

Who we are

We bring intelligence to light and passion to innovation.

We responsibly create sustaining value.

We attract, develop and retain the best talent.

We make life better.

OUR COMPANY

ams OSRAM is a global leader in optical solutions with a focus on sensing and lighting technologies. We are known for our imagination, deep engineering expertise and worldwide industrial manufacturing capacities. We imagine radically new applications that make life better for everyone. Using the full spectrum of light, we capture, analyze and visualize the information our environment provides. We enable humans and machines to comprehend and interact with the world around us: to make journeys safer, medical diagnoses more accurate and everyday moments of communication a richer experience.

Based on our vision to become the uncontested leader in optical solutions, we continuously advance our technologies in sensing, illumination and visualization. We offer what we believe to be the broadest portfolio of optical solutions and technologies: from high-quality light emitters and optical components to micro-modules, light sensors, ICs and the related software and algorithms.

Our deep system understanding, paired with our unique expertise in the areas of emitting, directing, sensing and processing light, makes us the partner of choice for many industries. We enable our customers in the automotive, consumer, healthcare and industrial sectors to create innovative, market-changing applications and thus maintain their competitive edge.

With a view to creating technologies for breakthrough applications, we continue to add to our innovation roadmap through significant R&D investments and strategic acquisitions, strengthening our strong IP position with more than 15,000 patents. We continually invest in our leading semiconductor expertise and world-class manufacturing network to live up to our reputation of reliably bringing top quality to the world at scale.

By systematically executing our strategy to gain innovation and technology leadership, we make our vision come true while ensuring long-term profitable growth for our company and its stakeholders.

What we value

Our technological leadership position is based on the ingenuity and passion of our employees. We are a team of global experts inspired by anticipating tomorrow's world and translating it into today's technologies.

To become the uncontested leader in optical solutions, we have established strong company values that we live by.

OUR TALENT

Our employees are the foundation for our company's long-term success. Thanks to their unprecedented support, we have been able to realize significant integration steps for our company during a global pandemic. Around 24,000 experts globally bring passion to innovation, day by day. We work together as a unified team in a truly global network to anticipate the future and create market-leading solutions for our customers.

We believe our deep engineering expertise along the entire value chain of optical solutions is unparalleled in the industry today. Inspired by our proud heritage of pioneering innovation and our ambition to set the benchmark in our markets, we are able to attract the best talent around the globe. To position ourselves as an employer of choice, we are investing heavily in a wide range of communication and marketing activities.

To support our corporate culture and foster appreciative and respectful relationships, we build on a set of clear core values and leadership principles. We imagine the impossible and make it happen.

We offer a dynamic, engaging and positive work atmosphere and exciting opportunities for both personal and professional development in a highly diverse international environment. A variety of employee communities, self-managed networks and mentorships, combined with our extensive Oram OSRAM University, support our commitment to lifelong learning.

We continuously and systematically address the development of our employees, based on regular and structured dialog between employees and managers, supported by a comprehensive training program at our Oram OSRAM University.

Treating our employees with respect and appreciation also includes fair and performance-related compensation. Diversity and inclusion are an integral part of our company, based on a long history. They actively shape our global business. International customer and supplier relationships require cultural competence and flexibility, and diverse teams bring a high level of innovation.

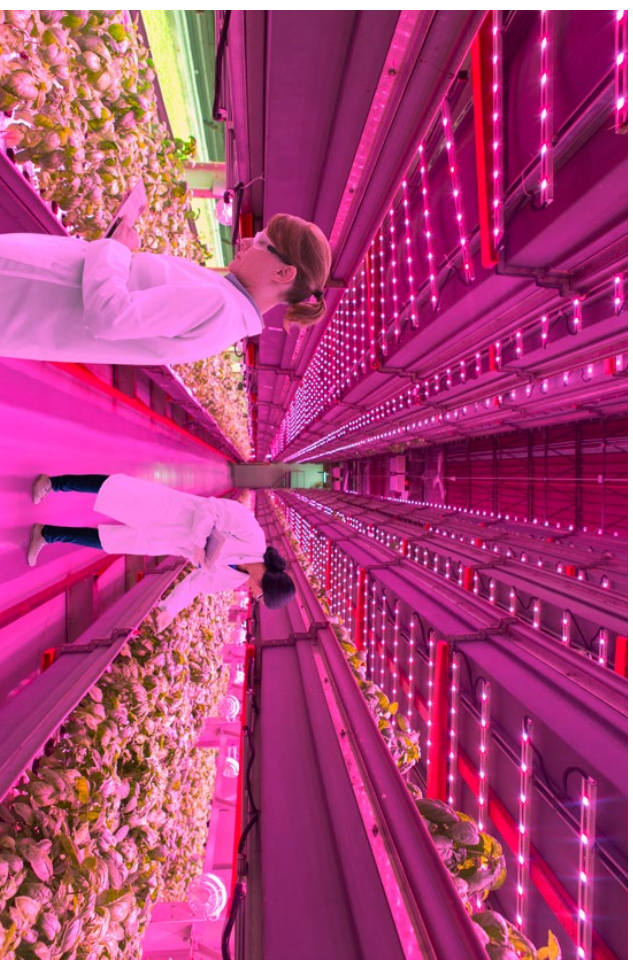
We are one company, one team - valued by customers and ready to shape the technology trends of tomorrow.

OUR BUSINESS

We are a worldwide leader in optical technologies serving the entire value chain of optical solutions. From product idea to tangible concept through to the manufacturing process, we enable our customers to create ground-breaking solutions for the automotive, consumer, industrial and medical markets. What makes us unique in our opinion is our broad technology spectrum, since we cover the emission of light as well as its detection through sensing and intelligent processing. Our innovative products and solutions range from light emitters,

optical components and micro-modules to light sensors, related ICs, algorithms and software. They are designed for best-in-class performance, size, cost and energy efficiency.

We are experts in the development and integration of a wide range of optical solutions, from single components through to complex systems. This enables us to be market and innovation leaders and clearly differentiate ourselves from the competition.



A growing business

Horticultural lighting is transforming the way we produce food. Plant farming is increasingly being transferred to controlled, often close-by urban environments. Our precise LED light and sensing solutions provide new possibilities to grow food in a smart, easy and sustainable way. They enable cutting-edge growth stimulation and precise condition monitoring, in professional top-/inter-lighting as well as vertical farming applications. The OSOLON Square Hyper Red LEDs' special wavelength and performance are unmatched in the industry. Together with our customers, we define targeted growth lighting recipes, with or without natural light, optimizing harvests and minimizing fertilizer use. We create new solutions in professional greenhouse lighting at significantly reduced energy costs.

Automotive: Setting the benchmark as a trusted innovation partner

Advanced technologies and new mobility concepts are transforming the automotive industry, making vehicles increasingly safe and smart. As a long-time innovation leader in semiconductor technologies, we play a crucial role in the ongoing redefinition of mobility – from cars to two-wheelers and beyond. We are able to turn ideas into breakthrough technologies, with the highest quality and reliability. This makes us a trusted partner for leading automotive manufacturers and their suppliers.

Our cutting-edge solutions for interior and exterior lighting and sensing add real value to road safety and comfort. We enable automotive manufacturers worldwide to create intelligent lighting and visualization solutions, realize advanced driver-assistance systems (ADAS) and pave the way to automated and autonomous driving, based on our pioneering technologies such as LiDAR and energy-efficient, miniaturized products.

Our innovative matrix LED for dynamic headlights caters to the trend toward intelligent driving lights and enables the light beam to be instantly adapted to the traffic situation. Its ability to visualize information, like projecting information and warning symbols onto the road, assists the driver and enables vehicle-to-everything (V2X) communication.

Automated cars are expected to increasingly transform into living spaces. High-resolution displays, smart surfaces, seamless human-machine interaction and adaptable ambient lighting solutions are integrated into the car of the future. Our optical solutions enable high levels of convenience and more attractive user experiences with high energy efficiency.

We provide the key technologies to improve safety for drivers and passengers, such as interior sensor technology for driver monitoring and different warning systems. With our technologies, we are shaping automotive mobility, making it safer, smarter and more comfortable.



Making light intelligent

Intelligent forward lighting brings car safety to another level. In the future, multifunctional, intelligent headlamps will illuminate the road and communicate with the environment at the same time – this progress is due to cutting-edge semiconductor technology.

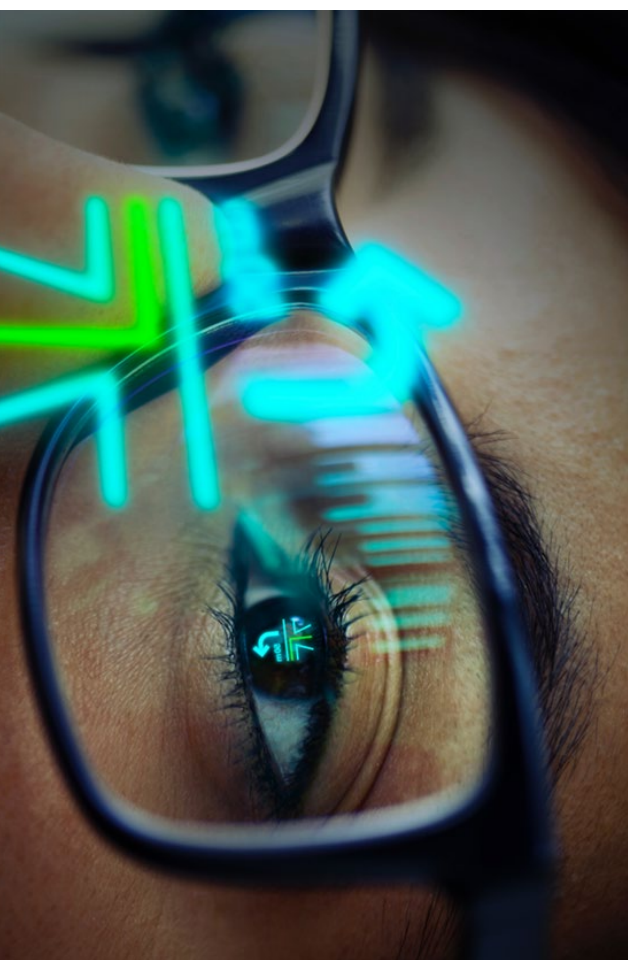
Our Eviyos LED represents our innovation leadership in highly pixelated light sources with low energy and space needs. Its more than 25,000 individually controllable pixels make it possible to adapt the light beam to the driving situation, with optimum illumination of the road and without any glare. Not only does it provide for permanently glare-free high beam light, it also brings HD-quality projections onto the road. Car-to-driver communication, such as projections of warning signals or welcome messages, can be realized with a single LED light source.

Consumer: Creating inspiring user experiences with pioneering technologies

Smartphones, computers, tablets and wearables are constant companions that connect us to the world, making our lives easier and safer while allowing us to interact, capture moments and create fun and excitement.

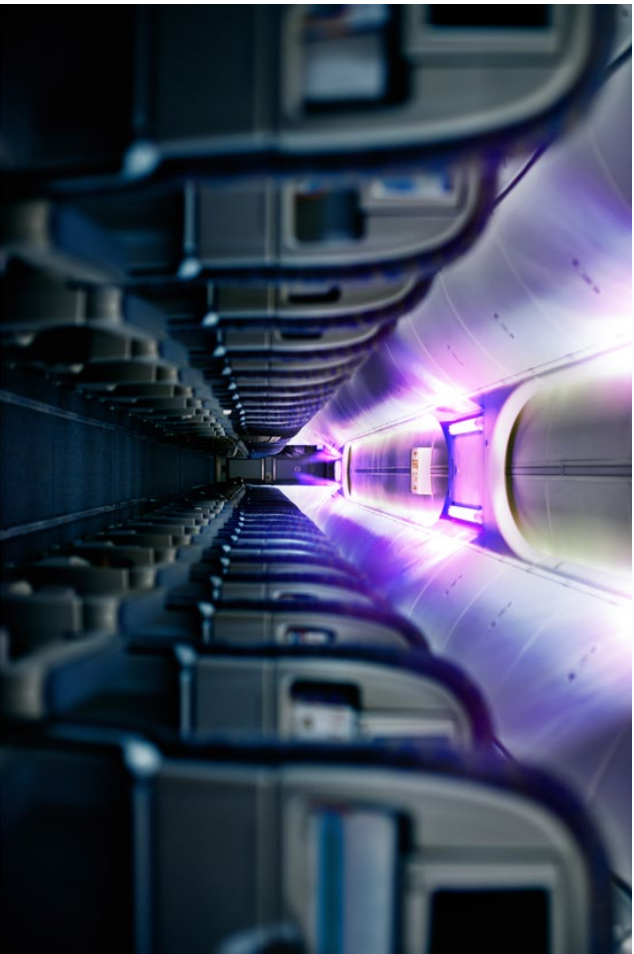
ams OSRAM's advanced sensing and light-emitting technologies actively shape the way we capture and interact with the world. Our portfolio comprises several highly relevant optical technologies, complemented by IC hardware capabilities, custom algorithms and proprietary intellectual property. They are essential for applications such as secure identification, bright full-screen displays and brilliant images for mobile, portable and computing devices. Together with our customers, we anticipate the future. Across a broad range of mobile applications, we enable outstanding user experiences on smartphones and wearables or computing devices. Our miniaturized solutions enable multiple AR/VR functionalities, such as near-to-eye projection, eye-tracking, proximity sensing and gesture recognition.

Pictures say more than words; they create universes. Our lighting and sensing technologies improve the quality of images and their visualization. They enable accurate ambient light, color and proximity sensing solutions to operate behind OLED displays. We are a frontrunner in the industrialization of emerging innovation areas such as micro-LEDs for next-generation displays. Micro-LEDs that are smaller than 50µm are expected to be one of key growth drivers for the display industry going forward. They offer significant advantages over LCD and OLED displays in aspects such as energy consumption, brightness and contrast; ams OSRAM is in a strong position to become the number one micro-LED player in the world. We have the capabilities and a clear roadmap to deliver the demanding performance of micro-LED products. High-volume 8" capacity supporting mass production of micro-LED is currently planned to commence ramp-up in the course of 2024. With our expertise, we create inspiring user experiences in next-generation applications, making digital lives easier, safer and more fulfilling.



Small is beautiful

AR/VR applications in industry and consumer markets are bound to take off – boosted by the rising metaverse. Their success depends on high accuracy and miniaturization to allow outstanding user experiences. Their advanced functionalities can only be realized by key optical technologies, spanning from LED and laser light sources to 3D sensors all the way to proximity-, eye- and position-tracking sensors. Our latest laser solution, targeted for near-to-eye projection, has a light engine with a very small form factor of only 0.7 cm³. These enormous space savings reduce the size of the projection light engine in AR smart glasses by up to half. This enables information-rich smart glasses to become as fashionable as normal eyewear, accelerating their market growth. With our deep engineering expertise, we drive cutting-edge visualization applications into the future.



Light on, germs gone

Our world needs cleaner, safer environments. UV-C LED technology is changing the way we clean air, surfaces and water in industrial, consumer and automotive applications – and beyond. Our distinctive portfolio combines highly efficient UV-C emitters and spectral sensors with highly accurate presence detectors. We create innovations to make UV treatment easy, safe, affordable and accessible for everyone, everywhere. UV-C LEDs are embedded in standard light sources to continuously clean public areas, transport or workplaces, in taps to purify water or in fully automated robots or drones to access hazardous environments. Miniaturized solutions open up new, pioneering UV applications, like sun exposure monitoring on wearables and diagnostic devices. We anticipate market and application needs in new areas of technology and turn them into reality.

Industrial: Making light work with reliable innovations

Digitization and 5G are revolutionizing industrial automation by enabling machines to interact with each other as well as with humans. For machines to sense their environment, they need high-performance sensor and light-emitting solutions. Our comprehensive technology portfolio of sensors, cameras and light emitters covers different market requirements: speed, power and accuracy as well as small form factors and cost efficiency.

Our state-of-the-art products make industrial production faster and more efficient by enabling innovations ranging from advanced machine vision to predictive maintenance and secure human-machine interaction. From production lines to home appliances – our key technologies for 3D sensing, industrial X-ray and global shutter imaging for inspections make machines and robots smarter and thus more powerful. We support safety solutions for collaborative environments, from collision avoidance systems to unguarded working environments for mobile robots and AGVs (autonomically guided vehicles) in factories or at home. Our precise emitter and sensor solutions for AR/VR applications boost the next phase of Industry 5.0 with advanced human-machine interaction.

As a market leader in horticultural/agricultural lighting, we create the perfect light environment for indoor plant growth, like indoor or vertical farming. We combine pio-

neering wavelength-optimized LEDs across the relevant color spectrum with spectral sensing technologies for cutting-edge growth stimulation and precise condition monitoring. Targeted lighting solutions also minimize fertilizer use and reduce energy costs.

We use our distinctive product portfolio of highly efficient UV-C LED emitters, spectral sensors and accurate presence detectors to make our environment safer. And we enable new functionalities for easy, safe and affordable UV treatment in a variety of applications – embedded in standard light sources to clean public areas, transport or workplaces.

Our comprehensive lighting portfolio includes spectral and ambient light sensors alongside innovative LEDs – perfectly matching the various industrial lighting needs. Miniaturized LED components provide our customers with endless design possibilities, greater cost efficiency, outstanding performance and maximum accuracy. Our portfolio covers the light spectrums required for consistent and precise high-performance work processes.

With our outstanding portfolio and application expertise, we make industrial processes smart and secure.



More with less

Semiconductor technology brings novel features to medical imaging.

Photon-counting CT technology will enable advanced clinical applications while significantly reducing radiation dose. Our unique imaging sensing solutions cover the spectrum from infrared to visible light all the way to X-rays. Photon-counting detector technology converts X-ray photons directly into a charge which can be quantified and processed immediately by the readout electronics – with photon accuracy. This innovative approach reduces the data conversion process considerably and enables our customers to create CT data at a very high spatial resolution, with an improved contrast-to-noise ratio. At the same time, it reduces the radiation dose and generates specific information on the radiation spectrum. We offer deep engineering expertise for the pioneering technologies of tomorrow.

Medical: Delivering miniaturized solutions with high precision

Awareness of personal health and fitness is steadily growing, boosted by the COVID-19 pandemic. Increasing digitization and diagnostics at the point of care are driving professional and personal healthcare and opening up completely new functionalities.

Co-creating with customers requires extensive experience and a deep understanding of health application areas. We develop key technologies for accessible, precise and efficient diagnostics and healthcare systems. Our advanced sensing and lighting products offer the highest levels of accuracy, simplify processes and create new use cases, for example in medical imaging, where we enable best-in-class digital X-ray and CT images, as well as invasive examinations with the ultra-compact NanEye camera module.

As a leading supplier of vital sign monitoring solutions, we pioneer key technologies spanning from innovative biometric optical sensor solutions to components for fitness tracking and health monitoring applications, with and without medical supervision.

Affordable solutions for remote monitoring and point-of-care diagnostics help reduce doctor's appointments and expensive laboratory testing. By thinking outside the box, we were able to develop a small and cost-effective lateral flow-testing module based on spectral-sensing technology that is ideal for rapid, cloud-based readout solutions and that improves performance and reliability.

Our products make treatment less invasive and healthcare more accurate, remote, affordable and individual.

Group Management Report 2021

1. Overview of the Economic Environment and the Past Financial Year

Development of the semiconductor sector

Despite the various Covid-19 waves around the world and their corresponding impact, demand in many end-markets remained healthy in 2021. The global semiconductor market increased by 26% in 2021 to USD 556bn compared to USD 440bn in the year 2020.

The growth was driven by sensors, MOS logic & memory, analog IC and discrete semiconductors which showed growth rates above the average growth of the semiconductor market of 25%. For ams OSRAM, important end markets include the automotive market, consumer devices such as smartphones or wearables, and industrial and medical technology. Shipments in the global smartphone market increased by 3% in 2021 compared to a year-on-year decline of 7% one year ago. In the global wearable market, shipments increased by 25% (2020: 28%), global automotive car production

showed a slight year-on-year growth of 25% in 2021 compared to a 16% decline in 2020. Despite shortages for ICs in the semiconductor sector, the situation for optical semiconductors improved considerably given additional demand from the build-up of inventories in the automotive and medical technology markets.

Structure and development of the segments The business activities of the ams OSRAM group are presented in two segments, Semiconductors and Lamps & Systems. The business segment Semiconductors comprises the group's semiconductor-related business in automotive, consumer, industrial, and medical technology market areas. The business segment Lamps & Systems comprises the group's business related to lamps and lighting systems in automotive, industrial, and medical technology market areas.¹

Semiconductors

The Semiconductors segment contributed the majority of group revenues last year from its automotive, consumer and industrial business areas. The Semiconductors automotive business is a global leader in automotive LED lighting for a wide range of exterior and interior lighting applications. This includes differentiated LED solutions

for head lamps and other front lighting, rear lighting and other exterior lighting, and interior ambient lighting. In addition, the segment's automotive business comprises interior sensing, safety systems such as ADAS, and visualization technologies. Persistent market and supply chain imbalances in the global automotive indus-

try created a highly demanding market environment through 2021. Despite this, the Semiconductors automotive business recorded a strong performance last year delivering very solid results across product areas. This performance was driven by a healthy backlog situation over the course of the year and efficient management of the automotive business' supply chains in light of the market situation. Towards year-end, the market imbalances resulted in lower OEM production volumes which, together with related supply chain volatilities, had a negative effect on the segment's automotive business.

The Semiconductors consumer business is a major supplier of sophisticated sensing and optical solutions for smartphones and additional consumer devices serving leading OEMs. The business encompasses the areas of display management, 3D applications including world-facing camera enhancement and similar functions, ultra-compact proximity sensing, spectral and bio-sensing, and additional optical applications. The segment's consumer business faced a market share loss related to its position in the mobile device market last year. This development had a noticeable negative impact on group revenues in the second half when compared to the previous year's second half and the first half of 2021. The negative market share development resulted in a lower utilization of related manu-

facturing capacity in the second half which negatively affected the consumer business' profitability despite cost mitigation measures. Effects related to this development have also continued into the current year. Moreover, the consumer business saw certain negative revenue effects caused by the supply chain imbalances in the semiconductor sector. Taking into account the abovementioned developments and related impacts the consumer business nevertheless achieved attractive overall results for full year 2021.

The Semiconductors industrial and medical technology business performed very well last year. In the segment's industrial area, the demand environment in established and emerging industrial lighting applications markets developed positively over the course of the year with a more pronounced recovery in the second half. The horticulture lighting applications market showed strong demand momentum through the second half and continuing into the current year. ams OSRAM is the leading supplier of LED components for this attractive growth market. Other industrial markets such as imaging supported the segment's performance. The Semiconductors medical technology business delivered overall healthy results driven by solid demand for medical imaging solutions such as computed tomography and digital X-ray.

Lamps and Systems

The Lamps & Systems (L&S) segment provided the remaining contribution to total group revenues last year. The automotive business of L&S comprises automotive lamps and illumination products including traditional automotive lighting technologies. As a leader in automotive lighting

L&S serves OEMs as well as the automotive aftermarket in major geographic regions. Similar to the Semiconductors automotive business, the L&S automotive business was also negatively impacted by last year's developments in the global automotive market including the continued market and

¹ Quellen: VITS, OMDA, IDC

supply chain imbalances as well as reduced OEM production volumes. The L&S automotive business recorded a solid performance last year despite these effects. The OEM-related business saw solid demand across product lines against the backdrop of the strained supply chain situation. Demand in the automotive aftermarket showed robust momentum in the seasonally important second half helping to drive overall results for the L&S segment. The other areas of the L&S business comprise a range of lighting products for various industrial, building-related and medical applications. These areas delivered overall solid results as demand in a number of industrial and other markets recovered over the course of last year. Other markets, in particular related to entertainment, remained heavily impacted by Covid-19 and the resulting decrease in demand for most of the year. Towards year-end these subdued markets started to show increasing signs of recovery.

ams OSRAM is implementing a strategic re-alignment of its business portfolio as announced. This includes the announced disposal of several businesses in the L&S segment which belonged to the former OSRAM Digital (D1) division. As part of this portfolio re-alignment two L&S business units were disposed of last year. Digital Systems North America for electronic lighting components such as drivers and ballast and Connected

Building Applications for building automation. Both sale transactions were concluded in the third quarter. In a further portfolio re-alignment step the joint venture between OSRAM and Continental AG for automotive lighting systems, which ams OSRAM had designated as non-strategic, was dissolved in the fourth quarter 2021 as planned. Both partners received their respective business activities back, as well as the assets created during the existence of the joint venture. The activities contributed by Continental AG were deconsolidated. A sale is being examined for the business activities remaining at ams OSRAM.

In its operations, ams OSRAM was able to ensure high production volumes across its global manufacturing network despite operational challenges and changing restrictions due to Covid-19. The health and safety of its employees is a clear priority for ams OSRAM and the group implemented a wide range of protective and risk-reduction measures globally which also helped to mitigate the impact of the pandemic and thereby supported the company's business performance. At the same time, the group's robust operational infrastructure was a key factor enabling ams OSRAM to successfully manage the very demanding market and supply chain environment throughout the past year.

2. Business Results

With regard to the following analysis of business performance, please note that, in fiscal year 2021, OSRAM Licht AG and its subsidiaries are included for the full fiscal year but, in fiscal year 2020, are included only for the second half of the year from

the date of consolidation. This means that the results and the cash flows in the statement of cash flows for fiscal year 2021 can be compared with those for 2020 only to a limited extent.

2.1 Revenue

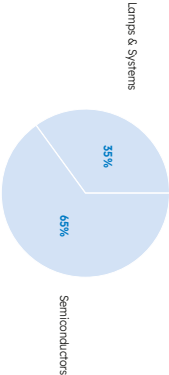
In fiscal year 2021, consolidated revenue rose by 44% to EUR 5,038 million, compared with EUR 3,504 million in 2020. This increase was primarily due to the fact that OSRAM was consolidated for the full twelve months for the first time in fiscal year 2021, but only for six months from the date of initial consolidation in the previous year. The increase in revenue was partly offset by portfolio effects of EUR 86 million in connection with the disposal of companies, i.e. revenue that the sold OSRAM business units had contributed in the second half of 2020 was not repeated in 2021. This related

to the disposal of Digital Systems (DS) in North America and of Connected Business Applications (CBA) as well as to the winding up of OSRAM Continental.

The Semiconductors segment contributed EUR 3,279 million (2020: EUR 2,605 million) to consolidated revenue, which equates to a share of 65% (2020: 74%). The Lamps & Systems (L&S) segment contributed EUR 1,760 million (2020: EUR 900 million) to consolidated revenue, which equates to a share of 35% (2020: 26%).

Revenue breakdown by segment

in millions of EUR		2021	% of revenues	2020	% of revenues	Change in %
Semiconductors		3,279	65%	2,605	74%	+26%
Lamps & Systems		1,760	35%	900	26%	+96%
		5,038		3,504		

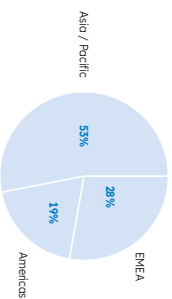


The breakdown of revenue by region does not reflect the demand situation in the Company's target markets because revenue is assigned to a region on the basis of the location of the invoice recipient.

Revenue in the North and South America region increased significantly year on year, in particular due to the revenue of the OSRAM companies being included for a full fiscal year for the first time.

Revenue breakdown by region

In millions of EUR	2021	% of revenues	2020	% of revenues	Change in %
EMEA	1,413	28%	765	22%	85%
Americas	942	19%	521	15%	85%
Asia / Pacific	2,665	53%	2,218	63%	20%
	5,020		3,504		



2.2 Earnings

Gross profit increased to €1,440 million in fiscal year 2021, compared with €1,035 million in the previous year.

Adjusted for acquisition-related expense, transformation costs, and expense for share-based compensation, the gross profit margin for the full fiscal year 2021 increased to 34%, compared with 33% in the previous year. The unadjusted gross profit margin, reported in accordance with IFRS, fell to 29%, compared with 30% in the previous year. The biggest drag on this item was impairment of EUR 151 million on property, plant, and equipment in connection with the loss of market share for certain consumer applications.

Expressed as a percentage of revenue, spending on research and development increased from 12% in the previous year to 13%. The absolute amount rose from EUR 423 million in the previous year to EUR 642 million, primarily due to the effect of consolidating OSRAM. Selling, general and administrative expenses therefore increased too, from EUR 527 million in the previous year to EUR 745 million. Expressed as a percentage of revenue, they were on a par with the previous year at 15%. The long-term target for selling, general and administrative expenses going forward is 7–9% of revenue.

The operating result (EBIT), adjusted for acquisition-related expense, transformation costs, expense for share-based compensation, and the result from investments in associates and from the sale of a business, increased by EUR 39 million year on year to EUR 302 million. Unadjusted EBIT rose by EUR 59 million to EUR 197 million. In fiscal year 2021, there were one-off effects recognized as an expense that were up by EUR 172 million year on year. Conversely, there were positive one-off effects totaling EUR 191 million arising from income on the winding up of OSRAM Continental, the increased valuation of Leddartech Inc., and the sale-and-leaseback transaction relating to a property in Berlin. The one-off effects recognized as an expense in fiscal year 2021 included impairment of EUR 151 million on property, plant, and equipment in connection with the loss of market share for certain consumer applications.

The net financial result improved from a net expense of EUR 217 million in the previous year to a net expense of EUR 198 million. The prior-year figure had included one-off transaction costs of EUR 114 million in connection with the funding of the

acquisition of OSRAM. In 2021, there were higher interest expenses resulting from the increased average debt for the year and from currency translation effects caused, in particular, by the appreciation of the U.S. dollar against the euro.

The income tax expense increased from EUR 10 million in the previous year to EUR 31 million in fiscal year 2021. The current tax expense of EUR 48 million mainly resulted from foreign companies that were profitable due to the global transfer pricing system. There were countervailing deferred taxes with a total net effect of EUR 17 million that included, in particular, income of EUR 25 million from the reversal of deferred tax liabilities resulting from acquisitions.

In 2021, the net result improved to EUR -32 million, compared with EUR -87 million in the previous year. As described above, this was mainly due to one-off income. There were also cost synergies, but these were partly offset by higher one-off restructuring and transformation expenses. The return on equity improved to -1% (2020: -3%); the return on revenue also improved to -1% (2020: -3%).

In millions of EUR	2021	2020	Change in %
Gross profit on revenues	1,440	1,035	+39%
Gross margin (GFRS)	29%	30%	
Gross margin (adjusted)	34%	33%	
EBITDA (IFRS)	957	718	+33%
Operating result (EBIT, IFRS)	4%	4%	
EBIT margin (IFRS)	138	138	
Operating result (EBIT, adjusted)	502	463	+9%
EBIT margin (adjusted)	10%	13%	
Financial result	-198	-218	+9%
Result before tax	-1	-80	+99%
Net result	-32	-87	+63%
Return on equity	-1%	-3%	
Return on revenues	-1%	-3%	

The gross profit margin (adjusted) is based on gross profit adjusted for acquisition-related expense, transformation costs, and expense for share-based compensation.

The operating result (EBIT, adjusted) and the EBIT margin (adjusted) are additionally adjusted for the result from investments in associates and from the sale of a business.

2.3 Assets and Financial Position

The balance sheet has a high ratio of non-current assets to total assets, which is common in the semiconductor industry. At the same time, the intangible assets reflect the significant acquisitions carried out in recent years. At 58%, the proportion of total assets accounted for by property, plant, and equipment and by intangible assets was virtually unchanged year on year (December 31, 2020: 60%).

Capital expenditure on non-current assets (CAPEX), which amounted to EUR 310 million, was below the sum of EUR 760 million for depreciation, amortization, and impairment and equated to 6% of revenue (2020: 5%). The ratio of non-current assets to equity increased to around 56% at the end of fiscal year 2021, compared with 51% as of December 31, 2020. Non-current assets included deferred tax assets of EUR 182 million (December 31, 2020: EUR 165 million).

Inventories rose from EUR 858 million as of December 31, 2020 to EUR 938 million. The rise was primarily due to the fact that inventories were increased for certain areas of production in the fourth quarter of 2021 and, to a large extent, have already been turned into finished goods. This was a precautionary measure taken to maintain the Company's ability to supply its customers in the event of a shortage of raw materials or restrictions resulting from potential

which is included in the operating result (EBIT, IFRS).

The acquisition-related expense includes depreciation and amortization of purchase price allocated assets as well as intangibles, carve-out and acquisition-related costs.

effects of the COVID-19 pandemic. Trade receivables increased to EUR 688 million as of December 31, 2021 (December 31, 2020: EUR 621 million).

Assets classified as held for sale amounted to EUR 134 million and included the assets of Fluence Bioengineering, Inc. The assets classified as held for sale as of December 31, 2020, which stood at EUR 48 million, had related to assets of OSRAM Continental, which was sold to Continental at the start of October 2021.

The decrease in property, plant, and equipment to EUR 1,606 million (December 31, 2020: EUR 1,928 million) primarily resulted from the derecognition of property, plant, and equipment in connection with the disposal of areas of business and from impairment of EUR 151 million in connection with the loss of market share for certain consumer applications.

The rise in the financial investments line item to EUR 147 million (December 31, 2020: EUR 25 million) was largely attributable, in an amount of EUR 123 million, to the reclassification of Leddartech Inc., from an equity-accounted investment to an equity investment measured at fair value in accordance with IFRS 9, as OSRAM lost its significant influence over Leddartech Inc. because it did not take up all of the

available shares relative to its existing shareholding when the company carried out a capital increase.

Financial liabilities declined by EUR 177 million to EUR 3,126 million, primarily due to the repayment of bank loans of EUR 166 million, the repayment of promissory notes of EUR 117 million, and the buyback of convertible bonds with a carrying amount of EUR 73 million. This was partly offset by the taking out of bank loans of EUR 97 million and by the effects of translating financial liabilities denominated in U.S. dollars, whose carrying amount increased due to the appreciation of the U.S. dollar against the euro. The EUR 266 million decrease in cash and cash equivalents caused net debt to rise slightly, from EUR 1,707 million as of

December 31, 2020 to EUR 1,795 million as of December 31, 2021. The Group's equity increased by EUR 122 million despite the negative result after tax. This was due

to other comprehensive income totaling EUR 319 million that arose, in particular, on currency translation from U.S. dollars to euros in respect of foreign subsidiaries. The purchase of shares in OSRAM Light AG reduced equity by EUR 58 million, while the obligation to pay future guaranteed compensation payments to OSRAM Light AG's minority shareholders reduced equity by EUR 162 million.

Liabilities associated with assets classified as held for sale amounted to EUR 40 million and included the liabilities of Fluence Bioengineering, Inc. The corresponding liabilities as of December 31, 2020, which stood at EUR 127 million, had related to liabilities of OSRAM Continental.

For information on financial instruments and changes in equity, please refer to the disclosures in the notes to the consolidated financial statements.

Assets in millions of EUR	2021	2020	Equity and liabilities	2021	2020
Inventories	938	858	Financial liabilities	3,126	3,303
Trade receivables	688	621	Trade liabilities	710	545
Other current assets	1,656	1,833	Other liabilities	2,103	2,483
Fixed assets	6,180	6,486	Provisions	556	605
Deferred tax asset	182	165	Shareholders' equity	3,150	3,027
Total assets	9,644	9,963	Total equity and liabilities	9,644	9,963

As a result of the increase in equity and simultaneous decrease in financial liabilities, the debt to equity ratio fell to 99%, compared with 109% a year earlier. At the same time, the equity ratio rose to 33% (2020: 30%).

	2021	2020
Equity ratio	33%	30%
Debt to equity ratio	99%	109%
Equity to fixed assets ratio	56%	51%
Net debt ¹	1,795	1,707

These performance indicators are derived directly from the consolidated financial statements.

2.4 Cash Flow

Cash flows from operating activities increased to EUR 792 million in 2021, compared with EUR 707 million in 2020. This rise was only partly due to the improvement in earnings as the figure for fiscal year 2021 contained significant non-cash income, primarily a sum of EUR 97 million resulting from the increased valuation of LeddorTech Inc. The figure for fiscal year 2021 also included net gains of EUR 70 million on sales of business activities and other non-current assets, whose impact on cash flow is shown in investing activities. There was a countervailing effect from the EUR 180 million increase in depreciation, amortization, and impairment, which is included in the statement of cash flows in the reconciliation from the result after tax to cash flows from operating activities. The main reason for the year-on-year increase in cash flows from operating activities was the decrease in working capital of EUR 57 million; in 2020, working capital had increased by EUR 30 million.

Cash flows from investing activities amounted to EUR -560 million (2020: EUR -1,495 million), including EUR -310 million for intangible assets and property, plant, and equipment (2020: EUR -177 million) and EUR -524 million for acquisitions (2020: EUR -920 million).

The acquisitions in fiscal year 2021 included cash payments totaling EUR 452 million to increase the number of OSRAM Light AG shares held (2020: EUR 1,958 million less acquired cash and cash equivalents of EUR 614 million). Further cash payments included EUR 72 million for the acquisition of 50% of the shares in OSRAM CONTINENTAL GmbH in connection with the unwinding of OSRAM Continental. The net cash provided by the sale of business activities amounted to EUR 277 million (2020: EUR 41 million). A significant sum within this figure, EUR 144 million, related to the sale of companies to Continental.

Free cash flow came to EUR 482 million (2020: EUR 531 million). The Company's available liquidity decreased by EUR 266 million to EUR 1,331 million as of December 31, 2021.

Cash flows from financing activities amounted to EUR -534 million in the reporting year (2020: EUR 1,951 million). The prior-year figure had been heavily influenced by the corporate action taken to fund the acquisition of OSRAM, which had involved a net cash inflow of EUR 1,649 million from the capital increase and a net cash inflow of EUR 1,992 million from the issue of bonds and a convertible bond. In fiscal year 2021, however, the repayment of bank loans and

promissory notes, which were only partly refinanced by taking out new loans, led to a net cash outflow of EUR 190 million. Fur-

thermore, convertible bonds with a nominal value of EUR 77 million were repurchased at a purchase price of EUR 67 million.

In millions of EUR	2021	2020	Change in %
Operating cash flow	792	709	+12%
Cash flow from investing activities	-560	-1,495	-63%
Free Cash Flow	482	531	-9%
Cash flow from financing activities	-534	1,951	-127%
Effects of changes in foreign exchange rates on cash and cash equivalents	33	-55	-160%
Cash and cash equivalents	1,331	1,597	-17%

Free cash flow comprises the cash flows from the operating activities of continuing operations less cash payments for the purchase of intangible assets and property, plant, and equipment. The definition of this performance indicator has changed

compared with the previous year. In 2020, free cash flow had comprised cash flows from operating activities and cash flows from investing activities. The prior-year figure has been adjusted to reflect the new definition.

3. Research and Development

Our development sites are globally positioned, with LED development in Germany and Malaysia, VCSEL technology in the US and Singapore, package development in Singapore, Malaysia and China, micro-optics in Switzerland, the development of conversion solutions, optical coatings and filter solutions, image and color sensor technology in the US, Germany and Austria, and IC design development in India, the US, Italy, Austria and Switzerland. This gives oms OSRAM a strategic advantage by providing us with access to both leading expertise and a global production network.

oms OSRAM's position as a technological leader in the development and production of high-quality sensing and lighting technologies for use in products such as mobile devices, automotive lighting and medical technology is based on intensive research and development activities. To secure and strengthen our leading position, we invest significantly in research and development (R&D) on a continuing basis. Research and development expenses in the past fiscal year amounted to EUR 642 million, or 13% of revenues, compared to EUR 423 million (12% of revenues) in 2020.

Our research and development activities enabled oms OSRAM's growth in recent years and form the basis of an extensive product and design pipeline for the years to come. The average number of employees in research and development was 3,445 in 2021 (2020: 3,732).

oms OSRAM's R&D activities mainly comprise optical technologies for applications in the sensing, lighting and visualization segments. Our broad technology portfolio addresses the consumer, automotive, industrial, and medical technology end

markets. In addition, the development of software and algorithms and the integration of machine learning and artificial intelligence has become an integral part of our R&D activities. The combination of individual hardware components into modules and systems with differentiating software solutions represents an important element of product development at oms OSRAM, and is a pillar of our development processes for end-to-end solutions.

The following innovative product developments based on oms OSRAM's R&D activities provide a good overview of our broad product portfolio. Our LED product portfolio has been expanded to include innovations for automotive lighting such as the brightest LED available on the market for use in the low and high beams of vehicles. In the visualization segment, our latest LED generation enables additional brightness and image quality for LED-based projectors thanks to optimized chip and package technology; oms OSRAM has also introduced the first ultraviolet C-band (UV-C) LEDs to the market, which facilitate new possibilities for disinfecting air, surfaces and water. Measuring one square millimeter, NanEyeM is the smallest camera module available on the market with a fully digital output for medical endoscopes. The attractively priced module enables single-use applications in high volumes.

Close strategic coordination between our business units, strategy department and CTO takes place on an ongoing basis and determines our strategic decisions regarding technology and product development. We attach great importance to stimulating, promoting and coordinating a continuous innovation process.

As part of our approach to working with strategic partners, we collaborate globally with leading research institutes, universities and other companies. Collaboration takes place, for example, through research programs such as those funded by the European Commission as well as local funding programs around the world.

oms OSRAM's venture capital entity Fluxunit continued with the activities it had begun in previous years. Fluxunit makes targeted investments in young start-ups that can meaningfully complement our business activities in the long term. Its investment portfolio currently consists of 11 companies developing products in various fields where oms OSRAM is active, as well

as two additional investments in venture capital fund companies.

The creation, maintenance, enforcement and use of patents, trademarks and other intellectual property rights is an important aspect of our strategy to differentiate ourselves in the marketplace and to protect our R&D investments and generate a return on them. Our global patent portfolio comprises around 15,000 patents and patent applications, corresponding to approximately 5,800 patent families. During the year under review, we continued to develop our patent strategy, taking into account the interplay of business, technology and market aspects, while focusing on future value creation.

4. Purchasing and Manufacturing

The procurement situation was challenging in fiscal year 2021 in view of the supply bottlenecks affecting the entire semiconductor industry, as well as oms OSRAM. Our initiatives focused on bundling the purchasing of oms and OSRAM allowed us to successfully realize the synergy potential resulting from the combination of our businesses. Despite the overall cost savings achieved, however, cost increases for some key materials, goods and services due to the global chip shortage, rising raw material prices and energy supply bottlenecks in China have also had a lasting effect on oms OSRAM.

The oms OSRAM Group has 23 production sites worldwide excluding the Fluence production site, which is reported as an asset held for sale on the balance sheet as of December 31, 2021. Production sites are located in Premstätten (Austria), Regensburg

and Herbrechtingen (both in Germany), Antwerp (Belgium), Nové Zámky (Slovakia), Treviso (Italy), Hillsboro (New Hampshire, USA), Singapore, Wuxi (China), Pengang and Kulim (both in Malaysia), Calamba City (in the Philippines), and elsewhere.

One of our most important investments in production in 2021 was a pilot line for micro LEDs built at our Regensburg site to enable new types of display generations. Capacity utilization at our plants in Regensburg, Wuxi, Pengang and Kulim increased due to positive market development and increased demand in the automotive and consumer market as a whole, as well as for LEDs for various lighting applications. In contrast, capacity utilization at our Singapore plant was lower than in the previous fiscal year due to a loss in market share for certain consumer applications.

5. Employees

Our employees are the basis of our long-term business success and they create the added value we want to offer our customers. It is important to us to offer our employees a secure job with good working conditions and prospects, to contribute to their development, and to pay them fairly. Furthermore, as a globally active company, the diversity of our employees is a major concern for us. As of December 31, 2021, ams OSRAM Group had 24,499 employees (2020: 29,753). The average number of employees for the year was 26,130 (2020: 30,031), based on FTEs (full-time equivalents).

At ams OSRAM, we are aware of our responsibility as an important employer in the regions where we operate. Accordingly, we continued to offer comprehensive internal and external training and development opportunities for all of our employee groups during the past year, in addition to providing training positions for apprentices.

We seek to retain our employees by offering a long-term compensation concept.

A profit-sharing program for all ams OSRAM employees adds an attractive direct component to our existing stock option plans and employee compensation programs. Our profit sharing program embodies the belief that our employees are the most important factor in the success of our company by rewarding the joint contribution of all of our employees to ams OSRAM's success.

Due to the development of earnings in the previous fiscal year, a profit-sharing bonus was paid to employees in the amount of EUR 19 million in 2021 (2020: EUR 21 million). The amount of the bonus is determined on the basis of adjusted earnings after tax.

In addition, active internal corporate and employee communication, as well as a long-standing company tradition of regular employee events, promote employee identification with our company. Such events include, for example, town hall meetings or webcasts given by our Management Board and other management representatives.

6. Environmental Management

As an industrial company, we consume natural resources and create greenhouse gas emissions at our production facilities. In order to meet our environmental responsibilities, we have committed to conserving resources through environmental management, as well as to developing innovative and energy-efficient products. As part of our environmental reporting, we collect data on energy consumption, greenhouse gas emissions, water abstraction, and waste generation.

The ways in which we implement environmental management and address other aspects of sustainability are described in a separate sustainability report that can be found at: <https://ams-osram.com/sustainability-reporting>. In addition to describing our organizational structure, responsibilities, guidelines and processes, the report also explains the specific goals, measures and results relating to all topics of importance to ams OSRAM.

7. Subsidiaries and Investments

As parent company of the ams OSRAM Group, ams-OSRAM AG has 117 subsidiaries in 49 countries, in addition to holding direct or indirect interests in 33 companies.

China Lighting Ltd., in which it only holds 90% of the shares. Significant associates and other investments:

As of December 31, 2021, ams-OSRAM AG held 79.91% (2020: 70.72%) of the outstanding shares in OSRAM Licht AG. OSRAM Licht AG directly or indirectly holds 100% of the shares in all fully consolidated OSRAM companies with the exception of OSRAM

As of December 31, 2021, significant associates in terms of value that are accounted for using the equity method particularly included the following:

Name of holding	Country of incorporation	Ownership interest
Jinan Smart Sensing Sensor Co. Ltd.	China	49.00%
Sciosense Holding BV	Netherlands	45.22%
Bobo Inc.	USA	20.38%

The investment in Bobo Inc., a manufacturer of high-efficiency ultraviolet C-band (UV-C) light-emitting LEDs, was acquired in fiscal year 2021. By investing in the California company, ams OSRAM is further expanding its technological know-how for disinfection applications using UV-C lighting. Future research collaboration between our two

companies is expected to accelerate the industrialization of highly efficient, high-performance UV-C LEDs.

In 2019, ams acquired 49.00% of Jinan Smart Sensing Sensor Co. Ltd., Shoungai (China). In 2020, a further 45.22% of Sciosense Holding BV, in the Netherlands was

acquired, Sciosense Holding BV, is a direct subsidiary of Jirion Smart Sensing Sensor Co. Ltd, which is a holding company for a provider of environmental sensors and high performance flow sensing systems.

As of December 31, 2021, significant investments in terms of value that are accounted for at fair value particularly included the following:

Name of holding	Country of incorporation	Ownership interest
Uedartech Inc.	Canada	19.20%
HLJ Technologies Co. Ltd.	Taiwan	12.50%
Recongn, Inc.	USA	5.33%

8. Risk Management

Main features of the accounting-related internal control system

The internal control system, which has been adapted in the course of integration into the ams OSRAM Group, is being implemented as part of the harmonization of processes. We are also continuously refining our internal control system in order to meet all requirements.

The overarching goal of our accounting-related internal control system is to ensure the correctness of financial reporting in the annual and consolidated financial statements. The system consists of preventive and detective controls, which ensure that group-wide standards for accounting, valuation, and account assignment are continuously updated and maintained, transactions can be completely recorded, and that group-internal transactions are appropriately eliminated. It also establishes processes for the separation of functions and for observing the principle of dual control when preparing the financial statements, as well as individual access authorizations for accounting-related IT systems.

The effectiveness of the internal control system is reviewed on an annual basis. Internal controls are revised if necessary to

eliminate any detected areas of weakness. The internal audit function of ams OSRAM uses continuous and group-wide audits to ensure compliance with group-wide guidelines as well as the reliability and functionality of our control system.

The Audit Committee of the Supervisory Board oversees the accounting process and the effectiveness of the control system. It is also responsible for auditing the documents for the individual financial statements of ams-OSRAM AG and the consolidated financial statements, and it discusses the individual financial statements of ams-OSRAM AG, the consolidated financial statements, and the combined management report with the Management Board and the auditor.

Enterprise Risk Management (ERM) System

In the context of its global activities, the ams OSRAM Group is subject to a number of risks that are inseparably associated with business activity.

In order to identify, assess, and control risks, ams OSRAM practices systematic risk management for the early detection of risks that could endanger the continued existence of the ams OSRAM Group or the

achievement of our strategic, operational, financial, and compliance objectives, and to initiate risk-limiting measures as necessary. We are continuously refining our risk management system in order to meet changing internal and external requirements.

The central office for risk management coordinates the risk management process and risk reporting. Responsibility for the identification, assessment, reporting, and management of significant risks is borne by management at the level of the central units and the business units.

Semiannual meetings are held with management to assess significant identified risks. In these meetings, the reported risks are qualitatively assessed based upon their effects on our business activity and their probability of occurrence. Our assessments follow the net principle, in which we assess risks in light of previously initiated effective actions.

Non-financial risks are also included in the ERM process and are qualitatively assessed in a uniform manner using the aforementioned

Strategic Risks

Competition for the introduction of new technologies

The ams OSRAM Group operates in a high-tech industry with a strong focus on technologically advanced applications, marked by short product life cycles and constant innovation. There is a risk that disruptive technologies could quickly become market-ready. Competitors could also introduce alternative products or technologies that are more cost-effective, of higher quality, possess greater functionality, or are more competitive for other reasons. There is also the risk that changes in market and customer requirements are not or cannot be

tioned method. If this assessment shows significant risks for the Group, the risks are reported as part of the subsequent risk reporting.

The regular report is presented to the

Management Board on a semiannual basis and to the Supervisory Board on an annual basis. It is supplemented by an ad hoc report if needed to ensure that the Management Board and Supervisory Board receive complete and timely information about significant risks. The Management Board of the ams OSRAM Group determines whether the risks, either individually or as a whole, represent an existential threat and verify that there is no substantial danger to the going concern. The Audit Committee of the Supervisory Board monitors the effectiveness of this system.

The following section provides a description of the significant strategic and operational risks for the ams OSRAM Group, which could have particularly negative effects overall on our business activity as well as net assets, financial position, and results of operations.

considered early enough and to a sufficient extent. We must therefore develop innovative and differentiated technologies for products that can be manufactured competitively in terms of technology and cost for the right applications and markets, and get them market-ready in a timely manner.

The future success of ams OSRAM also depends upon whether its internally developed intellectual property can be sufficiently protected and profitably utilized. Failure to do so may endanger the future growth and competitiveness of the entire Group. It may lead to a rapid decline in market share

in the affected areas of business or failure to achieve growth objectives. Investments in research and development could not be recouped through revenues, which would reduce the profitability of the entire Group.

We counter these risks with specific measures. Potential new fields of technology are monitored and the results of these observations are considered in our strategic planning. Technological expertise that will be necessary in the future is incorporated into the technology roadmap for the respective business segments. The technology roadmap is an integral part of medium and long-term strategic planning. We also have a team in the Strategy division that performs market analyses and reviews areas of technology as well as research and development plans on a regular basis, so that they can be focused more sharply if needed. In addition, we are working to optimize the efficiency of our operational product development processes.

Macroeconomic effects and geopolitical conflicts

The macroeconomic trend in fiscal years 2020 and 2021 was strongly influenced by the effects of the COVID-19 pandemic. Despite a worldwide economic recovery, the future trend in the global economy still depends largely upon the rate of infection. The rate of infection continues to be volatile, primarily due to the emergence of variants of the coronavirus that are more contagious than the wild-type strain. This may result in repeated interruptions of global value chains, with negative consequences for the further growth of the global economy.

These disruptions of supply chains caused by the pandemic are leading to goods shortages and thus significant price

increases, primarily for energy and raw materials. Energy prices are also heating up due to the smoldering conflict between Russia and Ukraine. To stem the rising inflation caused by these factors, central banks around the world could be forced to pursue a less expansive fiscal policy in future and to increase interest rates, which could in turn slow down global economic growth. In addition, trade and tariff disputes as well as trade restrictions, such as those between the US and China, which are aimed in part at key companies in the high-tech sector supported by the Chinese state, could impair global trade and thus global economic growth. Another economic downturn, above all in our relevant sales markets, may mean that we fail to achieve planned revenues and profitability.

To offset the aforementioned effects, we conduct regular reviews of our value chains, i.e., our global and regional presence and our processes. In this way, we strive to achieve cost savings and operational improvements that allow us to avoid tariffs as well as to compensate for market-driven reductions in selling prices for certain product groups, price increases for energy and raw materials, and higher wages. In order to develop and adopt effective response strategies, we continuously monitor early warning indicators. We also regularly negotiate selling prices with our customers and adjust them as needed.

Risk of failure to achieve strategic objectives in connection with the OSRAM merger

The merger of ams and OSRAM is a transformative event for the combined company, which requires significant initiatives for integration and restructuring. These activities entail the risk of overcommitting resources (particularly management

capacities and employees), which could temporarily impair our operational performance and innovative capacity. The loss of key employees (brain drain) due to changes in the company or uncertainty could also have negative effects.

There could also be delays in the timely implementation of approved measures, which could have negative effects on achieving the planned synergies. Possible planned sales of business segments may not occur within the expected timeline or may not produce the expected income.

A dedicated integration and project management team, supported by external consultants, should minimize this risk. Planned savings from program actions are recorded in a central reporting tool, and their implementation is continuously tracked.

Competitive environment

Competitive pressure in the semiconductor industry is generally high due to a large number of current competitors and new market participants. Because of the continuing shortage of semiconductors, a worldwide expansion of production capacities is currently being promoted and subsidized. One result of this may be that producers of LED components and sensor products will have to increasingly differentiate themselves by price in order to fully utilize their production capacity. This price competition could influence the achievement of our objectives in terms of market shares and profit margins.

We therefore regularly review additional productivity enhancement and cost reduction measures, with a focus on targeted research and development expenditures to differentiate our products through technological advances and thereby ensure the profitable utilization of existing capacities.

Volatile and cyclical market developments

End-market demand for technologically advanced consumer products that use semiconductor-based technologies, such as sensors, optical solutions, or LEDs, are subject to rapid technological change and thus relatively short product life cycles. This can have negative effects on the demand for ams OSRAM components. We therefore continuously look for ways to exploit new areas of application for our technologies in consumer electronics and other fields, such as medical applications.

The merger with OSRAM reduced the share of consumer electronics relative to total revenues. The automotive business has longer cycles. Even though the volume of automotive manufacturing in 2019 will not be achieved over the medium term, following the slight recovery in automotive manufacturing in 2021 we continue to assume that there will be positive growth in 2022. There is a risk that this positive trend will be reversed or interrupted by the pandemic.

An increasingly dynamic market or market volatility in both the automotive field and in consumer electronics may cause our customers to adjust their order quantities over the short term. For ams OSRAM, this would mean firstly a cost risk due to fluctuations in capacity utilization in our own production and excess inventory, and secondly the risk of supply difficulties due to capacity bottlenecks. Our forecasts for the growth of our own business are therefore subject to a certain degree of uncertainty.

For this reason, we are continuously monitoring relevant market indicators and implementing appropriate measures for short-term adjustment of inventory and production capacities.

Operational Risks

Business interruption risk

The continuous optimization and focusing of our production environment increase the dependence on individual production locations. Thus, there is a risk that disruptions in our plants or external influences could result in an inability to produce or deliver products in the planned scope. That is why, in addition to insuring against damage to equipment and buildings, we maintain appropriate insurance to protect against risks arising from business interruption. We also conduct preventive maintenance and have defined emergency plans for critical areas to ensure the availability and quality of our products. Fire and disaster protection for significant locations is also continually reviewed and improved. The risk of supply bottlenecks is reduced where possible by diversifying our supplier base and closely monitoring critical vendors and materials. Similarly, the progress of construction projects could delay our investments in expansion. We have countered this by establishing an appropriate project risk management process.

We currently assess the business interruption risk as high in connection with the further course of the COVID-19 pandemic. We are therefore strongly focused on preventing COVID-19 infections in our own operations so that we can maintain the ability of our OSRAM to supply its products. The existing health protection measures remain in effect without change and are continuously adapted based upon current circumstances. In addition, we reserve the right to review the COVID-19 safety measures of the general contractors for our construction projects. A new round of production interruptions caused by the pandemic could nevertheless have a negative effect on our

delivery capacity. There could also be delays in our ongoing construction projects.

Customer concentration

If a disproportionately high percentage of the total revenue and profit of the OSRAM Group is earned from individual customers, we could become dependent on the individual customer's business success or market share and thus upon their demand for our products. If these customers cannot be contractually committed to minimum order quantities, the OSRAM Group may suffer a loss of revenue if customer order quantities are reduced, or if orders are delayed or canceled.

The merger with OSRAM reduced the percentage of consumer electronics relative to total revenue. A loss of projects or a reduction in business activity with key accounts could nevertheless still lead to losses in revenue and insufficient utilization of customer-specific production capacities. We are therefore striving to further diversify our customer portfolio in order to reduce the effects of volatile market developments.

Material shortages

A faster market recovery than expected from the effects of the pandemic, above all in China, and increasing digitization could lead to a disproportionate increase in customer demand and a serious global shortage of electronic intermediate products. This situation may be further exacerbated by continued disruptions in the global supply chain. Any delay or failure to fulfill customer orders could lead to a loss of revenue for OSRAM as well as claims by customers for contractual liability or even loss of the customer. Our customers may also experience production stoppages

due to lack of materials, which could reduce demand for OSRAM components. We counter these risks by continuously tracking incoming customer orders as well as trends in the procurement market, and by monitoring our suppliers' performance.

Over the course of the year, material shortages have led to significant increases in raw material prices. The resulting price increases by our suppliers could negatively affect our profitability if they cannot be fully passed on to our customers.

This tense situation with the availability of materials and equipment could also have negative effects on current construction projects, which could lead to delays in the progress of construction and price increases. We are countering this risk by ordering materials and equipment as soon as possible, with long delivery times.

Dependence on suppliers

To avoid dependence on individual suppliers for critical materials, we generally vet a second source in addition to the preferred vendor. This is not always possible or economically practical, however. Moreover, certain production services in the semiconductor field can be outsourced only to a limited number of wafer producers.

If one or more of these sole suppliers fails to fulfill its supply obligations, this could impact our delivery capacity and result in loss of revenue. We also face the risk of price increases by suppliers.

Obtaining information on and regularly monitoring the financial situation of suppliers is a fixed component of our supplier risk management process. Dedicated employees coordinate our collaboration with important production service providers. We

also maintain a forward-looking inventory and procurement management process and conclude long-term delivery agreements where possible.

Because several semiconductor production plants are currently under construction in Asia, there is a shortage of construction companies and experts in this region, which could lead to delays in the progress of our current construction activities. Independent risk management is established.

Cyber risks and IT risks

The increasing digitization of our business processes makes the reliability and security of our system infrastructure extremely important. Regulatory requirements for the protection, integrity, and availability of data are also on the rise.

There has been an evident increase in cyberattacks worldwide, and external attacks on our IT systems are therefore probable. Such attacks could result in the theft of business information, intellectual property, and personal data. A lack of risk awareness on the part of employees and improper handling of our IT systems could also make external attacks easier, or could lead to situations in which data are lost or can be recovered only at significant expense. Malfunctions in the IT systems could also cause significant interruptions of our production and supply chain, which would entail loss of revenue.

To counter these risks, we have transferred IT systems and applications to sufficiently secure cloud solutions, and we conduct independent tests at regular intervals to determine the vulnerability of our IT systems. In terms of information security, we operate in accordance with the ISO 27001 standard. We also conduct training for our

employees and have a contract with an emergency response service provider in the event of a serious cyberattack.

A data protection management system that builds on globally applicable "binding corporate rules" ensures company-wide standards for handling personal data. This includes training for all employees and the implementation of uniform technical and organizational measures, particularly when data are being processed by external service providers.

Quality Risk

Meeting market and customer-specific requirements for our products is particularly important for our business success. The increasing complexity of product and manufacturing processes and shorter development cycles increase the risk of possible

quality issues. Products manufactured by omis OSRAM are integrated into complex electronic systems. Errors or functional defects in products produced by omis OSRAM could directly or indirectly compromise the property, health, or life of third persons, and could therefore lead to recalls from our customers and negative effects on our reputation.

We counter this risk through group-wide quality processes, which are audited internally at regular intervals based upon established standards (such as ISO 14001, ISO 13485, ISO 9001, and IATF 16949) and audited externally by our customers, and are also certified by external companies. In the event of quality defects and product safety incidents, we have established an effective reporting system to ensure a timely response.

Financial Risks

The omis OSRAM Group is subject to a variety of financial risks. The relevant risks include liquidity risk, interest-rate risk, foreign currency risk, and credit risk. Changes in credit ratings, currency exchange rates, interest rates, and the general capital market situation can influence both our operational business and our investment and financing activities. Market price fluctuations can lead to significant volatility in profits and payment flows.

Financial risk management is conducted by the central Treasury department based upon guidelines approved by the company's Management Board and Supervisory Board. The Treasury department assesses and secures against financial risks in close collaboration with the operational business areas, also using financial derivatives.

(pursuant to the respective definition) must not exceed 4.0:1. The resulting risk of calls for early repayment or blocks on utilization of credit is intensively analyzed in the context of short and long-term business and financial planning.

Interest-Rate Risk

Interest-rate risks could arise for omis OSRAM primarily through increased financing costs due to a rise in interest rates, while falling interest rates lead to lower interest income from financial investments. This risk of changes in interest rates is countered by the fact that under liabilities, more than 95% of the financial liabilities have fixed interest rates. Under assets, risks of changes in interest rates exist primarily due to short-term time deposits, which are linked to the market interest rate. Having opposing items under assets and liabilities naturally reduces overall exposure.

Foreign Currency Risk

As a global company, we conduct our transactions in a number of different currencies. This results in risks caused by fluctuations in foreign currency exchange rates, both in our operational business as well as in financial reporting from currency conversion into the group reporting currency.

Based upon our corporate structure, these result primarily from fluctuations of the euro vis-à-vis the US dollar and can have a negative effect on our profit, equity, and cash flow. In order to hedge currency risks from our operational business and financial positions, we monitor all transaction risks and conversion risks. Depending upon the respective risk situation, we also use financial derivatives to hedge net risks from balance sheet items and risks from scheduled transactions.

Credit Risk

Credit risks arise when a customer or a counterparty to a financial instrument is incapable of fulfilling its payment obligations. Pursuant to our treasury and risk management policy, financial investments and transactions with derivative financial instruments are conducted only with financial institutions having a high level of creditworthiness, and are widely diversified.

Individual credit limits for customers and financial institutions are issued based upon external and internal data and are continuously monitored. There was no disproportionate concentration of credit risks of the balance sheet date.

Liquidity Risk

The liquidity risk is that omis OSRAM will be incapable of meeting its financial obligations when they come due. Debt financing undertaken in conjunction with the acquisition of OSRAM has increased the need for financing as well as expectations with respect to future strong financial performance. A long-term liquidity plan and business plan are helping to support the future financial success of the omis OSRAM Group. The company has sufficient liquid assets, as well as a substantial amount in approved long-term credit lines that have not been utilized. A financing structure that has been diversified in terms of financial instruments and maturity profile also provides a sufficient margin. Several financing agreements contain arrangements customary for the market, under which the ratio of net financing debt to adjusted EBITDA

Legal and Compliance Risks

As a global company, the oms OSRAM Group with its subsidiaries is subject to a variety of legal and compliance risks. These include the risk of litigation and the risk of noncompliance with regulatory requirements, oms OSRAM may therefore be confronted with various court proceedings, claims, and official investigations. These could result in the company incurring costs, e.g., for damages, recalls, fines, or other financial detriments, as well as reputational damage.

We are subject to a variety of governmental regulations worldwide, e.g., anticorruption and anti-money laundering laws, as well as laws to ensure data protection, environmental protection, product safety, and labor conditions. Failure to comply with the relevant regulations may under certain circumstances result in significant fines and reputational risks. To prevent this to the extent possible and to anticipate future regulatory changes in a timely manner, we monitor global changes in the legal landscape through central departments that support the country-specific implementation of appropriate processes and controls. In order to avoid and, if necessary, to identify compliance-related events in a timely manner, oms OSRAM has established a comprehensive group-wide compliance management system.

Like us, many of our competitors, suppliers, and customers also protect their technology through patents or other proprietary rights. The enforcement of claims by other parties based upon an alleged infringement of proprietary rights could lead to significant costs in the form of court costs, damages, and/or license fees. Such claims could also hinder the business of oms

OSRAM. We reduce our risk by maintaining and, if necessary, enforcing a strong IP portfolio. We also monitor the external IP environment. If necessary, we also acquire licenses to ensure our freedom of action.

If economically practical, we also purchase insurance to cover a portion of the risks. Note 18 Provisions of the Notes to the Consolidated Financial Statements provides an overview of significant legal disputes.

Overall estimate of risks

During the past fiscal year, the risk situation of the oms OSRAM Group continued to be subject to the effects of the COVID-19 pandemic, and was characterized by material shortages and supply bottlenecks. The risks associated with the overall business environment could have a serious effect on the business of oms OSRAM and could frequently require new operational actions as well as adjustments of its strategy. It remains to be seen how extensive and long-lasting the effects of the COVID-19 pandemic will be for our business.

Taking into account the respective probability of occurrence and the potential effects, the risks enumerated in this report do not endanger the continuity of the company's business, either individually or in their entirety. Given the balance sheet structure and the current business prospects, the Management Board does not expect any substantial threat to the going concern. This assessment is supported by our financing structure, see Note 19 Interest-bearing Loans of the Notes to the Consolidated Financial Statements.

9. Events After the Balance Sheet Date

The renaming of the highest-level Group company from oms AG to oms-OSRAM AG became effective when it was entered

10. Outlook

In the current year significant uncertainties continue related to the development of the global economy, private consumption and worldwide industrial production including automotive production. These uncertainties reflect the ongoing impact of the Covid-19 pandemic and a more volatile macro-economic environment with unclear effect on major economies and regions, oms OSRAM is therefore subject to potential continued end market volatility, customer performance that may be difficult to anticipate, and potential unforeseen changes in demand trends, supply chain performance and semiconductor industry dynamics. At the same time, oms OSRAM is confident about its market position and sees itself well placed to serve customer needs in important markets. This view is based on the expected introduction of new solutions for illumination, visualization and sensing applications, expected high volume shipments to a global customer base, and planned production ramps of various design-wins.

With effective control of OSRAM on the basis of the domination and profit and loss transfer agreement between the companies oms OSRAM will continue the integration of OSRAM in the current year on the basis of planned programs and activities. As a consequence, oms OSRAM expects to record further considerable expenses for 2022 from implementing integration-related measures based on current information.

In the commercial register on January 18, 2022.

Looking ahead, oms OSRAM expects the planned full integration of both companies to drive significant mid and longer-term business advantages and positive financial effects for the group. On the basis of a current assessment of semiconductor and end market dynamics and the global macro-economic environment oms OSRAM expects its business to show positive development overall in 2022. However, should global semiconductor demand and the macro-economic environment develop unfavorably in 2022 and/or the US-Dollar show notable weakness, oms OSRAM would experience a meaningful impact on the development of its business and earnings.

oms OSRAM pursues a global leadership position in optical solutions as its strategic focus which is supported by the continuing successful integration of OSRAM. For this growth strategy the mid-term priorities for oms OSRAM are expanding the group's business with key accounts globally and driving higher penetration of its worldwide markets and customer base. oms OSRAM will leverage its industry-leading portfolio of light emission, optics and sensing technologies to drive innovation in its focus areas and create customer-driven solutions for new applications. Enabled by these solutions, oms OSRAM expects to benefit from a diversified range of growth opportunities in the automotive, consumer, industrial and medical technology end markets.

11. Other Information

For information on equity, treasury shares, and equity investments, please refer to the notes to the consolidated financial statements.

Premstaetten, February 23, 2022

oms-OSRAM AG, Premstaetten



Alexander Everke
Chairman of the
Management Board
CEO



Ingo Bank
Member of the
Management Board
CFO



Thomas Stockmeier
Member of the
Management Board
CTO



Mark Homersma
Member of the
Management Board
CBO