that are not part of the core corporate strategy. On completion of the sale in April 2023, a gain on disposal amounting to EUR 5 million was recognized in other operating income. Cash inflows from the disposal less the cash disposed of amounted to EUR 68 million and were recorded under cash flows from investing activities. Until the end of the year the disposal of the DS business will be completed by transferring the remaining assets and employees in other countries to Inventronics.

in EUR million	April 4, 2023
Cash and cash equivalents	12
Trade receivables and other current assets	24
Inventories	61
Non-current assets	31
Assets	129
Current liabilities	33
Employee benefits	4
Long-term liabilities and provisions	12
Liabilities	49
Net assets	80

Fund investments

On January 27, 2023, ams OSRAM completed the sale of investments in two funds – Unternehmertum VC Fonds II GmbH & Co. KG and Partech Entrepreneur Fund III FPCI – that were held by the Group's Venture Capital business, Fluxunit GmbH. The sales price of EUR 10 million equaled the carrying amount of the investments. The proceeds from the disposal were recorded under cash flows from investing activities.

Assets and Liabilities Classified as Held for Sale

Automotive Lighting Systems Italy (AMLS Italy)

On May 9, 2023, ams OSRAM and Flex-n-Gate Group, Urbana, USA, signed an agreement on sale of the Italian Automotive Lamps Manufacturing Business, which was allocated to the segment “Lamps & Systems”. This transaction concludes the disposal of Automotive Lighting business remaining from the unwinding of the OSRAM Continental joint venture in 2021. Completion of the transaction is expected in Q3 2023.

On classification as held for sale, an impairment test was made resulting in an impairment loss of EUR 10 million on goodwill which was included in other operating expenses. Assets and liabilities of the AMLS Italy business after impairment are presented below:

in EUR million	June 30, 2023
Cash and cash equivalents	2
Trade receivables and other current assets	5
Inventories	23
Non-current assets	23
Assets held for sale	53
Current liabilities	6
Employee benefits	7
Long-term liabilities and provisions	0
Liabilities associated with assets held for sale	13
Net assets	40

OSRAM Russia

On May 25, 2023, ams OSRAM signed an agreement on sale of the shares in OOO OSRAM, Moscow, Russia. The sale is expected to be concluded by the end of the current fiscal year, subject to local regulatory approvals. OSRAM Russia was primarily a distributor for the automotive market (“Lamps & Systems” segment), however all operations ceased upon the start of the war in Ukraine.

On classification as held for sale, an impairment test was made resulting in an impairment loss of EUR 3 million which was included in other operating expenses. After impairment net assets of the company amounted to EUR 3 million.

Fluxunit

During the reporting period, ams OSRAM obtained various offers for sale of its Venture Capital business Fluxunit GmbH. Fluxunit holds interest in various at-equity and financial investments. On classification as held for sale and based on received offers, an impairment loss amounting to EUR 8 million was recognized within results from investments accounted for using the equity method and an impairment loss on financial investments amounting to EUR 8 million was recognized through other comprehensive income.

9. Treasury shares

The Group acquired no treasury shares during the reporting period nor in the first half year 2022. 75,933 treasury shares have been sold to fulfill obligations from employee stock option plans (prior year: 33,345).

10. Dividends

ams-OSRAM AG has not distributed any dividend during the reporting periods 2023 and 2022.

11. Employees and share-based compensation

The average number of employees was 21,059 during the first half of 2023, compared to 24,108 during the first half of 2022.

On February 10, 2023, an amendment to the Long-Term Incentive Plan 2019 became effective. The amendment changes retrospectively the target achievement criteria for Performance Share Units (PSU) stock options to the benefit of the entitled employees. For this purpose, achievement of the earnings per share (EPS) target is sufficient to bring about vesting of half of the PSUs granted in a tranche. For the remaining half of the PSUs granted in a tranche, the performance criteria remain unchanged. The plan amendment does not take effect for PSUs granted in fiscal 2019 and forfeited in fiscal 2022 but applies only to grants (tranches) in the years 2020, 2021 and 2022. The Management Board members are not affected by this plan amendment.

The plan amendment resulted in an additional expense of EUR 9 million in the reporting period.

12. Related parties

Effective March 31, 2023, Alexander Everke has retired from his position as Chairman of the Executive Board and resigned from the Company's Executive Board. The Supervisory Board has appointed Aldo Kamper as a member and Chairman of the Executive Board with effect from April 1, 2023. He had been CEO of Leoni AG, Nuremberg, a global provider in the field of energy and data management for the automotive industry, since 2018. Prior to that, he held various management positions at OSRAM for more than 15 years, including General Manager of the Opto Semiconductors business unit.

Ingo Bank resigned from the Company's Management Board with effect from April 30, 2023. Effective July 1, 2023, Rainer Irlle was appointed member and Chief Financial Officer of the Executive Board (see 13. Subsequent events).

During the reporting period, ams-OSRAM AG held new elections for the workers' works council and the salaried employees' works council. Following the expiry of the mandate of the previous employee representatives, Ms. Simone Radesey, Mr. Andreas Pein, Mr. Ing. Mag. Günter Kneffel, and Mr. Patrick Reinisch, the following employee representatives were newly appointed to the Supervisory Board of ams-OSRAM AG by the newly elected works council bodies:

- Dipl. Ing. Dr. Nadine Raidl
- Ing. Dipl. Ing. (FH) Wolfgang Koren
- Dipl. Ing. Michael Krainz
- Patrick Reinisch

With regard to the capital representatives on the Supervisory Board, the Company's Annual General Meeting on June 23, 2023, confirmed Ms. Yen Yen Tan in her office and elected Mr. Andreas Walter Mattes as a new member of the Supervisory Board. Mr. Mattes succeeds Mr. Brian Krzanich, whose term of office ended as scheduled at the 2023 Annual General Meeting. The term of office of Yen Yen Tan and Andreas Mattes lasts approximately four years and ends with the Annual General Meeting that decides on the ratification of the actions of the members of the Supervisory Board for the fiscal year 2026.

13. Subsequent events

The Supervisory Board has appointed Rainer Irle as a member and Chief Financial Officer of the Executive Board with effect from July 1, 2023. He has been CFO of Siltronic AG, one of the world's largest manufacturers of high-purity silicon wafers for the semiconductor industry, since 2013. Rainer Irle has many years of knowledge of the semiconductor industry as well as strong operational skills.

With the objective of improving the group's performance, ams OSRAM will focus on its profitable semiconductor portfolio with smart sensor and emitter components and divest non-core and lower-performing businesses with revenues of EUR 300 to 400 million. These include passive optical components.

In addition, ams OSRAM is changing its structures accordingly to better leverage its innovative power. This includes the formation of two business divisions or business units (instead of the previous three) in the semiconductor segment, each with clear overall responsibility - one for emitters, the other focusing on sensors and analogue mixed-signal chips.

In line with the strengthening of responsibility and the entrepreneurial approach in the business units, ams OSRAM is moving away from a functional management model on the Managing Board and will reduce the Group's Managing Board to the CEO and CFO with effect from January 1, 2024.

Supplemental financial information

Reconciliation from adjusted figures to reported figures in accordance with IFRS

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Gross profit – adjusted	237	509	374	786
Acquisition-related expense ¹⁾	-20	-43	-21	-40
Asset restructuring	-11	-34	-	-
Share-based compensation	0	-1	0	-1
Transformation costs	-5	-20	-4	-11
Gross profit – IFRS reported	201	411	348	733
Gross margin in % – adjusted	28%	29%	32%	32%
Gross margin in % – IFRS reported	24%	23%	30%	30%
Operating expenses – adjusted	-187	-409	-270	-556
Goodwill impairment	-1,313	-1,313	-	-
Acquisition-related expense ¹⁾	-21	-42	-27	-42
Share-based compensation	-1	-20	-13	-23
Transformation costs	-8	-31	-2	-10
Result from the sale of businesses	6	0	180	155
Result from at-equity investments	-2	-10	-1	-1
Operating expenses – IFRS reported	-1,525	-1,824	-132	-478
Result from operations (EBIT) – adjusted	50	100	104	230
Goodwill impairment	-1,313	-1,313	-	-
Acquisition-related expense ¹⁾	-40	-85	-48	-82
Asset restructuring	-11	-34	-	-
Share-based compensation	-1	-21	-13	-25
Transformation costs	-13	-51	-6	-21
Result from the sale of businesses	6	0	180	155
Result from at-equity investments	-2	-10	-1	-1
Result from operations (EBIT) – IFRS reported	-1,324	-1,413	216	256
EBIT margin in % – adjusted	6%	6%	9%	9%
EBIT margin in % – IFRS reported	-155%	-79%	18%	11%
Result from operations (EBIT) – adjusted	50	100	104	230
Amortization, depreciation, and impairment (excluding acquisition-related expense) ¹⁾	93	194	114	224
EBITDA – adjusted	143	294	217	453
Result from operations (EBIT) – adjusted	50	100	104	230
Net financing result	-25	-57	-50	-100
Income tax result	7	-5	-108	-82
Net result - adjusted	31	37	-54	48
Basic adjusted earnings per share (in EUR)	0.12	0.14	-0.21	0.18

¹⁾ Acquisition-related expense include amortization, depreciation and impairment 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.