

**EANS-Adhoc: ams AG / ams submitted a proposal to OSRAM for a takeover offer at a price of €38.50 per share**

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Mergers - Acquisitions - Takeovers

11.08.2019

Premstaetten -

- \* Combination of ams and OSRAM creates a global leader in sensor solutions and photonics with tangible benefits for customers
- \* Step change for both companies, leveraging European sensor and photonics technology to drive growth, margin improvement and continued investment
- \* Offer price of EUR38.50 reflects premium of 33% to undisturbed OSRAM share price (EUR28.92) and 10% to the offer from Bain Capital and The Carlyle Group (EUR35.00)
- \* Cost and revenue synergies with an expected annual pre-tax run-rate in excess of EUR300 million, representing significant value creation
- \* Expected to be accretive to ams' earnings per share from the first year post completion; returns expected to exceed ams' cost of capital from the second year post completion
- \* EUR4.2bn committed bridge facility and EUR1.5bn underwritten equity issuance, resulting in pro-forma Dec-2019 net debt/EBITDA ratio of 4.3x or 3.2x adjusted for run-rate synergies
- \* Higher quality cash flows, underpinned by diversified revenue mix and synergies, drive deleveraging and facilitate further investment in the business
- \* Plan to identify the best owner for the Digital division and gradually phase-out of the Consumer General Lighting LED business
- \* Ready to enter into a binding agreement with protective covenants and commitments for employees and further investment in Germany
- \* ams has requested OSRAM to waive the standstill agreement to enable the launch of a takeover offer which is attractive for all stakeholders

Premstaetten, Austria (11 August 2019) -- ams AG (SIX: AMS), a leading worldwide supplier of high performance sensor solutions, has today submitted a fully

financed proposal (the "Proposal") to OSRAM Licht AG ("OSRAM") for an all-cash takeover offer (the "Offer") for 100% of the share capital of OSRAM at a price of EUR38.50 per share (the "Transaction"). The Proposal includes a comprehensive commitment package addressing all stakeholders of OSRAM. ams is confident that the Proposal enables OSRAM to waive the standstill agreement, dated 4 June 2019, and subsequently plans to launch the Offer.

Consistent with ams' M&A criteria

The Transaction fulfils all criteria that ams has publicly stated for large transactions, i.e. it is strategically compelling, demonstrably value enhancing, financially accretive, achievable with a sustainable capital structure, and fits with ams' financial model.

Strategically compelling: the combination of ams and OSRAM creates a global leader in sensor solutions and photonics with approximately EUR5 billion of revenue. This accelerates ams to win in new breakthrough optical solutions, expedites the diversification of ams' revenue mix, enhances its manufacturing footprint with clear scale and cost advantages, and leverages the complementary go-to-market strengths of the two companies.

Demonstrably value enhancing: the Transaction results in significant value creation from cost and revenue synergies with an expected annual pre-tax run-rate in excess of EUR240 million and EUR60 million, respectively. The expected COGS synergies of more than EUR120 million, primarily relate to the consolidation of the combined global manufacturing footprint. The expected OPEX synergies of more than EUR120 million, primarily relate to the alignment of corporate functions, IT and R&D programs. The expected revenue synergies of more than EUR60 million are driven by leveraging joint go-to-market opportunities. ams expects the majority of these synergies to be delivered within the first 24 months post completion. In order to realise these synergies, ams expects to incur one-off integration costs of approx. EUR400 million. In the longer term, ams anticipates significant additional revenue synergies from accelerating roadmaps in new optical solution and photonic areas. The Transaction values OSRAM at an enterprise value of EUR4.3 billion, equivalent to 14.6x Sep-2019 adjusted EBITDA based on consensus estimates (EUR297 million), and 7.3x Sep-2019 adjusted EBITDA after run-rate cost and revenue synergies (EUR597 million).

Financially accretive: the Transaction is expected to be accretive to ams' earnings per share from the first year post completion adjusted for cost synergies. The returns from the Transaction including cost synergies are expected to exceed the weighted average cost of capital of ams from the second year post completion.

Sustainable capital structure: the financing of the Transaction has been secured through a EUR4.2 billion acquisition bridge facility fully underwritten by HSBC and UBS as joint global coordinators, mandated lead arrangers and physical bookrunners. ams is committed to maintaining a sustainable capital structure and intends to refinance the acquisition bridge facility through a combination of equity and debt issuances. ams intends to raise EUR1.5 billion (issue currency CHF) of new equity which has been fully underwritten by HSBC and UBS as joint global coordinators and joint bookrunners, primarily in form of a rights issue. ams intends to seek approval for the rights issue at an extraordinary general meeting in the fourth quarter of 2019. Pro-forma for the equity issuance, ams expects that the Transaction will result in pro-forma Dec-2019 leverage of approximately 4.3x net debt/EBITDA, or approximately 3.2x net debt/EBITDA adjusted for run-rate cost and revenue synergies.

Fits with ams' financial model: the Transaction fits with the financial model of ams, with the combined business targeted to show a double digit revenue growth rate supporting ams' medium term adjusted EBIT margin (excluding acquisition-related and share-based compensation costs) target in excess of 25%.

#### Compelling strategic rationale

Creates a global leader in sensor solutions and photonics: the Transaction enables ams to enhance its sensor solutions and photonics offering in terms of performance, size, energy efficiency and costs. This builds upon the trend that sensors and light sources are increasingly packaged into one solution, comprising emitter, optical path, receiver, and driver ICs with embedded algorithms and application layer software. OSRAM adds a market leading position in high-power and infrared LEDs and EEL, which completes ams' emitter portfolio of high-performance VCSELs and VCSEL arrays. ams will become a leading player in the optical semiconductor market and the only provider of a complete solution offering for new high-growth applications, including 3D sensing, in-cabin sensing, industrial imaging, assisted and autonomous driving, automotive human-machine interface, automotive digital lighting, consumer AR/VR and personal healthcare.

Accelerates ams to win in new breakthrough optical solutions: the Transaction positions ams to win in large new breakthrough innovation areas including: 1) next generation consumer and automotive displays: small microLED displays with full sensor-display integration, applicable for smart watches, AR/VR and vehicles; 2) autonomous driving: LIDAR solutions with both VCSEL and EEL offering, leveraging front and rear lighting systems as LIDAR hubs; 3) digital automotive lighting: miniaturized light projectors for exterior and interior lighting solutions; 4) next generation imaging: ultra small wafer-level cameras for AR/VR glasses as well as displays in automotive; and 5) bio-sensing: on-skin

and in-ear bio-sensing based on lasers and detectors, and solutions to take on the challenge of non-invasive glucose monitoring.

**Expedites diversification of revenue mix:** the Transaction will materially diversify the revenue composition of ams translating into a more balanced, less volatile earnings and cash flow mix, with 35% revenue exposure to Consumer and 45% to Automotive (pro-forma for the contribution from OSRAM). The combined Automotive business will be a leader in new high-growth markets such as assisted and autonomous driving, automotive human-machine interface and automotive digital lighting, where revenue growth is driven by market penetration of new features rather than car volume growth.

**Enhances manufacturing footprint with clear scale and cost advantages:** the Transaction builds upon the recent significant capital expenditures by both companies into state-of-the-art production lines. OSRAM has invested in large, low labour cost facilities in Malaysia and China which complements ams footprint in Singapore. Combining and optimising the manufacturing capacities of the two companies will result in better utilization rates and facilitates insourcing of selected components, underpinning medium term revenue synergies. Specifically, ams intends to consolidate all front-end LED production and development in Regensburg. This will lead to meaningful job creation as well as continued investment in technology development in the area. In addition, ams intends to consolidate the back-end LED production in Asia, which will optimise the Asian manufacturing footprint and addresses the capacity utilisation headroom.

**Leverages complementary go-to-market strengths:** the Transaction combines two organizations with highly complementary go-to-market channels and established, deep customer relationships with leading global mobile and consumer OEMs, medical imaging vendors, automotive OEMs and industrial clients. Together, ams will be ideally placed to serve the combined customer base by offering sensor solutions and photonics that leverage the complementary product offerings of the two companies, based on European developed technology and global manufacturing.

#### Attractive offer to OSRAM

ams has been closely following the development of OSRAM and its strategic transformation process over an extended period of time. In this spirit, ams approached the Management Board of OSRAM at the beginning of May 2019 with a view to explore the basis for a potential acquisition of OSRAM, which was welcomed by OSRAM.

On 29 May 2019, ams submitted a non-binding proposal to the Management Board of OSRAM. The non-binding proposal remained subject to, amongst other things, satisfactory completion of customary due diligence. OSRAM subsequently granted

ams access to due diligence. On 4 June 2019, as a pre-condition for gaining access to due diligence, ams entered into a customary confidentiality agreement with OSRAM which includes a 12-month standstill agreement. The standstill agreement hinders ams today from launching a takeover offer for OSRAM unless such standstill agreement is waived by OSRAM.

On 11 August 2019, ams submitted the Proposal to OSRAM and is ready to launch the Offer by 15 August 2019 conditional upon OSRAM waiving the standstill agreement. In parallel, ams looks forward to agreeing a business combination agreement with OSRAM as soon as reasonably possible. As part thereof, ams would be pleased to include protective covenants for the German workforce and production sites in Germany.

"The Proposal is compelling for all stakeholders of OSRAM. Therefore, we trust that OSRAM will waive the standstill agreement and allow its shareholders to benefit from our Offer. This will clear the way for OSRAM and ams to create a winning combination. Together, we can rely on great employees, products and technology to become a global leader in sensor solutions and photonics, delivering tangible value to our customers. We offer a long term plan which we can execute from a position of strength, based on continuous investment and growth," says Alexander Everke, CEO of ams.

Comprehensive commitments to all stakeholders of OSRAM

The Proposal comes with comprehensive commitments aimed at safeguarding employees and production facilities of OSRAM in Germany. As part thereof, ams commits to support the continuation of the cornerstones laid out in the document "Future Concept Germany" which was agreed in July 2017 with the trade union IG Metall and the workforce of OSRAM.

ams intends to invest in the Regensburg manufacturing site by consolidating front-end LED production there, thus enabling job creation, which benefits the local economy. This strategy is augmented by the commitment to not change, for a period of five years, the collective bargaining agreements, existing shop and other similar agreements. ams also commits not to change the existing pension plans.

Moreover, ams intends to enter into location safeguarding agreements (Standortsicherungsvereinbarung) for all German manufacturing sites for a period of three years.

ams regards the Digital division of OSRAM as non-core. Identifying the best owner for whom the business is strategic, will in ams' view allow investment into that business, which is the best way to secure jobs in the long term.

ams agrees with OSRAM's assessment that the Consumer General Lighting LED business requires optimisation. Therefore, ams plans to gradually phase out of this business, freeing up financial resources which can be invested in advancing the European technology base of the combined company.

ams commits to maintain a meaningful presence in Munich and host important corporate functions across Munich and Premstaetten.

#### Timeline

Conditional upon OSRAM waiving the standstill agreement, ams plans to launch the Offer by 15 August 2019, with the offer period commencing prior to 5 September 2019.

The Offer would be subject to a 70% minimum acceptance threshold and customary closing conditions, including regulatory clearance. ams expects to complete the Transaction in first half of 2020.

#### Advisers

UBS is acting as lead financial adviser, together with HSBC in conjunction with the Transaction. Bank of America Merrill Lynch is acting as financial adviser to the Supervisory Board of ams. Linklaters, Schellenberg Wittmer and Herbst Kinsky are acting as legal advisers to ams. Brunswick is acting as communication adviser to ams. PwC provided financial due diligence as well as accounting and tax advice to ams.

#### Analyst call

An analyst and investor call will take place on 12 August 2019 at 9.00am CEST and can be accessed via the following website <http://bit.ly/2YEPegg> [<http://bit.ly/2YEPegg>]

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#### About ams

ams is a global leader in the design and manufacture of advanced sensor solutions. Our mission is to shape the world with sensor solutions by providing a seamless interface between humans and technology.

ams' high-performance sensor solutions drive applications requiring small form factor, low power, highest sensitivity and multi-sensor integration. Products include sensor solutions, sensor ICs, interfaces and related software for consumer, communications, industrial, medical, and automotive markets. With headquarters in Austria, ams employs about 9,000 people globally and serves more than 8,000 customers worldwide. ams is listed on the SIX Swiss stock exchange (ticker symbol: AMS). More information about ams can be found at <https://ams.com> [<https://ams.com/>]

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#### Important notice:

This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares in OSRAM Licht AG ("OSRAM Shares"). The terms and further provisions regarding the potential takeover offer by Blitz F19-534 GmbH (in future operating under the name Opal BidCo GmbH) to the shareholders of Osram AG (the "Offer") would be set forth in the offer document which would be published, amongst others, following approval of its publication by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). Holders of OSRAM Shares would be strongly recommended to read any such offer document and to seek independent advice, where appropriate, in relation to the matters therein. Moreover, this announcement is neither an offer to sell nor a solicitation of an offer to purchase shares in ams AG.

The release, publication or distribution of this announcement in certain jurisdictions other than the Federal Republic of Germany and Switzerland may be restricted by law. Persons who are resident in, or are subject to, other jurisdictions should inform themselves of, and observe, any applicable requirements.

If made, the Offer would be made in the United States of America in reliance on, and compliance with, Section 14(e) of the US Securities Exchange Act of 1934 (the "Exchange Act") and Regulation 14E thereunder, as exempted thereunder by Rule 14d-1(d).

To the extent permissible under applicable law or regulation, and in accordance with German market practice, Blitz F19-534 GmbH (in future operating under the name Opal BidCo GmbH) or brokers acting on its behalf may, outside of the United

States of America and in compliance with applicable law, from time to time make certain purchases of, or arrangements to purchase, directly or indirectly, OSRAM Shares or any securities that are immediately convertible into, exchangeable for, or exercisable for, OSRAM Shares, other than pursuant to the Offer, before, during or after the period in which the Offer would remain open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases would be disclosed as required by law or regulation in Germany or other relevant jurisdictions.

The shares of ams AG have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offering of shares in the United States.

This announcement may contain statements about ams AG and/or its subsidiaries (together the "ams Group") or OSRAM Licht AG and/or its subsidiaries (together the "OSRAM Group") that are or may be "forward-looking statements". Forward-looking statements include, without limitation, statements that typically contain words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "believe", "hope", "aims", "continue", "will", "may", "should", "would", "could", or other words of similar meaning. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. ams AG cautions you that forward-looking statements are not guarantees of the occurrence of such future events or of future performance and that in particular the actual results of operations, financial condition and liquidity, the development of the industry in which ams Group and OSRAM Group operate and the outcome or impact of the potential acquisition and related matters on ams Group and/or OSRAM Group may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. Any forward-looking statements speak only as at the date of this announcement. Except as required by applicable law, ams AG does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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Further inquiry note:

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