

# OSRAM holding its ground in a difficult market environment

Q3 FY18 Earnings Release (unaudited figures)

# Disclaimer

---

This presentation may contain forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. Forward-looking statements may include, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. OSRAM Licht AG has based these forward-looking statements on its current views and expectations and on certain assumptions of which many are beyond OSRAM Licht AG's control. Actual financial performance could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. The information contained in this presentation is subject to change without notice and OSRAM Licht AG does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable laws and regulations.

This presentation includes references to non-IFRS financial measures, including, but not limited to: FCF, EBITDA, EBITDA margin, capital expenditure, capital expenditure as percentage of revenue, net financial debt, and net working capital. We have provided these measures and other information in this presentation because we believe they provide investors with additional information to assess our performance. Our use of these supplemental financial measures may vary from others in our industry and should not be considered in isolation or as an alternative to our results as reported under IFRS.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

# OSRAM holding its ground in a difficult market environment

## CEO Statement



### Highlights Q3/18

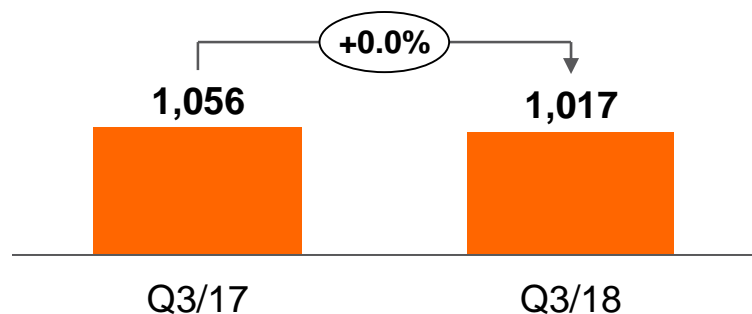
- FX and negative market effects as well as project delays burdened development
- Revenue **€ 1,017m**; stable development year-on-year
- Adjusted EBITDA margin at **13.1%**
- Long term market trends in automotive and mobile devices remain unaffected

*“Our financial figures in the past quarter were impacted by challenging market developments and project delays of our customers. Just as in previous quarters, negative currency effects also impacted our results.*

*For this reason, we have taken the appropriate countermeasures to improve our efficiency. Furthermore, we are focussing our product portfolio even more towards growth markets. The decision to sell our luminaires business is an important step on this path”*

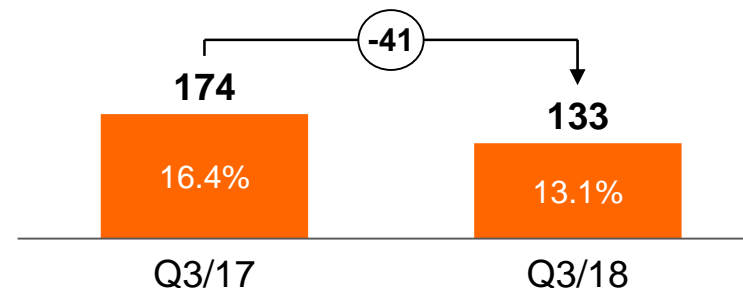
# Currency and market topics impacted development of Q3 FY18

## Revenue (€m) / comparable growth



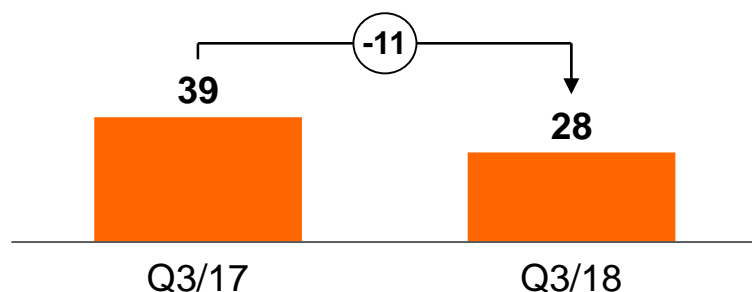
Postponements in automobile, mobile devices and horticulture strained revenues

## Adj. EBITDA (€m) / margin



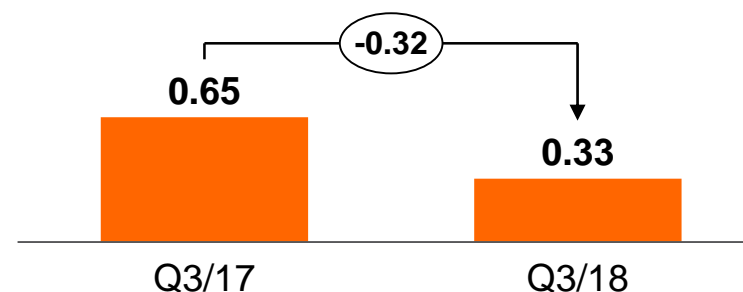
Adj. EBITDA impacted by currency effects, ramp-up and higher R&D costs

## Free cash flow (€m)



Lower capex driving positive cash flow

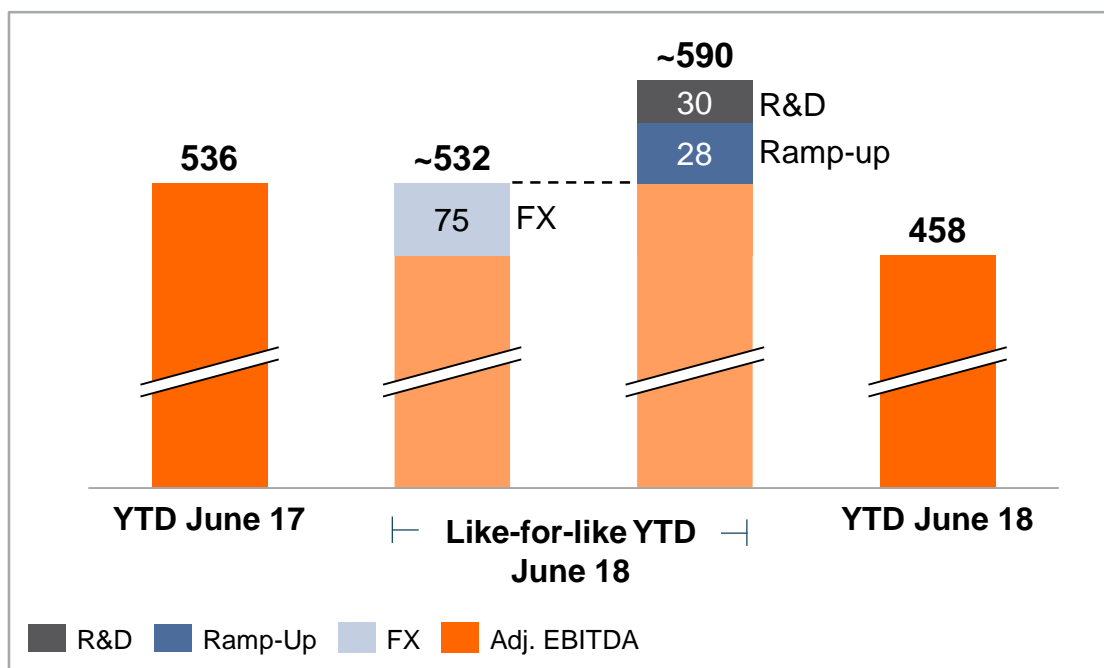
## Earnings per share, diluted (€)



EPS reduced due to currency and earnings effects

# Margin impacted by FX, ramp-up costs and R&D investment

## Adj. EBITDA YTD June 18 (€m)



- Foreign exchange rates (strengthening of EUR against USD) with an unfavorable impact on profitability
- Ramp-up and R&D expenses higher than last year – as expected – largely related to OS
- Ramp-up of capacity in Malaysia, Germany and China for further expansion of industrial footprint of OS

# IHS shows a softened outlook for 2018

Status IHS July 2018

IHS - Car Production		Act FY 2017	FC Jul-Sep 2018	FC FY 2018
WORLD	abs. (IHS report 07/2018)	95'0	23'2	96'7
	vs. PY (IHS report 07/2018)	4,0%	3,2%	1,8%
	IHS report 06/2018		4,0%	
	IHS report 05/2018		4,3%	
	IHS report 04/2018		4,0%	
EMEA	abs. (IHS report 07/2018)	24'4	5'6	25'2
	vs. PY (IHS report 07/2018)	4,1%	1,3%	3,1%
	IHS report 06/2018		3,0%	
	IHS report 05/2018		6,0%	
	IHS report 04/2018		5,1%	

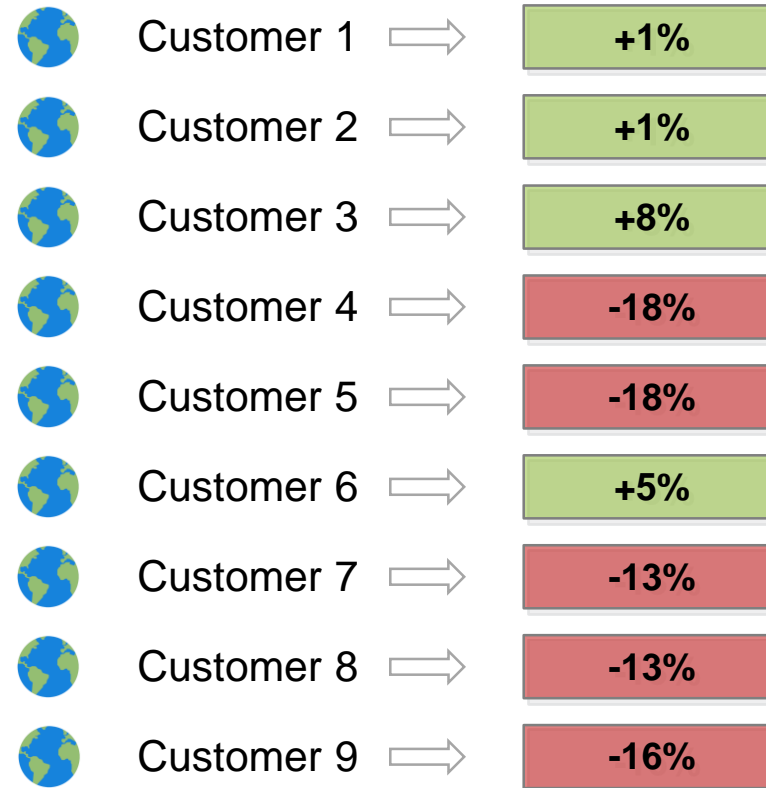
IHS - Car Production		Act FY 2017	FC Jul-Sep 2018	FC FY 2018
CHINA	abs. (IHS report 07/2018)	27'7	6'7	28'3
	vs. PY (IHS report 07/2018)	6,8%	3,1%	2,3%
	IHS report 06/2018		3,8%	
	IHS report 05/2018		4,0%	
	IHS report 04/2018		4,0%	
NAFTA	abs. (IHS report 07/2018)	17'3	4'2	17'1
	vs. PY (IHS report 07/2018)	-2,8%	6,7%	-1,4%
	IHS report 06/2018		7,4%	
	IHS report 05/2018		5,6%	
	IHS report 04/2018		4,5%	

**IHS significantly reduces forecast (July 2018)**

- 1) Yearly forecast significantly reduced compared to prior year
- 2) Quarterly forecast significantly reduced compared to prior IHS report

# Some OS customers fell significantly short of their 2018 agreed-on call quantities

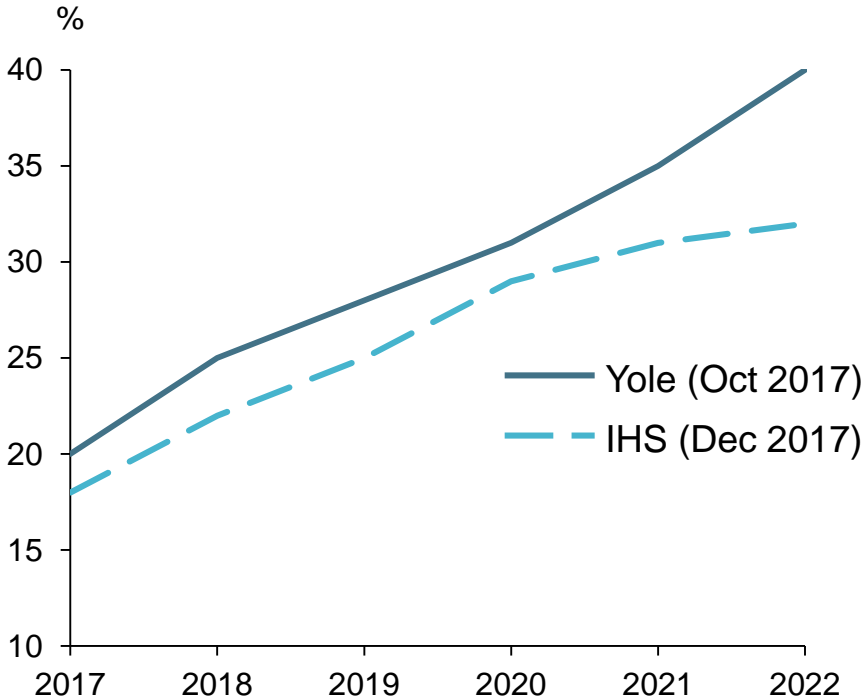
## Deviation between agreed-on call quantity and actual orders 2018 (YTD) LED Automotive



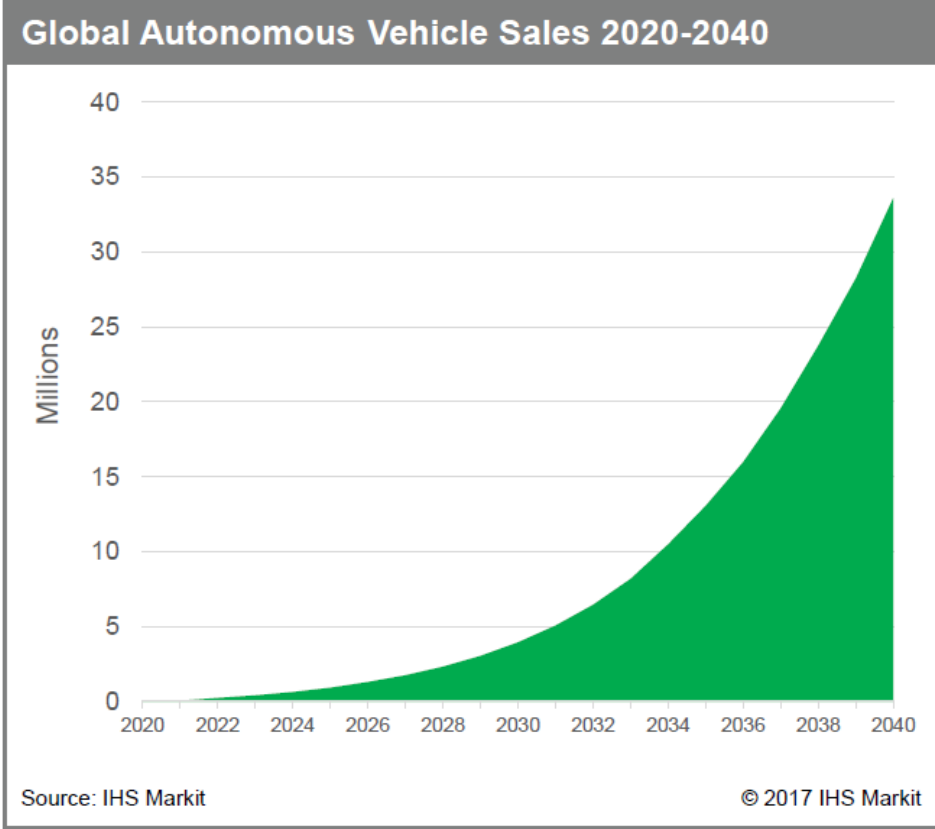
# Increasing LED penetration for headlights and autonomous functions for sensing will drive the automotive lighting market in the coming years

## LED penetration headlight systems

(Penetration rate in %)



Source: Yole Oct 2017, IHS Dec 2017 - calendar year figures



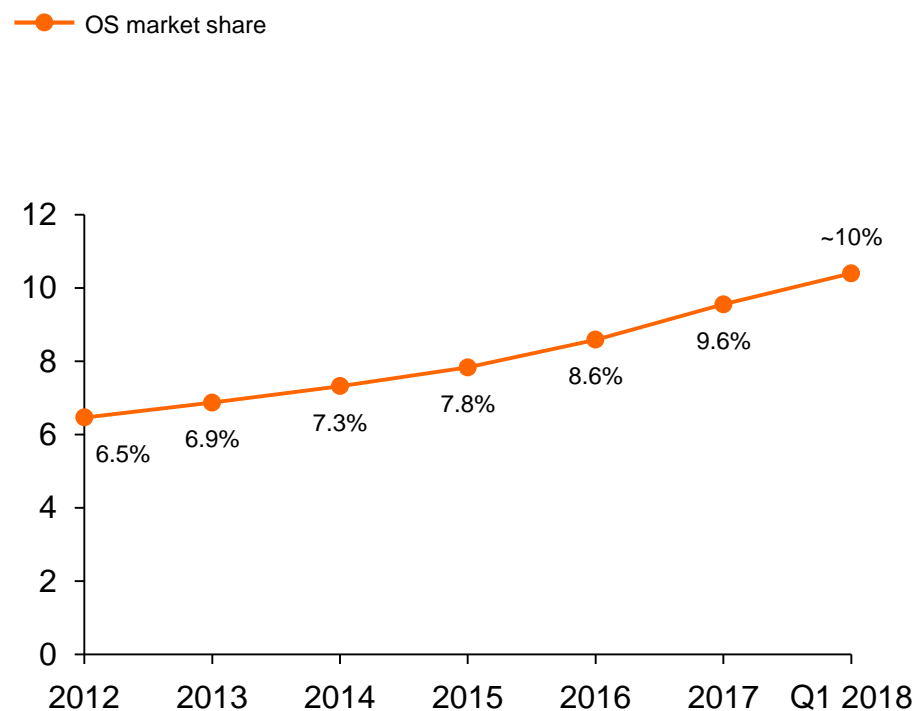
Source: IHS Markit

© 2017 IHS Markit



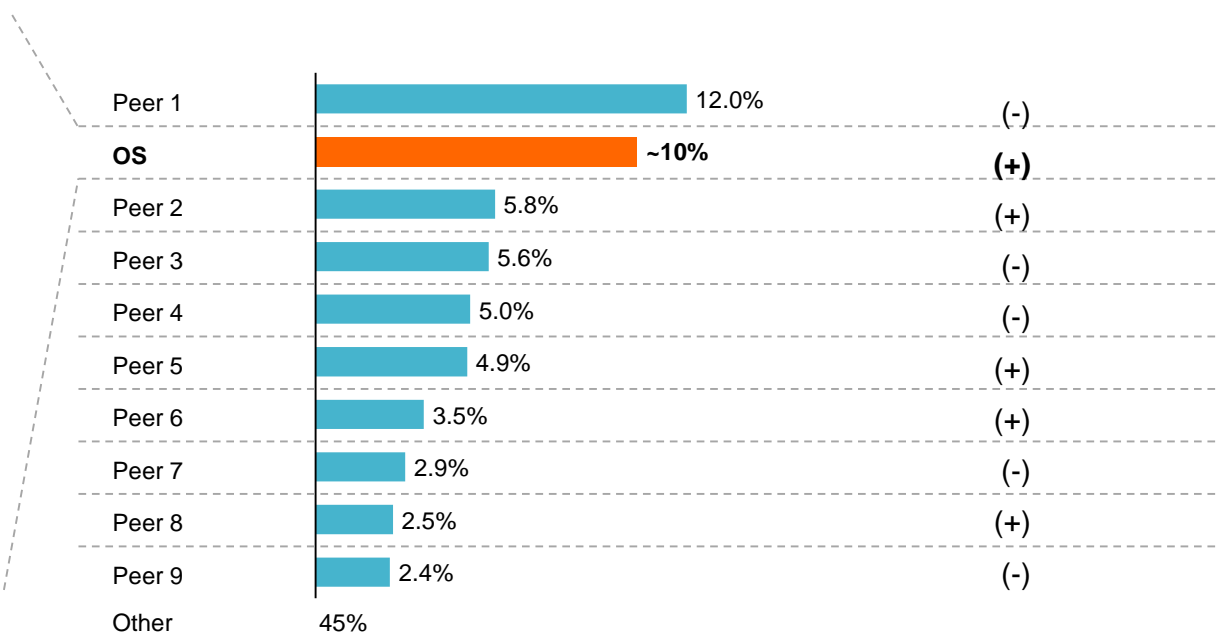
# OS has gained significant market share in recent years

**OS market share LED components (%)**  
[2012 – Q1/18]



Sources: IHS Opto Report 2014, 2015, 2016, 2017, 2018, LED Supply & Demand market tracker July 2018

**Market shares Q1/18 (calendar year) for LED components<sup>1)</sup>**  
[Percent of total market value]

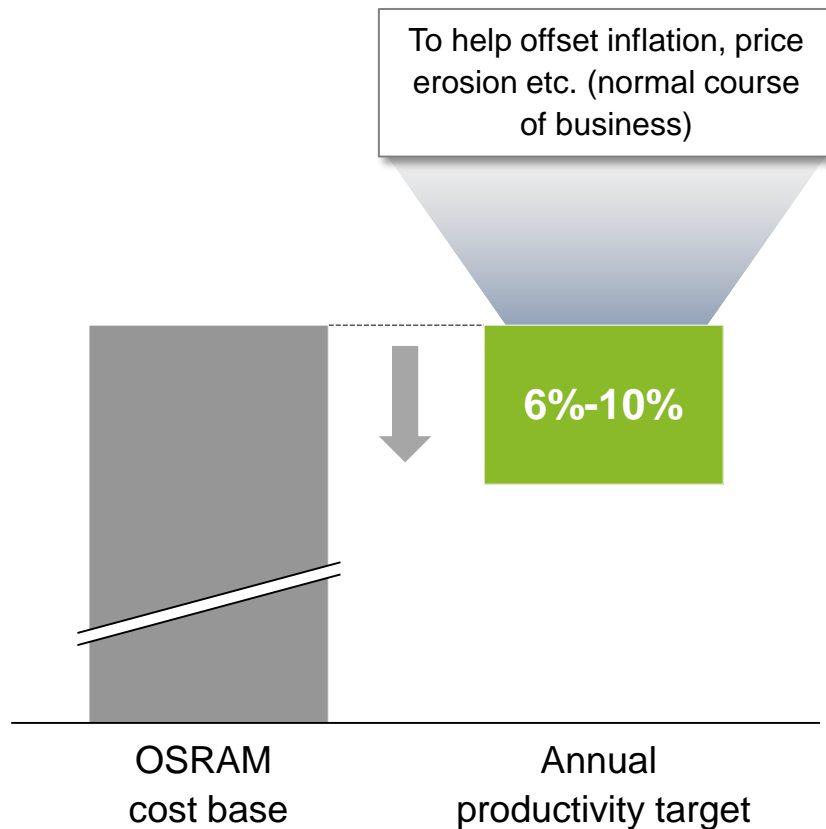


Sources: IHS Supply & Demand market tracker July 2018, IHS Opto Report 2018

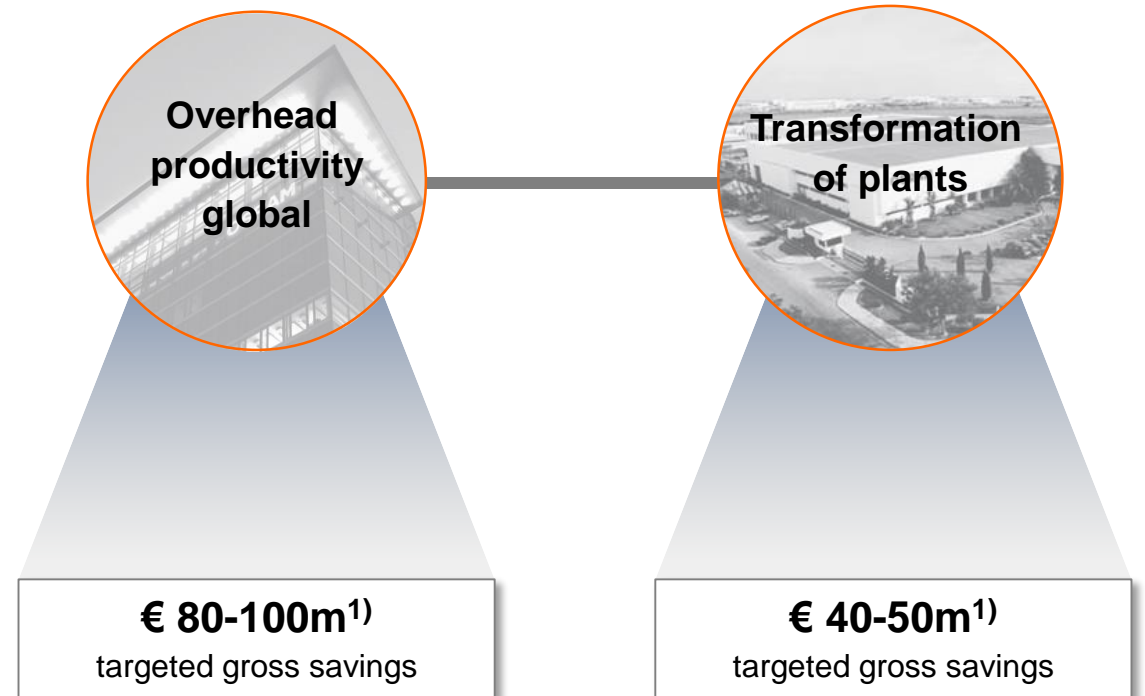
1) LEDs for visible light only, excluding IR and UV

# Performance programs

## Operational Excellence

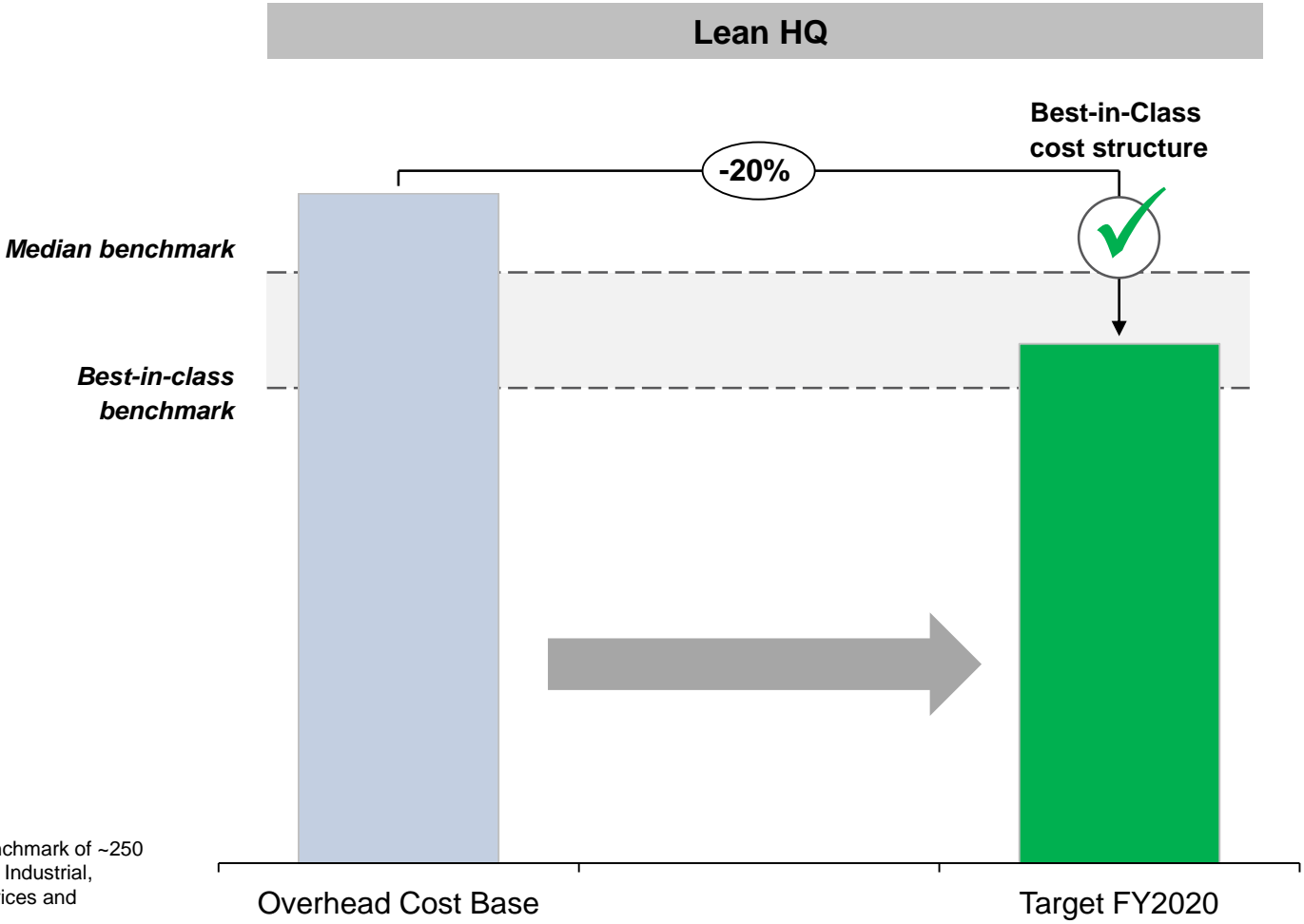


## Cross-functional & BU-specific performance programs



1) Estimated annualized savings by end of 2020

# With Lean HQ we are reducing our overhead costs to best-in-class



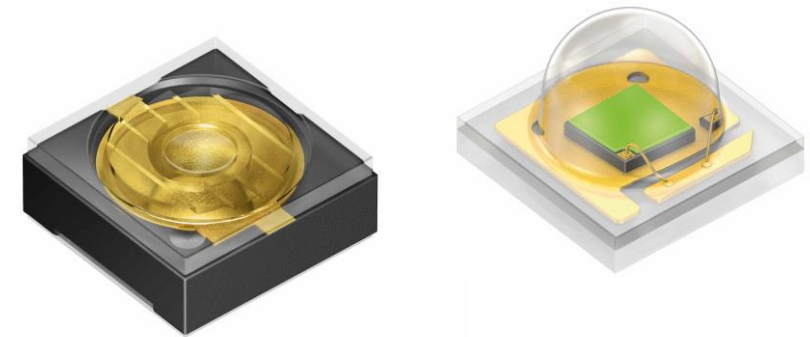
Sources: Strategy& & OSRAM Benchmark of ~250 companies <10bn € in Automotive, Industrial, Electronics, Energy, Financial Services and Consumer Goods

# Next steps – what to expect?

---

## September 17<sup>th</sup>/18<sup>th</sup>: OS market- & tech-day in Munich

- Analysts' dinner with OSRAM management in Munich on September 17<sup>th</sup>
- Deep dive with segment heads of OS in Munich on September 18<sup>th</sup>



## November 7<sup>th</sup>: Q4/18 results and OSRAM strategy update

- Presentation of preliminary results of Q4/18 and FY18 in Frankfurt
- Strategy update of OSRAM and segments



# Summary

---



- The alignment of our business strategy alongside important mega-trends is right on the mark. We continue to focus on high-tech markets.
- We are carefully monitoring current market developments. Moreover we have taken appropriate countermeasures.
- Finally, we are sharpening our portfolio with the sale of the luminaires business. This will enable us to focus on semiconductor, automotive and market opportunities in digitalization in the future.

## Summary financial performance Q3 FY18

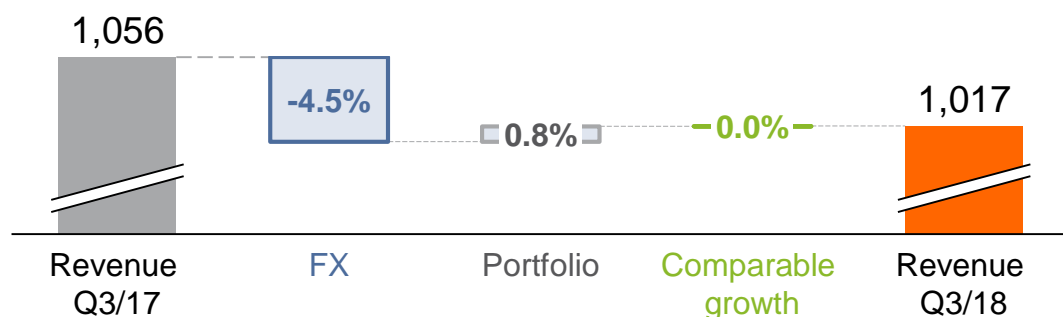
---

- Q3 FY18 **comparable revenue growth flat**; OS and SP with single-digit growth
- Q3 FY18 adjusted EBITDA margin @ **13.1%**; negative impact from **FX** of **170bps** and from **R&D** of **110bps**
- **Free Cash Flow** positive with €28m, mainly driven by reduced capex at OS as expected
- Q3 FY18 **reported EPS** at 33 Eurocents; **adjusted EPS** at 49 Eurocents
- **Special Items** in Q3 FY18 EBITDA at €-19m – as expected

# Q3 FY18 revenue still affected by unfavorable exchange rates

## Revenue (€m)

### OSRAM Group: Revenue bridge Q3 FY18 YoY



### Comments

- Foreign exchange (FX) impacts largely driven by appreciation of EUR against USD – EUR/USD @ 1.19 vs. 1.11 in Q3/17
- APAC growth driven by all business segments; at LSS particularly Dynamic Lighting
- EMEA with negative growth: Decline in automotive traditional light sources (Xenon & Halogen), soft outdoor market and traditional ballast phasing out

### Revenue growth Q3 FY18

	Nom. growth	FX	Portfolio	Comp. growth
Opto Semiconductors	0.8%	-4.6%	1.4%	4.1%
Specialty Lighting	-3.5%	-4.7%	-0.0%	1.3%
Lighting Solutions & Systems	-2.8%	-4.3%	3.3%	-1.7%

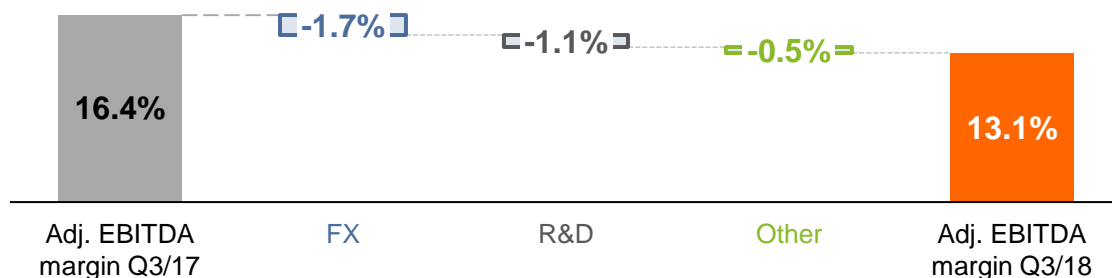
### Regional split Q3 FY18



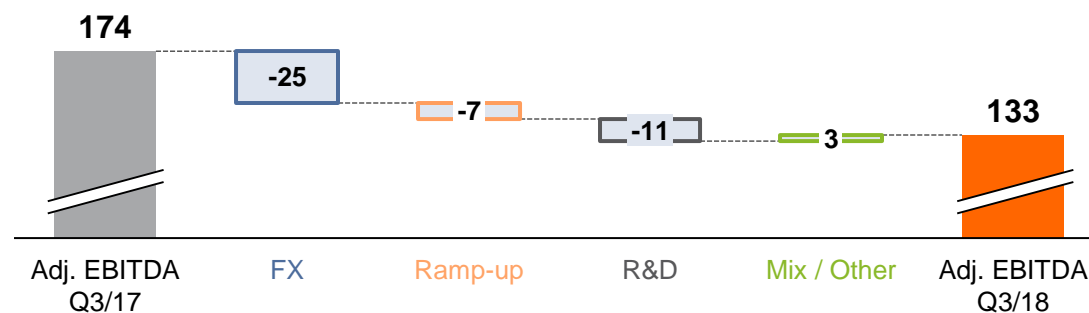
# FX, ramp-up costs and R&D investment with negative impact on margin

## Adjusted EBITDA (€m) / Adjusted EBITDA margin (%)

### Adjusted<sup>1)</sup> EBITDA margin Q3 FY18 YoY



### Adjusted EBITDA Q3 FY18 YoY



### Adjusted EBITDA margin Q3 FY18

	Adj. EBITDA margin	FX impact YoY
Opto Semiconductors	22.6%	-3.5%
Specialty Lighting	10.3%	-0.6%
Lighting Solutions & Systems	-2.7%	-0.2%

### Comments

- EUR/USD @ 1.19 in Q3/18 vs. 1.11 in Q3/17
- Adjusted EBITDA margin negatively impacted by FX, ramp-up costs and R&D expenses
- Adjusted EBITDA in Corporate Items: €-16m
- Special Items @ €-19m – as expected

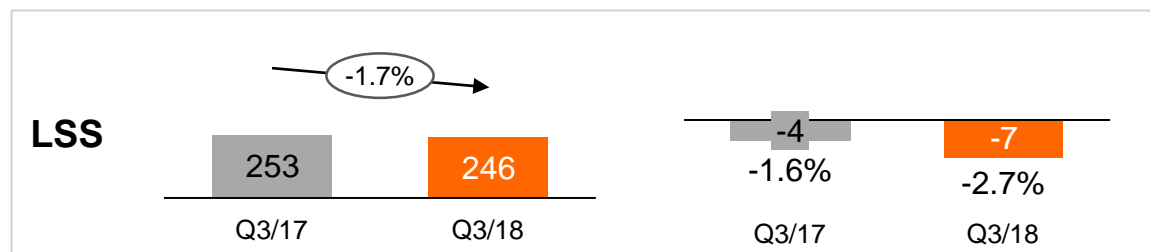
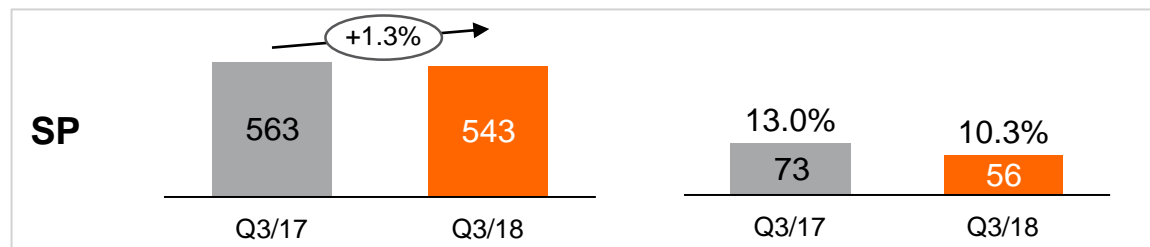
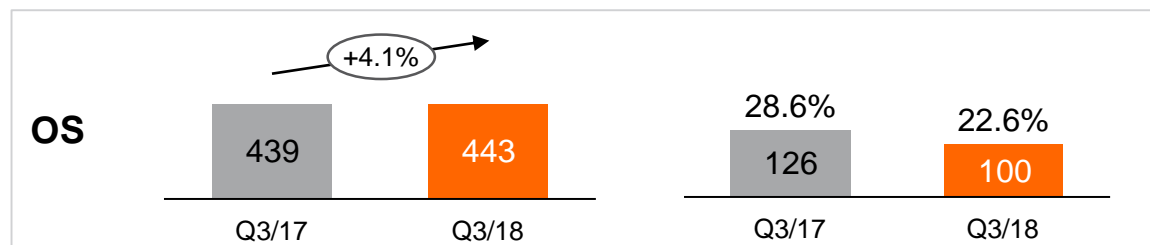
<sup>1)</sup> Adjustment for special items (S.I.) includes e.g. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities including the sale of subsidiaries, investments and other businesses.



# Segments: Key financials Q3 FY18

Revenue (€m) / Comp. growth (%)

Adj.<sup>1)</sup> EBITDA (€m) / Adj. EBITDA margin (%)



## Comments

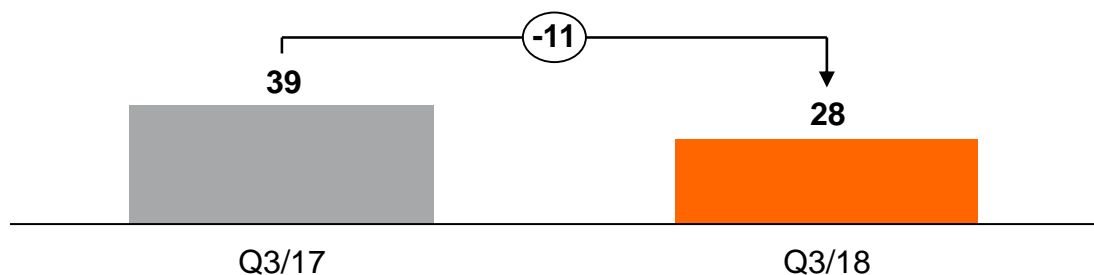
- **OS**
  - Moderate growth at OS, modest growth in General Lighting / Horticulture as well as modest decline in Industry and Mobile Devices
  - Profitability decreased, caused by FX effects, ramp-up cost as well as R&D investment
- **SP**
  - APAC and AMERICAS with growth; Automotive first equipment business in traditional light sources continues to be lower than previous year
  - Profitability below PYQ mainly due to FX and continued shift from traditional to LED lighting in cars
- **LSS**
  - Growth in APAC and Americas unable to fully offset soft market environment in EMEA; Electronic components shortage continued to constrain supply
  - Adj. EBITDA impacted by lower volume

<sup>1)</sup> Adjustment for special items (S.I.) includes e.g. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities including the sale of subsidiaries, investments and other businesses.

# Positive free cash flow resulting from lower capex

## Free Cash Flow / Asset Management / Net Liquidity (€m)

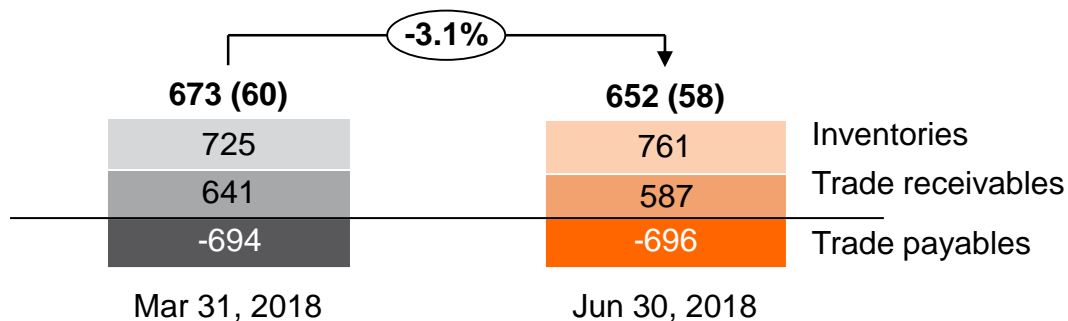
### Free cash flow<sup>1)</sup> Q3 FY18 YoY



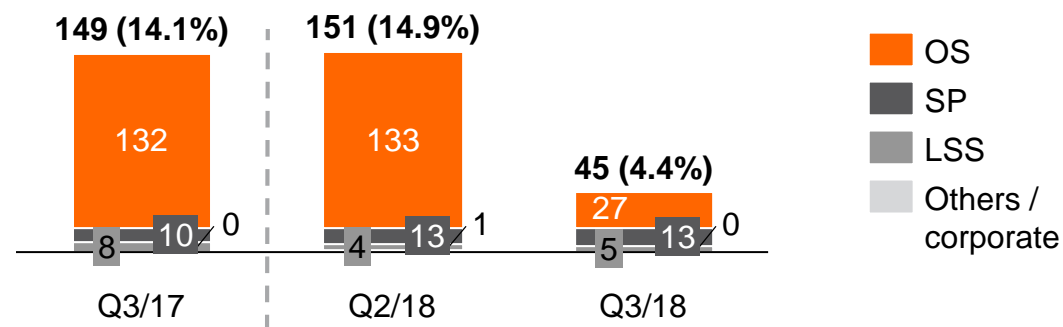
### Comments

- Positive free cash flow driven by lower capex at OS as scheduled
- Days outstanding slightly improving driven by reduction of trade receivables

### Net working capital (days outstanding<sup>2)</sup>) Q3 FY18



### Capital expenditure (percent of revenue) Q3 FY18 YoY



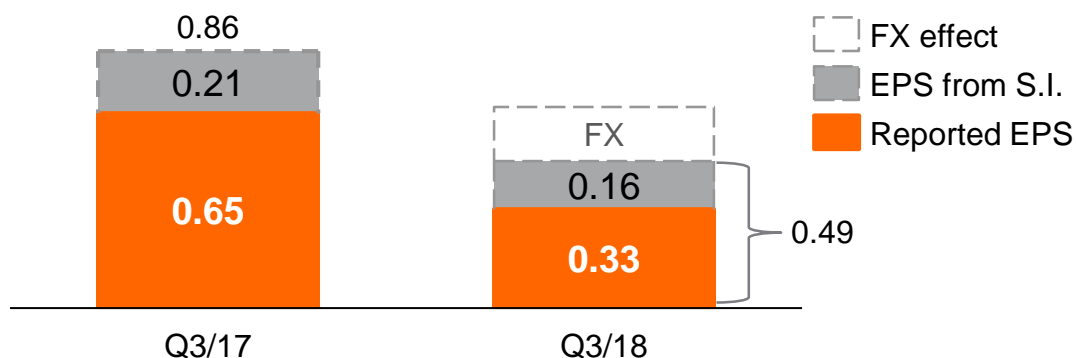
<sup>1)</sup> Defined as net cash provided by (used in) operating activities less capital expenditure.

<sup>2)</sup> Defined as operating net working capital divided by revenue (last twelve months) times 365 days.

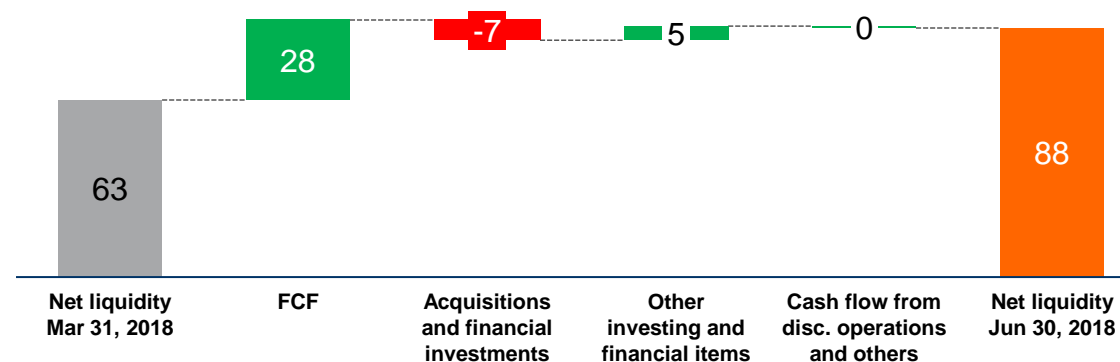
# Reported EPS continues to be impacted by FX and Special Items

## Earnings per share<sup>1)</sup> (€) / Net liquidity bridge (€m)

### Adjusted<sup>2)</sup> EPS Q3 FY18 YoY



### Net liquidity bridge Q3 FY18



### Net income / Shares outstanding

	Q3/17	Q3/18
Net Income cont. ops. (€m)	64	33
Shares outstanding, diluted (million)	97.0	96.9

### Comments

- Reported EPS of €0.33 below PYQ due to FX effects, higher depreciation and lower earnings
- FX impact compared to previous year ~ €0.18
- Tax rate at approx. 29%
- Net liquidity slightly improved

<sup>1)</sup> Diluted.

<sup>2)</sup> Adjustment for special items (S.I.) includes e.g. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities including the sale of subsidiaries, investments and other businesses.

# Outlook for FY18<sup>1)</sup>



<sup>1)</sup> Based on an exchange rate EUR/USD of 1.20.

# Financial calendar and IR contact information

## Upcoming events

- **August 3, 2018**  
Roadshow Frankfurt and London
- **August 7-8, 2018**  
Jefferies Conference New York
- **August 9, 2018**  
Canaccord Conference Boston
- **August 29, 2018**  
Commerzbank Conference Frankfurt
- **September 6, 2018**  
Morgan Stanley Conference London
- **September 7, 2018**  
Deutsche Bank Conference London
- **September 12-13, 2018**  
Deutsche Bank Tech Conference Las Vegas
- **September 18, 2018**  
OS Market and Technology Day

## Investor Relations contact

Telephone	+ 49 89 6213 4875
Internet	<a href="http://www.osram-group.de/en/investors">http://www.osram-group.de/en/investors</a>
Email	<a href="mailto:ir@osram.com">ir@osram.com</a>

---

# Appendix

# Key financial metrics (unaudited)

Group (€m)	Q3 FY17	Q3 FY18	Change (y-o-y)	
			nom.	-3.7%
<b>Revenue</b>	<b>1,056</b>	<b>1,017</b>	comp.	0.0%
Gross margin	32.9%	30.6%		-230 bps
R&D	-92	-103		+12.1%
SG&A	-168	-165		-2.1%
EBITDA	147	114		-22.0%
EBITDA margin	13.9%	11.2%		-260 bps
<b>Adj. EBITDA</b>	<b>174</b>	<b>133</b>		-23.2%
<b>Adj. EBITDA margin</b>	<b>16.4%</b>	<b>13.1%</b>		-330 bps
Financial result (including at-equity result)	-2	-3		63.3%
Income before income taxes	90	46		-48.6%
Taxes	-26	-13		48.0%
Net income	64	33		-48.8%
<b>Diluted EPS in €</b>	<b>0.65</b>	<b>0.33</b>		-49.2%
<b>Free cash flow</b>	<b>39</b>	<b>28</b>		-27.6%
CAPEX	-149	-45		-69.7%
Net liquidity	561	88		-84.2%
Equity ratio	58.8%	58.3%		-50 bps
Employees (in thousands)	25.7	26.9		4.7%

# Segment overview (unaudited)

Q3 FY18 (€m)	OS	SP	LSS	CIE	OSRAM Licht Group
<b>Revenue</b>	<b>443</b>	<b>543</b>	<b>246</b>	<b>-214</b>	<b>1,017</b>
Change % vs. PY reported	0.8%	-3.5%	-2.8%		-3.7%
<b>Change % vs. PY comparable</b>	<b>4.1%</b>	<b>1.3%</b>	<b>-1.7%</b>		<b>0.0%</b>
EBITDA	100	44	-11	-20	114
EBITDA margin	22.6%	8.2%	-4.4%		11.2%
Special items EBITDA	0	-11	-4	-3	-19
therein transformations costs	0	-5	-4	-4	-12
<b>EBITDA before special items</b>	<b>100</b>	<b>56</b>	<b>-7</b>	<b>-16</b>	<b>133</b>
<b>EBITDA margin before special items</b>	<b>22.6%</b>	<b>10.3%</b>	<b>-2.7%</b>		<b>13.1%</b>
Assets <sup>1)</sup>	1,283	740	335	1,882	4,241
<b>Free cash flow</b>	<b>25</b>	<b>57</b>	<b>-28</b>	<b>-26</b>	<b>28</b>
Additions to intangible assets and property, plant and equipment	27	13	5	0	45
Amortization	1	4	2	1	7
Depreciation	40	12	6	0	59

<sup>1)</sup> Net assets on segment level; total assets on group level; CIE includes reconciling items.



# Consolidated statement of income (unaudited)

	Three months ended June 30 2018	Three months ended June 30 2017
<b>Revenue</b>	<b>1,017</b>	<b>1,056</b>
Cost of goods sold and services rendered	-706	-709
Gross profit	312	348
Research and development expenses	-103	-92
Marketing, selling and general administrative expenses	-165	-168
Other operating income	7	6
Other operating expense	-3	-3
Income (loss) from investments accounted for using the equity method, net	-1	0
Interest income	0	2
Interest expense	-2	-3
Other financial income (expense), net	0	0
<b>Income before income taxes OSRAM (continuing operations)</b>	<b>46</b>	<b>90</b>
Income taxes	-13	-26
<b>Income OSRAM (continuing operations)</b>	<b>33</b>	<b>64</b>
Income (loss) from discontinued operation, net of tax	3	-5
<b>Net income</b>	<b>35</b>	<b>59</b>
Attributable to:		
Non-controlling interests	1	1
Shareholders of OSRAM Licht AG	35	59
Basic earnings per share (in €)	0.36	0.61
Diluted earning per share (in €)	0.36	0.60
Basic earnings per share (in €) OSRAM (continuing operations)	0.33	0.65
<b>Diluted earning per share (in €) OSRAM (continuing operations)</b>	<b>0.33</b>	<b>0.65</b>

# Net Income OSRAM (continuing operations) (unaudited)

	Three months ended June 30 2018	Three months ended June 30 2017	Change (y-o-y)
<b>Net Income OSRAM (continuing operations)</b>	<b>33</b>	<b>64</b>	<b>-48.8%</b>
Special Items (Profit)	22	29	-22.8%
Tax attributable to Special Items (Profit)	-7	-8	-22.0%
Net Income OSRAM (continuing operations) adjusted <sup>1)</sup>	49	84	-42.5%
Non-controlling interests	1	1	16.2%
Net Income OSRAM (continuing operations) adjusted, attributable to Shareholders of OSRAM Licht AG	48	84	-43.0%
<b>Diluted earning per share (in €) OSRAM (continuing operations) adjusted</b>	<b>0.49</b>	<b>0.86</b>	<b>-43.0%</b>
<b>Diluted earning per share (in €) OSRAM (continuing operations)</b>	<b>0.33</b>	<b>0.65</b>	<b>-49.2%</b>
Diluted number of shares	96.9	97.0	
Tax rate	29%	29%	

<sup>1)</sup> Adjustment for special items (S.I.) includes e.g. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities including the sale of subsidiaries, investments and other businesses.

# Consolidated statement of financial position (unaudited)

	As of June 30 2018	As of September 30 2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	279	609
Available-for-sale financial assets	1	2
Trade receivables	587	634
Other current financial assets	80	44
Inventories	761	662
Income tax receivables	28	35
Other current assets	116	112
Assets held for sale	49	2
<b>Total current assets</b>	<b>1,901</b>	<b>2,100</b>
Goodwill	149	148
Other intangible assets	138	142
Property, plant and equipment	1,616	1,396
Investments accounted for using the equity method	64	66
Other financial assets	17	13
Deferred tax assets	303	314
Other assets	52	59
<b>Total assets</b>	<b>4,241</b>	<b>4,238</b>

	As of June 30 2018	As of September 30 2017
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Short-term debt and current maturities of long-term debt	32	16
Trade payables	696	752
Other current financial liabilities	42	29
Current provisions	65	75
Income tax payables	100	99
Other current liabilities	333	309
Liabilities associated with assets classified as held for sale	14	0
<b>Total current liabilities</b>	<b>1,282</b>	<b>1,280</b>
Long-term debt	160	184
Pension plans and similar commitments	164	150
Deferred tax liabilities	16	10
Provisions	29	32
Other financial liabilities	10	10
Other liabilities	107	111
<b>Total liabilities</b>	<b>1,768</b>	<b>1,778</b>
<b>Equity</b>		
Common stock, no par value	105	105
Additional paid-in capital	2,033	2,035
Retained earnings	688	699
Other components of equity	21	5
Treasury shares, at cost	-386	-392
<b>Total equity attributable to shareholders of OSRAM Licht AG</b>	<b>2,462</b>	<b>2,452</b>
Non-controlling interests	11	8
<b>Total equity</b>	<b>2,473</b>	<b>2,460</b>
<b>Total liabilities and equity</b>	<b>4,241</b>	<b>4,238</b>

# Consolidated statement of cash flows (unaudited)

	Three months ended June 30 2018	Three months ended June 30 2017
<b>Cash flows from operating activities</b>		
Net income	35	59
Adjustments to reconcile net income (loss) to cash provided		
Income (loss) from discontinued operation, net of tax	-3	5
Amortization, depreciation, and impairments	66	56
Income taxes	13	26
Interest (income) expense, net	2	2
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant and equipment, net	-2	0
(Income) loss from investments	1	0
Other non-cash (income) expenses	2	21
Change in current assets and liabilities		
(Increase) decrease in inventories	-35	-5
(Increase) decrease in trade receivables	36	-27
(Increase) decrease in other current assets	-26	9
Increase (decrease) in trade payables	-37	61
Increase (decrease) in current provisions	-8	-8
Increase (decrease) in other current liabilities	44	7
Change in other assets and liabilities	1	-7
Income taxes paid	-17	-13
Dividends received	-	0
Interest received	0	2
<b>Net cash provided by (used in) operating activities - OSRAM (continuing operations)</b>	<b>73</b>	<b>188</b>
Net cash provided by (used in) operating activities from discontinued operation	0	-2
<b>Net cash provided by (used in) - OSRAM Licht Group (total)</b>	<b>73</b>	<b>186</b>

	Three months ended June 30 2018	Three months ended June 30 2017
<b>Cash flows from investing activities</b>		
Additions to intangible assets and property, plant and equipment	-45	-149
Acquisitions, net of cash and cash equivalents acquired	-4	0
Purchases of investments	-4	-1
Proceeds and payments from sales of investments, intangible assets, and property, plant and equipment	3	0
Proceeds and payments from the sale of business activities, net cash disposed of	-	-8
Proceeds and payments from the sale of business activities	1	-
<b>Net cash provided by (used in) investing activities - OSRAM (continuing operations)</b>	<b>-49</b>	<b>-159</b>
<b>Net cash provided by (used in) investing activities - OSRAM Licht Group (total)</b>	<b>-49</b>	<b>-159</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury stock	-	-7
Proceeds from changes in ownership interest without change in control	1	-
Repayment of long-term debt	-2	-2
Change in debt and other financing activities	1	0
Interest paid	-1	-2
<b>Net cash provided by (used in) financing activities - OSRAM (continuing operations)</b>	<b>-2</b>	<b>-10</b>
<b>Net cash provided by (used in) financing activities - OSRAM Licht Group (total)</b>	<b>-2</b>	<b>-10</b>
Effect of exchange rates on cash and cash equivalents	2	-26
Net increase (decrease) in cash and cash equivalents	24	-10
Cash and cash equivalents at beginning of period	255	781
Cash and cash equivalents at the end of period	279	771
<b>Cash and cash equivalents at end of period (consolidated statement of financial position)</b>	<b>279</b>	<b>771</b>