

# Light is Diversity

Annual Report of OSRAM Licht Group  
For Fiscal 2014

**Light is OSRAM**



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# OSRAM Fiscal Year 2014

OSRAM achieves its earnings and OSRAM Push targets, and shares its success with shareholders.

## Growth in the majority of businesses

LED business continues to gain ground

## OSRAM Push Phase I successfully completed

OSRAM Push Phase II launched

## Adjusted EBITA margin of 8.7%

Substantial increase in net income

## Proposed dividend of €0.90 per share

Dividend distribution ratio approx. 50%

## ROCE of 9.3%

Substantially exceeds current capital costs of 7.5%

## LED Lamps & Systems

Ongoing strong revenue growth and continued earnings improvement

## Classic Lamps & Ballasts

Successful management of challenges posed by market shift

## Luminaires & Solutions

Break-even target in 2015—senior management strengthened

## Specialty Lighting

Has outperformed market growth for 19 quarters in a row

## Opto Semiconductors

Double-digit growth and high profitability

# OSRAM Figures

## OSRAM Licht Group<sup>1)</sup>

in € million, if not stated otherwise		Fiscal		
		2014	2013	Change
Revenue		5,142.1	5,288.7	(2.8)%
Revenue growth (comparable) <sup>2)</sup>				0.8%
EBITA		310.4	99.5	>200%
EBITA margin (EBITA as % of revenue)		6.0%	1.9%	
therein special items		(138.5)	(309.9)	(55.3)%
therein transformation costs		(129.9)	(299.5)	(56.6)%
Adjusted EBITA margin (for special items)		8.7%	7.7%	
EBITDA		556.2	413.6	34.5%
Income (loss) before income taxes		279.2	50.1	>200%
Net income (loss)		193.1	33.6	>200%
Basic earnings per share	in €	1.80	0.26	>200%
Diluted earnings per share	in €	1.79	0.26	>200%
Dividend per share <sup>3)</sup>	in €	0.90	–	n/a
Dividend payout ratio <sup>4)</sup>		50.1%	–	n/a
Return on capital employed (ROCE)		9.3%	1.9%	>200%
Free cash flow		216.0	284.3	(24.0)%

		September 30,		
		2014	2013	Change
Cash and cash equivalents		667.7	522.1	27.9%
Total equity		2,400.8	2,169.3	10.7%
Total assets		4,709.5	4,425.3	6.4%
Equity ratio (total equity in % of total assets)		51.0%	49.0%	
Net debt/net liquidity <sup>5)</sup>		(487.3)	(172.0)	183.3%
in relation to EBITDA		(0.9)	(0.4)	
Adjusted net debt/net liquidity <sup>5)</sup>		(42.9)	186.5	n/a
in relation to EBITDA		(0.1)	0.5	
Employees	in thousand FTE	33.8	35.1	(3.6)%
of which in Germany	in thousand FTE	9.3	9.7	(4.5)%
of which outside Germany	in thousand FTE	24.6	25.4	(3.3)%

<sup>1)</sup> Minor differences may occur due to rounding.

<sup>2)</sup> Adjusted for currency translation effects.

<sup>3)</sup> Fiscal 2014: proposal put to the Annual General Meeting in February 2015.

<sup>4)</sup> Ratio of proposed dividend for distribution to net income (loss) for the Group determined in accordance with IFRSs and attributable to shareholders of OSRAM Licht AG.

<sup>5)</sup> Net liquidity is presented as a negative figure.

The OSRAM Licht Group's fiscal year began on October 1, 2013, and ended on September 30, 2014.

For explanations, definitions, and a reconciliation of the financial measure › Glossary, page V ff. and › Information on and Reconciliation of Financial and Non-financial Key Performance Indicators, page 80 ff.

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

Unless otherwise stated, the number of employees is given in thousands of full-time equivalents (FTE) as of the reporting date.

For technical terms in the lighting industry › Glossary, page V ff.

This document is a convenience translation of the original German-language document.

# OSRAM World

With its slogan “Light is OSRAM,” OSRAM delivers lighting solutions for every facet of life. As a global lighting expert, we are the number two among the companies operating in the lighting market. We offer future-oriented products and solutions along the entire lighting value chain.

## OSRAM Segments and Products

LED Lamps & Systems (LLS)	Classic Lamps & Ballasts (CLB)	Luminaires & Solutions (LS)	Specialty Lighting (SP)	Opto Semiconductors (OS)
<ul style="list-style-type: none"> <li>– LED lamps</li> <li>– Drivers and components for light management systems (LMSs)</li> </ul>	<ul style="list-style-type: none"> <li>– Traditional lamps</li> <li>– Electronic control gear</li> </ul>	<ul style="list-style-type: none"> <li>– Luminaires</li> <li>– Lighting solutions and projects</li> <li>– LMSs</li> <li>– Lighting services</li> </ul>	<ul style="list-style-type: none"> <li>– Automotive lighting</li> <li>– Display/optics</li> <li>– Lamps for special applications</li> </ul>	<ul style="list-style-type: none"> <li>– LEDs for visible light</li> <li>– Infrared components</li> <li>– Laser diodes</li> <li>– Optical sensors</li> </ul>

Our Company owes its success to our 34,000-strong global workforce. Our value added is created by 33 production sites in 14 countries. Through our subsidiaries, sales locations, and partners, we have local representatives in over 120 countries, enabling us to keep in close contact with our customers.

## Important Locations of OSRAM Licht Group



“We overcame the challenges that faced us in fiscal 2014 extremely successfully. The majority of our business segments are growing. Our strong innovation focus further boosted our technology leadership in many areas. OSRAM Push is delivering comprehensive, continuous improvements throughout the Company year after year. Our shareholders should also benefit from this, which is why they will receive a dividend for the first time in fiscal 2014. We plan to keep our dividend stable in 2015—a key sign of our confidence in OSRAM’s positive development.”

Wolfgang Dehen, Chairman of the Managing Board (CEO)  
of OSRAM Licht AG

# To the Shareholders

04 Letter to the Shareholders

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**Wolfgang Dehen** Chairman of the Managing Board (CEO) of OSRAM Licht AG.

## Dear OSRAM Licht AG Shareholders,

Fiscal 2014 was a challenging, but above all successful year for our Company. We met our targets and laid the essential groundwork for a successful future. Revenue rose by 1% on a comparable basis to over €5.1 billion. Across the Group as a whole, we recorded clear growth in more than half of our businesses. However, in light of the accelerated decline in the market for general lighting products, we had to adjust our revenue forecast in spring as against our expectations at the start of the year. We also responded immediately to this market development by expanding and accelerating Phase II of our Company-wide, comprehensive and continuous improvement program—OSRAM Push. These measures, which we announced at our Capital Market Day, will keep our operational performance high.

Thanks not least to this, we recorded an adjusted EBITA margin of 8.7%, clearly above our target of 8.0%. Free cash flow amounted to €216 million despite high transformation costs in connection with OSRAM Push and investment in making OSRAM fit for the future. While this figure was down on the prior-year figure, it was well within our expectations and helped to further improve our financial position. Overall, we have a balanced asset structure and a solid financial base with an equity ratio of over 50%.

We have achieved  
our 2014 targets

Core goals from  
Phase I of  
OSRAM Push  
met in full



We substantially increased the revenue share accounted for by LED-based products and solutions year-on-year in fiscal 2014, from 29% to approximately 36%. Although the lighting market is undergoing fundamental change, we further consolidated our position as the strong number two in the past fiscal year.

In light of this positive earnings growth, the Supervisory Board and Managing Board are proposing a dividend of €0.90 per share to the Annual General Meeting. This puts us at the upper end of our target distribution ratio—between 30% and 50% of net income—for the past fiscal year. Based on the outlook for fiscal 2015 and OSRAM's medium-term prospects, the Managing Board is aiming to keep the dividend constant at €0.90 per share in fiscal 2015. The stable dividend planned for 2015 underscores our confidence in OSRAM's positive performance.

We met another important goal in 2014—expanding our technology leadership—thanks to a clear focus on innovation and quality, as well as continued high investment in research & development. We developed a laser module for automotive headlights and are the only company in the world to offer this innovative technology. More than ever, we are the clear number one in the automotive lighting business. Growth in our automotive business again exceeded growth in global automobile production as of the end of the fiscal year. The acquisition of Clay Paky, a leading provider of innovative entertainment lighting, will strengthen the display/optics business within the Specialty Lighting reporting segment.

We create real added value for our customers, not just in the Specialty Lighting segment but also with our innovative lighting solutions. Alongside the Lenbachhaus in Munich, the new illumination of the Vatican's Sistine Chapel attracted global attention. The lighting solution sets new standards in technological strength, quality, and innovation. In figures, this means that illuminance levels in one of the world's most historically significant buildings are between five and ten times stronger than before. At the same time, the use of LED technology reduces damage to the artworks to a minimum. And, at the same time, the light sources installed reduce energy consumption by up to 90% and provide more intense light.

Our Opto Semiconductors business also enjoys a leading position: The reporting segment initiated the transition from four- to larger six-inch wafers in the production of red and yellow LED chips ahead of expected market growth. This makes OSRAM the first supplier in the world to expand production of all visible-light LED products to large-wafer technology. The business unit was the first manufacturer worldwide to switch all LED colors to four-inch wafers several years ago, and is now systematically continuing this approach with six-inch wafers. This expands not only our capacity, but also our business success: The Opto Semiconductors segment recorded 10% growth and continued high profitability in the past fiscal year.

## First dividend distribution

## New standards set in lighting solutions

A key driver of this positive overall trend is our OSRAM Push improvement program, which we launched in 2012 in response to the challenges posed by the lighting market and in order to play an active role in its transformation. We met our core Phase I goals in full by 2014. OSRAM Push has already achieved savings of almost €900 million (gross) as of the end of fiscal 2014. We separated the LED business in the former Lamps & Components reporting segment from the traditional products business. While LED Lamps & Systems is seeing growing demand, the Classic Lamps & Ballasts reporting segment makes a valuable contribution to the OSRAM Licht Group despite the declining market. The move has sharpened the different strategic focus of the two businesses and significantly increased both internal and external transparency. Additionally, we divested unprofitable business areas such as the classic service business in the U.S.A. in the course of pruning our product and service portfolios. However, the accelerated decline with traditional products in the general illumination business means that we cannot afford to discontinue our continuous improvements. This is why we have introduced further measures to save an additional €1.3 billion by 2017.

Generally speaking, these Group restructuring measures have two main components: process improvements and structural adjustments. The aim is to further simplify our organizational structure and streamline the entire Company so as to increase our speed and flexibility—and ultimately to also increase operating efficiency and the closer proximity to the customers. I am certain that this will allow us to continue taking the Company into a successful future.

Overall, we believe that the trends already identified in the global lighting market are intact. The general lighting market in particular will continue to be largely dominated by the technology shift from traditional to semiconductor-based lighting. This shift will mainly affect the developed countries and the premium segments of the lighting market, where OSRAM has a strong presence. We are responding to this by continuing and intensifying OSRAM Push with Phase II of the program.

Against this background, in fiscal 2015, we expect revenue to remain stable at the same level as the past fiscal year on a comparable basis.

The adjusted EBITA margin should match that of fiscal 2014, while reported EBITA is forecast to decline substantially year-on-year due to the sharp increase in transformation costs.

Dear shareholders, we are continually working to refine OSRAM's strategy. Our aim is to align our Company with the changing market environment and position it for long-term profitability.

On behalf of the entire Managing Board, I would like to take this opportunity to express my thanks to the Supervisory Board and in particular to OSRAM's employees for their dedication and outstanding work. Together, we have met our goals and made the fiscal year a successful one—despite all of the challenges we faced. My thanks also go to the employee representatives for our good working relationship. And I would also like to thank you—our shareholders—for the trust you have placed in us and in OSRAM.

Growth in the majority of business segments

Focus on process improvements and structural adjustments



Left: **Wolfgang Dehen** Chairman of the Managing Board (CEO), right: **Dr. Klaus Patzak** Chief Financial Officer (CFO).

At the same time, I would also like to use this letter to say goodbye. I will be stepping down from the Managing Board at my own request as of the end of the year and will be handing over the job of CEO to my experienced successor, Dr. Olaf Berlien. I wish him every success in his new role, and him and OSRAM all the best for the future.

OSRAM is well positioned to successfully respond to the shift in the lighting market and to continue the Company's 100-year-old success story.

Yours sincerely,

Wolfgang Dehen  
Chairman of the Managing Board (CEO)  
of OSRAM Licht AG

OSRAM is well  
positioned to respond  
to the shift in  
the lighting market

## Dear Shareholders,

Given the increasingly rapid technological shift in the lighting industry, OSRAM achieved good results in the fiscal year just ended, strengthened its position in the LED business, and laid the foundations for future success. The Supervisory Board performed its duties in accordance with the law, the Articles of Association, and the rules of procedure in the year under review. We regularly advised the Managing Board on the management of the Company and monitored its work. The Supervisory Board was directly involved in all decisions that were of fundamental importance to the Company.

### Overview

In the past fiscal year, the Managing Board provided the Supervisory Board with regular, timely, and comprehensive information, verbally and in writing, on all key matters relating to the management of the Company. In particular, this included reports on and explanations of corporate planning, business development, strategic planning, the current position of the Group, compliance processes, the financial reporting process, the effectiveness of the internal control systems, and all significant business events. The Managing Board regularly informed us on the Company's strategy. Any variances in performance as against corporate planning were explained to us in detail. We discussed key transactions for the Company in detail on the basis of the reports by the Managing Board. The Supervisory Board approved the resolutions proposed by the Managing Board after thorough examination and discussion.

Most of the Supervisory Board's activities in the past fiscal year were performed in the context of plenary meetings. The Supervisory Board held a total of nine ordinary and extraordinary plenary meetings in the year under review. These took place in November 2013, and in January, February, April, June, July, and September 2014. The Supervisory Board also had various committees. The work performed in the meetings of the Supervisory Board committees is addressed in the following section.

The Chairman of the Supervisory Board was in regular contact with the Managing Board outside of Supervisory Board meetings and kept abreast of current business developments and significant transactions. The Chairman of the Supervisory Board discussed the outlook for and future direction of the individual businesses and the Company as a whole with the Managing Board in separate strategy discussions.

### Work Performed by the Supervisory Board Committees

In order to perform its tasks efficiently, the Supervisory Board continued to have five committees in the fiscal year just ended. The committees prepared resolutions for the full Supervisory Board and other matters to be addressed in the plenary meetings. In addition, certain Supervisory Board decision-making powers have been transferred to committees to the extent permitted by law. The chairs of the committees provided the Supervisory Board with regular, comprehensive reports on the work performed by the committees.

The Supervisory Board's Executive Committee met nine times in the year under review. It addressed in detail the preparation of decisions on the remuneration of the Managing Board and adjustments to the relevant remuneration system. The Executive Committee also discussed the composition of the Managing Board and longer-term personnel planning. It also dealt with corporate governance matters, including the declaration of conformity with the German Corporate Governance Code, and prepared the proposal to the 2014 General Meeting regarding the changes to be made to Supervisory Board remuneration. In addition, the Chairman of the Supervisory Board regularly discussed matters of particular importance to the Group with the members of the Executive Committee.

The Mediation Committee did not have to be convened in the past fiscal year.

The Strategy and Technology Committee met six times in the year under review and addressed strategic and technological issues for each of the business units, as well as individual business sections and segments. In its meetings on July 28 and September 8, 2014, it prepared the Supervisory Board discussions on the Company's overall strategy.

The Audit Committee held five meetings in the past fiscal year. It addressed the financial statements of OSRAM Licht AG and of the Group, the combined management report for OSRAM Licht AG and the Group, as well as the proposal on the appropriation of net profit in the presence of the auditors and the members of the Managing Board. The Audit Committee also issued a recommendation to the Supervisory Board relating to its proposal to the 2014 General Meeting for the election of the auditors for fiscal 2014 and for the review of the half-year financial report. The committee also discussed the engagement of the auditors for fiscal 2014 in detail, including defining the focus points for the audit, monitoring the auditors' independence and qualifications

and the additional services provided by them, setting the audit fee, and discussing the findings of the auditors' review of the quarterly and half-yearly financial statements. In addition, the Committee discussed the financial reporting process and the Company's internal control system as well as risk management system. Following in-depth discussion, the Audit Committee came to the conclusion that the risk management system currently in place is appropriate given the structure, size, and business activities of the OSRAM Licht Group, and that it enables the Group to identify in particular risks endangering the existence of the Group at an early stage and to respond to these effectively. The Audit Committee also addressed the structure, organization, activities, effectiveness, resources, and findings of the Internal Audit function including the OSRAM Internal Audit Charter. In addition, it was informed of potential and pending legal disputes. The Audit Committee also discussed the results of investigations by the Internal Audit function into the effectiveness of internal controls and compliance with applicable legislation, official regulations, and internal policies. Finally, the Audit Committee addressed the reports by the Chief Compliance Officer on OSRAM's compliance program and on significant compliance events in the period under review.

The Nomination Committee met once in the period under review to prepare for the election of shareholder representatives to the Supervisory Board by the General Meeting of OSRAM Licht AG on February 27, 2014. In proposing candidates to the Supervisory Board, the Nomination Committee took into account the requirements of the German Stock Corporation Act (Aktiengesetz—AktG), the German Corporate Governance Code, and the rules of procedure of the Supervisory Board, as well as the goals adopted by the Supervisory Board for its composition on September 30, 2013. Accordingly, the Nomination Committee recommended that the Supervisory Board should propose the following candidates to the General Meeting on February 27, 2014 for election to the Supervisory Board as shareholder representatives: Mr. Peter Bauer, Dr. Christine Bortenlänger, Dr. Roland Busch, Prof. Dr. Lothar Frey, Dr. Joachim Faber, and Mr. Frank H. Lakerveld. In addition, on the departure of Dr. Faber from the Supervisory Board as of June 30, 2014, the remaining members of the Nomination Committee resolved to support the Managing Board's application for the court to appoint Dr. Werner Brandt as the successor to Dr. Faber.



**Peter Bauer** Chairman of the Supervisory Board of OSRAM Licht AG.

### Matters Addressed by the Full Supervisory Board

In the fiscal year just ended, the Supervisory Board of OSRAM Licht AG addressed in particular the business performance of OSRAM Licht AG and its fundamental corporate strategy, the annual and multi-year planning for the Company and the OSRAM Licht Group, and the position of the Group, particularly its financial position and results of operations.

In its meeting on November 11, 2013, the Supervisory Board discussed the preliminary figures for fiscal 2013 and resolved the variable remuneration components for the Managing Board for the fiscal year based on the degree of target achievement and the size of the contributions to the Managing Board pension plan.

Following an in-depth examination of the financial statements documents and the dependent company report, the Supervisory Board meeting convened to adopt the financial statements on November 26, 2013, approved the single-entity annual financial statements of OSRAM Licht AG and the consolidated financial statements of the OSRAM Licht Group for fiscal 2013. In addition, it raised no objections to the dependent company report for that fiscal year and concurred with the auditors' report on the dependent company report in accordance with section 314 of the AktG. The single-entity annual financial statements were thus adopted. The auditors participated in the discussions and reported on the main results of the audit before the resolution was passed. The report by the Supervisory Board to the General Meeting for fiscal 2013 was also adopted. Finally, the Supervisory Board adopted its proposed resolutions on the individual items of the agenda to be resolved by the 2014 Annual General Meeting.

In its meeting on January 28, 2014, the Supervisory Board discussed the results for the first quarter of the fiscal year and current business performance in detail. The shareholder representatives on the Supervisory Board, who have exclusive voting rights in this regard, resolved to exercise OSRAM Licht AG's voting rights at the General Meeting of OSRAM GmbH to approve the actions of the serving members of the Supervisory Board and managing directors of OSRAM GmbH for fiscal 2013.

Following the Annual General Meeting of OSRAM Licht AG, at which elections for the shareholder representatives to the Supervisory Board were held, the Supervisory Board meeting on February 27, 2014, reelected Mr. Bauer as Chairman of the Supervisory Board and Dr. Busch as an additional Deputy Chairman of the Supervisory Board and an additional member of the Mediation Committee. The Supervisory Board also confirmed Dr. Faber as an additional member of the Nomination Committee, Dr. Bortenlänger, Dr. Busch, and Dr. Faber as members of the Audit Committee, and Mr. Bauer, Prof. Dr. Frey, and Mr. Lakerveld as members of the Strategy and Technology Committee.

At its meeting of April 10, 2014, which took the form of a conference call, the Supervisory Board approved the separation of the OLED business area by OSRAM Opto Semiconductors GmbH to form a new company, OSRAM OLED GmbH.

In its meeting on April 29, 2014, the Supervisory Board addressed the business results for the second quarter and first half of fiscal 2014. Among other things, the Managing Board reported on the reorganization of the business units in the Lamps & Components segment.

In its meeting on June 2, 2014, the Supervisory Board discussed basic cooperation within the Managing Board and its future composition. The Supervisory Board approved the termination by mutual agreement of the appointment of Dr. Peter Laier as a member of the Managing Board and the signature of a termination agreement with him. It also adopted an amended schedule of responsibilities for the Managing Board reflecting its new composition.

In the Supervisory Board meeting on July 29, 2014, the Managing Board reported on the business results for the third quarter of the fiscal year, and its plans for capacity adjustments and the further transformation of the Group. The Supervisory Board resolved changes to the remuneration system for members of the Managing Board, particularly the introduction of caps on the variable remuneration components and on the total remuneration of the Managing Board. The Supervisory Board also approved the signature of new contracts with the Managing Board members reflecting these changes.

In its meeting on September 22, 2014, the Supervisory Board discussed the corporate strategy, as well as the plans for fiscal 2015 submitted by the Managing Board and the multi-year planning. The Supervisory Board approved the Managing Board's plans for the year. In addition, it discussed the remuneration for the members of the Managing Board in fiscal 2015 and resolved the performance criteria and targets for the bonus and the variable share-based payment.

### German Corporate Governance Code

On September 22, 2014, the Managing Board and Supervisory Board resolved to issue a declaration of conformity in accordance with section 161 of the AktG. The declaration states that the Company has complied with the recommendations of the German Corporate Governance Code since the last declaration of conformity on September 30, 2013, with the exception of section 4.2.3 (maximum remuneration of Managing Board members) and that, following the amendment of the contracts of the Managing Board members which was effected by September 18, 2014, it now complies and will in the future continue to comply with all of the recommendations of the German Corporate Governance Code. The declaration of conformity was made permanently accessible to shareholders on the Company's website.

Insofar as they arose, conflicts of interest affecting Supervisory Board members were disclosed to the Supervisory Board. In the case of the resolutions by the shareholder



representatives on the Supervisory Board of OSRAM Licht AG relating to the approval of the actions of the members of the Supervisory Board of OSRAM GmbH for fiscal 2013 in accordance with section 32 of the German Codetermination Act (Mitbestimmungsgesetz—MitbestG), individual resolutions were adopted for the individual shareholder representatives, since the members of the Supervisory Board of OSRAM Licht AG are also the members of the Supervisory Board of OSRAM GmbH. Care was taken during the process to ensure that Supervisory Board members Dr. Christine Bortenlänger, Peter Bauer, Dr. Joachim Faber, Dr. Roland Busch, Prof. Dr. Lothar Frey, and Frank H. Lakerveld did not take part in the resolutions relating to the approval of their own actions.

Further disclosures on corporate governance can be found in the »Corporate Governance Report, page 18 ff.

### **Audit of Annual and Consolidated Financial Statements Discussed in Detail**

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements and the consolidated financial statements, as well as the combined management report for OSRAM Licht AG and the Group as of September 30, 2014, and issued an unqualified audit opinion. The annual financial statements of OSRAM Licht AG and the combined management report for OSRAM Licht AG and the Group were prepared in accordance with the requirements of German commercial law. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law in accordance with section 315a(1) of the Handelsgesetzbuch (HGB—German Commercial Code). The auditors conducted the audit in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW—Institute of Public Auditors in Germany), and, for the consolidated financial statements, in supplementary compliance with the International Standards on Auditing (ISA). The above-mentioned documents and the Managing Board's proposal for the appropriation of net retained profits were circulated by the Managing Board to the members of the Supervisory Board in good time.

In a first step, the proposal for the appropriation of net retained profits, the annual financial statements, the consolidated financial statements, and the combined management report were examined and discussed in detail in the meeting of the Audit Committee on December 2, 2014.

The audit reports prepared by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, were then comprehensively reviewed in the presence of the auditors at the full Supervisory Board meeting held to adopt the financial statements on the same day; the audit reports had been made available to all members of the Supervisory Board. The auditors reported on the main results of the audit and that there were no major weaknesses in the internal control system or the risk management system. Additionally, in the same meeting, the Managing Board commented in detail on the financial statements of OSRAM Licht AG and the consolidated financial statements, as well as the risk management system. The auditors also addressed the scope, focus points, and costs of the audit.

The Supervisory Board concurs with the results of the audit. The Audit Committee's examination and the Supervisory Board's own examination have not resulted in any objections. The Supervisory Board approves the annual financial statements and the consolidated financial statements; the annual financial statements are thus adopted. The Managing Board has proposed to use the net retained profits of €94,220,460.00 to distribute a dividend of €0.90 per share entitled to dividends and to carry forward the remaining net retained profits; the Supervisory Board endorses this proposal.



### Changes to the Supervisory Board and the Managing Board

Prof. Russwurm resigned as a member of the Supervisory Board with effect from the end of November 26, 2013; Dr. Roland Busch, who was elected as Prof. Russwurm's replacement by the General Meeting on June 14, 2013, therefore became a member of the Supervisory Board. At its meeting on November 26, 2013, the Supervisory Board elected Mr. Bauer as Chairman of the Supervisory Board and Dr. Busch as an additional Deputy Chairman of the Supervisory Board and an additional member of the Audit Committee effective November 27, 2013. It also elected Dr. Busch as an additional member of the Mediation Committee at its meeting on January 28, 2014.

In addition, Dr. Faber stepped down from his position as a member of the Supervisory Board as of the end of June 30, 2014. At the Managing Board's request, the court appointed Dr. Werner Brandt as his successor on the Supervisory Board on August 7, 2014. On the same date, Dr. Brandt was also appointed as Dr. Faber's successor on the Audit Committee and the Nomination Committee; the Supervisory Board had already adopted the corresponding resolution in the case of Dr. Brandt's appointment to the Supervisory Board on July 29, 2014. Finally, the Audit Committee elected Dr. Brandt as its new chairman on November 5, 2014.

The Supervisory Board would like to sincerely thank Prof. Russwurm and Dr. Faber for their valuable work as members of the Supervisory Board in fiscal 2014.

Dr. Laier stepped down as a member of the Managing Board by mutual agreement as of the end of June 30, 2014. The Supervisory Board wishes to thank Dr. Laier for his significant contribution to OSRAM.

On November 5, 2014, a mutual agreement was reached with Mr. Dehen, according to which his appointment as a member and the Chairman of the Managing Board will terminate as of the end of December 31, 2014. The Supervisory Board has appointed Dr. Olaf Berlien as a member and the Chairman of the Managing Board and as Labor Relations Director with effect from January 1, 2015. The Supervisory Board would like to thank Mr. Dehen for his successful work and outstanding efforts during OSRAM Licht AG's IPO and in realigning the Company.

The Supervisory Board would like to thank all members of the Managing Board, as well as the employees and employee representatives of OSRAM Licht AG and of all Group companies for their successful work in fiscal 2014.

Munich, December 2, 2014

On behalf of the Supervisory Board



Peter Bauer  
Chairman

# OSRAM Licht Shares and Investor Relations

## Performance of OSRAM Licht Shares

The first half of the fiscal year OSRAM Licht AG shares continued their positive performance in the first months following the listing to reach a preliminary high of €50.75 on March 7, 2014. This was due to the systematic and successful implementation of the restructuring measures announced by the Company and the positive strong stock market environment fuelled by low interest rate policies, in addition to the positive results for fiscal 2013 and the first quarter of fiscal 2014. After reaching its high, the share price showed a declining trend, although it continued to outperform the benchmark MDAX® index, which includes OSRAM's shares, well into May 2014. Against the backdrop of a sharper-than-expected decline in the traditional general lighting business, the revenue forecast for fiscal year 2014 was adjusted at the end of May. OSRAM's share price initially declined following this reduction in the outlook. Although the share price recovered in reaction to the additional restructuring measures announced at the end of July, this rally was unable to fully offset the negative performance seen at the beginning of the second half of the fiscal year before the end of the reporting period.

The DAX® opened the reporting period at 8,689 points at the beginning of October. A new high of 10,029 points was reached during the year, with the index closing up 9% year-on-year in September. OSRAM's shares ended the reporting period of €29.50, roughly 24% above the closing price at €23.80 on the first trading day on July 8, 2013. The bench-

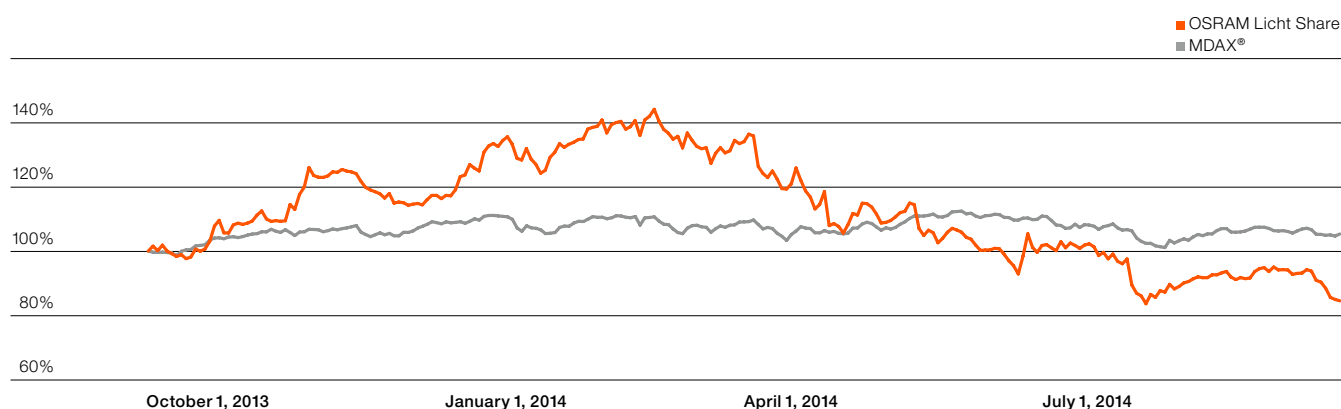
mark MDAX® index recorded growth of only 15% in the same period. In the volatile environment of the changing light industry, OSRAM's shares have held up well, also compared with their competition. OSRAM Licht AG's market capitalization amounted to approximately €3.1 billion as of the September 30, 2014 reporting date.

OSRAM Licht AG's shares have been listed on the MDAX® since September 2013. This index comprises the 50 largest non-DAX® companies listed on Deutsche Börse by stock exchange turnover and market capitalization of their free float shares.

## Inclusion in the Dow Jones Sustainability Index

OSRAM Licht AG's shares were included in the globally renowned Dow Jones Sustainability Index World on September 22, 2014. The index brings together companies that meet key economic, environmental, and social sustainability criteria. The world's largest listed companies by market capitalization are evaluated for their sustainability performance using an extensive assessment process. This means that the index is an important benchmark for investors when it comes to measuring the performance of the world's most sustainably managed companies. OSRAM's inclusion was preceded by a detailed analysis of various sustainability criteria, which resulted in OSRAM being ranked among the top 10% of companies in the Electrical Components & Equipment sector.

## Performance of OSRAM Licht Shares from October 1, 2013, to September 30, 2014

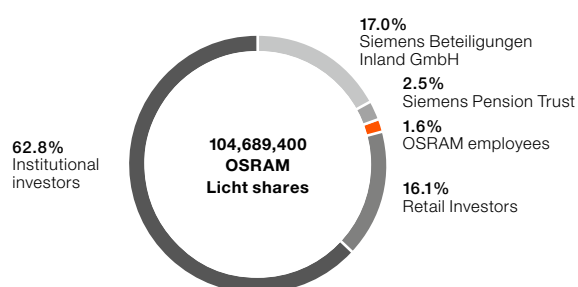


## Shareholder Structure

OSRAM has a sustainably diversified shareholder structure that has changed only slightly. Institutional investors primarily pursuing a growth- or value-driven investment strategy hold more than 60% of OSRAM's shares. Retail investors hold roughly 20% of shares; this figure includes almost 2% that are held by our employees. This gives us a solid retail shareholder base. OSRAM has more than half a million shareholders, despite a slight drop in this figure. From a regional perspective, the largest proportion of shares are to be found in the securities accounts of German investors, followed by their American and European counterparts.

### Investor Groups

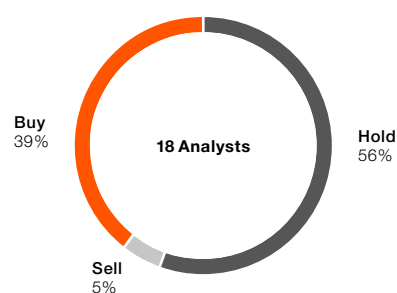
Number of shares in %, as of September 30, 2014



## Analysts

As of the end of the reporting period, 18 analysts were providing official coverage of OSRAM Licht shares and regularly publish comments and recommendations. Around 39% of them recommended buying OSRAM shares, while a good 56% recommended holding, and only 5% selling them.

### Analyst Recommendation of OSRAM Licht Shares



## Dividend Policy

Dividends enable shareholders to participate in the Company's success. Under the dividend policy published in its Listing Prospectus, OSRAM Licht AG aims to distribute between 30% and 50% of the Group's net income determined in accordance with the IFRSs per fiscal year—after adjustment for extraordinary noncash effects—to the extent that such dividend payments can be reconciled with long-term and sustainable business development. On this basis, it is intended to propose a dividend of €0.90 per share for fiscal 2014 to the Annual General Meeting. The goal is for the dividend to remain unchanged for fiscal 2015.

## First Annual General Meeting

OSRAM Licht AG's first Annual General Meeting was held on February 27, 2014, at the Olympic Hall in Munich. Over 50% of the Company's share capital was represented, with a total of roughly 5,300 shareholders and guests in attendance. After presenting the members of the Managing Board and Supervisory Board, the speech by the Chairman of the Managing Board focused on OSRAM's business areas. All agenda items were passed with clear majorities.

## Employee Participation Program and Share Buyback

Employees at the German companies in the OSRAM Licht Group were given the opportunity to purchase shares in OSRAM Licht AG in connection with the spin-off. Share purchases were subsidized by OSRAM within certain limits, depending on the amount invested. Almost 2,200 employees took advantage of the opportunity to take part. This corresponds to a participation rate of around 20%.

In addition to this, the BAP (Basis-Aktien-Programm) employee share plan was launched in 2014. Eligible employees were able to benefit from a tax-free subsidy paid by the Company when making a personal investment with a defined cap, allowing them to subscribe for shares on more favorable terms. Almost 3,500 employees took advantage of the offer, corresponding to just under 32% of eligible employees.

## In Touch with the Markets

OSRAM Licht AG's Investor Relations department is available for an open and transparent dialog with existing and potential investors.

In addition, OSRAM Investor Relations provides access to documents published by OSRAM Licht AG, the financial calendar, and other information, in particular concerning OSRAM shares and corporate governance, via the Company's website at [www.osram-licht.ag](http://www.osram-licht.ag).

Throughout the year, group talks and one-on-one discussions were held with investors around the world as part of OSRAM's various roadshows. These activities mainly covered Europe, North America and Asia—the regions relevant from an investor perspective. One-on-one discussions and group talks between management or the Investor Relations team and potential or existing investors were held in the financial centers of Frankfurt, Hong Kong, London, New York, and Singapore, among other places. There were also events in Munich, Milan, Lugano, and Edinburgh. In addition, meetings were held with investors at OSRAM's corporate headquarters and at individual locations. The objective of these meetings is to give existing and potential investors an understanding of OSRAM and its equity story. OSRAM Licht AG was also represented at a range of investor conferences in Boston, Frankfurt, Hamburg, London, Munich, New York, Beijing, Paris, and Zurich.

In addition, OSRAM Licht AG was presented to interested investors and shareholder associations at several retail investor events.

The second Capital Market Day focusing on OSRAM was held in April 2014 during the world's leading trade fair, Light+Building, in Frankfurt. Around 70 analysts and investors took advantage of the opportunity to find out about the lighting market, new products and product innovations, and to learn more about OSRAM's strategy and potential, during a tour of the event, among other things.

OSRAM Licht AG's second Annual General Meeting will be held on February 26, 2015, at the Olympic Hall in Munich.

## OSRAM Licht Shares on the Market

as of September 30, 2014	
Number of shares	104,689,400
of which free float	86,892,202
High as of March 6, 2014 (closing price, Xetra)	€50.46
Low as of August 4, 2014 (closing price, Xetra)	€29.18
Market cap as of September 30, 2014	€3,088,337,300.00

## Key Data of OSRAM Licht Shares

International Securities Identification Number (ISIN)	DE000LED4000
German Securities Identification Number (WKN)	LED 400
Currency	EUR
Trading venues	Frankfurt (Xetra), Munich
Exchange symbol	OSR
Share class	No-par value registered shares
Trading segment	Official Market
Market segment	Prime Standard
Initial listing	July 8, 2013
Number of shares	104,689,400



# Corporate Governance

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The successful future of the OSRAM Licht Group (“OSRAM”) is dependent on our ability to sustainably increase our enterprise value, among other factors. To achieve this, the trust of our customers and investors is essential. We foster this trust through transparent, responsible corporate governance.

OSRAM Licht AG’s Managing Board and Supervisory Board have addressed in detail the issue of compliance with the requirements of the German Corporate Governance Code (the “Code”). Based on their deliberations, the annual declaration of conformity was resolved on September 22, 2014. The declaration of conformity can be found in the › Corporate Governance Declaration in Accordance with Section 289a of the Handelsgesetzbuch (HGB—German Commercial Code) for Fiscal 2014, page 36 f. and is published on our website at › [www.osram-licht.ag](http://www.osram-licht.ag).

OSRAM Licht AG voluntarily complies with the Code’s non-binding suggestions, with the exception of the suggestion in section 2.3.2, according to which proxies should also be reachable during the General Meeting. We do not consider this suggestion appropriate with regard to shareholders that are not present or represented at the General Meeting, since the objective behind the suggestion—that of issuing or amending instructions regarding the exercise of voting rights via electronic media even during the General Meeting itself—involves a considerable level of technical uncertainty and hence risks regarding the effectiveness of the resolutions passed.

To ensure that our shareholders and the public receive information in good time and in a proper manner, we have established a Disclosure Committee made up of the heads of central corporate units. The Disclosure Committee is responsible for reviewing certain financial and non-financial information and advising the Managing Board on its decision on the disclosure of the information. There is also a certification process whereby members of the management of our business units, regions, and certain central corporate units—supported by confirmations from the management of units in their respective areas of responsibility—confirm that the financial data reported to corporate headquarters is accurate and that the risk monitoring and control systems are functioning properly in each case. These internal certifications serve as a basis for the members of the Managing Board to prepare the financial statements.

## Management and Control Structure

OSRAM Licht AG is governed by the Aktiengesetz (AktG—German Stock Corporation Act) and thus has a dual board system, comprising a Managing Board and a Supervisory Board.

### Supervisory Board

In accordance with section 7 (1) sentence 1 no. 1 of the MitbestG, the Supervisory Board is composed of six shareholder representatives and six employee representatives. The term of office of all members of the Supervisory Board will expire at the end of the 2018 Annual General Meeting, with the exception of Dr. Brandt, who was appointed by the court until the end of the 2019 Annual General Meeting—a longer term than applied for by the Managing Board of OSRAM Licht AG. However, in order to re-synchronize the terms of office of all members, Dr. Brandt is to be proposed to the shareholders for election at the Company’s next Annual General Meeting on February 26, 2015, for a term of office running until the end of the 2018 Annual General Meeting. The rules governing the Supervisory Board and its organization are set out in particular in Articles 7 to 12 of the Articles of Association and in the rules of procedure of the Supervisory Board.

At its meeting on September 30, 2013, the Supervisory Board resolved, with reference to section 5.4.1 (2) of the Code, the following objectives with regard to its composition:

- At least one-quarter of the members of the Supervisory Board should have long-standing international experience.
- At least half of the shareholder representatives who are members of the Supervisory Board should not be exposed to any potential conflicts of interest, particularly any conflicts of interest that could result from a consulting or directorship function with clients, suppliers, lenders, or other third parties.
- More than half of the Supervisory Board members should be independent within the meaning of section 5.4.2 of the German Corporate Governance Code.
- As a rule, nobody who has reached the age of 70 by the time of the election should be proposed for election to the Supervisory Board.
- At least two Supervisory Board mandates should be held by women, with at least one of these being a shareholder representative.



With regard to the implementation of these objectives, the following can be reported: During the entire fiscal year, one mandate was held by Ms. Irene Schulz, as an employee representative on the Supervisory Board, and one by Dr. Christine Bortenlänger, as a shareholder representative on the Supervisory Board. At least three of the Supervisory Board members have long-standing international experience. None of the Supervisory Board members have reached the age of 70. At least three of the shareholder representatives on the Supervisory Board have no potential conflicts of interest. Several members of the Supervisory Board hold—or have held in the past year—high-level positions at other companies with which OSRAM does business. However, transactions between OSRAM and these companies were conducted on an arm's length basis. We do not believe that these transactions compromise the independence of the Supervisory Board members concerned.

The Supervisory Board oversees and advises the Managing Board on the management of the business. The Supervisory Board regularly discusses business performance and planning, in addition to the Company's strategy and its implementation. It reviews the annual financial statements, the management report, the proposal on the appropriation of net profit, the consolidated financial statements, and the Group management report. It also discusses the quarterly and half-yearly reports, adopts the annual financial statements of OSRAM Licht AG, and approves the consolidated financial statements, taking into account the audit reports prepared by the auditors and the findings of the review performed by the Audit Committee. In addition, the Supervisory Board reviews the Company's adherence to legal and regulatory requirements, and internal policies (compliance). The Supervisory Board's duties also include appointing the members of the Managing Board and establishing their respective areas of responsibility. Significant Managing Board decisions—for example major acquisitions, divestments, and financial measures—require Supervisory Board approval. Several General Meeting resolutions require Supervisory Board approval to be obtained for certain actions, including the Supervisory Board approval set out in the authorization granted to the Managing Board to increase the capital stock (authorized capital), and to disapply preemptive rights in the event of the issue of debt instruments and, in some cases, the utilization of treasury shares.

The Supervisory Board currently has five committees. Their tasks, responsibilities, and working processes meet the requirements of the AktG and the Code. The chairs of the committees provide the Supervisory Board with regular reports on the work performed by the committees.

The **Executive Committee** is made up of the Chairman of the Supervisory Board, the deputy chairmen, and an employee representative on the Supervisory Board who is elected by the Supervisory Board. The Executive Committee performs the duties of a nomination and remuneration committee to the extent that these duties are not performed by the Nomination Committee and German law does not require them to be addressed by the full Supervisory Board. In particular, the Executive Committee prepares the appointment of members of the Managing Board, the determination of Managing Board members' remuneration, and the review of the Managing Board remuneration system by the full Supervisory Board, and handles the Managing Board contracts. When proposing the appointment of Managing Board members, the Executive Committee considers long-term succession planning and diversity, among other factors. The Executive Committee also amongst other things decides on whether to approve transactions with members of the Managing Board and their related parties, and coordinates the work of the Supervisory Board.

The **Audit Committee** comprises three shareholder representatives and three employee representatives from the Supervisory Board, all of whom are elected by the Supervisory Board. Under German law, the Audit Committee must include at least one independent member of the Supervisory Board with expertise in the areas of accounting or auditing financial statements. The Chairman of the Audit Committee elected on November 11, 2013, Dr. Joachim Faber, met these legal requirements, as does his successor, Dr. Werner Brandt. The Audit Committee oversees the accounting and reporting process. It also prepares the Supervisory Board's proposal to the General Meeting on the election of the auditors, and submits a corresponding recommendation to the Supervisory Board. In addition to the review by the auditors, the Audit Committee discusses the Company's quarterly and half-yearly financial statements prepared by the Managing Board. The Audit Committee prepares the audit of the annual financial statements and the consolidated financial statements, and the Managing Board's proposal on the appropriation of net profit by the Supervisory Board. It deals with questions relating to the Company's accounting and reporting process and risk management, and monitors the effectiveness of the internal control and risk management systems, as well as the Company's internal audit system. Following the General Meeting resolution, the Audit Committee engages the auditors and monitors the audit of the financial statements, particularly with regard to the independence of the auditors and the additional services they provide. Lastly, it reviews the Company's adherence to legal and regulatory requirements, and internal policies (compliance), as well as issues relating to sustainability.

The **Nomination Committee** comprises the Chairman of the Supervisory Board, the Deputy Chairman not elected in accordance with the MitbestG, and another member of the Supervisory Board elected by the shareholder representatives from among their number. The Nomination Committee makes recommendations to the Supervisory Board on the shareholder candidates to be proposed to the Supervisory Board for election by the General Meeting. In addition to the required knowledge, abilities, and professional experience of the proposed candidates, the Supervisory Board's stated objectives regarding its composition (see above) should also be taken into account.

The **Mediation Committee** comprises the Chairman of the Supervisory Board, the Deputy Chairman elected in accordance with the MitbestG, one Supervisory Board member elected by the employee representatives, and one member elected by the shareholder representatives. The committee proposes the appointment or dismissal of Managing Board members to the Supervisory Board if the two-thirds majority of the Supervisory Board members' votes required under section 31(2) of the MitbestG is not reached during the first ballot.

The **Strategy and Technology Committee**, which is made up of three shareholder representatives and three employee representatives elected by the Supervisory Board from among its members, oversees and advises the Managing Board on matters relating to corporate strategy and the development and safeguarding of technologies that are relevant for the Company.

The members of the Supervisory Board and its committees are presented in the ›Notes to the consolidated financial statements, page 196 ff.

Detailed information on the Supervisory Board's work can be found in the ›Report of the Supervisory Board, page 08 ff.

The remuneration of the members of the Supervisory Board is described in the ›Remuneration Report, page 22 ff.

### Managing Board

As the management body of OSRAM Licht AG, the Managing Board is bound to act in the Company's interests and to sustainably increase its enterprise value. The Managing Board currently has two members. They are jointly responsible for the overall management of the business and decide on fundamental issues regarding business policy and corpo-

rate strategy, as well as on the Company's annual and multi-year planning. Notwithstanding this overall responsibility, the individual members of the Managing Board are also independently and individually responsible for the areas assigned to them. The Supervisory Board has defined the Managing Board's work in rules of procedure, and the areas of responsibility of the individual members of the Managing Board in a schedule of responsibilities. The rules of procedure also define the matters reserved for the full Managing Board, as well as the majority required for Managing Board resolutions.

The Managing Board is responsible for the preparation of the Company's quarterly and half-yearly financial statements, the annual financial statements of OSRAM Licht AG, and the consolidated financial statements. In addition, the Managing Board must ensure that all Group companies comply with legal and regulatory requirements, and internal policies (compliance).

The Managing Board and Supervisory Board work closely together for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, without delay, and comprehensively of all issues of importance to the Company in relation to strategy, planning, business development, financial position, results of operations, and compliance, as well as of material business risks. The Managing Board considers diversity when filling managerial positions within the Company and, in particular, strives to ensure that women are appropriately taken into account.

The members of the Managing Board are presented in the ›Notes to the consolidated financial statements, page 199 ff.

The remuneration of members of the Managing Board is described in the ›Remuneration Report, page 22 ff.

### Share Ownership

On October 20, 2014, the current members of the Managing Board held a total of 631 (previous year: 629) OSRAM Licht shares; this corresponds to 0.0006% (previous year: 0.0006%) of the capital stock of OSRAM Licht AG, which is composed of 104,689,400 no-par value shares.

As of the same date, the current members of the Supervisory Board held a total of 4,118 (previous year: 5,258) OSRAM Licht shares; this corresponds to less than 0.01% (previous year: less than 0.01%) of the capital stock of OSRAM Licht AG.

## Purchase and Sale of Company Shares

Under section 15a of the Wertpapierhandelsgesetz (WpHG—German Securities Trading Act), members of the Managing Board and Supervisory Board are legally required to disclose the purchase or sale of shares of OSRAM Licht AG or related financial instruments if the value of the transactions performed by the board member in question or related parties reaches or exceeds €5,000 in any calendar year. A process has been established to ensure that these transactions are duly published if such notification is received. Disclosed transactions can be accessed on the Company's website at › [www.osram-licht.ag](http://www.osram-licht.ag).

The only disclosure in the fiscal year just ended was from Dr. Brandt, who notified OSRAM Licht AG that he purchased a total of 3,000 shares at a price of €31.6774 each on August 14, 2014.

## Shareholder Relations

OSRAM reports regularly to its shareholders on the Company's business developments and net assets, financial position, and results of operations four times per year. The Annual General Meeting, at which the Company's business developments are also reported, is usually held in the first five months of the fiscal year. The Managing Board enables the shareholders to follow the speeches of the chairman of the Supervisory Board and of the Managing Board members by means of electronic communication media, particularly the Internet, and enables shareholders to vote by proxy. Under Article 14 (5) and (6) of the Articles of Association, the Managing Board may also allow shareholders to cast their votes in writing or by means of electronic communication (absentee voting), or to participate in the General Meeting without the need to be present at the meeting venue and without a proxy, and to exercise some or all of their rights either fully or partially by means of electronic communication (electronic participation). In view of the significant technical uncertainties already mentioned and the resulting risks regarding the validity of the resolutions passed, the Managing Board has not yet made the option of electronic participation available. The reports, documents, and information legally required for the General Meeting, including the annual report, are available online, as is the agenda for the General Meeting, and any shareholder counter motions or nominations that are required to be made available.

The General Meeting elects the shareholder representative members of the Supervisory Board. It resolves on all matters assigned to it by law, particularly the appropriation of net profit, the approval of the actions of the Managing Board and Supervisory Board, the election of the auditors, and amendments to the Articles of Association. When passing resolutions, each share grants one vote. Amendments to the Articles of Association, such as measures that change the Company's capital stock, are resolved by the General Meeting and implemented by the Managing Board. Shareholders may submit motions regarding resolutions proposed by the Managing Board and Supervisory Board and may contest resolutions of the General Meeting. Shareholders who collectively hold at least €100,000 of the capital stock may also demand the appointment of a special auditor by the court to examine specific issues, subject to the requirements of section 142 of the AktG.

The OSRAM Licht Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law under section 315a(1) of the HGB. The single-entity annual financial statements of OSRAM Licht AG are prepared in accordance with German law.

As part of our investor relations activities, we provide comprehensive information on the Company's performance. OSRAM makes extensive use of the Internet for reporting purposes. In addition to our quarterly, half-yearly, and annual reports, earnings releases, ad hoc announcements, analyst presentations, and press releases, we publish the financial calendar for the current year, which includes the key publication dates for financial communications and the date of the General Meeting, at › [www.osram-licht.ag](http://www.osram-licht.ag).

Details of our investor relations activities can be found on › page 13 ff.

Our Articles of Association, the rules of procedure of the Managing Board and Supervisory Board and all declarations of conformity and other information relating to corporate governance are available on our website at › [www.osram-licht.ag](http://www.osram-licht.ag).

## A Component of the Combined Management Report

The remuneration report summarizes the principles used to determine the total remuneration of the members of the Managing Board of OSRAM Licht AG and explains the structure and amount of the remuneration paid to the members of the Managing Board. It also describes the principles and amount of the remuneration paid to the members of the Supervisory Board. In addition, the remuneration of each member of the Managing Board and Supervisory Board for fiscal 2014 is presented on an individual basis. The remuneration report is based on the recommendations of the German Corporate Governance Code and includes the disclosures required by the Handelsgesetzbuch (HGB—German Commercial Code) and the International Financial Reporting Standards (IFRSs). The remuneration report is part of the combined management report.

### Remuneration System for the Members of the Managing Board

The remuneration system for the Managing Board of OSRAM Licht AG was established when the OSRAM Group's spin-off from the Siemens Group took effect on July 5, 2013, and was approved by the Company's General Meeting on February 27, 2014. The Supervisory Board regularly evaluates the appropriateness of the compensation paid to members of the Managing Board and of the remuneration system, most recently in spring 2014, by obtaining an expert opinion from an independent remuneration expert. Based on such an expert opinion, the Supervisory Board resolved selective changes to the remuneration system on July 29, 2014, in particular the introduction of maximum remuneration amounts. The contracts with the Managing Board members were amended in line with this, with effect from October 1, 2014. The details are explained below. The remuneration system is intended to provide incentives to ensure sustainable management, and comprises the following components:

#### Non-performance-based components

The Managing Board members receive fixed base compensation, which is paid in the form of a monthly salary. They are also awarded nonmonetary benefits and ancillary benefits, such as the provision of a company car, contributions to insurance policies, the reimbursement of certain legal and tax advisory expenses, and accommodation costs, including any taxes incurred on these, and costs related to preventive medical examinations.

#### Performance-based components

The performance-based components comprise variable compensation (bonus) and long-term share-based compensation.

##### Variable compensation (bonus)

The variable compensation (bonus) is dependent on the business performance of the Company in the respective fiscal year just ended. At the beginning of each fiscal year, the Supervisory Board sets clearly defined targets for certain performance indicators at Group level (currently organic revenue growth, EBITA, and free cash flow). The target amount of the bonus (100%) is equivalent to the amount of the base compensation. The bonus is not payable if 0% of targets are achieved, and is capped at 200% of the base compensation. The Supervisory Board may, at its duty-bound discretion, increase or decrease the amount of the bonus determined in accordance with the degree of target attainment by up to 20%. When deciding to make such adjustments, the Supervisory Board considers criteria which it also establishes at the beginning of the fiscal year. This adjustment option can also be used to take account of Managing Board members' individual achievements.

The bonus, which to date was awarded half in cash and half in the form of nonforfeitable stock commitments for OSRAM Licht AG shares (Bonus Awards), will be fully paid in cash from October 1, 2014 onwards, i.e., also for fiscal 2014.

##### Long-term share-based compensation

The long-term share-based compensation is in principle awarded in the form of forfeitable stock commitments for OSRAM Licht AG shares (Stock Awards), which are subject to a lock-up period. This lock-up period ends at the close of the second day following the publication of OSRAM Licht AG's business results in the fourth calendar year after the date of the award, and thus lasts for approximately four years. Once this lock-up period has expired, the beneficiaries receive either one OSRAM Licht AG share for each Stock Award without them having to make any additional payment, or a corresponding cash settlement.

The monetary value of this compensation component is based on the achievement of targets set by the Supervisory Board at the beginning of each fiscal year. In the event of 100% target achievement, the target monetary value of the Stock Awards granted each year is €1 million for the Chairman of the Managing Board and €660,000 for the other Managing Board members. Depending on the degree of target achievement, the actual monetary value may be between 0% and 200% (cap) of the target amount. The number of

Stock Awards granted is determined by dividing the monetary value determined once the Supervisory Board has calculated the level of target achievement by the closing price of OSRAM Licht shares in XETRA trading on the date of the award and subtracting the discounted estimated dividend over the four-year lock-up period.

In the event of extraordinary unforeseen developments impacting the relevant share price, the Supervisory Board may decide to reduce the number of granted Stock Awards retroactively, or to only pay a cash settlement in a defined and limited amount in lieu of transferring the relevant shares, or to postpone the transfer of shares due under the Stock Awards until the developments have ceased to have an impact on the share price.

The rules above also apply to Bonus Awards granted under the former remuneration system prior to October 1, 2014, with the necessary modifications.

If a Managing Board member's contract ends during the course of his or her term of office, the Stock Awards lapse in principle without compensation. The same applies if the contract ends because the Managing Board member does not wish to extend his or her appointment at the end of the term of office, or if there is good cause that would have justified the appointment being revoked or the termination of the contract. However, granted Stock Awards do not lapse if the contract ends due to retirement, disability, or death, or in the event of a spin-off, transfer of undertakings, or a change of activity within the Group.

#### Maximum remuneration amounts

The Supervisory Board modified the remuneration system effective October 1, 2014, introducing in addition to the existing bonus caps maximum remuneration amounts for both the long-term share-based compensation and the total compensation paid to members of the Managing Board. The maximum remuneration amounts apply to all share-based payment instruments awarded after October 1, 2014 (including those awarded for fiscal 2014), and with their inflow to the resulting total compensation. Commitments for OSRAM Licht shares awarded before this date will remain unaffected. The following maximum remuneration amounts have been established:

With regard to long-term share-based compensation, the maximum amount as of the grant date for the Stock Awards remains unchanged at 200% of the monetary value of the target amount, i.e. €2 million for the Chairman of the Managing Board and €1.32 million for the remaining members of

the Managing Board. Upon expiration of the lock-up period of approximately four years, the maximum value of the shares transferred is capped at 250% of the target amount. This corresponds to €2.5 million for the Chairman of the Managing Board and €1.65 million for the remaining members of the Managing Board.

The maximum total compensation is €6 million for the Chairman of the Managing Board and €4 million for the remaining members of the Managing Board. The total compensation represents the sum of the compensation awarded for the fiscal year in question (excluding the monetary value of long-term share-based compensation) plus amounts accruing from share-based payment instruments whose lock-up period expired in the fiscal year concerned. The value of the amounts accruing is determined using the closing price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange on the last trading day before the shares are transferred.

If any of the above maximum remuneration amounts are exceeded, claims to the transfer of shares under granted Stock Awards are reduced, with the number of shares to be transferred being adjusted downwards. If this reduction is insufficient to bring the total compensation payable down to below the limit, the Supervisory Board may at its duty-bound discretion reduce other compensation components or require the reimbursement of compensation already awarded.

#### Other remuneration system rules

##### Share Ownership Guidelines

In accordance with the provisions of their contracts, the members of the Managing Board are obliged to hold a significant portion of their base compensation in OSRAM Licht shares during their term of office on the Managing Board. From October 1, 2014, this multiple will amount to 200% (previously 300%) of the average base compensation paid in the last four years in the case of the Chairman of the Managing Board, and 100% (previously 200%) for the remaining members of the Managing Board. Bonus Awards granted prior to October 1, 2014, are taken into account in determining compliance with the Share Ownership Guidelines. Evidence that this requirement has been met must be provided for the first time as of October 1, 2017, following a buildup phase of a good four years, and updated annually thereafter. If the value of the shareholding built up in this way falls below the required minimum level due to a decline in the price of OSRAM Licht shares, the Managing Board member will be required to acquire additional shares. The Managing Board members are thus required to invest a substantial proportion of their compensation in OSRAM Licht shares during their term of office.



### **Commitments in connection with the termination of Managing Board membership**

Managing Board contracts provide for a compensatory payment if membership of the Managing Board is terminated prematurely by mutual agreement, without good cause. The amount of this payment must not exceed the value of two years' compensation (cap). The amount of the compensatory payment is calculated on the basis of the remaining term of the contract and the sum of the base compensation plus the variable compensation actually received for the last fiscal year before termination. It is payable in the month the Managing Board member leaves the Managing Board. In addition, a one-off contribution is made to the OSRAM Defined Contribution Benefit Plan (BOA), which is calculated based on the remaining term of the contract and the contribution made to the BOA in the previous year. The above benefits are not paid if the premature termination of the member's activity on the Managing Board is agreed at the member's request, or if there is good cause for the Company to terminate the employment relationship.

In the event of a change of control (if a controlling influence over OSRAM Licht AG arises as a result of a majority voting interest, an intercompany agreement, or a merger) that leads to a material change in the position of the individual Managing Board member, the member of the Managing Board will have a special right of termination. On exercise of this right of termination, the member of the Managing Board concerned is entitled to a severance payment amounting to a maximum of two years' compensation (cap). The calculation of the annual compensation includes the base compensation, and the bonus and the long-term share-based compensation in the last completed fiscal year prior to termination of the contract. Any Bonus Awards or Stock Awards not yet due remain unaffected. There is no entitlement to a severance payment if the Managing Board member receives benefits from third parties in connection with the change of control, or if the change of control occurs within a period of twelve months prior to the Managing Board member's retirement.

Compensatory or severance payments are increased by a flat rate of 5% of the total compensation or severance amount to cover nonmonetary benefits. In addition, compensatory or severance payments are reduced by a flat rate of 15% to account for discount effects and income earned elsewhere, if the remaining term of the Managing Board member's contract was at least six months. However, this reduction only applies to the portion of the compensatory or severance payments that was calculated without taking account of the first six months of the remaining term of the Managing Board member's contract.

### **Pension commitments**

Like most OSRAM Licht Group employees in Germany, the members of the Managing Board are included in the OSRAM Defined Contribution Benefit Plan (BOA). Under the BOA, members of the Managing Board receive contributions that are credited to their personal pension account. The amount of these contributions is decided annually by the Supervisory Board; it was set most recently at 28% of the sum of the base compensation and target amount of the bonus. The pension commitments are nonforfeitable due to the inclusion of periods relating to employment in the Siemens Group or due to the provisions of the corresponding individual contracts. Members of the Managing Board are entitled to benefits under the BOA on reaching the age of 60, at the earliest, or 62 in the case of commitments entered into starting from January 1, 2012. They may choose to receive the benefits under the BOA in the form of a pension, a lump sum payment, or in up to 12 annual installments.

### **D&O insurance and criminal liability insurance**

D&O insurance is taken out for governing body members and certain employees of the OSRAM Licht Group. This insurance, which is taken out for a period of one year in each case, covers the personal liability of this group of people for financial losses arising in connection with the performance of their duties. The members of the Managing Board of OSRAM Licht AG are also the managing directors of OSRAM GmbH. Liability risks arising from this activity are also covered. The OSRAM D&O insurance policy provides for a deductible for the Managing Board of OSRAM Licht AG, which meets the requirements of the Aktiengesetz (AktG—German Stock Corporation Act).

Since October 1, 2014, members of the Managing Board have also been covered by the criminal liability insurance that OSRAM Licht Group has taken out for its employees and governing body members. This insurance covers any lawyers' fees and court costs arising in connection with their defense in criminal or administrative offense proceedings.

### Compensation of OSRAM Licht AG Managing Board Members in Fiscal 2014

After assessing the achievement of the targets set by it before the beginning of fiscal 2014, the Supervisory Board of OSRAM Licht AG established at its meeting on November 5, 2014, the following amount of variable compensation (bonus), Stock Awards to be granted, and contributions to the pension plan:

#### Variable compensation (bonus)

For the variable compensation (bonus) payable to the members of the Managing Board for fiscal 2014, the Supervisory Board defined concrete targets at Group level for organic revenue growth, EBITA, and free cash flow. These targets are equally weighted. Organic revenue growth is defined as the change in the Company's revenue, adjusted for portfolio and currency effects. EBITA is defined as the gain/loss before financial result, taxes, and amortization and impairments of intangible assets. Free cash flow is calculated based on the net cash provided by/used in operating activities, less cash received/paid in connection with investments in intangible assets and property, plant, and equipment. The Supervisory Board also specified that the EBITA and free cash flow financial indicators should be adjusted for significant transformation costs arising from the OSRAM Push program when determining the level of target achievement. There were no other adjustments, in particular for significant effects outside of the OSRAM Push program (e.g., due to portfolio measures or impairment losses on non-current assets). Finally, before the start of the fiscal year, the Supervisory Board resolved in particular to take into account the Company's performance in terms of profitability and business volume compared to relevant competitors in its decision to increase or decrease the variable compensation paid by up to 20%.

In establishing the targets, the Supervisory Board took into consideration the plans for the fiscal year submitted by the Managing Board, performance compared to the results for the previous fiscal year, macroeconomic conditions, and the situation in the lighting industry. Based on the results in fiscal 2014, the Supervisory Board determined the degree of target achievement to be 113.50%. In addition, it decided at its duty-bound discretion not to adjust the amounts to be paid out on the basis of the target achievement.

#### Long-term share-based compensation

For fiscal 2014 as in the previous year, the Supervisory Board of OSRAM Licht AG decided to adjust the amount of the long-term share-based compensation in line with the average (basic) earnings per share (EPS) of the OSRAM Licht Group over the past three fiscal years. To determine the EPS for fiscal 2012, it was decided to use the income after taxes reported in the combined financial statements of the OSRAM Licht Group for the fiscal year ended September 30, 2012, assuming the same number of shares. Based on the result in fiscal 2014, which showed a clear improvement compared to prior years, the average EPS determined for fiscal years 2012 to 2014 was €-0.52 and the degree of target achievement was thus 104.20%. In order to determine the number of Stock Awards to be granted, the value of the Stock Awards was calculated using the XETRA closing price for OSRAM Licht shares on the date of the award, less the present value of the dividends expected during the four-year lock-up period, to which the beneficiaries are not entitled, as set out in the employment contracts. This figure amounted to €27.25 (previous year: €36.39 for Stock Awards and Bonus Awards). In contrast to the procedure for measuring the Stock Awards, the cap on long-term share-based compensation which takes effect on October 1, 2014, is not taken into account in this calculation.

#### Dr. Peter Laier's departure from the Managing Board

Dr. Peter Laier's appointment as a member of the Managing Board was terminated by mutual agreement as of the end of June 30, 2014, and was accompanied by the simultaneous termination of his contract. A gross compensatory payment of €4,444,652 and a €672,000 one-off contribution to the BOA, credited in July 2014, were agreed with Dr. Laier. In addition, transitional payments and cost reimbursements amounting to approximately €0.1 million were agreed with Dr. Laier. The nonforfeitable Bonus Awards granted to Dr. Laier for fiscal 2013 and his rights to the transaction bonus awarded by Siemens AG in the previous year remain in force without restriction, in accordance with the plan terms and conditions. By contrast, the Stock Awards granted for fiscal 2013 lapsed without compensation.



### Total compensation

Based on the above amounts determined by the Supervisory Board, the total compensation of OSRAM Licht AG's Managing Board members for fiscal 2014 (excluding pension commitments) amounted to €7.0 million (previous year: €8.1 million, of which €1.7 million as compensation for the managing directors of OSRAM GmbH). Of this total compensation, €5.4 million (previous year: €3.9 million, of which €1.7 million as compensation for the managing directors of OSRAM GmbH) was attributable to the cash component, and €1.6 million (previous year: €4.2 million) to the share-based compensation.

The following compensation was determined for the individual members of the Managing Board in fiscal 2014 (data provided on an individual basis):

### Compensation of Managing Board Members

Amounts in units or €	Base compensation		Other compensation <sup>1)</sup>		Excluding long-term incentive effect: Variable compensation (bonus) cash component <sup>2)</sup>	
	2014	2013 <sup>3)</sup>	2014 <sup>4)</sup>	2013 <sup>4)</sup>	2014	2013 <sup>4)</sup>
<b>Managing Board members in office as of September 30, 2014</b>						
Wolfgang Dehen	900,000	900,000	89,696	89,021	1,021,500	748,800
Dr. Klaus Patzak	600,000	600,000	397,083	37,577	681,000	499,200
<b>Former Managing Board members of OSRAM Licht AG</b>						
Dr. Peter Laier <sup>5)</sup>	450,000	450,000	719,448	211,725	510,750	374,400
<b>Total</b>	<b>1,950,000</b>	<b>1,950,000</b>	<b>1,206,227</b>	<b>338,323</b>	<b>2,213,250</b>	<b>1,622,400</b>

<sup>1)</sup> Other compensation includes expenses and non-cash benefits such as the provision of company cars, contributions to insurance policies, the reimbursement of legal and tax advisory expenses, accommodation and moving costs, and costs related to preventive medical examinations. In addition, this item covers the costs of security installations at Managing Board members' residential properties, including taxes paid by the Company, amounting to approximately €889,000.

<sup>2)</sup> As a result of the modifications to the remuneration system as of October 1, 2014, the bonus for fiscal 2014 was paid exclusively in cash; Bonus Awards were no longer granted. The expense from Bonus Awards recognized in accordance with IFRSs in fiscal 2013 amounted to €1.7 million.

<sup>3)</sup> The expense from Stock Awards granted to members of the Managing Board of OSRAM Licht AG and the managing directors of OSRAM GmbH recognized in accordance with IFRSs in fiscal 2014 and fiscal 2013 amounted to €0.7 million for fiscal 2014 and €3.3 million for fiscal 2013 (including the expense from the Siemens AG share-based payment programs in which members of the Managing Board previously participated). Of this amount, €0.7 million (previous year: €0.5 million) was attributable in fiscal 2014 to OSRAM Licht AG and €– (previous year: €2.8 million) to OSRAM GmbH. Therefore, the following expenses were attributable to the members of the Managing Board in fiscal 2014: Wolfgang Dehen €0.5 million and Dr. Klaus Patzak €0.3 million. The lapse of Dr. Peter Laier's claims generated income of €0.1 million.

<sup>4)</sup> The members of the Managing Board are also managing directors of OSRAM GmbH. The compensation was paid exclusively by OSRAM Licht AG in fiscal 2014. The level of compensation for fiscal 2013 also included compensation that members of the Managing Board received from OSRAM GmbH as its managing directors until the OSRAM Group's spin-off from the Siemens Group took effect on July 5, 2013 (base compensation, nonmonetary benefits, and ancillary benefits). Of the total base compensation of €1.4 million paid out by OSRAM GmbH in fiscal 2013, Wolfgang Dehen received €675,000, Dr. Peter Laier €300,000, and Dr. Klaus Patzak €450,000. Of the €290,646 in total other compensation paid out by OSRAM GmbH in fiscal 2013, Wolfgang Dehen received €66,660, Dr. Peter Laier €195,748, and Dr. Klaus Patzak €28,238. Of the €1.7 million in total compensation paid out by OSRAM GmbH in fiscal 2013, Wolfgang Dehen received €741,660, Dr. Peter Laier €495,748, and Dr. Klaus Patzak €478,238.

<sup>5)</sup> As of the grant date of November 10, 2014, the fair value of one Stock Award amounted to €25.11 (previous year: €36.39). This value was calculated using an option model, which takes the maximum variable share-based compensation (cap) described above into consideration when the OSRAM Licht shares awarded accrue by reducing the amount in line with this. This reduction in value results in a deviation from the monetary value of a Stock Award used to calculate the number of shares in accordance with the employment contract.

<sup>6)</sup> Dr. Peter Laier was appointed as a regular member of the Managing Board of OSRAM Licht AG and as a managing director of OSRAM GmbH with effect from January 1, 2013. He left both bodies effective June 30, 2014.

Including long-term incentive effect: Variable compensation (bonus) share-based component (OSRAM Bonus Awards) <sup>2)</sup>				Including long-term incentive effect: Share-based compensation OSRAM Stock Awards) <sup>3)</sup>				Total compensation	
2014		2013 <sup>4)</sup>		2014 <sup>5)</sup>		2013 <sup>4)</sup>		2014	2013 <sup>4)</sup>
Units	Fair value	Units	Fair value	Units	Fair value	Units	Fair value		
–	–	20,577	748,818	38,235	960,081	32,742	1,191,514	2,971,277	3,678,153
–	–	13,718	499,212	25,235	633,651	21,610	786,410	2,311,734	2,422,398
–	–	10,289	374,427	–	–	16,208	589,825	1,680,198	2,000,377
–	–	44,584	1,622,456	63,470	1,593,732	70,560	2,567,749	6,963,209	8,100,928

### Transaction bonus in connection with the spin-off from Siemens AG

In fiscal 2013, prior to OSRAM's spin-off from the Siemens Group, Siemens Aktiengesellschaft (Siemens AG) awarded a transaction bonus to members of the Managing Board of OSRAM Licht AG and other OSRAM executives. This was aimed at compensating the beneficiaries for their performance above and beyond the call of duty in connection with the spin-off and listing of OSRAM, as well as creating an incentive to help ensure the success of OSRAM Licht AG's listing over the medium term. The transaction bonus was awarded in the form of stock commitments for OSRAM Licht shares. The monetary values and numbers of OSRAM Licht shares awarded to each member of the Managing Board were as follows:

<b>Monetary Values and Number of OSRAM Licht Shares</b>	<b>Monetary value of the transaction bonus<sup>2)</sup></b>	<b>Number of OSRAM Licht shares<sup>3)</sup></b>
Amounts in units or €		
<b>Managing Board members in office as of September 30, 2014<sup>1)</sup></b>		
Wolfgang Dehen	1,250,000	47,854
Dr. Klaus Patzak	500,000	19,141
<b>Former Managing Board members of OSRAM Licht AG</b>		
Dr. Peter Laier <sup>4)</sup>	125,000	4,785
<b>Total</b>	<b>1,875,000</b>	<b>71,780</b>

<sup>1)</sup> OSRAM Licht AG has assumed responsibility for the settlement of the transaction bonus, and particularly for delivery of the OSRAM Licht shares to be granted as the transaction bonus, from Siemens AG. Siemens AG will reimburse OSRAM Licht AG for the costs of settling the transaction bonus, including the cost of acquiring the shares to be delivered to the beneficiaries. The expense for the transaction bonus for members of the Managing Board of OSRAM Licht AG recognized in fiscal 2014 in accordance with IFRSs amounted to €0.9 million (previous year: €1.3 million).

<sup>2)</sup> Based on a target achievement of 50% determined at Siemens AG's discretion (range: 50–200%).

<sup>3)</sup> In accordance with the terms and conditions for the transaction bonus, when calculating the number of OSRAM Licht shares to be granted, the volume-weighted average price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange in the first 20 trading days after trading commenced (€26.12), was used as a basis. The total fair value on the grant date of October 21, 2013, was €2,653,706. Of this amount, €1,769,162 was attributable to Mr. Dehen, €176,901 to Dr. Laier, and €707,643 to Dr. Patzak.

<sup>4)</sup> Dr. Peter Laier was appointed as a regular member of the Managing Board as of January 1, 2013. He left the Managing Board as of the end of June 30, 2014.

The OSRAM Licht shares awarded are being allocated in four tranches. The first tranche was allocated immediately following the exact determination of the bonus amount, the second tranche was allocated on July 5, 2014, and the remaining tranches will be allocated annually as of this date. If a beneficiary leaves the Company early, their entitlement to any shares not yet allocated will lapse in those cases in which the beneficiary has terminated their contract themselves or the Company has terminated the contract for good cause. The number of OSRAM Licht shares determined for the transaction bonus will in principle be transferred to the members of the Managing Board four years after the listing. To date, no member of the Managing Board has exercised the option to require prior transfer in four equal annual tranches; in such a situation, the shares are subject to a holding period and a prohibition on disposal of four years from the date of listing on the stock exchange.

### Pension commitments

The amount of the contributions to the OSRAM Defined Contribution Benefit Plan (BOA) is determined by the Supervisory Board on an annual basis. The contributions to the BOA are credited to the personal pension accounts in the January following the end of the fiscal year concerned, with a value date of January 1. Interest is credited (guaranteed interest) to the pension account on January 1 each year until the pension becomes payable. OSRAM Licht AG made contributions of €1,092,000 to the BOA for the work performed by members of the Managing Board in fiscal 2014 based on a Supervisory Board resolution dated November 5, 2014 (previous year: €1,092,000 for work performed in 2013). Of this amount, €10,625 (previous year: €10,625) was attributable to the funding of personal pension commitments acquired by members of the Managing Board in the Siemens Group before the introduction of a defined contribution pension plan, and was transferred to OSRAM while OSRAM belonged to the Siemens Group. The remaining amount of €1,081,375 (previous year: €1,081,375) was credited to the individual pension accounts.

The following overview shows, among other things, the contributions (additions) made to the BOA for the individual Managing Board members for fiscal 2014:

<b>Contributions (Additions) to the BOA for Fiscal 2014</b>		<b>Total contribution<sup>1)2)</sup> for</b>		<b>Present value of all pension commitments<sup>3)</sup></b>	
in €		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Managing Board members in office as of September 30, 2014</b>					
Wolfgang Dehen		504,000	504,000	1,856,011	1,210,247
Dr. Klaus Patzak		336,000	336,000	2,237,982	1,703,274
<b>Former Managing Board members of OSRAM Licht AG</b>					
Dr. Peter Laier <sup>4)5)</sup>		924,000	452,000	1,386,410	213,960
<b>Total</b>		<b>1,764,000</b>	<b>1,292,000</b>	<b>5,480,403</b>	<b>3,127,481</b>

<sup>1)</sup> The expense (service cost) recognized in accordance with IFRSs in fiscal 2014 for Managing Board members' entitlements under the OSRAM Defined Contribution Benefit Plan (BOA) amounted to €1,882,221 (previous year: €1,083,877). This figure includes the expense relating to both the special contribution for Dr. Laier of €200,000 that was granted by the Supervisory Board on November 11, 2013, and the special contribution for Dr. Laier of €672,000 that was granted in connection with his departure from the Managing Board as of July 1, 2014. The following amounts were attributable to the members of the Managing Board in fiscal 2014: Wolfgang Dehen €493,902 (previous year: €526,029), Dr. Peter Laier €1,066,198 (previous year: €213,727), Dr. Klaus Patzak €322,121 (previous year: €344,121).

<sup>2)</sup> The contributions for fiscal 2013 and fiscal 2014 were made exclusively by OSRAM Licht AG.

<sup>3)</sup> This figure includes the present value of pension commitments under the Siemens AG occupational pension plan, which one member of the Managing Board transferred when he moved to OSRAM.

<sup>4)</sup> Dr. Peter Laier was appointed as a regular member of the Managing Board as of January 1, 2013. He left the Managing Board as of the end of June 30, 2014.

<sup>5)</sup> Dr. Peter Laier's contribution for 2014 takes into account the special contribution of €672,000 described above, which was granted and paid in connection with his departure from the Managing Board as of July 1, 2014. Dr. Laier's contribution for 2013 takes into account a special contribution of €200,000, which was granted in November 2013 and was paid on January 1, 2014; this is not included in the present value of the pension commitments as of September 30, 2013.

In fiscal 2014, former managing directors of OSRAM GmbH and their dependents received total remuneration within the meaning of section 314 (1) no. 6b of the HGB in the amount of €1.0 million (previous year: €1.0 million). As of September 30, 2014, the present value of all pension commitments for former members of the Managing Board of OSRAM Licht AG and former managing directors of OSRAM GmbH and their dependents totaled €10.0 million (previous year: €11.4 million).

### Additional disclosures on share-based payment instruments in fiscal 2014

The stock commitments held by members of the Managing Board (Bonus Awards, Stock Awards and stock commitments under the transaction bonus) changed as follows in fiscal 2014:

#### Stock commitments held by Members of the Managing Board

Number of shares	Beginning of fiscal 2014			Granted in fiscal 2014 <sup>1)</sup>	
	Nonforfeitable Bonus Awards	Forfeitable Stock Awards	Stock commitments under the transaction bonus	Nonforfeitable Bonus Awards	Forfeitable Stock Awards
<b>Managing Board members in office as of September 30, 2014</b>					
Wolfgang Dehen	0	0	47,854	20,577	32,742
Dr. Klaus Patzak	0	0	19,141	13,718	21,610
<b>Former members of the Managing Board of OSRAM Licht AG</b>					
Dr. Peter Laier <sup>3)</sup>	0	0	4,785	10,289	16,208
<b>Total</b>	<b>0</b>	<b>0</b>	<b>71,780</b>	<b>44,584</b>	<b>70,560</b>

<sup>1)</sup> In fiscal 2014, the grant-date fair value of the Bonus Awards and Stock Awards granted in November 2013 was €36.39 per stock awarded.

<sup>2)</sup> The Stock Awards granted in November 2014 (fiscal 2015) as compensation for fiscal 2014 are not included in these figures. Please see the above disclosures for further information.

<sup>3)</sup> Dr. Peter Laier left the Managing Board as of the end of June 30, 2014.

### Other items

In fiscal 2014, members of the Managing Board did not receive any advances or loans from the Company.

	Vested and transferred in fiscal 2014	Forfeited in fiscal 2014	End of fiscal 2014 <sup>2)</sup>		
	Bonus Awards, Stock Awards and stock commitments under the transaction bonus	Stock Awards	Nonforfeitable Bonus Awards	Forfeitable Stock Awards	Stock commitments under the transaction bonus
	0	0	20,577	32,742	47,854
	0	0	13,718	21,610	19,141
	0	16,208	10,289	0	4,785
	<b>0</b>	<b>16,208</b>	<b>44,584</b>	<b>54,352</b>	<b>71,780</b>

### Compensation of Members of the Supervisory Board

On February 27, 2014, the Annual General Meeting of OSRAM Licht AG redefined the rules governing compensation for members of the Supervisory Board in the Articles of Association of OSRAM Licht AG, bringing this into line with the modified Group structure and the Supervisory Board's working practices.

Under this amendment, the following base compensation is applicable as of April 1, 2014: €120,000 for the Chairman of the Supervisory Board, €100,000 for each Deputy Chairman of the Supervisory Board, and €65,000 for the other Supervisory Board members. The Chairman of the Audit Committee receives an additional €50,000, and each further member of the Audit Committee €15,000; the Chairman of the Executive Committee receives €20,000, and each further member of the Executive Committee €10,000. The Chairman of the new Strategy and Technology Committee receives an additional €15,000, and each further member €10,000. However, the additional compensation for activities on Supervisory Board committees is limited to a total of €50,000 for the Chairman of the Audit Committee, €22,500 for the Chairman of any other compensated committee, and €15,000 for all other members of the Supervisory Board. Until April 1, 2014, the members of the Supervisory Board received the following base compensation: €80,000 for the Chairman of the Supervisory Board, €60,000 for each Deputy Chairman of the Supervisory Board, and €40,000 for the other Supervisory Board members. The Chairman of the Audit Committee received an additional €40,000, and each further member of the Audit Committee €20,000; the Chairman of the Executive Committee received an additional €25,000, and each further member of the Executive Committee €15,000; the Chairman of the Compliance Committee received an additional €20,000, and each further member of the Compliance Committee €10,000, with the compensation for activities on the Compliance Committee not being paid if the Supervisory Board member in question received compensation for activities on the Audit Committee.

If a Supervisory Board member does not participate in a Supervisory Board meeting, one-third of the total compensation described above is reduced by a percentage equal to the number of meetings the Supervisory Board member did not attend relative to the total number of meetings held in the fiscal year. The members receive €500 in each case for attendance at meetings of the full Supervisory Board or the committees. Until the changes were made to Supervisory Board compensation as of April 1, 2014, the attendance fee amounted to €1,000 in each case.

Supervisory Board members who are not members of the Supervisory Board or a committee for a full fiscal year, or who do not hold the position of chairman for a full year, receive the compensation on a pro rata basis, with parts of months being rounded up to full months.

Members of the Supervisory Board of OSRAM Licht AG are also members of the Supervisory Board of OSRAM GmbH. The compensation for the Supervisory Board of OSRAM GmbH was clearly reduced as of April 1, 2014. As a consequence, the Chairman of the Supervisory Board of OSRAM GmbH receives annual compensation of €7,500, and all other members receive €5,000. No additional compensation is paid for activities on the Supervisory Board's committees. Until this change, members of the Supervisory Board of OSRAM GmbH received base compensation of €40,000 per year in this capacity, the Chairman of the Supervisory Board received €80,000, and each Deputy Chairman €60,000. The additional compensation received for activities on the Supervisory Board committees was as follows: The Chairman of the Audit Committee received an additional €40,000, and each further member of the Audit Committee €20,000; the Chairman of the Executive Committee received an additional €25,000, and each further member of the Executive Committee €15,000; the Chairman of the Compliance Committee received an additional €20,000, and each further member of the Compliance Committee €10,000. Compensation for activities on the Compliance Committee was not paid if the Supervisory Board member in question received compensation for activities on the Audit Committee.



In the event of changes in the Supervisory Board of OSRAM GmbH, the compensation is paid on a pro rata basis, with parts of months being rounded up to full months. Attendance fees are no longer paid as of April 1, 2014. Before this date, members received €1,000 in each case for participating in meetings of the full Supervisory Board or the committees. If a Supervisory Board member does not participate in a Supervisory Board meeting, one-third of the total compensation due is reduced by a percentage equal to the number of meetings the Supervisory Board member did not attend relative to the total number of meetings held in the fiscal year.

Based on these provisions, the following compensation is payable for activities on the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH in fiscal 2014 (information provided on an individual basis):

### Compensation of Members Supervisory Board

				2014		2013	
in €	Base compensation	Additional compensation for activities on committees <sup>1)</sup>	Attendance fees	Total compensation for activities on the Supervisory Board of OSRAM Licht AG	Total compensation for activities on the Supervisory Board of OSRAM GmbH <sup>2) 3) 4) 5)</sup>	Total compensation for activities on the Supervisory Board of OSRAM Licht AG <sup>6)</sup>	Total compensation for activities on the Supervisory Board of OSRAM GmbH <sup>2) 3) 4) 5)</sup>
<b>Supervisory Board members of OSRAM Licht AG in office as of September 30, 2014</b>							
Peter Bauer <sup>7) 8)</sup>	98,333	22,917	17,000	138,250	55,750	20,250	22,750
Michael Knuth <sup>8) 12) 13)</sup>	80,000	25,000	17,000	122,000	42,000	10,917	102,877
Dr. Christine Bortenlänger <sup>9)</sup>	52,500	17,500	10,500	80,500	24,500	10,333	14,667
Dr. Werner Brandt <sup>10)</sup>	10,833	2,500	500	13,833	1,042	–	–
Dr. Roland Busch <sup>8) 11)</sup>	67,500	19,153	5,500	92,153	22,917	–	–
Prof. Dr. Lothar Frey <sup>9)</sup>	52,500	5,000	10,500	68,000	24,500	8,667	13,000
Alfred Haas <sup>12)</sup>	50,333	–	6,000	56,333	24,500	5,333	60,148
Frank H. Lakerveld <sup>9)</sup>	52,500	5,000	10,500	68,000	24,500	8,667	13,000
Hubert Roßkopf <sup>12) 13)</sup>	50,333	17,000	14,000	81,333	24,292	7,000	63,333
Willi Sattler <sup>8) 12) 13)</sup>	52,500	15,000	17,000	84,500	32,000	7,583	94,037
Irene Schulz <sup>12) 13)</sup>	52,500	17,500	10,500	80,500	24,500	7,000	51,857
Thomas Wetzel <sup>12) 13)</sup>	52,500	5,000	10,500	68,000	24,500	5,333	55,000
<b>Former Supervisory Board members of OSRAM Licht AG</b>							
Prof. Dr. Siegfried Russwurm <sup>14)</sup>	13,333	7,500	7,000	27,833	18,500	27,750	37,250
Dr. Joachim Faber <sup>15)</sup>	34,444	31,111	8,500	74,056	23,042	14,667	21,778
<b>Total</b>	<b>720,111</b>	<b>190,181</b>	<b>145,000</b>	<b>1,055,292</b>	<b>366,542</b>	<b>133,500</b>	<b>549,697</b>

<sup>1)</sup> The following people each received additional compensation for their activities on committees in fiscal 2014: Peter Bauer as Chairman of the Supervisory Board of OSRAM Licht AG, of the Executive Committee, and of the Strategy and Technology Committee (from November 27, 2013, in each case), as well as Deputy Chairman of the Supervisory Board and a member of the Executive Committee (until November 26, 2013, in both cases); Dr. Christine Bortenlänger as a member of the Audit Committee; Dr. Werner Brandt as a member of the Audit Committee (from August 7, 2014); Dr. Roland Busch as Deputy Chairman of the Supervisory Board and a member of the Executive Committee and the Audit Committee (from November 27, 2013); Prof. Lothar Frey as a member of the Strategy and Technology Committee; Michael Knuth as Deputy Chairman of the Supervisory Board and a member of the Executive Committee and the Audit Committee; Frank H. Lakerveld as a member of the Strategy and Technology Committee; Hubert Roßkopf as a member of the Audit Committee and the Strategy and Technology Committee; Willi Sattler as a member of the Executive Committee and the Strategy and Technology Committee; Irene Schulz as a member of the Audit Committee; Thomas Wetzel as a member of the Strategy and Technology Committee; Prof. Siegfried Russwurm as Chairman of the Supervisory Board and of the Executive Committee, and as a member of the Audit Committee (until November 26, 2013, in all cases); and Dr. Joachim Faber as Chairman of the Audit Committee (until June 30, 2014). This compensation was paid on a pro rata basis where their activities on the committees were taken up during the fiscal year.

<sup>2)</sup> The members of the Supervisory Board in office as of September 30, 2014, are also members of the Supervisory Board of OSRAM GmbH. Hubert Roßkopf, Irene Schulz, and Thomas Wetzel were appointed as members of the Supervisory Board of OSRAM GmbH as of November 30, 2012; Peter Bauer, Dr. Christine Bortenlänger, Prof. Lothar Frey, and Frank H. Lakerveld were appointed with effect from July 5, 2013; Dr. Roland Busch was appointed with effect from November 27, 2013; and Dr. Werner Brandt was appointed with effect from July 1, 2014. Willi Sattler was Deputy Chairman of the Supervisory Board of OSRAM GmbH until November 30, 2012; Michael Knuth was elected to this office on December 10, 2012.

<sup>3)</sup> OSRAM GmbH paid its Supervisory Members total compensation for their Supervisory Board activities of €366,542 in fiscal 2014 (previous year: €577,363). Of this amount, €308,542 (previous year: €333,131) was attributable to the base compensation, €35,000 (previous year: €139,233) to the additional compensation for service on committees, and €23,000 (previous year: €105,000) to attendance fees. The members of the Supervisory Board of OSRAM Licht AG in office as of September 30, 2014, received the following compensation for their activities on the Supervisory Board of OSRAM GmbH: Peter Bauer €42,083 (previous year: €15,000) base compensation, €11,667 (previous year: €3,750) additional compensation for activities on committees, and €2,000 (previous year: €4,000) attendance fees; Michael Knuth €32,500 (previous year: €52,469) base compensation, €7,500 (previous year: €32,407) additional compensation for activities on committees, and €2,000 (previous year: €18,000) attendance fees; Dr. Christine Bortenlänger €22,500 (previous year: €7,778) base compensation, €0 (previous year: €3,889) additional compensation for activities on committees, and €2,000 (previous year: €3,000) attendance fees; Dr. Werner Brandt €1,042 (previous year: €0) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €0 (previous year: €0) attendance fees; Dr. Roland Busch €18,750 (previous year: €0) base compensation, €4,167 (previous year: €0) additional compensation for activities on committees, and €0 (previous year: €0) attendance fees; Prof. Lothar Frey €22,500 (previous year: €10,000) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €2,000 (previous year: €3,000) attendance fees; Alfred Haas €22,500 (previous year: €38,519) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €2,000 (previous year: €3,000) attendance fees; Hubert Roßkopf €24,292 (previous year: €24,292) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €0 (previous year: €0) attendance fees; Irene Schulz €24,500 (previous year: €24,500) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €0 (previous year: €0) attendance fees; Thomas Wetzel €24,500 (previous year: €24,500) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €0 (previous year: €0) attendance fees.

€9,630) additional compensation for activities on committees, and €2,000 (previous year: €12,000) attendance fees; Frank H. Lakerveld €22,500 (previous year: €10,000) base compensation, €0 (previous year: €0) additional compensation for activities on committees, and €2,000 (previous year: €3,000) attendance fees; Hubert Roßkopf €22,292 (previous year: €36,667) base compensation, €0 (previous year: €16,667) additional compensation for activities on committees, and €2,000 (previous year: €10,000) attendance fees; Willi Sattler €22,500 (previous year: €43,333) base compensation, €7,500 (previous year: €33,704) additional compensation for activities on committees, and €2,000 (previous year: €17,000) attendance fees; Irene Schulz €22,500 (previous year: €34,921) base compensation, €0 (previous year: €7,937) additional compensation for activities on committees, and €2,000 (previous year: €9,000) attendance fees; and Thomas Wetzel €22,500 (previous year: €36,667) base compensation, €0 (previous year: €8,333) additional compensation for activities on committees, and €2,000 (previous year: €10,000) attendance fees. Dr. Roland Busch waived his Supervisory Board remuneration for the period in which OSRAM GmbH belonged to the Siemens Group, i.e., until July 5, 2013.

<sup>4)</sup> Members who left the Supervisory Board of OSRAM GmbH in fiscal 2014 received the following compensation for their activities on the Supervisory Board of OSRAM GmbH: Prof. Siegfried Russwurm €13,333 (previous year: €20,000) base compensation, €4,167 (previous year: €11,250) additional compensation for activities on committees, and €1,000 (previous year: €6,000) attendance fees; and Dr. Joachim Faber €21,042 (previous year: €8,889) base compensation, €0 (previous year: €8,889) additional compensation for activities on committees, and €2,000 (previous year: €4,000) attendance fees. Prof. Siegfried Russwurm waived his Supervisory Board remuneration for the period in which OSRAM GmbH belonged to the Siemens Group, i.e., until July 5, 2013.

<sup>5)</sup> In accordance with the Supervisory Board remuneration rules for OSRAM GmbH applicable until April 1, 2014, the total compensation payable to a member of the Supervisory Board of OSRAM GmbH was limited to the following maximum amounts with effect from October 1, 2013: If a Supervisory Board member was at the same time a member of the Supervisory Board of OSRAM Licht AG, the total compensation of this member for their Supervisory Board activities (including compensation for activities on committees, but excluding attendance fees) for OSRAM Licht AG and OSRAM GmbH in a single fiscal year for the following functions on the Supervisory Board of either of the two companies could not in total exceed the following maximum amounts: Chairman of the Supervisory Board: €150,000; Deputy Chairman of the Supervisory Board: €120,000; Chairman of the Audit Committee: €120,000; Chairman of other compensated committees: €100,000; member of a compensated committee: €80,000; member of the Supervisory Board: €70,000. Had the maximum compensation been exceeded, the above compensation for services on the Supervisory Board of OSRAM GmbH would have been reduced by the excess amount starting from the fiscal year beginning October 1, 2013. In the event that more than one of the above functions on the Supervisory Board of OSRAM GmbH and/or OSRAM Licht AG was exercised, the function with the highest compensation was used as the determining figure. In the case of changes in the Supervisory Board and/or its committees, the maximum compensation was awarded on a pro rata basis, with parts of months being rounded up to full months. Due to the modification of the remuneration rules for the supervisory boards of OSRAM Licht AG and OSRAM GmbH partway through the year, these rules were not applied.

<sup>6)</sup> Until the Company's spin-off from the Siemens Group took effect on July 5, 2013, the Articles of Association of OSRAM Licht AG did not provide for any compensation for Supervisory Board activities. Consequently, the members of the Supervisory Board in office until this date, Georg Bernwieser (also Chairman of the Supervisory Board), Peter Kastenmeier, and Walter Richter did not receive any Supervisory Board compensation in fiscal 2013.

<sup>7)</sup> Peter Bauer was appointed as a member of the Supervisory Board of OSRAM Licht AG with effect from July 5, 2013.

<sup>8)</sup> The following people each received additional compensation for their activities on committees in fiscal 2014: Peter Bauer as Chairman of the Supervisory Board of OSRAM GmbH and of the Executive Committee (from November 27, 2013, in both cases), and as Deputy Chairman of this Supervisory Board and a member of the Executive Committee (until November 26, 2013, in both cases); Dr. Roland Busch as Deputy Chairman of this Supervisory Board and a member of the Executive Committee (from November 27, 2013, in both cases); Michael Knuth as Deputy Chairman of this Supervisory Board and a member of the Executive Committee; and Willi Sattler as a member of the Executive Committee. Compensation was paid on a pro rata basis where their activities on the committees were taken up during the fiscal year.

<sup>9)</sup> Dr. Christine Bortenlänger, Prof. Lothar Frey, and Frank H. Lakerveld were appointed as members of the Supervisory Board of OSRAM Licht AG with effect from August 27, 2013.

<sup>10)</sup> Dr. Werner Brandt was appointed as a member of the Supervisory Board of OSRAM Licht AG by way of an order of the Munich local court dated August 4, 2014, and received on August 7, 2014.

<sup>11)</sup> Dr. Roland Busch was appointed as member of the Supervisory Board of OSRAM Licht AG to replace Prof. Siegfried Russwurm, with effect from November 27, 2013.

<sup>12)</sup> Michael Knuth, Alfred Haas, Hubert Roßkopf, Willi Sattler, Irene Schulz, and Thomas Wetzel were appointed as members of the Supervisory Board of OSRAM Licht AG by way of an order of the Munich local court dated August 28, 2013, and received on September 3, 2013.

<sup>13)</sup> The employee representatives on the Supervisory Board, who represent the employees in accordance with section 3(1) no. 1 of the Mitbestimmungsgesetz (MitbestG—German Codetermination Act), and the trade union representatives on the Supervisory Board have stated that they pay their remuneration to the Hans Böckler Foundation, in accordance with the guidelines of the German Confederation of Trade Unions.

<sup>14)</sup> Prof. Siegfried Russwurm, who was appointed as a member of the Supervisory Board of OSRAM Licht AG as of July 5, 2013, resigned from his positions as a member and the chairman of the supervisory boards of OSRAM Licht AG and of OSRAM GmbH effective in each case as of the end of November 26, 2013.

<sup>15)</sup> Dr. Joachim Faber, who was appointed as a member of the Supervisory Board of OSRAM Licht AG and OSRAM GmbH as of July 5, 2013, resigned from his positions as a member of the supervisory boards of OSRAM Licht AG and OSRAM GmbH, effective in each case as of the end of June 30, 2014.

Members of the Supervisory Board did not receive any loans or advances from the Company in fiscal 2014.

# Corporate Governance Declaration

## in Accordance with Section 289 a of the Handelsgesetzbuch (HGB—German Commercial Code) for Fiscal 2014

### A Component of the Combined Management Report

The corporate governance declaration in accordance with section 289a of the HGB is a component of the combined management report. In accordance with section 317 (2) sentence 3 of the HGB, the disclosures in accordance with section 289a of the HGB are not to be included in the audit.

#### **Declaration of Conformity with the German Corporate Governance Code**

On September 22, 2014, the Managing Board and Supervisory Board of OSRAM Licht AG adopted the following declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the Aktiengesetz (AktG—German Stock Corporation Act):

“OSRAM Licht AG complies with all of the recommendations of the German Corporate Governance Code (the “Code”) in the version dated May 13, 2013, published by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette), and will also comply with these in the future.

In the period since the last declaration of conformity dated September 30, 2013, was issued, OSRAM Licht AG complied with the recommendations of the Code with the exception of section 4.2.3 (cap on the remuneration of Managing Board members). The value of stock awards granted to members of the Managing Board was capped at the time they were granted, but their value at the time the shares are transferred was not, so as to allow the share-based remuneration of members of the Managing Board during the four-year restriction period between the grant date and the transfer date to reflect in full the opportunities open to shareholders.

In order to comply with this recommendation of the Code, the caps have now also been introduced for stock awards with respect to the value of the stock awards granted as of the transfer date, and to total remuneration. Consequently, OSRAM Licht AG has now no longer failed to comply with this recommendation as of the dates on which the contracts of the members of the Managing Board were amended in line with this, a process that was completed on September 18, 2014. These caps apply for the first time to stock awards granted in fiscal year 2014, as well as to the total remuneration resulting from the settlement of these stock awards.

In view of the principle of the sanctity of contracts, a retrospective cap on stock awards granted in prior periods was not applied, and is in our view not required by section 4.2.3 of the Code.

Munich, September 22, 2014

OSRAM Licht AG  
The Managing Board

The Supervisory Board”

## Disclosures on Corporate Governance Practices

### Suggestions Contained in the Code

OSRAM Licht AG also voluntarily complies with the non-obligatory suggestions of the German Corporate Governance Code initially in the version dated May 13, 2013, and, following its entry into force, in the version dated June 24, 2014 (the “Code”), with the single exception of the following:

In contrast to the suggestion contained in section 2.3.2 of the Code, no proxy will be reachable during the General Meeting of OSRAM Licht AG by shareholders who are not present/represented at the General Meeting.

The Code can be downloaded from the Internet at  
› [www.dcgk.de/en/code.html](http://www.dcgk.de/en/code.html).

### Company values and Business Conduct Guidelines

Technical performance, innovation, quality, reliability, and an international reach are the basis for OSRAM’s excellent reputation as one of the leading companies in the lighting industry. We will build on first-rate achievements and a high ethical standard in the future, too.

Our Business Conduct Guidelines form the legal and ethical framework within which we do business. They contain additional corporate governance practices that are applied above and beyond the legal requirements and the requirements of the Code, as well as basic principles and rules for our conduct both internally and towards our external partners and the public. The guidelines demonstrate how we meet our ethical and legal responsibilities as a company, and express our company values: “innovative—respectful—entrepreneurial.” The Business Conduct Guidelines can be downloaded from the Internet at › [www.osram.com/osram\\_com/sustainability/downloads/index.jsp](http://www.osram.com/osram_com/sustainability/downloads/index.jsp).

## Description of the Working Practices of the Managing Board and the Supervisory Board, as well as of the Composition and Working Practices of the Supervisory Board Committees

The composition of the Supervisory Board committees (currently the Executive Committee, Audit Committee, Nomination Committee, Mediation Committee, and Strategy and Technology Committee) can be found in the Notes to the consolidated financial statements › Note 44 | Supervisory Board and Managing Board, page 196 ff. This section also reports on the composition of the Managing Board and the Supervisory Board. An overview of the composition is also available online at › [www.osram-licht.ag](http://www.osram-licht.ag).

A general description of the tasks and working practices of the Managing Board and Supervisory Board can be found under the heading entitled “Management and Control Structure” in the › Corporate Governance Report, page 18 ff. and online at › [www.osram-licht.ag](http://www.osram-licht.ag).

Further details on the working practices of the Managing Board and the Supervisory Board are contained in the disclosures on the committees and in the bodies’ rules of procedure. These documents are also available at › [www.osram-licht.ag](http://www.osram-licht.ag).

## About this Report

This Annual Report contains the combined management report, the consolidated financial statements of OSRAM Licht AG, the Corporate Governance Declaration according to § 289a HGB as well as further information and conforms to the annual financial reporting requirements of section 37v of the Wertpapierhandelsgesetz (WPHG—German Securities Trading Act). In addition to the information regarding OSRAM Licht Group, the combined management report comprises the management report for OSRAM Licht AG. The combined management report also contains the »Remuneration Report, page 22 ff. and the »Corporate Governance Declaration, page 36 f.

OSRAM's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements and the combined management report as of September 30, 2014. The unqualified audit opinion can be found in the section »Statements and Further Information, page III f.

# Combined<sup>1)</sup> Management Report

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(Disclosures in Accordance with the HGB)

<sup>1)</sup> The combined group management report comprises in addition to explanations regarding OSRAM Licht Group the management report for OSRAM Licht AG.



# Business and Environment

## Group Structure and Business Activities

### Organizational Structure and Reporting Principles

OSRAM is a global lighting group and a market-leading provider of lamps, luminaires and lighting solutions. Following its spin-off from Siemens in fiscal 2013, OSRAM was listed as an independent company. As of September 30, 2014, we employ around 33.8 thousand people worldwide, have operations in over 120 countries, and run 33 production and manufacturing facilities in 14 countries. We generated revenue of €5,142.1 million in fiscal 2014.

The OSRAM Licht Group comprises the parent company OSRAM Licht AG, an Aktiengesellschaft (stock corporation) in accordance with German law, and just under 100 subsidiaries and investees, including minority interests » [Note 43](#) | [List of Equity Investments in Accordance with Section 313 of the HGB in the Notes to the consolidated financial statements.](#)

The OSRAM Managing Board is the governing body with overall responsibility for the management of the business in accordance with the Aktiengesetz (AktG—German Stock Corporation Act). At the level below this, OSRAM’s six business units (LLS—LED Lamps & Systems, CLB—Classic Lamps & Ballasts, LUM—Luminaires, SOL—Solutions, SP—Specialty Lighting, and OS—Opto Semiconductors) have comprehensive responsibility from product development through to product sales, including profit and loss responsibility.

Since May 2014, the reporting structure for external financial reporting purposes has consisted of five reportable segments that correspond to the Business Units. Prior-year information is reported in a comparable format. The LS Segment combines the Luminaires and Solutions Business Unit and the Services Unit according to the type of business model. From fiscal 2015, these units will be put under common management. Besides the five reporting segments, the reconciliation to the consolidated financial statements forms part of the OSRAM reporting structure. This includes corporate items and pensions which management does not consider to be indicative for the segments’ performance » [Reconciliation to the consolidated financial statements, page 69.](#)

### OSRAM Reporting Structure

#### Reporting segments

LED Lamps & Systems (LLS)	Classic Lamps & Ballasts (CLB)	Luminaires & Solutions (LS)	Specialty Lighting (SP)	Opto Semiconductors (OS)
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#### Reconciliation to financial statements

Corporate items and pensions	Eliminations, corporate treasury and other reconciling items
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In addition, our business is structured by region. We have implemented a second reporting line to the Managing Board alongside the segments, in which the management of OSRAM companies in the individual countries report to regional management, which in turn reports directly to the Managing Board. OSRAM has structured its global activities into three reporting regions, shown in the table below, together with their main sites:

## Important Locations of OSRAM

as of September 30, 2014	Main technology	Segment assignment
<b>EMEA</b>		
(Europe, Russia, the Middle East, Africa)		
Germany, Munich	Corporate headquarter	
Germany, Berlin	High intensity discharge lamps for automotive and general lighting	CLB, SP
Germany, Augsburg	Fluorescent lamps	CLB
Germany, Regensburg	Production of opto electronic semiconductors	OS
Germany, Herbrechtingen	Halogen lamps	SP
Germany, Traunreut	Luminaire production	LS
Germany, Eichstätt	Halogen lamps, LED-lamps, high intensity discharge lamps	CLB, LLS, SP
Russia, Smolensk	Fluorescent lamps	CLB
Slovakia, Nové Zámky	High intensity discharge lamps, automotive auxiliary lamps, luminaire production	CLB, LS, SP
Italy, Treviso	Automotive auxiliary lamps, electronic control gear	CLB, SP
<b>Americas</b>		
(U.S.A., Canada, Mexico, South America)		
U.S.A., Versailles	Fluorescent lamps	CLB
U.S.A., Hillsboro	Automotive headlamps and auxiliary lamps	SP
<b>APAC</b>		
(Asia, Australia, the Pacific)		
China, Foshan	Fluorescent lamps, high intensity discharge lamps, halogen lamps for automotive and general lighting	CLB, SP
China, Panyu	Electronic control gear for automotive and general lighting	CLB, LLS, SP
China, Wuxi	Production of opto electronic semiconductors	OS
Malaysia, Penang	Production of opto electronic semiconductors	OS

The technology shift toward semiconductor technology is radically altering our business environment. The way in which electric light is produced is undergoing fundamental change and opening up new technical opportunities in terms of color, dynamics, miniaturization, application integration, longevity, and energy efficiency. We talk about the lighting market experiencing a transformation towards semiconductor-based lighting. We are also actively driving forward this transformation within OSRAM using OSRAM Push, our enterprise-wide, comprehensive, continuous improvement program › OSRAM Push, page 48 ff. Independently of the business units and reporting regions, we subdivide our business at Group level into two categories on the basis of the technologies involved: the “LED-based business” (or “LED business” for short) and “the traditional business.” We use the umbrella term “LED business” › Glossary, page V ff. to differentiate between products that primarily produce light using optical semiconductor technologies, or in which light is used for forward integration, from traditional products that operate using conventional lighting technologies. Our definition of the LED business therefore includes LED

components and LED products, as well as combinations of LEDs, OLEDs (organic light emitting diodes), lasers, sensors, and drivers, as well as light management systems and associated services. The share of revenue generated with LED-based products (LED share) serves as a benchmark for technological development in our product portfolio during the transition to semiconductor-based technologies. In the past, OSRAM used to talk about the SSL business which it broke down into the forward-integrated business and the components business.

## Business Activities

### LED Lamps & Systems (LLS)

The LLS Segment encompasses our business with LED products as direct replacements for traditional lamps for general lighting, together with related components such as drivers.

In particular, LLS develops and produces lamps and electronic control gear at the Shenzhen (China) development site and at the plants in Monterrey (Mexico), Panyu (China) and Eichstätt (Germany). In addition, products specifications are drawn up and the products are then manufactured using contract manufacturers or bought in. LLS employed a total of around 2,400 people as of September 30, 2014. The largest revenue share was generated in EMEA.

The market for LED products is a fast-developing one that offers opportunities for growth, but is also characterized by strong competition.

### Classic Lamps & Ballasts (CLB)

The CLB segment comprises the traditional product business with lamps and ballasts for general lighting.

CLB has various production locations worldwide. The most important include the plants in Augsburg, Berlin, and Eichstätt (Germany), Foshan and Panyu (China), Versailles, Exeter (U.S.A.), and Monterrey, Juarez (Mexico). CLB employed a total of around 13.0 thousand people as of September 30, 2014. The segment sells its products worldwide, with the largest share of revenue being generated in EMEA and the Americas. From the beginning of 2015, the unit producing pre-materials (primarily fluorescent substances) will be reallocated from Corporate items to CLB.

The market for traditional lighting is distinctly shrinking at present. Potential business for CLB derives from the demand for energy-efficient products, which—encouraged by legislative initiatives around the world—are replacing inefficient traditional products, and which offer a favorably priced alternative to LED products.

### Luminaires & Solutions (LS)

The LS segment comprises OSRAM's luminaires and solutions business. This area therefore includes both the production and sale of luminaires and the design and implementation of solutions for internal and external lighting, as well as the North American service business. The latter offers our customers the opportunity to replace existing traditional lighting solutions with more energy-efficient ones.

LS produces luminaires primarily in Traunreut (Germany) and Nové Zámky (Slovakia). The segment installs lighting projects throughout the world, for example in football stadiums and museums. The service business focuses on North America. LS employed a total of around 2.3 thousand people as of September 30, 2014. The largest share of revenue for LS was generated in EMEA and the Americas.

In fiscal 2014, the LS segment underwent extensive restructuring, with the aim of adjusting its cost structure and sharpening the focus of its strategic business activities. The business units which have been aggregated to date and the Services unit will be put under common management from the beginning of fiscal 2015.

### Specialty Lighting (SP)

The SP segment develops, produces, and sells lamps and systems for various different sectors and special applications. In terms of revenue, SP's largest business is automotive lighting. However, it also serves special and niche applications that employ light but are not used to provide lighting—such as lamps for cleaning, which use high-intensity UV light to disinfect the surfaces, gases, or fluids they irradiate.

SP has production facilities around the world. Its most important locations include plants in Germany (Berlin, Herbrechtingen), the U.S.A. (Hillsboro), and China (Foshan). SP employed a total of around 6.4 thousand people as of September 30, 2014. SP products are sold worldwide—the largest revenue share is generated in EMEA, and the market with the greatest growth potential is APAC.

The growing automotive market and the use of LED products in cars offer opportunities for our automotive products. The OLED research and development project will be reassigned to the SP segment from the beginning of fiscal 2015, with the aim of also developing automotive lighting applications. In the area of special applications, we expect to see momentum from additional technological options such as miniaturization and digitization, and from new technologies such as OLEDs. In addition, the acquisition of Clay Paky, a leading entertainment lighting company, was finalized on October 13, 2014.

### Opto Semiconductors (OS)

The OS segment researches, develops, produces, and markets components relating to opto-semiconductor technology. This includes both LEDs, which generate visible light for a wide range of lighting applications, and other opto-semiconductors, which emit invisible light or receive incoming light and convert it into signals.

OS has two production locations: in Germany (Regensburg) and in Malaysia (Penang). In addition, a new LED production

location focused on the Chinese market started operation in Wuxi, China, in fiscal 2014. OS employed a total of around 8.9 thousand people as of September 30, 2014. The APAC region is the largest market for worldwide sales of OS products, followed by EMEA.

OS is seeing broad-based growth potential from the technology shift to LED products and increasingly efficient LEDs, which are enabling many applications to switch to semiconductor technology.

### OSRAM Reporting Segments

	Businesses and products	Markets and customers	Applications
<b>LED Lamps &amp; Systems (LLS)</b>	<ul style="list-style-type: none"> <li>– LED lamps</li> <li>– Drivers and components for LMSs<sup>1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>– Original equipment manufacturers (OEMs)</li> <li>– Installers</li> <li>– Retailers, chain stores, and specialist retailers</li> </ul>	<ul style="list-style-type: none"> <li>– Lighting for private households</li> <li>– office buildings and industrial applications</li> <li>– Hospitality</li> <li>– Retail and supermarkets</li> </ul>
<b>Classic Lamps &amp; Ballasts (CLB)</b>	<ul style="list-style-type: none"> <li>– Traditional lamps</li> <li>– Electronic control gear</li> </ul>	<ul style="list-style-type: none"> <li>– Retailers, chain stores, and specialist retailers</li> <li>– End consumers</li> <li>– OEMs</li> </ul>	<ul style="list-style-type: none"> <li>– Lighting for private households</li> <li>– office buildings, and industrial applications</li> <li>– Hospitality</li> <li>– Retail and supermarkets</li> </ul>
<b>Luminaires &amp; Solutions (LS)</b>	<ul style="list-style-type: none"> <li>– Luminaires</li> <li>– Lighting solutions and projects</li> <li>– LMSs<sup>1)</sup></li> <li>– Services business (installation and maintenance)</li> </ul>	<ul style="list-style-type: none"> <li>– Major customers (cities, industry)</li> <li>– Lighting designers, architects</li> <li>– Installers</li> <li>– Retailers, chain stores, and specialist retailers</li> </ul>	<ul style="list-style-type: none"> <li>– Street and external lighting</li> <li>– Office buildings and industrial applications</li> <li>– Architectural lighting, sports venues</li> <li>– Retail and supermarkets</li> <li>– Lighting for consumers and private households</li> </ul>
<b>Specialty Lighting (SP)</b>	<ul style="list-style-type: none"> <li>– Automotive lighting for forward, signal, and interior lighting assemblies</li> <li>– Display/optics</li> <li>– Lamps for special applications</li> </ul>	<ul style="list-style-type: none"> <li>– Automotive OEMs</li> <li>– Original equipment suppliers (OESs)</li> <li>– Retailers and specialist retailers</li> <li>– Cinema and film studio operators</li> <li>– Facility managers</li> </ul>	<ul style="list-style-type: none"> <li>– Automotive lighting</li> <li>– Studios, stage, and TV lighting</li> <li>– Projection systems</li> <li>– Medical applications</li> <li>– Airfield lighting</li> <li>– Microlithography</li> <li>– Cleaning and disinfection</li> </ul>
<b>Opto Semiconductors (OS)</b>	<ul style="list-style-type: none"> <li>– LED components for visible light</li> <li>– Infrared components</li> <li>– Laser diodes</li> <li>– Optical sensors</li> </ul>	<ul style="list-style-type: none"> <li>– OEMs</li> <li>– Distributors</li> <li>– OSRAM segments</li> </ul>	<ul style="list-style-type: none"> <li>– Automotive applications</li> <li>– General lighting</li> <li>– Industrial applications</li> <li>– Consumer electronic devices (e.g. displays, mobile phones)</li> <li>– Medical technology</li> <li>– Materials processing</li> <li>– Measurement and printing technology</li> </ul>

<sup>1)</sup> LMSs (light management systems) automate the lighting within a room by means of electronic control and management elements.

## Market Environment

### Competitive situation

The competitive situation varies considerably depending on the segments and components of the value chain concerned. For example, the market for traditional lamps and control gears is largely concentrated with three leading companies: Philips, OSRAM, and General Electric have a combined market share of over 50%. In addition, there are 20 to 30 smaller competitors, including Asian producers. By contrast, the market for luminaires in the general lighting area is highly fragmented and has a regional focus; together, the five leading providers account for less than 30% of the market. Well-known competitors in Europe include Zumtobel, Philips, Fagerhult, Havells India, Targetti Poulsen, Trilux, Schröder, and Eglo Leuchten; in Asia they are Panasonic, Toshiba, NVC, and Philips, and in the U.S.A. Acuity Brands, Cooper, Hubbell, and Philips.

The competitive environment for LEDs is more diverse at the level of the individual links of the value chain. Besides OSRAM, the market leaders for LED components (including high-brightness LED components) include Nichia, Cree, Philips Lumileds, Samsung Electronics, Seoul Semiconductor, Everlight, Lite-On, LG, and Toyoda Gosei. The main competitors in the midstream sector (LED lamps, LED modules, LED light engines, and electronic controls) are Philips, Toshiba, Panasonic, and Lutron, as well as electronics producers mainly active in Asia, such as LG Electronics and Delta Electronics. In contrast, Samsung Electronics announced in October 2014 that it is pulling out of the LED lamps business, citing increasing price pressure.

Only a few companies in the lighting industry are active in all segments and across the entire value chain. Philips and OSRAM are the predominant global players here. In addition, General Electric, Panasonic, and Toshiba are also major competitors, but are active only in some regions and areas of the value chain.

In the course of the transition to LED products, the competitive landscape is changing and new providers from different branches are entering the lighting market. For instance companies from related branches have successfully established themselves in the LED market; these include in particular Samsung Electronics and LG Electronics—two major Korean LED, TV, and semiconductor producers also offering LED components and LED products for lighting applications. Other semiconductor industry companies and producers from the electronics/electronic manufacturing services (EMS) sector including Hon Hai have also expanded their activities to include lighting.

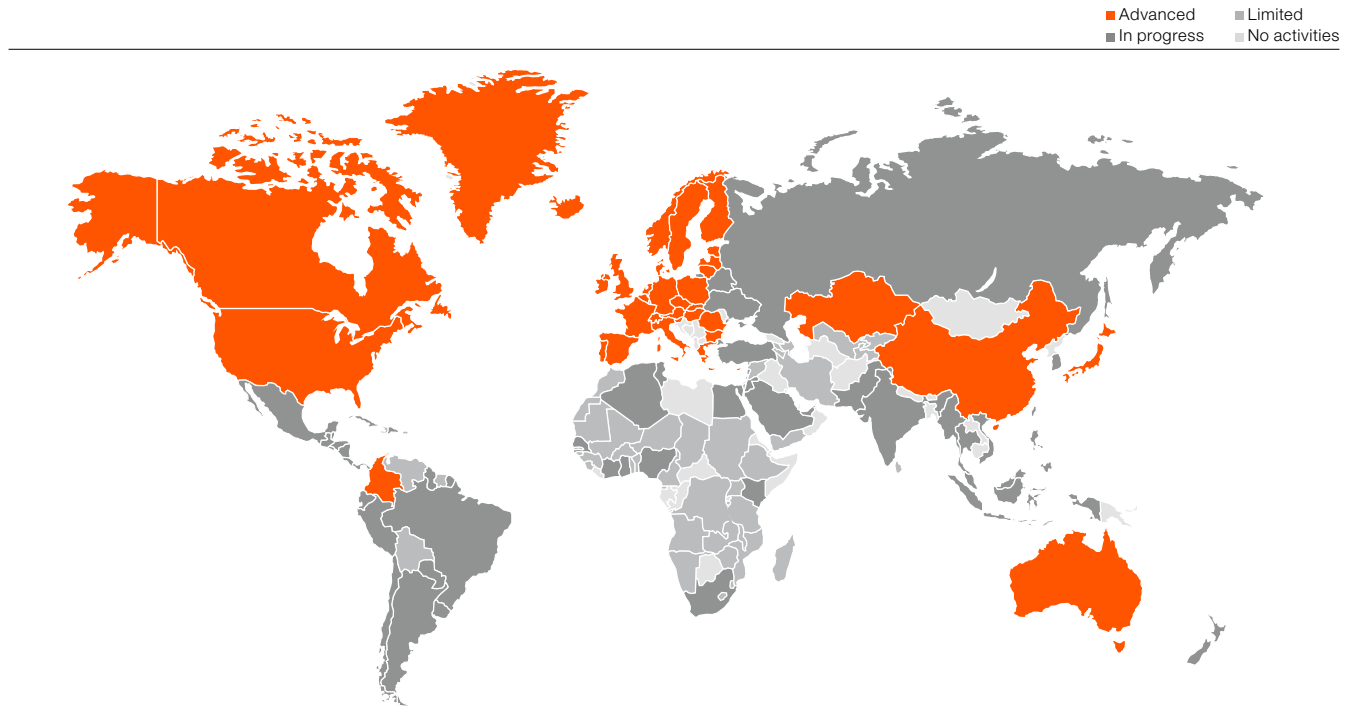
### Legal and sector-specific conditions

The OSRAM Licht Group must comply with a large number of legal requirements at national and international level: In addition to the general legal requirements, statutory and regulatory requirements relating to energy-efficient lighting are particularly important for us.

Incandescent lamps have all but disappeared from the European market since September 2012, due to European directives and energy efficiency regulations. There are now similar initiatives in almost all major countries. For example, similar energy efficiency requirements entered into force in the U.S.A. in January 2012; in January 2014, 60 watt lamps were added to the 100 watt and 75 watt lamps already being phased out. Far-reaching changes, such as the gradual phasing out of incandescent lamps and new regulations for halogen, fluorescent, high-pressure discharge, and LED lamps, impact the product portfolio and ultimately the range available to customers and end users. The European Commission is currently proposing a vote to delay the halogen lighting ban scheduled for 2016 until 2018.

These measures can be traced back to the Kyoto Protocol that was signed in December 1997. This supplementary protocol to the United Nations Framework Convention on Climate Change came into force in February 2005. The following map is based on an analysis by UNEP (the United Nations Environment Programme) and shows countries' progress on regulatory measures, associated directives, monitoring and implementation measures, and ecological sustainability [also the following graphic](#). According to UNEP, over 70% of the world's population are currently affected by legislation promoting more efficient lighting, and this figure is likely to rise to 80% by 2016.

## Progress of Worldwide Regulatory Mechanisms



Source: UNEP.

The global measures being taken to increase energy conservation impact OSRAM's business at a fundamental level. We have adapted our product portfolio to align it to the efficiency requirements to be met by household, street, and office lighting and are working continuously to improve and introduce energy-saving products and production processes.

As a producer of efficient lighting, OSRAM is also affected by the EU's Waste Electrical and Electronic Equipment (WEEE) Directive. The WEEE entered into force in February 2003 and was revised in July 2012. This directive has legal force once it is transposed into law via corresponding implementing acts. It aims to avoid waste by reusing or recycling electrical and electronic equipment, to reduce the amount of hazardous materials in waste, and to promote safe waste disposal. Other legislation restricts the use of certain hazardous materials in the production of electrical and electronic equipment (in Europe, this includes the RoHS—Restriction of Hazardous Substances—Directive, for example).

At a global level, the Minamata Convention is an international agreement signed in 2013 to reduce the use of mercury worldwide. Mandatory limits for some lamps will be introduced starting in 2020 at the latest and low-efficiency mercury vapor lamps will be phased out across the world. OSRAM is working to ensure extensively harmonized legislation.

OSRAM is involved in lighting industry information exchanges through national and regional associations, enabling it to react quickly. The associations support the development and communication of a common position with respect to interest groups and during legislative processes. OSRAM can reach well over 50% of the world population through the nine largest associations alone, including the recently formed Middle East Lighting Association (MELA), and the associations in the U.S.A. (NEMA), Europe (LightingEurope) and China (CALI). These associations are also members of the Global Lighting Association (GLA), and OSRAM supports the establishment of new associations such as for the ASEAN region.

Above and beyond its work in and with the associations, OSRAM works with UNEP's public-private partnership initiative, en.lighten, to promote more efficient lighting. The en.lighten initiative focuses on emerging and developing countries and already encompasses over 60 partner countries which are committed to sustainable lighting technologies. In the course of these activities, OSRAM was able to demonstrate how lighting can contribute to doubling energy efficiency in the world by 2030 to a global audience at the Sustainable Energy For All Forum (SE4ALL), initiated by the UN Secretary-General.



## Group Strategy

Developments in the lighting market are currently dominated by the technology shift towards semiconductor-based lighting technology, which is opening up new technical opportunities in terms of color, dynamics, miniaturization, application integration, longevity, and energy efficiency. Overall, we anticipate a growing market for lighting, which will open up new opportunities. Market entry opportunities are opening up for new market players, while established lighting companies such as OSRAM must adapt their business to the new technology. In our view, developments in the lighting market can be divided into three key phases:

- **Tradition** Traditional products such as incandescent lamps are being steadily replaced by higher-value, more energy-efficient products.
- **Transition** There is a trend across the whole value chain away from traditional technologies and towards higher-value, more energy-efficient LED products.
- **Transformation** Standard lighting solutions are being upgraded and marketed as intelligent network solutions and value-added services, with a view to exploiting the full potential of these new technologies in the marketplace.

As these trends develop, the market is becoming increasingly differentiated—on the one hand into volume-driven markets characterized by product commoditization, economies of scale in manufacturing, and aggressive competition, and on the other into specialized markets characterized by long-term market growth, a growing application landscape, and potential for differentiation.

The speed of market development and the length of the transition period, as well as OSRAM's ability to react promptly and flexibly to changes in market requirements, will determine how successfully we pass through these phases.

It is clear from our revenue development in fiscal 2014 and from comparable results amongst our competitors that the decline in the traditional general lighting market has accelerated ahead of forecasts. As a result, we are reviewing and adjusting our medium- and long-term strategy to meet market conditions. Our long-term strategic goal is to make OSRAM sustainable, profitable, and fit for the future, including in what may be an even more dynamic market environment.

We intend to continue achieving our long-term strategic goals by implementing the following key elements:

- Exploiting our expertise to the full, in order to safeguard and extend our presence in the marketplace,
- Building on our long tradition of innovation in lighting to extend the range of our products and services,
- Promoting an entrepreneurial corporate culture.

We are continuing to manage the business realignment to take advantage of the new technological opportunities and to meet market requirements arising from them via OSRAM Push, our enterprise-wide, comprehensive, continuous improvement program. OSRAM Push is the operational management instrument for achieving our strategic goal of sustainable, profitable business development, for implementing the necessary measures within the Company, and for monitoring their long-term effect. As Phase II of the OSRAM Push program begins, we are also adapting to changing market requirements › OSRAM Push, page 48 ff.

## Key drivers in the lighting market

In drawing up our strategy, we continue to take into account the key drivers in the lighting market—by which we understand long-term trends that we expect to have an impact on overall market development. The key drivers as we see them are shown in the following overview.

## Key Lighting Market Drivers

### The technology shift

The fundamental technology shift towards LEDs is radically altering the way that electric light is produced and is opening up new technical opportunities in terms of color, dynamics, miniaturization, application integration, longevity, and energy efficiency. This is resulting in significant changes along the entire lighting value chain and is having a considerable impact on the market as a whole.

### Mobility

Individuals' mobility requirements are growing and are supported by LMS that make it possible to direct light to where there is movement and demand for light.

### Urbanization

A growing majority of people are living in urban rather than in rural areas, as a result of modernization and industrialization. This is leading to new functionality for street lighting, lighting control, and architectural design. This in turn is increasing electrification levels and we expect demand for lighting products to rise accordingly too.

### Demographic change

The rising average age of the global population leads us to expect stronger demand for better-quality lighting and for simple, intelligent lighting solutions.

### Neo-ecology

Rising energy prices, growing awareness of environmental issues, and concerns about reducing CO<sub>2</sub> emissions are all stimulating demand for intelligent lighting solutions that operate efficiently and can be disposed of in an environmentally friendly manner at the end of their life cycle.

### Networking

Digitization is pervading all areas of life and access to information is becoming both more comprehensive and more personalized. Networked intelligent lighting systems use this information to create demand-led applications.

### Individualization

Greater demand for intelligent lighting systems should result in growing markets for customized, higher-value lighting solutions.

## OSRAM Push

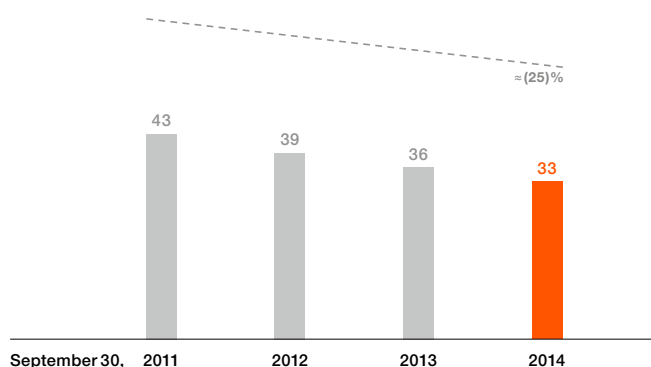
The technology shift and the resulting fundamental changes in the business environment have necessitated a strategic realignment of the OSRAM Licht Group. Since the first quarter of fiscal 2012, this has been supported by an enterprise-wide, comprehensive, continuous improvement program—"OSRAM Push." The program encompasses all of the projects and measures triggered by the technology shift and the associated realignment of OSRAM's portfolio, organization, processes and business culture. In addition, OSRAM Push addresses further structural and operational measures designed to improve productivity across all segments.

The first phase of the OSRAM Push program, which commenced in 2012, was successfully completed on schedule in fiscal 2014. However, OSRAM Push is a continuing improvement program that, in light of recent market developments and the accelerating pace of transition, will enter a second phase that was initiated in fiscal 2014, and that is aimed at securing OSRAM's position for the long term as a leading provider of lighting products and solutions.

### OSRAM Push phase I (2012–2014)

In particular, the production landscape was transformed in order to improve plant capacity utilization. The goal here was to reduce the number of manufacturing sites. As of September 30, 2011, OSRAM had 43 production locations, eleven of which were due to be discontinued by the end of fiscal 2014. Four facilities in total were closed in fiscal 2014, three of them in the fourth quarter, meaning that this goal was achieved on schedule.

### OSRAM Push: Reduction of Manufacturing Sites<sup>1)</sup>

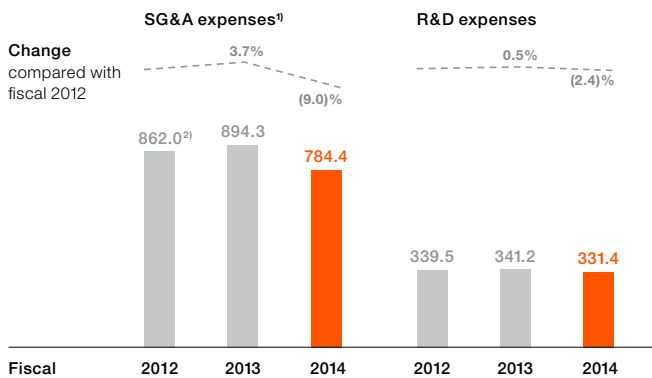


<sup>1)</sup> Net reduction including the establishment of a new LED assembly facility in Wuxi, China.

Simultaneously, OSRAM aimed to increase the profitability of its business by optimizing the efficiency of its research and development, production, and sales structures, as well as its corporate functions. As a result, research and development costs remained largely stable, but the proportion of expenses used in the development of the LED business rose from 62% to 75%. We fully achieved our goal of reducing marketing, selling, and general administrative expenses excluding logistics costs by 8–10% from the level recorded in fiscal 2012.

#### OSRAM Push: Cost-saving Targets Function Costs

in € million



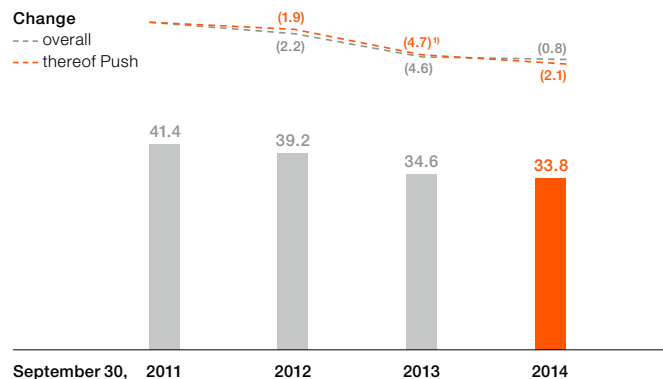
<sup>1)</sup> Excluding logistics costs of €200.9 million, €208.5 million, and €213.9 million for fiscal years 2014, 2013, and 2012.

<sup>2)</sup> In the course of contract changes in fiscal years 2013 and 2014, certain allowances to purchasing associations were reported in Marketing, selling, and administrative expenses. In fiscal 2012, these expenses were reported under Gross profit and amounted to €20.1 million for the year as a whole; this amount is included in the €862.0 million for comparison purposes.

The measures described above involved a substantial reduction in the workforce. OSRAM had already announced in January 2012 that staff levels would be adjusted by the end of fiscal 2014. In fiscal years 2012 to 2014, as planned, OSRAM cut a total of around 8,700 jobs.

#### OSRAM Push: Job Reduction

in thousand FTE



<sup>1)</sup> Including 500 jobs at the Tangerang production facility in Indonesia, which were eliminated as of October 1, 2013.

OSRAM Push aims to sustainably improve OSRAM's productivity. Alongside the transformation-driven measures described above, a key focus of the program is on improving operating productivity, which benefits all segments. This includes savings in the purchasing area and from optimizing production.

Overall, OSRAM is aiming to achieve cumulative gross cost reductions of around €1.2 billion in the first phase of OSRAM Push by the end of fiscal 2015. In fiscal years 2012 to 2014, the savings were partially offset by some €599 million in cumulative transformation costs that were reflected in EBITA. In addition, expenses of around €29 million were brought forward from the second phase of the OSRAM Push program to fiscal 2014—these are not included in the €599 million.

At the end of fiscal 2014, cumulative savings amounted to €871 million or 73% of the target figure for the three-year period from 2013 to 2015. This means that progress towards all OSRAM PUSH project goals is in line with our planning. The remaining planned cost savings of €329 million for fiscal 2015 will be achieved in Phase II of OSRAM Push.

In addition, cost savings were partially offset by other effects in addition to transformation costs, such as those resulting from price declines—especially in the LED business—, salary increases, and other inflationary effects.

**Project Progress<sup>1)</sup>****OSRAM Push Phase I**

	Status 9/30/2013	Status 9/30/2014	Progress	Target cumulated until 9/30/2014
Transformation costs	€498 million	€599 million <sup>2)</sup>	100%	≈ €600 million
Reduction of manufacturing sites	(7)	(11)	100%	(11)
Job reduction	(6.6) thousand FTE <sup>3)</sup>	(8.7) thousand FTE	100%	(8.7) thousand FTE
Cost reduction by OSRAM Push measures	€433 million	€871 million	73%	until 9/30/2015 €1,200 million <sup>4)</sup>

<sup>1)</sup> The information presented reflects the cumulative project progress since fiscal 2012.

<sup>2)</sup> Not including transformation costs of €29 million brought forward from the second phase of the OSRAM Push program, but which are reflected in EBITA in fiscal 2014.

<sup>3)</sup> Including 500 jobs at the Tangerang production facility in Indonesia, which were eliminated as of October 1, 2013.

<sup>4)</sup> OSRAM Push measures that have been/will be recognized in profit or loss in fiscal years 2013 to 2015.

**OSRAM Push phase II (2015–2017)**

In the second phase of OSRAM Push running until 2017, additional process improvements and structural adjustments will be initiated once consultations and negotiations with employee representatives have been completed. These measures are being implemented in response to the continually changing market conditions › Trends in the Lighting Market, page 57 f., › Report on Expected Developments, page 96 ff.

The measures will affect not only production capacity for traditional general lighting products, but also sales, administration, and other indirect functions throughout the Company.

Although OSRAM was able to offset the drop in CLB revenue in 2014 through comparable growth in other areas, particularly LED components and LED products, we are anticipating a further decline in demand in the area of traditional lighting products with Phase II of OSRAM Push. We will align cost structures in the segments by making adjustments both to production capacity and to overarching functions.

- Further adjustments to our production landscape are necessary, in terms of both volumes and indirect structures, in order to ensure plant capacity utilization for the future.
- In addition, transactional processes in overarching Company functions such as procurement, sales, human resources, accounting, and controlling will in future be pooled in service centers across the world. This will allow us not only to take advantage of cost savings in different locations, but also to optimize these functions and make them leaner by bundling them together.

- In addition, OSRAM aims to concentrate the Group's administration activities on core tasks. Head office services will be available to the operating segments in future as required and will be invoiced. This will slim down administration and, by handing clear responsibility for their own costs to the operating units, will heighten their entrepreneurial approach.
- The sales functions for general lighting will be reorganized in line with the sales channels. In addition, responsibilities will be assigned more clearly to the business units and the management structure will be streamlined. OSRAM aims with these measures to increase sales efficiency and in particular to shorten decision-making processes and sharpen its customer focus.

These last three measures are intended to simplify our organizational structure, increase our operative efficiency, and bring us closer to our customers. At the same time, the whole Company will be streamlined, enabling it to act more quickly and flexibly. Since these measures mainly impact sales and general administration costs, they have been bundled together under the heading of the "SG&A Project".

These transformation measures will lead to around 1,700 jobs in Germany and 6,100 worldwide being cut over a three-year period to 2017, once consultations and negotiations with the employee representatives have ended. Around 1,900 of the total of roughly 7,800 jobs are indirect functions. In Germany, the plans affect Group head office in particular, along with production locations for general lighting. Overall, the transformation measures that have been resolved aim at achieving around €260 million in permanent cost reductions by the end of fiscal 2017. Of these, approximately




€100 million will be due to the SG&A Project. The other €160 million are to come from the measures we are taking to adapt our production landscape, and will only have a positive effect on the EBITA margin if market developments exceed expectations—i.e., if the traditional business declines less than anticipated. We are not planning any cost savings in research and development but will continue to concentrate expenditure on the LED business and possibly increase it slightly. The above-mentioned measures are expected to entail gross transformation costs of approximately €450 mil-

lion over the same period, of which €29 million have already been recognized in fiscal 2014.

According to our plans, additional cost savings from operating productivity measures, which also delivered the majority of cost savings in Phase I of OSRAM Push, will total €1,040 million, inclusive of the cost savings targets carried forward from Phase I of OSRAM Push into 2015. This means that Phase II of OSRAM Push is expected to achieve cost savings totaling €1.3 billion in fiscal years 2015 to 2017.

#### Project Progress<sup>1)</sup>

##### OSRAM Push Phase II

	Status 9/30/2014	Progress	Target 9/30/2017
Transformation costs	€ 29 million	6% 	€450 million
Job reduction	–	0% 	(7.8) thousand FTE
Cost reduction by OSRAM Push measures	–	0% 	€1,300 million

<sup>1)</sup> The information shown here reflects the project's cumulative progress.

In addition to the structural and process-related measures, OSRAM Push also tracks its results in terms of their market success. The LED share serves as a benchmark for the technological development of our product portfolio during the transition to semiconductor-based technologies. Our LED share increased from 29% in fiscal 2013 to 36% in fiscal 2014.

## Performance Management

OSRAM's Managing Board uses a variety of financial and non-financial performance indicators to manage the Company. The most important of these performance indicators are determined at the level of the OSRAM Licht Group as a whole. They are related to our strategic goals and are designed to help achieve these at an operational level. They can also influence the remuneration of OSRAM's management, in particular the remuneration of the Managing Board, which is linked to their achievement › Remuneration Report, page 22 ff., › Sustainability, Social Aspects, page 92 ff. In addition, regular reports on the key performance indicators are presented to the Managing Board, who then report to the Supervisory Board. These indicators are used primarily in OSRAM's external financial reporting but are also a useful general vehicle for communicating with all stakeholders.

The key financial performance indicators used by OSRAM enable management to optimize global business development and find the balance between the interdependent factors of growth, earnings, and liquidity so as to achieve our goal of sustainable profitable growth. We believe that the latter is a precondition for sustainably increasing OSRAM's enterprise value. Our system of targets defines performance indicators for revenue growth, profitability, liquidity, and capital efficiency as well as earnings per share.

As part of the OSRAM Push program designed to ensure the Company's strategic realignment, we have also defined additional temporary key indicators for reducing the number of manufacturing locations and jobs and for cutting costs, and we have set cost budgets. The goal is to achieve these targets at the relevant stages of the program. Since they make an important contribution to overcoming the challenges posed by the shift in the lighting market, they are among OSRAM's most important performance indicators, financial and non-financial.

A number of the financial performance indicators described in more detail below are what are known as non-IFRS financial measures. Other companies that report similarly named financial measures may calculate these differently

› Information on and Reconciliation of Financial and Non-financial Key Performance Indicators, page 80 ff.

## Revenue growth

OSRAM looks at revenue growth in both nominal and comparable terms. We calculate the latter by adjusting the percentage change in revenue between the periods being compared for currency and portfolio effects › Glossary, page V ff.

Our strategy is to secure our market presence and to grow profitably, and for this we use comparable revenue figures in particular as a performance indicator. This also applies at the level of the segments, and comparable growth as well as influencing the variable remuneration of the Managing Board.

## Profitability

The key performance indicator used to measure our operating profit is the EBITA margin. Our overarching medium-term goal is to achieve an average EBITA margin of over 8% across the entire operating cycle in the OSRAM Licht Group. In order to facilitate the analysis and assessment of operating profitability, we report the EBITA margin adjusted for special items, especially transformation costs, in addition to the normal EBITA margin. This adjusted performance indicator is particularly important for management in periods with high negative effects from transformation costs. These EBITA margins are calculated by dividing EBITA or adjusted EBITA by revenue. We use EBITA to evaluate profitability, as it is a widely used indicator of a company's operating effectiveness and among other things, does not reflect any effects resulting from acquisitions (such as the identification and amortization of intangibles in connection with acquisitions). We also evaluate the operational performance of our segments on the basis of these performance indicators. The EBITA margin adjusted for transformation costs is also one of the indicators influencing the variable remuneration of the Managing Board.

### Liquidity

OSRAM uses free cash flow as a liquidity indicator. This is defined as net cash provided by (used in) operating activities less additions to intangible assets and property, plant, and equipment. For us, free cash flow is an indicator for evaluating our ability to generate cash surpluses from our operating business activities. In addition, this indicator shows the extent to which we are able to meet both recurrent and specific cash outflows that are not included in it (such as payments for acquisitions, dividends, or debt servicing). We also evaluate our segments' cash generation performance on the basis of free cash flow. In addition, free cash flow is one of the indicators influencing the variable remuneration of the Managing Board.

### Capital efficiency

Our performance indicator for capital efficiency is the return on capital employed (ROCE). ROCE is calculated as income (loss) before interest but after taxes divided by the average capital employed. This measures how efficiently and profitably OSRAM manages the capital provided to it by shareholders and creditors. Our overarching goal is to achieve a ROCE for the OSRAM Licht Group that clearly exceeds our cost of capital of currently around 7.5% (previous year: 8.5%). The reduction in the cost of capital compared with the previous year was a result of the clear decrease in the risk-free interest rate. ROCE is expected to be lower than this in fiscal 2015 due to high transformation costs › Report on Expected Developments, Seite 96 ff.

### Net income (loss) and EPS

Basic EPS (earnings per share) is a performance indicator that is directly linked to net income › Note 36 | Earnings per Share in the Notes to the consolidated financial statements. Along with EBITA, net income is a key indicator for assessing changes in OSRAM's results of operations, since it reflects all the other aspects of our business (financial income (expense), net and taxes, among other things) in addition to operations. Basic earnings per share shows the income (loss) attributable to shareholders of OSRAM Licht AG in a particular reporting period and is thus a indicator for OSRAM's profitability—particularly from the point of view of our shareholders. Basic earnings per share therefore also impacts the level of the Managing Board's long-term share-based remuneration.

### OSRAM Push

We use the following temporary performance indicators to monitor the progress of our OSRAM Push program and hence to ascertain how well OSRAM is responding to the changed market conditions › OSRAM Push, page 48 ff.:

- **Transformation costs** that in the opinion of management result from the fundamental shift in the lighting market, together with costs of associated corporate programs and strategic restructuring activities › Glossary, page V ff.
- **Reduction of manufacturing sites** up to fiscal 2014 in order to adjust our production capacity in the area of traditional general lighting.
- **Job reduction in connection with OSRAM Push**, in conjunction with the associated plant closures, as well as the necessary cost savings in indirect functions.
- **Cost reduction by OSRAM Push measures**, achieved via the above-mentioned transformation-related measures as well as through continuous improvement of operating productivity in all segments.



## Overall Assessment by the Managing Board of the Current Economic Situation

Two topics dominated fiscal 2014 for OSRAM, and they will continue to impact our business going forward—the accelerated change in the lighting market, and our response to it, our OSRAM Push program. Implementing the measures contained in this program again drove forward the corporate restructuring process and hence laid the foundations for our success in the past fiscal year. OSRAM's results of operations performed encouragingly, thanks to our sharply improved net income, enabling the Managing Board and the Supervisory Board to propose a dividend to the General Meeting. Our solid financial position was further strengthened by our improved free cash flow. We have a balanced asset structure and an equity ratio of over 50%. We achieved all the earnings targets and OSRAM Push goals that we had set ourselves. We can therefore look back with satisfaction on the past fiscal year—and forward to the future with confidence.

Increasing market acceptance of LED technology meant that our traditional general lighting business declined more rapidly in fiscal 2014 than we had anticipated. In response, we separated the LED business in the former Lamps & Components segment from the traditional products business, effective as from May 1, 2014. This enabled us to sharpen the different strategic focuses of the two areas, along with the respective management responsibilities. However, further measures were necessary in light of market developments. For this reason, we announced and brought forward the launch of Phase II of our OSRAM Push program to the fourth quarter of fiscal 2014, in advance of Phase I's successful conclusion › OSRAM Push, page 48 ff.

Despite the challenging environment, we generated comparable revenue growth (adjusted for currency translation effects) of 0.8% to €5.1 billion in fiscal 2014, and we substantially increased the revenue share of our products that use LED technology. At the same time, we structurally improved OSRAM's profitability › Results of Operations, page 59 ff. Our EBITA increased sharply, not only in absolute terms but also as a percentage of revenue—including when adjusted for special items (in particular transformation costs): the adjusted EBITA margin for fiscal 2014 was 8.7% (previous year: 7.7%). As a result, we reported net income of €193.1 million at the fiscal year-end (previous year: €33.6 million).

OSRAM's free cash flow was €216.0 million, down on the prior year but fully in line with our expectations and with a strong contribution from CLB. We therefore increased our net liquidity to €487.3 million as of September 30, 2014 (previous year: €172.0 million). We are therefore satisfied with the development of our financial position › Financial Position, page 70 ff. The same is also true for OSRAM Licht Group's net assets. Net income growth lifted our equity ratio to 51.0%. We are in a strong position going forward, thanks to our asset structure › Net Assets, page 78 ff. We are also pleased to report that two major items on our agenda—the acquisition of Clay Paky, a leading entertainment lighting company, and the successful sale of the former OSRAM headquarters building in Munich—have already been implemented in the first quarter of fiscal 2015 › Report on Events After the Balance Sheet Date, page 95.

We therefore achieved almost all the key objectives we had set ourselves for the past fiscal year › following overview. The only exception is that in May 2014, we adjusted our revenue forecast for fiscal 2014, to take account of the unforeseen developments in the lighting market. The accelerated decline in the traditional general lighting business represents the occurrence of an industry-wide risk that we described in last year's annual report, in the section entitled "Market developments."

## Comparison Between the Actual and Forecast Course of Business

### Target Achievement 2014

	<b>Initial position</b> Fiscal year 2013	<b>Expected developments</b> Outlook November 2014	<b>Target achievement</b> Fiscal year 2014	<b>Evaluation</b>
Comparable revenue growth (adjusted for currency translation and portfolio effects)	1.6%	Revenue growth of OSRAM Licht Group on a comparable basis will be higher than global real GDP growth for 2014 (currently expected at 3%), despite a decrease in the share of revenue at LS resulting from the restructuring.	0.8%	not achieved, outlook updated
		From May 27, 2014: The Managing Board expects revenue on last year's level, at best a modest revenue increase, on a comparable basis.	0.8%	achieved
EBITA margin before special items	7.7%	EBITA margin (before special items) is expected to be over 8.0%.	8.7%	achieved
Net income	€33.6 million	Net income will increase sharply.	€193.1 million	achieved
ROCE	1.9%	We intend to generate a return on capital in excess of our cost of capital of 8.5%.	9.3%	achieved
Free cash flow	€284.3 million	We expect a positive free cash flow in the three-digit millions of euros, although it will fall short of the high level seen in fiscal 2013.	€216.0 million	achieved
Reduction of manufacturing sites	7 sites	Starting from a baseline of 43 manufacturing sites in 2011, our goal is to discontinue 11 locations.	11 sites— thereof 4 in FY 2014	achieved
Cumulative job reduction in connection with OSRAM Push until 2014	6.6 thousand jobs	A total of approximately 8.7 thousand jobs will be cut by September 30, 2014.	8.7 thousand jobs— thereof 2.1 thousand in FY 2014	achieved
OSRAM Push measures	€433 million = 36%	Overall, we aim to achieve cumulative gross cost reductions of around €1.2 billion with the transformation program by fiscal 2015.	€871 million = 73%— thereof €438 million in FY 2014	as planned

### Dividends

We aim to pay our shareholders attractive dividends that reflect market conditions. The Managing Board, in agreement with the Supervisory Board, will therefore propose to the General Meeting that the net retained profits of OSRAM Licht AG for fiscal 2014 be appropriated as follows: a dividend of €0.90 per no-par value bearer share entitled to dividends for the past fiscal year at the date of the General Meeting, with the remaining amount to be carried forward. Payment of this dividend is subject to approval by the General Meeting on February 26, 2015. No dividends were distributed in fiscal 2013.

The proposed dividend of €0.90 per share for fiscal 2014 corresponds to a total distribution of approximately €94 million, based on the number of shares outstanding as of

September 30, 2014. This corresponds to an expected distribution ratio of 50.1% measured in terms of the portion of net income for fiscal 2014 attributable to OSRAM Licht AG shareholders, of €187.9 million.

In fiscal 2015, we pursue a stable dividend, based on the expected developments for fiscal 2015 and OSRAM's medium-term prospects. We are aiming for a dividend distribution ratio of between 30% and 50% of net income in the following years, as long as these dividend payments do not conflict with long-term, sustainable business performance. Net income may be adjusted to take account of selected, extraordinary, non-cash effects when calculating the amount of the distribution.

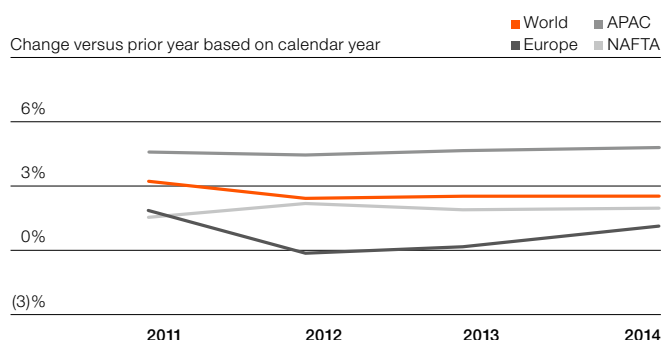
# Events and Developments Responsible for the Course of Business

## Macroeconomic Development

The weak global economic growth seen at the beginning of the year is continuing its recovery at a moderate pace and with significant regional variations, but remains fragile. The forecasts for calendar year 2014 point to an increase in economic growth. At 2.7%, expected real global GDP growth is only slightly above the prior-year figure of 2.6%, but considerably below IHS Global Insight's forecast from last year. Growth was particularly muted in the second quarter of fiscal 2014 (the first quarter of the 2014 calendar year), with economic output growing by a mere 1.4%. This was due in particular to the temporary weather-related downturn in the U.S. economy at the beginning of the year. However, Europe also experienced a slowdown in economic momentum, particularly in the second quarter of the calendar year. This was caused by structural challenges and the ongoing sovereign debt and financial crisis in the emerging markets, as well as unsettling geopolitical developments such as the Russia-Ukraine conflict, and also had an impact on the Asia-Pacific economic area. The global economy only began to show signs of recovery in the third quarter of the calendar year. Source: IHS Global Insight, September 2014.

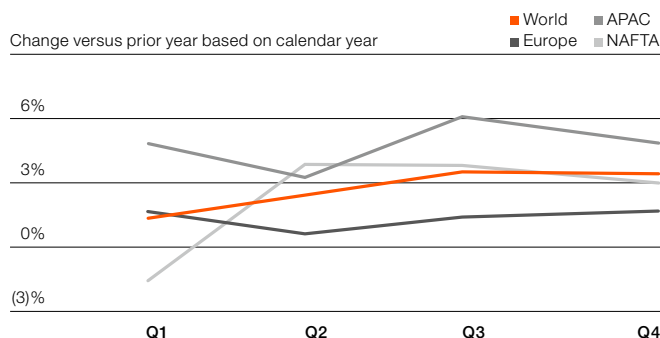
The regional variations in macroeconomic development in calendar year 2014 are only partially reflected in our business performance. The relatively stable overall development seen in the regions that are our main revenue drivers was overlaid by the trends in the lighting market.

### Real GDP Growth 2011–2014



Source: IHS Global Insight, September 2014.  
The figures for calendar year 2014 are based on forecasts by IHS Global Insight.

### Real GDP Growth 2014



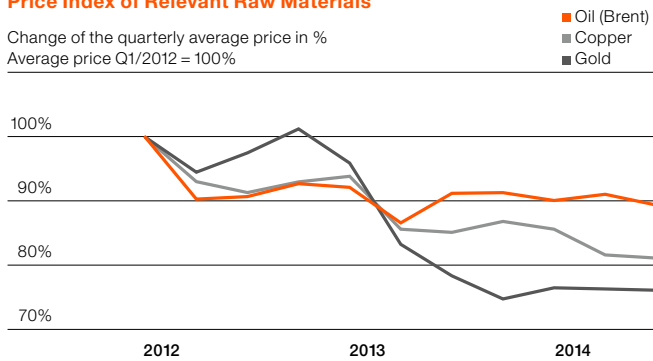
Source: IHS Global Insight, September 2014.  
The figures for Q4/2014 are based on forecasts by IHS Global Insight.

Despite the slowdown in economic growth, prices for energy and raw materials are on a positive trajectory for OSRAM; this applies in particular to prices for key inputs for OSRAM products, such as energy, copper, and rare earths. For example, oil prices dropped from USD 109 a barrel in the third quarter of calendar year 2013 to the latest price of USD 102 a barrel. Prices for raw materials were subject to substantial fluctuations at times in the past—prices for rare earths in particular rocketed by over 250% in 2011 and 2012, then plummeted in 2013 and 2014 back to the levels seen in calendar year 2010.

The cost of raw materials and parts accounts for a considerable portion of our cost of goods sold and services rendered, and we are dependent on the availability of, and procurement prices for, critical materials. OSRAM largely hedges its exposure to commodity price risk by purchasing commodity derivatives. Note 33 | Financial Risk Management in the Notes to the consolidated financial statements. The prices for raw materials that are particularly important for OSRAM such as oil, copper, gold, and rare earths dropped in fiscal 2014. This was offset by the increase in the price of xenon, which consequently had a moderate negative impact on earnings, only retreating again at the end of the fiscal year. Overall, the raw material price trend had a positive impact on OSRAM's earnings.

### Price Index of Relevant Raw Materials

Change of the quarterly average price in %  
Average price Q1/2012 = 100%

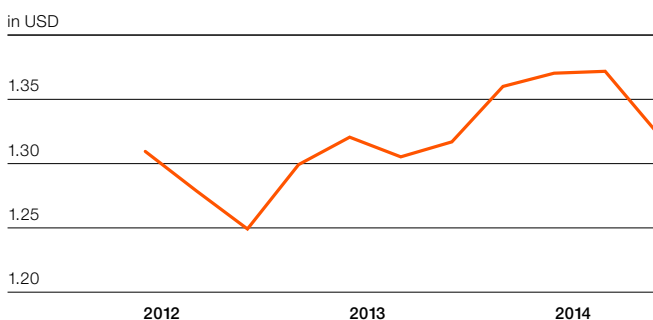


Source oil price: U.S. Energy Information Administration.  
Source copper, gold: Bloomberg.

The value of the euro against the U.S. dollar fluctuated between the third calendar quarter of 2013 and the third calendar quarter of 2014, rising from USD 1.32 to a high of USD 1.37 in the second calendar quarter before falling again to USD 1.33 to the euro. This made exports from the euro-zone more expensive. Other currencies that had a clearly negative impact on OSRAM's revenue trend were the Argentinian peso, the Brazilian real, the Hong Kong dollar, and the Russian ruble. Currency effects also had a substantial negative impact on net income. Revenue Development, page 59 ff., Earnings Development, page 62 ff.

### Development of the U.S. dollar Against the Euro

in USD



Source: Average rates for each quarter based on data from the European Central Bank, September 2013; October 2014.

### Trends in the Lighting Market

Our assessments of trends in the lighting market are based on forecasts by Frost & Sullivan, October 2014.

In principle, we are expecting structural growth in the lighting market in calendar year 2014, particularly in the area of general lighting. Semiconductor-based lighting products such as LED lamps and luminaires are again expected to see high double-digit growth in calendar year 2014. Some products that do not use semiconductor-based lighting technology, such as energy-efficient halogen lamps that are replacing incandescent lamps, are also expected to see clear growth in calendar year 2014. However, a decline in the low double-digit percentage range compared with the previous calendar year is expected in the same period for inefficient lighting technologies in the general lighting segment, such as incandescent lamps. This trend is the result of the ongoing shift in the lighting market toward energy-efficient technologies, which is being driven by the gradual phasing out of incandescent lamps and other inefficient technologies in many countries, for example in Europe or the U.S.A. In automotive lighting, traditional technologies are expected to turn in a stable performance in 2014, with growth in the middle single-digit percentage range mainly attributable to LED products.

These trends in the lighting market are clearly reflected in our business performance, particularly in the general lighting segment. While revenue in our CLB segment declined by a clear 10% on a comparable basis, we recorded sharp growth of 57% in the LLS segment, meaning that market trends were, in general, mirrored in the performance of the two segments. The opto-semiconductor business at OS also grew by 12% on a comparable basis. In fiscal 2014, the share of LED products in our portfolio increased to 36%, up from 29% in 2013. In the automotive business, revenue rose by 10% on a comparable basis, meaning we were able to outperform market growth both for traditional and for LED products. Segment Information, page 65 ff. Regarding the lighting market, however, growth in the area of LEDs is also accompanied by intensified competition. Market Environment, page 44 ff.

Certain economic indicators are particularly important for trends in the lighting market.

Investment growth in the global construction industry is experiencing a positive trend. On the one hand, at 3.0%, capital expenditure on residential building projects in calendar year 2014 is likely to be slightly higher than the prior-year figure of 2.6%. This is especially due to clear growth in the U.S.A. and the United Kingdom, where the residential construction market is recovering from historically low level.

Source: IHS Construction Outlook, September 2014. On the other hand, investment in non-residential building projects (i.e., commercial and public buildings) is forecasted to recover clearly and to grow by 3.5% worldwide in calendar year 2014.

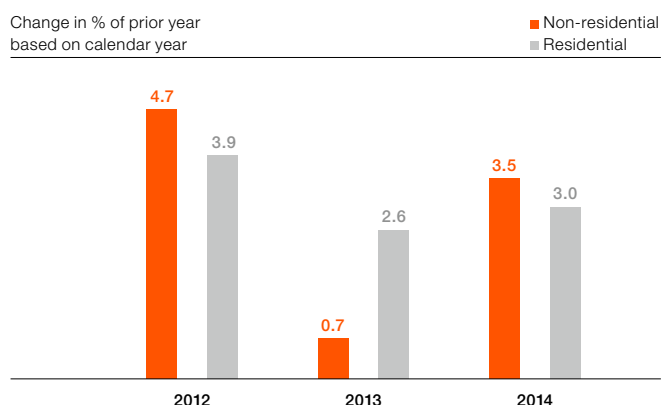
At 4.1%, strong investment growth in residential buildings in Germany is expected in 2014 compared with the low prior-year figure of 0.3% in 2013. Capital expenditure on non-residential building projects in Germany is likely to see growth of 3.5% in 2014, after contracting by 1.2% in 2013.

Source: IHS Construction Outlook, September 2014. This trend is reflected in the positive overall performance by the lighting market.

At OSRAM, these developments particularly affect the product and project business with lamps and luminaires; however, it was not seen in revenue trends for general lighting, as the strong growth in the LED product business could not fully compensate for the decline in traditional products business caused by the market transition. In addition, growth in the LS segment—particularly in the luminaires and solutions business—was basically positive, but was overlaid by portfolio adjustments and the exit from the traditional maintenance business in the U.S.A. »Segment Information, page 65 ff.

### Construction Spending—World

Change in % of prior year  
based on calendar year



Source: IHS Construction Outlook, September 2014.

Automotive production is predicted to show slower growth in calendar year 2014, down to 3.4% from the previous year's slightly stronger showing of 3.9%. The decline is attributable to the current political situation in Russia and the macro-economic situation in South America. Source: IHS Automotive Produc-

tion Forecast, September 2014. Although this had direct consequences for the automotive OEM business, it did not noticeably affect revenue due to the broad regional diversity of our sales. In contrast, growth in the SP business again outperformed the market.

### Other Significant Events Responsible for the Course of Business

#### OSRAM Push program

The technology shift toward semiconductor technology is radically altering our business environment. OSRAM is addressing this with its enterprise-wide, comprehensive, continuous improvement program, OSRAM Push »OSRAM Push, page 48 ff. Transformation costs affecting EBITA amounted to €129.9 million in fiscal 2014, and impacted the CLB and LS segments, and corporate items in particular. Additionally, we divested unprofitable businesses in the course of pruning our product and service portfolios. Due to the accelerated decline in the traditional general lighting business, we are going to continue the OSRAM Push program, with Phase II scheduled to run from fiscal 2015 to fiscal 2017 »OSRAM Push, page 48 ff.

#### Divestments/investments

In fiscal 2014, we divested our interest in the joint venture Valeo Sylvania LLC, Seymour, U.S.A. ("Valeo Sylvania"), which was allocated to the SP segment. The sale of the 50% equity interest resulted in gains of €32.0 million. In addition, we completed the sale of our equity interest in OSRAM China Fluorescent Materials Co. Ltd., Yi Xing City, China ("OCFM"). This did not affect net income in fiscal 2014. In May 2014, we opened our LED assembly plant in the Chinese city of Wuxi, which accounted for a substantial proportion of the OS segment's investments »Explanations of Acquisitions and Disposals, page 79, »Capital Expenditure Analysis, page 77.

#### Organizational changes

The organizational structure of the Lamps & Components segment was modified effective May 1, 2014, and the business activities of the Lamps and Light Engines & Controls Business Units were reorganized. The two units' declining traditional businesses were combined in new Classic Lamps & Ballasts (CLB) Business Unit. In the same way, the rapidly expanding LED activities were bundled together in a new LED Lamps & Systems (LLS) Business Unit. These measures ensure a clear management focus on the different business dynamics of OSRAM's traditional business and LED activities, as well as greater flexibility and agility in the market »Segment Information, page 65 ff.

The OSRAM Licht Group's results of operations for fiscal 2014 allowed the Managing Board and Supervisory Board to propose the distribution of a dividend to shareholders of €0.90 per share to the General Meeting for the first time since the separation from Siemens. We had already announced this—subject to achieving the corresponding performance—in last year's report on expected developments. However, not everything developed as we had anticipated. Most significantly, particularly for our results of operations, revenue from our traditional products decreased more rapidly than expected. Nevertheless, we were able to grow our adjusted EBITA margin by around 100 basis points and to increase our net income almost sixfold. At 9.3%, ROCE was also in line with our expectations. These improvements were due to the OSRAM Push program measures, which we implemented as planned. In view of this, we are satisfied with the development of OSRAM's results of operations for fiscal 2014.

## Revenue Development

### Revenue by Segments

in € million	Fiscal		nominal	Change comparable <sup>1)</sup>	thereof Currency
	2014	2013			
LED Lamps & Systems	454.3	297.8	52.6%	57.1%	(4.5)%
Classic Lamps & Ballasts	1,962.6	2,302.1	(14.7)%	(10.4)%	(4.3)%
Luminaires & Solutions	469.2	561.3	(16.4)%	(14.4)%	(2.0)%
Specialty Lighting	1,551.0	1,455.8	6.5%	10.1%	(3.6)%
Opto Semiconductors	1,124.5	1,018.0	10.5%	12.3%	(1.9)%
Reconciliation to consolidated financial statements	(419.4)	(346.3)	21.1%	22.7%	(1.6)%
<b>OSRAM</b>	<b>5,142.1</b>	<b>5,288.7</b>	(2.8)%	0.8%	(3.6)%

<sup>1)</sup> Adjusted for currency translation effects.

The framework for our business activities remained challenging in fiscal 2014, with the macroeconomic environment being overlaid by developments on the lighting market. The muted ongoing recovery in the global economy was buoyed by developments in a number of industrialized nations, whereas growth prospects in individual emerging economies were increasingly divergent, primarily due to geopolitical uncertainties and structural obstacles. In addition, economic growth in the eurozone has weakened recently. The situation on the financial markets also

confirmed our cautious assessment of the risks to global economic growth. In the lighting market, the fundamental structural trend toward the LED business continued as expected. However, the decline in the traditional products business accelerated more quickly than we anticipated.

Revenue decreased by 2.8% in fiscal 2014 compared with the previous year. Revenue was not affected by portfolio effects in fiscal 2014, although currency translation effects had a distinctly negative impact on the revenue trend of

3.6%, so comparable revenue was up 0.8% year-on-year. This was primarily due to the fact that the euro was stronger over the fiscal year as a whole than in the previous year; this mainly impacted revenue development in the APAC and Americas reporting regions.

At segment level, revenue growth at LLS, OS, and SP was able to compensate for the decreases in the CLB and LS segments on a comparable basis. This overall trend was also

reflected in regional revenue trends. While the accelerated decline in the traditional business in general lighting led to a drop in revenue in all reporting regions for the CLB segment and in almost all reporting regions for the LS segment—which was also impacted by the exit of the traditional maintenance business in the U.S.A. and portfolio adjustments in the luminaire business—LLS, OS, and SP saw revenue increase in all regions. The performance of the individual segments is described in more detail in » Segment Information, page 65 ff.

### Revenue by Regions

(by customer location)

in € million	Fiscal		nominal	Change	
	2014	2013		comparable <sup>1)</sup>	thereof Currency
EMEA	2,269.8	2,265.0	0.2%	2.1%	(1.8)%
thereof Germany	781.7	755.7	3.4%	3.5%	0.0%
APAC	1,234.1	1,257.7	(1.9)%	2.3%	(4.2)%
thereof China (including Hong Kong) and Taiwan	674.0	687.3	(1.9)%	0.5%	(2.5)%
Americas	1,638.3	1,766.0	(7.2)%	(1.8)%	(5.4)%
thereof U.S.A.	1,155.1	1,240.5	(6.9)%	(3.9)%	(3.0)%
<b>OSRAM</b>	<b>5,142.1</b>	<b>5,288.7</b>	(2.8)%	0.8%	(3.6)%

<sup>1)</sup> Adjusted for currency translation effects.

In the EMEA reporting region, revenue rose slightly year-on-year to €2,269.8 million. This development was influenced by moderate growth in Germany and southern Europe, while revenue in Eastern Europe and the Middle East declined, largely due to negative currency effects. In the EMEA reporting region, Europe thus made the biggest contribution to our revenue, accounting for 40.2% of the total figure. The LLS segment experienced the sharpest revenue growth in the EMEA region, with revenue up by more than €100 million.

Revenue in the APAC reporting region amounted to €1,234.1 million in fiscal 2014, down slightly on the previous year. The growth in the SP, OS, and LLS segments was unable to fully offset the decline in the CLB segment in particular. Excluding currency translation effects, revenue in the APAC region rose by 2.3%. This growth on a comparable basis was driven by the overall stable trend in China (including Hong Kong) and Taiwan and a significant rise in Japan, which was partially offset by a moderate decline in India.

At €1,638.3 million, revenue in the Americas reporting region was down clearly on the previous year. On a comparable basis (excluding negative currency translation effects of 5.4%), revenue declined only modestly. This was largely due to the decline in the traditional general lighting business and the exit from the traditional maintenance business in the U.S.A. The nominal declines in most South American countries were primarily due to negative currency translation effects; on a comparable basis, OSRAM recorded a significant improvement here. The LLS segment registered the sharpest growth in the Americas region, but this was unable to fully offset the substantial declines in the LS and CLB segments.



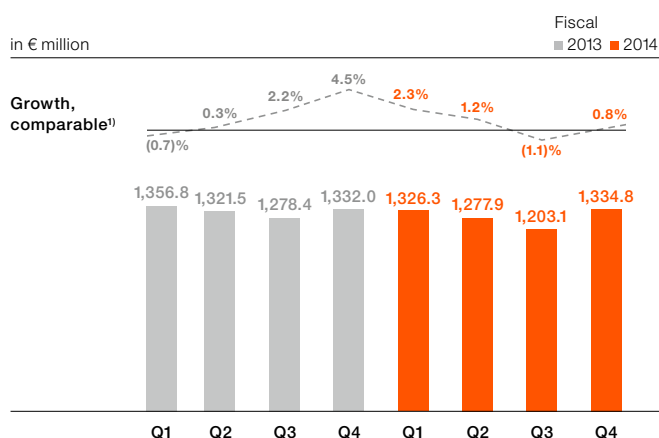
## Revenue by Technologies

in € million	Fiscal		nominal	Change comparable <sup>1)</sup>	thereof Currency
	2014	2013			
LED business	1,860.5	1,528.0	21.8%	24.4%	(2.6)%
Share of LED business of revenue	36.2%	28.9%			
Traditional business	3,281.7	3,760.7	(12.7)%	(8.8)%	(4.0)%
Share of traditional business of revenue	63.8%	71.1%			
<b>OSRAM</b>	<b>5,142.1</b>	<b>5,288.7</b>	(2.8)%	0.8%	(3.6)%

<sup>1)</sup> Adjusted for currency translation effects.

We were able to rise LED revenue substantially in the fiscal year just ended, whereas the decline in our traditional general lighting products accelerated. On a comparable basis, we achieved revenue growth of 0.8%, meaning that the growth in LED revenue compensated for the decline in traditional products. LED revenue was up 21.8% year-on-year. This development was driven primarily by growth in the LLS segment, which amounted to €156.5 million. Added to this was revenue growth of €106.5 million at OS. The drop in revenue from traditional products was primarily due to the decline of €339.5 million in the CLB segment. Overall, the share of OSRAM's total revenue accounted for by the LED business rose to 36% in fiscal 2014, compared with 29% in 2013.

## Revenue by Quarters



<sup>1)</sup> Adjusted for currency translation effects and compared with the respective prior-year quarter.

## Earnings Development

### Gross Profit

in € million	Fiscal		Change
	2014	2013	nominal
Revenue	5,142.1	5,288.7	(2.8)%
Cost of goods sold and services rendered	(3,528.8)	(3,797.2)	(7.1)%
<b>Gross profit</b>	<b>1,613.4</b>	<b>1,491.5</b>	8.2%
in % of revenue	31.4%	28.2%	

Gross profit increased by 8.2%, rising from €1,491.5 million in fiscal 2013 to €1,613.4 million in fiscal 2014. The gross profit margin (gross profit as a percentage of revenue) rose from 28.2% in fiscal 2013 to 31.4% in the fiscal year just ended. This improvement was the result of lower transformation costs than

in the comparable period, primarily at CLB, and an increase in productivity at OS and LS. The gross profit margin for LED products at LLS also improved, although it has not yet reached the level of the traditional CLB business. SP's gross profit margin was affected by mix effects, among other things.

### Other Functional Costs and Other Operating Result

in € million	Fiscal		Change
	2014	2013	nominal
Research and development expenses	(331.4)	(341.2)	(2.9)%
in % of revenue	6.4%	6.5%	
Marketing, selling and general administrative expenses	(985.3)	(1,102.8)	(10.7)%
in % of revenue	19.2%	20.9%	
Other operating income	40.6	65.6	(38.1)%
Other operating expense	(53.2)	(40.6)	31.0%

The decrease in research and development expenses is solely attributable to higher transformation costs recorded in fiscal 2013. A sharp decline at CLB—only partly due to lower transformation costs—was offset by significantly higher research and development expenses at OS. Before transformation costs, expenses were up moderately on the previous year.

The clear decline in marketing, selling, and general administrative expenses in fiscal 2014 compared with the previous year is also largely attributable to the lower transformation costs and lower costs associated with the separation and for going public. However, operational savings could also be achieved. Before transformation costs, expenses were down moderately on the previous year.

Other operating result, which is made up of other operating income and other operating expense, declined sharply in fiscal 2014 compared with the previous year. This is primarily due to increased litigation costs in the reporting period that OSRAM considers in part to be a special item. A decline was also noted in other operating income, which in the comparable period contained higher income from the settlement of legal disputes than in the current reporting period. OSRAM considers this income to be a special item.

## Financial Result and Net Income

in € million	Fiscal		Change
	2014	2013	nominal
Income (loss) from investments accounted for using the equity method	35.9	13.6	164.0%
Interest income	3.2	5.9	(45.8)%
Interest expense	(40.8)	(32.0)	27.5%
Other financial income (expense), net	(3.2)	(9.9)	(67.7)%
<b>Financial result</b>	<b>(4.9)</b>	<b>(22.4)</b>	<b>(78.1)%</b>
Income before income taxes	279.2	50.1	>200%
Income taxes	(86.1)	(16.5)	>200%
Net income	193.1	33.6	>200%
EBITA	310.4	99.5	>200%
in % of revenue (EBITA margin)	6.0%	1.9%	

In fiscal 2014, we saw income of €35.9 million from investments accounted for using the equity method. The result is largely attributable to a net income of €32.0 million from the sale of OSRAM's 50% interest in the joint venture Valeo Sylvania, as well as the loans granted to Valeo Sylvania by OSRAM. In the comparable period we saw a net gain of €13.6 million from investments accounted for using the equity method due among other things to reversals of impairment losses of the net investment in Valeo Sylvania.

› Note 8 | Income (Loss) from Investments Accounted for Using the Equity Method, Net in the Notes to the consolidated financial statements.

Despite the decline in revenue, income before income taxes climbed to €279.2 million in the fiscal year from

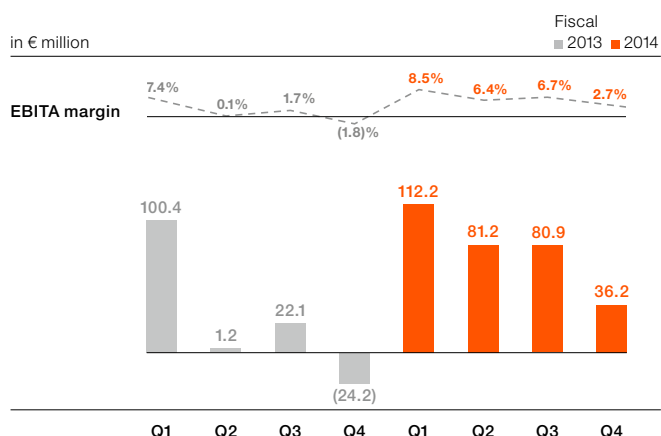
€50.1 million in the previous year. This growth resulted primarily from the increase in gross profit, the reduction in marketing, selling, and general administrative expenses and in research and development expenses, as well as the increase in net income from investments accounted for using the equity method compared with the prior-year period. These positive effects were offset in part by the negative other operating result in fiscal 2014, compared with the positive effect of the item in the comparable prior-year period. Net income saw a sharp increase from €33.6 million in the previous year to €193.1 million in the period under review. Basic EPS (earnings per share) also rose sharply from €0.26 in the previous year to €1.80 in fiscal 2014.

## Statement of Income: Change Compared to Prior-year Period

Fiscal 2014

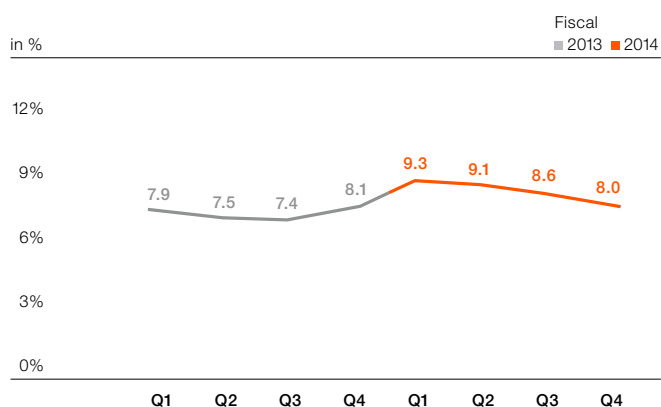
in € million			
Revenue	(146.6)		
Cost of goods sold and services rendered	268.4		
<b>Gross profit</b>	<b>121.9</b>		
Research and development expenses	9.8		
Marketing, selling, and general administrative expenses	117.5		
Other operating result	(37.6)		
Financial result	17.5		
<b>Income (loss) before income taxes</b>	<b>229.1</b>		
Income taxes	(69.6)		
<b>Net income (loss)</b>	<b>159.5</b>		

### EBITA Development by Quarters



EBITA rose by more than 200%, increasing from €99.5 million in fiscal 2013 to €310.4 million in fiscal 2014. The corresponding EBITA margin increased sharply from 1.9% in the comparable period to 6.0% in the reporting period. This increase is primarily due to lower special items, mainly transformation costs (in particular at CLB). Overall, the negative impact—mainly on gross profit—of changes of around 5% in customer pricing (particularly in the LED business), significant currency effects, cost progression effects due to the decline in volumes in the traditional general lighting business, and negative effects from the portfolio mix were more than offset by the considerable cost savings achieved by the OSRAM Push program, especially in the area of purchasing. Adjusted for special items, the EBITA margin rose to 8.7% (previous year: 7.7%).

### Adjusted EBITA Margin by Quarters

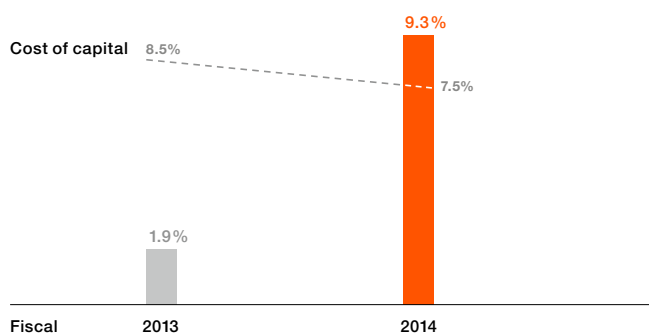


### Return on capital employed (ROCE)

The return on capital employed (ROCE) grew to 9.3% in fiscal 2014 compared with 1.9% in the previous year. This means that our target of generating a ROCE that clearly exceeds the cost of capital of 8.5% (currently 7.5% due to a decline in the risk-free interest rate) has been achieved. The improvement in this indicator is mainly due to the higher income before interest and after taxes compared with fiscal 2013, in combination with a reduction in average capital employed, since we were able to repay long-term debt and at the same time increase our cash holdings. For the calculation of ROCE

Information on and Reconciliation of Financial and Non-financial Key Performance Indicators, page 80 ff.

### Return on Capital Employed (ROCE)



Fiscal

2013

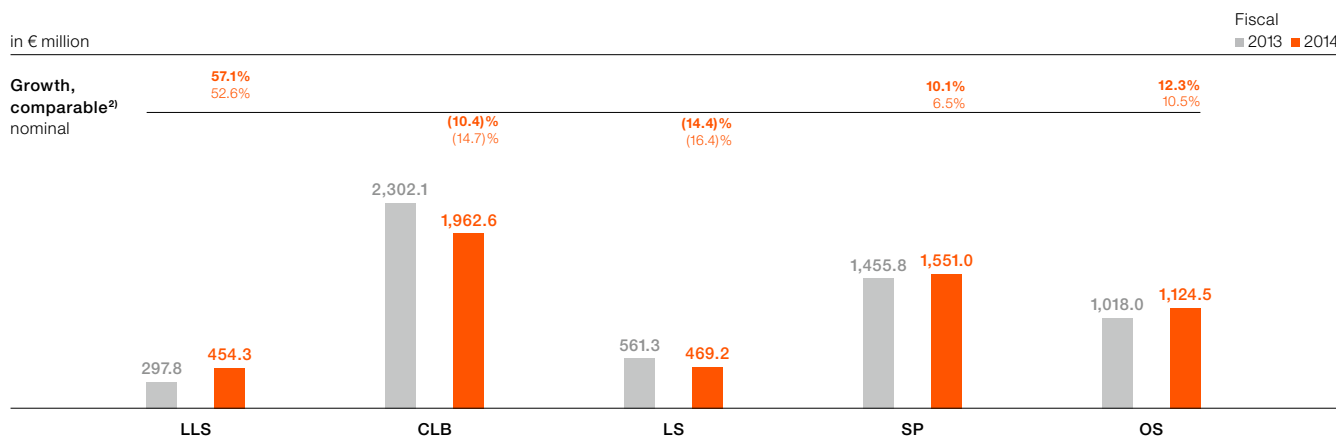
2014

## Segment Information

The organizational structure of the Lamps & Components segment was modified effective May 1, 2014, and the business activities of the Lamps (LP) and Light Engines & Controls (LE) Business Units were reorganized. The two units' declining traditional businesses were combined in the new Classic Lamps & Ballasts (CLB) Business Unit. In the same way, the

rapidly expanding LED activities of LP and LE were bundled together in a new LED Lamps & Systems (LLS) Business Unit. These measures are intended to ensure a clear management focus on the different business dynamics of OSRAM's traditional business and LED activities as well as greater flexibility and agility in the market.

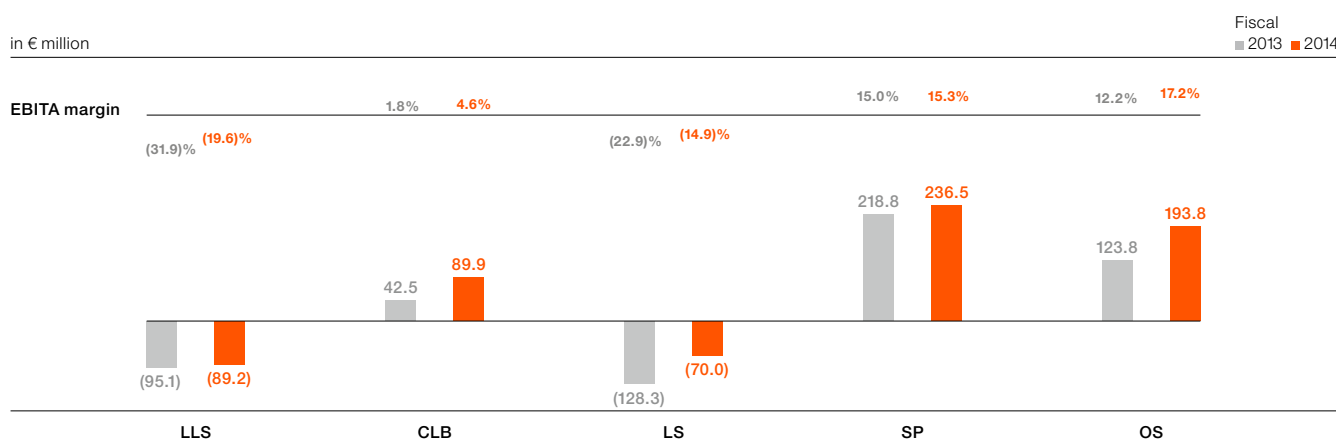
### Revenue by Segments<sup>1)</sup>



<sup>1)</sup> The segment revenues disclosed comprise external and intersegment revenue (total revenue). Including the reconciliation to the consolidated financial statements of € -419.4 million (previous year: € -346.4 million), OSRAM's revenue amounted to €5,142.1 million (previous year: €5,288.7 million).

<sup>2)</sup> Adjusted for currency translation effects.

### EBITA by Segments<sup>1)</sup>



<sup>1)</sup> Including the reconciliation to the consolidated financial statements of € -50.7 million (previous year: € -62.2 million), OSRAM's EBITA amounts to €310.4 million (previous year: €99.5 million).

## LED Lamps & Systems

### Segment Data LLS

in € million	Fiscal		Change	
	2014	2013 <sup>1)</sup>	nominal	comparable <sup>2)</sup>
Total revenue	454.3	297.8	52.6%	57.1%
EBITA	(89.2)	(95.1)	(6.2)%	
EBITA margin	(19.6)%	(31.9)%		
Employees as of September 30	in thousand FTE 2.4	1.5	55.0%	

<sup>1)</sup> The LLS Business Unit was established in May 2014; prior-period information has been reported on a comparable basis.

<sup>2)</sup> Adjusted for currency translation effects.

Total revenue generated by the new LLS segment rose by more than 50% in fiscal 2014 compared with the previous year. The sharp growth was primarily attributable to the accelerated transition to LED technology observed on the lighting market, which pushed up demand for LED lamps, light engines, and drivers. The highest growth in percentage terms was seen in LED light engines and drivers, whereas LED lamps accounted for around two-thirds of the segment's revenue. The segment's revenue increased in all reporting regions, but particularly in the EMEA region, which also made the biggest contribution to revenue. Adjusted for negative currency translation effects of 4.5%, total segment revenue increased by 57.1%.

Earnings at LLS also showed clear improvement. At €–89.2 million, EBITA improved clearly compared with the previous fiscal year, with a sharp rise in volumes. The increased revenue

and productivity improvements more than offset the strong decline in LED product prices, the startup costs for the launch of a new, wide-ranging product portfolio, and the negative effects resulting from inventory valuation. The improvement in the results of operations was even more apparent in the development of the EBITA margin, which improved by around 1,200 basis points to –19.6%. Excluding transformation costs of €5.1 million associated with the relocation of a production line to reduce our production complexity as part of the “Future Industrial Footprint” project, the adjusted EBITA margin was –18.5% (previous year: –31.9%).

These business developments allowed us to make clear progress with regard to profitability. We therefore expect the LLS LED lamps product groups to reach break-even point soon. In the fourth quarter of fiscal 2014 the LED lamps product group “spots” reached the break-even point.

## Classic Lamps & Ballasts

### Segment Data CLB

in € million	Fiscal		Change	
	2014	2013 <sup>1)</sup>	nominal	comparable <sup>2)</sup>
Total revenue	1,962.6	2,302.1	(14.7)%	(10.4)%
EBITA	89.9	42.5	111.5%	
EBITA margin	4.6%	1.8%		
Employees as of September 30	in thousand FTE 13.0	15.9	(17.8)%	

<sup>1)</sup> The CLB Business Unit was established in May 2014; prior-period information has been reported on a comparable basis.

<sup>2)</sup> Adjusted for currency translation effects.

Total revenue generated by the new CLB segment was down significantly in fiscal 2014 compared with the previous year. This was mainly due to the accelerated transition to LED technology, which impacted both the consumer and the professional customer businesses. Revenue declined in all regions, but particularly quickly in the APAC region. However, the business with halogen classic lamps was an exception; this

saw significant growth, especially in the Americas region, following the phasing out of traditional incandescent lamps in the U.S.A. Adjusted for negative currency translation effects of 4.3%, total segment revenue declined by 10.4%.

Despite declining revenue, EBITA doubled year-on-year to €89.9 million; the EBITA margin was 4.6% (previous year: 1.8%). This was primarily due to the sharp decrease in transformation costs, particularly for personnel-related restructuring measures. Cost progression effects resulting from the sharper decline in volumes, as well as price declines—which were kept at a low level through price discipline—and inflation effects, could not be fully offset by the measures implemented as part of OSRAM Push. Segment profit was also impacted by the startup costs for the business with traditional halogen lamps in the U.S.A. and pronounced negative currency effects, although these eased in the fourth quarter

as the euro weakened against the U.S. dollar. Overall, this led to a decline in the EBITA margin after adjustment for special items to 8.7% in fiscal 2014 (previous year: 9.6%).

CLB's results of operations reflect the development of the lighting market that we had expected, although the change has happened more quickly than we anticipated. Nevertheless, we were able to satisfactorily master the challenges posed by the transformation of the lighting market in fiscal 2014 and, in particular, to meet our objective of supporting the technology shift by maximizing cash flows in our traditional business.

## Luminaires & Solutions

### Segment Data LS

in € million		Fiscal		Change	
		2014	2013	nominal	comparable <sup>1)</sup>
Total revenue		469.2	561.3	(16.4)%	(14.4)%
EBITA		(70.0)	(128.3)	(45.4)%	
EBITA margin		(14.9)%	(22.9)%		
Employees as of September 30	in thousand FTE	2.3	3.3	(30.0)%	

<sup>1)</sup> Adjusted for currency translation effects.

In fiscal 2014 LS recorded a significant decrease in total revenue compared to prior year. The reduction was due primarily to anticipated declines in connection with the termination of the traditional maintenance business in the U.S.A., and to streamlining of the product portfolio in the luminaires business. In contrast, revenue from LED products saw a substantial increase—particularly in the luminaire business—with its share of the segment's total revenue rising to 48.1% (previous year: 31.0%). Adjusted for currency translation effects of –2.0%, total revenue fell by 14.4%.

The loss recorded by LS declined sharply in fiscal 2014 compared with the previous year, correspondingly the reported EBITA margin, improved from –22.9% to –14.9%. This development is mainly due to the sharp reduction in transformation costs, particularly for personnel-related restructuring measures, compared with the previous year. In addition, the higher revenue volume from LED products and the productivity improvements in the lighting business had a positive impact on EBITA and more than compensated for the negative developments in the services and solutions business. Due to the lower total revenue, the EBITA margin after adjustment for special items was –12.8% in fiscal 2014, slightly lower than the prior-year level of –11.5%.

Business in the LS segment developed in line with our expectations. We have made good progress with the implementation of our restructuring measures. We hit the low point—particularly in terms of revenue growth—in the second quarter of the past fiscal year; starting in the third quarter of 2014, performance was again satisfactory, so that we expect adjusted EBITA of LS to approach break-even in fiscal 2015.



## Specialty Lighting

### Segment Data SP

in € million		Fiscal		Change	
		2014	2013	nominal	comparable <sup>1)</sup>
Total revenue		1,551.0	1,455.8	6.5%	10.1%
EBITA		236.5	218.8	8.1%	
EBITA margin		15.3%	15.0%		
Employees as of September 30	in thousand FTE	6.4	6.1	5.1%	

<sup>1)</sup> Adjusted for currency translation effects.

The SP segment recorded a clear year-on-year rise in total revenue in fiscal 2014. Excluding negative currency translation effects, growth amounted to 10.1%. Revenue growth is attributable to the positive development in all regions. The APAC region recorded significant comparable revenue growth, clear growth in revenue on a comparable basis was seen in the Americas and EMEA. Growth was attributable above all to the automotive business, which saw increased demand for LED-based products in particular, as well as traditional products. The display/optic area returned to sustainable growth, with a rise in revenue on a comparable basis in the second quarter of fiscal 2014. This allowed it to achieve moderate year-on-year growth on a comparable basis in fiscal 2014. The acquisition of Clay Paky, which was completed in October 2014, will strengthen our position in the entertainment business

and broaden our range of forward-integrated products starting in fiscal 2015.

At €236.5 million, SP's EBITA was 8.1% higher in fiscal 2014 than in the previous year. The main drivers were positive volume effects, as well as lower special items than in the prior year. Considerable negative currency effects had an offsetting effect on SP's results. Overall, the EBITA margin was slightly above the previous year's high level, at 15.3%, despite the significantly growing LED components business internally sourced from OS. Adjusted for special items, the EBITA margin was 15.9% in fiscal 2014 compared with the prior-year level of 16.9%.

The SP segment thus recorded an encouraging overall performance in fiscal 2014, which exceeded our expectations.

## Opto Semiconductors

### Segment Data OS

in € million		Fiscal		Change	
		2014	2013	nominal	comparable <sup>1)</sup>
Total revenue <sup>2)</sup>		1,124.5	1,018.0	10.5%	12.3%
External revenue		687.7	653.9	5.2%	
EBITA		193.8	123.8	56.5%	
EBITA margin		17.2%	12.2%		
Employees as of September 30	in thousand FTE	8.9	7.6	18.0%	

<sup>1)</sup> Adjusted for currency translation effects.

<sup>2)</sup> Including intersegment revenue of €436.8 million (previous year €364.2 million).

Total revenue recorded by the OS segment amounted to €1,124.5 million in fiscal 2014. This represents an increase of more than €100 million or 10.5% compared with the previous year. All regions contributed to this growth. LEDs for general lighting recorded the highest percentage growth. Other growth drivers included LEDs for the automotive sector and industrial applications. Excluding currency translation effects of –1.9%, total revenue at OS grew by 12.3%

compared with the previous year. In geographical terms, this comparable growth was driven by significant increases in the EMEA and Americas regions. APAC followed with a clear rise on a comparable basis.

EBITA recorded by OS again grew by more than 50% compared with the previous year, reaching its highest-ever level of €193.8 million. The EBITA margin also improved sharply, up from 12.2% to 17.2%. The earnings trend was bolstered not only by the rise in revenue, but also by improved capacity utilization, a favorable product portfolio mix—due to demand from the automotive and industrial sectors—and, above all, by the considerable productivity gains achieved as part of OSRAM Push. Overall, these factors more than offset the price decreases. Both periods benefited from licensing revenue.

With the double-digit rise in revenue on a comparable basis, OS exceeded expectations. In connection with the material earnings growth, OS achieved very encouraging results.

#### Reconciliation to the consolidated financial statements

The reconciliation to the consolidated financial statements of the OSRAM Licht Group contains the items “Corporate items and pensions” and “Eliminations, corporate treasury, and other reconciling items.”

The corporate items include certain business activities and special topics that are not directly attributed to the segments because the Managing Board of OSRAM Licht AG (CODM—chief operating decision maker) does not consider them to be indicative of the segments’ performance. Among other things, these include some of the activities in connection with specific pre-materials (e.g., the production of fluorescent materials), specific legal issues, the OLED research and development project, as well as specific expenses in connection with the SG&A project, which is part of OSRAM Push. In addition, certain costs associated with the separation as well as the planned IPO and the spin-off, and patent infringement disputes were reported under corporate items. The Pensions item includes those pension-related income and expenses at OSRAM that are not allocated to the segments.

Eliminations, Corporate Treasury, and other reconciling items comprise the consolidation of transactions between the segments, certain reconciliation and reclassification items, and the operations of OSRAM’s Corporate Treasury.

In fiscal 2014, the EBITA column of the Corporate items and pensions line item includes €–42.5 million (2013: €–56.7 million) relating to corporate items, as well as €–7.3 million (2013: €–4.8 million) relating to pensions. The increase in EBITA for the corporate items compared to fiscal 2013 is primarily due to the following:

**1** Transformation costs in fiscal 2014 were substantially lower than in the previous year. Although the expenses for personnel-related restructuring measures increased sharply year-on-year to €11.4 million, the decline was largely attributable to the fact that provisions for historical regulatory risks in one country, which are being addressed as part of the “Future Industrial Footprint” project, were recognized in the previous year. Furthermore, the impairment losses on property, plant, and equipment used in the production of pre-materials declined sharply.

**2** In fiscal 2014, expenses of €12.7 million were incurred in connection with legal disputes and the termination by mutual agreement of the appointment of Dr. Peter Laier as a member of the Managing Board. Income from the settlement of legal disputes contributed to this item in both fiscal years.

**3** The profitability of pre-materials production before special items improved sharply.

Overall, corporate items include special items of €32.4 million (previous year: €39.8 million). Both periods were also impacted by expenses in connection with the relocation of the Company’s headquarters and share-based remuneration.

#### Changes to the segment structure in fiscal 2015

In order to improve the focus and efficiency of the OSRAM Licht Group’s organizational structure even further, we implemented the following restructuring measures at the start of fiscal 2015. Some of these affect the information reported for the segments and thus the segment reporting for fiscal 2015:

- The Luminaires and Solutions Business Unit and the Services Unit in the LS segment have been put under common management (with no impact on segment reporting).
- The OLED research and development project, which was previously reported in corporate items, was allocated to the SP Business Unit. Likewise, Clay Paky, which was acquired in October, will strengthen SP’s display/optics business.
- The activities in connection with specific pre-materials (e.g., the production of fluorescent materials), which were previously reported in corporate items, were allocated to the CLB Business Unit.
- Responsibility for the real estate assets attributable to the business units was reassigned to the business units themselves, and the real estate will be reported in their assets starting from October 1, 2014. These real estate assets were previously reported in Corporate items (under the reconciliation to consolidated financial statements) together with other real estate belonging to the OSRAM Licht Group.

The OSRAM Licht Group's solid financial position improved further in fiscal 2014. Although the net cash provided by operating activities of more than €450 million and our free cash flow, which also includes our capital expenditures, were both down on the previous year, yet they were in line with our planning thanks to the strong development of the CLB segment, among other things. The decline was attributable to the funds tied up in net working capital, as well as the significant rise in capital expenditures compared with the previous year, particularly in relation to property, plant, and equipment with future potential, such as the new LED assembly facility in Wuxi, China. In addition, our cash inflows and liquidity situation allowed us to repay debt of €160 million. OSRAM's net liquidity increased to €487 million as of September 30, 2014 (previous year: €172 million). This figure includes an increase in cash of almost €150 million. The development of our financial position, including the external funding options available to us, means that the OSRAM Licht Group's financial stability is sustainably assured. Furthermore, we have sufficient flexibility to respond appropriately to the varied financial requirements of the business.

## Principles and Objectives of Financial Management

The main objectives of OSRAM's financial management are to ensure that the Group and the individual companies remain solvent at all times, and to centralize and reduce financial risks. At the same time, the cost of capital must be minimized and the Group's long-term financial stability and flexibility secured and planned.

OSRAM's financial management is responsible for liquidity management; ensuring adequate access to the capital market; hedging interest rate, currency, and commodity price risks; ensuring Group financing, and issuing guarantees and letters of support. To ensure that financial management at OSRAM is transparent and cost-effective, it is handled centrally by the Corporate Finance & Treasury department. This department advises the operating companies on all matters related to financial management and ensures com-

pliance with Group-wide requirements. In addition to its governance role, Corporate Finance & Treasury provides financial services, ensuring the availability of treasury infrastructures. This includes cash pools to concentrate liquidity. This centralized cash management system means that efficient use is made of funds within the Group. Excess liquidity at individual Group companies is used to cover the financing requirements of other Group companies, which reduces both the amount of external financing required and interest expenses. Liquidity planning is carried out at company level on a rolling monthly basis, which achieves the transparency required to ensure solvency. In addition, Corporate Finance & Treasury acts as a central trading partner for hedging transactions entered into within the OSRAM Licht Group, as far as permissible under local foreign exchange regulations. This means that Corporate Finance & Treasury is largely responsible for entering into external hedging transactions with banks.

Topics such as the global banking policy, the obligation to contract with the central in-house bank, hedges, payment transactions, market and counterparty risk management, the risk management system, and reporting requirements are governed by Group policies and process descriptions. The risk strategy and financial management principles are defined and monitored by a risk committee.

The Group meets its capital requirements through its net cash provided by operating activities and short- and long-term central financing, which is passed on to subsidiaries by way of intragroup loans. Financing requirements are met by a balanced ratio of equity to debt. Centralized financial management ensures that financing arrangements are cost-effective and sufficiently flexible. In countries with restrictions on payment transactions, Group companies use local banks to meet their financing needs, in agreement with Corporate Finance & Treasury.

Currency and commodity price risks are analyzed on an ongoing basis and mitigated through hedging. Hedges are only entered into if a corresponding underlying transaction (resulting from items contained in the statement of financial position and planned items) exists.

With regard to its banking policy, OSRAM ensures that its total transactions are highly diversified so as to reduce default risk and avoid depending too heavily on individual banks. The banks with which OSRAM enters into financial transactions are selected and regularly reviewed based on various criteria, particularly in relation to their credit-worthiness.

Further information on the extent and management of financial risks can be found in »Note 33|Financial Risk Management in the Notes to the consolidated financial statements.

## Cash Flow Analysis

### Cash flows from operating activities

Net cash provided by operating activities declined by €32.6 million from €491.7 million in fiscal 2013 to €459.1 million in fiscal 2014. Net income of €193.1 million in fiscal 2014 was up €159.5 million on the level for the previous year (€33.6 million). This change did not have an equally strong effect on the change in net cash provided by (used in) operating activities, due in particular to the funds tied up in net working capital in fiscal 2014. In addition, non-cash expenses, particularly the total of depreciation, amortization, and impairment, was lower than in the previous year.

The €32.0 million net gain recorded on sales of investments in fiscal 2014 (previous year: €– million) was a negative reconciling item within operating activities due to its addition to net cash provided by (used in) investing activities. In contrast to this, the income taxes in the reconciliation from net income to net cash provided by operating activities had a positive effect in fiscal 2014, due to the inclusion of the tax expense of €86.1 million, while the actual cash outflow for income taxes paid amounted to €28.4 million. In fiscal 2013, the tax expense was €16.5 million, while income taxes paid amounted to €77.1 million, resulting in a negative overall effect on net cash provided by operating activities. Income taxes paid were primarily attributable in both periods to withholding tax deducted, the settlement of tax liabilities from previous years, and tax prepayments for the current year. In addition, a significant tax refund was included in fiscal 2014.

The change in net working capital items (resulting from changes in current assets and liabilities in the statement of cash flows) led to €96.5 million being tied up in fiscal 2014, while funds of €162.3 million had been released in the comparable prior-year period. The changes in inventories and other current liabilities were responsible for most of this shift. Funds tied up in inventory of €146.8 million in fiscal 2014 were due in particular to the increase in inventories for the new LED product portfolio. The change in other current liabilities in fiscal 2014 was accompanied by €61.0 million being tied up. By contrast, funds of €154.8 million were released in the prior-year period. In the previous year, this item was heavily impacted by the increase in liabilities relating to restructuring measures, which were offset by the corresponding payments. In the current reporting period liabilities were reduced by payments, particularly in relation to personnel-related restructuring measures. The transformation measures led to cash outflows of around €120 million in each of the two fiscal years. The change in trade receivables led to the release of €18.6 million in fiscal 2014, whereas in the prior-year period funds of €77.7 million were tied up.

The net operating working capital turnover ratio (revenue divided by the net carrying amount of inventories, trade receivables and trade payables) was 4.2 in fiscal 2014 (previous year: 4.6). This decline is largely attributable to the change in net working capital at CLB, as well as at LLS. Over a medium-term planning horizon, OSRAM's goal is for this indicator to reach a level of above 4.5.

### Cash flows from investing activities

Net cash used in investing activities amounted to €157.2 million in fiscal 2014, compared with €205.1 million in fiscal 2013.

### Capital expenditures

Additions to intangible assets and property, plant, and equipment reported in the consolidated statement of cash flows totaled €243.2 million in fiscal 2014 and were thus €35.8 million higher than in fiscal 2013 (€207.4 million)

› Capital Expenditure Analysis, page 77.

Capital expenditures on financial investments in fiscal 2013 mainly comprise the loans granted to the joint venture Valeo Sylvania, the sale of which was completed in fiscal 2014.

### Divestments

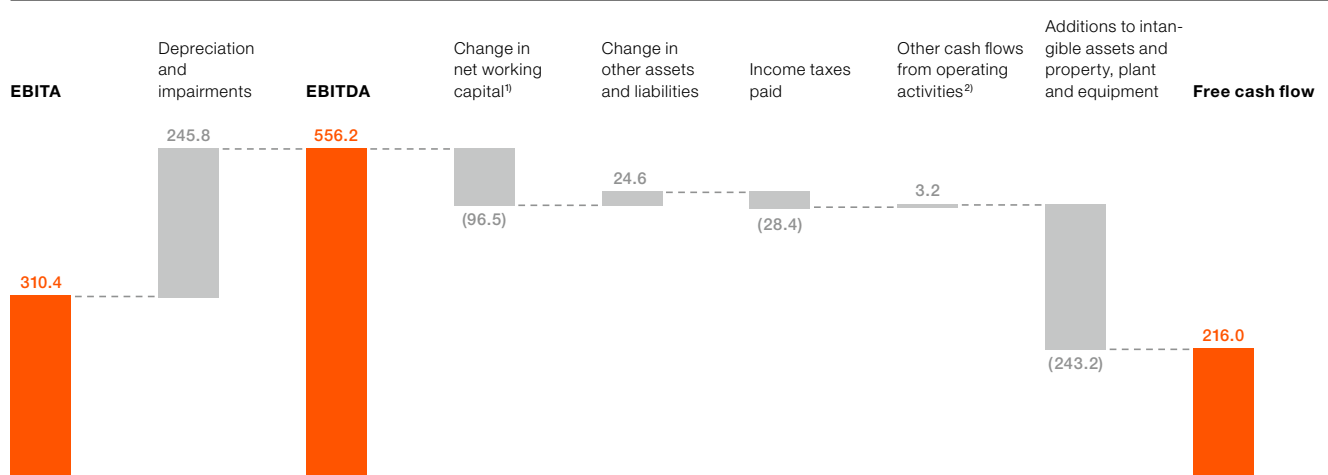
At the beginning of the second quarter of fiscal 2014, OSRAM received a payment of €79.6 million from the sale of its 50% interest in the Valeo Sylvania joint venture and the loans granted to Valeo Sylvania by OSRAM, which were part of the net investment in the joint venture.

OSRAM received a net payment of €23.4 million in fiscal 2013 from the sale of the subsidiaries Sunny World (Shaoxing) Green Lighting Co. Ltd., Shaoxing, China ("Sunny World"), and OSRAM Hong Kong Ltd., Hong Kong ("OHK").

### Reconciliation of EBITA to Free Cash Flow

Fiscal 2014

in € million

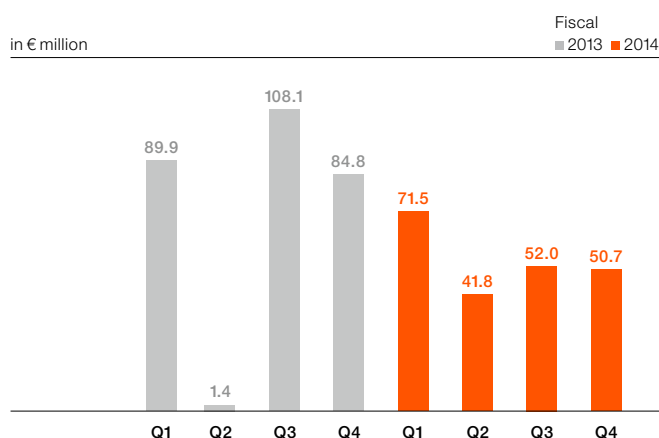


<sup>1)</sup> Includes changes in inventories, trade receivables, other current assets, trade payables, current provisions and other current liabilities.

<sup>2)</sup> Includes dividends received, interest received and other reconciling items to net cash provided by (used in) operating activities.

## Free cash flow

### Free Cash Flow<sup>1)</sup> by Quarters



<sup>1)</sup> Free cash flow is defined as net cash provided by (used in) operating activities, less additions to intangible assets and property, plant, and equipment.

Group-wide, free cash flow declined from €284.3 million in fiscal 2013 to €216.0 million in fiscal 2014 due to the reduction in net cash provided by operating activities and the increase in additions to intangible assets and property, plant, and equipment.

### Cash Flows from

in € million	Fiscal	
	2014	2013
Operating activities	459.1	491.7
Investing activities	(157.2)	(205.1)
thereof: Additions to intangible assets and property, plant and equipment	(243.2)	(207.4)
Free cash flow	216.0	284.3
Financing activities	(176.1)	213.5

Free cash flow in the LLS segment was negative, as in fiscal 2013, and deteriorated by €63.0 million. The additional funding requirement was largely attributable to the increase in inventories in connection with the new LED product portfolio and, to a lesser extent, to larger additions to property, plant, and equipment.

In the CLB segment, the reduction in capital expenditures led to a €24.4 million increase in positive free cash flow despite substantial payments for personnel-related restructuring measures.

The higher funding requirement to build up net working capital at SP led to a €37.4 million decline in positive free cash flow in fiscal 2014.

Despite the year-on-year growth in the OS segment's earnings in fiscal 2014, its free cash flow declined by €58.9 million compared with the previous year. This was partly attributable to the funds tied up in net working capital, particularly inventories. The additions to intangible assets and property, plant, and equipment in fiscal 2014 were also higher year-on-year.

The LS segment's negative free cash flow deteriorated by €5.3 million in fiscal 2014 due to payments for personnel-related restructuring measures, which had been recognized as expense in fiscal 2013.

In fiscal 2013, the free cash flow under the Corporate items and pensions item reflected payments for the settlement of historical regulatory risks in one country, which are being addressed as part of the "Future Industrial Footprint" project. The 2013 figure also included the payments for the settlement of the Siemens share-based payment programs, as a further special item.

### Cash flows from financing activities

OSRAM's financing activities resulted in a net cash outflow of €176.1 million in fiscal 2014, in contrast to a net cash inflow of €213.5 million in the comparable prior-year period.

The most significant financing transactions during fiscal 2014 were partial repayments of the syndicated term loan, which involved payments totaling €160.0 million. Additional cash outflows in fiscal 2014 resulted in particular from interest payments of €13.4 million and a net reduction in short-term bank loans of €11.8 million at OSRAM companies that are not able to take part in Group financing because of national restrictions on capital transfers. The cash inflow of €11.8 million reported in the Other transactions/financing with Siemens Group item resulted primarily from the reimbursement by Siemens AG of the acquisition costs of treasury shares and other costs incurred in connection with the transaction bonus program, the administration of which OSRAM took over from Siemens AG as part of the spin-off

• Note 30|Equity, Note 34|Sharebased Payment and Note 39|Related Party Disclosures in the Notes to the consolidated financial statements.

In fiscal 2013, OSRAM drew down the syndicated loan facility of €300.0 million during the spin-off from Siemens at the beginning of July 2013, and used it to repay the net liabilities to the Siemens Group from financing activities remaining at that time, among other things. Transaction costs of €21.1 million were paid for the arrangement and provision of the loan facility. Siemens AG repaid €13.0 million of this amount to OSRAM in the form of equity contributions, which are recog-

nized under the Other transactions/financing with Siemens Group item for fiscal 2013. Payments of €9.2 million were made for the purchase of treasury shares to secure the delivery of OSRAM shares to the beneficiaries of the award of a transaction bonus and for the employee share purchase program (Family Program) in fiscal 2013. The shares purchased under the employee share purchase program had already been issued to employees during fiscal 2013.

## Financing and Liquidity Analysis

### Net Debt/Net Liquidity

in € million	September 30,	
	2014	2013
Short-term debt and current maturities of long-term debt	43.6	55.9
+ Long-term debt	138.2	295.0
<b>Total debt</b>	<b>181.8</b>	<b>350.9</b>
Cash and cash equivalents	667.7	522.1
+ Available for sale financial assets	1.4	0.8
<b>Total liquidity</b>	<b>669.1</b>	<b>522.9</b>
<b>Net debt/net liquidity<sup>1)</sup></b>	<b>(487.3)</b>	<b>(172.0)</b>
+ Pension plans and similar commitments	444.4	358.5
<b>Adjusted net debt/net liquidity<sup>1)</sup></b>	<b>(42.9)</b>	<b>186.5</b>

<sup>1)</sup> Net liquidity is presented as a negative figure.

OSRAM has access to variable-rate credit lines of €1.09 billion under a syndicated loan facility. They comprise a term loan of €140 million and a revolving credit line of €950 million. The revolving credit line may also be drawn down in U.S. dollars or, with the approval of the banks, in other currencies. The loan agreement was signed on February 1, 2013, and matures on February 1, 2018.

An amount of €140 million had been drawn down as a term loan under the loan facility as of September 30, 2014; the figure as of September 30, 2013 was €300 million. On March 31, 2014, €80 million was redeemed, followed by a subsequent €80 million on June 30, 2014. These amounts cannot be drawn down again in line with the terms of the agreement for the term loan. The difference of €138.2 million between the amount drawn down under the credit facility and the carrying amount is due to transaction costs not yet amortized using the effective interest method.

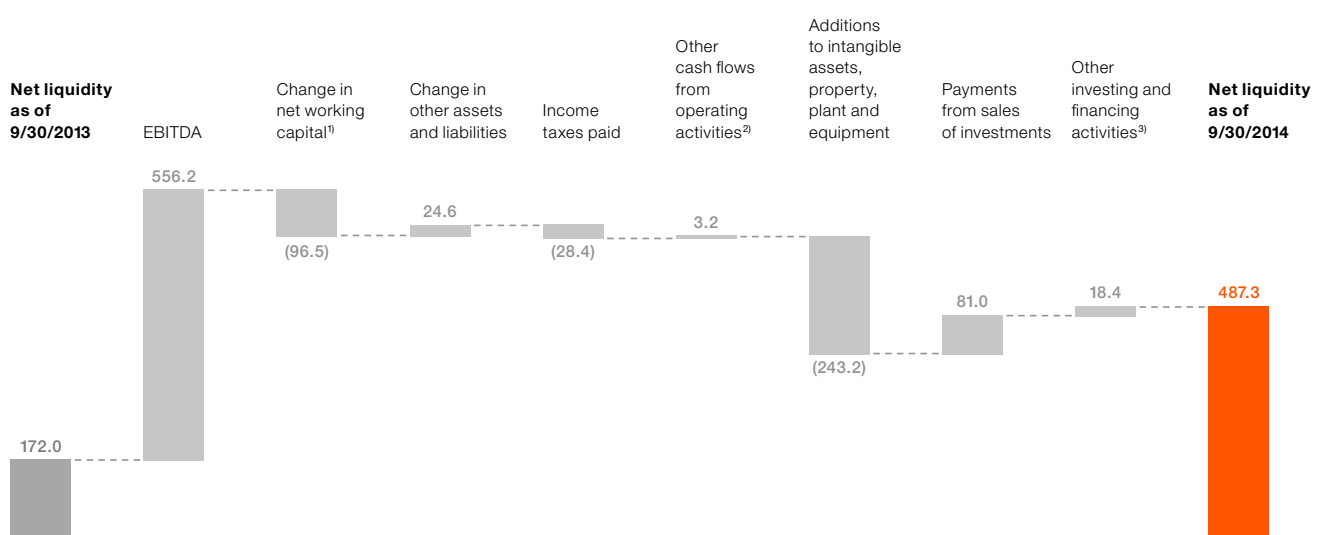
Short-term debt results from drawdowns of short-term credit lines, especially by OSRAM companies in countries that cannot take part in Group financing because of national restrictions on capital transfers.



## Development of Net Liquidity

Fiscal 2014

in € million



<sup>1)</sup> Includes changes in inventories, trade receivables, other current assets, trade payables, current provisions and other current liabilities.

<sup>2)</sup> Includes dividends received, interest received and other reconciling items to net cash provided by (used in) operating activities.

<sup>3)</sup> Includes both cash inflows/outflows (especially interest payments) and noncash effects, e.g., from currency translation.

As part of its debt management and due to a financial covenant included in a loan agreement, OSRAM measures its debt ratio using an indicator defined as net debt/net liquidity divided by EBITDA. In addition, the ratio of adjusted net debt/net liquidity to EBITDA is determined.

## Capital Structure Data

in € million	September 30,	
	2014	2013
EBITDA	556.2	413.6
Net debt/net liquidity <sup>1)</sup>	(487.3)	(172.0)
<b>Net debt/net liquidity as % of EBITDA</b>	<b>(0.9)</b>	<b>(0.4)</b>
Adjusted net debt/net liquidity <sup>1) 2)</sup>	(42.9)	186.5
<b>Adjusted net debt/net liquidity as % of EBITDA</b>	<b>(0.1)</b>	<b>0.5</b>

<sup>1)</sup> Net liquidity is presented as a negative figure.

<sup>2)</sup> Glossary.

The loan agreement entered into with a banking syndicate on February 1, 2013, includes a financial covenant, according to which the ratio of net debt to EBITDA (as defined in the loan agreement) may not exceed 2.5:1. The definition of EBITDA used in this calculation for fiscal 2013 is different to the one we use to measure the debt ratio, as under the loan agreement EBITDA for fiscal 2013 is adjusted by a certain amount for transformation costs. Based on the calculation method specified in the loan agreement, the ratio was –0.33:1 as of September 30, 2013. The requirements of the financial covenant were therefore met in full in both fiscal years.

In addition to debt, the main contractual cash obligations include the obligations under operating leases and purchase obligations from our operating business. Most of the operating leases are for buildings leased for corporate units on a long-term basis. Purchase obligations include legally binding obligations to purchase property, plant, and equipment, intangible assets, raw materials and supplies, and services. The following table gives an overview of the future cash outflows resulting from the existing contractual obligations as of September 30, 2014:

### Payments from Contractual Obligations

in € million	Total	Less than 1 year	1 to 5 years	After 5 years
Debt <sup>1)</sup>	190.6	45.4	145.2	–
Purchase obligations	858.1	790.3	67.8	–
Operating leases	234.0	39.5	96.9	97.6
<b>Total contractual obligations</b>	<b>1,282.7</b>	<b>875.2</b>	<b>309.9</b>	<b>97.6</b>

<sup>1)</sup> Including interest payments.

### Financing of Pension Plans and Similar Commitments

Post-employment benefits provided by OSRAM during the reporting period are organized through defined benefit plans and defined contribution plans based on contractual or legal regulations which cover almost all of the Company's employees in Germany and many of the Company's employees outside Germany. For historical reasons, most of these commitments to provide pension and other post-employment benefits are in the form of defined benefit plans. To reduce the Company's exposure to certain risks related to defined benefit plans, such as longevity and inflation risk, as well as the effects of salary increases and other factors, a number of our principal defined benefit plans in Germany, the U.S.A., and the UK have been closed and new plans introduced. The benefits under these new plans are mainly contributions-based and are therefore less affected by changes in inflation, longevity risk, and salary increases. We intend to assess the need to introduce similar plans in the future as well, to ensure better management of future pension obligations and the resulting costs for the Company.

OSRAM's principal pension and other post-employment benefit plans relate to Germany, the U.S.A., Canada, Switzerland, and Italy; OSRAM also has other less significant benefit plans. As of September 30, 2014, the underfunding of all of OSRAM's defined benefit and other post-employment benefit plans amounted to €440.7 million, an increase of €85.8 million compared with September 30, 2013. This increase was largely attributable to the use of the new generational mortality tables in the U.S.A. and to the reduction in the discount rate for our pension plans in the U.S.A. and Europe from 4.9% and 3.1%, respectively, as of September 30, 2013, to 4.3% and 2.6%, respectively, as of September 30, 2014. The underfunding as of September 30, 2013, had amounted to €355.3 million. The defined benefit obligation and the fair value of plan assets amounted to €2,022.5 million and €1,581.8 million, respectively, as of September 30, 2014. As of September 30, 2013, the defined benefit obligation and the fair value of plan assets had amounted to €1,796.3 million and €1,441.0 million, respectively.

Up to and including fiscal 2014, OSRAM had contractual obligations in Germany and currently has statutory obligations in the U.S.A. to fund plan assets. Consequently, reviewing the structure of the defined benefit obligations on an ongoing basis and agreeing on a strategy regarding the funding of defined benefit plans are an integral part of responsible financial management. The investment strategy for the plan assets is derived from the structure and characteristics of the obligations concerned and is based on asset/liability modeling studies for each individual plan. We intend to mitigate the funded status volatility using a liability-driven investment (LDI) concept.

The employer contributions to the externally funded pension plans amounted to €23.9 million in fiscal 2014. Of this amount, €14.0 million was attributable to the German pension plans and €7.8 million to the U.S. pension plans. The employer contributions to the externally funded pension plans in 2015 are expected to be between around €30 million and around €50 million.

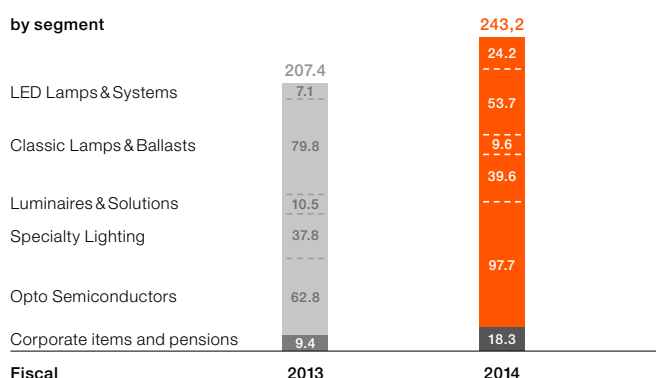
For additional information on OSRAM's pension plans, also Note 25 | Pension Plans and Similar Commitments in the Notes to the consolidated financial statements.

## Capital Expenditure Analysis

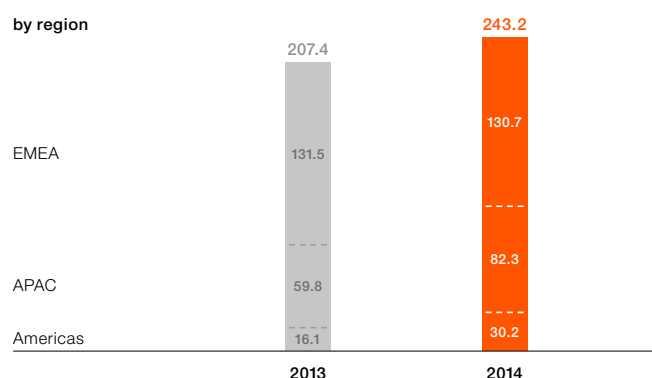
### Additions to Intangible Assets and Property, Plant and Equipment

in € million

#### by segment



#### by region



Additions to intangible assets and property, plant, and equipment reported in the consolidated statement of cash flows totaled €243.2 million in fiscal 2014 and were thus higher than in fiscal 2013 (€207.4 million). Of the total amount in fiscal 2014, €24.2 million was attributable to LLS, particularly due to the establishment of the new LED lamp production line in Germany. Capital expenditures at CLB amounted to €53.7 million in fiscal 2014 and focused on the expansion of the production lines for modern halogen lamps, among other things.

Capital expenditures at SP of €39.6 million were primarily used to expand capacity (among other things to manufacture products for the automotive sector) and to rationalize production.

Opto Semiconductors invested €97.7 million, which included investments to establish the new LED assembly facility in Wuxi, China, and to expand production capacity in Penang, Malaysia. Further significant capital expenditures are planned for the coming quarters, including for the LED assembly facility in Wuxi.

The capital expenditures recognized in the Corporate items and pensions line item totaled €18.3 million in fiscal 2014 and were used among other things to fit out a lighting laboratory that was relocated to the production site in Augsburg when the former Group headquarters building in Munich was closed.

As of September 30, 2014, the OSRAM Licht Group's total assets amounted to more than €4.7 billion, a clear increase compared with the end of the previous fiscal year. Current assets account for around 61% of our total assets, which means that we have a balanced asset structure. The OSRAM Licht Group's equity amounted to €2.4 billion at the end of the fiscal year. This represents an increase of more than 10% in fiscal 2014 thanks to the pleasant earnings growth. The equity ratio is 51.0% expressed in terms of total assets. With net liquidity at just under €500 million, OSRAM's overall net asset position means we are well positioned to tackle the challenges associated with the transformation of the lighting market.

## Statement of Financial Position Analysis

In fiscal 2014, total assets increased by €284.2 million, or 6.4%, from €4,425.3 million as of September 30, 2013, to €4,709.5 million as of September 30, 2014. A considerable factor in this, which increased total assets by around €126 million, was the negative development of the euro against the functional currencies of OSRAM companies not located in the eurozone. Cash and cash equivalents rose by €145.6 million to €667.7 million. This is primarily attributable to the positive free cash flow during fiscal 2014. Inventories rose by €183.8 million, largely due to the establishment of a new LED portfolio in the LLS segment. In connection with the disposal of the Valeo Sylvania joint venture, assets in the amount of €45.6 million were classified as held for sale in the previous year. The transaction was completed in the fiscal year under review. At €1,137.1 million, property, plant, and equipment was on a level with the previous year (€1,132.7 million). Capital expenditures in fiscal 2014 were offset by disposals and impairments on traditional production facilities in the CLB segment, alongside depreciation.

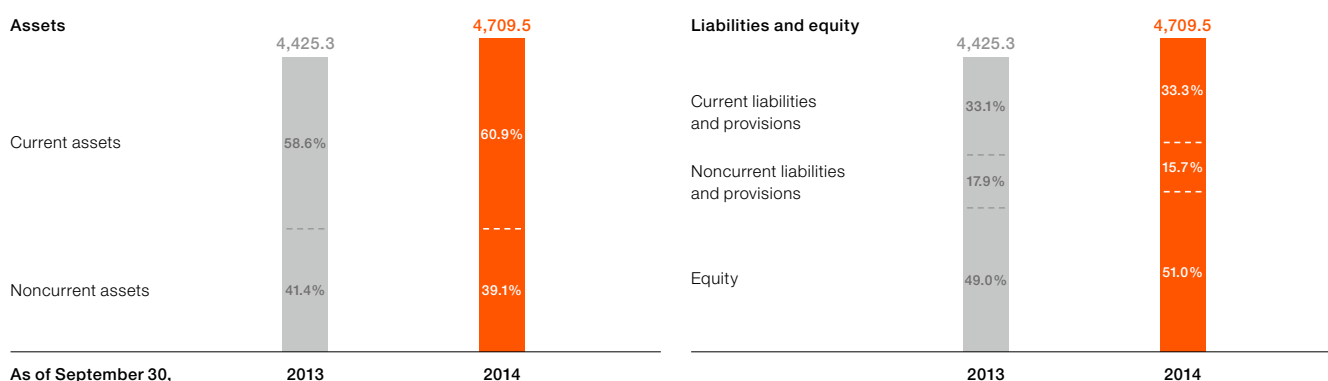
On the liabilities and equity side, around €42 million of the €104.7 million increase in current liabilities and provisions to €1,568.3 million was attributable to currency effects.

Noncurrent liabilities and provisions decreased by €52.0 million to €740.4 million. This change mainly resulted from the partial repayment in the amount of €160.0 million of the syndicated term loan. The €85.9 million increase in pension plans and similar commitments had an offsetting effect. This was largely due to lower discount rates in Europe and the U.S.A. and the use of new mortality tables in the U.S.A.

Equity rose by €231.5 million to €2,400.8 million, primarily due to the net income of €193.1 million. The equity ratio (equity to total assets) was therefore 51.0% as of September 30, 2014, compared with 49.0% as of September 30, 2013.

## Balance Sheet Structure

in € million



Considerable assets of OSRAM that are not recognized in the statement of financial position relate to intangible assets and rights under operating leases. Intangible assets result from research and development activities, in particular. Spending on research and development amounted to €331.4 million in fiscal 2014 (previous year: €341.2 million). In addition, OSRAM has entered into cross-licensing agreements with competitors, which allow the reciprocal use of patents › Research and Development, page 87 ff. Alongside noncancelable operating leases, OSRAM's main liabilities that are not recognized in the statement of financial position are obligations under purchase agreements, as well as guarantees › Financing and Liquidity Analysis, page 74 ff. and Note 28 | Other Financial Commitments and Contingent Liabilities in the Notes to the consolidated financial statements.

## Explanations of Acquisitions and Disposals

In fiscal 2013 OSRAM reviewed its strategic position in the Valeo Sylvania and OCFM joint ventures, and in each case signed agreements to sell its shares to its joint venture partners. Both equity interests were sold in the second quarter of fiscal 2014. For information on these transactions › also Note 4 | Acquisitions and Disposals and Note 8 | Income (Loss) from Investments Accounted for Using the Equity Method, Net in the Notes to the consolidated financial statements.

# Information on and Reconciliation of Financial and Non-financial Key Performance Indicators

This Annual Report contains additional financial measures, which are non-IFRS measures, or are used to determine such measures. These include: comparable revenue growth (adjusted for currency translation and portfolio effects), return on capital employed (ROCE), free cash flow (FCF), EBITA, EBITDA, net debt/net liquidity, adjusted net debt, the dividend distribution ratio, and the equity ratio. These additional financial measures should not be used exclusively as an alternative to the financial measures presented in the consolidated financial statements and calculated in accordance with IFRSs, as adopted by the EU, for the purpose of analyzing OSRAM's net assets, financial position, and results of operations. Other companies that present or report similarly named financial measures may calculate these differently.

## Financial Performance Indicators

### Revenue growth

We present changes in revenue for the OSRAM Licht Group as a whole, by segments, regions, and technologies as percentage changes between the reporting period and the relevant comparative period on a nominal or comparable basis (adjusted for currency translation and portfolio effects). This makes it possible to analyze the company's operational business performance while excluding the distorting effects produced by translating revenue into euros (when preparing financial statements) and by acquisitions or divestments. We calculate adjusted revenue growth by subtracting the calculated currency translation and portfolio effects from the nominal change in revenue. We do not take into account effects caused by the interaction between currency translation and portfolio changes (secondary effects). The following overview shows how comparable revenue growth is determined at OSRAM. The same procedure is applied at segment level:

### Currency translation effects

$\frac{\text{Revenue in reporting period at exchange rate in reporting period} - \text{Revenue in reporting period at prior-period exchange rate}}{\text{Prior-period revenue at prior-period exchange rate}}$	
<b>2014:</b>	$\frac{5,142.1 - 5,331.9}{5,288.7} = (3.6)\%$
<b>2013:</b>	$\frac{5,288.7 - 5,371.3}{5,399.8} = (1.5)\%$

### Portfolio effects from acquisitions

$\frac{\text{Revenue of acquired company in reporting period}}{\text{Prior-period revenue (OSRAM Licht Group/segment/region/technology)}}$	
<b>2014:</b>	No acquisitions at OSRAM
<b>2013:</b>	No acquisitions at OSRAM

### Portfolio effects from divestments

$\frac{\text{Prior-period revenue of company divested}}{\text{Prior-period revenue (OSRAM Licht Group/segment/region/technology)}}$	
<b>2014:</b>	No divestments at OSRAM
<b>2013:</b>	$\frac{(113.3)}{5,288.7} = (2.1)\%$

### Comparable change in revenue

$\text{Nominal revenue growth} - \text{currency effects} - \text{portfolio effects} = \text{comparable revenue growth}$	
<b>2014:</b>	$-2.8\% - (-3.6\%) - 0.0\% = 0.8\%$
<b>2013:</b>	$-2.1\% - (-1.5\%) - (-2.1\%) = 1.6\%$

Acquisitions or divestments during the fiscal year have a pro rata effect in the period following the acquisition or divestment, since the portfolio effects only occur in the year of the acquisition or divestment in the reporting months during which the acquired company already belonged to OSRAM, or the company disposed of no longer belonged to OSRAM. Thus, the portfolio effects in the following fiscal year occur in the months during which the acquired company was not yet part of OSRAM or the company disposed of was still part of OSRAM in the year of the divestment or acquisition.



### EBITA, EBITDA and EBITA margin (adjusted)

We evaluate our operational results on the basis of EBITA and of the EBITA margin in particular. In addition, EBITDA is used to calculate our capital structure indicator. OSRAM defines EBITA as the gain/loss before financial result (meaning the income (loss) from investments accounted for using the equity method, net, interest income, interest expense, and other financial income (expense), net), income taxes, and amortization and impairments of intangible assets (goodwill and other intangible assets), net of reversals of impairments. We define EBITDA as EBITA before depreciation and impairments of property, plant, and equipment, net of reversals of impairments. The EBITA margin is defined both for the OSRAM Licht Group as a whole and at segment level by dividing EBITA by revenue. The adjusted EBITA margin is the ratio of EBITA before special items to revenue. Management defines special items as recurring and nonrecurring effects within EBITA. At OSRAM, these primarily comprise transformation costs, acquisition-related costs, costs associated with significant legal and regulatory matters, and (particularly in the past) costs associated with the separation/for going public (net) » Glossary, page V ff.

The following table reconciles the income/loss after taxes to EBITA and EBITDA for OSRAM:

#### EBITA and EBITDA

in € million	Fiscal	
	2014	2013
Net income (loss)	193.1	33.6
Income taxes	86.1	16.5
Financial result	4.9	22.4
thereof:		
Income (loss) from investments accounted for using the equity method, net	(35.9)	(13.6)
Interest income	(3.2)	(5.9)
Interest expense	40.8	32.0
Other financial income (expense), net	3.2	9.9
Amortization	26.3	27.0
<b>EBITA</b>	<b>310.4</b>	<b>99.5</b>
Depreciation	245.8	314.1
<b>EBITDA</b>	<b>556.2</b>	<b>413.6</b>

The following table shows the calculation of the EBITA margin and adjusted EBITA margin. The same procedure is applied at segment level:

EBITA Margin and EBITA Margin, adjusted		Fiscal
in € million	2014	2013
Revenue	5,142.1	5,288.7
EBITA	310.4	99.5
<b>EBITA margin</b>	<b>6.0%</b>	<b>1.9%</b>
Special items	(138.5)	(309.9)
thereof:		
Transformation costs <sup>1)</sup>	(129.9)	(299.5)
Acquisition related costs	(0.9)	–
Legal and regulatory matters	(25.4)	–
Costs associated with the separation/for going public (net) <sup>2)</sup>	22.9	(10.4)
Costs associated with the termination by mutual agreement of the appointment of Dr. Peter Laier as member of the Managing Board	(5.2)	–
EBITA, adjusted	448.9	409.4
<b>EBITA margin, adjusted</b>	<b>8.7%</b>	<b>7.7%</b>

<sup>1)</sup> In fiscal 2014, transformation costs of €28.9 million were brought forward from phase II of the OSRAM Push program.

<sup>2)</sup> Both fiscal years were impacted in particular by income from the settlement of legal disputes that arose in connection with going public and costs incurred in connection with the transaction bonus program.

### Free cash flow

We report free cash flow as a liquidity indicator reflecting the ability to generate cash from our operating activities over the long term. Free cash flow constitutes net cash provided by/used in operating activities less additions to intangible assets and property, plant, and equipment. The calculation of this indicator can be found in the section entitled » Cash Flow Analysis, page 71 ff.

### Return on capital employed

Return on capital employed (ROCE) is a measure of capital efficiency. We report ROCE at the level of the OSRAM Licht Group. This indicator measures our earnings from the perspective of our shareholders and creditors and can be used to establish whether the capital employed by the Company is yielding competitive returns. ROCE is defined as income/loss before interest and after taxes divided by the average capital employed.

The following tables illustrate how we calculate ROCE.  
ROCE relates to the fiscal year and is not reported for the  
individual segments:

### Capital Employed

in € million	September 30,		
	2014	2013	2012
Total equity	2,400.8	2,169.3	1,949.6
Long-term debt	138.2	295.0	1.3
Short-term debt and current maturities of long-term debt	43.6	55.9	47.2
Payables to Siemens Group from financing activities <sup>1)</sup>	–	–	1,198.1
Pension plans and similar commitments	444.4	358.5	488.7
Cash and cash equivalents	(667.7)	(522.1)	(31.2)
Receivables from Siemens Group from financing activities <sup>1)</sup>	–	–	(619.4)
<b>Capital employed</b>	<b>2,359.3</b>	<b>2,356.6</b>	<b>3,034.3</b>

<sup>1)</sup> Note 37 | Related Party Disclosures in the Notes to the consolidated financial statements.

### Return on capital employed

in € million	Fiscal	
	2014	2013
<b>Income (loss) before interest after taxes</b>		
Net income (loss)	193.1	33.6
Interest (income) expense, net <sup>1)</sup>	37.6	26.1
Taxes on interest <sup>2)</sup>	(11.6)	(8.6)
<b>Income (loss) before interest after taxes</b>	<b>219.1</b>	<b>51.1</b>
<b>Calculation of tax rate</b>		
Income (loss) before income taxes	279.2	50.1
Income taxes	86.1	16.5
<b>Tax rate<sup>3)</sup></b>	<b>30.8%</b>	<b>32.9%</b>
<b>ROCE</b>		
Income (loss) before interest after taxes	219.1	51.1
Average capital employed <sup>4)</sup>	2,358.0	2,695.5
<b>ROCE</b>	<b>9.3%</b>	<b>1.9%</b>

<sup>1)</sup> Interest expense less interest income.

<sup>2)</sup> Taxes on interest have been calculated on a simplified basis applying the tax rate determined under "Calculation of tax rate" to the interest (expense), net  
Note 9 | Interest Income, Interest Expense, and Other Financial Income (Expense),  
Net in the Notes to the consolidated financial statements.

<sup>3)</sup> The tax rate is calculated by dividing the income taxes by income (loss) before income taxes (as reported in the consolidated statement of income of the OSRAM Licht Group).

<sup>4)</sup> Average capital employed in the reporting period is defined as the average of capital employed at the beginning of the reporting period and the capital employed at the end of the reporting period.

### Dividend payout ratio

We aim to pay our shareholders attractive dividends that reflect market conditions. As a general rule, our target is a dividend payout ratio of between 30% and 50% of the Group's net income, provided that such dividend payments can be reconciled with long-term, sustainable business performance. Net income may be adjusted for certain extraordinary non-cash effects when determining the amount to be distributed. The target dividend for fiscal 2015 is expected to be clearly higher than the target payout ratio.

#### Dividend Payout Ratio

		Fiscal	
		2014	2013
Dividend payout	in €	0.90	–
Shares outstanding, and entitled to payment as of September 30,	in pieces	104,587,255	104,491,296
Total dividend payout	in € million	about 94	–
Net income attributable to shareholders of OSRAM Licht AG	in € million	187.9	27.6
<b>Dividend payout ratio</b>		<b>50.1%</b>	<b>–</b>

### Capital structure

We aim for a balanced capital structure, based on the usual criteria and indicators used for an investment grade rating, so as to ensure sufficient flexibility in our financing and favorable terms. We use net debt/EBITDA as the indicator for assessing our capital structure. The calculation of this indicator can be found in the section entitled ›Financing and Liquidity Analysis, page 71 ff.

### Equity ratio

The equity ratio represents total equity as a percentage of total assets and gives an insight into OSRAM's capital structure and ability to withstand crises.

#### Equity Ratio

		Fiscal	
		2014	2013
Total equity	in € million	2,400.8	2,169.3
Total assets	in € million	4,709.5	4,425.3
<b>Equity ratio</b>		<b>51.0%</b>	<b>49.0%</b>

### Net operating working capital turnover ratio

The net operating working capital turnover ratio is an indicator that shows how efficiently net capital is used to generate revenue.

#### Net operating working capital turnover ratio

Revenue			
		Inventories + trade receivables – trade payables	
2014:	$\frac{5,142.1}{1,152.1 + 857.5 - 798.6} = 4.2$	2013:	$\frac{5,288.7}{968.3 + 853.4 - 677.0} = 4.6$

## Financial and Non-financial Performance Indicators Related to OSRAM Push

The most important key indicators used to steer OSRAM through the technology shift toward semiconductor-based lighting include the following temporary indicators defined as part of the OSRAM Push program. These are:

### Cost savings from OSRAM Push measures

The cost savings from OSRAM Push measures may relate to the transformation of the Company—such as savings made through job reductions and plant closures—or arise from operational improvements along the value chain, such as productivity improvements, product-related improvements such as design-to-cost measures, and savings made on the purchasing side such as price reductions. Only sustainable measures for the 12-month period are reported.

### Transformation costs

Costs resulting from the underlying shift in the lighting market and the related corporate programs and restructuring activities. These primarily comprise the cost of personnel measures, impairment losses and losses on disposals of property, plant, and equipment and the closure of production facilities, as well as other costs such as project costs and inventory valuation costs in connection with the discontinuation of business activities.

In fiscal 2014, these primarily comprised:

#### Transformation Costs

in € million	Fiscal	
	2014	2013
Personal measures	(61.9)	(197.1)
Impairment losses and losses on disposals of property, plant, and equipment and the closure of production facilities, as well as other costs such as project costs and inventory valuation costs in connection with the discontinuation of business activities	(68.0)	(102.5)
<b>Transformation costs</b>	<b>(129.9)</b>	<b>(299.5)</b>

### Reduction of manufacturing sites

When determining the number of production locations, we include all facilities that belong to consolidated subsidiaries of OSRAM. The target of closing eleven locations was a gross target. The opening of the new plant in Wuxi had an offsetting effect, meaning that the total number of locations was reduced from 43 to 33.

### Job reductions

To determine the job reductions resulting from the OSRAM Push program, all employees who leave the Company in the context of a specific project are allocated to that project. This project allocation makes it possible to determine the global job reductions achieved as part of these projects. In fiscal 2014, these mainly related to the “Future Industrial Footprint” project and the project to create more efficient structures in research and development, production, sales and distribution, and corporate functions. Most of the job reductions in phase II of OSRAM Push will again relate to the adjustments to our industrial footprint, particularly in the area of traditional products, but will also affect indirect functions through the SG&A project › OSRAM Push, page 48 ff.

### LED share of revenue

This indicator reflects the extent to which OSRAM has already shifted its business to semiconductor-based lighting. It is calculated as the ratio of LED revenue to total revenue. The calculation of this indicator can be found in the section entitled › Revenue Development, page 59 ff.

In addition to the above performance indicators, OSRAM uses other indicators to measure and monitor the progress of certain processes. They are primarily used to analyze and explain our sustainability performance and other key processes in the value chain. We do not consider these indicators to be most important to management at overall Group level.

## Sustainability at OSRAM

OSRAM takes a holistic approach to sustainability based on the three pillars—economic, ecological, and social sustainability.

According to studies by the United Nations Environment Program (UNEP), artificial lighting consumes around 15% of total electricity production worldwide and accounts for approximately 5% of global primary energy use. This means that our product portfolio is a highly effective lever for combating climate change. The technology shift towards LED lighting, in which OSRAM is an active player, is helping to bring about a transition to energy-efficient lighting that offers one of the most rapidly implementable ways to lower CO<sub>2</sub> emissions.

As an international company, OSRAM is responsible for its activities throughout the world, and not simply its portfolio. This includes our business operations, our dealings with customers and suppliers, but also our own production activities in relation to the environment and resources, as well as occupational health and safety. In all of these areas, we help to reduce negative impacts and strengthen positive effects using appropriate management systems and organizational measures.

The fact that we were listed for the first time in the Dow Jones Sustainability Index (DJSI) World 2014 is testament to the success of these measures. The sustainability indices are published annually by S&P Dow Jones Indices and Zurich-based RobecoSAM. They can be an important factor in financial investors' investment strategies. For DJSI World, RobecoSAM uses economic, ecological and social criteria to assess the sustainability performance of the world's 2,500 largest listed companies measured by market capitalization.

### MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

This Corporate Sustainability Assessment covers all aspects of sustainability, including corporate governance, risk and innovation management, environmental management, the supply chain and product responsibility, as well as human capital development and occupational safety. OSRAM considers it a great achievement to have succeeded in joining the Index at our first attempt.

## Stakeholder engagement

Sustainability requires regular dialog with different interest groups (stakeholders). In this way, we can make sure that sustainability concepts are spread further afield, and it is the only way we receive feedback about our own activities. In addition to our shareholders and potential investors, our commitment to sustainability encompasses our employees, customers, consumers, and suppliers, as well as political and social institutions with which we have regular contact.

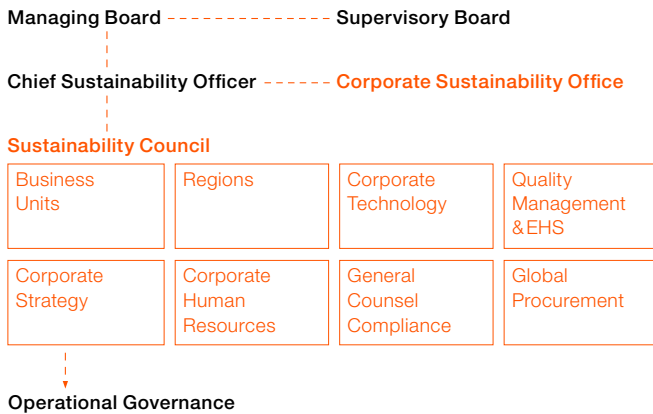
One concrete example of our commitment to working with interest groups is the United Nations Environment Programme's en.lighten initiative. OSRAM has been a member of the UNEP initiative since it was set up in 2009. A growing number of countries has joined the initiative and together they are using appropriate legislative and regulatory frameworks to find ways of transitioning to energy-efficient lighting quickly and sustainably.

In addition to the relatively technically driven partnerships such as the en.lighten initiative that focus primarily on efficient lighting, OSRAM is also now more strongly involved in overarching initiatives such as the United Nations Global Compact (UNGC), which we joined in 2005. The UNGC is a strategic initiative in which companies commit to aligning their operations with ten universally recognized principles in the areas of human rights, labor standards, environmental protection, and anti-corruption.

## Sustainability management and organization

The OSRAM Sustainability Council was reorganized in fiscal 2014. It is composed of regional representatives and representatives of the business units, together with the heads of central functions relating to sustainability issues. The council is chaired by the Chief Sustainability Officer, and representatives from other relevant functions may also be invited to attend, depending on the issues being addressed and if a particular need arises. In the fiscal year just ended, the Sustainability Council met twice, as planned. At the first meeting, individual roles and ways of working together were agreed, and a common understanding of the meaning of sustainability, and the council's goals were set out. The second meeting dealt with concrete issues and forward-looking decisions were taken. Among other things, the materiality process (identification and evaluation of key sustainability issues) began, and the formats for future sustainability reporting were set down. The Corporate Sustainability Office is responsible for preparing the Sustainability Council meetings and manages the process of implementing decisions.

## Sustainability Management



## Reporting

The results from OSRAM's first-ever participation in the RobecoSAM Corporate Sustainability Assessment, led to OSRAM joining the Dow Jones Sustainability Index World. This success confirms us in our goal of successively extending the scope of our sustainability reporting in relation to a number of indicators as well. Our goal is to produce scores for these that position us appropriately within the relevant sustainability indices.

In doing so, we are guided by current standards such as the Global Reporting Initiative's G4 Sustainability Reporting Guidelines, and we are preparing to implement the EU requirements regarding disclosure of non-financial information. This is reflected on our revised internet pages at [www.osram.com/sustainability](http://www.osram.com/sustainability) which provide additional information and examples of sustainability topics at OSRAM that extend beyond the reporting requirements for this management report.

## Economic Aspects

### Compliance

As a company that operates worldwide in a competitive global environment, it is essential and fundamental to our business success that we comply with all relevant local legislation and uniform group rules. OSRAM's compliance system is designed to prevent potential violations of existing anti-corruption or antitrust provisions through the use of internal guidelines and training, to detect any violations that may have already occurred, and if necessary to take steps to prevent these from happening in future. In fiscal 2014, the compliance organization received a total of 71 notifications of possible compliance violations (previous year: 64 notifications). In all, 15 compliance investigations were carried out (previous year: 17), following which disciplinary steps were taken against 9 employees (previous year: 11 employees). In addition, a further 71 previous notifications (previous year: 62 notifications) were brought to a close following investigation. To enable us to detect and react appropriately to violations of existing compliance regulations, all employees and external contacts may use the "Tell OSRAM" whistleblower hotline to pass on information about potential violations to our compliance department.

### Research and Development

The company's ability to innovate is a key driver in safeguarding OSRAM's medium- and long-term economic sustainability. As a leading provider in the global lighting industry, OSRAM occupies a strong position in Research and Development (R&D), particularly in the fast-growing LED business area. [Glossary, page V ff.](#) In the area of traditional lighting technologies, our development efforts are primarily focused on continuous improvement of the product portfolio's cost structure.

As we expect strong demand for LED products to continue into the future, we extended the proportion of R&D activity devoted to LED-related topics in the past fiscal year. In order to also be a market leader in process innovation and specific production requirements, we have established technology centers in the Corporate Technology area that bring together the specialists in a particular field and can fast-track superior production processes.

In fiscal 2014, we continued with the following key areas of our R&D activities:

#### Key Areas of OSRAM's R&D activities

Pre-development of innovative semiconductor materials, processes, and components	Application-specific LED or laser-based light sources in various designs, especially for general lighting (including LED lamps) and automotive forward lighting, e.g. for matrix headlight systems
Future LED epitaxy, LED chips, and issues relating to LED packaging for high-brightness LEDs	Intelligent controls and integration of drivers and circuits in corresponding components and platforms
High-efficiency lasers for large video projection systems or sensorics applications such as adaptive cruise control (ACC) systems	Extension of the LED luminaire portfolio for professional and consumer applications, for example wireless communication with and between devices
OLEDs (organic light emitting diodes)	More complex lighting systems based on luminaires, sensorics, intelligent controls, algorithms, and new forms of user interfaces, such as those in Lightify, an intelligent, wireless lighting control system controlled via smartphone or tablet
Development of platforms, e.g. to reduce complexity	

Research and development expenses amounted to €331.4 million in fiscal 2014 (previous year: €341.2 million). At 6.4%, R&D intensity (the ratio of research and development expenses to consolidated revenue) remained on a par with the previous year's figure (6.5%), which was negatively impacted by transformation costs to a much greater extent. In fiscal 2014, LED products accounted for around 75% (fiscal 2013: approx. 62%) of our R&D expenses. The number of employees in R&D was around 2,400 as of September 30, 2014 (previous year: approx. 2,500).

#### Selected research projects and results

Collaboration with scientific research partners around the world is a key part of our R&D activities. This means that we cooperate with various research institutions, universities, and other companies, e.g. in the course of research programs that are sponsored by institutions such as the European Commission and the Bundesministerium für Bildung und Forschung (BMBF—German Federal Ministry of Education and Research). It also means that our R&D project portfolio is constantly changing in line with the trends towards Smart Cities and the Internet of Things.

In fiscal 2014, our R&D teams also achieved a large number of significant breakthroughs. Two examples are highlighted below. What is more, the example of the award we won is a clear endorsement of OSRAM R&D's future potential.

- An OSRAM R&D team has successfully developed the most efficient LED lamp to date. With a luminous flux of 215 lumens per watt, the lamp generates just as much light (lumens) as the conventional fluorescent or LED tubes in current use while using only half the energy consumption (watts) and at the same time offering significantly improved color rendering.
- The BMW i8 is the world's first series-produced car with laser lights to hit the market. OSRAM played a key role in the development of the innovative laser light source. Laser lighting is regarded as the next big step in automotive lighting development and offers new design opportunities in addition to its functional advantages. OSRAM's many years of experience in the field of semiconductor-based technologies combined with its strengths as a systems supplier were key factors in developing the laser lights.
- OSRAM's strong position in the field of research and development was again demonstrated by external awards for its achievements. In the past fiscal year, the Fraunhofer Institute for Production Technology IPT honored OSRAM for its excellent early technology recognition. OSRAM was one of the five companies out of over 200 entries who were awarded the prize in Vaals in the Netherlands.



### Existing patents, new applications, and cross-license agreements

Intellectual property, which includes patents, utility models, designs, copyrights and trademarks, as well as trade secrets and know-how, is particularly important in our business. At the end of fiscal 2014, OSRAM Licht Group had approx. 17,800 patents and patent applications in approx. 6,300 patent families (in fiscal 2013: 20,300 in 6,500 patent families).

In fiscal 2013, OSRAM Licht Group filed 680 patent applications claiming priority. In 2014, our sharper focus led to fewer patent applications claiming priority being made (around 560). Our strategy for patents ensures that we drive forward license agreements for technologies that are of interest to us, in line with our corporate strategy.

Moreover, the lighting industry and in particular the LED industry is characterized by a significant number of patent cross-license agreements between manufacturers. In the past, we had already entered into cross-license agreements or non-assertion agreements with companies such as Samsung, Nichia, Philips, Toyoda Gosei, LG, Cree, and Sharp.

### Procurement

In a globalized economy, the supply chain plays a key role in sustainability and requires even greater flexibility, particularly in view of the technology shift. To this end, the procurement function at OSRAM is managed globally and organized regionally according to raw materials groups. On the one hand, this type of organization enables us to optimally supply the production and sales units, as well to stay in close contact with suppliers. On the other, global pooling enables us to obtain financial benefits by leveraging economies of scale that make a substantial contribution to the company's productivity during purchasing decisions, in keeping with our focus on overall costs. In fiscal 2014, the purchasing volume, i.e. the goods and services acquired from third parties, amounted to around €2.9 billion (previous year: around €2.8 billion).

In order to manage this complex global supply chain without compromising our own high standards of compliance, environment protection, and social standards, OSRAM introduced a Code of Conduct for Suppliers in 2005 that, like our own Business Conduct Guidelines, is based on the most important international standards and conventions. Over 2,800 suppliers have accepted and signed the code. This total represents 90% of the suppliers with whom we aim to sign such agreements, and also covers 93% of our purchasing volume. In addition, suppliers are required to provide relevant information about themselves, including data relating to specific criteria.

### Production and quality management

#### Production

Our own manufacturing activities are a mainstay of our business activity. Our production expertise is based on long-standing experience and consistent development of our footprint. As of September 30, 2014, OSRAM operated 33 production sites in 14 countries. The production sites are located mainly in Europe, the Asia-Pacific region, and North America. The transition from traditional lighting to LED products requires a decrease in vertical integration and greater use of standardized electronic components. As part of the OSRAM Push program, »OSRAM Push, page 48 ff., eleven production sites were closed by the end of fiscal 2014, down from 43 as of September 30, 2011. In order to expand capacity for the growing LED business, OSRAM opened a new LED assembly facility in Wuxi, China in May 2014. For an overview of our major production sites and the segments they are allocated to »Organizational Structure and Reporting Principles, page 40 f.

The stronger focus on OSRAM Excellence—our 15 years of experience with an integrated production system based on key elements such as Lean, Six Sigma, and TPM (Total Productive Maintenance)—led to significant productivity gains being made in the past fiscal year, ensuring that we remain competitive.

#### Quality

Sustainability is not only important in the context of a holistic approach to corporate governance—it is equally important in terms of the actual products that OSRAM sells to its customers. In line with our brand promise "Innovation & Quality," we aim to ensure that our products meet the highest quality standards and perform reliably. Maintaining this focus is an even higher priority against the background of ever-shrinking innovation cycles in the field of LED technologies, which makes having a comprehensive preventative quality management system in place increasingly important. At OSRAM, a series of "Quality First" measures accompanies products across their whole life cycles, irrespective of whether the value is created in our own production facilities or beforehand at our suppliers. Internationally recognized quality management systems are used to monitor every stage efficiently and to make any necessary adjustments consistently and transparently.

For example, all OSRAM manufacturing and development sites have ISO 9001 certification, underlining our efforts towards achieving high standards. In addition, those sites that supply automotive customers meet the strict requirements of the ISO TS 16949 quality management standard for the automotive industry, and in the past fiscal year their

certification was renewed. We are able to ensure a very high level of constant quality by systematically implementing our own requirements in this way.

### Customer relationships and sales

Maintaining close contact and fostering relationships with our customers is extremely important to OSRAM in order to ensure long-term business success. OSRAM employed around 4,600 people in its sales functions in the different segments worldwide as of September 30, 2014 (previous year around 4,800 people).

Adjustments were made to the segment structure on May 1, 2014, as part of the OSRAM Push program and the CLB and LLS segments were formed. *Segment Information, page 65 ff.* Following on from that, the sales functions for general lighting were reorganized as of October 1, 2014 in line with our customer structure and sales channels in particular, and are being clearly allocated to the Business Units. In addition, resources in core countries are being pooled more efficiently, to ensure that customer service is more closely tailored to customer requirements.

The sales functions for the Specialty Lighting (SP) and Opto Semiconductors (OS) segments, both of which focus to a large extent on supplying OEMs, are not affected by these adjustments and therefore their sales organizations remain unchanged.

Our relationships with many of our customers go back many years, and we use our Key Account Management system to systematically and continuously maintain them. OSRAM uses the Net Promoter Score (NPS), to measure customer satisfaction with our sales performance. Based on an annual survey of a representative group of customers, it reveals how likely customers are to recommend OSRAM as a supplier to other companies. In the past fiscal year, we successfully maintained our NPS results compared with our competitors at the same high level as in previous years.

OSRAM's customer base remained highly diversified in fiscal 2014. Our largest customer accounted for around 3.9% of revenue (previous year: 3.5%), with the top 50 customers together making up around 49% of the OSRAM Licht Group's revenue (previous year: 45%).

### Marketing

Our OSRAM umbrella brand and the OSRAM logo are registered trademarks in every country where trademarks can be protected. Our products are marketed primarily under this umbrella brand. Optoelectronic semiconductor components are sold under the OSRAM Opto Semiconductors brand. In North America, we also market our products under the SYLVANIA brand. In the luminaires and light management markets, Traxon and Siteco are additional brands; these are sold under the OSRAM umbrella brand with the addition "An OSRAM business."

Our key brand communication targets and activities aim to continuously strengthen our brand and OSRAM's positioning.

Two projects from the past fiscal year illustrate the strength of the OSRAM brand and testify to our expertise in all things light-related: firstly, the technically impressive lighting solution that allows the Sistine Chapel frescoes in the Vatican to appear in a new light, and secondly, OSRAM's collaboration with the Dubai Electricity & Water Authority (DEWA), in which the OSRAM brand was used as a symbol for energy efficiency and sustainability in a bid to raise environmental awareness amongst school pupils and students.

### Ecological Aspects

Ecological factors are extremely important to us as a global manufacturing company. For OSRAM, environmental protection includes a sustainable approach to energy saving, water conservation, waste disposal and chemicals, as well as monitoring emissions. In addition, great importance is placed on environmentally friendly design and product recycling. The company has established environmental policies, guidelines, and targets that are mandatory for all operating sites worldwide. In order to monitor continuously how well we are implementing our environmental policies and meeting our targets, we have established an organization with clearly defined areas of responsibility and a systematic management system as prescribed by the international ISO 14001 standard. OSRAM's matrix certificate was renewed in August 2014 following an external audit. The certificate covers all production sites worldwide and is valid until the end of 2016. The following performance figures comprise all locations, which exceed defined thresholds for parameters such as energy consumption, waste disposal or water consumption. For locations not operating in the current fiscal year, the values of the prior year period were eliminated and shown on a comparable basis.

## Energy and climate

In order to comprehensively address the issue of energy consumption in our own production facilities and identify all potential savings, OSRAM initiated a special project at the start of fiscal 2013, aimed at increasing energy efficiency. This is being implemented by a cross-functional expert group. Detailed investigations were carried out in the 23 most important production sites in America, Asia, and Europe, with a view to uncovering potential energy savings. The experts and their local partners started by defining initial improvement measures together with the help of energy consumption analyses. In a second step, they examined the extent to which the measures they had developed could be implemented profitably, in order to generate energy savings and at the same time create more cost-effective production processes. Successful measures and projects are being transferred to other sites by sharing best practice. It must be emphasized here that these measures cover the entire spectrum from small interventions amounting to a few thousand euros through to very large projects amounting to several million euros.

Measures introduced under the program reduced actual primary energy consumption OSRAM-wide to 4,226,300 GJ (gigajoules) compared with 4,461,486 GJ in the previous year. Measures of our energy efficiency program also contributed to this. Similarly, total electricity consumption was reduced to 2,887,563 GJ (previous year: 2,952,985 GJ). This directly impacted CO<sub>2</sub> emissions, which fell to 233,891 tons (previous year: 247,597 tons) for primary energy consumption and 386,271 tons (previous year: 399,101 tons) for electricity. OSRAM was therefore able to achieve clear improvements in this area as well.

For example, by installing combined heat and power (CHP) plants in Schwabmünchen and Regensburg in Germany, we achieved sizeable savings that are not only welcome from an environmental perspective but also produce extra cost savings. These CHP plants not only use directly produced waste heat for heating and providing process heat—they also use absorption refrigeration systems to transform this thermal energy into process cooling. This raises the efficiency level of CHP plants considerably, since process cooling is required in our production facilities all year round. Another almost identical plant is currently being built for the production facility in Eichstätt, Germany and will come into operation at the beginning of 2015.

We began introducing an energy management system that conforms to the ISO 50001 standard in all of our German production facilities halfway through 2013. On the one hand, the systematic analysis of potential savings confirmed that the German plants already had a very high level of energy efficiency maturity, but on the other, it also helped us to pinpoint and implement further improvements. By the end of 2014, we will have ISO 50001 matrix certification for all of our production facilities in Germany. The energy management system at our Molsheim site in France was also awarded external ISO 50001 certification in 2014.

## Water

In the area of lighting manufacturing, water is mainly used for cooling and pollution is therefore minimal. However, responsible and conservative use of water is still very important to us. We make sure that contaminated water is either purified by us or fed into local waste water treatment plants. In addition, we have set ourselves the target of reducing our overall water consumption. For example, in the process introduced in our plant in Bruntál in the Czech Republic, the rinsing water that is used in the manufacture of lamp filaments can be fully recycled.

Over the past few years, we have recorded a reduction in absolute water consumption. In fiscal 2014, water consumption was 3,816,694 m<sup>3</sup> (previous year: 3,955,956 m<sup>3</sup>). This represents a reduction of 139,262 m<sup>3</sup> (3,5%) compared with the previous year.

## Waste

Prevent waste, recycle waste, dispose of waste: these principles in this order are a key component of our approach to dealing with waste in our plants, and they also make economic sense.

In the past fiscal year, OSRAM produced 35,689 tons of recyclable waste worldwide (previous year: 36,784 tons) and 13,195 tons (previous year: 10,934 tons) of waste for disposal. The increase in waste for disposal was caused by changes at the recycling companies and by temporary changes in waste quantities in connection with factory closures and relocations.

### Packaging

The design process, which includes ideas for packaging, makes a significant contribution to waste prevention early on. OSRAM has clear guidelines for the design and procurement of packaging. Packaging should be made from environmentally sustainable materials that can be easily recycled or disposed of. In addition, its volume and weight should be limited to the amount required to protect the contents.

This means, that for the majority of our products, folding boxes are used for primary packaging and corrugated cardboard boxes for shipment packaging. The cardboard and paper used to produce these packaging components currently have a recycled content of between 70% and 90%.

In the automotive sector, where standardized small load carriers are often used, intelligent manufacturing technologies have achieved weight savings of up to 75% over the past few years.

### Product responsibility

The volume of legislation and regulations governing the use and declaration of certain hazardous substances in electrical and electronic devices—such as the EU's RoHS Directive, which restricts the use of certain hazardous substances in electrical and electronic equipment, and the regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)—is increasing worldwide. Due both to this and to our own commitment to sustainability, OSRAM works continuously, and at considerable effort, to reduce the use of critical substances such as lead and mercury beyond legal requirements, wherever technically and economically viable.

OSRAM is also actively involved in the introduction of globally harmonized, mandatory mercury limits for lighting, based on the strict legislation in the European Union.

We conducted life cycle analyses for certain typical products, in order to evaluate the impact of OSRAM products on the environment. The methodology used for these analyses was based on the international ISO 14040 and ISO 14044 standards.

### Recycling

The aim of product recycling is to recover as many sorted materials as possible, in order to conserve limited resources and to protect the environment through the professional disposal of hazardous substances. Anticipating the issue of recycling at an early product development stage means that over 90% of OSRAM's lamp components are recyclable.

The collection and recycling of used discharge lamps, for example, is regulated in European countries by EU Directive 2002/96/EG WEEE (Waste Electrical and Electronic Equipment) and implemented by specially established organizations, companies, and foundations. Fluorescent lamps and discharge lamps contain small amounts of mercury and valuable raw materials. LED lamps and luminaires also contain valuable raw materials, along with electronic components. This is why it is important that the products are collected and recycled or disposed of safely.

### Social Aspects

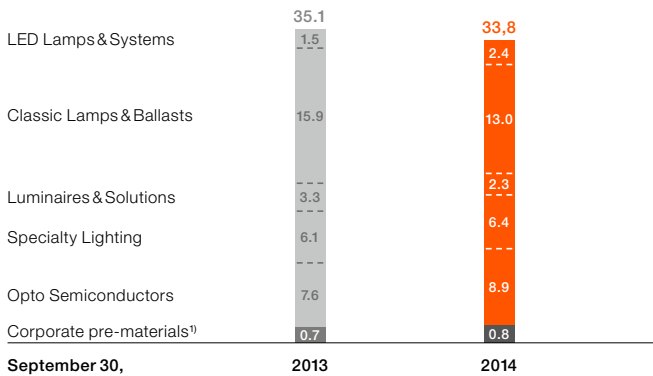
In addition to the economic and ecological aspects, OSRAM also fulfills its social responsibilities as a global enterprise, completing our holistic approach to sustainability. Our business culture is an integral part of our OSRAM identity, along with our brand and strategy. Our corporate values "innovative—respectful—entrepreneurial" define our understanding of how we should interact both internally and with external contacts. They are reflected both in our daily conduct and in the facts and figures describing OSRAM as a company. For us, acting in an innovative manner means meeting our social responsibilities through increasing the energy efficiency of our products, among other things. Similarly, "respectful" represents our careful use of resources as well as informing our interactions with colleagues, customers, suppliers, investors, and the public. Further, we encourage all of our staff and managers to think entrepreneurially, an approach that drives us to always give our best in order to create added value for all our stakeholders.

### Employees

OSRAM is a global enterprise with a broad product portfolio. Highly motivated, performance-driven employees are crucial to the successful development of our business, particularly against the background of the fundamental technology shift in the lighting market. Market changes made redundancies necessary in fiscal 2014, particularly in traditional general lighting, and we are trying to manage these in as socially responsible a manner as possible. In a parallel development, OSRAM is building capacity in business areas with future potential, for example in Opto Semiconductors.

## Employees by Segments

in thousand FTE

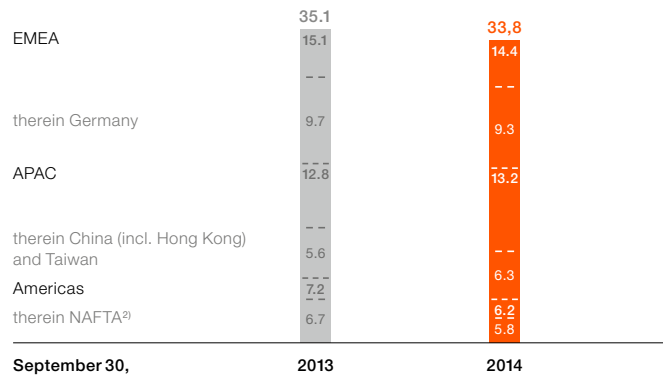


<sup>1)</sup> These employees primarily develop and manufacture specific pre-materials spanning more than one segment, such as fluorescent substances.

<sup>2)</sup> NAFTA comprises employees in the U.S.A., Canada, and Mexico.

## Employees by Regions

in thousand FTE



## Human Resources development

Human Resources development is an important lever when it comes to ensuring our sustainable growth and future success. In order to maintain our leading position in the highly competitive, fast-changing lighting market environment, we offer our employees at all levels in the company a wide range of programs and training opportunities to further their personal and professional development. These are regularly expanded and updated to meet the needs of both our employees and the company. The effectiveness of Human Resources development programs is one of the things discussed in regular feedback meetings between managers and staff. By supporting each employee with measures that fit his or her individual abilities and talents, we increase the effectiveness of both the individual and the whole organization.

## Education and training

OSRAM offers staff a culture of trust, where people treat each other openly, respectfully, and accountably. We promote commitment and excellence through our training and development programs.

OSRAM has a long track record of offering vocational education and training. We have established training workshops or vocational education and training centers at many of our sites across the world. Some of our plants abroad are organized on the basis of the internationally recognized German dual vocational training system.

In order to position the company as an even more attractive employer for technology specialists, we provide highly qualified technology staff with a Key Expert career program. This offers such people the opportunity to focus on technological

challenges as an alternative to a career in management. In fiscal 2014, a further 20 experts (previous year: 22 experts) were nominated and began working in twelve defined core technology areas, such as optical design, power supply electronics, or semiconductor technology.

The aim of the OSRAM Open Mentoring program is to provide a space where staff can exchange experiences irrespective of seniority levels, business areas, job functions, or national boundaries. In the spirit of encouraging unlimited interdisciplinary exchanges, any OSRAM employee can become a mentor or a mentee. Members of the team find their own partners using an electronic platform in our intranet. Again the program was used extensively in the past fiscal year.

The OSRAM management and leadership development programs ensure that our managers are well equipped to deal with future challenges as well as meeting the demands of their current roles. These programs focus both on leadership qualities and also on business management skills, such as strategic decision making and acting entrepreneurially.

## Talent promotion

OSRAM works continually to position itself as an attractive employer and to promote talent, in order to attract the very best employees and talents in the competitive international job market. We regularly offer our global "Talents enLIGHT" program, for example. Every year, around 20 international high potentials are given the opportunity to work together to implement highly ambitious OSRAM projects. Participants have the chance to meet colleagues from across the world, so that in addition to working on the project they are able to build a global, cross-functional network of contacts.

## Diversity

Diversity for OSRAM means creating the opportunity for employees from different cultures, and with different backgrounds, religions, genders, and skills to work together and to create competitive advantage.

Our diversity program ensures that employees with the same experience and qualifications have the same career opportunities, irrespective of their personal background, gender, or nationality. The program comprises global projects, initiatives, and training programs. Using webinars that are accessible worldwide, the program aims to promote different ways of thinking, as well as greater understanding of diversity within the organization. Every year, our Women Leadership Forum offers 25 female staff from across the world the opportunity to meet male and female role models from senior management and focus on building their own leadership skills.

## Occupational Safety

Strict management and the orderly documentation and monitoring of processes, equipment, methods, and procedures, together with appropriate training programs, are essential to implementing OSRAM's commitment to providing a safe, healthy working environment for all employees and to minimizing the risk of accidents at work or of employment-related illnesses. All OSRAM employees have an obligation and responsibility to be mindful of safety at all times, wherever they are. In order to monitor ongoing compliance with our occupational safety targets, we have introduced a management system that meets the requirements of the internationally recognized OHSAS 18001 standard.

Risk assessment has to be carried out for all areas of operation by the responsible line managers, supported by trained safety representatives. They assess the potential risks that may arise in each activity and propose countermeasures to reduce them. The measures are systematically announced and implemented, and regularly monitored. In addition, we have established occupational health and safety committees at all relevant sites, in accordance with local legal requirements or on a voluntary basis.

## Social commitment

As a global enterprise, we not only engage with numerous cultures and societies—we also actively take responsibility locally. As part of this commitment, OSRAM supports a variety of unique initiatives in education, science, art, and culture, as well as social and humanitarian projects. Employee involvement in charitable campaigns also has a high priority at OSRAM. Our employees support a variety of different projects through fundraising activities and personal involvement.

One example of OSRAM's social commitment is the LIO ("Light is OSRAM") award. OSRAM aims to stimulate an aesthetic and artistic discussion with young artists about the significance of light in people's lives. The LIO award was launched in 2013 in collaboration with the Academy of Fine Arts in Munich with the theme, "Back to the Drawing Board: The Office as a Living Space." The winning installation was displayed together with the other works submitted at a launch event held in May 2014 in the Lighthouse, OSRAM's head office building.

OSRAM Opto Semiconductors regularly supports innovative student projects with expertise or materials. OSRAM supplied 30,000 of its blue PointLEDs in support of the Splashlights project designed by students from the Ilmenau University of Technology. When water hits the LED wall designed by the Ilmenau University of Technology students, the wall lights up. When the installation dries out, it goes dark again.

In 2014, OSRAM and other companies joined with the Michael Ballhaus Foundation to award the Michael Ballhaus prize for the first time at the First Steps Awards in Berlin. The prize is awarded in recognition of excellent camera work. The First Steps Awards are presented for outstanding final projects by students graduating from German-language film institutes in Germany, Austria, and Switzerland. OSRAM itself has been a key player in film lighting over many decades through its products.

In December 2013, OSRAM was awarded the German Innovation Prize for Climate and Environment in the category entitled "Climate and Environmental Protection Technology—Transfer to Developing and Emerging Countries" for its "Umeme Kwa Wote" off-grid lighting concept. The prize was awarded by the German Federal Ministry for the Environment and the Federation of German Industries (BDI). The prizewinning concept for this off-grid project was launched in 2008 in Kenya for people without access to electricity and is now being expanded beyond the three existing solar-powered energy stations. The first of five more "WEIHubs", as they are known, was opened in March 2014 by OSRAM and its project partners in Honge on the shores of Lake Victoria. Among other things, the stations rent out battery-operated LED lighting solutions.

OSRAM is applying its expertise in the off-grid sector, to help expand the Global Off-Grid Lighting Association (GOGLA). As the number of members steadily increases, they are working together to find sustainable lighting solutions for off-grid regions.



# Report on Events After the Balance Sheet Date

On October 13, 2014, OSRAM acquired a 100% interest in ClayPaky. ClayPaky is a leading provider of entertainment lighting for shows and events. The acquisition enables OSRAM to drive forward its value-adding technology and innovation strategy and further extends its position in the area of entertainment lighting. ClayPaky will be allocated to the Specialty Lighting segment. The preliminary purchase price of €87.3 million was paid in cash. OSRAM has started the process of determining the purchase price allocation. It is therefore not yet possible to disclose the acquired assets and liabilities and their fair values.

In October 2014, the sale of the property at the former registered office of the OSRAM Licht Group in Munich was contractually agreed. Beneficial ownership is expected to be transferred to the buyer in the second half of the fiscal year ending September 30, 2015. The sale will have a positive impact on net income up to a medium double digit million euro amount. Note 18 | Property, Plant, and Equipment in the Notes to the consolidated financial statements.

Mr. Wolfgang Dehen, Chairman of the Managing Board, resigned from his position as a member and the Chairman of the Managing Board on November 5, 2014, effective as of December 31, 2014. The Supervisory Board approved his resignation at its meeting on the same day and appointed Dr. Olaf Berlien as a member and the Chairman of the Managing Board and as Labor Relations Director with effect from January 1, 2015. Dr. Berlien will take over the existing duties of the CEO including responsibility for technology. Mr. Dehen will also step down as a managing director, CEO, and Labor Relations Director of OSRAM GmbH, effective as of December 31, 2014. Dr. Berlien will also take over his responsibilities in these areas with effect from January 1, 2015.

At its meeting on November 5, 2014, the Audit Committee of the Supervisory Board of OSRAM Licht AG elected Dr. Werner Brandt as Chairman of the Audit Committee.

Other than the above, no transactions of particular significance or with material effects on the net assets, financial position, and results of operations have occurred since the end of the reporting period, September 30, 2014.

# Report on Expected Developments

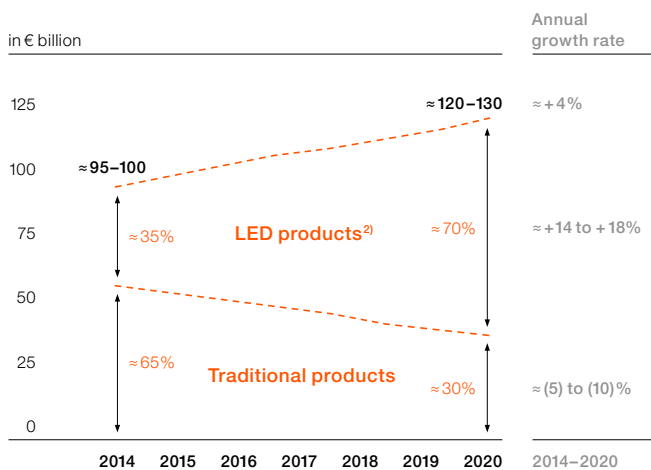
## and Associated Material Risks and Opportunities

### Report on Expected Developments

#### Future Economic and Sector-specific Developments

According to forecasts by IHS Global Insight, global economic growth in calendar year 2015 is expected to increase by around 3%. The gradual recovery of the economy will continue, bolstered by developments in the U.S.A. and EU policy, the focus of which is increasingly shifting away from austerity measures and toward growth. We also expect steady growth in the automotive market in Asia and North America while the European recovery continues. However, the global economic outlook for growth is fraught with geopolitical risks, including the crises in Ukraine and the Middle East, whose future development is difficult to foresee. Growth in the emerging markets will depend on structural reforms to increase productivity and distribute capital more efficiently.

#### World Lighting Market<sup>1)</sup>



<sup>1)</sup> LED products include LED, infrared, and laser products, as well as OLEDs.

<sup>2)</sup> Including general lighting, automotive lighting, and specialty lighting.

Source: Estimates by OSRAM based on data from Frost & Sullivan, October 2014.

Regardless of general cyclical economic developments, we believe that the basic trends in the global lighting market are intact. The general lighting market in particular will continue to be largely dominated by the technology shift from traditional light sources to semiconductor-based lighting. As in the past, the change will happen quickly where there is sufficient capital to finance the more expensive new technologies. Specifically, this means in developed countries and in the premium segments of the lighting markets, where OSRAM has a strong presence. We therefore expect the decline in the traditional business to continue. Phase II of our OSRAM Push

program, which we initiated in fiscal 2014, takes account of this trend. The systematic implementation of Phase II, which will run until 2017, will also dominate our business activities in fiscal 2015 › OSRAM Push, page 48 ff.

#### The Group's Focus in the Coming Fiscal Year

Subject to consultations and negotiations with the employee representatives, we expect to achieve cost savings of around €400 million (gross) through OSRAM Push in fiscal 2015. The transformation costs associated with and incurred in advance of the cost savings will be around €450 million for the whole of Phase II; of this amount, €29 million was brought forward to fiscal 2014. We expect the most significant annual share of the remaining costs to arise in fiscal 2015. In connection with this, there will be—depending on timely consultations and negotiations with employee representatives—again clear job cuts in 2015, whereby we assume to have the major part of job cuts associated with OSRAM Push Phase II in 2016 and 2017.

We are also continuing to refine OSRAM's medium- to long-term strategic focus, with the aim of clearly aligning OSRAM with the changing market environment and ensuring that it is sustainable, profitable, and fit for the future.

By the organizational decisions made in fiscal 2014 regarding the CLB, LLS, and LS segments and their sales structures we believe that we are well positioned for fiscal 2015. CLB is working to ensure the timely adaptation of the general lighting business to market conditions and to generate a positive free cash flow that is easily sufficient to finance the associated transformation costs. To this end, CLB initiated a comprehensive program to optimize net working capital. LLS is focusing on breaking even with LED lamps and achieving sharp growth. We have put the LS segment under common management to generate additional synergies, profitability, and growth. We plan to systematically implement the necessary measures, which have already been resolved, to direct the segment's focus toward its profitable core business. SP is aiming to strengthen its position as an innovation leader for example with the help of laser modules as well as OLED technology and to successfully continue the business activities of entertainment lighting manufacturer Clay Paky, which it acquired in the first quarter of 2015. OS will continue to cautiously expand capacity through further investments in production in Wuxi, China, among other things.



In fiscal 2015, the primary focus will be on the ongoing expansion of our LED activities and on implementing the measures from Phase II of the OSRAM Push program.

### Expected Revenue and Earnings Trends

In fiscal 2015, we expect revenue to remain stable at the same level as fiscal 2014 on a comparable basis (adjusted for currency translation and portfolio effects). This forecast takes account of the fact that total revenue will be reduced by up to 1% year-on-year due to the focus measures that have already been resolved at LS. Overall, we expect that our revenue will also reflect the shift toward semiconductor technology, with a significantly increasing LED share of revenue.

With respect to OSRAM's individual business areas, we are anticipating—again on a comparable basis—clear growth in total revenue (internal and external) for OS compared with fiscal 2014 and slightly slower revenue growth for SP due to the strong previous year. We expect a decline in revenue at CLB, which could be explicitly above the level of 2014. LLS will presumably continue its sharp growth. In the LS segment, we expect revenue to be almost comparable to the prior-year level, despite continuing to implement our focus strategy. These focus measures include in particular the discontinuation of the loss-making lighting business in the NAFTA region and effects from the exit from the traditional maintenance business in the U.S.A.

We expect the adjusted EBITA margin in fiscal 2015 to match that of fiscal 2014, at 8.7% (adjusted for special items, which are defined as transformation costs, acquisition-related costs, costs associated with significant legal and regulatory matters, and subsequent costs associated with the separation/for going public). For fiscal 2015 we expect gross OSRAM Push savings of roughly €400 million.

Transformation costs will probably continue to account for the most significant part of the special items. In line with the measures planned for Phase II of OSRAM Push, we expect to see transformation costs rise sharply overall, which will primarily affect the EBITA of CLB and of the corporate items in the reconciliation to the consolidated financial statements. There will therefore be significant differences between the individual segments' contributions to total reported EBITA (not adjusted for special items). We expect the SP segment despite an anticipated rise in revenue on a comparable basis, thus taking into account the integration of the development project OLED for fiscal 2014 and 2015, to match the level of reported EBITA seen in fiscal 2014; thereby we ex-

pect that the OLED development project will have a negative impact on SP's EBITA margin of around 80 basis points, particularly due to R&D expenses. We expect to see a moderate rise in reported EBITA at OS. The LLS segment's reported EBITA is set to improve sharply, although it will remain negative overall. Other LED lamps product groups besides the "spots" will become profitable in the course of fiscal 2015. At CLB, we expect reported EBITA to be explicitly negative, particularly due to sharply rising transformation costs. Reported EBITA for the LS segment will sharply improve and approach the break-even point on an adjusted basis.

Due to sharply rising transformation costs and the resulting substantial decline in reported EBITA we expect to report a sharp decrease in net income for fiscal 2015. Likewise, EPS (earnings per share) will decline. As a result, we will generate a sharply declining return on capital employed (ROCE) in fiscal 2015 compared to fiscal 2014, which will fall explicitly short of our current cost of capital of 7.5%.

### Expected Financing and Liquidity Situation, and Planned Capital Expenditures

In the coming fiscal year, we expect a positive free cash flow in the triple-digit millions of euros, although it will fall short of the level seen in fiscal 2014. This is partly attributable to the fact that transformation costs incurred as part of OSRAM Push take effect on cash outflows subsequent to their effect on earnings. Otherwise, our capital expenditures will also rise significantly, in particular in relation to manufacturing equipment for our new plant in Wuxi, China. The goal is to finance them primarily from ongoing cash inflows and existing liquidity.

Based on our forecast cash inflows and planned expenditures as part of our operating activities, we expect OSRAM to again report a net liquidity and hence a stable financial profile in the next fiscal year, offering us adequate financial flexibility to meet business requirements and master the challenges associated with the transformation.

## Overall Assessment of Expected Developments

Our strong position in the lighting market and our profound knowledge of, and many years' experience in, electrical lighting are the strengths on which we want to build our long-term success in the lighting business. The challenges presented by the market shift toward semiconductor-based lighting are unprecedented in the lighting industry. At the same time, new opportunities are emerging to capture new business areas and gain competitive advantages. By systematically continuing OSRAM Push, our Company-wide, comprehensive, continuous improvement program, we are flexibly and resolutely positioned to adapt to market changes, while at the same time making the most of the

opportunities offered by innovative products and solutions and new business models. Overall, we expect operational business performance to be stable in fiscal 2015. We have resolved to propose a dividend of €0.90 per share to the General Meeting in February 2015. Based on our forecasts for fiscal 2015 and OSRAM's medium-term prospects, we are aiming to keep the dividend constant at €0.90 per share in the following fiscal year, even though this will probably be well above the range provided for in our dividend policy. In this way, we intend to demonstrate our confidence in OSRAM's sustainable and positive performance.

The table below provides an overview of our forecasts for our key performance indicators:

### Expected Developments 2015

	Starting point Fiscal 2014	Expected developments Fiscal 2015
Comparable revenue growth (adjusted for currency translation and portfolio effects)	0.8%	Comparable revenue is expected on the same level as in the prior year.
EBITA margin (adjusted for special items)	8.7%	We expect the adjusted EBITA margin on the same level as in fiscal 2014.
Net income and basic EPS (earnings per share)	€193.1 million and €1.80 per share	Based on sharply increasing transformation costs net income will sharply decrease; likewise basic EPS will decline.
ROCE	9.3%	ROCE—analogue to net income—will likewise be sharply declining.
Free cash flow	€216.0 million	Free cash flow is expected with a positive in the three-digit millions of euros, although it will fall short of the prior year level.
<b>OSRAM Push targets:</b>	<b>Phase I (2012–2014)</b>	<b>Phase II (2015–2017)</b>
Transformation costs	cumulated €599 million— thereof €101 million in 2014	€29 million of cumulated €450 million of transformation costs until September 30, 2017, were realized in 2014— the highest yearly amount of remaining transformation costs are anticipated for fiscal 2015.
Cumulated job reduction until 2017	cumulated 8.7 thousand FTE— thereof 2.1 thousand FTE in 2014	We plan a job reduction of roughly 7.8 thousand jobs until September 30, 2017— therefore—depending on timely consultations and negotiations with employee representatives—in fiscal 2015 again a clear job reduction will occur, whereas we expect the major part of the job reduction in connection with OSRAM Push phase II will occur in 2016 and 2017.
Cost reduction (gross)	cumulated €871 million— thereof €438 million in 2014	We expect a cumulated cost reduction of overall roughly €1.3 billion until September 30, 2014—thereof about €400 million in fiscal 2015.

This forecast is based on various assumptions. Deviations from these assumptions may result in discrepancies between actual business performance and the above forecast. In addition to the macroeconomic trends presented above, our forecast is based on OSRAM Licht Group's multi-year business plan, which includes a series of additional assumptions: Our forecast is based on a U.S. dollar exchange rate at the same level as in the end of fiscal 2014 › Note 33 | Financial Risk Management in the Notes to the consolidated financial statements. We also expect customer price reductions of around 6% for OSRAM as a whole, with OS experiencing an above-average decline, although still less than 10%. In addition, our plans assume that the shift in the lighting market will take place at a certain speed, which is primarily reflected in our segments' revenue trends. The forecast is also based on various assumptions regarding regulatory requirements on phasing out traditional products › Legal and sector-specific conditions, page 44 ff. As a matter of principle, this forecast is based on the assumption that our newly developed products will be successful on the market. Similarly, we assume that the business performance of Clay Paky, which we acquired in the first quarter of 2015, will be successful with revenue of around €60 million. In addition, the earnings forecast assumes that we will achieve the cost savings defined in the OSRAM Push program. We also assume that a timely consensus will be reached with the employee representatives regarding the planned job reductions › OSRAM Push, page 48 ff. Equally, our business plans rely on the successful reorganization of the LS segment and on achieving the break-even of the LED lamp product groups. With regard to taxes, we have assumed a Group tax rate of 30% for fiscal 2015.

### Forward-looking Statements

The combined management report contains forward-looking statements that are based on current management estimates regarding future developments. These statements do not constitute a guarantee that these expectations will prove correct. The future performance of the OSRAM Licht Group and its affiliated companies depends on numerous risks and uncertainties, many aspects of which are outside of OSRAM's sphere of influence. In particular, these include, but are not limited to, the circumstances described in the following › Report on Risks and Opportunities, page 100 ff. As a result, OSRAM's actual results, profits, and performance could differ materially from our forward-looking statements. OSRAM does not plan and does not assume any separate obligation to update the forward-looking statements over and above regulatory requirements.

OSRAM's entrepreneurial activities are determined by risks and opportunities that are primarily impacted by the wide range of our business activities. We make use of a variety of integrated risk management and control systems to identify relevant risks and opportunities at an early stage and to manage them effectively. Avoiding inappropriate risks is the basic principle of our risk policy, which is based on our philosophy of pursuing sustainable and profitable growth and creating economic value. Risk and opportunity management is an integral component of all Group decisions and business processes and sustainably ensures our future business success.

## Risk and Opportunity Management System

We use systematic risk and opportunity management to identify, assess, and manage risks and opportunities. We constantly enhance this and adapt it to new circumstances in light of the changing global environment and the modified corporate structure. Due to its significance for decision-making and business processes, our risk and opportunity management system is implemented in all organizational hierarchies and lines of responsibility.

We use a coordinated set of risk management and control systems which support us in the early recognition of developments jeopardizing the continuity of OSRAM's business and in implementing the necessary measures. The Supervisory Board's Audit Committee is responsible for monitoring the effectiveness of these systems. Group Internal Audit also includes compliance with the corporate policies regarding risk management in its annual audit plan of selected entities. The findings of these audits are taken into account in the continuous improvement process for our risk and opportunity management system. This ensures that the Managing Board and Supervisory Board are fully and promptly informed of material risks and opportunities.

OSRAM's risk and opportunity management system is based on a comprehensive, interactive, and management-oriented Enterprise Risk Management ("ERM") approach. This builds on the worldwide accepted "Enterprise Risk Management—Integrated Framework" developed by the "Committee of Sponsoring Organizations of the Treadway Commission" ("COSO"). The framework connects the ERM process with the Group's financial reporting process and is closely integrated with our internal control system. It incorporates corporate strategy, the efficiency and effectiveness of our business operations, the reliability of our financial reporting, as well as compliance with relevant laws and regulations.

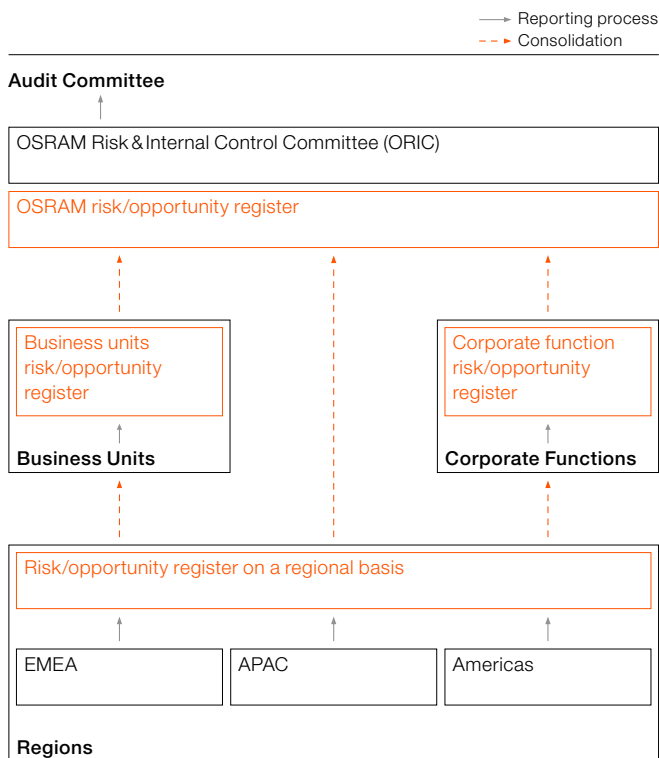
The ERM process aims for early identification and evaluation of, and response regarding, risks and opportunities that could significantly affect the achievement of our strategic, operating, financial, and compliance related targets.

The risk and opportunity management system aims to ensure that all relevant business risks are captured across all business areas. Any event that can have a (positive or negative) influence on business performance beyond the scope of our business planning represents an opportunity or a risk.

- The time frame is generally three years.
- In order to ensure a comprehensive assessment period, the bottom-up identification and assessment process is supported by workshops with the management of the relevant business units, regions, and corporate functions. This top-down element ensures that potential new risks and opportunities are discussed at the management level and if relevant, are included in the subsequent reporting process.
- Reported risks and opportunities are analyzed for potential cumulative effects and aggregated in the OSRAM Risk/Opportunity register.
- Reporting generally takes place on a quarterly basis. This regular reporting process is complemented by an adhoc reporting process that aims to escalate critical issues in a timely manner.

The following chart illustrates the risk management process within the OSRAM Licht Group:

#### Risk Management Process within the OSRAM Licht Group



#### Assessment of Risks and Opportunities

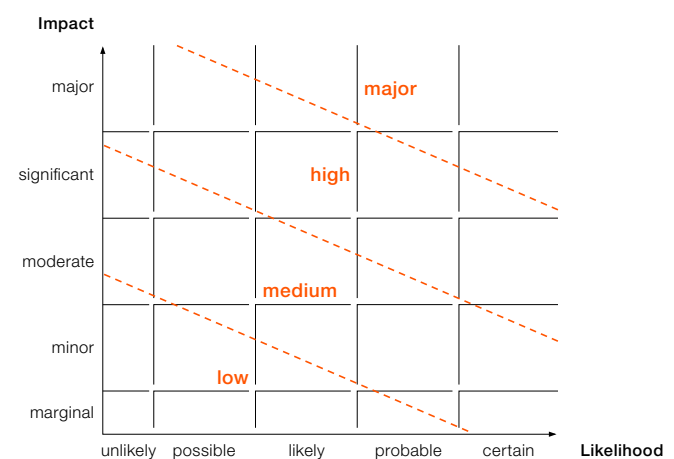
In the following sections the term “risk” is used instead of “opportunity and risk”. A distinction is made between risks and opportunities only where required. In order to determine which risks would appear most likely to jeopardize the continuity of the OSRAM Licht Group’s business, the risks are assessed as part of the ERM process for their impact on our business objectives and their likelihood.

In accordance with our ERM approach, we use the net principle, in which risks are assessed in the context of existing measures such as internal controls or insurance. These measures are included in the net assessment if they are already in effect. Measures that are planned or are in the process of being implemented do not reduce gross risk.

Based on a correlation of their likelihood and impact, risks are classified as “major,” “high,” “medium,” or “low”. Risks are generally not quantified in monetary terms, as the focus is more on the use of qualitative factors that affect our busi-

ness activities to classify their impact, including failure to achieve business objectives, reputational damage, and their ability to tie up management resources. This could indirectly impact our net assets, financial position, and results of operations. Risks can be presented graphically using a heat map. The impact of the risks is plotted on the y-axis and their likelihood is plotted on the x-axis.

#### Heatmap: Risk Classification



Responsibilities are assigned for all relevant risks, with the hierarchical level of responsibility depending on the significance of the respective risk. In a first step, assuming responsibility for a specific risk involves deciding on one of our general response strategies, or a combination of them. Our general response strategies with respect to risk are avoidance, transfer, reduction, or acceptance of the relevant risk. Our general response strategies with respect to opportunities are complete, partial, or no realization. In a second step, responsibility for a risk also involves the development, initiation, and monitoring of appropriate response measures corresponding to the chosen response strategy. These response measures have to be specifically tailored to allow for effective risk management. Accordingly, we have developed a variety of response measures for both risks and opportunities. We have taken out appropriate levels of insurance against potential cases of damage and liability risks in order to reduce our exposure to such risks and to avoid or minimize possible losses. To oversee the ERM process and to further drive the integration and harmonization of existing control activities in line with legal and operational requirements, the Managing Board has grouped responsibility for risk management and the internal control system in a corporate department, and has established the OSRAM Risk

and Internal Control Committee (ORIC). The ORIC is composed of the head of the responsible corporate department and the Managing Board as permanent members. The material consolidated risks and opportunities are reported to the Managing Board in the ORIC, which uses this information to evaluate the risk and opportunity situation across the Group.

## Risks

Below, we describe the risks that could have particularly adverse effects on our business, and on our net assets, financial position, and results of operations, or that are highly likely to occur. The following reported risks are classified as “major” or “high”. The order in which they are presented within the categories reflects the current estimate of OSRAM’s relative exposure and thus gives an indication of the current significance of these risks for OSRAM. The current estimate of the level of risk may change over time. At present, we do not expect to incur any risks that in isolation or in combination would appear to jeopardize the continuity of our business. The risks described for fiscal 2013 did not change significantly in terms of their identification and assessment. However, the risks relating to the competitive environment and the adjustments to our industrial footprint have developed and are now referred to as “market dynamics and competitive environment”, and “adjustments to the organization and the industrial footprint”. Additionally, we have assessed regulatory risks as being more significant, and risks relating to the economic situation as less significant, than in the previous year.

Where it is not explicitly stated that a risk relates to an individual segment, the risks described concern the OSRAM Licht Group.

### Business strategy risks

#### Market developments

The lighting industry is facing a far-reaching technology shift toward semiconductor-based lighting. This shift is changing the market, which may have a material impact on our competitive position. The speed and extent of the transition to semiconductor-based lighting are uncertain. Apart from OS, all segments are affected by these developments, particularly the CLB and LLS segments.

The shift could mean that in certain circumstances we may be unable to respond in good time to a sharper decline in the traditional market by introducing innovative LED products at the same rate. This applies in particular to markets where we wish to defend our leading market position based on tra-

ditional products. In addition, some of our established market access points may be replaced, impacting our competitive position.

We are systematically countering this risk through specific targets set as part of OSRAM Push. OSRAM Push, page 48 ff., our Company-wide, comprehensive, continuous improvement program to adapt business processes, as well as distribution and manufacturing structures. We adequately addressed this risk in fiscal 2014 with the first phase of OSRAM Push. In fiscal 2014, we therefore initiated a second phase of OSRAM Push, comprising measures to be implemented affecting fiscal years 2015 to 2017.

Failure to implement the corresponding measures may have a clear adverse effect on our business and on our net assets, financial position, and results of operations.

#### Market dynamics and competitive environment

In the future, developments in the lighting industry could lead to consolidation and commoditization dynamics. Due to slower market growth and stronger competition, we see an increased risk of consolidation at the start and in the middle of the value chain (upstream/midstream), in particular. In the medium term there is also a risk that possibilities for manufacturers to differentiate themselves on the basis of technological expertise or brand value could diminish. As a result, we could see a situation where manufacturers of general lighting products are forced to differentiate themselves more on price than was previously the case.

As part of OSRAM Push, we regularly check whether we can offset price and inflation risks through productivity measures, which we succeeded in doing in fiscal 2014. OSRAM Push, page 48 ff. and Results of Operations, page 59 ff. Building on this, we review the market for appropriate investments in endogenous and exogenous growth on an ongoing basis.

Failure to implement the corresponding measures may have a clear adverse effect on our business and on our net assets, financial position, and results of operations.

#### Adjustments to the organization and the industrial footprint

OSRAM is reacting to the stronger than anticipated momentum of the technology shift with measures aimed at making our processes more flexible and reducing our fixed cost base. To this end we launched the Phase II of OSRAM Push. OSRAM Push, page 48 ff. in the third quarter of 2014. By doing so, we are taking a holistic approach to ensuring that the Company is fit for the future, with a focus on LED technol-

ogy. The risk here is that the resources affected will be tied up too much during implementation of the measures, thus compromising temporarily the operational performance of our business. In addition, there is a risk that the resolved measures may be implemented behind schedule.

To counter this risk, we closely monitor the progress of the OSRAM Push program implementation.

Failure to implement the corresponding measures may have a clear adverse effect on our business and on our net assets, financial position, and results of operations.

### **Economic situation**

The cyclical nature of the lighting business and the changing general economic environment have resulted in significant volatility in demand for our products in the recent past and, therefore, in the development of our revenues and results of operations. This trend may continue in the future.

Demand for our products is cyclical and the majority of our business is exposed to changes in the general economic environment. Our products serve applications in a very wide range of segments of the general lighting sector such as residential, office, hospitality, outdoor, architectural and industrial lighting, the automotive sector, displays as well as the entertainment industry. Most of these are affected by changes in the economic environment relatively early in the economic cycle. The main exception is the luminaires business; this is more exposed to the construction industry, which is affected rather late in the economic cycle. Furthermore, as our main markets are in Europe, the United States, and Asia, economic developments in these regions have the highest impact on our business activities. A sovereign default or the exit of an EU member state from the eurozone may also have material adverse effects on the global economy and thus on OSRAM's business. In addition, exchange rate fluctuations can have material adverse effects on our revenues and profits and may also affect our competitive position.

Declining demand in our major markets and resulting overcapacity, particularly of a temporary nature, in the area of LED manufacturing could result in us being unable to cover our fixed costs. This would increase the pressure on further restructuring measures.

Due to our cyclical business environment, we make conscious investment decisions and carefully consider whether to make or buy. We also closely monitor the economic situation and have developed alternative courses of action

as part of the OSRAM Push program • OSRAM Push, page 48 ff. to ensure that we are able to react to a change in demand at all times.

Failure to implement the corresponding measures may have a clear adverse effect on our business and our net assets, financial position, and results of operations.

### **Price pressure**

Prices for lighting products have historically been subject to price erosion. This trend could accelerate, both in traditional products, and in particular in relation to the LED business. If these price declines cannot be fully compensated by rising volumes of sold products, we will need to achieve productivity improvements and reduce our costs.

In this context, an efficient supply chain management will, among other things, be of an increasing importance. We regularly review our structures, global and regional presence, and processes in order to identify potential cost savings and to adapt our global and regional reach accordingly. By doing so, we aim to achieve cost savings and operational improvements that will allow us to compensate for falling selling prices, rising raw materials and energy costs, and higher wages.

We have also initiated targeted projects to improve transaction-based and value-based pricing in the area of sales and distribution.

Failure to implement the corresponding measures might have a clear adverse effect on our business and our net assets, financial position, and results of operations.

### **Adjustments to the business model**

The transition toward semiconductor-based products in the lighting industry has significant effects on our competitive position and business model for the reasons explained below; in this context, it is important to distinguish between light-generating LED components and LED products resulting from the forward integration of LEDs (integration of light sources in lamps, luminaires, and/or lighting systems).

The greater longevity of LED products is expected to convert a previously stable replacement lighting business into a new installation business over the next several years. The trend toward more durable light sources will lead to lower replacement demand. Instead of supplying replacement light bulbs, the importance of LED products and complete lighting systems, and of supplying the manufacturers of such systems on a new installation basis, is likely to increase. In turn, this



requires us to align our R&D resources with this development. Moreover, we need to adapt and educate our sales force to develop the necessary technical know-how to be responsive to a new installation business model that will require in particular networking with architects, lighting advisors, and builder-owners. Since luminaires (with integrated light sources) are becoming a more and more important part of both the lighting market and our product portfolio (as compared to the delivery and replacement of lamps), we will need to develop the expertise required to meet this expected shift in demand. If the realignment of the LS segment takes longer than expected, this may also lead to delays in adapting the business model.

We are countering this risk by developing and complying with a list of measures for the LS segment and strategically realigning the OSRAM Licht Group through the OSRAM Push program › OSRAM Push, page 48 ff.

Failure to implement these measures may have an adverse effect on our business, financial position, and results of operations.

### Operating risks

#### Shortage of qualified employees

Competition for qualified employees among companies that rely heavily on engineering and technology is intense. The loss of qualified employees or an inability to attract, retain and motivate highly skilled employees required for the operation, transition, and expansion of our business could limit our ability to conduct research successfully and to develop and sell marketable products. Competition for qualified personnel is particularly intense in the area of R&D, engineering, and the project business (qualified LED sales people). We could also lose senior managers who are important to our business and for the structural changes required.

Succession planning, identifying and developing talent, and dedicated employee development programs are therefore a global focus. Among other things, we have a concept for developing talent and our Open Mentoring program

› Social Aspects, page 92 ff. We have also expanded our social media presence and are using these channels to recruit new employees in order to sustainably secure our position as an attractive employer.

Failure to implement these measures may have a clear adverse effect on our business and on our net assets, financial position, and results of operations.

#### Launch of new products

The lighting industry is facing rapid changes in technology, frequent new product introductions, shorter and shorter product life cycles and changes in customer preferences, as well as increasing price competition. Our future business success therefore largely depends on our ability to offer innovative products tailored to our customers' needs. We need to continuously optimize our product range in order to respond quickly to the latest technological developments. This requires, among other things, significant expertise, qualified employees, and considerable investment in R&D. The successful implementation and introduction of new products depends on various factors, such as:

- Developing technical innovations and protecting them using patents, so as to be able to manufacture commercially attractive products;
- Correctly assessing market demand and prevailing standards;
- “Phase in” and “phase out” processes that are optimally aligned with this;
- The acceptance of new technologies in the markets in which we operate; and
- The sale of sufficient volumes to cover fixed costs.

If our competitors succeed in developing their current products and technologies more quickly or to sell them in greater numbers than ourselves, this could have negative implications for the products offered by us. The same is true if alternative products or technologies are launched on the market that are more attractively priced, of a higher quality, more functional, or more competitive for other reasons than ours.

To counter this risk, we apply an integrated product road-mapping process, which is based on our analysis of trends as well as of market and customer requirements. We also use a multi project management approach to launch products in all segments.

Failure to implement these measures may have an adverse effect on our business and on our net assets, financial position, and results of operations.



## Legal and compliance risks

### Regulatory risks

Some of our production facilities and sites have been used for industrial purposes for decades and are contaminated in individual cases. Accordingly, we are exposed to environmental liability risk, general regulatory risk, and risk related to changes in the regulatory framework. Known cases of contamination of land that was previously or is currently owned by us concern Germany, the U.S.A., Russia, and Brazil, in particular. Even if we are not responsible for this contamination, we might have a statutory or contractual obligation to investigate it and potentially to clean it up.

We counter this risk by taking targeted measures in relation to the locations known to us, which are monitored in our Environmental Protection, Health and Safety (EHS) Management System. In addition, our selling process involves a conscious decision regarding the transfer of liability.

Failure to implement these measures might have a clear adverse effect on our business, and on our net assets, financial position, and results of operations.

### Legal proceedings

As an international technology company, we are exposed to various legal risks. These include contractual risk, liability risk in connection with non-contractual matters (e.g., advertising claims), and the risk of third parties making claims or bringing legal action for violations of their trademark, patent, or other rights. For additional information regarding specific legal disputes » Note 29 | Legal Proceedings in the Notes to the consolidated financial statements. Third-party claims for damages are averted or kept to a minimum by our internal legal department and the lawyers engaged by us, who defend our position in all legal disputes. In addition, we enter into patent cross-licensing agreements and take out insurances in advance. However, our insurances does not provide cover for reputational damage. In addition, legal disputes and proceedings could cause us to suffer losses that exceed the insured sum, are not covered by the insurance, or exceed any provisions for legal disputes. Finally, no assurance can be given that we will still be able to obtain adequate insurance cover on economically appropriate terms in the future.

Failure to implement these measures might have a clear adverse effect on our business and on our net assets, financial position, and results of operations » also Note 28 | Other Financial Commitments and Contingent Liabilities and Note 26 | Provisions in the Notes to the consolidated financial statements.

## Financial market risks

The OSRAM Licht Group is exposed to a variety of financial market risks which are continuously monitored and managed separately by our Treasury department, and a variety of strategies, particularly the use of derivative financial instruments, are employed to reduce these » Note 33 | Financial Risk Management in the Notes to the consolidated financial statements.

## Opportunities

We also regularly identify, evaluate and respond to the opportunities arising for OSRAM using our comprehensive, interactive, and management-oriented ERM approach. The assessment methodology is the same as that applied to the assessment of risks. The opportunities reported below are classified as “high,” “medium,” or “low.” The order in which the opportunities are presented within the categories reflects the current estimate of OSRAM’s relative exposure and thus provides an indication of the opportunities’ current importance for OSRAM. This current estimate of our exposure to the opportunity may change over time. Changes have occurred with respect to our opportunities, since fiscal 2013. In particular, an opportunity related to legal proceedings was realized. We also either implemented or incorporated into the business plan the employee development measures resolved for fiscal years 2012 to 2014. We are classifying the opportunity of the traditional market remaining stable for longer than expected as increasingly less probable than at the end of fiscal 2013. In addition, new opportunities were identified, which are also described below.

Where it is not explicitly stated that an opportunity relates to an individual segment, the opportunities described concern the OSRAM Licht Group.

### Strategic business opportunities

#### Customizing products for local markets

Most of our product portfolio meets high regional or supra-regional standards and is adapted to new statutory requirements on an ongoing basis. For example, the entire portfolio has been modified to meet the technical requirements, including warm-up times and switching cycle, set out in the EU’s new ERP 5 standard. Compliance with these standards guarantees the excellent quality of our products for our demanding customers in the area of both professional and consumer applications. In addition to this premium market segment, there is another segment where price is the main purchase criterion. This segment is particularly significant in the area of consumer applications and in developing countries. We believe that adapting products to local standards,

particularly in developing countries and emerging markets, offers opportunities to generate profitable business.

By adapting product specifications to local standards, we aim to enhance our cost position in the low price segment, so that we can implement lower selling prices. This could possibly also be achieved in combination with local production or the purchase of local products.

If this opportunity materializes, it may have a clear positive impact on our business activities as well as on our net assets, financial position, and results of operations.

#### **Expertise along the entire value chain**

We believe that our combined know-how in the areas of traditional and LED technology, together with our deep understanding of lighting applications, will be important success factors in our transition to LED products. Based on our technological and innovation strength, we believe that we have a leading revenue position in most lighting technologies and applications. OSRAM offers a comprehensive product portfolio including both traditional and LED products. In our opinion, this provides an excellent platform for the shift to energy-efficient lighting products. Our global sales force supports our leading position and high brand awareness across all regions, as is demonstrated by our highly diversified customer portfolio right across our balanced sales channel mix. In addition, we have optimized our operating processes and have a well-established global sourcing and manufacturing footprint designed to ensure accelerated, market-driven product launch times based on shorter innovation cycles.

The result of our combined core strengths is reflected in the success of our OSRAM brand, which is a global pure-play lighting brand. We plan to leverage the trust that is associated with our global lighting brand in order to strengthen our downstream business in the areas of luminaires and complete lighting solutions. We see an opportunity here for further selective forward integration plus the expansion of our offering of value-added services.

We are presumably able to utilize this opportunity thanks to our product development activities, which use a modular platform strategy based on roadmaps to coordinate and align markets and trends, products and technologies, and resources and competencies, as well as our R&D activities

› also Research and Development, page 87 ff.

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

#### **Accelerated introduction of lighting applications, products, and technologies**

In recent years, OSRAM has expanded its business model to include professional lighting solutions. The implementation of customized, energy-efficient, and innovative lighting concepts will represent a growing business segment in the future as well.

Our market position is strengthened by our systematic, forward-looking investments in innovative lighting technologies. Our efforts also extend to optimizing our business processes. We want to structure our processes so as to accelerate product launch speeds, giving us a competitive edge and allowing us to achieve higher price points.

To take advantage of this opportunity, we use an integrated roadmapping process, which is based on an analysis of trends as well as of market and customer requirements. We also use a multi project management approach to launch products in all segments.

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

#### **Expansion into adjacent market segments**

We offer future-oriented products and solutions along the entire lighting value chain. The products thus cover a number of application areas, such as residential, office, industrial, gastronomy, outdoor, and architectural uses. In addition to the products and solutions already available, we have ideas and development projects for what are currently white spots on the map such as intelligent lighting or applications above and beyond light. We see the opportunity here for further growth in market segments that do not belong to the traditional lighting value chain.

We are able to benefit here from our strong R&D position—something that is reflected in the external awards we win, among other things › Research and Development, page 87 ff.

If this opportunity materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

### Strategic acquisitions and partnerships

We believe that our present platform, including Siteco, Traxon, and Clay Paky, means we are well positioned to deploy our know-how and provide integrated solutions. To further exploit our potential, we may consider selective value-adding acquisitions, joint ventures, and partnerships in the future.

To ensure we can utilize this opportunity, we review the market for appropriate investments in endogenous and exogenous growth on an ongoing basis. In addition, we have entered into partnerships, for example in connection with our “Lightify” lighting system.

If this opportunity materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

### Opportunities related to organizational and process-related improvements

Continuous improvement of key business processes with respect to agility, speed, and cost-efficiency is essential to ensure our sustained profitability. We believe that we have not yet fully exhausted the possibilities for further optimizing our cost structures and the quality of our business processes within the Group. It is therefore our goal to create a more efficient and effective organization through harmonization and consolidation.

We see further potential for organizational improvements by streamlining our sales and distribution structures and making them more customer-focused, with the aim of ensuring better and faster service.

As part of our continuous improvement program, OSRAM Push › OSRAM Push, page 48 ff., we are implementing a dedicated project to ensure that we utilize this opportunity.

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

### Operating opportunities

#### Efficiency gains in the traditional lamps business

Our product portfolio includes a large number of traditional products that meet various customer needs, including different sockets and wattages. This offers opportunities for specifically cutting costs and production facilities in the traditional product area by limiting the product range to the essentials, i.e., by reducing the complexity of the portfolio and the products available. Stabilizing of selling prices is particularly important here.

To utilize this opportunity, we have launched an initiative to reduce complexity in sales and distribution, warehousing, and production. We also use a centralized price management system.

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

### Other opportunities

#### Personnel opportunities

Highly qualified specialists and managers are crucial to OSRAM's success. Among other things, we use 360-degree feedback to develop these employees. We also aim to foster a sense of loyalty to OSRAM and do so by conducting global employee surveys, for example. Based on the results, specific action plans and measures have been or are being developed to shape and take forward the change process within the Company. We want the surveys to tell us how successful we have been so far. At the same time, it is important for us to identify subjects and areas where we still need to make adjustments or improvements. This feedback helps us to manage the current change process sustainably and in a focused manner.

Our corporate Human Resources department analyzes the results and keeps close track of the progress made in implementing the measures.

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

### Licensing of patents

Intellectual property, which includes patents, utility models, designs, copyrights, and trademarks, as well as trade secrets and know-how, is particularly important in our business. Our standard practice is to seek patent protection for technical solutions that are important for products in our business. The OSRAM Licht Group regularly files patent applications in countries of major economic significance as well as in countries where competitors' manufacturing sites are located. These countries include Germany, the U.S.A. and China, but also other European and Asian countries and occasionally other countries.

Important patents held by the OSRAM Licht Group relate especially to technical solutions for LED components and products as well as to technical solutions for traditional light sources, related electronics, and the components and pre-materials used.

The lighting industry and in particular the LED industry is characterized by a significant number of patents and patent cross-license agreements between manufacturers. In addition, OSRAM has granted one-way licenses in certain fields for which we receive license fees. We see opportunities in this area to grant licenses to other interested parties.

To utilize this opportunity, we systematically pursue our patent strategy.

If this opportunity materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

### Overall Assessment of Risks and Opportunities

The OSRAM Licht Group consolidates all risks and opportunities reported by its various regions, business units, and corporate functions as part of its risk and opportunity assessment process, which is conducted on a quarterly basis. Compared to prior year there was no significant modification to the overall assessment of risks and opportunities on group level. Risks result particularly from the shift to LED technology, the failure or delay in implementing the countermeasures defined as part of OSRAM Push, the impact of the faster rate of change on the market, and the competitive environment. We see our key opportunities in currently unoccupied local markets, in new products as well as along the value chain, but also in adjacent market segments. Taking into account the likelihood and the potential impact of the risks described in this report, and given our sound balance sheet structure and current business outlook, the Managing Board does not foresee any material danger to the viability of the OSRAM Licht Group as a going concern. Further support for this assessment comes in particular from our financing structure [also Financing and Liquidity Analysis, page 74 ff.](#)

The Managing Board remains confident that the Group's earnings strength forms a solid basis for our future business development and provides the resources needed to pursue the opportunities available to the OSRAM Licht Group. The Managing Board considers the risks described above to be manageable from today's perspective, and does not expect to incur any risks that either individually or in the aggregate would appear to endanger the continuity of our business.

### Key Features of the Accounting-related Internal Control and Risk Management System

The following information contains disclosures in accordance with sections 289 (5) and 315 (2) no. 5 of the Handelsgesetzbuch (HGB—German Commercial Code) and an explanatory report.

The overarching objective of our accounting-related internal control and risk management system is to ensure orderly financial reporting in the sense that the consolidated financial statements and Group management report comply with all relevant requirements.

As described in the section entitled "Opportunity and Risk Management System," our ERM approach is based on the globally accepted "Enterprise Risk Management—Integrated Framework," which was developed by COSO. Since one of the objectives of this framework is to ensure the reliability of financial reporting, it also contains an accounting-related perspective. The accounting-related internal control system ("control system") we introduced is based on the internationally recognized "Internal Control—Integrated Framework," which was also developed by COSO. The two systems supplement each other. For example, identified risks can reveal gaps in the control system which could be closed by implementing and monitoring new controls. Conversely, monitoring the control system can lead to the discovery that certain risks are not being managed as effectively as originally thought.

OSRAM has a standardized procedure for monitoring the effectiveness of the control system at Group level. As part of this procedure, necessary controls are defined, documented according to uniform procedures, and regularly tested for their effectiveness.

OSRAM Licht AG's management is responsible for establishing and effectively maintaining appropriate controls for financial reporting, and examines the appropriateness and effectiveness of the control system at the end of each fiscal year. Management established the effectiveness of the internal controls for financial reporting as of September 30, 2014. However, every control system has certain restrictions in terms of its effectiveness. No control system—even if it has been assessed as effective—can prevent or uncover every instance of inaccurate data.

The conceptual framework for preparing the consolidated financial statements largely consists of the uniform Group accounting policies and the chart of accounts, which are both issued by the Accounting and Financial Reporting department and must be applied consistently by all units. New legislation, accounting standards, and other official pronouncements are continuously analyzed in terms of their relevance and their effects on the consolidated financial statements and the combined management report. Where necessary, our accounting policies and chart of accounts are adjusted accordingly. The accounting departments at OSRAM Licht AG and its subsidiaries are informed about current topics affecting accounting and the process of preparing the financial statements, and about deadlines that must be adhered to, in monthly closing letters. The conceptual and scheduling requirements, and the monitoring of compliance with them, aim to mitigate OSRAM's risk of being unable to prepare or publish the consolidated financial statements appropriately and within the required deadlines.

The base data used in the preparation of the consolidated financial statements comprises the closing data reported by OSRAM Licht AG and its subsidiaries, which in turn is based on the accounting entries made in the units. Our internal Shared Services organizations offer services for the majority of the subsidiaries in Europe and Asia. In the area of bookkeeping, these services relate, among other things, to the preparation of financial statements, the general ledger, and accounting for receivables, payables, and assets. In addition, we draw on support from external service providers for certain topics that require specialist knowledge, such as the valuation of pension obligations.

The consolidated financial statements are prepared in the consolidation system on the basis of the closing data reported. The responsible employees in the Group Consolidation department perform the consolidation processes and monitor compliance with the conceptual and scheduling requirements.

The steps to be performed in order to prepare the consolidated financial statements are subject to both manual and system controls at all levels. This involves automatically checking the closing information delivered for coherency and consistency from an accounting perspective. The causes of any validation or warning messages must be corrected by the Group unit delivering the data before the closing data is finally approved.

The employees involved in the accounting and reporting process are assessed for their professional aptitude during the selection process and subsequently receive training as required. The basic principle at all levels is that of dual control. Furthermore, the closing data must undergo certain approval processes at all levels. Other control mechanisms include variance analyses, and analyses of the composition of and changes in the individual items, for both the closing data reported by Group units and the consolidated financial statements.

Access authorizations are defined in the accounting-related IT systems in order to ensure that accounting-related data is protected against unauthorized access, use, and change. Every entity included in the consolidated financial statements is subject to the corporate guidelines on information security. This aims to ensure that the users of such IT systems only have access to the data and systems they need to perform their work.

The management of the subsidiaries included in the consolidated financial statements, of the business units, and of certain central corporate units confirm the correctness of the financial data reported to Group headquarters and the effectiveness of the relevant control systems on a quarterly basis.

In addition, we have established a Disclosure Committee comprising selected heads of central corporate units, whose task it is to check specific financial and non-financial data before publication.

The Supervisory Board is also included in the control system via the Audit Committee. In particular, the latter monitors the accounting and reporting process, the effectiveness of the control system, risk management system, and internal audit system, and the audit of the financial statements. It also examines the documents relating to OSRAM Licht AG's single-entity financial statements and to the consolidated financial statements, and discusses OSRAM Licht AG's single-entity financial statements, the consolidated financial statements, and the combined management report with the Managing Board and the auditors.

The activities of our Internal Audit function constitute another element of our control system. OSRAM's Internal Audit function performs continual, Group-wide audits to ensure that guidelines are being complied with, and that the reliability and proper functioning of our control system, as well as the appropriateness and effectiveness of our risk management system, are assured.

#### Additional information regarding OSRAM Licht AG's single-entity financial statements (HGB)

As the parent company of the OSRAM Licht Group, OSRAM Licht AG is included in the Group-wide accounting-related internal control system described above. The disclosures made above also apply in principle to OSRAM Licht AG's HGB single-entity financial statements.

The consolidated financial statements are prepared in accordance with IFRSs. If necessary (for example, for the single-entity financial statements in accordance with German commercial law, or for tax purposes), reconciliations are made to the relevant requirements at account level. Correctly calculated IFRS closing data therefore also represents an important basis for OSRAM Licht AG's single-entity financial statements. A HGB chart of accounts supplements the above-mentioned conceptual framework in the case of OSRAM Licht AG and other Group companies accounted for in accordance with the HGB.

The above-mentioned manual and system control measures also apply in principle to the reconciliation of IFRS closing data to the HGB single-entity financial statements. The disclosures on the systematic monitoring of the appropriateness and effectiveness of the accounting-related internal control system apply only to the consolidated financial statements under IFRS.



# Takeover-related Disclosures, Remuneration Report and Corporate Governance Declaration

## **Takeover-related Disclosures (in Accordance with Section 289 (4) and Section 315 (4) of the HGB) and Explanatory Report for Fiscal 2014**

### **Structure of the common stock**

As of September 30, 2014, the Company's common stock (capital stock) amounted to €104,689,400 (previous year: €104,689,400). In accordance with Article 4(2) of the Articles of Association, the capital stock is composed of 104,689,400 (previous year: 104,689,400) registered no-par value shares with a notional interest of €1.00 per share. The shares are fully paid in. In accordance with Article 4(3) sentence 1 of the Articles of Association, shareholders are not entitled to require certification of their shares provided that this is permitted by law and certification is not required under the rules applicable for a stock exchange on which the shares are admitted for trading. Individual certificates or global certificates for shares can be issued. In accordance with section 67 (2) of the Aktiengesetz (AktG—German Stock Corporation Act), only shareholders who are entered as such in the share register are deemed to be shareholders in relation to the Company. Shareholders who are natural persons must provide the Company with their name, address, and date of birth for entry in the share register, while shareholders who are legal persons must supply the company's name, business address, and registered office; both types of shareholder must communicate the number of shares held by them.

The same rights and obligations attach to all shares. Each share entitles the holder to one vote at the General Meeting and serves as the basis for determining the shareholder's share in the Company's profits. This does not apply to treasury shares held by the Company, which do not give rise to any rights for the Company. Details of the rights and obligations of the shareholders are contained in the provisions of the AktG, in particular in sections 12, 53a et seq., 118 et seq., and 186 of the AktG.

### **Restrictions affecting the voting rights or the transfer of shares**

Restrictions of the voting rights attached to shares can result in particular from the provisions of stock corporation law, such as section 136 of the AktG. Furthermore, the Company is not entitled to any voting rights in respect of treasury shares in accordance with section 71b of the AktG. Breaches of the notification requirements within the meaning of section 21 (1) and (1a) of the Wertpapierhandelsgesetz (WpHG—German Securities Trading Act) could lead to rights attached

to shares and also the right to vote being invalid at least temporarily in accordance with section 28 of the WpHG. We are not aware of any contractual restrictions on voting rights.

Shares that were issued in September 2014 to employees of participating OSRAM Licht Group companies (comprising OSRAM Licht AG and its direct and indirect subsidiaries) under an employee participation program in Germany are subject to a six-month lock-up period ending as of the end of February 27, 2015.

In connection with the initial listing of OSRAM Licht AG shares on July 8, 2013, members of the Managing Board of OSRAM Licht AG and other senior executives of the OSRAM Licht Group were granted a transaction bonus in the form of OSRAM Licht shares, which will be transferred to the beneficiaries four years after the listing. Each beneficiary may require transfer prior to this date in four equal annual tranches; it became possible to require the transfer of the first tranche as of October 2013 and the second tranche as of July 2014. If such an advance transfer of shares was made or will in future be made, a mandatory holding period of four years from the date of listing on the stock exchange applies to these shares.

### **Interests in the capital exceeding 10% of the voting rights**

Siemens Beteiligungen Inland GmbH, which has its registered office in Munich and which to our knowledge is a wholly-owned subsidiary of Siemens Aktiengesellschaft, whose registered offices are in Berlin and Munich, holds 17,797,198 shares as of the reporting date, representing 17% of OSRAM Licht AG's voting rights. We have not been notified of other direct or indirect interests in the Company's capital that reach or exceed 10% of the voting rights, and we are not otherwise aware of any such interests.

### **Shares conveying special control rights**

There are no shares conveying special control rights.

### **System of control of voting rights if employees are shareholders and do not exercise their control rights directly**

To the extent that OSRAM Licht AG has issued or issues shares to employees in connection with its initial listing and the employee participation program in September 2014, these are transferred directly to the employees. The eligible employees can exercise the control rights arising out of the employee shares directly, like other shareholders, in accordance with the statutory provisions and the provisions of the Articles of Association.

### Statutory provisions and provisions of the Articles of Association governing the appointment and dismissal of members of the Managing Board and amendments to the Articles of Association

The appointment and the dismissal of members of the Managing Board are governed by sections 84 and 85 of the AktG and by section 31 of the Mitbestimmungsgesetz (MitbestG—German Co-determination Act). In accordance with section 84 (1) sentence 1 of the AktG, members of the Managing Board are appointed by the Supervisory Board for a maximum of five years. Reappointment or extension of the term of office is permitted for a maximum of five years in each case. In accordance with section 31 (2) of the MitbestG, a majority of at least two-thirds of the members of the Supervisory Board is required to appoint members of the Managing Board. If no appointment can be made in line with this, the Supervisory Board's Mediation Committee must issue a recommendation to the Supervisory Board regarding the reappointment within one month of the vote. The Supervisory Board will then appoint the members of the Managing Board by way of a majority of its members' votes. If no appointment can be made even after this, a new round of voting shall be held in which the Chairman of the Supervisory Board has the casting vote. In accordance with section 31 (5) of the MitbestG, the aforementioned provisions also apply with the necessary modifications to the revocation of the appointment of members of the Managing Board.

Article 5(1) of the Articles of Association specifies that the Managing Board shall consist of several persons; the number of members of the Managing Board is determined by the Supervisory Board. The Supervisory Board can appoint a Chairman and a Deputy Chairman of the Managing Board, in accordance with section 84 (2) of the AktG and Article 5 (2) of the Articles of Association. If the Managing Board is lacking a necessary member, the member shall be appointed by the court in urgent cases at the request of a party concerned, in accordance with section 85 of the AktG. In accordance with section 84 (3) of the AktG, the Supervisory Board can revoke the appointment of a member of the Managing Board and the appointment as Chairman of the Managing Board for good cause.

In accordance with sections 119 (1) no. 5 and 179 of the AktG, a resolution of the General Meeting is required to amend the Articles of Association. Article 9 (4) of the Articles of Association gives the Supervisory Board the power to make amendments to the Articles of Association that affect the wording only. In addition, the Supervisory Board was authorized by resolutions of the OSRAM Licht AG General

Meeting on June 14, 2013, to amend the Articles of Association to reflect any utilization of Authorized Capital 2013 and Contingent Capital 2013, and following expiration of the relevant authorization periods.

Resolutions of the General Meeting require a simple majority of votes and, if a capital majority is required, the simple majority of the capital stock represented at the time of the resolution, to the extent that the law does not prescribe a larger majority (Article 17 (2) of the Articles of Association). This means that General Meeting resolutions amending the Articles of Association also require a majority of the capital stock represented at the time of the resolution, as well as a simple majority of the votes, to the extent that the law does not prescribe a larger majority.

### Powers of the Managing Board to issue or repurchase shares

By way of a resolution of the General Meeting on June 14, 2013, the Managing Board was authorized to increase the Company's capital stock, with the approval of the Supervisory Board, by up to €52,344,700 by issuing up to 52,344,700 registered no-par value shares against cash and/or non-cash contributions in the period until February 28, 2018 (Authorized Capital 2013). The Managing Board is authorized, with the approval of the Supervisory Board, to disapply preemptive rights in full or in part in the case of capital increases against non-cash contributions. In the case of cash capital increases, preemptive rights can be disappplied

- 1 to settle any fractional amounts,
- 2 to issue shares to Company employees, and to employees and members of the executive boards of subordinate affiliated companies, to the extent permitted by law also in a way that the contribution to be made for them is covered by that portion of the annual net income that the Managing Board and Supervisory Board could transfer to other revenue reserves in accordance with section 58 (2) of the AktG,
- 3 to grant holders of conversion rights or options that were or will be issued by the Company or its Group companies preemptive rights to new shares if this is necessary to service acquisition obligations or acquisition rights, or to prevent dilution, and
- 4 if the issue price of the new shares is not significantly lower than the quoted market price, and the shares issued in accordance with section 186 (3) sentence 4 of the AktG (disapplying preemptive rights, against cash contributions, and at an issue price not significantly lower than quoted market price), together with other shares issued or sold during the effective period of this authorization until the time this authorization is utilized in accordance with or in line with



this statutory requirement, do not in total exceed 10% of the capital stock, either when the authorization takes effect or when it is exercised. Further details are contained in Article 4 (5) of the Articles of Association.

By way of a resolution of the General Meeting on June 14, 2013, the Managing Board was authorized to issue, in the period until February 28, 2018, bonds in an aggregate principal amount of up to €300,000,000 with conversion rights, or options evidenced by warrants, or a combination of these instruments, for up to a total of 10,207,216 registered no-par value shares in OSRAM Licht AG with a total share in the capital stock of up to €10,207,216. The bonds under this authorization are to be issued against cash payment. Further details are contained in the authorizing resolution. In particular, under this authorization, bonds must generally be offered to the shareholders for subscription; they can also be issued to banks with the condition that they offer them to shareholders for subscription. However, the Managing Board is authorized, with the approval of the Supervisory Board, to disapply preemptive rights

- 1 if the issue price for a bond is not significantly lower than its theoretical fair value calculated using accepted valuation techniques,
- 2 if this is required to settle fractional amounts arising as a result of the subscription ratio, and
- 3 to grant preemptive rights to the holders or creditors of conversion rights/options for the Company's shares or equivalent conversion/option obligations, so as to compensate for dilution.

To provide shares to the holders or creditors of convertible bonds or bonds with warrants that are issued on the basis of the Managing Board's authorization, the capital stock was contingently increased by up to €10,207,216 by issuing up to 10,207,216 registered no-par value shares (Contingent Capital 2013). Further details are contained in Article 4 (6) of the Articles of Association.

In accordance with section 186 (3) sentence 4 of the AktG, the total amount of shares that can be issued on the basis of bonds under this authorization may not, together with other shares issued or sold in accordance with or in line with this statutory provision during the effective period of these authorizations, exceed 10% of the capital stock, either when the authorization takes effect or when it is exercised. Shares that were issued until these points in time on the basis of the Authorized Capital 2013, any other authorized capital, or through sales of treasury shares for which the preemptive rights of the shareholders are disappplied, must also be counted towards this limit.

The Company's Managing Board is authorized to repurchase treasury shares and to sell repurchased shares in the cases laid down by law in section 71 of the AktG. On June 14, 2013, the General Meeting authorized the Managing Board of the Company, in accordance with section 71 (1) no. 8 of the AktG, to acquire treasury shares totaling up to 10% of the capital stock existing since July 5, 2013, in the amount of €104,689,400, or—if this amount is lower—the capital stock existing in each case in which the authorization is exercised in the period until February 28, 2018.

The shares purchased on the basis of this authorization may not, together with other Company shares that the Company has already purchased and still holds, or that are attributable to it in accordance with sections 71d and 71e of the AktG, account for more than 10% of the capital stock at any point. The acquisition of OSRAM Licht shares can be made at the Managing Board's discretion

- 1 as a purchase via the stock exchange,
- 2 by way of a public purchase offer,
- 3 by way of a public invitation to all shareholders to submit an offer to sell, or
- 4 by granting shareholders put options.

In addition to selling treasury shares acquired on the basis of these or earlier authorizations via the stock exchange or via an offer to all shareholders, the Managing Board was also authorized by way of a resolution of the General Meeting of June 14, 2013, to do the following:

- 1 to redeem them,
- 2 with the approval of the Supervisory Board, to offer and transfer them to third parties against non-cash consideration, particularly in the course of mergers or when companies, parts of a company, or equity interests are acquired,
- 3 with the approval of the Supervisory Board, to sell them to third parties against cash payment, if the price at which the OSRAM Licht shares are sold is not significantly lower than the quoted market price of an OSRAM Licht share at the time of sale,
- 4 to use them to fulfill acquisition obligations or acquisition rights to OSRAM Licht shares arising from or in connection with convertible bonds or bonds with warrants issued by the Company or one of its Group companies, or
- 5 to offer them for purchase to persons who are or were employed by the Company or by one of its affiliated companies, and to members of executive or supervisory bodies of the Company's affiliated companies, or to grant or transfer them subject to a lock-up period of not less than two years, in which case the condition of employment or membership of an executive or supervisory body must be met at the time of the offer or pledge.

In the case of (5), the shares can also be offered, granted, or transferred to beneficiaries in connection with the admission of the Company's shares to trading on the stock exchange, on the condition that the shares in question must be held until the end of a holding or lock-up period of at least six months following the listing or transfer. The shares utilized in accordance with section 186 (3) sentence 4 of the AktG on the basis of the authorization in line with (3) and (4) may not, together with other shares issued or sold during the effective period of this authorization until their utilization in accordance with or in line with this statutory provision, altogether exceed 10% of the capital stock at this time.

In addition, the Supervisory Board was authorized by way of a resolution of the General Meeting on June 14, 2013, to use the acquired treasury shares, to the extent that they do not have to be used for another specific purpose, to service acquisition obligations or acquisition rights to OSRAM Licht shares that were or are agreed with members of the Managing Board of OSRAM Licht AG as part of the arrangements for Managing Board remuneration. They can also be granted or transferred to the members of the Managing Board or future members of the Managing Board, as part of the arrangements for Managing Board remuneration, for purchase or with a holding or lock-up period, which shall end at the earliest at the end of the second day following the publication of the business results in the fourth calendar year after the year of the grant or transfer (whichever is earlier). The shares can also be offered, granted, or transferred to the beneficiaries in connection with the admission of the Company's shares to trading on the stock exchange, on the condition that the shares in question must be held until the end of a holding or lock-up period of at least six months.

As of September 30, 2014, the Company held 102,145 treasury shares (previous year: 198,104).

#### Material agreements of the Company that are subject to a change of control upon a takeover bid, together with the resulting effects

OSRAM GmbH and OSRAM Licht AG are parties to a loan agreement with a banking syndicate for credit facilities including a revolving facility with a maximum total volume of €1.09 billion. This provides for the right of each creditor to require early repayment in the event that a person or group of persons acting together (with the exception of Siemens AG and its subsidiaries) acquires 50% or more of the voting rights of OSRAM Licht AG or OSRAM GmbH. If this termination right were to be exercised, this could result in the funding for the OSRAM Licht Group's ongoing business operations potentially being unsecured, at least temporarily.

#### Compensation arrangements agreed by the Company with the members of the Managing Board or employees in the event of a takeover bid

In the event of a change of control—that is, if one or several shareholders acting together acquire the majority of OSRAM Licht AG's voting rights and exercise a controlling influence, or if OSRAM Licht AG becomes a dependent company by entering into an intercompany agreement within the meaning of section 291 of the AktG, or if OSRAM Licht AG is merged into another company—each member of the Managing Board has the right to resign their position, resulting in the simultaneous termination of their employment contract, if the change of control results in a significant change in their role. Members of the Managing Board are entitled to a severance payment amounting to a maximum of two years' remuneration on termination of their employment contracts. In addition to the basic remuneration and the bonus actually received, the calculation of the severance payment includes the monetary value of the stock awards granted, based on the last fiscal year ended prior to the termination of the contract in each case. The severance payment is reduced by 15% of the portion of the severance payment that was calculated without taking into account the first six months of the remaining contract term to reflect a flat-rate discount and to offset earnings from other sources. In addition, non-cash benefits are compensated for by a payment in the amount of 5% of the severance payment. Share-based remuneration components granted in the past and claims to the transfer of outstanding OSRAM Licht shares from the transaction bonus granted at the time of the initial listing remain unaffected and will be transferred on the scheduled date in each case. The member of the Managing Board is not entitled to a severance payment to the extent that they receive payments from third parties on the occasion of or in connection with the change of control. No termination right exists if the change of control takes place within less than twelve months before the member of the Managing Board retires. Further details are contained in the › Remuneration Report, page 22 ff.

OSRAM Licht AG does not have any employees of its own. Equally, it has not agreed any compensation arrangements with members of the managing boards or managing directors, or with employees of direct or indirect subsidiaries in the event of a takeover bid (excluding the aforementioned arrangements with members of the Managing Board of OSRAM Licht AG who are simultaneously managing directors of the subsidiaries OSRAM GmbH and OSRAM Beteiligungen GmbH).

## Remuneration Report

The remuneration report summarizes the principles used to determine the total remuneration of the members of the Managing Board of OSRAM Licht AG and explains the structure and amount of the compensation paid to the members of the Managing Board. It also describes the principles and amount of the compensation paid to the members of the Supervisory Board. These disclosures in accordance with section 315 (2) no. 4 of the Handelsgesetzbuch (HGB—German Commercial Code) and sections 4.2.4, 4.2.5, and 5.4.6 subsection 3 of the “German Corporate Governance Code” are contained in the remuneration report ›chapter Corporate Governance, page 17 ff. The remuneration report is a component of the combined management report.

## Corporate Governance Declaration in Accordance with Section 289a of the HGB

The corporate governance declaration in accordance with section 289a of the HGB is a component of the combined management report and is published on our website under ›[www.osram-licht.ag/en/corporate\\_governance/german\\_corporate\\_governance\\_code/](http://www.osram-licht.ag/en/corporate_governance/german_corporate_governance_code/). The corporate governance declaration can also be found in ›chapter Corporate Governance, page 17 ff.

# OSRAM Licht AG

## Disclosures in Accordance with the HGB

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In contrast to the consolidated financial statements, OSRAM Licht AG's annual financial statements are prepared in accordance with the provisions of the Handelsgesetzbuch ("HGB"—German Commercial Code), rather than International Financial Reporting Standards as adopted by the European Union ("IFRSs").

### Business and Operating Environment

OSRAM Licht AG is not an operating company; it performs a strategic holding function as the ultimate Group parent.

OSRAM Licht AG directly and indirectly holds shares in almost 100 companies, including minority interests. The economic environment for OSRAM Licht AG largely corresponds to that for the OSRAM Licht Group and is described in »Market Environment, page 44 ff., and »Macroeconomic Development, page 56 f.

### Results of Operations

#### Income Statement of OSRAM Licht AG in Accordance with German Commercial Code (Condensed)

in € thousand	Fiscal	
	10/1/2013 to 9/30/2014	10/1/2012 to 9/30/2013
General administrative expenses	(19,407)	(15,882)
Other operating income	5,320	5,755
Other operating expense	–	(1,288)
<b>Operating profit (loss)</b>	<b>(14,088)</b>	<b>(11,415)</b>
Income (loss) from investments, net	165,600	35,000
Interest income	21	–
Interest expense	(1)	–
Other financial income	(231)	(24)
<b>Income (loss) from ordinary activities</b>	<b>151,302</b>	<b>23,561</b>
<b>Net income/loss</b>	<b>151,302</b>	<b>23,561</b>
Income (loss) carried forward	10,439	(2,683)
Allocation to other retained earnings	(67,520)	(10,439)
<b>Unappropriated profit/(loss)</b>	<b>94,220</b>	<b>10,439</b>

The General administrative expenses line item of €19,407 thousand (previous year: €15,882 thousand) in fiscal 2014 mainly contains personnel expenses for the members of the Managing Board (including the severance payment for Dr. Peter Laier), General Meeting expenses, expenses for share-based payment programs for the employees of the OSRAM Licht Group, and audit expenses for the auditors of the annual financial statements and consolidated financial statements and for the review of the interim financial statements.

In addition, expenses for bonus commitments granted to selected first-tier management staff in the OSRAM Licht Group in connection with the spin-off were included in the previous year.

The Other operating income line item of €5,320 thousand (previous year: €5,755 thousand) affects the reduction in the obligation towards Managing Board members and employees under the bonus program as a result of the performance of OSRAM Licht's share price, cost transfers for administrative services, and the reimbursement of costs for the acquisition of treasury shares by affiliated companies.

Income from investments includes an advance distribution in the amount of €150,000 thousand made by the affiliated company OSRAM Beteiligungen GmbH and an advance distribution in the amount of €15,600 thousand made by the affiliated company OSRAM GmbH. In the previous year, OSRAM Beteiligungen GmbH distributed €35,000 thousand, while OSRAM GmbH distributions amounted to €0.

### Net Assets and Financial Position

#### Statement of Financial Position of OSRAM Licht AG in Accordance with German Commercial Code (Condensed)

in € thousand	September 30,	
	2014	2013
<b>Assets</b>		
<b>Noncurrent assets</b>		
Financial assets	2,609,770	2,236,070
<b>Current assets</b>		
Receivables and other current assets	32,191	48,837
<b>Total assets</b>	<b>2,641,961</b>	<b>2,284,907</b>
<b>Liabilities and Equity</b>		
<b>Equity</b>	<b>2,422,060</b>	<b>2,267,540</b>
<b>Accruals and provisions</b>		
Pensions and similar commitments	5,070	2,841
Other provisions	6,534	10,158
<b>Liabilities</b>		
Liabilities to affiliated companies	203,927	–
Other liabilities and trade payables	4,371	4,368
<b>Total liabilities and equity</b>	<b>2,641,961</b>	<b>2,284,907</b>

The addition to financial assets of shares in affiliated companies in the amount of €373,700 thousand was due to the purchase of 56,856,940 shares (10.1%) in OSRAM GmbH. The shares were acquired by OSRAM Licht AG by way of the

share purchase and transfer agreement between OSRAM Beteiligungen GmbH and OSRAM Licht AG as of September 29, 2014, with effect in rem as of September 30, 2014. The number of shares in OSRAM GmbH held directly by OSRAM Licht AG amounted to 166,630,240 as of the reporting date. As a result, its share in OSRAM GmbH increased from 19.5% to 29.6%.

Receivables from affiliated companies in the amount of €1,002 thousand as of the reporting date are based on VAT receivables arising from the tax group. The Other receivables and other current assets line item in the amount of €31,189 thousand (previous year: €14,987 thousand) mainly contains VAT receivables from the tax authorities arising from the tax group and, as in the previous year, withheld investment income tax in the amount of €9,231 thousand.

Equity rose by €154,520 thousand, from €2,267,540 thousand to €2,422,060 thousand. On the one hand, the increase is due to the net income for the fiscal year of €151,302 thousand and, on the other, to the €3,122 thousand rise in paid-in capital from the issue of treasury shares.

The Supervisory Board and Managing Board propose that €0.90 per share respectively in total about €94 million, be distributed to shareholders as a dividend.

The provisions for pensions and similar commitments include pension commitments to the Managing Board. The Other provisions line item decreased by €3,624 thousand to €6,534 thousand, and mainly contains share-based remuneration obligations for members of the Managing Board. In addition, this line item included the fees for auditors' services in the previous year.

Liabilities to affiliated companies of €203,927 thousand largely comprise liabilities under OSRAM's cash pooling system. In the previous year, receivables from the cash pooling system amounting to €33,850 thousand were reported. The change is primarily due to cash outflows from the purchase of the OSRAM GmbH shares in the amount of €373,700 thousand (previous year: €0.00) and cash inflows from income from investments in the amount of €165,600 thousand (previous year: €35,000 thousand).

The Other liabilities line item of €4,371 thousand (previous year: €4,368 thousand) mainly comprises staff-related liabilities, liabilities for auditors' services, and tax liabilities.

## Opportunities and Risks

OSRAM Licht AG's business development is largely subject to the same opportunities and risks as that of the OSRAM Licht Group. In principle, OSRAM Licht AG's exposure to the risks of its subsidiaries and investments corresponds directly or indirectly to its equity interest in each case › Report on Risks and Opportunities, page 100 ff.

As the parent company of the OSRAM Licht Group, OSRAM Licht AG is included in the Group-wide risk management system. The description of the OSRAM Licht AG internal control system required in accordance with section 289 (5) of the HGB can be found in › Key Features of the Accounting-related Internal Control and Risk Management System, page 108 ff.

## Outlook

Due to its interrelationships with the companies in the Group, the expectations for OSRAM Licht AG are reflected in the forecast for the Group. OSRAM Licht AG's net assets, financial position, and results of operations are dependent on the distributions made by Group companies. On the basis of our Group forecast for fiscal 2015 and OSRAM's medium-term outlook, it is expected that net income in fiscal 2015 will be sufficient to allow a further dividend of €0.90 per share from the net retained profits to be proposed in fiscal 2015. For additional information › Report on Expected Developments, page 96 ff.



# Consolidated Financial Statements

of OSRAM Licht AG

for Fiscal 2014 According to IFRSs

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# Consolidated Statement of Income

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## OSRAM Licht Group Consolidated Statement of Income For the fiscal years ending September 30, 2014 and 2013

in € million	Note	2014	2013
Revenue		5,142.1	5,288.7
Cost of goods sold and services rendered		(3,528.8)	(3,797.2)
Gross profit		1,613.4	1,491.5
Research and development expenses		(331.4)	(341.2)
Marketing, selling and general administrative expenses		(985.3)	(1,102.8)
Other operating income	6	40.6	65.6
Other operating expense	7	(53.2)	(40.6)
Income (loss) from investments accounted for using the equity method, net	8	35.9	13.6
Interest income	9	3.2	5.9
Interest expense	9	(40.8)	(32.0)
Other financial income (expense), net	9	(3.2)	(9.9)
<b>Income before income taxes</b>		<b>279.2</b>	<b>50.1</b>
Income taxes	10	(86.1)	(16.5)
<b>Net income</b>		<b>193.1</b>	<b>33.6</b>
Attributable to:			
Non-controlling interests		5.2	6.0
Shareholders of OSRAM Licht AG		187.9	27.6
Basic earnings per share (in €)	36	1.80	0.26
Diluted earnings per share (in €)	36	1.79	0.26

Minor differences may occur due to rounding.

The accompanying Notes are an integral part of these consolidated financial statements.



# Consolidated Statement of Comprehensive Income

**Consolidated  
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of Comprehensive Income

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**OSRAM Licht Group**  
**Consolidated Statement of Comprehensive Income**  
**For the fiscal years ending September 30, 2014 and 2013**

in € million	Note	2014	2013
Net income		193.1	33.6
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit plans	25, 30	(29.0)	75.9
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences	30	65.7	(71.5)
Available-for-sale financial assets	30	0.5	–
Derivative financial instruments	30	(2.2)	0.2
		64.0	(71.3)
<b>Other comprehensive income (loss), net of tax<sup>1)</sup></b>		<b>35.0</b>	<b>4.6</b>
<b>Total comprehensive income (loss)</b>		<b>228.1</b>	<b>38.2</b>
Attributable to:			
Non-controlling interests		6.9	5.8
Shareholders of OSRAM Licht AG		221.2	32.4

Minor differences may occur due to rounding.

<sup>1)</sup> Other comprehensive income (loss), net of tax includes income (losses) of €0.3 million from investments accounted for using the equity method (in the previous year: €–2.5 million), of which €0.0 million (in the previous year: €–4.2 million) is attributable to items that will not be reclassified to profit or loss.

The accompanying Notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

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**OSRAM Licht Group**  
**Consolidated Statement of Financial Position**  
**As of September 30, 2014 and 2013**

in € million	Note	September 30, 2014	September 30, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		667.7	522.1
Available-for-sale financial assets	11	1.4	0.8
Trade receivables	12	857.5	853.4
Other current financial assets	13	64.9	58.2
Inventories	14	1,152.1	968.3
Income tax receivables		29.2	50.0
Other current assets	15	91.3	93.6
Noncurrent assets held for sale	4	2.9	47.0
<b>Total current assets</b>		<b>2,867.0</b>	<b>2,593.4</b>
Goodwill	16	37.7	35.1
Other intangible assets	17	105.6	119.5
Property, plant, and equipment	18	1,137.1	1,132.7
Investments accounted for using the equity method	19	62.3	57.7
Other financial assets	20	12.3	18.8
Deferred tax assets	10	425.0	397.1
Other assets	21	62.7	71.0
<b>Total assets</b>		<b>4,709.5</b>	<b>4,425.3</b>

	Note	September 30, 2014	September 30, 2013
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term debt and current maturities of long-term debt	24	43.6	55.9
Trade payables		798.6	677.0
Other current financial liabilities	22	46.3	39.2
Current provisions	26	123.5	93.9
Income tax payables		90.1	66.8
Other current liabilities	23	466.2	530.8
<b>Total current liabilities</b>		<b>1,568.3</b>	<b>1,463.6</b>
Long-term debt	24	138.2	295.0
Pension plans and similar commitments	25	444.4	358.5
Deferred tax liabilities	10	1.0	1.3
Provisions	26	14.9	16.2
Other financial liabilities		0.3	0.4
Other liabilities	27	141.6	121.0
<b>Total liabilities</b>		<b>2,308.7</b>	<b>2,256.0</b>
<b>Equity</b>			
Common stock, no par value		104.7	104.7
Additional paid-in capital		2,026.2	2,022.9
Retained earnings		190.4	31.5
Other components of equity		57.4	(4.9)
Treasury shares, at cost		(2.9)	(5.6)
<b>Total equity attributable to shareholders of OSRAM Licht AG</b>		<b>2,375.8</b>	<b>2,148.6</b>
Non-controlling interests		25.0	20.7
<b>Total equity</b>	30	<b>2,400.8</b>	<b>2,169.3</b>
<b>Total liabilities and equity</b>		<b>4,709.5</b>	<b>4,425.3</b>

Minor differences may occur due to rounding.

The accompanying Notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

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**OSRAM Licht Group**  
**Consolidated Statement of Cash Flows**  
**For the fiscal years ending September 30, 2014 and 2013**

in € million	Note	2014	2013
<b>Cash flows from operating activities</b>			
Net income		193.1	33.6
Adjustments to reconcile net income (loss) to cash provided			
Amortization, depreciation, and impairments		272.1	341.1
Income taxes		86.1	16.5
Interest (income) expense, net		37.6	26.1
(Gains) losses on sales of investments, net		5.2	0.4
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant and equipment, net	4	(32.0)	–
(Gains) losses on sales of current available-for-sale financial assets and impairments, net		0.0	–
(Income) loss from investments		(4.8)	(13.7)
Other non-cash (income) expenses		(4.8)	36.5
Change in current assets and liabilities			
(Increase) decrease in inventories		(146.8)	13.3
(Increase) decrease in trade receivables		18.6	(77.7)
(Increase) decrease in other current assets		(17.7)	(10.4)
Increase (decrease) in trade payables		83.8	74.1
Increase (decrease) in current provisions		26.6	8.2
Increase (decrease) in other current liabilities		(61.0)	154.8
Change in other assets and liabilities		24.6	(41.5)
Income taxes paid		(28.4)	(77.1)
Dividends received		2.3	6.3
Interest received		4.6	1.2
<b>Net cash provided by (used in) operating activities</b>		<b>459.1</b>	<b>491.7</b>
<b>Cash flows from investing activities</b>			
Additions to intangible assets and property, plant, and equipment	17, 18	(243.2)	(207.4)
Acquisitions, net of cash acquired		–	0.5
Purchases of financial investments	4	(0.3)	(38.9)
Proceeds and payments from sales of investments, intangible assets, and property, plant, and equipment	4	86.8	17.3
Proceeds and payments from the sale of business activities	4	(0.5)	23.4
<b>Net cash provided by (used in) investing activities</b>		<b>(157.2)</b>	<b>(205.1)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury stock	30	–	(9.2)
Proceeds from re-issuance of treasury stock	30	–	3.3
Proceeds from issuance of long-term debt	24	–	300.0
Transaction costs for long-term debt	24	–	(21.1)
Repayment of long-term debt	24	(160.0)	–
Change in short-term debt and other financing activities		(11.8)	18.7
Interest paid		(13.4)	(8.2)
Dividends paid to non-controlling interest shareholders		(2.7)	(5.6)
Profit and loss transfer with Siemens Group		–	336.6
Interest paid to Siemens Group		–	(3.8)
Other transactions/financing with Siemens Group		11.8	(397.2)
<b>Net cash provided by (used in) financing activities</b>		<b>(176.1)</b>	<b>213.5</b>

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in € million	Note	2014	2013
Effect of exchange rates on cash and cash equivalents		19.8	(9.2)
Net increase (decrease) in cash and cash equivalents		145.6	490.9
Cash and cash equivalents at beginning of period		522.1	31.2
<b>Cash and cash equivalents at end of period (consolidated statement of financial position)</b>		<b>667.7</b>	<b>522.1</b>

Minor differences may occur due to rounding.

The accompanying Notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

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**OSRAM Licht Group**  
**Consolidated Statement of Changes in Equity**  
**For the fiscal years ending September 30, 2014 and 2013**

in € million	Common stock	Additional paid-in capital	Retained earnings	Net assets attributable to Siemens Group <sup>1)</sup>
<b>Balance at October 1, 2012 (as previously reported)</b>	–	–	–	<b>1,863.4</b>
Effects of retrospectively applying IAS 19R	–	–	–	3.5
Allocation of net assets according to legal structure	104.7	1,833.4	(71.2)	(1,866.9)
<b>Balance at October 1, 2012<sup>5)</sup></b>	<b>104.7</b>	<b>1,833.4</b>	<b>(71.2)</b>	<b>–</b>
Net income <sup>5)</sup>	–	–	27.6	–
Other comprehensive income (loss), net of tax <sup>5)</sup>	–	–	75.9 <sup>2)</sup>	–
<b>Total comprehensive income (loss), net of tax</b>	<b>–</b>	<b>–</b>	<b>103.5</b>	<b>–</b>
Purchase of treasury stock	–	–	–	–
Re-issuance of treasury stock	–	–	–	–
Dividends	–	–	–	–
Capital increase by Siemens Group <sup>6)</sup>	–	183.8 <sup>4)</sup>	–	–
Other changes in equity	–	5.7	(0.8)	–
<b>Balance at September 30, 2013</b>	<b>104.7</b>	<b>2,022.9</b>	<b>31.5</b>	<b>–</b>
<b>Balance at October 1, 2013 (as previously reported)</b>	<b>104.7</b>	<b>2,022.9</b>	<b>31.5</b>	<b>–</b>
Net income	–	–	187.9	–
Other comprehensive income (loss), net of tax	–	–	(29.0) <sup>2)</sup>	–
<b>Total comprehensive income (loss), net of tax</b>	<b>–</b>	<b>–</b>	<b>158.9</b>	<b>–</b>
Re-issuance of treasury stock	–	–	–	–
Dividends	–	–	–	–
Other changes in equity	–	3.3	–	–
<b>Balance at September 30, 2014</b>	<b>104.7</b>	<b>2,026.2</b>	<b>190.4</b>	<b>–</b>

Minor differences may occur due to rounding.

<sup>1)</sup> The net assets attributable to Siemens Group reported as of October 1, 2012, were allocated to the consolidated equity items on creation of the new legal structure as part of the spin-off, effective at the beginning of fiscal 2013 »Note 30|Equity in the accompanying Notes.

<sup>2)</sup> Other comprehensive income (loss), net of tax attributable to shareholders of OSRAM Licht AG includes remeasurement gains (losses) on defined benefit plans of €–29.0 million and €75.9 million, respectively, for the fiscal years ended September 30, 2014, and 2013.

<sup>3)</sup> Other comprehensive income (loss), net of tax attributable to non-controlling interests includes currency translation differences, consisting of gains of €1.7 million and losses of €–0.2 million, respectively, for the fiscal years ended September 30, 2014, and 2013.

<sup>4)</sup> The capital increase by the shareholders totaling €183.8 million includes a waiver of part of the Siemens Cash Management receivables amounting to €163.0 million »Note 30|Equity in the accompanying Notes.

<sup>5)</sup> Adjusted due to the effects of the initial application of IAS 19R. Additional information on the initial application of IAS 19R can be found in the consolidated financial statements of OSRAM Licht AG for fiscal 2013 under »Note 1|Basis of Preparation.

The accompanying Notes are an integral part of these consolidated financial statements.

	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of OSRAM Licht AG <sup>9)</sup>	Non-controlling interests	Total equity
	<b>65.9</b>	<b>(0.1)</b>	<b>0.5</b>	–	<b>1,929.7</b>	<b>16.5</b>	<b>1,946.2</b>
	(0.1)	–	–	–	3.4	–	3.4
	–	–	–	–	–	–	–
	<b>65.8</b>	<b>(0.1)</b>	<b>0.5</b>	–	<b>1,933.1</b>	<b>16.5</b>	<b>1,949.6</b>
	–	–	–	–	27.6	6.0	33.6
	(71.3)	–	0.2	–	4.8	(0.2) <sup>3)</sup>	4.6
	<b>(71.3)</b>	<b>–</b>	<b>0.2</b>	<b>–</b>	<b>32.4</b>	<b>5.8</b>	<b>38.2</b>
	–	–	–	(9.2)	(9.2)	–	(9.2)
	–	–	–	3.6	3.6	–	3.6
	–	–	–	–	–	(1.6)	(1.6)
	–	–	–	–	183.8	–	183.8
	–	–	–	–	4.9	–	4.9
	<b>(5.5)</b>	<b>(0.1)</b>	<b>0.7</b>	<b>(5.6)</b>	<b>2,148.6</b>	<b>20.7</b>	<b>2,169.3</b>
	<b>(5.5)</b>	<b>(0.1)</b>	<b>0.7</b>	<b>(5.6)</b>	<b>2,148.6</b>	<b>20.7</b>	<b>2,169.3</b>
	–	–	–	–	187.9	5.2	193.1
	64.0	0.5	(2.2)	–	33.3	1.7 <sup>3)</sup>	35.0
	<b>64.0</b>	<b>0.5</b>	<b>(2.2)</b>	<b>–</b>	<b>221.2</b>	<b>6.9</b>	<b>228.1</b>
	–	–	–	2.7	2.7	–	2.7
	–	–	–	–	–	(2.6)	(2.6)
	–	–	–	–	3.3	–	3.3
	<b>58.5</b>	<b>0.4</b>	<b>(1.5)</b>	<b>(2.9)</b>	<b>2,375.8</b>	<b>25.0</b>	<b>2,400.8</b>

# Notes to the Consolidated Financial Statements

## Segment Information

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### OSRAM Licht Group Notes to the Consolidated Financial Statements—Segment Information For the fiscal years ending September 30, 2014 and 2013

	External revenue		Intersegment revenue		Total revenue		EBITA <sup>1)</sup>	
in € million	2014	2013	2014	2013	2014	2013	2014	2013 <sup>6)</sup>
<b>Segments<sup>6)</sup></b>								
LED Lamps & Systems	454.3	297.8	–	–	454.3	297.8	(89.2)	(95.1)
Classic Lamps & Ballasts	1,962.6	2,302.1	–	–	1,962.6	2,302.1	89.9	42.5
Luminaires & Solutions	469.2	561.3	–	–	469.2	561.3	(70.0)	(128.3)
Specialty Lighting	1,551.0	1,455.8	–	–	1,551.0	1,455.8	236.5	218.8
Opto Semiconductors	687.7	653.9	436.8	364.2	1,124.5	1,018.0	193.8	123.8
<b>Total segments</b>	<b>5,124.8</b>	<b>5,270.9</b>	<b>436.8</b>	<b>364.2</b>	<b>5,561.6</b>	<b>5,635.0</b>	<b>361.0</b>	<b>161.7</b>
<b>Reconciliation to consolidated financial statements</b>								
Corporate items and pensions	17.4	17.8	–	–	17.4	17.8	(49.8)	(61.5)
Eliminations, corporate treasury, and other reconciling items	–	–	(436.8)	(364.2)	(436.8)	(364.2)	(0.9)	(0.7)
<b>OSRAM Licht Group</b>	<b>5,142.1</b>	<b>5,288.7</b>	<b>–</b>	<b>–</b>	<b>5,142.1</b>	<b>5,288.7</b>	<b>310.4</b>	<b>99.5</b>

Minor differences may occur due to rounding.

<sup>1)</sup> EBITA is earnings before financial results (Income (loss) from investments accounted for using the equity method, net; Interest income; Interest expense and Other financial income (expense), net), Income taxes, and Amortization and impairments as defined below.

<sup>2)</sup> Assets of the segments and corporate items and pensions are based on the Total assets, primarily excluding financing receivables and tax related assets including deferred taxes as well as noninterest-bearing provisions and liabilities, and liabilities other than tax liabilities (e.g., trade payables).

<sup>3)</sup> Free cash flow constitutes net cash provided by (used in) operating activities less additions to intangible assets and property, plant, and equipment. For the Segments, it primarily excludes income tax related and financing interest payments and proceeds.

<sup>4)</sup> Amortization represents amortization and impairments of goodwill and intangible assets, net of reversals of impairments.

<sup>5)</sup> Depreciation represents depreciation and impairments of property, plant, and equipment, net of reversals of impairments.

<sup>6)</sup> The line items of the Segment information have been adjusted due to the reorganization of the segments for the previous period

› Note 37 | Segment Information.



	Assets <sup>2)</sup>		Free cash flow <sup>3)</sup>		Additions to intangible assets and property, plant, and equipment		Amortization <sup>4)</sup>		Depreciation <sup>5)</sup>	
	September 30,		2014	2013 <sup>6)</sup>	2014	2013	2014	2013	2014	2013
	2014	2013								
	206.5	115.8	(160.9)	(97.9)	24,2	7.1	3.3	2.6	6.3	5.0
	637.5	706.3	163.4	139.0	53,7	79.8	5.6	5.2	85.3	124.7
	139.3	134.6	(81.0)	(75.7)	9,6	10.5	7.3	11.5	10.8	13.6
	394.8	401.9	204.1	241.5	39,6	37.8	3.7	2.7	36.0	47.5
	437.8	413.5	180.0	238.9	97,7	62.8	2.4	0.8	96.8	100.5
	<b>1,815.8</b>	<b>1,772.1</b>	<b>305.5</b>	<b>445.7</b>	<b>224,9</b>	<b>197.9</b>	<b>22.4</b>	<b>22.8</b>	<b>235.2</b>	<b>291.3</b>
	(275.4)	(171.6)	(79.2)	(161.7)	18,3	9.4	3.9	4.2	10.6	22.9
	3,169.0	2,825.0	(10.3)	0.2	–	–	–	–	–	–
	<b>4,709.5</b>	<b>4,425.3</b>	<b>216.0</b>	<b>284.3</b>	<b>243,2</b>	<b>207.4</b>	<b>26.3</b>	<b>27.0</b>	<b>245.8</b>	<b>314.1</b>

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## 1 | Basis of Preparation

### Background

According to the Spin-off and Transfer Agreement dated November 28, 2012, Siemens AG, Munich and Berlin, ("Siemens") undertook—subject to the contract taking effect—to transfer in the form of a spin-off by way of absorption in accordance with section 123 (2) no. 1 of the Umwandlungsgesetz (UmwG—German Reorganization and Transformation Act) its entire interest in OSRAM Beteiligungen GmbH, Munich, ("OSRAM Beteiligungen GmbH") including all rights and duties, to OSRAM Licht AG, Munich, ("OSRAM Licht AG") in return for the issue of shares in OSRAM Licht AG to the Siemens shareholders. The spin-off took effect as of its last entry in the Commercial Register on July 5, 2013. OSRAM shares were listed for the first time on July 8, 2013.

OSRAM Licht AG (until November 14, 2012: Kyros A AG), Munich, is the issuer of the shares and the parent company of the OSRAM Licht Group that was formed by the spin-off. As of September 30, 2014, it directly holds 100% of the shares of OSRAM Beteiligungen GmbH and 29.6% of the shares of OSRAM GmbH, Munich ("OSRAM GmbH"). OSRAM Beteiligungen GmbH holds 70.4% of the shares in OSRAM GmbH (previous year: 80.5%). Under the agreement for the acquisition and assignment of shares dated September 29, 2014, and effective in rem as of September 30, 2014, made between OSRAM Beteiligungen GmbH and OSRAM Licht AG, 10.1% of the shares in OSRAM GmbH were acquired by OSRAM Licht AG. This raised the percentage of the shares of OSRAM GmbH held directly by OSRAM Licht AG from the initial figure of 19.5% to 29.6%. The shares of OSRAM GmbH were contributed by Siemens to OSRAM Licht AG and OSRAM Beteiligungen GmbH with economic effect as of October 1, 2012.

### Consolidated financial statements

These consolidated financial statements ("consolidated financial statements") include OSRAM Licht AG and its subsidiaries ("OSRAM Licht Group" or "OSRAM"). OSRAM is a leading global provider of lighting products and solutions and operates worldwide via a number of legal entities

› Note 37 | Segment Information.

The consolidated financial statements and the combined group management report as of September 30, 2014, were prepared in accordance with section 315a (1) of the Handelsgesetzbuch (HGB—German Commercial Code). They are filed with and published in the electronic Bundesanzeiger (Federal Gazette). OSRAM prepared these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRSs").

The accompanying consolidated financial statements consist of a consolidated statement of income and consolidated statement of comprehensive income for the fiscal year ended September 30, 2014, a consolidated statement of financial position as of September 30, 2014, a consolidated statement of cash flows and a consolidated statement of changes in equity for the fiscal year ended September 30, 2014, as well as notes to the consolidated financial statements for the fiscal year ended September 30, 2014.

Until the spin-off from Siemens, the OSRAM business was presented on a combined basis including all Group companies. The net assets of OSRAM Licht AG, OSRAM Beteiligungen GmbH, and OSRAM GmbH, as well as the latter's direct and indirect subsidiaries ("OSRAM Licht Group") have been aggregated on the basis of International Accounting Standard ("IAS") 8.12. Prior to the spin-off, transactions with Siemens and with Siemens Group companies that did not belong to the combined OSRAM Licht Group were disclosed as transactions with related parties. The net assets attributable to Siemens Group reported as of October 1, 2012, were allocated to the consolidated equity items on creation of the new legal structure as part of the spin-off, effective as of the beginning of fiscal 2013. For details › Note 30 | Equity.

The consolidated financial statements have been prepared in millions of euros (€m). Rounding differences may arise when individual amounts or percentages are added together.

The consolidated financial statements were authorized for issue by the Managing Board of OSRAM Licht AG, Marcel-Breuer-Strasse 6, 80807 Munich, Germany, on November 17, 2014.

## 2 | Summary of Significant Accounting Policies

Unless stated otherwise, the accounting principles set out below have been applied consistently for all periods presented in these consolidated financial statements.

### Basis of consolidation

OSRAM's consolidated financial statements include OSRAM Licht AG and its direct and indirect subsidiaries. Subsidiaries are companies whose operating and financial policies OSRAM can control. Control is generally conveyed by ownership of the majority of voting rights. Associates are included using the equity method of accounting. Companies in which OSRAM has joint control are also included using the equity method.

### Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 (2008). Cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed, as well as contingent consideration, at the date of exchange. Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability are recognized either in the statement of income or as a change to Other comprehensive income (loss), net of tax in accordance with IAS 39. Contingent consideration classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. A positive difference between the acquisition cost including the fair value of the non-controlling interests and the assets and liabilities acquired is accounted for as goodwill. A negative difference is immediately accounted for as affecting net income. Non-controlling interests may be measured at their fair value (full goodwill method) or at the proportionate fair value of the assets acquired and liabilities assumed (partial goodwill method). After initial recognition, non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests. In business combinations achieved in stages, any equity interest previously held in the acquiree is remeasured at its acquisition date fair value. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions outside profit or loss. Where there was an existing business relationship between OSRAM and the business acquired prior to the acquisition date and this relationship is settled as a result of the acquisition, any profit or

loss is included in the statement of income. At the date control is lost, any retained equity interests are remeasured to fair value through the statement of income.

### Associates and jointly controlled entities

Companies in which OSRAM has the ability to exercise significant influence over their operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights) and jointly controlled entities are initially recognized in the consolidated financial statements at cost and subsequently accounted for using the equity method. The following policies equally apply to associates and jointly controlled entities. Goodwill relating to the acquisition of associates is included in the carrying amount of the investment and is not amortized, but is tested for impairment as part of the overall investment in the associate. OSRAM's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the associate. When OSRAM's share of losses in an associate equals or exceeds its interest in the associate, OSRAM does not recognize further losses unless it incurs obligations. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of OSRAM's net investment in the associate. Intercompany profits or losses arising from transactions between OSRAM and its associates are eliminated to the extent of OSRAM's interest in the associate. OSRAM determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, OSRAM calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount. Upon loss of significant influence over the associate, OSRAM measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

### Foreign currency translation

The assets, including goodwill, and liabilities of foreign subsidiaries whose functional currency is not the euro are translated using the middle spot exchange rate at the end of the reporting period, while the consolidated statement of income is translated using average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when

the gain or loss on disposal of the foreign subsidiary is recognized. The consolidated statements of cash flows of foreign subsidiaries are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

The exchange rates of the significant currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

#### Spot Exchange Rate

€ 1 quoted into currencies specified as of		September 30,	
		2014	2013
U.S. dollar	USD	1.258	1.351
Chinese renminbi	CNY	7.726	8.265
Hong Kong dollar	HKD	9.774	10.472
Japanese yen	JPY	138.110	131.780

#### Annual Average Exchange Rate

€ 1 quoted into currencies specified as of		Fiscal year	
		2014	2013
U.S. dollar	USD	1.357	1.313
Chinese renminbi	CNY	8.349	8.176
Hong Kong dollar	HKD	10.522	10.181
Japanese yen	JPY	138.882	120.968

#### Measurement of foreign currency transactions

Transactions that are denominated in a currency other than the functional currency of an entity are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign-currency-denominated monetary assets and liabilities are remeasured in the functional currency applying the spot rate prevailing at that date. Gains and losses arising from these foreign currency remeasurements are recognized in net income. Those foreign-currency-denominated transactions that are classified as nonmonetary are remeasured using the historical spot exchange rate.

#### Revenue recognition

Provided there is persuasive evidence that an arrangement exists, delivery has occurred, or services have been rendered, revenue is recognized to the extent that it is probable that the economic benefits will flow to OSRAM and revenue can be reliably measured, regardless of when the payment will be made. In cases where the inflow of economic benefits is not probable because of customer-related credit risks, revenue is recognized depending on customer payments irrevocably received. Revenue is measured at the fair value

of the consideration received or receivable, net of discounts and rebates, and excluding taxes or duty. OSRAM assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

If sales of goods and services or software arrangements involve the provision of multiple elements, OSRAM determines whether the contract or arrangement contains more than one unit of account. The following specific recognition criteria must also be met before revenue is recognized:

#### – Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. If product sales are subject to customer acceptance, revenue is not recognized until customer acceptance occurs.

#### – Rendering of services

Revenues from service transactions are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided.

#### – Interest

Interest income and expense are recognized using the effective interest method.

#### – Royalties

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

#### – Dividends

Dividends are recognized when the right to receive payment is established.

#### Function costs

In general, operating expenses are assigned to the individual function types on the basis of the function of the corresponding profit and cost centers, if necessary based on an appropriate allocation principle. For additional information on amortization, › Note 17 | Other Intangible Assets and Note › Ziffer 18 | Property, Plant, and Equipment. For information on expenses for employee benefits › Note 35 | Personnel Costs.

#### Government grants

Government grants are recognized when there is reasonable assurance that the conditions attached to the grants will be complied with and the grants will be received. Grants awarded for the purchase or the production of noncurrent assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciation charges accordingly. Grants awarded other than for noncurrent assets (grants related to income) are reported in the consolidated statement of income

under the same function as the corresponding expenses. They are recognized as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

### Research and development expenses

Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred. Costs for development activities in which research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if

- 1 development costs can be measured reliably, the product or process is
- 2 technically and
- 3 commercially feasible,
- 4 future economic benefits are probable, and OSRAM
- 5 intends, and
- 6 has sufficient resources, to complete development and to use or sell the asset.

The costs capitalized include the cost of materials, direct labor, and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in the Other intangible assets line item » [Note 17 | Other Intangible Assets](#).

Other development costs are expensed as incurred. Capitalized development costs are carried at cost less accumulated amortization and impairment losses with an amortization period of generally three to five years.

Government grants for research and development activities are offset against research and development costs. They are recognized as income over the periods in which the research and development costs that are to be compensated are incurred. Government grants for future research and development costs are recorded as deferred income.

### Earnings per share

Basic earnings per share are calculated by dividing profit from continuing operations, profit from discontinued operations (if applicable), and profit after tax, in each case attributable to the ordinary shareholders of OSRAM Licht AG, by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share are calculated on the basis of the assumption that all potentially dilutive securities and share-based payment programs are converted or exercised, as applicable. For additional information » [Note 36 | Earnings per Share](#).

### Goodwill

Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, which is the lowest level at which goodwill is monitored by management. As of May 1, 2014, these were the LED Lamps & Systems ("LLS") and Specialty Lighting ("SP") Business Units; in fiscal 2013 up until April 30, 2014 they were the Light Engines & Controls ("LE") and SP Business Units » [Note 16 | Goodwill for Further Information](#).

If the carrying amount of the cash-generating unit exceeds its recoverable amount, an impairment loss is recognized on the goodwill allocated to this cash-generating unit. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not necessary to determine both amounts. These values are generally determined using the discounted cash flow method. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit to which the goodwill is allocated » [Note 16 | Goodwill for Further Information](#).

### Other intangible assets

Other intangible assets consist of software and other internally generated intangible assets, patents, licenses, and similar rights. The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. The estimated useful lives for software, patents, licenses, and other similar rights range generally from three to eight years, except for intangible assets with finite useful lives acquired in business combinations.

Intangible assets acquired in business combinations primarily consist of patented and unpatented technology and customer relationships. Useful lives in specific acquisitions were up to 17 years for patented and unpatented technology and range from two to 16 years for customer relationships. Intangible assets which are determined to have indefinite useful lives, as well as intangible assets not yet available for use, are not amortized, but instead tested for impairment at least annually. For additional information » [Note 17 | Other Intangible Assets](#).

### Property, plant, and equipment

Property, plant, and equipment is measured at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant, and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. The following useful lives are assumed:

#### Useful Lives

Buildings	20 to 50 years
Technical machinery and equipment	5 to 15 years
Furniture and office equipment	5 to 6 years

### Impairment of property, plant, and equipment and other intangible assets

OSRAM reviews property, plant, and equipment, and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets that are determined to have indefinite useful lives, as well as intangible assets not yet available for use, are subject to an annual impairment test. Recoverability of assets is measured by comparing the carrying amount of the asset with the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. The assets' value in use is measured by discounting their estimated future cash flows. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level; instead it is performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. If there is an indication that the reasons which caused the impairment no longer apply, OSRAM assesses the need to reverse all or a portion of the impairment loss.

The Company's property, plant, and equipment and other intangible assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell. Depreciation or amortization is discontinued.

### Income taxes

Tax expense includes current and deferred taxes. These are recognized in profit or loss unless they are related to a business combination or to items that are recognized directly in equity or in other comprehensive income.

Current tax assets and liabilities for both the current and the prior-year period are measured at the amount expected to be refunded by or payable to the tax authority. Measurement of the amount is based on the tax rates and laws that apply at the end of the relevant reporting period in those countries in which the Group operates.

Deferred tax assets and liabilities are recognized using the balance sheet liability method for existing temporary differences between the carrying amount of assets or liabilities in the statement of financial position and their tax base at the end of the reporting period. Deferred tax assets and liabilities are measured using the tax rates expected to apply at the end of the reporting period in which an asset will be realized or a liability will be settled. The expectation is based on the tax rates in effect as of the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which deductible temporary differences, unused tax losses, and unused tax credits can be utilized.

### Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value, with cost being generally determined on the basis of the average cost method or first-in, first-out method. Production cost comprises direct material and labor costs and applicable manufacturing overheads, including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### Noncurrent assets held for sale

OSRAM classifies a noncurrent asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale or distribution in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups), and its sale must be highly probable. Noncurrent assets classified as held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, unless those items presented in the disposal group are not part of the scope of measurement as defined in IFRS 5,



Noncurrent Assets Held for Sale and Discontinued Operations. If an investment accounted for using the equity method is classified as held for sale, recognition of further shares of the profits or losses of that investment is discontinued.

### Defined benefit plans

OSRAM measures the entitlements of the defined benefit plans by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. The net present value of the future benefit entitlement for service already rendered (defined benefit obligation (DBO)) is determined using valuations prepared by external, independent actuaries and taking into account future compensation and benefit increases, to the extent that the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases. For post-employment healthcare benefits, OSRAM takes trends in healthcare costs into account in the actuarial valuation. For unfunded plans, OSRAM recognizes a provision equal to the DBO. For funded plans, OSRAM offsets the fair value of the plan assets against the benefit obligations. Taking into account any effects relating to the asset ceiling, a deficit is recognized in the Pension plans and similar commitments line item or a surplus is recognized in the Other assets line item.

Remeasurements of the net defined benefit liability (asset) are recognized in Other comprehensive income (loss), net of tax in the year in which they arise. Their effects are recorded in full directly in equity, net of tax.

### Provisions

A provision is recognized in the statement of financial position when OSRAM has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured taking into account all identifiable risks at the expected settlement amount, which is determined on the basis of a best estimate using suitable estimation methods and sources of information depending on the characteristics of the obligation. Individual obligations (e.g., legal and litigation risks) are measured at the most likely outcome unless other estimates result in a more appropriate measurement due to particular probability distributions for possible outcomes.

Specific provisions are recognized for warranty claims that are known about by the reporting date. OSRAM also recognizes provisions if warranty claims are likely based on past

operational- and industry-specific experience. The expense for product warranties is recognized within Cost of goods sold and services rendered.

Provisions for restructuring measures are recognized if a detailed, formal restructuring plan has been drawn up and announced to those affected by it.

Termination benefits are recognized as an expense and a liability when the entity has demonstrably committed itself, as part of restructuring measures or by otherwise creating a valid expectation, to provide the benefits.

When a contract becomes onerous, the present obligation under the contract is recognized as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract, to the extent that these exceed the expected economic benefits of the contract.

If the effect of the time value of money is material, provisions are discounted using pre-tax market interest rates.

### Leasing

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The decisive factor is whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to OSRAM as lessee, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that OSRAM will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the term of the lease. Since these consolidated financial statements present the OSRAM Licht Group as an independent business, leasing arrangements with Siemens were accounted for—other than in the reporting



to Siemens AG as operating leases—as either finance or operating leases in accordance with the aforementioned accounting policies.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. OSRAM's financial assets mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, and derivative financial instruments with a positive fair value. Cash and cash equivalents are not included within the available-for-sale financial assets category as these financial instruments are not subject to fluctuations in value. OSRAM does not make use of the held to maturity category. OSRAM's financial liabilities mainly comprise loans from banks, trade payables, finance lease payables, and derivative financial instruments with a negative fair value. OSRAM does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (fair value option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost, and financial assets and financial liabilities measured at fair value, » Note 32 | Financial Instruments and Hedging Activities for further information.

Financial instruments are recognized in the consolidated statement of financial position when OSRAM becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e., purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Financial instruments are initially recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category—cash and cash equivalents, available-for-sale financial assets (AfS), loans and receivables (LaR), financial liabilities measured at amortized cost (FLaC), or financial assets and liabilities classified as held for trading (FAHfT and FLHfT)—to which they are assigned.

Financial instruments are derecognized when they have been repaid by the debtor. Repayment usually takes place in the form of a payment from the debtor to the creditor. However, repayment can also occur in cases where the debtor is

legally released from the debtor's original obligation or the obligation has extinguished. The obligation is also derecognized by the creditor if the creditor transfers the financial asset to another party and has not retained any significant risks and rewards from that financial asset.

### Cash and cash equivalents

All highly liquid investments with less than three months maturity from the date of acquisition are considered to be cash equivalents. Cash and cash equivalents are measured at cost.

### Available-for-sale financial assets

Investments in equity instruments, debt instruments, and fund shares are classified as available-for-sale financial assets and are measured at fair value if they can be reliably measured. Unrealized gains and losses, net of applicable deferred income taxes, are recognized in Other comprehensive income (loss), net of tax. If fair value cannot be reliably determined, OSRAM measures available-for-sale financial instruments at cost. This applies to equity instruments that do not have a quoted market price in an active market, and key inputs used to estimate fair value using valuation models cannot be determined reliably. If the fair value of available-for-sale financial assets declines below their cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in equity is removed from equity and recognized in the consolidated statement of income. OSRAM considers all available evidence such as market conditions and prices, investee-specific factors, and the duration for as well as the extent to which fair value is less than cost in evaluating the potential impairment of its available-for-sale financial assets. OSRAM considers a decline in fair value as objective evidence of impairment if the decline exceeds 20% of cost or continues for more than six months. Impairment losses recognized on debt instruments are reversed in subsequent periods if the reasons for impairment no longer apply.

### Loans and receivables

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade receivables are recognized using separate allowance accounts. » Note 3 | Management Estimates and Judgments for further information regarding the determination of valuation allowances.

Loans and receivables bearing no or lower-than-market interest rates with a maturity of more than one year are discounted.

### Financial liabilities

OSRAM measures financial liabilities other than derivative financial instruments at amortized cost using the effective interest method.

### Derivative financial instruments

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts, are measured at fair value. Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments to which hedge accounting is applied. Changes in the fair value of derivative financial instruments held for trading are recognized in net income for the period. The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized in Other comprehensive income (loss), net of tax (i.e. net of applicable deferred income taxes). The ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into the consolidated statement of income in the same periods in which the hedged item affects the consolidated statement of income or the underlying hedged item is no longer expected to occur. » Note 32 | Financial Instruments and Hedging Activities for further information.

### Share-based payment

OSRAM launched its own share-based payment programs for the first time in fiscal 2013. These are equity-settled share-based payment programs. In accordance with IFRS 2, the fair value calculated for equity-settled share-based payments at the grant date is recognized as compensation expense over the vesting period.

Until the spin-off from Siemens, OSRAM employees were able to participate in the Siemens Group's share-based payment programs. The share-based payment awards with the rights to receive shares of Siemens stock were granted by the OSRAM legal entities in which the employees were employed at the grant date, and OSRAM recognized the expenses for those employees over the term of the vesting period until settlement. These rights to receive Siemens shares were recognized as cash-settled share-based payments in OSRAM's consolidated financial statements. For the Siemens share-based payment programs, the fair value was recognized as compensation expense over the vesting period during which the employees became unconditionally entitled to the awards granted. Cash-settled awards were remeasured at fair value at the end of each reporting period and upon settlement. The fair value of other share-based awards, such as stock awards, matching shares, and shares granted under the Jubilee Share Program (to the extent that these relate to shares of Siemens), was determined at

the market price of Siemens shares, taking into account the present value of dividends during the vesting period to which the grantees were not entitled and, to the extent necessary, of certain market and non-vesting conditions. When the spin-off took effect on July 5, 2013, the existing Siemens programs were cash-settled in favor of the OSRAM employees in accordance with the terms and conditions of the relevant programs.

Additional information on OSRAM's share-based payment programs and on the settlement of the Siemens programs can be found in » Note 34 | Share-Based Payment.

### Prior-period information

The presentation of certain prior-year information has been reclassified to conform to the current presentation.

### Accounting pronouncements adopted in fiscal 2014

In May 2011, the International Accounting Standards Board ("IASB") issued IFRS 13, Fair Value Measurement. The new standard defines fair value and standardizes and expands disclosures on the fair value measurement of both financial and nonfinancial instrument items. It is effective for annual periods beginning on or after January 1, 2013, and was applied by OSRAM in these consolidated financial statements. Besides extended disclosure requirements, application had no material impact on measurement.

In May 2013, the IASB issued an amendment to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets. This amendment clarifies the disclosure of recoverable amount by requiring it to be disclosed for all assets, including goodwill or a cash-generating unit, for which a significant impairment loss has been recognized. Additionally, the level of the fair value hierarchy must be disclosed if recoverable amount is based on fair value less costs of disposal. If Level 2 or 3 present value techniques have been used to measure fair value, the key assumptions and the discount rate must be disclosed. The amendment to IAS 36 is effective for annual periods beginning on or after January 1, 2014. OSRAM first applied these requirements in these consolidated financial statements and made the appropriate disclosures.

### Recent accounting pronouncements, not yet adopted

The following pronouncements issued by the IASB are not yet effective and have not yet been adopted by OSRAM.

In May 2011, the IASB published its improvements to the accounting and disclosure requirements for consolidation, off-balance-sheet activities, and joint arrangements by issuing IFRS 10, Consolidated Financial Statements, IFRS 11,

Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, and consequential amendments to IAS 27, Separate Financial Statements (amended 2011) and IAS 28, Investments in Associates and Joint Ventures (amended 2011).

IFRS 10 builds on the existing principles to define a comprehensive concept of control as the determining factor in whether an entity should be included in a set of consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 provides guidance for the accounting for joint arrangements by focusing on the rights and obligations of the arrangements, rather than their legal form.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities, and off-balance-sheet vehicles.

In June 2012, the IASB issued an amendment to IFRS 10, 11, and 12 relating to transition guidance. The amendments provide clarification and additional relief for the transition to IFRS 10, IFRS 11, and IFRS 12. For example, adjusted comparative information is only required for the period immediately preceding the reporting period. Additionally, the disclosure of comparative information for periods before the date of initial application of IFRS 12 is no longer required for unconsolidated structured entities.

IFRS 10, 11, and 12, the amendments to those standards, and the consequential amendments to IAS 27 and IAS 28 are effective in the EU for annual periods beginning on or after January 1, 2014. Besides extended disclosure requirements, OSRAM does not expect them to have a significant effect on the consolidated financial statements.

In December 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures regarding offsetting of financial assets and financial liabilities. The amendment to IAS 32 clarifies the existing offsetting rules and is effective for reporting periods beginning on or after January 1, 2014. OSRAM does not expect it to have a significant effect on the consolidated financial statements.

In May 2013, the IFRS Interpretations Committee of the IASB issued IFRIC 21, Levies. IFRIC 21 offers guidance when applying IAS 37, Provisions, Contingent Liabilities and Contingent Assets, on accounting for levies other than taxes that

are imposed by governments. In particular, it specifies the timing of recognition of the liability. IAS 37 defines the criteria for recognizing a liability, one of which is that there must be a present obligation resulting from a past event. IFRIC 21 states that the liability must be recognized when the activity that triggers the levy occurs. Subject to its endorsement by the EU, IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. OSRAM does not expect it to have a significant effect on the consolidated financial statements.

In November 2013, the IASB issued Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). The amendments clarify how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, they permit a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments are effective for annual reporting periods beginning on or after July 1, 2014; early application is permitted. The amendments have not yet been endorsed by the European Union. OSRAM does not expect them to have a significant effect on the consolidated financial statements.

In December 2013, the IASB issued the final amendments under the Annual Improvements process (2011–2013 cycle and 2010–2012 cycle). These included clarifications to IFRS 3, Business Combinations. It was clarified that IFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself and that, when accounting for contingent consideration in a business combination, contingent consideration that is classified as an asset or liability must be measured at fair value at each reporting date. In addition, IFRS 8, Operating Segments was amended. The amendments stipulate that an entity must disclose the judgments made by management in applying the aggregation criteria to operating segments and that an entity need only provide reconciliations of the total of the reportable segment assets to the entity's total assets if the segment assets are regularly reported. A clarification was also issued to IAS 24, Related Party Disclosures. This clarifies that an entity that provides key management personnel services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. Further amendments were also resolved. The amendments are effective for reporting periods beginning on or after July 1, 2014; early application is permitted. The amendments have not yet been endorsed by the European Union. OSRAM does not expect these requirements to have a significant effect on the consolidated financial statements; additional disclosures may be required.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after January 1, 2017, and contains a single, comprehensive model that establishes how an entity should recognize revenue from contracts with customers. It replaces the current revenue recognition requirements in IAS 11, IAS 18, and the related interpretations. The basic principle behind the model is that an entity should recognize revenue in the amount of the consideration to which it expects to be entitled for the performance obligation(s) assumed. The standard contains considerably more extensive application guidance and disclosure requirements than the current provisions. OSRAM is currently assessing the impact of adopting IFRS 15 on the consolidated financial statements. The standard has not yet been endorsed by the European Union.

In May 2014, the IASB issued Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38). The amendments provide additional guidance on the methods that may be used for the depreciation and amortization of property, plant, and equipment and intangible assets. It was clarified that revenue-based methods of depreciation and amortization are not appropriate. The amendments are effective for annual reporting periods beginning on or after January 1, 2016; early application is permitted. OSRAM is currently assessing the impact of the clarifications on the consolidated financial statements. The amendments have not yet been endorsed by the European Union.

In May 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. They are effective for annual reporting periods beginning on or after January 1, 2016; early application is permitted. The amendments have not yet been endorsed by the European Union. OSRAM is currently assessing the impact of the clarifications on the consolidated financial statements.

In July 2014, the IASB published the final version of IFRS 9, Financial Instruments, which extends the previous version of the standard to include new impairment accounting requirements for financial assets and introduces an additional measurement category for debt instruments (at fair value through other comprehensive income [at FVOCI]). The new standard requires the consistent application of a single impairment model under which both incurred losses and expected losses are recognized. IFRS 9 also amends

the classification and measurement requirements for financial assets, including some hybrid contracts. It uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the different requirements in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The previous hedge accounting requirements in IAS 39 have been replaced with a new hedge accounting model that aligns accounting more closely with risk management. These new hedge accounting requirements, which were published in November 2013, were incorporated into the final version of IFRS 9 unchanged with the exception of the new measurement category for debt instruments. IFRS 9 also sets out additional disclosure requirements. Subject to its endorsement by the EU, the final version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. It must be applied retrospectively, although some simplification options are provided. Voluntary early application is permitted. OSRAM is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements.

On September 11, 2014, the IASB issued amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates, thereby removing a previous inconsistency between the two standards. IFRS 10 currently requires the gain or loss resulting from the loss of control of a subsidiary that is contributed to a joint venture or an associate to be recognized in full. Under IAS 28, on the other hand, a gain or loss is only recognized for nonfinancial assets contributed to associates or joint ventures to the extent of the other investors' interests in the associate or joint venture.

Following the amendments, the investor will always recognize a gain or loss in full if the transaction (i.e., the contribution of a subsidiary to a joint venture or an associate where the investor loses control of the subsidiary) involves a business as defined in IFRS 3, Business Combinations. If this is not the case and the transaction involves assets that do not constitute a business, only a share of the gain or loss will be recognized (to the extent of the other investors' interests). Subject to their endorsement by the EU, the amendments will have to be applied prospectively to transactions in periods beginning on or after January 1, 2016. Voluntary early application is permitted. The amendments have not yet been endorsed by the European Union. As the amendments must be applied to transactions prospectively, they will have an impact if such transactions are to be implemented.

On September 25, 2014, the IASB issued the amendments under the Annual Improvements process (2012–2014 cycle). Among other things, guidance has been added to IFRS 5 for cases where an entity reclassifies an asset from held for sale to held for distribution or vice versa and for the discontinuation of held-for-distribution accounting. In addition, IAS 19 has been amended to clarify that the high-quality corporate bonds used in estimating the discount rate for post-employment benefit obligations should be denominated in the same currency as the benefits to be paid. Other amendments relate to disclosures in interim financial reporting. The amendments are effective for reporting periods beginning on or after January 1, 2016; early application is permitted. The amendments have not yet been endorsed by the European Union. OSRAM is currently assessing their effects.

The IASB has issued further pronouncements. These are not expected to affect OSRAM's consolidated financial statements.

### 3 | Management Estimates and Judgments

#### Judgments and critical accounting estimates

OSRAM's consolidated financial statements are prepared in accordance with IFRSs, as adopted by the EU. OSRAM's significant accounting policies are essential for an understanding of OSRAM's results of operations, financial position, and cash flows › Note 2 | Summary of Significant Accounting Policies. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Group's results of operations, financial position, and cash flows. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

#### Trade and other receivables

The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends, and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, country credit ratings are also considered, which are determined based on information from external rating agencies. Where the val-

uation allowance is derived from a portfolio-based analysis of historical bad debts, a decline in the volume of receivables results in a corresponding reduction in such provisions and vice versa. As of September 30, 2014, OSRAM recorded a total valuation allowance for current accounts receivable of €27.6 million (September 30, 2013: €25.8 million).

#### Impairment/reversal of impairment

OSRAM tests its goodwill and intangible assets with indefinite useful lives for impairment at least once a year, in accordance with its accounting policies. Other intangible assets, items of property, plant, and equipment, and investments accounted for using the equity method are tested for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determining the recoverable amount of an asset or a cash-generating unit in connection with which the asset generates cash inflows that are largely independent of the cash inflows from other assets involves the use of estimates by management. The outcome predicted by these estimates is influenced by certain factors, for example expected economic growth trends, the successful integration of acquired entities, capital market volatility, interest rate movements, and foreign exchange rate fluctuations. The recoverable amount is the higher of fair value less costs to sell and value in use. OSRAM generally uses discounted cash flow methods to determine these values. These discounted cash flow calculations generally use five-year projections that are based on business plans. Cash flow projections take into account past experience, current operating results, and market assumptions, and represent management's best estimate about future economic developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of the recoverable amount include estimated growth rates and the weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately on the amount of the impairment loss on any asset that is tested for impairment. The estimate of growth rates considers expectations as to inflation and market growth, as well as macro-economic data and industry-specific trends.

The impairment tests performed in fiscal 2014 confirmed the carrying amounts of goodwill and intangible assets › Note 16 | Goodwill, › Note 17 | Other Intangible Assets. Certain items of property, plant, and equipment related to traditional products and allocated to the Classic Lamps & Ballasts ("CLB") BU were written down for impairment in the amount of €11.7 million in fiscal 2014 due to triggering events › Note 18 | Property, Plant, and Equipment.



### Employee benefits accounting—pension plans and similar commitments

Obligations for pension and other post-employment benefits and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on financial and demographic assumptions including the discount rate (for information on effects » [Note 25 | Pension Plans and Similar Commitments](#)), assumptions regarding trends in salaries, pensions, and healthcare costs, and the mortality tables. The discount rate assumptions are determined by reference to market yields on high-quality corporate bonds at the end of the reporting period. In countries where there is no deep market in such corporate bonds, market yields on government bonds are used. Both the currency and the maturity of the underlying corporate or government bonds are matched to the currency and estimated maturity of the benefit payments. Due in particular to changing market and economic conditions, actual developments may differ from the underlying key assumptions and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full in *Other comprehensive income (loss), net of tax* in the period in which they occur. The recognized liabilities for pension plans and similar commitments as of September 30, 2014, amounted to €444.4 million (September 30, 2013: €358.5 million). For further information on pension and other post-employment benefits » [Note 25 | Pension Plans and Similar Commitments](#).

### Termination benefits

OSRAM is implementing restructuring programs and individual measures to terminate employment contracts. Expenses in conjunction with terminating employment contracts and other exit costs are subject to estimates and assumptions to a significant extent. These include, for example, the probability of acceptance in respect of an offer to terminate employment contracts and the nature of the measures. In the case of group agreements in Germany the formal restructuring plan is generally detailed by an agreement on a reconciliation of interests and a social compensation plan reached between the employer and the workforce. » [Note 5 | Personnel-related Restructuring Expenses](#) for further information.

### Legal proceedings

OSRAM is subject to legal and regulatory proceedings and government investigations in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, disgorgements, and legal costs against the Company. If it is more likely than not that the Company has an obligation that will result in an outflow of resources, a provision is rec-

ognized if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources, and whether the amount of the obligation can be reliably estimated.

OSRAM periodically reviews the status of these proceedings with both internal and external counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, OSRAM may incur charges in excess of the recognized provisions for such matters. It cannot be ruled out that OSRAM's net assets, financial position, or results of operations might be materially adversely affected by a n unfavorable outcome of legal or regulatory proceedings or government investigations. » [Note 29 | Legal Proceedings](#) for further information.

### Taxes

OSRAM operates in various tax jurisdictions and is thus subject to a wide variety of tax laws and regulations. The tax positions presented in the financial statements are determined in accordance with the applicable local tax laws and tax authority directives, which can be complex and subject to different interpretations by taxpayers and local tax authorities.

When measuring current and deferred tax items, OSRAM takes into account the effects of uncertain tax items and whether additional taxes and interest, including any possible penalties, might be payable. It assesses these items on the basis of estimates and assumptions, which may involve the exercise of management judgment in respect of a range of future events. New information may become available that causes OSRAM to modify its assessment of the appropriateness of existing tax items. Any such changes in tax items will affect net income in the period in which they are reassessed. We cannot rule out the possibility that the tax authorities, as a result of current or future tax investigations and audits, and/or the courts will rule that OSRAM has additional liabilities (because some of the transfer prices that have been applied to intragroup sales of goods and services are not accepted, for example, or as a result of the audit of items that may trigger indirect taxes), or that the provisions recognized for this will not be sufficient.

Deferred tax assets are recognized if sufficient taxable income will be available in the future. The assessment is made taking into account budgeted results from operating activities and possible tax planning opportunities. As of the end of each reporting period, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. In the case of tax loss carryforwards, a five-year period is generally applied. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will be recoverable. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is recognized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will be available to allow the deferred tax asset to be realized. The amount of any tax loss carryforwards and temporary differences, as well as of the deferred taxes recognized in respect of such items, could be adversely affected by tax audits in the future.

Future changes in tax laws and regulations, as well as their interpretation, and other changes in tax systems could materially affect our existing tax assets and liabilities, as well as our deferred tax assets and liabilities, and thus result in higher expense for direct and indirect taxes and higher tax payments for them. Additionally, uncertainties affecting the tax environment in some regions could impair our ability to assert our rights.

## 4 | Acquisitions and Disposals

### Acquisitions

No acquisitions were made in either fiscal 2014 or 2013.

### Disposals

#### Fiscal 2014

On June 13, 2013, OSRAM entered into a call and put option agreement ("Call/Put Agreement") with its partner in the joint venture Valeo Sylvania LLC, Seymour, U.S.A. ("Valeo Sylvania"), for the sale of its 50% equity interest in the joint venture and the loans extended by OSRAM to Valeo Sylvania. The equity interest and the loans were allocated to the SP segment. The exercise periods for the otherwise mirror-image options ran from January 1 to 10, 2014 (put), and from February 1 to 10, 2014 (call). As of June 30, 2013, the assets related to this transaction were classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations and tested for impairment. Due to the reversal in full of the previous impairment on the net investment in Valeo Sylvania to amortized cost, this had a positive impact on net income of €35.1 million in fiscal 2013, which was recognized in *Income (loss) from investments accounted for using the equity method, net* in the statement of income. In this context, a provision for a credit guarantee of €10.2 million decreased to zero. Following the extension of further loans, the net investment in Valeo Sylvania was recognized in the amount of €45.6 million. As of September 30, 2013, the recognized value of the two options was zero. The accumulated items related to this disposal group and recognized in *Other comprehensive income* amounted to €13.0 million as of September 30, 2013. Of these, items amounting to €12.9 million were not reclassified to profit or loss. After the reversal of the impairment, the assets related to this transaction and presented as held for sale were as follows:

#### Carrying Amounts of the Disposal Group

in € million	September 30, 2014	September 30, 2013
Investments accounted for using the equity method <sup>1)</sup>	–	–
Other financial assets	–	45.6
<b>Total assets</b>	<b>–</b>	<b>45.6</b>

<sup>1)</sup> In accordance with IFRS 5, use of the equity method is discontinued when an investment is classified as held for sale.

OSRAM exercised the put option granted on January 1, 2014. The sale of the shares and of the loans extended by OSRAM closed on January 21, 2014 ("Closing"). The sale of the 50% equity interest in Valeo Sylvania and of the loans extended by OSRAM resulted in a gain of €32.0 million, which is recognized in *Income (loss) from investments accounted for using the equity method, net*. The gain is provisional in that the process to determine the final purchase price has not yet been completed.

The Call/Put Agreement provides for OSRAM to indemnify the buyer from the date on which the transaction was closed on a pro rata basis in respect of any damages arising out of, among other things, tax matters, environmental issues, product liability claims, and damages arising out of a violation of certain defined laws, in each case provided that the cause of the loss occurred in a defined period prior to the date of the Call/Put Agreement. This indemnity is limited to specified amounts that vary between the individual defined claims, also Note 28 Other Financial Commitments and Contingent Liabilities. Furthermore, the Call/Put Agreement provides for a covenant not to compete pursuant to which OSRAM shall not engage for a limited period of time in the development, engineering, application, production, sales, or marketing of automotive lighting system products (e.g., headlight, rear light, and interior lighting assemblies) in North America. In connection with the Call/Put Agreement, the joint venture partner and OSRAM entered into a strategic supply agreement to strengthen their cooperation in the automotive lighting business.

In addition, the sale of the equity interest in OSRAM (China) Fluorescent Materials Co., Ltd., Yi Xing City, China ("OCFM") was completed in the second quarter of fiscal 2014. The assets attributable to this equity interest, which were presented as held for sale, amounted to €1.4 million as of September 30, 2013. This did not affect net income.

### Fiscal 2013

In fiscal 2013, OSRAM sold its subsidiaries Sunny World (Shaoxing) Green Lighting Co. Ltd., Shaoxing, China ("Sunny World") and OSRAM Hong Kong Ltd., Hong Kong, China ("OHK"), which were allocated to the former LC segment. The production of compact fluorescent lamps was organized in these companies. The sale by way of a share deal was related to the transformation of the lighting market and was part of the "Future Industrial Footprint" project. The sale was signed together with a sourcing contract on March 6, 2013, and became effective as of the disposal as of April 1, 2013. The consideration paid was linked to the sourcing contract and amounted to €23.4 million as of September 30, 2013. The remeasurement of this disposal group at the lower of its carrying amount and fair value less costs to sell on classification as held for sale in accordance with IFRS 5 resulted in an impairment loss of €13.8 million, which was already recognized in *Cost of goods sold and services rendered* in the statement of income for the six months ended March 31, 2013. The accumulated currency translation gains related to this disposal group and recognized in *Other operating income* in the statement of income on disposal of the companies on April 1, 2013, amounted to €7.1 million. The carrying amounts of the principal groups of assets and liabilities that were derecognized on completion of the disposal described above are presented in the following table:

#### Carrying Amounts of the Disposal Group

in € million	April 1, 2013
Cash and cash equivalents	0.2
Trade receivables	0.2
Inventories	8.8
Other current assets	1.6
Property, plant, and equipment	21.8
Other noncurrent assets	5.8
<b>Total assets</b>	<b>38.4</b>
Trade payables	12.1
Provisions	4.7
Other liabilities	4.0
<b>Total liabilities</b>	<b>20.8</b>



## 5 | Personnel-related Restructuring Expenses

The technology shift and the resulting fundamental changes in the business environment are driving the strategic realignment of the OSRAM Licht Group. Since the first quarter of fiscal 2012, this has been supported by a company-wide, sustainable, and comprehensive improvement program – “OSRAM Push.” The program encompasses all of the projects and measures triggered by the technology shift and the associated realignment of OSRAM’s portfolio, organization, processes, and business culture. In addition, OSRAM Push addresses further structural and operational measures designed to improve productivity across all segments. At the end of July 2014, OSRAM announced that further process improvements and structural adjustments would be made to address the rapid changes in market conditions in the general lighting area. In light of recent market developments and the accelerating pace of transition, OSRAM Push is being continued and is entering a second phase. The measures will affect not only production capacity for traditional products in the general lighting segment, but also sales, administration, and other indirect functions throughout the Company.

The personnel-related restructuring expenses incurred in fiscal 2014 and 2013 essentially arose in connection with the measures outlined › also Note 37 | Segment Information.

### Personnel-related Restructuring Expenses

in € million	Fiscal year	
	2014	2013
LED Lamps & Systems	(4.1)	–
Classic Lamps & Ballasts	(27.9)	(125.3)
Luminaires & Solutions	(4.5)	(50.4)
Specialty Lighting	(6.7)	(16.5)
Opto Semiconductors	–	(0.7)
Corporate items	(11.4)	(3.1)
<b>OSRAM Licht Group</b>	<b>(54.6)</b>	<b>(196.1)</b>

In this context, effects on net income also arose from pension commitments to employees in the amount of €7.2 million and €1.0 million, respectively in fiscals 2014 and 2013 › also Note 25 | Pension Plans and Similar Commitments. Total personnel-related restructuring expenses associated with the transformation program therefore amounted to €61.9 million in fiscal 2014 (2013: €197.1 million).

Additional personnel-related restructuring expenses of €11.7 million were incurred in fiscal 2014 (fiscal 2013: €– million) amongst others in connection with the termination of the appointment of a member of the Managing Board

› also Note 39 | Related Party Disclosures.

In fiscals 2014 and 2013, personnel-related restructuring expenses primarily affected *Cost of goods sold and services rendered, Marketing, selling, and general administrative expenses*, and *Research and development expenses*.

## 6 | Other Operating Income

### Other Operating Income

in € million	Fiscal year	
	2014	2013
Gain on sales of property, plant, and equipment, and intangibles	4.3	12.3
Gain on disposals of businesses	0.0	7.1
Miscellaneous other income	36.3	46.2
<b>Other operating income</b>	<b>40.6</b>	<b>65.6</b>

### Fiscal 2014

*Other operating income* primarily includes income from the settlement of legal proceedings and the corresponding reversal of provisions and liabilities › Note 29 | Legal Proceedings; this is recognized in the *Miscellaneous other income* line item.

### Fiscal 2013

The *Gain on sales of property, plant, and equipment, and intangibles* primarily included the sale of land and buildings belonging to the now-closed Sonapat production site in India in the amount of €8.7 million.

In fiscal 2013, accumulated currency translation gains of €7.1 million related to the disposal of the Sunny World and OHK subsidiaries were reclassified from *Other comprehensive income* to *Other operating income* and recognized in the *Gain on disposals of businesses* line item. For further information on company disposals › Note 4 | Acquisitions and Disposals.

Additionally, in fiscal 2013, the main income items recognized related to the settlement of patent infringement disputes that escalated following the announcement that the OSRAM Licht Group was to go public, including the reversal of corresponding and further provisions included in the *Miscellaneous other income* line item.

## 7|Other Operating Expense

### Other Operating Expense

in € million	Fiscal year	
	2014	2013
Losses on sales and disposals of property, plant, and equipment, and intangibles	(9.9)	(19.0)
Losses on disposals of businesses	–	(0.9)
Miscellaneous other expense	(43.3)	(20.7)
<b>Other operating expense</b>	<b>(53.2)</b>	<b>(40.6)</b>

#### Fiscal 2014

The *Miscellaneous other expense* line item primarily includes expenses for legal proceedings › Note 29|Legal Proceedings.

*Losses on sales and disposals of property, plant, and equipment, and intangibles* relate primarily to the “Future Industrial Footprint” global transformation project.

#### Fiscal 2013

In fiscal 2013, *Losses on sales and disposals of property, plant, and equipment, and intangibles* related primarily to the “Future Industrial Footprint” restructuring project.

In fiscal 2013, *Miscellaneous other expense* comprised costs for legal proceedings and obligations relating to historical regulatory risks in one country, which were addressed as part of the “Future Industrial Footprint” project and which OSRAM regarded as being in connection with the strategic realignment in that country.

## 8|Income (Loss) from Investments Accounted for Using the Equity Method, Net

### Income (Loss) from Investments Accounted for Using the Equity Method, Net

in € million	Fiscal year	
	2014	2013
Share of profit (loss), net	3.7	(10.1)
Reversals of impairments/impairments, net	0.2	23.7
Gains (losses) on sales, net	32.0	–
<b>Income (loss) from investments accounted for using the equity method, net</b>	<b>35.9</b>	<b>13.6</b>

#### Fiscal 2014

*Income (loss) from investments accounted for using the equity method, net* mainly comprises a gain of €32.0 million on the sale of the 50% equity interest in the Valeo Sylvania joint venture and the loans extended by OSRAM to Valeo Sylvania, which formed part of the net investment. The sale closed on January 21, 2014 (“Closing”). The gain is provisional in that the process to determine the final purchase price has not yet been completed. For details › also Note 4|Acquisitions and Disposals.

#### Fiscal 2013

In fiscal 2013, an impairment loss of €7.3 million was charged on noncurrent receivables that were part of the net investment in the joint venture Valeo Sylvania.

In fiscal 2013, a call/put agreement was subsequently signed for the sale of OSRAM’s equity interest in Valeo Sylvania and the loans extended to the joint venture. The resulting income of €35.1 million from the reversal of the impairment on the net investment to amortized cost was recognized in *Reversals of impairments/impairments, net* › Note 4|Acquisitions and Disposals.

Furthermore, in fiscal 2013, the equity interest in OCFM was impaired in full in the amount of €3.1 million. This was reported under *Corporate items and pensions* in the segment reporting › Note 37|Segment Information.

In fiscal 2013, an equity sale and transfer agreement was closed for the sale to the joint venture partner of the 50% interest in OCFM held by OSRAM. Income of €1.4 million resulting from the reversal of the fully impaired equity interest was recognized in *Reversals of impairments/impairments, net*. The equity interest was presented in the statement of financial position as of September 30, 2013, under *Non-current assets held for sale* › also Note 4|Acquisitions and Disposals.

The equity interest in the Siteco Prosperity Lighting (Lang Fang) Co., Ltd. joint venture, Lang Fang, China ("Siteco Prosperity"), which is allocated to the Luminaires & Solutions ("LS") segment, was partially impaired by €2.2 million in fiscal 2013.

In fiscal 2013, the *Share of profit (loss), net* primarily comprised a loss contributed by Valeo Sylvania in the amount of €16.9 million, which was incurred prior to the classification of the net investment in Valeo Sylvania as held for sale, and a profit from Foshan Electrical and Lighting Co., Ltd, Foshan, China ("FELCO"), in the amount of €6.9 million.

## 9 | Interest Income, Interest Expense, and Other Financial Income (Expense), Net

Interest Income, Interest Expense, and Other Financial Income (Expense), Net	Fiscal year	
	2014	2013
in € million		
<b>Interest income</b>	<b>3.2</b>	<b>5.9</b>
<b>Interest expense</b>	<b>(40.8)</b>	<b>(32.0)</b>
<b>Other financial income (expense), net</b>	<b>(3.2)</b>	<b>(9.9)</b>

In fiscal 2014, the *Interest income* line item included, among other things, interest income from short-term deposits at banks. In fiscal 2013, the *Interest income* line item primarily included interest relating to transactions with Siemens ("Siemens Treasury").

The components of *Interest expense* were as follows:

Interest Expense	Fiscal year	
	2014	2013
in € million		
Interest expense, other than pension-related	(20.7)	(15.3)
Pension-related interest expense, net	(20.1)	(16.8)
<b>Interest expense</b>	<b>(40.8)</b>	<b>(32.0)</b>

In fiscal 2014, *Interest expense, other than pension-related* included interest expense from debt, including the interest expense from the amortization of transaction costs for the syndicated loan facility calculated using the effective interest method and commitment fees for the revolving credit facility that was not drawn down.

Until the spin-off from Siemens financing was provided by the Siemens Group › Note 39 | Related Party Disclosures. In fiscal 2013, *Interest expense, other than pension-related* resulted mainly from transactions with Siemens Treasury.

*Pension-related interest expense, net* includes interest income and expense from the uniform interest rate applied to pension obligations and plan assets. For further information on the *Pension-related interest expense, net* line item relating to OSRAM's pension and other post-employment benefits › Note 25 | Pension Plans and Similar Commitments.

The *Interest income* and *Interest expense* line items include the following results from financial assets and financial liabilities not measured at fair value through profit or loss:

Results from Financial Assets and Liabilities	Fiscal year	
	2014	2013
in € million		
Total interest income on financial assets	3.0	5.9
Total interest expense on financial liabilities	(20.7)	(15.3)

The *Other financial income (expense), net* line item includes the effects of the remeasurement of certain monetary assets and liabilities at their respective closing exchange rates.

## 10 | Income Taxes

### Income Tax (Expense) Benefit, Net

in € million	Fiscal year	
	2014	2013
Current tax (expense) benefit, net	(76.6)	(70.1)
Deferred tax (expense) benefit, net	(9.5)	53.6
<b>Income tax (expense) benefit, net</b>	<b>(86.1)</b>	<b>(16.5)</b>

*Current tax (expense) benefit, net* in fiscal 2014 includes tax benefits of €9.7 million (2013: tax expense of €1.3 million) for prior fiscal years.

*Deferred tax (expense) benefit, net* in fiscal 2014 comprised deferred tax benefits of €9.0 million (2013: tax benefits of €16.4 million) related to the recognition and reversal of temporary differences.

In Germany, current taxes are calculated on distributed and retained profits based on a uniform corporate income tax rate of 15% and a solidarity surcharge of 5.5% thereon. In addition to corporate income tax, trade tax is also levied on profits generated in Germany. Trade tax is calculated using an average tax rate of 14.6%, resulting in an aggregate tax rate for Germany of 30.4%. In fiscal 2014, German deferred taxes were measured using a tax rate of 30.08%, as the average trade tax rate is expected to be lower in future. Profit generated by foreign subsidiaries is calculated on the basis of national tax laws and taxes are paid on that profit at the tax rate applicable in their respective country of domicile.

Expected income tax expense is calculated using the aggregate German tax rate of 30.4%.

### Reconciliation to Actual Income Tax Expense

in € million	Fiscal year	
	2014	2013
<b>Expected income tax (expense) benefit</b>	<b>(84.9)</b>	<b>(15.2)</b>
Increase/decrease in income taxes resulting from:		
Non-deductible losses and expenses	(20.2)	(15.1)
Tax-free income	2.0	7.9
Taxes for prior years	6.6	(0.9)
Change in realizability of deferred tax assets and tax credits	11.1	10.7
Foreign tax rate differential	6.4	4.7
Change in tax rates	(0.1)	(1.0)
Other, net	(7.0)	(7.6)
<b>Actual income tax (expense) benefit</b>	<b>(86.1)</b>	<b>(16.5)</b>

In fiscal 2014 and 2013, *Other, net* primarily comprised nondeductible withholding taxes on intragroup dividend payments.

Deferred tax assets and liabilities (gross) are attributable to the following items in the statement of financial position:

### Deferred Tax Assets and Liabilities

in € million	September 30,	
	2014	2013
<b>Assets</b>		
Financial assets	4.7	8.6
Other intangible assets	3.9	8.9
Property, plant, and equipment	32.7	31.2
Inventories	40.8	33.8
Receivables	20.3	15.2
Pension plans and similar commitments	186.6	150.0
Provisions	57.4	57.9
Liabilities	67.1	60.3
Tax loss and credit carryforwards	89.7	109.0
Other	1.5	0.9
<b>Deferred tax assets</b>	<b>504.7</b>	<b>475.8</b>
<b>Liabilities</b>		
Financial assets	(1.1)	(1.0)
Other intangible assets	(10.1)	(10.9)
Property, plant, and equipment	(23.8)	(32.2)
Inventories	(0.6)	(0.5)
Receivables	(19.8)	(7.5)
Pension plans and similar commitments	(5.3)	(5.0)
Provisions	(0.7)	(1.8)
Liabilities	(3.3)	(1.2)
Other	(15.9)	(19.9)
<b>Deferred tax liabilities</b>	<b>(80.6)</b>	<b>(80.0)</b>
<b>Total deferred tax asset (liability), net</b>	<b>424.1</b>	<b>395.8</b>

Deferred tax assets and deferred tax liabilities are offset if the Group has an enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes of the same taxable entity that are levied by the same tax authority.

The decisive factor in assessing the recoverability of deferred tax assets is the extent to which management believes the deferred tax assets will be realized. The assessment is made taking into account budgeted results from operating activities and possible tax strategies. Based on past experience and expected taxable income, it is generally assumed that the benefits of deferred tax assets can be realized and that the legal reorganization measures undertaken in connection with the separation of OSRAM and thereafter will not have a significant impact on the recognized amount of deferred taxes.

In this context, deferred tax assets of €373.2 million are recognized for entities that generated a loss in the current period or in the prior period. The deferred taxes mainly relate to pensions and similar commitments and to tax loss carryforwards.

Tax loss carryforwards amounted to €381.2 million as of September 30, 2014 (September 30, 2013: €436.0 million). In fiscal 2014, OSRAM GmbH recognized deferred tax assets of €45.6 million (September 30, 2013: €79.2 million) in respect of tax loss carryforwards. OSRAM assumes that there will be sufficient positive taxable income available from future business activities to realize these deferred tax assets.

No deferred tax assets were recognized for the following items (gross amounts):

#### Items for Which No Deferred Tax Assets Have Been Recognized

in € million	September 30,	
	2014	2013
Deductible temporary differences	29.6	27.8
Tax loss carryforwards	110.6	119.8

Of the tax loss carryforwards for which no deferred tax assets were recognized as of September 30, 2014, €2.6 million (September 30, 2013: €4.0 million) will expire in the period up to 2021. The total amount of tax credits for which no deferred tax assets were recognized increased by €11.8 million to €42.6 million in the reporting period.

Companies in the OSRAM Licht Group have several years for which a tax audit has not yet been completed in a number of countries. OSRAM recognizes appropriate provisions for those outstanding assessment periods bearing in mind numerous factors, including interpretations of tax law and past experience.

For profits distributable by subsidiaries, income taxes and withholding taxes to be incurred in connection with the distribution are recognized as deferred tax liabilities if either these profits are expected to be subject to such taxation or it is not intended to reinvest them for the long term.

As of September 30, 2014, no deferred tax liabilities were recognized for subsidiaries' accumulated earnings of €663.2 million (September 30, 2013: €610.5 million), as these profits are to be reinvested for an indefinite period.

Including items recognized directly in equity, income tax (expense) benefit can be broken down as follows:

#### Income Tax (Expense) Benefit

in € million	Fiscal year	
	2014	2013
Income tax expense	(86.1)	(16.5)
(Expense) benefit recognized directly in equity	27.8	(34.3)

## 11 | Available-for-sale Financial Assets

The current portion of the OSRAM Licht Group's *Available-for-sale financial assets* mainly comprises fund units.

Noncurrent available-for-sale financial assets are presented as *Other financial assets* » Note 20 | Other Financial Assets.

For additional information, » also Note 32 | Financial Instruments and Hedging Activities.

## 12 | Trade Receivables

### Trade Receivables

in € million	September 30,	
	2014	2013
Trade receivables before valuation allowance	885.1	879.2
Valuation allowance	(27.6)	(25.8)
<b>Trade receivables after valuation allowance</b>	<b>857.5</b>	<b>853.4</b>

The valuation allowances on the OSRAM Licht Group's trade receivables changed as follows:

### Valuation Allowance

in € million	September 30,	
	2014	2013
<b>Valuation allowance as of beginning of fiscal year</b>	<b>(25.8)</b>	<b>(26.1)</b>
Increase in valuation allowances recorded in the income statement in the current period	(4.3)	(4.2)
Write-offs charged against the allowance	1.6	0.9
Release of valuation allowance	1.6	2.2
Foreign exchange translation differences	(0.7)	1.4
<b>Valuation allowance as of fiscal year end</b>	<b>(27.6)</b>	<b>(25.8)</b>

An analysis of the age of the trade receivables past due but not impaired is given below. This does not include collateralized receivables or collateralized partial amounts.

### Aging Analysis of Receivables that are past due but not impaired

in € million	September 30,	
	2014	2013
1 to 30 days	5.3	5.5
30 to 60 days	2.4	2.4
60 to 90 days	1.3	0.9
more than 90 days	2.5	2.0
<b>Total</b>	<b>11.5</b>	<b>10.8</b>

## 13 | Other Current Financial Assets

### Other Current Financial Assets

in € million	September 30,	
	2014	2013
Derivative financial instruments	11.5	5.6
Debit balances of trade accounts payable	5.4	3.5
Receivables from employees	2.4	2.3
Other	45.6	46.8
<b>Other current financial assets</b>	<b>64.9</b>	<b>58.2</b>

Among other things, the *Other* line item includes financial receivables not resulting from the sale of goods or services and other financial assets such as amounts collected for obligations to dispose of waste, finance bills, and security deposits. It also includes receivables related to the settlement of patent infringement disputes. As of September 30, 2013, it also included receivables due from the Siemens Group in connection with the spin-off.

Information on *Derivative financial instruments* can be found in »Note 32|Financial Instruments and Hedging Activities.

## 14| Inventories

### Inventories

in € million	September 30,	
	2014	2013
Raw materials and supplies	222.9	193.0
Work in process	249.0	211.7
Finished goods and merchandise	683.3	560.2
Advances to suppliers	1.1	8.7
Advance payments received	(4.2)	(5.3)
<b>Inventories</b>	<b>1,152.1</b>	<b>968.3</b>

*Raw materials and supplies*, *Work in process*, and *Finished goods and merchandise* are measured at the lower of cost and net realizable value. The €123.1 million increase in finished goods and merchandise is due in particular to the introduction of a new product portfolio in the LLS segment.

Valuation allowances declined by a total of €2.9 million in fiscal 2014 to €138.2 million (previous year: decline of €19.8 million). The decline in the previous year was due in particular to changes to the product portfolio.

The cost of inventories sold during the fiscal year represents the major part of the Cost of goods sold and services rendered item.

## 15| Other Current Assets

### Other Current Assets

in € million	September 30,	
	2014	2013
Miscellaneous tax receivables	64.5	67.0
Prepaid expenses	11.1	11.6
Other	15.7	15.0
<b>Other current assets</b>	<b>91.3</b>	<b>93.6</b>

In fiscal 2014, *Prepaid expenses* include the current portion of the transaction costs from the revolving credit facility entered into in fiscal 2013 in the amount of €3.5 million (previous year: €3.5 million) › also Note 21| Other Assets.

The *Other* line item comprises receivables due from the Federal Ministry of Education and Research in Bonn, Germany, ("BMBF") for research and project development activities.

## 16| Goodwill

The business activities of the Lamps ("LP") and Light Engines & Controls ("LE") Business Units were reorganized effective May 1, 2014: The two units' declining business with traditional lamps (previously LP) and traditional ballasts (previously LE) was combined in the Classic Lamps & Ballasts ("CLB") Business Unit. In the same way, the rapidly expanding LED activities of LP and LE were brought together in the LED Lamps & Systems ("LLS") Business Unit › Note 37| Segment Information. The goodwill previously presented and monitored for internal management purposes in the LE Business Unit arose from the acquisition of Encelium Holdings Inc., Teaneck, U.S.A., and relates to the latter's activities and assets. Since these activities and assets are being transferred to LLS as part of the reorganization, the goodwill will be monitored for internal management purposes at the level of the LLS Business Unit.

Goodwill changed as follows:

### Goodwill

in € million	September 30,	
	2014	2013
<b>Cost</b>		
<b>Balance at the beginning of the year</b>	<b>257.2</b>	<b>285.0</b>
Translation differences and others	5.6	(10.3)
Acquisitions and measurement period adjustments	–	–
Divestment and reclassifications to assets held for disposal	–	(17.5)
<b>Balance at the end of the year</b>	<b>262.8</b>	<b>257.2</b>
<b>Accumulated impairment losses and other changes</b>		
<b>Balance at the beginning of the year</b>	<b>(222.1)</b>	<b>(248.3)</b>
Translation differences and others <sup>1)</sup>	(3.0)	8.7
Impairment charges during the period	–	–
Divestment and reclassifications to assets held for disposal	–	17.5
<b>Balance at the end of the year</b>	<b>(225.1)</b>	<b>(222.1)</b>
<b>Net book value</b>		
<b>Balance at the beginning of the year</b>	<b>35.1</b>	<b>36.7</b>
<b>Balance at the end of the year</b>	<b>37.7</b>	<b>35.1</b>

<sup>1)</sup> This amount includes currency translation differences relating to goodwill impairment in fiscal 2012.

### Goodwill

in € million	Net book value as of October 1, 2013	Translation differences and other	Net book value as of September 30, 2014
LED Lamps & Systems	–	33.9	33.9
Light Engines & Controls	31.5	(31.5)	–
Specialty Lighting	3.6	0.2	3.8
<b>OSRAM</b>	<b>35.1</b>	<b>2.6</b>	<b>37.7</b>

in € million	Net book value as of October 1, 2012	Translation differences and other	Net book value as of September 30, 2013
LMS	33.0	(33.0)	–
Light Engines & Controls	–	31.5	31.5
Specialty Lighting	3.7	(0.1)	3.6
<b>OSRAM</b>	<b>36.7</b>	<b>(1.6)</b>	<b>35.1</b>

The annual impairment test in both fiscal 2014 and the comparative period was based on the current business plans at that time. The recoverable amount of the cash-generating units was determined on the basis of their fair value less costs to sell (Level 3). The key assumptions used in impairment testing cash-generating units to which goodwill has been allocated are the terminal value growth rates and the discount rates.



#### Fiscal 2014

A growth rate of 2.4% and post-tax discount rates of between 7.4% and 7.5% were assumed in the annual impairment test in fiscal 2014. The impairment tests performed confirmed the recoverability of the carrying amounts of all goodwill items.

#### Fiscal 2013

Growth rates of 2.3% and post-tax discount rates of between 7.5% and 8.0% were assumed in the annual impairment test in fiscal 2013. The impairment tests performed confirmed the recoverability of the carrying amounts of all goodwill items.

### 17 | Other Intangible Assets

#### Other Intangible Assets

in € million	Gross carrying amount as of October 1, 2013	Translation differences	Additions	Retirements	Gross carrying amount as of September 30, 2014	Accumulated amortization and impairment	Net book value as of September 30, 2014	Amortization and impairment during fiscal 2014
Capitalized software development costs	106.0	1.1	0.4	0.0	107.5	(105.5)	2.0	(2.4)
Capitalized development costs for other projects	47.5	1.4	2.4	0.0	51.3	(42.2)	9.1	(5.4)
Patents, licenses, and other rights	384.4	13.4	8.8	(8.8)	397.7	(303.3)	94.4	(18.5)
<b>Other intangible assets</b>	<b>537.9</b>	<b>15.8</b>	<b>11.6</b>	<b>(8.8)</b>	<b>556.5</b>	<b>(451.0)</b>	<b>105.5</b>	<b>(26.3)</b>

in € million	Gross carrying amount as of October 1, 2012	Translation differences	Additions	Retirements	Gross carrying amount as of September 30, 2013	Accumulated amortization and impairment	Net book value as of September 30, 2013	Amortization and impairment during fiscal 2013
Capitalized software development costs	106.8	(0.8)	0.8	(0.7)	106.0	(102.1)	3.9	(2.4)
Capitalized development costs for other projects	46.5	(0.3)	0.3	1.0	47.5	(35.4)	12.0	(3.6)
Patents, licenses, and other rights	360.8	(9.5)	37.6	(4.5)	384.4	(280.9)	103.5	(19.2)
<b>Other intangible assets</b>	<b>514.1</b>	<b>(10.6)</b>	<b>38.7</b>	<b>(4.3)</b>	<b>537.9</b>	<b>(418.4)</b>	<b>119.5</b>	<b>(25.3)</b>

As of September 30, 2014, intangible assets primarily comprised rights from a cross-licensing agreement with Koninklijke Philips Electronics N.V., Eindhoven, the Netherlands, ("Philips") of €31.0 million (September 30, 2013: €34.0 million). Those rights were recognized as of September 30, 2008, with an assumed useful life of 16 years.

Amortization charges on intangible assets are recognized in *Cost of goods sold and services rendered*, *Research and development expenses*, or *Marketing, selling, and general administrative expenses*, depending on the asset's use.

There were no significant obligations to purchase other intangible assets in fiscal 2014 or 2013.

## 18 | Property, Plant, and Equipment

### Property, Plant, and Equipment

in € million	Gross carrying amount as of October 1, 2013	Translation differences	Additions	Reclassifications	Retirement	Gross carrying amount as of September 30, 2014	Accumulated depreciation and impairment	Net book value as of September 30, 2014	Depreciation and impairment during fiscal 2014
Land and buildings	625.3	10.2	1.8	17.3	(14.3)	640.3	(355.1)	285.2	(19.4)
Technical machinery and equipment	3,268.5	77.5	75.3	75.6	(140.4)	3,356.5	(2,728.9)	627.6	(175.0)
Furniture and office equipment	618.0	11.9	26.8	26.9	(31.4)	652.2	(536.4)	115.8	(46.4)
Advances to suppliers and construction in progress	100.7	3.2	130.1	(119.8)	(0.5)	113.7	(5.2)	108.5	(5.0)
<b>Property, plant, and equipment</b>	<b>4,612.5</b>	<b>102.8</b>	<b>234.0</b>	<b>-</b>	<b>(186.6)</b>	<b>4,762.7</b>	<b>(3,625.6)</b>	<b>1,137.1</b>	<b>(245.8)</b>

in € million	Gross carrying amount as of October 1, 2012	Translation differences	Additions	Reclassifications	Retirement	Gross carrying amount as of September 30, 2013	Accumulated depreciation and impairment	Net book value as of September 30, 2013	Depreciation and impairment during fiscal 2013
Land and buildings	641.5	(15.6)	10.0	15.4	(26.0)	625.3	(340.3)	285.0	(28.1)
Technical machinery and equipment	3,346.5	(89.8)	56.8	84.0	(129.1)	3,268.5	(2,628.4)	640.1	(231.2)
Furniture and office equipment	605.9	(15.0)	31.5	19.1	(23.4)	618.0	(510.9)	107.1	(54.7)
Advances to suppliers and construction in progress	130.1	(3.3)	94.3	(118.5)	(1.7)	100.7	(0.2)	100.5	(0.1)
<b>Property, plant, and equipment</b>	<b>4,724.0</b>	<b>(123.7)</b>	<b>192.6</b>	<b>-</b>	<b>(180.2)</b>	<b>4,612.5</b>	<b>(3,479.8)</b>	<b>1,132.7</b>	<b>(314.1)</b>

### Fiscal 2014

Certain items of property, plant, and equipment related to the production of traditional products and allocated to the CLB segment were written down for impairment in the amount of €11.7 million in fiscal 2014 due to triggering events. The recoverable amount of these cash generating units was €36.8 million. The main triggering event for the impairment loss was a reassessment of the strategic business outlook for these product groups and relates to the trend in the lighting market away from traditional light sources and towards LED products. The impairment loss was based on the fair value less costs to sell (level 3), which was calculated using the discounted cash flow method on the basis of the current business plans and assuming a post-tax discount rate of 6.9%. The impairment expense is recognized in Cost of goods sold and services rendered.

Of the retirements of land and buildings, €2.9 million relates to the reclassification of the property at the OSRAM Licht Group's former headquarters in Munich to "assets as held for sale" in accordance with IFRS 5. The sale of the property was contractually agreed at the beginning of October 2014

» Note 42 | Events After the Balance Sheet Date.

Also in fiscal 2014, losses were recognized on the disposal of items of property, plant, and equipment » Note 7 | Other Operating Expense.

As of September 30, 2014, contractual obligations to purchase property, plant, and equipment amounted to €87.4 million (September 30, 2013: €30.1 million). The increase is attributable primarily to capital expenditures by the Opto Semiconductors ("OS") segment.

Government grants received in fiscal 2014 for the purchase or production of property, plant, and equipment amounted to €0.3 million (2013: €0.7 million). As a rule, government grants reduce the items' cost. Further government grants awarded amounted to €11.8 million in fiscal 2014 (2013: €16.0 million). These relate to incurred and future costs and are recognized as a reduction in expenses within *Research and development expenses*. Of these, government grants of €5.7 million (2013: €12.7 million) were awarded in fiscal 2014 to OSRAM Opto Semiconductors GmbH, Regensburg, Germany, ("OSRAM OS") for research projects in the field of LEDs and government grants of €4.4 million awarded to OSRAM OLED GmbH, Regensburg, Germany, a company founded in the reporting period, for research projects in the field of organic light emitting diodes ("OLEDs"). Also in fiscal 2014, real estate required for production was made available to OSRAM by public authorities free of charge.

Depreciation charges, impairment losses, and reversals of impairment losses on property, plant, and equipment are recognized in Cost of goods sold and services rendered, Research and development expenses, or Marketing, selling, and general administrative expenses, depending on the asset's use.

#### Fiscal 2013

In fiscal 2013, property, plant, and equipment used for the production of traditional products was impaired by €16.6 million. The impairment losses affected the Lamps & Components ("LC") segment and are mainly reported in Cost of goods sold and services rendered. The main triggering event for the impairment losses was a reassessment of the strategic business outlook for these product groups and relates to the trend in the lighting market away from traditional light sources and towards LED products as well as to the OSRAM "Future Industrial Footprint" transformation pro-

ject. The impairment loss was based on the fair value less costs to sell, which was calculated using the discounted cash flow method on the basis of the current business plans and assuming a post-tax discount rate of 7.7%.

In fiscal 2013, property, plant, and equipment used for the production of pre-materials was fully impaired in the amount of €28.0 million. The impairment loss is recognized in Cost of goods sold and services rendered and affects corporate items and pensions as well as the LC and SP segments. The main triggering event for the impairment loss was a reassessment of the strategic business outlook for these pre-materials, in particular because of the trends expected in the traditional general lighting business, which led to the business plan being updated. The impairment loss was based on the value in use, which was calculated using the discounted cash flow method assuming a pre-tax discount rate of 9.75%.

Additionally, in fiscal 2013, an impairment loss of €7.4 million was recognized on property, plant, and equipment used for the production of CFLi products (CFL lamps with integrated ballast) in India. The impairment loss is recognized in Cost of goods sold and services rendered and affects the LC segment. The main triggering event for the impairment loss was the strategic realignment regarding these products, which led to the business plan being updated. The impairment loss was based on the value in use, which was calculated using the discounted cash flow method assuming a pre-tax discount rate of 11.4%.

Property, plant, and equipment also declined as a result of the sale of the Sunny World and OHK subsidiaries. For additional information › Note 4 | Acquisitions and Disposals. Also in fiscal 2013, losses were recognized on the disposal of items of property, plant, and equipment › Note 7 | Other Operating Expense.

## 19| Investments Accounted for Using the Equity Method

As of September 30, 2014, and 2013, the following main investments held by OSRAM were accounted for using the equity method (in alphabetical order):

### Investments Accounted for Using the Equity Method

	September 30,	
	2014	2013
Percentage (%) of ownership		
Foshan Electrical and Lighting Co., Ltd., Foshan, China <sup>1)</sup>	13.47	13.47
Valeo Sylvania LLC, Seymour, U.S. <sup>2)</sup>	–	50.00

<sup>1)</sup> OSRAM has significant influence due to the composition of the Board of Directors.

<sup>2)</sup> Reported as held for sale in the OSRAM Licht Group's statement of financial position as of September 30, 2013.

The shares in Valeo Sylvania were sold in January 2014.  
For additional information on the sale of the investment

› Note 4|Acquisitions and Disposals.

Summary information relating to the statement of income for the significant investment in FELCO, which is accounted for as an associate, is presented below. The table contains the latest available information relating to the statement of income, without adjustment to the percentage of ownership held by OSRAM.

### Information on the Statement of Income for Valeo Sylvania

in € million	Fiscal year	
	2014	2013
Revenue <sup>1)</sup>	361.6	286.7
Net income (loss) <sup>1)</sup>	36.2	51.2

<sup>1)</sup> Twelve-month statement of income data.

The following table contains the latest available information relating to the statement of financial position of FELCO without adjustment to the percentage of ownership held by OSRAM.

### Information on the Statement of Financial Position for FELCO

in € million	Fiscal year	
	2014	2013
Total assets	475.4	425.5
Total liabilities and provisions	91.1	81.5

FELCO is listed on the Shenzhen Stock Exchange in China.  
The table below shows the number of shares held by OSRAM and the fair value (Level 1) of the investment in FELCO.

### Additional Information on OSRAM's Investment in FELCO

	September 30,	
	2014	2013
Percentage (%) of ownership	13.47	13.47
Number of shares held by OSRAM	131,815,685	131,815,685
Fair value of investment in FELCO in € million	129.7	109.9

## 20| Other Financial Assets

### Other Financial Assets

in € million	September 30,	
	2014	2013
Receivables	7.3	13.4
Available-for-sale financial assets	1.4	1.4
Receivables from employees	0.1	0.1
Other	3.5	3.9
<b>Other financial assets</b>	<b>12.3</b>	<b>18.8</b>

As of September 30, 2014, and 2013, the *Receivables* line item related primarily to a noncurrent receivable in connection with the settlement of patent infringement disputes.

## 21| Other Assets

### Other Assets

in € million	September 30,	
	2014	2013
Prepaid assets	17.0	20.7
Deferred compensation assets	6.9	7.5
Chinese land usage	7.3	7.2
Other	31.5	35.6
<b>Other assets</b>	<b>62.7</b>	<b>71.0</b>

As of September 30, 2014, *Prepaid assets* contained the non-current portion of the transaction costs from the conclusion of the revolving credit facility in the fiscal year of €8.1 million (September 30, 2013: €11.5 million), which are amortized over the term of the loan agreement › also Note 24|Debt. In addition prepaid pension costs of €3.7 million (September 30, 2013: €3.2 million) were included. Deferred compensation assets related to a deferred compensation plan in the U.S.A. The *Other* line item primarily included advance payments made.

## 22|Other Current Financial Liabilities

### Other Current Financial Liabilities

in € million	September 30,	
	2014	2013
Derivative financial instruments	14.6	3.9
Credit balances of trade accounts receivable	7.7	6.1
Accrued liabilities	7.0	5.7
Other	17.0	23.5
<b>Other current financial liabilities</b>	<b>46.3</b>	<b>39.2</b>

Information on Derivative financial instruments can be found in › Note 32|Financial Instruments and Hedging Activities.

## 23|Other Current Liabilities

### Other Current Liabilities

in € million	September 30,	
	2014	2013
Employee-related accruals	127.0	178.5
Bonus obligations	86.0	97.0
Payroll obligations and social security taxes	143.0	132.4
Sales and other taxes	49.3	53.2
Other	60.8	69.5
<b>Other current liabilities</b>	<b>466.2</b>	<b>530.8</b>

*Employee-related accruals* primarily include vacation pay, severance payment obligations in connection with personnel reduction or early retirement plans, overtime, and service anniversary awards. The severance payment obligations declined year-on-year due to the progress made in the course of the first phase of the OSRAM Push program.

## 24|Debt

### Debt

in € million	September 30,	
	2014	2013
<b>Short-term (within 1 year)</b>		
Loans from banks	43,6	55,9
<b>Short-term debt and current maturities of long-term debt</b>	<b>43,6</b>	<b>55,9</b>
<b>Long-term (between 1 and 5 years)</b>		
Syndicated loans from banks	138,2	295,0
<b>Long-term debt</b>	<b>138,2</b>	<b>295,0</b>
<b>Debt</b>	<b>181,8</b>	<b>350,9</b>

As of September 30, 2014, OSRAM had access to variable-rate credit lines of €1.09 billion under a syndicated loan facility (September 30, 2013: €1.25 billion). These comprised a term loan of €140 million (September 30, 2013: €300 million) and a revolving credit line of €950 million (September 30, 2013: €950 million). The revolving credit line may also be drawn down in U.S. dollars or, with the approval of the banks, in other currencies. The loan agreement was signed on February 1, 2013, and matures on February 1, 2018.

An amount of €140 million had been drawn down as a term loan under the loan facility as of September 30, 2014; the figure as of September 30, 2013, was €300 million. On March 31, 2014, €80 million was redeemed, followed by a subsequent €80 million on June 30, 2014. These amounts cannot be drawn down again in line with the terms of the agreement for the term loan.

The interest rate on the respective tranches, which is based on EURIBOR plus a credit margin, was 1.307% as of September 30, 2014 (September 30, 2013: 1.923% and 1.928%). The difference between the amount drawn down under the credit facility and the carrying amount is due to transaction costs not yet amortized using the effective interest method. OSRAM was reimbursed the majority of the transaction costs in the form of capital contributions by Siemens AG in fiscal 2013 › Note 30|Equity. The revolving credit facility had not been drawn down as of the end of the reporting period.

The clause in the syndicated loan agreement relating to the financial position of the OSRAM Licht Group (financial covenants), which reflects normal business practice and according to which the ratio of net debt to EBITDA (as defined in the loan agreement) must not exceed 2.5:1, was met in full.

The short-term loans from banks result from drawdowns on short-term credit lines, especially by OSRAM companies in countries that are not able to take part in Group financing because of national restrictions on capital transfers.

In the period before the spin-off from Siemens financing was provided by the Siemens Group • Note 39 | Related Party Disclosures.

## 25 | Pension Plans and Similar Commitments

Post-employment benefits provided by OSRAM during the reporting period are organized through defined benefit plans and defined contribution plans based on contractual or legal regulations which cover almost all of the Company's employees in Germany and many of the Company's employees outside Germany. OSRAM regularly reviews the design of its post-employment benefit plans. Historically, the majority of OSRAM's benefit plans have included significant defined benefits. However, in order to reduce the Company's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases, and other factors, the Company implemented new benefit plans in some of its major countries during the last several years. Defined contribution plans were introduced in the U.S.A. and in the UK, while a cash balance plan was introduced in Germany. The majority of OSRAM's defined benefit plans are funded with assets in segregated entities. Individual benefits are generally based on eligible compensation levels and/or ranking within the Company hierarchy and years of service. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal, and economic requirements in each country.

### Defined benefit plans

The principal pension/other post-employment benefit plans are located in Germany, the U.S.A., Canada, Switzerland, and Italy. The characteristics and the associated risks are outlined below.

#### Germany

In Germany, OSRAM provides pension benefits through the cash balance plan Beitragsorientierte OSRAM Altersversorgung ("BOA"), frozen legacy plans, and deferred compensation plans. The majority of OSRAM's active employees in Germany participate in the pension scheme introduced in fiscal 2004, the BOA. The BOA is a funded defined benefit pension plan whose benefits are predominantly based on contributions made by the Company and returns earned

on such contributions, subject to a minimum return guaranteed by the Company. The new plan is still affected by longevity, inflation adjustments and compensation increases, but to a much smaller extent than the earlier defined benefit plans.

In connection with the implementation of the BOA, benefits provided under the previous defined benefit pension plans were modified to substantially eliminate the effects of compensation increases by freezing the accrual of benefits under the majority of these plans. However, these frozen plans still expose the Company to financial risks and demographic risks such as investment risk, interest rate risk, and longevity risk. OSRAM entered into a fiduciary trust agreement with the Deutsche Treuinvest Stiftung, Frankfurt am Main, Germany, in November 2011 for all funded pension plans. The trustee administers the plan assets and is responsible for ensuring they are invested in line with the trust agreement with the Company. The Company is required until the end of calendar year 2014 to fund an amount that is, at the least, equal to the service cost, including the appropriate service cost under the BOA.

Furthermore, a deferred compensation plan is offered to employees. In Germany, employees who started an employment relationship with the OSRAM Licht Group on or before September 30, 1983, are entitled to transition payments after retirement equal to the difference between their final compensation and the retirement benefits payable under the corporate pension plan. These benefits are unfunded.

#### U.S.A.

The majority of employees of OSRAM Sylvania Inc., Danvers, Massachusetts U.S. ("OSRAM SYLVANIA Inc.") hired prior to December 31, 2006, participate in closed defined benefit plans—the OSRAM SYLVANIA Pension Plan and the OSRAM Sylvania Pension Preservation Plan. Most of these employees are eligible for a final average pay formula, although a small group of legacy employees are eligible for a cash balance formula. All defined benefit plans expose the company to financial risks and demographic risks such as interest rate risk, compensation increase risk, investment risk, and longevity risk. Benefits for salaried participants are frozen and therefore a salary increase risk with regard to these employees is eliminated. The legal and regulatory framework is based on the applicable U.S. legislation under the Employee Retirement Income Security Act ("ERISA"). Based on this legislation, a funding valuation is determined yearly. This is a regulatory requirement to target a minimum funding level of 80% in the funded defined benefit plans in order to avoid benefit restrictions.

This valuation results in an obligatory funding schedule. As the sponsoring employer, OSRAM SYLVANIA Inc. has set up an investment committee comprising members of the senior management of OSRAM SYLVANIA Inc. to make investment decisions.

The company provides other post-employment benefits in the form of two closed medical benefit plans (including a life insurance component). For one of these plans, the amount of the obligation depends on the expected cost trend, while the other benefit plan works on a cash balance basis.

#### Canada

OSRAM Sylvania Ltd., Mississauga, Canada ("OSRAM SYLVANIA Ltd."), provides benefits under a defined benefit pension plan for almost all salaried and hourly employees. The plan exposes the company to financial risks and demographic risks such as interest rate risk, compensation increase risk, investment risk, and longevity risk. Salaried employees are required to make employee contributions, in contrast to hourly employees. The legal and regulatory framework for the pension plan is based on the Quebec Supplemental Pension Plans Act and the Federal Income Tax Act. Pursuant to this framework, the pension plan is governed by a Pension Committee comprising the management, the labor union, and retiree representatives. OSRAM SYLVANIA Ltd. is the sponsoring company. Furthermore, the company also provides other post-employment benefits in the form of life insurance.

#### Switzerland

OSRAM AG, Winterthur, Switzerland, sponsors a funded defined benefit plan for almost all employees. The plan is a cash balance plan that provides retirement benefits on a participant's account balance, and the company is required to make contributions that at least match the predetermined employee contributions set out in the plan rules. The plan also provides benefits on death, disability, and termination. There are no former members with vested benefits in the plan since all vested benefits are transferred to the new employer upon termination of the employee's employment with the company. The plan exposes the company to financial risks and demographic risks such as interest rate risk, salary increase risk, investment risk, and longevity risk. The plan is insured in a collective Swiss pension foundation, registered with the Swiss federal supervisory authority and therefore complying with the compulsory insurance requirements as per the Swiss federal Law on Occupational Retirement, Survivors' and Disability Pension Funds ("BVG"). The fund complies at least with the minimum requirements imposed by the BVG and the regulations issued under it.

Employer and plan participants' contributions are determined by the relevant pension committee. About 40% of the necessary contributions are financed by the employees. According to Swiss law, in the case of a shortfall the relevant pension committee can resolve measures that will restore the coverage ratio to 100% within an appropriate period; therefore, the employer and plan participants' contribution could be increased. The measures proposed by the pension committee to make up for potential shortfalls are subject to approval by the regulator. The board of trustees of the pension fund is responsible for the investment policy. The company delegates two representatives to the pension fund's general assembly (one employer and one employee representative). The general assembly elects the trustees to the board of the pension fund.

#### Italy

In Italy, OSRAM S.p.A. Società Riunite OSRAM-Edison-Clerici, Milan, Italy, provides benefits as required by law to employees when they leave the company. In the case of employees hired prior to December 31, 2006, these benefits are provided in the form of an unfunded defined benefit plan. The plan exposes the company to financial risks such as interest rate risk and compensation increase risk. Since January 1, 2007, the company has paid contributions to an external fund.

In addition to these principal defined benefit and principal other post-employment benefit plans, the Company has additional plans outside Germany which are less significant.

#### Defined contribution plans and state plans

The defined contribution plans are organized such that the Company pays contributions to public or private entities based on statutory or contractual provisions or on a voluntary basis without assuming any obligation to provide further benefits to employees. The amounts recognized as an expense for defined contribution plans amounted to €18.3 million and €19.7 million, respectively, in fiscal 2014 and 2013. The amounts recognized as an expense for contributions to state plans amounted to €118.7 million and €118.9 million, respectively, in fiscal 2014 and 2013.



### Actuarial assumptions

The amount of the obligation arising from defined benefit plans is generally determined as of the end of the fiscal year on the basis of reports prepared by external, independent actuaries. The actuarial measurement of defined benefit obligation (DBO) is based on demographic and financial assumptions. Significant assumptions include mortality rates, salary and pension trends, and trends in healthcare costs. Here, the Company makes its best estimate bearing in mind the economic environment in the country in question and existing expectations.

Another significant assumption is the discount rate. The discount rates used are determined by reference to yields on high-quality fixed-rate corporate bonds at the end of the reporting period. In countries where there is no deep market in such corporate bonds, market yields on government bonds are used. Due to a steady decline in high-quality fixed-rate corporate bonds on the eurozone capital market, the reference portfolio was adapted as of September 30,

2014. This adjustment to the reference portfolio using the "best rating" approach increases the number of high-quality fixed-rate corporate bonds rated AA. To ensure stability for long terms to maturity, the calculation also uses an extrapolation. The interest rate for the eurozone calculated as of September 30, 2014, on the basis of these data and this extrapolation procedure is 60 basis points higher than the interest rate that would have resulted prior to the adjustment as of September 30, 2014. The main outcome of this is that the present value of pension and other post-employment benefit obligations in Germany rose by €66.7 million less as of September 30, 2014. For fiscal 2015, current service cost for the German pension and other post-employment benefit obligations would have been €1.6 million higher and net interest expense €0.7 million higher using the previous reference portfolio and the previous extrapolation procedure.

Significant financial and demographic assumptions were as follows in the reporting period:

### Assumptions for the Calculations of the DBO

in %	September 30, 2014			September 30, 2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
<b>Discount rate (in %)</b>	<b>3.60%</b>	<b>2.60%</b>	<b>4.20%</b>	4.14%	3.10%	4.78%
Germany		2.60%			3.10%	
U.S.A.			4.30%			4.90%
Canada			3.90%			4.50%
Switzerland			1.60%			2.10%
Italy			2.60%			3.10%
<b>Mortality tables (most significant countries)</b>						
Germany	Richttafeln Heubeck 2005G			Richttafeln Heubeck 2005G		
U.S.A.	RP2014 Generational with Scale MP2014			RP2000 Generational Tables with scale AA		
Canada	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality table (CPM2014Priv) for salaried members 105% of the rates of the CPM2014Priv for other members using Scale CPM-B			UP 1994 Generational Tables		
Switzerland	BVG 2010 Generational Tables			BVG 2010 Generational Tables		
Italy	SIM and SIF Tables 2009			SIM and SIF Tables 2009		
<b>Medical trend rates (U.S.A.)</b>	3.00%	n/a	3.00%	3.00%	n/a	3.00%



The rates of compensation increase for countries in which this assumption has a significant effect on the DBO were as follows for the years ended September 30, 2014, and 2013: U.S.A.: 3.0% as of September 30, 2014, and 2013; Canada: 3.0% as of September 30, 2014, and 2013; Switzerland: 1.5% as of September 30, 2014, and 2013; and Germany (for the frozen legacy defined benefit plan) 2.25% as of September 30, 2014, and 2013.

In Germany, a pension progression rate of 1.75% was applied for the frozen legacy defined benefit plans as of September 30, 2014, and 2013.

The defined benefit obligation is also affected by assumed future inflation rates. The effect of the inflation rates is included in the assumptions above.

The discount rate is weighted using the amount of the obligation at fiscal year-end and including all pension and other post-employment benefit plans.

The assumptions used for the calculation of the defined benefit obligation as of the period-end of the preceding fiscal year are used to determine current service cost as well as interest income and interest expense in the following fiscal year. Therefore, the interest income and interest expense for the fiscal year will be based on the discount rate as of the period-end of the preceding fiscal year multiplied by the fair value of the plan assets and the defined benefit obligation as of the period-end of the preceding fiscal year, respectively. The fair value and thus the interest income on plan assets, the defined benefit obligation and the interest expense are adjusted for significant events after the fiscal year-end, such as a supplemental funding, plan amendments, or business combinations and disposals.

### Sensitivity analysis

The following sensitivity analysis shows the effects of a change in significant actuarial assumptions on the amount of the defined benefit obligation as of September 30, 2014.

in € million	Effect on DBO as of September 30, 2014 due to	
	50-basis-points increase	50-basis-points decrease
Discount rate	(122.7)	137.6
Rate of compensation increase	2.5	(2.4)
Rate of pension progression	37.8	(33.3)

A 10% decrease in the mortality rate for each age would result in an increase in the DBO of €47.3 million.

The post-employment medical benefits in the U.S.A. are capped at a fixed dollar amount; for some employee groups this is subject to indexation at 3.0%. As a result, changes to the assumptions regarding medical trend rates do not have significant effects.

Increases and decreases in the discount rate, rate of compensation increase, pension progression, and healthcare trend rate used to determine the DBO do not have a symmetrical effect on the DBO primarily due to the compound interest effect arising the net present value of the future benefit is determined. This includes the fact that a decrease or increase by more or less than 50 basis points as presented in the table above would not result in a completely linear effect on the DBO. Furthermore, if more than one of the assumptions are changed simultaneously, the cumulative impact is not necessarily the same as the total of the individual changes.

As of September 30, 2014, pension and other post-employment benefit plans in Canada were measured on the basis of the mortality tables published in fiscal 2014 ("CPM2014Priv") and pension and other post-employment benefit plans in the U.S.A. on the basis of the current draft of the generational mortality tables ("RP2014 Combined Healthy Generational Mortality Table Projected using Scale MP2014") dated February 2014, finally adopted in October 2014. The effect of applying those mortality tables amounts to €52.7 million and increases the actuarial losses of those plans in Other comprehensive income.

### Expected benefit payments

#### Expected Benefit Payments

in € million	Total	Germany	Outside Germany
2015	98.2	29.9	68.3
2016	98.6	29.2	69.4
2017	100.3	29.6	70.7
2018	102.8	30.5	72.3
2019	104.5	30.6	73.9
2020–2024	548.7	161.7	387.0

The weighted average duration of the DBO for the OSRAM defined benefit plans was 13.1 years.

### Funding policy and investment strategy

The funding policy for the funded defined benefit plans is an integral part of OSRAM's financial management, and also includes an ongoing analysis of the structure of its defined benefit liabilities. The investment strategy for plan assets is derived from the structure and characteristics of its liabilities and is based on asset-liability modeling studies at the individual plan level.

We intend to reduce the volatility of the funded status through liability-driven investing (LDI).

Risk budgets are used as the basis for determining our investment strategy at the individual plan level, i.e., for the strategic asset allocation of key plan assets and the level of appropriate limits for interest rate and credit spread risk hedging.

The investment strategy, the hedging rules, and changes in the funded status are regularly reviewed with the participation of senior external experts the international asset management industry to permit an integral view on plan assets and defined benefit obligations. We review the asset allocation of each plan in light of the duration of the related defined benefit obligation and analyze trends and events that may affect asset values in order to initiate appropriate measures at a very early stage.

Our asset manager selection process is based on our quantitative and qualitative analysis. We continuously monitor the performance of each asset manager mandate and the risk it entails, both individually and in a more general portfolio context.

Our investment strategy to reduce risk, as part of an integrated risk management approach for assets and liabilities, is mainly based on investments in physical securities. Additionally, derivatives are used either to reduce the fluctuations in the value of plan assets or to reduce funded status volatility. OTC derivatives are collateralized on a daily basis to mitigate counterparty risk.

The employer contributions to the funded pension plans in fiscal 2015 are expected to be around €30 million to around €50 million.

### Notes on the items presented in the consolidated financial statements

The consolidated statement of financial position and the consolidated statement of changes in equity contain the following items related to pension and other post-employment benefit plans as of September 30, 2014, and 2013:

The funded status of these plans and the reconciliation of the funded status to the carrying amounts contained in the related statement of financial position items were as follows for fiscal 2014 and 2013:

**Net Amount Recognized:  
Pension Plans and Similar Commitments**

in € million	September 30, 2014			September 30, 2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
DBO	2,022.5	755.2	1,267.3	1,796.3	685.1	1,111.2
Fair value of plan assets	1,581.8	622.1	959.7	1,441.0	531.0	910.0
<b>Funded status</b>	<b>(440.7)</b>	<b>(133.1)</b>	<b>(307.6)</b>	<b>(355.3)</b>	<b>(154.1)</b>	<b>(201.2)</b>
Pension plan obligation	(345.5)	(122.3)	(223.2)	(278.9)	(143.0)	(135.9)
Obligations for similar commitments	(95.2)	(10.8)	(84.4)	(76.4)	(11.0)	(65.4)
Germany		(133.1)			(154.1)	
U.S.A.			(274.9)			(170.0)
Canada			1.0			0.8
Switzerland			(0.3)			(0.5)
Italy			(10.8)			(11.3)
<b>Net amount recognized</b>	<b>(440.7)</b>	<b>(133.1)</b>	<b>(307.6)</b>	<b>(355.3)</b>	<b>(154.1)</b>	<b>(201.2)</b>
Amounts recognized in the consolidated statement of financial position consist of						
Other asset	3.7	0.3	3.4	3.2	–	3.2
Pension liability	444.4	133.4	311.0	358.5	154.1	204.4
Pension plans	349.2			282.1		
Similar commitments	95.2			76.4		
Actuarial (losses) gains	(310.7)			(254.7)		
Effects due to asset ceiling	–			–		
Income tax effect	113.2			86.2		
<b>Net amount recognized in the consolidated statement of changes in equity, net of tax</b>	<b>(197.5)</b>			<b>(168.5)</b>		

The €85.4 million deterioration in the funded status as of September 30, 2014, was driven primarily by the U.S.A. The deterioration is mainly the result of a reduction in the discount rate and the application of the new mortality tables to measure the pension and other post-employment benefit obligations in the U.S.A. as of September 30, 2014. To some extent, the deterioration is offset by a positive trend in the plan assets of the U.S. pension plans in fiscal 2014. The change in pension and other post-employment benefit obligations in Germany made a positive contribution to the funded status as of September 30, 2014. The deterioration resulting from the reduction in the discount rate as of September 30, 2014, was more than offset by a positive change in plan assets in the fiscal year. With respect to the refined procedure to determine the discount rate in fiscal 2014 in Germany and the impact on the DBO » Actuarial assumptions.

The Canadian pension plan reported a prepaid pension cost of €3.4 million as of September 30, 2014 (September 30, 2013: €3.2 million).

The following table shows the expenses recognized in connection with the pension and other post-employment benefit plans presented in the consolidated statement of income and consolidated statement of comprehensive income:

### Defined Benefit Cost

in € million	Fiscal year 2014			Fiscal year 2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
Current service cost	33.0	22.6	10.4	35.3	21.9	13.4
Past service cost/(income)	7.2	(0.2)	7.4	(1.2)	(0.4)	(0.8)
Settlement loss/(gain)	(8.1)	–	(8.1)	(1.4)	–	(1.4)
Net interest income	(0.1)	0.0	(0.1)	–	–	–
therein interest cost	2.4	0.0	2.4	–	–	–
therein interest income	(2.5)	0.0	(2.5)	–	–	–
Net interest cost	20.1	4.5	15.6	16.8	4.7	12.1
therein interest cost	76.3	20.8	55.5	69.6	20.4	49.2
therein interest income	(56.2)	(16.3)	(39.9)	(52.8)	(15.7)	(37.1)
Liability administration cost	2.8	–	2.8	2.7	–	2.7
<b>Defined benefit cost recognized in consolidated statement of income</b>	<b>54.9</b>	<b>26.9</b>	<b>28.0</b>	<b>52.2</b>	<b>26.2</b>	<b>26.0</b>
Germany		26.9			26.2	
U.S.A.			22.8			21.4
Canada			1.7			3.2
Switzerland			0.6			0.2
Italy			0.4			0.4
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	(141.1)	(81.0)	(60.1)	8.7	1.2	7.5
Actuarial (gains) and losses arising from changes in demographic assumptions	50.0	1.6	48.4	(0.1)	–	(0.1)
Actuarial (gains) and losses arising from changes in financial assumptions	136.3	48.2	88.1	(126.9)	–	(126.9)
Actuarial (gains) and losses arising from experience adjustments	10.8	4.3	6.5	3.9	0.7	3.2
<b>Remeasurements of the net defined benefit liability (asset) recognized in consolidated statements of other comprehensive income</b>	<b>56.0</b>	<b>(26.9)</b>	<b>82.9</b>	<b>(114.4)</b>	<b>1.9</b>	<b>(116.3)</b>
Germany		(26.9)			1.9	
U.S.A.			82.0			(108.4)
Canada			(0.2)			(9.0)
Switzerland			(0.3)			(1.1)
Italy			0.2			–
<b>Defined benefit cost</b>	<b>110.9</b>	<b>–</b>	<b>110.9</b>	<b>(62.2)</b>	<b>28.1</b>	<b>(90.3)</b>

The current service cost, past service cost, settlement (gains) and losses, and liability administration cost are allocated to the function costs (the *Cost of goods sold and services rendered*, *Research and development expenses*, *Marketing, selling, and general administrative expenses* line items) in line with the functional area of the respective profit and cost centers.

In fiscal 2014, the Company offered former employees with vested pension benefits in the U.S.A. the choice between a lump-sum payment and early annuitization. The settlement of these pension benefits resulted in a gain of €8.1 million.

Past service cost arose for pension and other post-employment benefits in connection with plant closures and primarily affected cost of goods sold and services rendered.

The actuarial losses from changes in demographic assumptions of €50.0 million in fiscal 2014 mainly result from the application of the new mortality tables in the U.S.A. The actuarial losses from changes in financial assumptions of €136.0 million mainly result from the reduction in the discount rates in Germany from 3.10% as of September 30, 2013, to 2.60% as of September 30, 2014, and in the U.S.A. from 4.90% as of September 30, 2013, to 4.30% as of September 30, 2014.

The actuarial gains from changes in financial assumptions of €126.9 million mainly result from the increase in the discount rate in the U.S.A. from 4.00% as of September 30, 2012, to 4.90% as of September 30, 2013. In Germany, the discount rate as of September 30, 2012, and September 30, 2013 was of 3.10%.

### Reconciliation for defined benefit obligation (DBO) and plan assets

A detailed reconciliation for the changes in the defined benefit obligation for fiscal 2014 and 2013 is provided in the following table:

#### Change in DBO

in € million	September 30, 2014			September 30, 2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
<b>DBO at beginning of fiscal year</b>	<b>1,796.3</b>	<b>685.1</b>	<b>1,111.2</b>	<b>1,970.2</b>	<b>670.3</b>	<b>1,299.9</b>
Current service cost	33.0	22.6	10.4	35.3	21.9	13.4
Past service cost/(income)	7.2	(0.2)	7.4	(1.2)	(0.4)	(0.8)
Settlements	(74.1)	–	(74.1)	(1.8)	–	(1.8)
Interest cost	78.7	20.8	57.9	69.6	20.4	49.2
Remeasurements:						
Actuarial (gains) losses arising from changes in demographic assumptions	50.0	1.6	48.4	(0.1)	–	(0.1)
Actuarial (gains) losses arising from changes in financial assumptions	136.3	48.2	88.1	(126.9)	–	(126.9)
Actuarial (gains) losses arising from experience adjustments	10.8	4.3	6.5	3.9	0.7	3.2
Plan participants' contributions	6.5	2.4	4.1	6.7	1.8	4.9
Benefits paid	(92.9)	(29.5)	(63.4)	(103.2)	(29.2)	(74.0)
Acquisitions	0.1	–	0.1	3.4	–	3.4
Divestments	(0.1)	(0.1)	–	(0.4)	(0.4)	–
Foreign currency translation effects	70.7	–	70.7	(59.2)	–	(59.2)
<b>DBO at end of year</b>	<b>2,022.5</b>	<b>755.2</b>	<b>1,267.3</b>	<b>1,796.3</b>	<b>685.1</b>	<b>1,111.2</b>
Germany		755.2			685.1	
U.S.A.			1,142.3			993.8
Canada			61.5			58.2
Switzerland			26.1			23.9
Italy			10.8			11.3

The total defined benefit obligation at the end of fiscal 2014 includes €738.4 million for active employees, €184.3 million for former employees with vested benefits, and €1,099.8 million for retirees and surviving dependents.

The total defined benefit obligation at the end of fiscal 2013 includes €699.7 million for active employees, €194.2 million for former employees with vested benefits, and €902.4 million for retirees and surviving dependents.

In fiscal 2014, pension payments of €74.1 million were made in the U.S.A. to settle pension benefits of former employees with vested benefits.

Currency translation effects increased the defined benefit obligation as of the end of fiscal 2014, whereas they reduced it as of the end of fiscal 2013.

A detailed reconciliation of the changes in the fair value of plan assets for fiscal 2014 and 2013 is provided in the following table:

**Change in Plan Assets**

in € million	September 30, 2014			September 30, 2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
<b>Fair value of plan assets at beginning of year</b>	<b>1,441.0</b>	<b>531.0</b>	<b>910.0</b>	<b>1,481.5</b>	<b>508.8</b>	<b>972.7</b>
Interest income	58.7	16.3	42.4	52.8	15.7	37.1
Remeasurement:						
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	141.1	81.0	60.1	(8.7)	(1.2)	(7.5)
Employer contributions	23.9	14.0	9.9	37.4	26.5	10.9
Plan participants' contributions	3.0	2.4	0.6	2.2	1.8	0.4
Benefits paid	(73.5)	(22.6)	(50.9)	(81.2)	(20.6)	(60.6)
Settlements	(66.0)	–	(66.0)	(0.3)	–	(0.3)
Acquisitions	0.1	–	0.1	3.1	–	3.1
Divestments	–	–	–	–	–	–
Liability administration cost	(2.8)	–	(2.8)	(2.7)	–	(2.7)
Foreign currency translation effects	56.3	–	56.3	(43.1)	–	(43.1)
<b>Fair value of plan assets at end of year</b>	<b>1,581.8</b>	<b>622.1</b>	<b>959.7</b>	<b>1,441.0</b>	<b>531.0</b>	<b>910.0</b>
Germany		622.1			531.0	
U.S.A.			867.4			823.8
Canada			62.5			59.0
Switzerland			25.8			23.4
Italy			–			–

The employer contributions to the funded pension plans in fiscal 2014 of €23.9 million mainly consisted of €14.0 million for the German pension plans and €7.8 million for the U.S. pension plans.

Currency translation effects increased the fair value of the plan assets as of the end of fiscal 2014, whereas they reduced it as of the end of fiscal 2013.

## Composition of plan assets

### Plan Assets That Have a Quoted Market Price in an Active Market

in € million	September 30,	
	2014	2013
Equity	377.9	363.5
Global equities	167.5	158.7
U.S. equities	95.5	91.2
European equities	0.9	0.9
Emerging markets equities	14.1	12.5
Other	100.0	100.1
Fixed income	1,043.1	938.5
Government bonds	320.9	216.9
Corporate bonds	722.2	721.6
Mixed Funds	34.3	29.9
Raw materials	5.7	–
Real estate—public funds	40.7	43.1
<b>Total (excluding derivatives)</b>	<b>1,501.7</b>	<b>1,375.0</b>
Derivatives:	–	0.2
Equity risk	–	0.2
<b>Total (including derivatives)</b>	<b>1,501.7</b>	<b>1,375.2</b>

### Plan Assets That Do Not Have a Quoted Market Price in an Active Market

in € million	September 30,	
	2014	2013
Hedge Funds	70.3	35.5
Cash and other assets	15.6	53.5
<b>Total (excluding derivatives)</b>	<b>85.9</b>	<b>89.1</b>
Derivatives:	(5.9)	(23.2)
Interest risk	(3.7)	(13.8)
Foreign currency risk	–	0.2
Credit risk	(2.2)	(9.6)
<b>Total (including derivatives)</b>	<b>80.1</b>	<b>65.8</b>



## 26 | Provisions

### Provisions

in € million	Warranties	Order related losses and risks	Other legal proceedings	Others	Total
<b>Balance as of October 1, 2013</b>	<b>47.2</b>	<b>3.6</b>	<b>22.4</b>	<b>36.9</b>	<b>110.1</b>
Additions	20.9	1.6	35.3	12.4	70.2
Usage	(16.4)	(2.4)	(3.0)	(6.1)	(27.8)
Reversals	(4.1)	(0.4)	(9.4)	(4.7)	(18.6)
Translation differences	1.5	0.1	1.2	1.9	4.6
<b>Balance as of September 30, 2014</b>	<b>49.1</b>	<b>2.4</b>	<b>46.7</b>	<b>40.3</b>	<b>138.4</b>
thereof noncurrent	2.7	0.0	0.5	12.3	14.9

*Warranties* relate primarily to warranty obligations for products sold and services rendered.

OSRAM recognizes *Provisions for order-related losses and risks* for anticipated losses and risks on uncompleted construction and sales contracts.

*Other legal proceedings* include provisions for certain legal disputes and legal costs. This line item contains provisions for product liability proceedings, patent and trademark litigation, and other proceedings » Note 29 | Legal Proceedings.

The *Others* item contains provisions for environmental liabilities of €3.9 million as of September 30, 2014 (September 30, 2013: €3.8 million) and provisions for restoration obligations for leasehold improvements of €2.6 million as of September 30, 2014 (September 30, 2013: €2.5 million).

## 27 | Other Liabilities

### Other Liabilities

in € million	September 30,	
	2014	2013
Employee-related liabilities	61.9	55.2
Deferred compensation plan	36.3	32.1
Other	43.4	54.2
<b>Other liabilities</b>	<b>141.6</b>	<b>121.0</b>

*Employee-related liabilities* contain in particular early retirement obligations and termination benefit obligations.

The *Other* line item contains, among other things, waste disposal obligations as well as additional other commitments from personnel-related claims and deferred payments from leasing contracts.

## 28 | Other Financial Commitments and Contingent Liabilities

For significant legal proceedings, especially in connection with fire damage claims, there were contingent liabilities of €45.5 million (September 30, 2013: €75.0 million). In the case of liability claims, OSRAM is in principle covered by insurance, the nature and scope of which is set out in the terms and conditions of the respective insurance policies. The insured amount and extent of cover are adequate for the risk and are customary for the industry. However, whether and to what extent OSRAM is covered by insurance in individual cases depends on the circumstances of the case concerned. In addition, information is not available in sufficient detail for certain legal proceedings to determine the possible amount of the obligation » Note 29 | Legal Proceedings.

As of September 30, 2014, further contingent liabilities mainly comprised guarantees entailing maximum future payments of €21.3 million (September 30, 2013: €12.4 million) for which OSRAM was potentially liable as of the reporting date. The guarantees mainly relate to a contractual obligation for guarantees from the sale of shares in a joint venture in the U.S.A. amounting to €14.9 million » Note 4 | Acquisitions and Disposals. The contractual obligation as of September 30, 2013, from the sale of shares in a Japanese joint venture in fiscal 2012 amounting to €7.1 million no longer existed as of September 30, 2014.

The following future payment obligations under non-cancelable operating leases existed as of September 30, 2014 and 2013:

Future Payment Obligations Under Noncancelable Operating Leases	September 30,	
	2014	2013
in € million		
Within one year	39.5	40.0
Between one and five years	96.9	92.0
After five years	97.6	83.4
<b>Future payment obligations under noncancelable operating leases</b>	<b>234.0</b>	<b>215.4</b>

Most of the future payment obligations under noncancelable operating leases are attributable to buildings leased on a long-term basis. Total operating lease expenses from third parties amounted to €64.9 million in fiscal 2014 (fiscal 2013: €65.7 million). Of this amount, €2.8 million was attributable to contingent lease payments in fiscal 2014 (fiscal 2013: €3.4 million).

## 29 | Legal Proceedings

### Product liability procedures

#### Hella vs. OSRAM OS

In summer 2010, car lamp producer Hella KGaA Hueck & Co., Lippstadt, Germany ("Hella") filed a lawsuit against OSRAM OS. The plaintiff was seeking a declaration of the liability of OSRAM OS for allegedly defective LEDs used in car lamps for compensation for damages. In February 2014 the parties signed a settlement and Hella withdrew its claim. The case is closed.

#### Class Action Suits vs. OSRAM SYLVANIA Inc., OSRAM SYLVANIA Products and OSRAM SYLVANIA CANADA

In September 2011, a class action suit was brought against OSRAM SYLVANIA Inc. and OSRAM SYLVANIA Products Inc., Danvers, Massachusetts, U.S.A. ("OSRAM SYLVANIA Products") in the U.S. District Court for the District of New Jersey by the plaintiff Imran Chaudhri, who involves the group of purchasers of Silverstar®-headlight bulbs. In January 2012, the plaintiff expanded his legal action and asserted that various power ratings and advertisements relating to the Silverstar®-headlight bulbs were allegedly "false and misleading" in the sense of the New Jersey Consumer Fraud Act. The plaintiff sought admission of a national class action suit under the New Jersey Consumer Fraud Act as well as compensation for damages. The parties signed a class action settlement agreement in June 2014. Preliminary approval by court was granted in July 2014. Pursuant to the settlement agreement OSRAM Sylvania Inc. is requested to pay USD30.0 million (€23.4 million) to the group of claimants. Adequate provisions have been built up.

In September 2014, OSRAM SYLVANIA Products and OSRAM SYLVANIA Ltd., Ontario, Canada ("OSRAM SYLVANIA Canada") were served with a class action lawsuit filed by plaintiff Rino Petrella in the Superior Court in the Province of Quebec, District of Montreal under consumer protection and labeling statutes. The plaintiff claims that various power ratings and advertisements relating to the Silverstar®-headlight bulbs were allegedly "false and misleading." The action seeks to certify a consumer class of Canadian purchasers of Silverstar®-headlight bulbs.

### Other legal disputes

#### Morrison Foerster vs. OSRAM

In September 2012 the law firm Morrison Foerster LLP, Washington, D.C., U.S.A. ("Morrison Foerster") had commenced arbitration proceedings against OSRAM GmbH, OSRAM OS, OSRAM SYLVANIA Inc. and OSRAM-OS Inc. with the American Arbitration Association ("AAA") for allegedly unpaid attorneys' fees. In addition, OSRAM GmbH, OSRAM SYLVANIA Inc., OSRAM OS, and OSRAM-OS Inc. had asserted claims against Morrison Foerster in arbitration proceedings filed in January 2013 with the International Court of Arbitration of the International Chamber of Commerce ("ICC") in connection with their representation by Morrison Foerster. In March 2013, Morrison Foerster had filed a counterclaim for payment of allegedly unpaid attorney's fees in the ICC proceedings. The disputes were settled by the parties in December 2013. The case is closed.

#### Osasco Labor Prosecutor's Office et al. vs. OSRAM do Brasil

In September 2012 the Osasco Labor Prosecutor's Office filed a so-called civil public action against OSRAM do Brasil Lampadas Eléctricas Ltda. ("OSRAM do Brasil"). The case is based on an alleged possible chronic intoxication of 25 former employees while mercury was being used in production. Due to how the lawsuit has been set out, the number of potential injured parties may increase further. The additional claim filed by the Association of Workers Exposed and Intoxicated by Metallic Mercury (AEIMM) has been rejected as inadmissible limiting AEIMM as additional claimant to the support of those claims filed by the Labor Prosecutor. The taking of evidence that was commenced in January 2014 is continuing. Since April 2014 the negotiation panel at the São Paulo Tribunal Regional de Trabalho deals with the case.

Irrespective of the Prosecutor's Office, co-claimant AEIMM filed another Civil Public Action against OSRAM do Brasil on the same subject matter. In its claim AEIMM requests additional compensation in various forms for a group of beneficiaries not clearly identifiable. The group of beneficiaries supposedly includes diseased and potentially exposed workers as well as heirs and allegedly diseased family members. So far the claim has not been served on OSRAM.

During Financial Year 2014 OSRAM recorded an overall net income on the abovementioned closed cases of €26.8 million (Financial Year 2013: net expense of €5.0 million). On the abovementioned ongoing cases further information according to IAS 37.92 is not disclosed since OSRAM concludes that such disclosure can be expected to seriously prejudice the outcome of the respective litigation.

In addition to the investigations and legal disputes described above, OSRAM was named as a defendant in various other legal disputes and proceedings in connection with its business activities, including fire investigations in the US. Some of the legal actions include claims for indeterminate amounts of damages or punitive damages claims. In light of the number of legal disputes and other proceedings in which OSRAM is involved, it cannot be ruled out that some of these proceedings could result in rulings against OSRAM which may have a considerable effect on the asset, finance and earnings situations of OSRAM.

### 30 | Equity

#### Common stock

The Common stock of OSRAM Licht AG amounted to €104,689,400 as of the reporting date and is composed of 104,689,400 no-par value ordinary registered shares. This equates to a notional interest in the common stock of €1.00 per share. Each share grants shareholders one voting right and entitles them to receive dividends. Of the shares issued, OSRAM Licht AG held 102,145 shares as treasury shares as of September 30, 2014 (as of September 30, 2013: 198,104 shares).

#### Allocation of net assets according to the legal structure as of October 1, 2012

On creation of the new legal structure that resulted from the transfer of the shares of OSRAM GmbH and OSRAM Beteiligungen GmbH from Siemens to OSRAM Licht AG as part of the spin-off, the *Net assets attributable to Siemens Group* reported as of October 1, 2012, were allocated to the consolidated equity items. The Common stock corresponds to the Common stock of OSRAM Licht AG. The Additional paid-in capital of the OSRAM Licht Group as of October 1, 2012, is also based on the Additional paid-in capital reported in the annual financial statements of OSRAM Licht AG prepared in accordance with German GAAP, adjusted for the effects of the acquisition of subsidiaries from Siemens in fiscal 2011. This adjustment amounted to €136.2 million and had the effect of decreasing capital since it was treated as a transaction under common control in the same way as capital redemption in the net assets attributable to the Siemens Group. Additional information on capital contributions in fiscal 2013 can be found in the section on Additional paid-in capital. The Retained earnings of the OSRAM Licht Group as of October 1, 2012, represent the residual amount of the *Net assets attributable to Siemens Group* reported as of October 1, 2012, and the total of Common stock and Additional paid-in capital as of October 1, 2012, allocated as shown.

### Authorized capital

The Managing Board of OSRAM Licht AG is authorized, with the approval of the Supervisory Board, to increase the Company's Common stock by up to €52,344,700 against cash or noncash contributions by issuing up to 52,344,700 new no-par value registered shares on one or more occasions until February 28, 2018. In specific circumstances, the Managing Board may, with the approval of the Supervisory Board, disapply the preemptive rights of shareholders in full or in part.

### Contingent capital

The Annual General Meeting on June 14, 2013, resolved to contingently increase the Common stock by up to €10,207,216, composed of up to 10,207,216 no-par value registered shares (Contingent Capital 2013). This contingent capital increase is linked to the authorization of the Managing Board of OSRAM Licht AG to issue, with the approval of the Supervisory Board, bearer or registered convertible bonds or bonds with warrants ("bonds") in an aggregate principal amount of up to €300,000,000 on one or more occasions until February 28, 2018, and to grant the holders conversion or option rights to up to 10,207,216 new ordinary shares in the Company, as defined in more detail in the terms and conditions of the bonds. These terms and conditions may also provide for a conversion or option obligation as well as a put option of the issuer for the delivery of shares.

### Additional paid-in capital

In accordance with the agreement dated October 30 and 31, 2012, Siemens waived Siemens Cash Management receivables due from OSRAM GmbH in the amount of €31.8 million. In addition, it transferred total Siemens Cash Management receivables of €131.2 million to OSRAM Beteiligungen GmbH, which in turn waived these receivables due from OSRAM GmbH. In the consolidated financial statements of OSRAM Licht AG for fiscal 2013, these amounts represented a contribution to Additional paid-in capital. In addition, OSRAM Licht AG and OSRAM GmbH received capital contributions totaling €20.8 million from Siemens in fiscal 2013. Of this amount, €13.0 million related to the reimbursement of transaction costs for entering into the loan agreement with a banking syndicate. The reimbursement of €5.6 million of the cost of acquiring treasury shares and other costs incurred in connection with the transaction bonus program, the management of which OSRAM took over from Siemens AG, was accounted for as a contribution. Additional information can be found in

› Note 39 | Related Party Disclosures.

### Retained earnings

The Retained earnings of the OSRAM Licht Group as of October 1, 2012, represent the residual amount of the net assets reported as of September 30, 2012, and the total of Common stock and Additional paid-in capital as of October 1, 2012. In addition, Retained earnings include the profit after tax generated by the OSRAM Licht Group in fiscals 2013 and 2014 as well as actuarial gains and losses on pension plans and similar commitments.

### Treasury shares

The Managing Board of OSRAM Licht AG was authorized by the Annual General Meeting on June 14, 2013, to acquire treasury shares of up to 10% of the Common stock in existence at the time this authorization came into effect for any purpose permitted within legal constraints.

To meet the obligation to deliver OSRAM shares to the beneficiaries of the award of a transaction bonus, a total of 198,104 shares were repurchased in the last quarter of fiscal 2013. In fiscal 2014, 19,619 shares were issued to beneficiaries of the transaction bonus award and 76,340 shares were issued under an employee share purchase program (Base Share Program). In the last quarter of fiscal 2013, a total of 127,496 shares were acquired for an employee share purchase program (Family Program); the shares were issued to the employees in the last quarter of fiscal 2013. Additional information can be found in › Note 34 | Share-Based Payment. As of September 30, 2014, the Company held 102,145 treasury shares (as of September 30, 2013: 198,104 shares).

### Other comprehensive income (loss), net of tax

The changes in Other comprehensive income (loss) including non-controlling interests were as follows:

#### Other Comprehensive Income (Loss), Net of Tax

in € million	Fiscal year 2014			Fiscal year 2013		
	Pre-tax	Tax effect	Net	Pre-tax	Tax effect	Net
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of defined benefit plans	(56.0)	27.0	(29.0)	110.2	(34.3)	75.9
<b>Items that may be reclassified subsequently to profit or loss</b>						
Foreign-currency translation differences	65.7	–	65.7	(71.5)	–	(71.5)
Unrealized holding gains (losses) on available-for-sale financial assets	0.5	0.0	0.5	–	–	–
Reclassification adjustments for (gains) losses included in net income	–	–	–	–	–	–
<b>Net unrealized gains (losses) on available-for-sale financial assets</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>–</b>
Unrealized gains (losses) on derivative financial instruments	(4.0)	1.0	(3.0)	2.0	(0.5)	1.5
Reclassification adjustments for (gains) losses included in net income	1.0	(0.2)	0.8	(1.8)	0.5	(1.3)
<b>Net unrealized gains (losses) on derivative financial instruments</b>	<b>(3.0)</b>	<b>0.8</b>	<b>(2.2)</b>	<b>0.2</b>	<b>–</b>	<b>0.2</b>
<b>Other comprehensive income (loss), net of tax</b>	<b>7.2</b>	<b>27.8</b>	<b>35.0</b>	<b>38.9</b>	<b>(34.3)</b>	<b>4.6</b>

### Other changes in equity

Other changes in equity were mainly the result of share-based payment transactions » Note 34 | Share-Based Payment.

### Appropriation of profits

In accordance with the Aktiengesetz (AktG—German Stock Corporation Act), the appropriation of profits is based on the unappropriated profit reported in the annual financial statements of OSRAM Licht AG prepared in accordance with German GAAP.

The Managing Board and Supervisory Board are proposing for fiscal 2014 to distribute a dividend of €0.90 per share, for a total of approximately €94 million, from the unappropriated profit of OSRAM Licht AG. Payment of these dividends is subject to approval by the General Meeting on February 26, 2015.

### 31 | Additional Disclosures on Capital Management

Capital management supports the OSRAM Licht Group in attaining its financial goals. In addition to ensuring the solvency of the Group and the individual companies and reducing financial risk, the main focus continues to be on minimizing the cost of capital and safeguarding the Group's financial stability and flexibility.

The capital structure of the OSRAM Licht Group was as follows:

#### Equity Ratio

in € million	September 30,	
	2014	2013
Total equity	2,400.8	2,169.3
Total liabilities and equity	4,709.5	4,425.3
Equity ratio	51%	49%

As part of its debt management, OSRAM measures its debt ratio. To this end, it primarily uses an indicator defined as net debt/net liquidity divided by EBITDA. In addition, the ratio of adjusted net debt/net liquidity to EBITDA is determined.

#### Net Debt/Net Liquidity

in € million	September 30,	
	2014	2013
Short term debt and current maturities of long-term debt	43.6	55.9
+ Long-term debt	138.2	295.0
<b>Total debt</b>	<b>181.8</b>	<b>350.9</b>
Cash and cash equivalents	667.7	522.1
+ Available for sale financial assets	1.4	0.8
<b>Total liquidity</b>	<b>669.1</b>	<b>522.9</b>
<b>Net debt/net liquidity<sup>1)</sup></b>	<b>(487.3)</b>	<b>(172.0)</b>
+ Pension plans and similar commitments	444.4	358.5
<b>Adjusted net debt/net liquidity<sup>1)</sup></b>	<b>(42.9)</b>	<b>186.5</b>

<sup>1)</sup> Net liquidity is presented as a negative figure.

#### Capital Structure Data

in € million	September 30,	
	2014	2013
EBITDA <sup>1)</sup>	556.2	413.6
Net debt/net liquidity <sup>2)</sup>	(487.3)	(172.0)
<b>Net debt/net liquidity as % of EBITDA</b>	<b>(0.9)</b>	<b>(0.4)</b>
Adjusted net debt/net liquidity <sup>2)</sup>	(42.9)	186.5
<b>Adjusted net debt/net liquidity as % of EBITDA</b>	<b>(0.1)</b>	<b>0.5</b>

<sup>1)</sup> EBITDA is determined by adding depreciation to EBITA, both of which are disclosed in the segment information.

<sup>2)</sup> Net liquidity is presented as a negative figure.

The capital management tools generally available to the Managing Board of OSRAM Licht AG are equity-related measures, borrowing, and share repurchases. Additional information on authorizations of the Managing Board of OSRAM Licht AG to implement equity-related measures and share repurchases can be found in »Note 30 | Equity. Existing credit lines are described in »Note 24 | Debt.

The OSRAM Licht Group does not have any corporate credit ratings from rating agencies.

## 32 | Financial Instruments and Hedging Activities

The following table presents the carrying amounts and fair values of financial assets and financial liabilities:

### Carrying Amounts and Fair Values of Financial Assets and Liabilities

in € million	Category according to IAS 39	September 30, 2014		September 30, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
Cash and cash equivalents <sup>1)</sup>	n/a	667.7	667.7	522.1	522.1
Available-for-sale financial assets (noncurrent) <sup>2)</sup>	AfS	1.4	–	1.4	–
Available-for-sale financial assets	AfS	1.4	1.4	0.8	0.8
Trade receivables	LaR	857.5	857.5	853.4	853.4
Other financial assets					
Derivatives not designated in a hedge accounting relationship	FAHfT	11.5	11.5	5.2	5.2
Derivatives in connection with cash flow hedges	n/a	–	–	0.4	0.4
Other financial assets	LaR	65.7	65.7	70.0	70.0
Noncurrent assets held for sale	LaR	–	–	45.6	45.6
<b>Financial liabilities</b>					
Debt					
Loans from banks	FLaC	181.8	181.8	350.9	350.9
Trade payables	FLaC	798.6	798.6	677.0	677.0
Other financial liabilities					
Derivatives not designated in a hedge accounting relationship	FLHfT	12.4	12.4	3.9	3.9
Derivatives in connection with cash flow hedges	n/a	2.2	2.2	–	–
Other financial liabilities	FLaC	32.0	32.0	35.7	35.7

<sup>1)</sup> Cash and cash equivalents consist primarily of deposits with prime-rated banks with an investment grade rating.

To a lesser extent, the item also includes money market instruments, checks, and cash on hand.

<sup>2)</sup> This line item contains equity instruments classified as available-for-sale for which fair value could not be reliably determined.

For this reason, the equity instruments were recognized at cost.

The aggregated carrying amounts by IAS 39 category are as follows:

#### Aggregated Carrying Amounts

in € million	Category according to IAS 39	Measurement at	Fair value hierarchy	Carrying amount	
				September 30, 2014	September 30, 2013
Loans and receivables	LaR	Amortized cost	n/a	923.4	969.0
Financial assets held for trading	FAHfT	Fair value	Level 2	11.5	5.2
Available-for-sale financial assets	AfS	Cost	n/a	1.4	1.4
		Fair value	Level 1	1.4	0.8
Financial liabilities measured at amortized cost	FLaC	Amortized cost	n/a	1,012.4	1,063.8
Financial liabilities held for trading	FLHfT	Fair value	Level 2	12.4	3.9

#### Determination of fair values of financial instruments carried at cost and amortized cost in the statement of financial position

Because of their short maturities, the fair values of cash and cash equivalents, trade receivables and trade payables with a remaining term of up to twelve months, and of other current financial assets and liabilities correspond approximately to their carrying amounts. OSRAM measures receivables on the basis of different parameters, such as interest rates, specific country risk factors, or the individual credit quality of the customer. On the basis of this measurement, OSRAM recognizes valuation allowances on the above receivables. The carrying amounts of these receivables, net of allowances, approximated their fair values.

The fair values of loans from banks and other noncurrent financial liabilities are determined by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities. Due to their short-term nature and the use of market interest rates for the noncurrent obligations, the fair values of the above obligations corresponded approximately to their carrying amounts.

#### Determination of fair values of financial instruments carried at fair value in the statement of financial position

##### Level 1 hierarchy for determining fair value:

OSRAM derives the fair values of available-for-sale financial assets from quoted market prices in an active market.

##### Level 2 hierarchy for determining fair value:

The fair values of derivative financial instruments are determined on the basis of inputs that are observable either directly or indirectly. The exact determination depends on the nature of the derivative. The fair value of foreign currency exchange contracts is based on forward exchange rates.

The fair value of commodity derivatives (swaps, forwards) is based on forward commodity prices.

Net gains/losses on financial instruments, excluding foreign currency gains and losses, are as follows:

#### Net Gains/Losses on Financial Instruments

in € million	Fiscal year	
	2014	2013
Loans and receivables	(3.5)	13.6
Financial liabilities measured at amortized cost	0.2	0.8
Financial assets and financial liabilities held for trading	(11.5)	15.3

Net gains/losses on loans and receivables contain changes in valuation allowances, gains or losses on derecognition, as well as recoveries of loans and receivables previously written off.

The net gains/losses on financial liabilities measured at amortized cost comprise gains or losses on derecognition.

Net gains/losses on financial assets and financial liabilities held for trading consist of changes in the fair values of derivative financial instruments for which hedge accounting was not applied.

Foreign currency gains and losses on the realization and measurement of monetary assets and liabilities led to a net gain of €0.9 million in the fiscal year under review (2013: net loss of €24.3 million).



### Hedging activities

As part of the risk management program, OSRAM uses derivative financial instruments to reduce risks resulting primarily from fluctuations in foreign exchange rates and commodity prices. For additional information regarding OSRAM's risk management strategies, including the use of derivative financial instruments to mitigate or eliminate these risks, » Note 33 | Financial Risk Management.

Hedging activities were mainly performed with Siemens until the spin-off from Siemens, » Note 39 | Related Party Disclosures.

The fair values of each type of derivative financial instruments recognized as financial assets or financial liabilities are as follows:

#### Fair Values of derivative Financial Instruments

in € million	September 30, 2014		September 30, 2013	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	11.3	14.0	5.5	3.9
Commodity derivatives	0.2	0.6	0.1	–
	<b>11.5</b>	<b>14.6</b>	<b>5.6</b>	<b>3.9</b>

## 33 | Financial Risk Management

The OSRAM Licht Group is managed centrally by the management of OSRAM Licht AG, which is responsible for the operating business of the OSRAM Licht Group.

### Market risks

Market price fluctuations may result in significant cash flow and earnings volatility risk for OSRAM. The market risks relevant to OSRAM include currency risk, interest rate risk, and commodity price risk. The Group's operating business, as well as its investment and financing activities, are affected by changes in foreign exchange rates, interest rates, and commodity prices. OSRAM seeks to manage and control these risks primarily through its regular operating activities and uses derivative financial instruments when deemed appropriate from a risk perspective.

The Managing Board of OSRAM regards the management of financial market risks as a core task. As a member of the Managing Board, the Chief Financial Officer carries particular responsibility for this part of the entire risk management system. In this context, management has adopted guidelines applicable throughout the Group and delegated responsibility for their operational implementation to corporate functions and individual OSRAM companies.

The amounts determined on the basis of sensitivity analyses in the sections below represent hypothetical data, which may differ significantly from the actual impact on the consolidated statement of income or the consolidated statement of comprehensive income, especially because of simplified assumptions and as a result of unpredictable developments on the financial markets.

Any market-sensitive instruments related to pension plans and share-based payment—including investments in shares and interest-bearing investments—are excluded from the following quantitative and qualitative disclosures. For additional information » Note 25 | Pension Plans and Similar Commitments, » Note 34 | Share-Based Payment.

### Currency risk

#### Transaction risk and currency risk management

OSRAM's international operations expose the Company to currency risks in the ordinary course of business, particularly from U.S. dollars, Hong Kong dollars, and Chinese renminbi. The Company employs various strategies, discussed below, involving the use of derivative financial instruments to manage these risks.

Exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. Each OSRAM company conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency is exposed to risks from changes in exchange rates. The currency risk is partly mitigated by purchasing goods, commodities, and services in the respective currencies as well as by performing production activities and other services along the value chain in the local markets. Financing or investments of operating companies are preferably carried out in their functional currency or on a hedged basis. Operating companies are prohibited from borrowing or investing in foreign currencies on a speculative basis.

As part of Group-wide currency management, each OSRAM company is responsible for recording, assessing, monitoring, reporting, and hedging its currency transaction exposure. Corporate guidelines provide the concept for identifying and determining the net foreign currency exposure. They commit the companies to hedging their net foreign currency exposure within a narrow band of at least 75% but no more than 100%.

According to OSRAM's definition, currency risk generally results from items of the statement of financial position and firm commitments denominated in foreign currencies as well as foreign currency denominated cash flows arising from forecast transactions with a time horizon of up to six months. The currency risk of the respective OSRAM company is determined on the basis of the Company's functional currency, which for the Group as a whole results in currency exposure especially to the U.S. dollar.

#### USD Exposure

Nominal amounts in USD million	September 30,	
	2014	2013
Net exposure before hedging	(88.3)	(46.6)
Hedged with derivative financial instruments	58.2	37.3
<b>Net exposure</b>	<b>(30.1)</b>	<b>(9.3)</b>

OSRAM uses derivative financial instruments, especially forward exchange contracts, to hedge against exchange rate fluctuations. Certain derivative financial instruments that are used to hedge forecast transactions and firm commitments and meet the requirements for hedge accounting are accounted for as cash flow hedges. As of September 30, 2014, the maturities of the derivatives accounted for as cash flow hedges were 6 months or less (September 30, 2013: 12 months or less). The effective portion of changes in the fair values of these derivatives is recognized directly in equity in *Other comprehensive income (loss), net of tax* and only recognized in profit or loss when the hedged item occurs. Changes in the *Other comprehensive income (loss), net of tax* line item resulting from changes in the fair values of these derivatives and from amounts reclassified to profit or loss are presented in » Note 30 | Equity.

Derivatives not included in hedge accounting must be designated as "held for trading" and changes in their fair values must be recognized immediately in profit or loss. The resulting effect on income is included in the table showing the net gains/losses on financial instruments in » Note 32 | Financial Instruments and Hedging Activities.

OSRAM uses a sensitivity analysis in accordance with the requirements of IFRS 7 to determine the hypothetical impact of exchange rate fluctuations of the U.S. dollar against the euro on income (loss) before income taxes and on equity. The analysis includes foreign currency exposures denominated in U.S. dollars of companies whose functional currency is the euro. The foreign currency exposures comprise in particular cash and cash equivalents as well as receivables and payables. They also include foreign currency exposures denominated in euros of companies whose functional currency is the U.S. dollar. In addition, all currency derivatives outstanding as of the end of the reporting period were re-measured by applying the hypothetical exchange rate. This analysis does not take into account the offsetting effects of unrecognized firm commitments and forecast transactions. According to the sensitivity analysis, a ten percent increase or decrease in the value of the euro against the U.S. dollar as of September 30, 2014, and 2013 would result in the following pre-tax effects:

#### Sensitivity Analysis USD/EUR

in € million	Change of exchange rate as of September 30, 2014, by	
	+10%	-10%
Net income (loss) before income taxes	(0.5)	(0.2)
Other income (loss) before income taxes	1.9	(2.3)
<b>Total effect on equity</b>	<b>1.4</b>	<b>(2.5)</b>

#### Sensitivity Analysis USD/EUR

in € million	Change of exchange rate as of September 30, 2013, by	
	+10%	-10%
Net income (loss) before income taxes	(6.7)	6.4
Other income (loss) before income taxes	3.2	(3.9)
<b>Total effect on equity</b>	<b>(3.5)</b>	<b>2.5</b>

The effects on *Income (loss) before income taxes* shown here result from measuring the foreign currency exposures at the hypothetical closing rate and from measuring the currency derivatives not included in hedge accounting. The effects of measuring the currency derivatives accounted for as cash flow hedges as part of hedge accounting are recognized directly in equity in other comprehensive income.

#### Effects of currency translation

Many OSRAM subsidiaries are located outside the eurozone. Since OSRAM's reporting currency is the euro, the financial statements of these subsidiaries are translated into euros for the preparation of the consolidated financial statements. To consider the effects of foreign currency translation in risk management, there is an assumption that investments in

foreign-based operations are permanent and that reinvestment is continuous. The effects of exchange rate fluctuations on the translation of net asset positions into euros are recognized in equity in OSRAM's consolidated financial statements.

### Interest rate risk

OSRAM may be exposed to interest rate risk, especially as a result of rising finance costs due to an increase in interest rates; conversely, falling interest rates lead to lower interest income from deposits. The purpose of interest rate risk management is to monitor and manage interest rate risk.

Variable-rate financial instruments are subject to cash flow risk, which is reflected in uncertainty about the level of future interest payments. This risk also affects fixed-rate financial instruments as soon as they are reinvested or refinanced. These risks are quantified using cash flow sensitivity analysis. This kind of analysis includes all cash and cash equivalents as well as debt as of the end of the reporting period. To simulate the potential impact of changes in the market interest rate, a parallel shift in the yield curve of +100 and –25 basis points is assumed for all currencies. The table below shows the annual effect on interest payments and net interest on the basis of the exposure as of the end of the reporting period.

### Sensitivity Analysis Interest Risk

in € million	September 30,	
	2014	2013
Cash and cash equivalents	667.7	522.1
Debt <sup>1)</sup>	(181.8)	(355.9)
<b>Exposure</b>	<b>485.9</b>	<b>166.2</b>
Annual effect of an interest increase by 100 basis points	4.9	1.7
Annual effect of an interest decrease by 25 basis points	(1.2)	(0.4)

<sup>1)</sup> The loans drawn down under the syndicated credit line are included in the nominal amount relevant for calculating the interest. Since the transaction costs have been calculated using the effective interest method in accordance with IAS 39, the carrying amount is lower than the nominal amount.

OSRAM does not believe there is any relevant current exposure to interest rate risk defined as the risk of changes in fair value, because the primary interest-bearing financial instruments held by OSRAM are measured at amortized cost. As of the end of the reporting period, there were no interest rate derivatives measured at fair value.

### Commodity price risk

OSRAM's production activities expose the Company to various commodity price risks in the ordinary course of business. Especially copper, gold, silver, aluminum, tin, molybdenum, and rare earths are highly significant for the manufacture of its products. Commodity prices may fluctuate considerably, depending on the market situation, and may lead to undesirable and unpredictable earnings and cash flow volatility. OSRAM also uses derivative financial instruments to mitigate these risks.

Each OSRAM company is responsible for recording, measuring, monitoring, reporting, and hedging its risks arising from forecast and pending commodity purchase transactions (commodity price risk exposure). The binding guidelines provide the concept for identifying and measuring commodity price risk. They commit the companies to hedging these risks within a narrow band of between 75% and 100% of their risk exposure. The risk exposure is derived from pending and forecast procurement transactions to cover the commodity demand in the product business for the current and subsequent quarter.

The aggregated commodity price risk is hedged primarily using commodity derivatives (swaps and forwards), which are measured at fair value through profit or loss. Commodity derivatives are not included in hedge accounting.

OSRAM uses sensitivity analysis in accordance with IFRS 7 to determine the effects on net income and equity of hypothetical changes in the fair values of the commodity derivatives. This analysis does not take into account the offsetting effects of procurement transactions that have not yet been recognized. According to the sensitivity analysis, a 10% increase in the forward price of gold would lead to an increase of €1.1 million in *Income (loss) before income taxes* as of September 30, 2014 (as of September 30, 2013: €0.2 million). A 10% decrease in the forward price of gold would lead to a decrease in *Income (loss) before income taxes* in the same amount.

### Liquidity risk

The liquidity risk relates to the possibility that OSRAM may not be able to meet its existing and future financial obligations. To monitor and manage liquidity risk, OSRAM uses cash forecasts and effectively manages its cash and net working capital.

The liquidity reserve, which consists of cash and cash equivalents, amounted to €667.7 million as of September 30, 2014 (September 30, 2013: €522.1 million). In addition, under a syndicated loan agreement, OSRAM has access to a revolving credit line with a maximum total volume of €950 million, which was unused as of September 30, 2014 and 2013.

The following table shows all contractually fixed payments for settlement, repayments, and interest resulting from recognized financial liabilities as of September 30, 2014, including expected net cash outflows from derivative financial liabilities. The amounts disclosed are undiscounted net cash outflows for the next fiscal years, based on the earliest date on which OSRAM could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the terms and conditions as of September 30, 2014.

#### Settlement, Repayments, and Interest

in € million	September 30,		
	2015	2016 to 2019	2020 and thereafter
Non-derivative financial liabilities			
Loans from banks	45.4	145.2	–
Trade payables	798.6	–	–
Other financial liabilities	32.0	–	–
Derivative financial liabilities	14.6	–	–

### Credit risk

Credit risk arises when a customer or other counterparty of a financial instrument is unable to meet its payment obligations or if the assets used as collateral decline in value. OSRAM is exposed to credit risk especially in relation to receivables from its business operations. In the finance area, bank deposits and derivatives with positive fair values are exposed to credit risk.

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount.

Effective monitoring and management of credit risk is a core competency of risk management. It includes setting credit limits, performing credit checks, or using ratings. Customer ratings and individual customer limits are based on generally accepted rating methodologies, with the input consisting of information obtained from external rating agencies, data service providers, and OSRAM's previous customer default experience. Credit risk is recorded and monitored on an ongoing basis.

OSRAM takes out credit insurance to hedge against the credit risk of outstanding receivables. As of September 30, 2014, around 34% (September 30, 2013: 38%) of the nominal amount of trade receivables was hedged on the basis of credit insurance. In addition, there was other collateral, especially guarantees, amounting to €9.1 million as of September 30, 2014 (September 30, 2013: €9.5 million).

In relation to credit risk in the finance area, OSRAM aims to have a broadly based business volume in order to reduce credit risk and excessive dependence on individual institutions. The banks with which OSRAM enters into finance transactions are selected and regularly reviewed according to various criteria, in particular credit quality considerations.

There were no significant concentrations of credit risk as of September 30, 2014 and 2013.

With regard to trade receivables and other receivables as well as other loans or receivables included in the *Other financial assets* line item that are neither impaired nor past due, there were no indications as of September 30, 2014, that defaults on payments would occur. For additional information on the concept of determining allowances on receivables • Note 3 | Management Estimates and Judgments.

### 34 | Share-Based Payment

OSRAM grants a range of share-based payment components. Since fiscal 2013, OSRAM has launched its own share-based payment programs for employees and members of the Managing Board. These programs provide for settlement using equity instruments. Until the spin-off from Siemens AG in fiscal 2013, OSRAM's employees participated in Siemens AG share-based payment programs.

#### Share-based payment programs of OSRAM Licht AG Stock awards

In fiscal 2014, the Company for the first time granted stock awards to senior managers of domestic and foreign subsidiaries (OSRAM Stock Awards) as a form of share-based payment on the basis of its own program for granting performance-based OSRAM Stock Awards. In accordance with IFRSs, the stock awards are settled with equity instruments, i.e., shares in OSRAM Licht AG.

The allocation of stock awards is linked to Company-related performance criteria, or targets. To determine the degree of achievement of these targets, a lower limit of 0% and an upper limit of 200% applies. The target amount of the stock awards is linked to the average earnings per share (basic EPS) for the past three fiscal years. This target amount is adjusted on the basis of target achievement.

The stock awards granted in fiscal 2014 were recognized at the XETRA closing price for OSRAM Licht shares on November 13, 2013, less the present value of the dividends expected during the four-year waiting or restriction period. The fair value on the grant date was €36.39. The number of stock awards granted is calculated by dividing the cash value by this amount. In fiscal 2014, 194,430 stock awards were granted to the beneficiaries. The fair value of these entitlements granted to senior managers of the domestic and foreign companies amounted to €7.1 million as of the grant date.

Compensation expense related to the stock awards is recognized over four years until they vest, including the four-year restriction period. Upon expiration of the restriction period, the beneficiary receives shares in OSRAM Licht AG without payment of consideration. All stock awards are forfeited if the beneficiary's employment terminates during the restriction period. During the restriction period, the beneficiaries are not entitled to dividends. Stock awards may not be sold, transferred, pledged, or otherwise encumbered during the restriction period. The Company takes a new

decision each fiscal year whether to grant stock awards. The Managing Board decides on the number of stock awards for senior manager of the domestic and foreign subsidiaries.

In fiscal 2014, a net expense from share-based payments (before tax) of €1.6 million was recognized in connection with stock awards granted to senior managers.

As in the previous year, agreements were also entered into with the Managing Board of OSRAM Licht AG in the reporting period. They provide for the allocation of awards of OSRAM Licht shares. The allocation is linked to the same Company-based performance criteria, and the defined target achievement is identical. These stock awards are also subject to a restriction period of around four years and grant an entitlement to OSRAM Licht shares, which the beneficiary will receive upon expiration of the restriction period. Starting with stock awards granted for fiscal 2014 the value of the shares to be transferred is capped at a maximum of 250% of relevant target amount. For the members of the Managing Board of OSRAM Licht AG, compensation expense related to the stock awards is generally recognized over five years until they vest, including the four-year restriction period. The system of Managing Board compensation and the awards granted in the period under review are explained in detail in the remuneration report.

In fiscal 2013, 70,560 stock awards were granted to members of the Managing Board of OSRAM Licht AG. The fair value on the grant date was €36.39. The fair value of these entitlements amounted to €2.6 million as of the grant date.

In fiscal 2014, an expense from share-based payments (before tax) of €0.7 million was recognized in connection with stock awards granted to members of the Managing Board of OSRAM Licht AG. In fiscal 2013, an expense from share-based payments (before tax) of €0.4 million was recognized in connection with stock awards granted to members of the Managing Board of OSRAM Licht AG.

#### Nonforfeitable awards of OSRAM Licht shares (Bonus Awards)

In fiscal 2013, the Company additionally granted members of the Managing Board of OSRAM Licht AG entitlements to the allocation of nonforfeitable awards of shares of OSRAM Licht AG contingent on Company-based performance criteria (OSRAM Bonus Awards). The compensation expense related to OSRAM Bonus Awards is generally recognized over the vesting period of one year. The OSRAM Bonus Awards are subject to a waiting period of four years.

In fiscal 2013, a net expense from share-based payments of €1.7 million was recognized in connection with nonforfeitable awards of OSRAM Licht shares. In fiscal 2014, this variable compensation was settled exclusively in cash.

### Transaction bonus

In connection with the spin-off and listing on the stock exchange, a transaction bonus was granted by Siemens AG to the members of the Managing Board of OSRAM Licht AG (as well as other executives). Under this arrangement, OSRAM Licht shares with a value of at least 50% and a maximum of 200% of the target amount established individually were to be granted after the spin-off took effect. Siemens specified a target achievement of 50%. When calculating the number of OSRAM Licht shares to be granted, the volume-weighted average price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange over the first 20 trading days was used as a basis. 198,104 stock awards were granted to the Managing Board and other beneficiaries in this way. Up to September 30, 2014, 87,091 stock awards vested and 35,408 were forfeited. The OSRAM Licht shares will be transferred four years after the listing. Transfer prior to this date may be requested in four equal annual tranches; in this case, the shares are also subject to a lock-up period of four years from the date of the listing. The average fair value on the grant date was €36.97. The fair value of these stock awards was €7.3 million as of the grant date.

In fiscal 2014, this program resulted in expenses (before tax) for the Company of €1.4 million (previous year: €3.5 million).

Effective July 1, 2013, OSRAM assumed responsibility for the delivery of OSRAM Licht shares to the beneficiaries of the transaction bonus grant as well as for administration of the settlement of this commitment, in return for Siemens reimbursing the resulting costs. For additional information on the purchase of treasury shares and on the transfer, [Note 30 | Equity](#).

### Base Share Program

In fiscal 2014, employees of the domestic OSRAM companies could invest a fixed amount of their compensation in OSRAM Licht shares, to which OSRAM added a tax-privileged allowance. When calculating the number of OSRAM Licht shares to be granted, the volume-weighted average price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange during the four consecutive trading days starting upon expiration of the acceptance period was used as a basis. The shares are subject to a restriction period of six months from expiration of the acceptance period. The fair value under the Base Share Program corresponds to the tax-

privileged allowance paid by OSRAM. In fiscal 2014, this program resulted in expenses (before tax) of €1.2 million for the participating companies.

### Family Program

In connection with the spin-off from Siemens, employees of the domestic OSRAM companies could invest an amount of up to €3,500 from their own assets in the subsidized purchase of OSRAM Licht AG shares in fiscal 2013. OSRAM Licht AG added an allowance to the amount invested, depending on the employees' own investment. When calculating the number of OSRAM Licht shares to be granted, the volume-weighted average price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange over the first 20 trading days was used as a basis. The shares were subject to a restriction period of six months from the date of listing on the stock exchange. The fair value under the Family Program corresponds to the allowance paid by OSRAM. In fiscal 2013, this program resulted in expenses (before tax) of €0.9 million for the participating companies.

### Share-based payment programs of Siemens AG

Until the spin-off took effect, OSRAM was part of the Siemens Group. The terms and conditions of the share-based payment programs approved in the past by the Managing Board of Siemens AG for all Siemens Group companies were adopted in identical form by OSRAM's management. When the spin-off took effect on July 5, 2013, the existing Siemens programs were cash-settled in favor of the eligible OSRAM employees in accordance with the terms and conditions of the relevant programs.

Share-based payment awards at Siemens mostly provided for settlement with equity instruments, and there is a limited number of cash settlement plans (for example phantom stock). They had to be classified as share-based payments in accordance with IFRS 2 in OSRAM's consolidated financial statements. OSRAM had a contractual obligation to its employees to settle the share-based payment programs at the end of the vesting period. Siemens AG issued the compensation granted (i.e., shares of Siemens AG) to OSRAM employees on behalf of OSRAM. OSRAM therefore accounted for all Siemens share-based payment programs as share-based payment with cash settlement. Differences arising from the different treatment of share-based payment—settlement through equity instruments or cash settlement—were recognized in OSRAM's consolidated statement of income. The expenses recognized by OSRAM differed from the costs Siemens charged to OSRAM for participation in the programs due to the accounting treatment of the cash-settled commitments. In OSRAM's consolidated financial state-



ments, these differences were reported as noncash contributions and withdrawals by Siemens AG. For additional information » Note 30 | Equity.

In fiscal 2013, a net expense (before tax) of €19.5 million was included in connection with these share-based payment programs. They related primarily to the cash settlement of €15.3 million in accordance with the plan terms and conditions and the expenses for these programs until the spin-off. The cash settlement of these programs led to a cash outflow of €20.6 million in fiscal 2013. In addition, income arose from the change in the Jubilee Share Program. The agreement on granting jubilee shares to senior-management/director-level employees of the German OSRAM companies on attaining their 25- and 40-year service anniversaries was terminated in fiscal 2013 and replaced with a cash settlement in line with the arrangements for the other employees. It will be accounted for in future in accordance with IAS 19.

For a detailed presentation of the share-based payment programs of Siemens AG, please refer to the Notes to the consolidated financial statements of OSRAM Licht AG as of September 30, 2013.

### 35 | Personnel Costs

#### Personnel Costs

in € million	Fiscal year	
	2014	2013
Wages and salaries	(1,342.3)	(1,558.1)
Statutory social welfare contributions and expenses for optional support	(228.8)	(237.6)
Expenses relating to pension plans and employee benefits	(63.5)	(71.6)
<b>OSRAM</b>	<b>(1,634.6)</b>	<b>(1,867.2)</b>

The *Wages and salaries* line item in particular contains expenses for personnel-related restructuring measures in fiscals 2014 and 2013. In fiscal 2013, the Wages and salaries line item also contained expenses for the cash settlement of Siemens AG's share-based payment programs before maturity. For additional information » also Note 5 | Personnel-related Restructuring Expenses, » Note 34 | Share-Based Payment.

The *Expenses relating to pension plans and employee benefits* line item includes both current and past service costs, plan settlements, contributions to defined contribution plans, and expenses for partial retirement obligations (bonus pay-

ments and termination benefits). OSRAM reports Pension-related interest expense, net and Pension-related interest income, net within Interest income/Interest expense. For additional information » also Note 25 | Pension Plans and Similar Commitments.

The average number of employees in fiscal 2014 was 33,802 FTE (full-time equivalents; 2013: 36,696 FTE). The employees were assigned to the following functional areas:

#### Employees by Function

FTE (average)	Fiscal year	
	2014	2013
Production and service	24,886	27,269
Selling	4,675	4,958
Administration and general services	1,800	1,887
Research and development	2,441	2,582
<b>OSRAM employees</b>	<b>33,802</b>	<b>36,696</b>

### 36 | Earnings per Share

#### Earnings per Share

in € million	Fiscal year	
	2014	2013
Net income	193.1	33.6
Less: portion attributable to non-controlling interests	5.2	6.0
Income attributable to shareholders of OSRAM Licht AG	187.9	27.6
Weighted average shares outstanding – basic (number of shares in thousands)	104,549	104,642
Effect of dilutive potential equity instruments (number of shares in thousands)	183	72
Weighted average shares outstanding – diluted (number of shares in thousands)	104,732	104,714
Basic earnings per share (in €)	1.80	0.26
Diluted earnings per share (in €)	1.79	0.26

Share-based payment programs for employees and members of the Managing Board were launched in fiscal 2014. As of September 30, 2014, there were no outstanding awards that were not included in the calculation of diluted earnings per share, since their inclusion would not have had a dilutive effect.

The calculation of the weighted average number of shares outstanding in fiscal 2013 included the shares outstanding at the time of the spin-off from the beginning of fiscal 2013.

## 37 | Segment Information

The OSRAM Licht Group is managed centrally by the Managing Board of OSRAM Licht AG in its function as chief operating decision maker ("CODM"). The Managing Board is responsible for the operating activities of the OSRAM Licht Group. The following information is intended to show how it monitors the reportable segments.

At the beginning of fiscal 2013, there were four reportable segments: LC, LS, SP, and OS. Of these segments, LC aggregated the LP und LE Business Units and LS aggregated the Luminaires and Solutions and Services Business Units. This segment reporting presented the general illumination business based on the business model along the lighting value chain.

Effective May 1, 2014, the Managing Board of OSRAM Licht AG modified the organizational structure of the LP and LE Business Units within the aggregated LC segment. The measures were OSRAM's response to the rapid technological transformation toward LED and the related challenge to the segment's profitability. The two business units' declining business with traditional lamps (previously LP) and traditional ballasts (previously LE) was combined in a new CLB Business Unit. In the same way, the rapidly expanding LED activities of LP and LE were bundled together in a new LLS Business Unit. This ensures a clear management focus on the different business dynamics of OSRAM's traditional business and LED activities, as well as greater flexibility and agility in the market. Accordingly, OSRAM has five reportable segments as of September 30, 2014: LLS, CLB, LS, SP, and OS. Intersegment revenue is disclosed in line with the reporting to the CODM.

For the prior-year period, the segment information is presented according to the new segment structure for comparative purposes.

### Description of reportable segments

#### LED Lamps & Systems

The LLS segment develops and produces direct substitutes for traditional lamps and their ballasts based on LED technology. LLS also offers LED products for professional use, such as LED light engines (a combination of one or more LEDs and related controls) and components for light management systems.

#### Classic Lamps & Ballasts

The CLB segment comprises OSRAM's traditional product business, consisting of lamps (from incandescent lamps through halogen and fluorescent lamps for consumers to

high-intensity discharge lamps for professional indoor and outdoor use) and components for traditional lamps and luminaires such as electronic ballasts.

#### Luminaires & Solutions

The LS segment comprises in particular OSRAM's luminaires and solutions business. This segment includes luminaires for professional applications such as street lighting or architectural lighting, which are mainly sold as part of large projects, as well as (to a much lesser extent) luminaires for private applications such as table and flashlights. In addition, LS offers lighting solutions and associated light management systems that are used in internal and external architectural lighting, and in event lighting. Installation and maintenance services for the LS product portfolio are covered by the Services unit. The segment LS consists of the aggregated business units LUM, SOL and Services, since the businesses have similar economic and operational characteristics. Consequently the segment will be placed under a unified management beginning of October 1, 2014.

#### Specialty Lighting

The Specialty Lighting segment develops and produces lamps and lighting systems for the automotive sector, studio, stage and TV applications, projection systems, as well as special lamps for industrial and medical applications. In addition, it produces lamps for disinfecting liquids, surfaces, and gases with UV light.

#### Opto Semiconductors

The Opto Semiconductors segment manufactures optoelectronic semiconductors. The product portfolio includes LED, optical sensors, infrared LED, and high-power laser diodes for visible and infrared light. The products are used in the automotive industry as well as in communication products and consumer goods.

### Reconciliation to the consolidated financial statements

The Reconciliation to consolidated financial statements item contains business activities and items that are not directly related or allocated to OSRAM's reportable segments.

#### Corporate items and pensions

The corporate items include certain business activities and special topics that are not directly attributed to the segments because the Managing Board of OSRAM Licht AG does not consider them to be indicative of the segments' performance. Among other things, these include some of the activities in connection with specific pre-materials (e.g., the production of fluorescent materials), specific legal issues, the OLED research and development project, as well as specific



expenses in connection with the SG&A project, which is part of OSRAM Push. In addition, certain costs associated with the separation as well as the planned IPO and the spin-off and patent infringement disputes were reported under Corporate items. The Pensions item includes those pension-related income and expenses at OSRAM that are not allocated to the segments.

In fiscal 2014, the EBITA column of the Corporate items and pensions line item includes €–42.5 million (2013: €–56.7 million) relating to corporate items, as well as €–7.3 million (2013: €–4.8 million) relating to pensions. In fiscal 2014, the corporate items were impacted by special items, especially transformation costs, of €32.4 million (previous year: €39.8 million). This amount includes personnel restructuring expenses of €11.4 million (previous year: €3.1 million).

In addition, Corporate items and pensions in fiscal 2014 include a net amount of €12.7 million relating to legal proceedings and to the termination by mutual agreement of Dr. Peter Laier's appointment as a member of the Managing Board. Both fiscal years reflected by income from the settlement of legal proceedings.

#### **Eliminations, Corporate Treasury, and other reconciling items**

Eliminations, Corporate Treasury, and other reconciling items comprise the consolidation of transactions between the segments, certain reconciliation and reclassification items, and the operations of OSRAM's Corporate Treasury.

#### **Segment performance measures**

The accounting policies for the segment information are generally the same as those described in ›Note 2|Summary of Significant Accounting Policies. Corporate overheads and certain other items not directly attributable to segments are allocated to the segments.

#### **Segment EBITA**

The Managing Board of OSRAM Licht AG is responsible for assessing the performance of the segments. The chief operating decision maker, the Managing Board, has specified that earnings before financial result, income taxes, and amortization and impairment of intangible assets and goodwill ("EBITA") are to be used as the performance measure. EBITA is an indicator based on operational performance.

The financial result not included in EBITA comprises both the income (loss) from investments accounted for using the equity method and net interest income (expense) from financing activities, as decisions in this regard are taken at Group level.

Similarly, key decisions on pension-related issues are taken centrally. Therefore, EBITA primarily includes current service cost only. Pension plan curtailments are regarded as a partial payback reimbursement of past service cost, which affects segment profit or loss.

Moreover, income taxes are not a component of EBITA since income tax is subject to legal structures, which typically do not correspond to the structure of the segments.

#### **Asset measurement principles**

Management has determined assets as a measure to assess the capital intensity of the segments (defined as net assets). They are calculated as the total assets in the consolidated statement of financial position, less financial and tax receivables, including deferred tax assets. Non-interest-bearing liabilities and other liabilities not resulting from taxes (for example trade payables) are deducted from the remaining assets. A reconciliation of total assets presented in the segment information to the consolidated statement of financial position is presented below.

#### **Free cash flow definition**

The segment information shows the free cash flow and additions to property, plant, and equipment, and intangible assets. The segments' free cash flow is defined as net cash provided by (used in) operating activities less additions to intangible assets and property, plant, and equipment. For the segments, it primarily excludes income tax-related and financing interest payments and proceeds.

#### **Amortization and impairments**

The amortization charges and impairment losses presented in the segment information include impairment losses on goodwill and amortization charges and impairment losses on intangible assets, net of reversals of impairment losses.

#### **Depreciation and impairments**

The depreciation charges and impairment losses presented in the segment information include depreciation charges and impairment losses on property, plant, and equipment, net of reversals of impairment losses.

### Reconciliation to the consolidated financial statements

The following table reconciles EBITA as presented in the segment information to the income (loss) before income taxes as presented in OSRAM's consolidated statement of income:

#### Reconciliation EBITA to Income (loss) before Income Taxes

in € million	Fiscal year	
	2014	2013
<b>EBITA</b>	<b>310.4</b>	<b>99.5</b>
Amortization	(26.3)	(27.0)
Interest income	3.2	5.9
Interest expense	(40.8)	(32.0)
Other financial income (expense), net	(3.2)	(9.9)
Income (loss) from investments accounted for using the equity method, net	35.9	13.6
<b>Income (loss) before income taxes</b>	<b>279.2</b>	<b>50.1</b>

The following table reconciles total net capital employed for the segments to the total assets reported in OSRAM's consolidated statement of financial position:

#### Reconciliation Total Segment Net Capital Employed to Total Assets

in € million	September 30,	
	2014	2013
<b>Total segment net capital employed</b>	<b>1,815.8</b>	<b>1,772.1</b>
<b>Reconciliation to consolidated financial statements</b>		
Net capital employed corporate items and pensions	(275.4)	(171.6)
Net capital employed Treasury <sup>1)</sup>	679.6	541.0
Other reconciling items		
Tax related assets	454.2	447.2
Liabilities and provisions	1,590.8	1,478.3
Pension plans and similar commitments	444.4	358.5
<b>Total assets</b>	<b>4,709.5</b>	<b>4,425.3</b>

<sup>1)</sup> OSRAM Treasury does not have net capital employed in the same way as an operating segment, but it is determined here in the same way as for operating segments; the assets consist primarily of cash and cash equivalents.

The following table presents the Income (loss) from investments accounted for using the equity method, net attributable to the individual segments:

#### Income (loss) from Investments Accounted for Using the Equity Method, Net

in € million	Fiscal year	
	2014	2013
<b>Segments</b>		
LED Lamps & Systems	(0.0)	(0.2)
Classic Luminaires & Solutions	4.8	6.0
Luminaires & Solutions	(0.7)	(1.5)
Speciality Lighting	31.7	11.5
<b>Reconciliation to Consolidated Financial Statements</b>		
Corporate items and pensions	0.2	(2.2)
<b>Income (loss) from investments accounted for using the equity method, net</b>	<b>35.9</b>	<b>13.6</b>

#### Adjustments to the reporting structure from October 1, 2014

As from October 1, 2014 the previously centrally managed unit for the production of pre-materials, Illumination Materials ("ILM") will be assigned to the CLB segment and the research and development project OLED, which was also centrally managed, will be assigned to SP. This will make the extensive resources of SP available for the next stage in the breakthrough in OLED technology. In addition, as from the beginning of fiscal 2015, the centrally allocated real estate assets have been allocated to the assets of the individual business units. To boost the synergies, growth, and profitability of the LS segment, the two Business Units, Luminaires and Solutions, and the Services unit will also be brought together under one management as from October 1, 2014.

## 38 | Information about Geographies

### Revenue by Regions

in € million	Fiscal year	
	2014	2013
<b>Revenue by location of customer</b>		
EMEA	2,269.8	2,265.0
APAC	1,234.1	1,257.7
Americas	1,638.3	1,766.0
<b>OSRAM</b>	<b>5,142.1</b>	<b>5,288.7</b>
thereof Germany	781.7	755.7
thereof foreign countries	4,360.4	4,533.0
therein U.S.A.	1,155.1	1,240.5
therein China (incl. Hong Kong), Taiwan	674.0	687.3
<b>Revenue by location of company</b>		
EMEA	2,369.0	2,392.1
APAC	1,143.2	1,141.4
Americas	1,630.0	1,755.1
<b>OSRAM</b>	<b>5,142.1</b>	<b>5,288.7</b>
thereof Germany	1,216.1	1,201.2
thereof foreign countries	3,926.0	4,087.5
therein U.S.A.	1,401.0	1,509.6
therein China (incl. Hong Kong), Taiwan	781.8	731.4

The EMEA region comprises Europe, Russia, the Middle East, and Africa. The Americas region includes the U.S.A., Canada, Mexico, and South America. The APAC region comprises Asia, Australia, and the Pacific.

### Noncurrent Assets by Region

in € million	Fiscal year	
	2014	2013
EMEA	742.5	785.7
APAC	348.0	318.3
Americas	189.9	183.2
<b>OSRAM</b>	<b>1,280.3</b>	<b>1,287.3</b>
thereof Germany	658.9	691.1
thereof foreign countries	621.4	596.2
therein U.S.A.	176.9	168.2
therein China (incl. Hong Kong), Taiwan	135.0	106.9

Noncurrent assets consist of property, plant, and equipment, goodwill, and other intangible assets.

## 39 | Related Party Disclosures

The OSRAM Licht Group has business relations with OSRAM associates and joint ventures, the Siemens Group (Siemens AG and its direct and indirect subsidiaries excluding OSRAM), as well as Siemens associates and joint ventures. Until the date of the spin-off »Note 1 | Basis of Preparation, Siemens Group entities were related parties, as OSRAM was controlled by Siemens.

### Transactions with the Siemens Group

A number of agreements were entered into with Siemens to govern expenses, contingent liabilities, and separation-related matters associated with the spin-off.

Sales of goods and services and other income from transactions, and purchases of goods and services and other expenses from transactions with the Siemens Group, up to the date of the spin-off are presented in the following table:

### Sales and Purchases of Goods and Services with the Siemens Group

in € million	Fiscal year
	2013
Sales of goods and services, other income and interest income	19.0
Purchases of goods and services, other expense and interest expense	62.0

### Sales to and purchases from the Siemens Group

Supply and delivery agreements exist between OSRAM and the Siemens Group, also after the spin-off. OSRAM both sources goods and services from the Siemens Group and supplies goods and services to it.

### Reimbursement of costs by Siemens

Siemens took OSRAM public. In preparation for the separation from the Siemens Group and the listing and spin-off, OSRAM incurred costs of €10.4 million in fiscal 2013 that are considered to be extraordinary and that were reimbursed by Siemens under a cost reimbursement agreement. OSRAM reported the reimbursement of those costs net of the respective expenses.

### Master Agreement Separation

In September 2012, OSRAM GmbH (at that time OSRAM AG) and Siemens AG entered into a Master Agreement Separation ("Rahmenvertrag Trennung") to execute the spin-off from Siemens. In particular, this agreement governed the termination of internal Group agreements, the transfer of permissions and licenses, share-based instruments, the settlement of taxes, and reciprocal indemnity obligations.

### Financing

OSRAM was included in the Siemens Group's cash pooling and cash management system. OSRAM invested excess short-term liquidity and was granted overdraft facilities for financing its operating activities. At the end of the third quarter of fiscal 2013, OSRAM withdrew from the Group-wide cash pooling system for the bank accounts in preparation for the spin-off and listing, as a result of which excess liquidity was no longer automatically transferred to Siemens, but instead partly remained in bank accounts held by OSRAM companies. OSRAM continued to be included in Siemens' central cash management system until the net liability to Siemens was settled before the spin-off at the beginning of July 2013. As part of the spin-off and listing, participation in this finance program was replaced by a finance scheme operated by OSRAM GmbH itself.

In connection with the receivables waived by Siemens, a total amount of €163.0 million was recognized as a contribution to OSRAM GmbH's additional paid-in capital in the first quarter of fiscal 2013. For information on this and further capital contributions made by Siemens, »Note 30|Equity. Additionally, the Siemens Group provided OSRAM with short-term loans. No loans remained outstanding as of September 30, 2013 and 2014. In fiscal 2013, these financing activities resulted in interest income of €2.6 million and interest expense of €6.3 million, which are reported in the *Interest income* and *Interest expense* line items.

### Leasing

OSRAM had entered into lease agreements with Siemens Treasury. These were terminated in connection with the spin-off and listing. In addition, several operating lease agreements exist between OSRAM and the Siemens Group, in particular for real estate.

### Collateral/global letter of support/guarantees

In connection with the spin-off and listing, the guarantees issued by Siemens for certain OSRAM companies were terminated or assumed by OSRAM GmbH, primarily with the exception of those guarantees for which a transitional arrangement exists.

### Transactions with associates and joint ventures

OSRAM's business activities included transactions with OSRAM associates and joint ventures and, up to the date of the spin-off, joint ventures of the Siemens Group, in particular in respect of the operating business. These are summarized below:

#### Sales and Purchases of Goods and Services and Other Income from and Expense to Associates and Joint Ventures

In € million	Fiscal year	
	2014	2013
<b>Sales of goods and services and other income</b>	<b>10.1</b>	<b>24.1</b>
Siemens Group's joint ventures	–	0.7
OSRAM's associates and joint ventures	10.1	23.4
<b>Purchases of goods and services and other expense</b>	<b>5.8</b>	<b>13.9</b>
Siemens Group's joint ventures	–	0.4
OSRAM's associates and joint ventures	5.8	13.5

The reduction in sales of goods and services to, and other income from, OSRAM associates and joint ventures is due to the completion of the sale of the shares in the Valeo Sylvania joint venture in the second quarter of fiscal 2014. For additional information »Note 4|Acquisitions and Disposals. Until the date of the sale, OSRAM realized interest income of €0.6 million in fiscal 2014 (previous year: €1.8 million) from a loan.

OSRAM's receivables from and payables to associates and joint ventures of OSRAM are as follows:

#### Receivables from and Payables to Associates and Joint Ventures

In € million	September 30,	
	2014	2013
<b>Receivables</b>	<b>0.1</b>	<b>63.2</b>
OSRAM's associates and joint ventures	0.1	63.2
<b>Liabilities</b>	<b>0.0</b>	<b>0.1</b>
OSRAM's associates and joint ventures	0.0	0.1

As of September 30, 2013, the receivables from OSRAM joint ventures were mainly due from Valeo Sylvania. Due to the sale of the equity interest in Valeo Sylvania and the loans extended, the receivables from Valeo Sylvania are no longer presented as receivables from OSRAM joint ventures as of September 30, 2014. For additional information

› Note 4 | Acquisitions and Disposals.

OSRAM regularly reviews, in the normal course of business, loans and receivables associated with joint ventures and associates. This review did not lead to any impairment losses being recognized or reversed in the fiscal year. All receivables from and payables to related parties are settled regularly. In fiscal 2013, the signing of the Call/Put Agreement for the sale of the shares in Valeo Sylvania had a positive impact on income of €35.1 million due to the reversal of a provision in the amount of €10.2 million and the measurement of loans in the amount of €24.9 million. In fiscal 2013, the positive effect on income (net) of impairment losses and reversals of impairment losses amounted to €27.8 million. For additional information › Note 8 | Income (Loss) from Investments Accounted for Using the Equity Method, Net.

As of September 30, 2014, and September 30, 2013, accumulated valuation allowances on loans and receivables amounted to €0.0 million.

### Pension plans

For information on the financing of OSRAM's pension plans

› Note 25 | Pension Plans and Similar Commitments.

### Transactions with related individuals

Individuals classified as related parties comprise members of the Managing Board and of the Supervisory Board of OSRAM Licht AG.

The members of the Managing Board received cash compensation of €5.4 million in fiscal 2014 (2013: €3.9 million). The fair value of share-based payment at the grant date in fiscal 2014 was €1.6 million (2013: €4.2 million). The members of the Managing Board were granted contributions to the BOA of €1.8 million in fiscal 2014 (2013: €1.3 million). In fiscal 2013 the contributions to the BOA included an additional contribution of €0.2 million for one member of the Managing Board, which was granted in November.

The appointment of Dr. Peter Laier as a member of the Managing Board was terminated by mutual agreement as of the end of June 30, 2014. In fiscal 2014, the termination agreement resulted in expenses of €5.2 million, of which €4.4 million resulted from severance payments, €0.7 million from additions to pension provisions, and €0.1 million from other benefits.

The compensation and benefits granted to the members of the Managing Board (including Termination Agreement with Dr. Peter Laier) in fiscal 2014 therefore totaled €14.0 million (2013: €9.4 million).

The expenses incurred in connection with cash-settled share-based payment under the Siemens programs amounted to €2.8 million (before tax) in fiscal 2013, including expenses incurred in connection with the cash settlement of the Siemens programs. The expenses incurred in connection with equity-settled share-based payment under OSRAM programs amounted to €0.7 million in fiscal 2014 (2013: €2.2 million) (before tax). For additional information › Note 34 | Share-based Payment.

In connection with the spin-off and listing, a transaction bonus was granted by Siemens AG to the members of the Managing Board of OSRAM Licht AG. This grant led to an expense for share-based payment of €0.9 million in fiscal 2014 (2013: €1.3 million) (before tax).

Former managing directors of OSRAM GmbH and their surviving dependents received aggregate remuneration within the meaning of section 314 (1) no. 6b of the HGB amounting to €1.0 million in fiscal 2014 (2013: €1.3 million). The DBO of all pension commitments to former managing directors of OSRAM GmbH and their surviving dependents amounted to €10.0 million as of September 30, 2014 (September 30, 2013: €11.4 million). For additional information » Note 25 | Pension Plans and Similar Commitments.

Compensation paid to members of the Supervisory Board in fiscal 2014 comprised basic compensation as well as additional compensation for committee work; it totaled €1.4 million, including meeting fees (2013: €0.7 million).

The Company did not provide loans or advances to members of the Managing Board or Supervisory Board during the reporting period.

OSRAM has directors' and officers' liability insurance for the members of OSRAM's management. The insurance covers the personal liability of the insured in the event of a financial loss for which OSRAM's management is held liable in the course of performing its duties. Since October 1, 2014, members of the Managing Board have been covered by the criminal liability insurance that OSRAM has taken out for its employees and governing body members. The insurance covers any lawyers' fees or court costs arising in connection with their defense in criminal or administrative offense proceedings.

Details of the compensation of individual members of the Managing Board and Supervisory Board are provided in the remuneration report, which is a component of the combined management report. The remuneration report can be found in the corporate governance report.

As in the previous year, no other major transactions took place between the Company and other members of the Managing Board and the Supervisory Board.

Peter Bauer was elected Chairman of the Supervisory Board of OSRAM Licht AG on November 26, 2013. Prof. Dr. Siegfried Russwurm stepped down from the Supervisory Board of OSRAM Licht AG at the end of November 26, 2013. Dr. Roland Busch took his place on the Supervisory Board and was elected as an additional Deputy Chairman of the Supervisory Board. On February 27, 2014, the Company's Annual General Meeting reelected the serving shareholder representatives on the Supervisory Board as members of the Supervisory Board. The term of office of these members runs until the close of the General Meeting that resolves to approve the actions of the Managing Board and the Supervisory Board for fiscal 2016/2017. On the same date, the Supervisory Board reelected Peter Bauer as Chairman and Dr. Roland Busch as an additional Deputy Chairman of the Supervisory Board.

Dr. Joachim Faber resigned as a member of the Supervisory Board and as Chairman of the Audit Committee of OSRAM Licht AG's Supervisory Board as of July 1, 2014, and has stepped down from both bodies. This personal decision by Joachim Faber follows regulatory changes in the European banking sector. In his place, the court appointed Dr. Werner Brandt as a member of the Supervisory Board of OSRAM Licht AG on August 4, 2014, the appointment was serviced on August 7, 2014. At its meeting on November 5, 2014, the Audit Committee of the Supervisory Board of OSRAM Licht AG elected Dr. Brandt as Chairman of the Audit Committee.

Certain members of the Supervisory Board of OSRAM GmbH and of the Supervisory Board of OSRAM Licht AG hold or held positions of significant responsibility in other companies in the fiscal year under review. OSRAM has relationships with almost all of these companies in the ordinary course of business. Products are bought and sold and services procured and provided on an arm's length basis.

## 40 | Audit Fees and Services

Fees related to professional services provided by the Company's auditors, Ernst & Young (EY), for fiscal 2014 and 2013 were as follows:

Auditor's Fees	Fiscal year	
	2014	2013
in € million		
Audit services	3.9	4.6
Other assurance services	0.6	3.7
<b>Total auditor's fees</b>	<b>4.5</b>	<b>8.3</b>

The fees reported under *Other assurance services* relate in particular to audit and other assurance services other than the audit of financial statements. They refer, among other things, to assurance services in connection with waste disposal notifications, license agreements, and pension plans. The decline in the total fees for *Audit services* and *Other assurance services* is due to the fact that some of the audit fees incurred in fiscal 2013 in connection with the listing did not apply in fiscal 2014.

Of the total fee charged, 47% (2013: 76%) related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

## 41 | Corporate Governance

As of September 22, 2014, the Managing Board and the Supervisory Board of OSRAM Licht AG issued the declaration required under section 161 of the Aktiengesetz (AktG—German Stock Corporation Act) and made it publicly accessible on the Company's website under OSRAM Investor Relations/Corporate Governance/German Corporate Governance Code » [www.osram-licht.com/fileadmin/media/pdf/corporate-governance/Declaration\\_September\\_2014.pdf](http://www.osram-licht.com/fileadmin/media/pdf/corporate-governance/Declaration_September_2014.pdf).

## 42 | Events After the Balance Sheet Date

On October 13, 2014, OSRAM acquired a 100% interest in Clay Paky, Seriate (Bergamo), Italy („Clay Paky“). Clay Paky is a leading provider of entertainment lighting for shows and events. The acquisition enables OSRAM to drive forward its value-adding technology and innovation strategy and further extends its position in the area of entertainment lighting. Clay Paky will be allocated to the Specialty Lighting segment. The preliminary purchase price of €87.3 million was paid in cash. OSRAM has started the process of determining the purchase price allocation. It is therefore not yet possible to disclose the acquired assets and liabilities and their fair values.

In October 2014, the sale of the property at the former registered office of the OSRAM Licht Group in Munich was contractually agreed. Beneficial ownership is expected to be transferred to the buyer in the second half of the fiscal year ending September 30, 2015. The sale will have a positive impact on net income up to a medium double digit million euro amount › also Note 18 | Property, Plant, and Equipment.

Mr. Wolfgang Dehen, Chairman of the Managing Board, resigned from his position as a member and the Chairman of the Managing Board on November 5, 2014, effective as of December 31, 2014. The Supervisory Board approved his resignation at its meeting on the same day and appointed Dr. Olaf Berlien as a member and the Chairman of the Managing Board and as Labor Relations Director with effect from January 1, 2015. Dr. Berlien will take over the existing duties of the CEO including responsibility for technology. Mr. Dehen will also step down as a managing director, CEO, and Labor Relations Director of OSRAM GmbH, effective as of December 31, 2014. Dr. Berlien will also take over his responsibilities in these areas with effect from January 1, 2015.

At its meeting on November 5, 2014, the Audit Committee of the Supervisory Board of OSRAM Licht AG elected Dr. Werner Brandt as Chairman of the Audit Committee.

Other than the above, no transactions of particular significance and with material effects on the net assets, financial position, and results of operations have occurred since the end of the reporting period, September 30, 2014.



#### 43 | List of Equity Investments in Accordance with Section 313 of the HGB (German Commercial Code)

##### List of Equity Investments of the OSRAM Licht AG

As of September 30, 2014	Equity interest in %
<b>Equity investments of OSRAM Licht AG, Munich/Germany</b>	
OSRAM Beteiligungen GmbH, Munich/Germany	100.00
OSRAM GmbH, Munich/Germany	100.00
<b>Subsidiaries of OSRAM GmbH, Munich/Germany</b>	
<b>Germany (as of September 30, 2014: 9 companies)</b>	
OSRAM Opto Semiconductors GmbH, Regensburg	100.00
Heramo Immobilien GmbH & Co. Verwaltungs KG, Grünwald	100.00
Heramo Immobilien Verwaltungs-GmbH, Grünwald	100.00
OSRAM OLED GmbH, Regensburg	100.00
Radium Lampenwerk Gesellschaft mbH, Wipperfurth	100.00
Siteco Auslandsholding GmbH, Traunreut	100.00
Siteco Beleuchtungstechnik GmbH, Traunreut	100.00
Siteco Lighting GmbH, Traunreut	100.00
Traxon Technologies Europe GmbH, Paderborn	100.00
<b>EMEA (excluding Germany) (as of September 30, 2014: 32 companies)</b>	
OSRAM EOOD, Sofia/Bulgaria	100.00
OSRAM A/S, Taastrup/Denmark	100.00
OY OSRAM AB, Espoo/Finland	100.00
OSRAM S.A.S.U., Molsheim/France	100.00
OSRAM A.E., Athens/Greek	100.00
OSRAM Ltd., Langley/United Kingdom	100.00
Siteco Ltd., Stockport/United Kingdom	100.00 <sup>1)</sup>
Yekta Setareh Atlas Co. (P.J.S.), Tehran/Iran	100.00
OSRAM S.p.A. Società Riunite OSRAM-Edison-Clerici, Milan/Italy	100.00
OSRAM d.o.o., Zagreb/Croatia	100.00
OSRAM Benelux B.V., Capelle aan den IJssel/Netherlands	100.00
OSRAM AS, Oslo/Norway	100.00
Siteco Lighting Austria GmbH, Vienna/Austria	100.00
Siteco Österreich GmbH, Vienna/Austria	100.00
OSRAM Sp. z o.o., Warsaw/Poland	100.00
Siteco Lighting Poland Sp. z o.o., Warsaw/Poland	100.00 <sup>1)</sup>
OSRAM Empresa de Aparelhagem Eléctrica Lda., Lisbon/Portugal	100.00
OSRAM Romania S.R.L., Voluntari/Romania	100.00
OAQ OSRAM, Smolensk/Russia	99.61
OOO Siteco, Moscow/Russia	100.00 <sup>1)</sup>
OSRAM AB, Stockholm/Sweden	100.00
OSRAM AG, Winterthur/Switzerland	100.00
OSRAM d.o.o., Belgrade/Serbia	100.00
OSRAM a.s., Nové Zámky/Slovakia	100.00
OSRAM S.A., Madrid/Spain	100.00
OSRAM (Pty) Ltd., Midrand/South Africa	100.00
OSRAM Česká republika s.r.o., Bruntál/Czech Republic	100.00
Siteco Lighting, spol. s r.o., Prague/Czech Republic	100.00 <sup>1)</sup>
OSRAM Aydınlatma Ticaret A.S., Istanbul/Turkey	100.00

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**List of Equity Investments of the OSRAM Licht AG**

As of September 30, 2014	Equity interest in %
Siteco Aydinlatma Teknigi Tic. Ve San. Ltd. Sti., Istanbul/Turkey	100.00 <sup>1)</sup>
Enterprise with 100% foreign investment "OSRAM Ukraine", Kiev/Ukraine	100.00
OSRAM Middle East FZE, Dubai/United Arab Emirates	100.00
<b>Americas (as of September 30, 2014: 16 companies)</b>	
OSRAM Argentina S.A.C.I., Buenos Aires/Argentina	100.00
OSRAM do Brasil Lampadas Elétricas Ltda., Osasco/Brazil	100.00
OSRAM Chile Ltda., Santiago de Chile/Chile	100.00
OSRAM del Ecuador S.A., Guayaquil/Ecuador	100.00
OSRAM Sylvania Ltd., Mississauga/Canada	100.00
OSRAM de Colombia Iluminaciones S.A., Bogotá/Colombia	100.00
Industrias OSRAM de México S.A., Tultitlán/Mexico	100.00
OSRAM de México S.A. de C.V., Tultitlán/Mexico	100.00
OSRAM S.A. de C.V., Tultitlán/Mexico	100.00
OSRAM de Perú S.A.C., Lima/Peru	100.00
OSRAM Opto Semiconductors, Inc., Wilmington/United States	100.00
OSRAM SYLVANIA INC., Danvers/United States	100.00
OSRAM Sylvania Puerto Rico Corp., Luquillo/United States	100.00
Sylvania Lighting Services Corp., Wilmington/United States	100.00
Transport & Distribution Inc., Wilmington/United States	100.00
Traxon Supply USA Inc., East Rutherford/United States	100.00
<b>APAC (as of September 30, 2014: 21 companies)</b>	
OSRAM Australia Pty. Ltd., Sydney/Australia	100.00
Chung Tak Lighting Control Systems (Guangzhou) Ltd., Guangzhou/China	58.50
OSRAM China Lighting Ltd., Foshan/China	90.00
OSRAM Asia Pacific Management Company Ltd., Foshan/China	100.00
OSRAM Kunshan Display Optic Co. Ltd., Kunshan/China	100.00
OSRAM Kunshan Specialty Lighting Co., Ltd., Kunshan/China	100.00
OSRAM Opto Semiconductors (China) Co., Ltd., Wuxi/China	100.00
OSRAM Asia Pacific Ltd., Hong Kong/Hong Kong	100.00
OSRAM Holding Company Ltd., Hong Kong/Hong Kong	100.00
OSRAM Lighting Control Systems Ltd., Hong Kong/Hong Kong	65.00
OSRAM Opto Semiconductors Asia Ltd., Hong Kong/Hong Kong	100.00
Traxon Technologies Ltd., Hong Kong/Hong Kong	100.00
OSRAM India Pvt. Ltd., Gurgaon/India	100.00
P.T. OSRAM Indonesia, Tangerang/Indonesia	100.00
OSRAM Ltd., Yokohama/Japan	100.00
OSRAM (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100.00
OSRAM Opto Semiconductors (Malaysia) Sdn. Bhd., Penang/Malaysia	100.00
OSRAM Pte. Ltd., Singapore/Singapore	100.00
OSRAM Korea Co. Ltd., Ansan-City/South Korea	100.00
OSRAM Taiwan Company Ltd., Taipei/Taiwan	100.00
OSRAM Thailand Co. Ltd., Bangkok/Thailand	100.00

## List of Equity Investments of the OSRAM Licht AG

As of September 30, 2014	Equity interest in %
<b>Associates and joint ventures of OSRAM GmbH, Munich/Germany</b>	
<b>Germany (as of September 30, 2014: 1 company)</b>	
Lightcycle Retourlogistik und Service GmbH, Munich	47.00
<b>EMEA (excluding Germany) (as of September 30, 2014: 7 companies)</b>	
EMGO N.V., Lommel/Belgium	50.00
Recylum Societe par Actions Simplifiée, Paris/France	25.00 <sup>2)</sup>
LAMP NOOR (P.J.S.) Co., Saveh/Iran	20.00 <sup>2)</sup>
SIA Ekogaisma, Riga/Latvia	33.00 <sup>2)</sup>
Kompetenzzentrum Licht GmbH, Dornbirn/Austria	33.33 <sup>2)</sup>
EKOSIJ d.o.o., Ljubljana/Slovenia	25.00 <sup>2)</sup>
EKOLAMP s.r.o., Prague/Czech Republic	33.33 <sup>2)</sup>
<b>Americas (as of September 30, 2015: 1 company)</b>	
CVL Componentes de Vidro Ltda., Caçapava/Brazil	50.00
<b>APAC (as of September 30, 2014 : 3 companies)</b>	
Foshan Electrical and Lighting Co., Ltd., Foshan/China	13.47 <sup>3)</sup>
OSRAM Prosperity Company Ltd., Hong Kong/Hong Kong	50.00
Siteco Prosperity Lighting (Lang Fang) Co., Ltd., Lang Fang/China	50.00
<b>Other equity investments of OSRAM GmbH, Munich/Germany</b>	
<b>Germany (as of September 30, 2014: 2 companies)</b>	
GSB – Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	0.07
Wohnen am Wedding KG THG Immobilien-Fondsgesellschaft mbH & Co., Berlin	1.54
<b>EMEA (excluding Germany) (as of September 30, 2014: 4 companies)</b>	
Anakiklosi Siskevon Simetochiki S.A., Piraeus/Greece	10.00
Design LED Products Ltd., Edinburgh/Scotland	4.47
ElektroEko Organizacja Odzysku Sprzetu Elektrycznego S.A., Warsaw/Poland	10.80
Voltimum S.A., Satigny/Switzerland	13.71
<b>Americas (as of September 30, 2014: 0 companies)</b>	
<b>APAC (as of September 30, 2014: 0 companies)</b>	

<sup>1)</sup> In liquidation.

<sup>2)</sup> Not accounted for using the equity method due to immateriality.

<sup>3)</sup> Significant influence due to the composition of the board of directors.

## 44 | Supervisory Board and Managing Board

### Supervisory Board of OSRAM Licht AG

	Member since	Supervisory Board and comparable appointments
<b>Members in office</b> on September 30, 2014		
<b>Peter Bauer</b> Chairman Born June 22, 1960 Independent management consultant	July 5, 2013 (Second Deputy Chairman from July 11, 2013, to November 26, 2013)	Member of the Supervisory Board of Kontron AG Intragroup: Chairman of the Supervisory Board of OSRAM GmbH (member since July 5, 2013, Deputy Chairman from July 11, 2013, to November 26, 2013)
<b>Dr. Christine Bortenlänger</b> Born November 17, 1966 Chief Executive of Deutsches Aktieninstitut e.V.	August 27, 2013	Member of the Supervisory Board of ERGO Versicherungsgruppe AG Member of the Supervisory Board of SGL Carbon SE Member of the Supervisory Board of TÜV Süd AG Member of the Senate of Fraunhofer Gesellschaft Intragroup: member of the Supervisory Board of OSRAM GmbH (since July 5, 2013)
<b>Dr. Werner Brandt</b> Born January 3, 1954 Management consultant, former Member of the Executive Board of SAP SE	August 7, 2014	Chairman of the Supervisory Board of ProSiebenSat.1 Media AG Member of the Supervisory Board of Deutsche Lufthansa AG Member of the Supervisory Board of RWE AG Chairman of the Supervisory Board of QIAGEN N.V., the Netherlands Intragroup: member of the Supervisory Board of OSRAM GmbH (since July 1, 2014)
<b>Dr. Roland Busch</b> Deputy Chairman Born November 22, 1964 Member of the Managing Board of Siemens AG	November 27, 2013	Member of the Board of Directors of Atos S.A., France Chairman of the Board of Supervisors of Siemens Ltd., China Member of the Board of Siemens Ltd., India Chairman of the Supervisory Board of Siemens Schweiz AG Intragroup: member and Deputy Chairman of the Supervisory Board of OSRAM GmbH (since November 27, 2013)
<b>Prof. Dr. Lothar Frey</b> Born June 7, 1958 Professor at the University of Erlangen- Nuremberg (Chair of Electron Devices) and head of the Fraunhofer Institute for Integrated Systems and Device Technology (IISB)	August 27, 2013	Intragroup: member of the Supervisory Board of OSRAM GmbH (since July 5, 2013)
<b>Alfred Haas</b> Born October 23, 1950 Head of Corporate Communications— Public Affairs (CC PAF), OSRAM GmbH	September 3, 2013	Intragroup: member of the Supervisory Board of OSRAM GmbH
<b>Michael Knuth</b> Deputy Chairman Born April 29, 1957 Trade union secretary and press spokesman for IG Metall Bavaria	September 3, 2013	Member of the Supervisory Board of FTE Group Holding GmbH Intragroup: member and, since December 13, 2012, Deputy Chairman, of the Supervisory Board of OSRAM GmbH
<b>Frank (Franciscus) H. Lakerveld</b> Born December 5, 1947 Member of the Supervisory Board of Sonepar S.A.	August 27, 2013	Member of the Supervisory Board of Aliaxis S.A., Belgium Member of the Supervisory Board of Technische Unie, the Netherlands Member of the Supervisory Board of Sonepar S.A., France Intragroup: member of the Supervisory Board of OSRAM GmbH (since July 5, 2013)
<b>Hubert Roßkopf</b> Born October 13, 1968 Works Council of OSRAM GmbH, Eichstätt plant	September 3, 2013	Intragroup: member of the Supervisory Board of OSRAM GmbH (since November 30, 2012)
<b>Willi Sattler</b> Born September 11, 1959 Works Council of OSRAM GmbH, Augsburg plant Chairman of the General Works Council of OSRAM GmbH	September 3, 2013	Intragroup: member of the Supervisory Board of OSRAM GmbH

### Supervisory Board of OSRAM Licht AG

	Member since	Supervisory Board and comparable appointments
<b>Members in office</b> on September 30, 2014		
<b>Irene Schulz</b> Born April 10, 1964 Executive Member of the Managing Board of IG Metall Germany	September 3, 2013	Member of the Supervisory Board of Nokia Solutions & Networks Management GmbH Intragroup: member of the Supervisory Board of OSRAM GmbH (since November 30, 2012)
<b>Thomas Wetzel</b> Born May 18, 1964 Works Council of OSRAM GmbH, Berlin plant	September 3, 2013	Intragroup: member of the Supervisory Board of OSRAM GmbH (since November 30, 2012)

### Supervisory Board of OSRAM Licht AG

	Member since	Supervisory Board and comparable appointments
<b>Former members</b> in fiscal 2013		
<b>Prof. Dr. Siegfried Russwurm</b> Chairman Born June 27, 1963 Member of the Managing Board of Siemens AG	July 5, 2013, to November 26, 2013 <sup>1)</sup>	As of November 26, 2013: Member of the Supervisory Board of Deutsche Messe AG Member of the Supervisory Board of INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie GmbH Member of the Supervisory Board of BSH Bosch und Siemens Hausgeräte GmbH Member of the Supervisory Board of Siemens VAI Metals Technologies GmbH Chairman of the Board of Directors of Siemens (Proprietary) Limited, South Africa Member of the Board of Supervisors of Siemens W.L.L., Qatar Member of the Board of Directors of Siemens Ltd., Saudi Arabia Member of the Board of Directors of VA TECH T & D Co. Ltd., Saudi Arabia Member of the Board of Directors of Arabia Electric Ltd. (Equipment), Saudi Arabia Member of the Board of Directors of Siemens Ltd., China Member of the Supervisory Board of Siemens Middle East Limited, United Arab Emirates Intragroup: Chairman of the Supervisory Board of OSRAM GmbH
<b>Dr. Joachim Faber</b> Born May 10, 1950 Chairman of the Supervisory Board of Deutsche Börse AG	July 5, 2013, to June 30, 2014 <sup>2)</sup>	As of June 30, 2014: Chairman of the Supervisory Board of Deutsche Börse AG Chairman of the Shareholders' Committee of Joh. A. Benckiser s.à.r.l., Luxembourg Member of the Supervisory Board of Coty Inc., New York Member of the Supervisory Board of HSBC Holding plc Member of the Board of Directors of Allianz France, SA, France Member of the Board of Allianz Investment Management Intragroup: member of the Supervisory Board of OSRAM GmbH (since July 5, 2013)

<sup>1)</sup> Prof. Dr. Russwurm resigned from his position as a member and the Chairman of the Supervisory Board of OSRAM Licht AG on October 25, 2013, effective as of the end of November 26, 2013.

<sup>2)</sup> Dr. Faber resigned from his position as a member of the Supervisory Board of OSRAM Licht AG on May 2, 2014, effective as of the end of June 30, 2014.

**Supervisory Board Committees  
of OSRAM Licht AG**

	Meetings in fiscal 2014	Tasks	Members as of September 30, 2014
<b>Executive Committee</b>	November 5, 11, and 26, 2013, January 28, April 29, June 2 and 27, July 29, and September 15, 2014	Performs the duties of a nomination and remuneration committee. Prepares the appointment of members of the Managing Board, the determination of Managing Board members' remuneration, and the review of the Managing Board remuneration system by the full Supervisory Board, and handles the Managing Board contracts. Decides on whether to approve transactions with members of the Managing Board and their related parties, and coordinates the work of the Supervisory Board.	Peter Bauer Dr. Roland Busch Michael Knuth Willi Sattler
<b>Audit Committee</b>	November 11 and 26, 2013, January 28, April 29, and July 29, 2014	Monitors the accounting and reporting process. Prepares the Supervisory Board's proposal to the Annual General Meeting on the election of the auditors, and submits a corresponding recommendation to the Supervisory Board. Discusses the quarterly and half-yearly financial statements prepared by the Managing Board. Prepares the audit of the annual financial statements and consolidated financial statements and the proposal on the appropriation of net profit by the Supervisory Board. Deals with questions relating to the Company's accounting and reporting process and risk management, and monitors the effectiveness of the internal control and risk management systems, as well as the internal audit system. Engages the auditors and monitors the audit of the financial statements. Reviews adherence to legal and regulatory requirements and internal policies, as well as issues relating to sustainability.	Dr. Werner Brandt Dr. Christine Bortenlänger Dr. Roland Busch Michael Knuth Hubert Roßkopf Irene Schulz
<b>Nomination Committee</b>	none	Makes recommendations to shareholder representatives on the Supervisory Board on the shareholder candidates to be proposed for election to the Supervisory Board by the Annual General Meeting.	Peter Bauer Dr. Werner Brandt Dr. Roland Busch
<b>Strategy and Technology Committee</b>	November 11, 2013, January 27, April 28, June 26 and 27, July 28, and September 8, 2014	Oversees and advises the Managing Board on matters relating to corporate strategy and the development and safeguarding of technologies that are relevant for the Company.	Peter Bauer Prof. Dr. Lothar Frey Frank H. Lakerveld Hubert Roßkopf Willi Sattler Thomas Wetzel
<b>Mediation Committee</b>	none	Submits proposals on the appointment or dismissal of Managing Board members to the Supervisory Board if the requisite majority is not reached during the first ballot.	Peter Bauer Dr. Roland Busch Michael Knuth Willi Sattler

**Managing Board  
of OSRAM Licht AG**

	First appointed in	Appointed until	Responsibilities	Occupation/other mandates
<b>Wolfgang Dehen</b> Chief Executive Officer (CEO) Born February 9, 1954	November 2012	December 31, 2014 <sup>1)</sup>	Specialty Lighting and Opto Semiconductors Business Units, OLED and Services Business Segments, Regions, Strategy, Communications, Legal & Compliance, and Human Resources From July 1, 2014, also CLB and LLS Business Units, Research & Development, Supply Chain Management (excluding Logistics), Quality, and Technology	Chairman of the Managing Board of OSRAM Licht AG Member of the Supervisory Board of TÜV Süd AG Intragroup: Chairman of the Supervisory Board of SRAM Opto Semiconductors GmbH
<b>Dr. Peter Laier</b> Chief Technology Officer (CTO) Born July 8, 1968	January 2013	June 30, 2014 <sup>2)</sup>	Research & Development, Supply Chain Management, Quality, and Technology; Lamps, Light Engines & Controls, Luminaires, and Solutions Business Units	Member of the Managing Board of OSRAM Licht AG (until June 30, 2014)
<b>Dr. Klaus Patzak</b> Chief Financial Officer (CFO) Born May 8, 1965	November 2012	March 31, 2016	Corporate Finance & Controlling, Investor Relations, Information Technology (IT), Internal Audit function From July 1, 2014, also Luminaires and Solutions Business Units, and Logistics	Member of the Managing Board of OSRAM Licht AG Member of the Supervisory Board of Bayerische Börse AG Intragroup: Chairman of the Board of Directors of OSRAM SYLVANIA INC. Member of the Board of Directors of OSRAM China Lighting Ltd.

<sup>1)</sup> On November 5, 2014, Mr. Dehen resigned from his position as a member and the Chairman of the Managing Board with the consent of the Supervisory Board, with effect from the end of December 31, 2014.

<sup>2)</sup> On June 2, 2014, Dr. Laier's appointment as a member of the Managing Board was terminated by mutual agreement with effect from the end of June 30, 2014.

Munich, November 17, 2014

OSRAM Licht AG  
The Managing Board

*signed*

Wolfgang Dehen  
Chairman of the Managing Board (CEO)

*signed*

Dr. Klaus Patzak  
Chief Financial Officer (CFO)





# Statements and Further Information

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# Responsibility Statement

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To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report for OSRAM Licht AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, November 17, 2014

OSRAM Licht AG  
The Managing Board

*signed*

Wolfgang Dehen  
Chairman of the Managing Board (CEO)

*signed*

Dr. Klaus Patzak  
Chief Financial Officer (CFO)

# Independent Auditor's Report

*Translation of the German Independent Auditor's Report concerning the audit of the consolidated financial statements and group management report prepared in German.*

## To OSRAM Licht AG, Munich

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OSRAM Licht AG, Munich and its subsidiaries, which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and notes to the consolidated financial statements for the business year from October 1, 2013 to September 30, 2014.

### Management's Responsibility for the Consolidated Financial Statements

The management of OSRAM Licht AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the supplementary requirements of German law pursuant to Sec. 315a(1) HGB ["Handelsgesetzbuch": German Commercial Code], to give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Audit Opinion

Pursuant to Sec. 322(3) Sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to Sec. 315a(1) HGB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2014 as well as the results of operations for the business year then ended, in accordance with these requirements.

### Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of OSRAM Licht AG, for the business year from October 1, 2013 to September 30, 2014. The management of the company is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to Sec. 315a(1) HGB. We are required to conduct our audit in accordance with Sec. 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the IDW. Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the con-

solidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, November 17, 2014

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

*German independent auditor's report signed*

Breitsameter  
Wirtschaftsprüferin  
(German Public Auditor)

Esche  
Wirtschaftsprüfer  
(German Public Auditor)

**The glossary contains a short definition for typical terms used in the lighting industry and within OSRAM. In addition, it describes key financial terms to make our financial reporting easier to understand.**

**Control Gear (CG)** Most electrical light sources, with the exception of the incandescent lamp, require a special device to start and to operate. Depending on the light source technology, they are named ballasts, ignitors or transformers and belong to the category of control gears. The term control gear describes devices which may serve to transform the supply voltage, limit the current of the lamp(s) to the required value, provide starting voltage and preheat current, prevent cold starting, correct power factor or reduce radio interference.

**Diode** A diode is a two-terminal electronic device which permits significant current flow in only one direction. Diodes typically function as a rectifier, i.e. converting AC into DC.

**Discharge Lamp** Discharge lamps generate light by sending an electrical discharge through an ionized gas or metal vapor. Depending on the gas with which a lamp is filled, it either radiates visible light directly or converts UV radiation to light. The operating pressure inside a discharge lamp is either low (low pressure discharge lamps) or high (high-pressure discharge lamps).

**Fluorescent Lamp (FL)** › Discharge Lamp Fluorescent lamps are available in different shapes, such as linear fluorescent, tube shaped and compact fluorescent lamps.

**Halogen Lamp** Halogen lamps are type of incandescent lamps that are filled with a gas that contains small amounts of halogens or halogen compounds enabling smaller bulbs and higher luminous flux.

**Incandescent Lamp (INC)** Incandescent lamps are electrical light sources which radiate light as a result of a tungsten filament being heated. The tungsten wire is enclosed in a sealed, gas-filled—or in some cases evacuated—glass bulb.

**Lamp** The term “lamp” refers to an engineered artificial light source—a device that converts electrical energy into light and that has a standardized electrical and mechanical connection to the lampholder. Lamps are used in luminaires, which distribute and direct lamp light.

**LED (Light Emitting Diode)** A LED consists of a light emitting semiconductor chip in combination with wiring, reflector, lens and protective covering to create a package. The term LED module is sometimes used synonymously.

**LED Lamp** A LED lamp is a light source incorporating one or more LEDs on a board and it also includes secondary optics, heat sink, driver electronics and housing. It can be used as a replacement for existing lamps (replacement of another type of lamp). The term LED retrofit is sometimes used synonymously.

**LED Light Engine** LED light engines are the combination of an LED module and its associated electronic control gear assembled in a unit according to the standardization consortium Zhaga.

**LED Module** › LED.

**LED Business** is associated at OSRAM in general with lighting technologies that use semiconductors as sources of illumination. OSRAM subsumes under this term semiconductor-based light sources, luminaires and detectors as well as light management systems for such light sources. These include:

- LED lamps, luminaires and systems in their entirety, including any necessary components and services sold as part of a LED light solution,
- LED chips and light engines,
- OLED—organic light emitting diodes,
- Infrared emitters, producing electromagnetic radiation close to the spectrum of visible light,
- Laser diodes,
- Silicon photodetectors, semiconductors which react to and may be used to measure light,
- Sensors, which are a combination of a semiconductor emitter and a photodetector
- Light management systems (sensors, user interfaces and controllers; actuators for traditional lamps are excluded) and associated components and services.

**LED Retrofit** › LED Lamp.

**Light (Visible Light)** Visible light is the radiation that can be perceived by the human eye. The spectral range of light embraces wavelengths from 380 to 780 nm and is divided into the different color sections ranging from violet through blue, green and yellow to red. Outside this band, the human eye cannot “see” radiation.

**Light Management Systems (LMS)** Light management systems automate the lighting and related controls within a room, building or in outdoor applications. Their task is to provide the right light in the right amount at the right place when it is needed.

**Light Solution** A light solution is a specific use case tailored to the application for which an arrangement of luminaires, light sources, controlgear and light management has been planned and is executed; servicing of the installation can be included.

**Luminaire (Lighting Fixture)** The term luminaire (sometimes also referred to as “lighting fixture”) refers to the entire electric light fitting, including all the components needed to mount, operate and protect the lamp. The luminaire distributes the light of the lamp and e.g. prevents it from causing glare.

**Opto-electronic Semiconductor** A type of semiconductor that transforms electric impulses into light or light into electric impulses.

**Organic Light Emitting Diode (OLED)** An OLED is a light emitting semiconductor that has an electroluminescent zone made of organic compounds. OLEDs are typically area light sources.

## Financial Terms

**Costs Associated with Substantial Legal and Regulatory Matters** OSRAM is involved in various legal disputes in connection with its business activities. OSRAM classifies these as special items if they are considered material by the Company's management and are of a substantial nature.

**Costs Associated with the Separation/for Going Public (net)** Expenses and income associated with the separation and planned IPO and spin-off, as well as patent infringement disputes. These primarily comprise costs incurred in connection with the listing and the establishment of OSRAM as an independent company (which were partly reimbursed by Siemens), legal costs and income from the settlement of patent infringement disputes, which escalated after the announcement of the originally planned IPO, special payments to management staff in connection with the IPO, as well as the relocation of OSRAM's headquarters in Munich.

**Currency Translation Effects** A significant portion of OSRAM's transactions are settled in currencies other than the euro. The effects of changes in exchange rates on translating revenue into euros (in the context of preparing the financial statements) are referred to as currency translation effects. In addition to the nominal change in its revenue (e.g., compared with the previous year), OSRAM also reports the "comparable" changes adjusted for currency translation effects and portfolio effects › **Portfolio Effects**. This provides the basis for a meaningful analysis of the company's business performance while excluding these distorting effects from currency translation.

**Debt** Debt comprises liabilities related to funds raised by a company, in contrast to, e.g., trade payables. Debt includes liabilities to banks (credits, loans), bonds and other debt instruments issued, as well as obligations under finance leases.

**Earnings per Share (EPS)** Net income attributable to shareholders of OSRAM Licht AG divided by the number of shares outstanding with rights to residual interests in a company. Earnings per share can either be expressed as "basic" or "diluted"; dilution refers to a reduction in the earnings per share based on the assumption that new shares will be issued or that options and warrants will be exercised.

**EBITA** Abbreviation for "earnings before interest, taxes, and amortization." OSRAM defines this measure as the income (loss) before financial result (meaning the income [loss] from investments accounted for using the equity method, net, interest income, interest expense, and other financial income [expense], net), income taxes, and amortization and impairments of intangible assets. EBITA is also given as the ratio to revenue (= EBITA margin).

**EBITA, Adjusted** EBITA as defined above before special items › **below**. Adjusted EBITA is also given as the ratio to revenue (= adjusted EBITA margin).

**EBITDA** Abbreviation for "earnings before interest, taxes, depreciation, and amortization". This indicator corresponds to EBITA before depreciation and impairments of property, plant, and equipment.

**Free Cash Flow** A measure that presents operational cash performance. OSRAM defines free cash flow as net cash provided by (used in) operating activities less additions to intangible assets and property, plant, and equipment.

**Gross Profit** Revenue minus costs of goods sold and services rendered. Gross profit provides information on the profitability of the business only in terms of revenue-related costs. Gross profit is also given as the ratio to revenue (= gross profit margin).

**Net Debt, Adjusted** Net debt plus pension plans and similar commitments, and credit guarantees.

**Net Debt/Net Liquidity** Liabilities from funds raised, less liquidity. OSRAM defines net debt as short-term and long-term debt less cash and cash equivalents plus available for sale financial assets. Net liquidity is presented as a negative figure.

**Portfolio Effects** Changes to revenue resulting from the acquisition and divestment of parts of the Company are referred to as portfolio effects. In addition to the nominal change in its revenue (e.g., compared with the previous year), OSRAM also reports the "comparable" changes adjusted for portfolio effects and currency translation effects › **Currency Translation Effects**. This provides the basis for a meaningful analysis of the company's business performance while excluding these distorting effects from acquisitions or divestments.

**Regions** OSRAM's business is divided into the EMEA, Americas, and APAC reporting regions. EMEA comprises Europe, Russia, the Middle East, and Africa. The Americas region includes the U.S.A., Canada, Mexico, and South America. The APAC region comprises Asia, Australia, and the Pacific.

**Return on Capital Employed (ROCE)** The ratio of earnings to average capital employed. An annual measure that shows how efficiently a company manages the capital of its shareholders, creditors, and other lenders (depending on the definition).

**Revenue Growth/Change (Comparable)** Comparable revenue growth/changes in revenue or revenue growth on a comparable basis refers to revenue growth after adjustment for currency translation and portfolio effects.

**Special Items** The Managing Board defines these as recurring and nonrecurring effects within EBITA. At OSRAM, these primarily comprise transformation costs, acquisition related costs, costs associated with substantial legal and regulatory matters as well as subsequent costs associated with the separation/for going public (net) » the relevant sections. Additional costs occurred due to the termination of the appointment of members of the Managing Board by mutual agreement.

**Transformation Costs** Costs resulting from various corporate programs and strategic restructuring activities where the corresponding corporate measures are linked to the underlying shift in the lighting market. These primarily comprise the cost of personnel measures in connection with OSRAM Push, impairment losses and losses on disposals of property, plant, and equipment, as well as other transformation costs such as for consulting services.



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## Fiscal 2015

### 1st quarter

Preliminary figures	February 4, 2015
Interim Report for the first quarter	February 16, 2015
Annual General Meeting of OSRAM Licht AG	February 26, 2015

### 2nd quarter

Preliminary figures	April 29, 2015
Interim Report for the second quarter	May 11, 2015

### 3rd quarter

Preliminary figures	July 29, 2015
Interim Report for the third quarter	August 10, 2015

### 4th quarter

Preliminary figures 2015	November 11, 2015
Annual Report for the fiscal 2015	December 7, 2015

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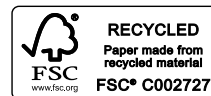
This Annual Report and the Yearbook are also available in German. In addition, they are available on the Internet in German and in English at [www.osram-licht.ag](http://www.osram-licht.ag) and [www.osram-licht.com](http://www.osram-licht.com). The German version is legally binding.

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