

# OSRAM off to a good start

**Q1 FY17 Earnings Release**  
(unaudited figures)

# Disclaimer

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

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

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

# Robust growth dynamics especially in automotive – profitability remains on high level

## Statement from the CEO



### First quarter highlights (cont. ops.)

- Revenue of €991m, comp. growth at 7.6% supported by all segments
- Profitability on strong prior year level despite lower license income at OS
- Free cash flow of €83m

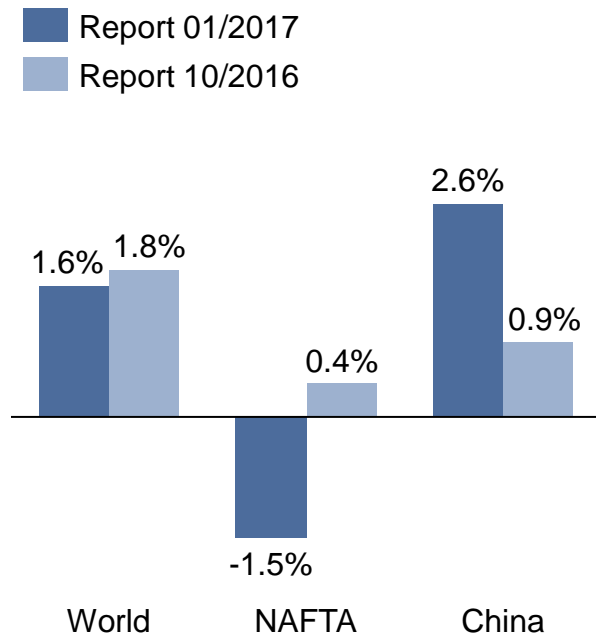
“OSRAM has delivered encouraging first quarter results, including positive comparable growth in all segments and regions. I am especially pleased with the ongoing strong sales performance at Opto Semiconductors – a testimony to our leading technological position. We also continue to see good demand for traditional automotive products, especially in the Asia-Pacific region.

In light of the solid first quarter EBITDA margin and cash flow, we feel confident today that we can deliver on our full year outlook.“

# Automotive outlook stable – OSRAM presents innovative technologies at CES

## Light vehicle production

(Source: IHS, calendar year 2017)



## Consumer Electronics Show, Las Vegas

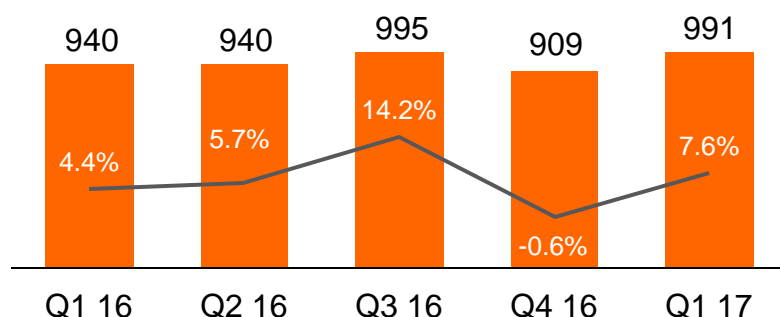


“Rinspeed” concept car featuring cutting-edge automotive lighting by OSRAM

# Growth especially driven by OS and APAC

## Revenue (€m)

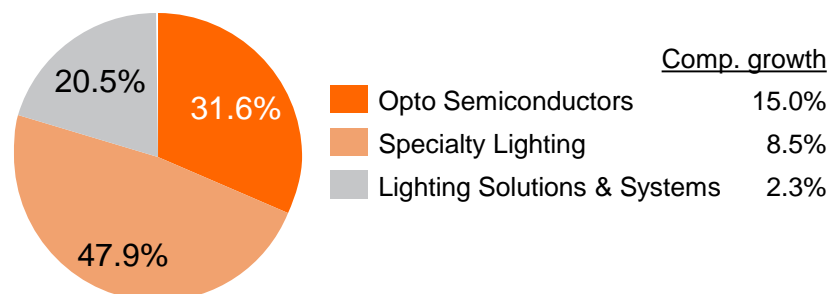
### Quarterly development / comp. growth<sup>1)</sup>



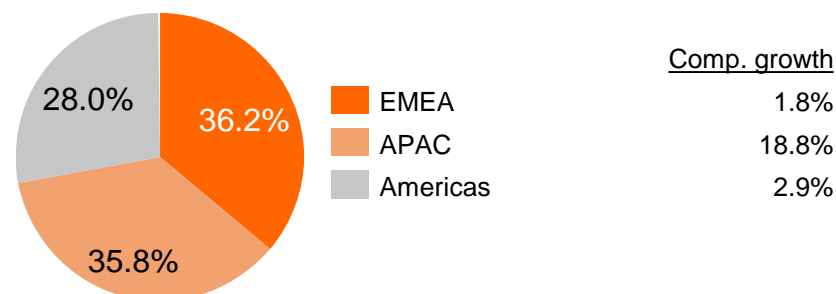
### Comments Q1 FY17

- Nominal growth at 5.4%, currency effects of -30bps and portfolio effects of -180bps
- Positive comparable growth in all regions and segments
- Region APAC benefits from high demand for LED components as well as traditional automotive products
- LED share at 63% vs. 57% in Q1 FY16

### Segment split Q1 FY17<sup>2)</sup>



### Regional split Q1 FY17



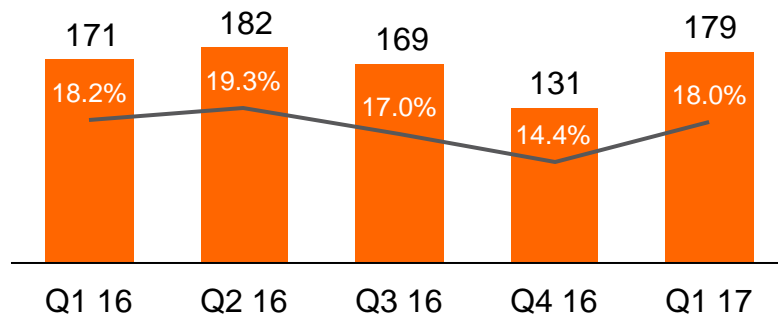
<sup>1)</sup> Comparable growth year-over-year, adjusted for currency and portfolio effects.

<sup>2)</sup> Based on sum of segment revenue without corp. items & elimination.

# Strong first quarter as expected – prior year included extraordinarily high level of license income

## Adjusted EBITDA (€m)

### Quarterly development / adjusted margin<sup>1)</sup>



### Special items<sup>1)</sup> / EBITA

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Total special items	-6	-5	-15	-6	9
Reported EBITDA	165	177	154	125	188
Adjusted EBITA	127	139	125	81	132
Adjusted EBITA margin	13.6%	14.7%	12.5%	8.9%	13.4%

### Comments Q1 FY17

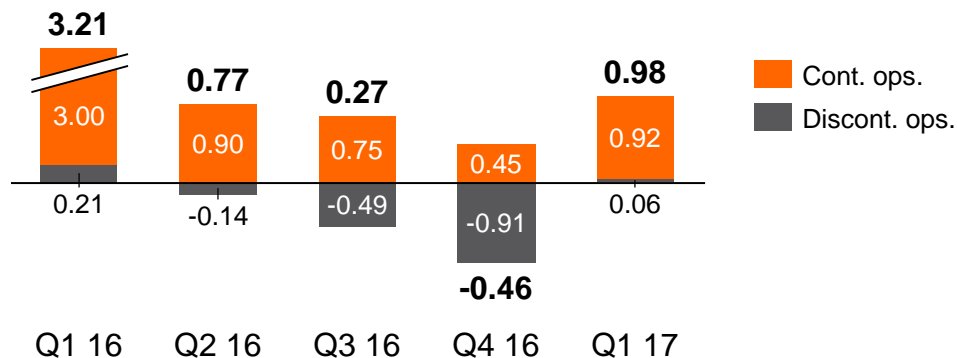
- Operating margin on par with prior year level despite lower OS license income (delta approx. €-10m)
- Earnings at OS and SP met or exceeded plans; LSS fell short
- Investments into growth and innovation reflected in higher functional cost; gross margin benefits from productivity savings of €50m
- Adjusted EBITDA in corporate items of €-20m in line with expected run rate
- Overall positive special items, with restructuring being more than offset by an asset disposal gain
- Full year projection on special items remains unchanged (approx. €80m to €100m)

<sup>1)</sup> Adjustment for special items includes e.g. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities.

# Net income supported by one-time gain and low restructuring expenses

## Earnings per share, diluted (€)

### Quarterly development



### Comments Q1 FY17

- Earnings after taxes (cont. ops.) amounted to €92m, driven by strong operational profitability and one-time gain from the disposal of real estate in Korea
- Tax rate at approx. 30%, in line with expectations
- Prior year included special gain from FELCO sale of about €270m (post-tax)

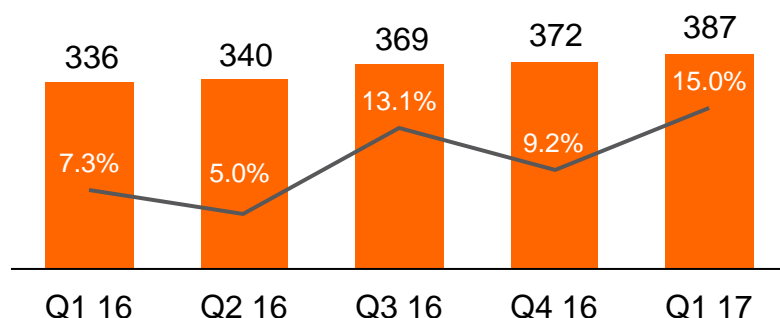
## Net income / Shares outstanding

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Net Income cont. ops. (€m)	316	95	78	44	92
Net Income discont. ops. (€m)	22	-15	-50	-92	6
<b>Total Net Income (€m)</b>	<b>338</b>	<b>80</b>	<b>28</b>	<b>-48</b>	<b>99</b>
Shares outstanding, diluted (million)	105.0	104.6	103.0	100.8	99.2

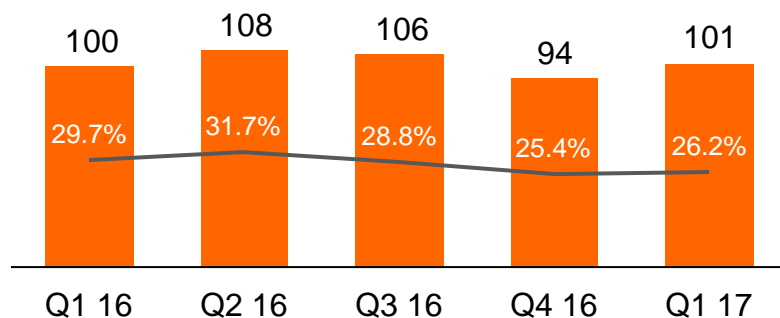
# OS: Sales performance exceeds expectations

## Opto Semiconductors (OS) (€m)

### Revenue development / comp. growth



### EBITDA development / margin



### Comments Q1 FY17

- Favorable book-to-bill ratio supports growth prospects
- High Q1 growth driven by demand especially for automotive and infrared components, compensating lower license income (delta approx. €10m)
- EBITDA margin also reflects ramp-up costs for SSL (R&D, Marketing & Sales)
- Free cash flow remains positive

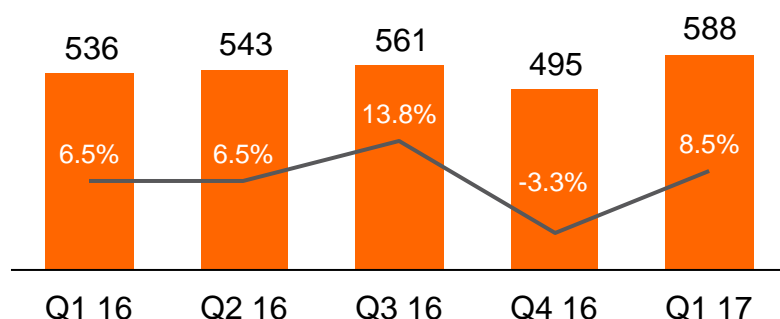
### EBITA / Free cash flow

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
EBITA	74	82	80	67	73
EBITA margin	21.9%	24.0%	21.8%	17.9%	19.0%
Free cash flow	66	40	50	28	22

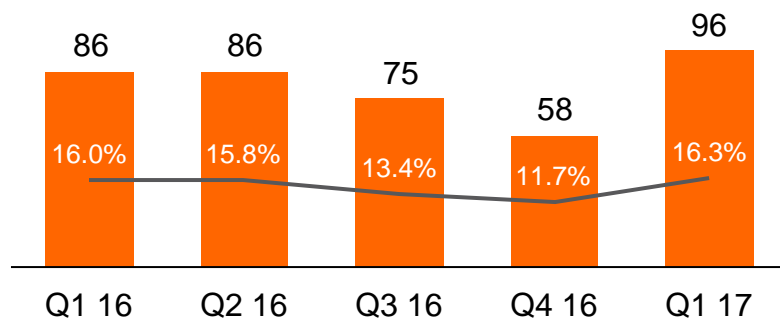
# SP: Strong start into the year

## Specialty Lighting (SP) (€m)

### Revenue development / comp. growth



### Adj. EBITDA development / adj. margin



### Comments Q1 FY17

- Revenue benefits from high LED component sell-through as well as modest growth in traditional supported by some fiscal stimulus related pre-buying in China
- LED share of 46% vs. 41% in the prior year quarter
- Financial performance in coming quarters expected to follow typical seasonal pattern

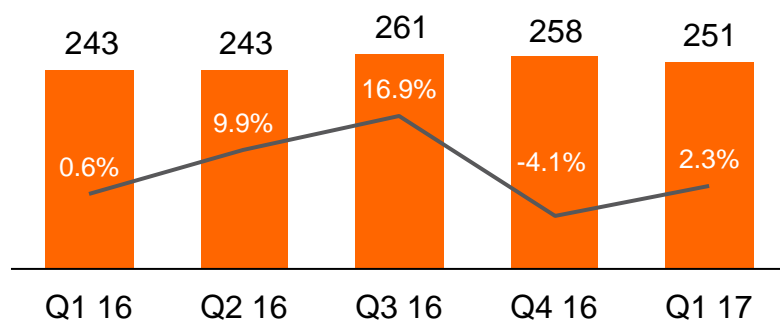
### Special items / EBITA / Free cash flow

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Total special items	-4	-2	-4	-3	-3
Reported EBITDA	82	84	71	55	93
Adjusted EBITA	75	74	63	42	83
Adjusted EBITA margin	13.9%	13.6%	11.3%	8.4%	14.2%
Free cash flow	74	38	62	73	99

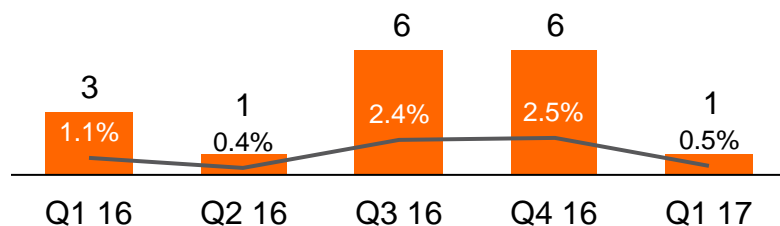
# LSS: Revenue growth held back due to project delays

## Lighting Solutions & Systems (LSS) (€m)

### Revenue development / comp. growth



### Adj. EBITDA development / adj. margin



### Comments Q1 FY17

- Good growth with indoor luminaires and LED drivers, but somewhat offset by delays in a few large projects in US service business
- LED share now at 72% vs. 65% in PYQ
- Continued gross margin improvement in luminaires partly compensates volume shortfall from project delays
- Moderate step-up in R&D and sales-related investments in digital systems business

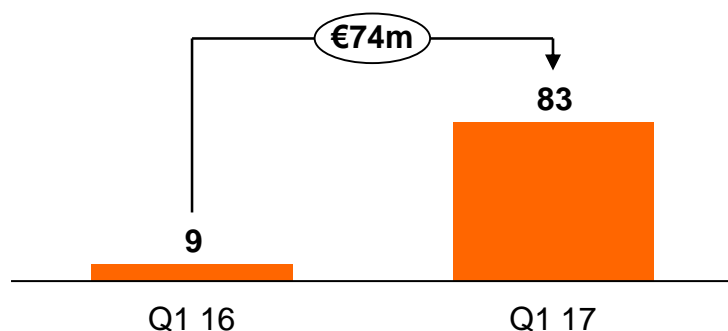
### Special items / EBITA / Free cash flow

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Total special items	-1	-2	-4	-3	-2
Reported EBITDA	1	-1	3	4	-1
Adjusted EBITA	-3	-5	0	0	-4
Adjusted EBITA margin	-1.3%	-1.9%	0.2%	0.0%	-1.8%
Free cash flow	-26	-34	-17	41	-18

# Investment level increases according to plan

## Free Cash Flow and Asset Management (€m)

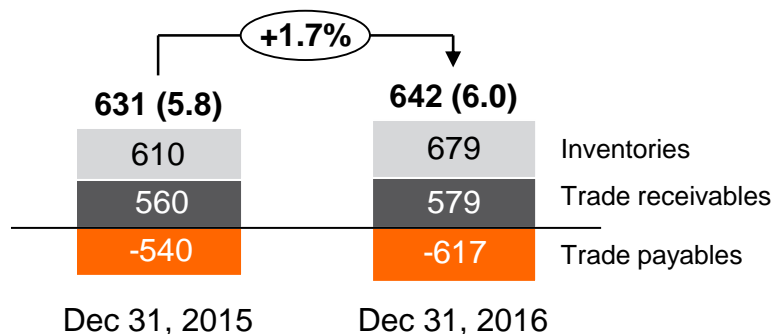
### Free cash flow



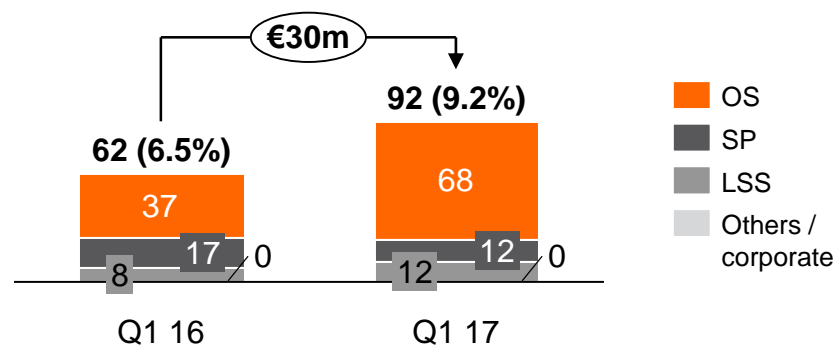
### Comments Q1 FY17

- Strong first quarter cash flow provides a solid foundation for full year break-even target; prior year included special pension contribution of €91m
- Capex as expected significantly above prior year
- Working capital turn rate stable

### Working capital (turn rate<sup>1)</sup>)



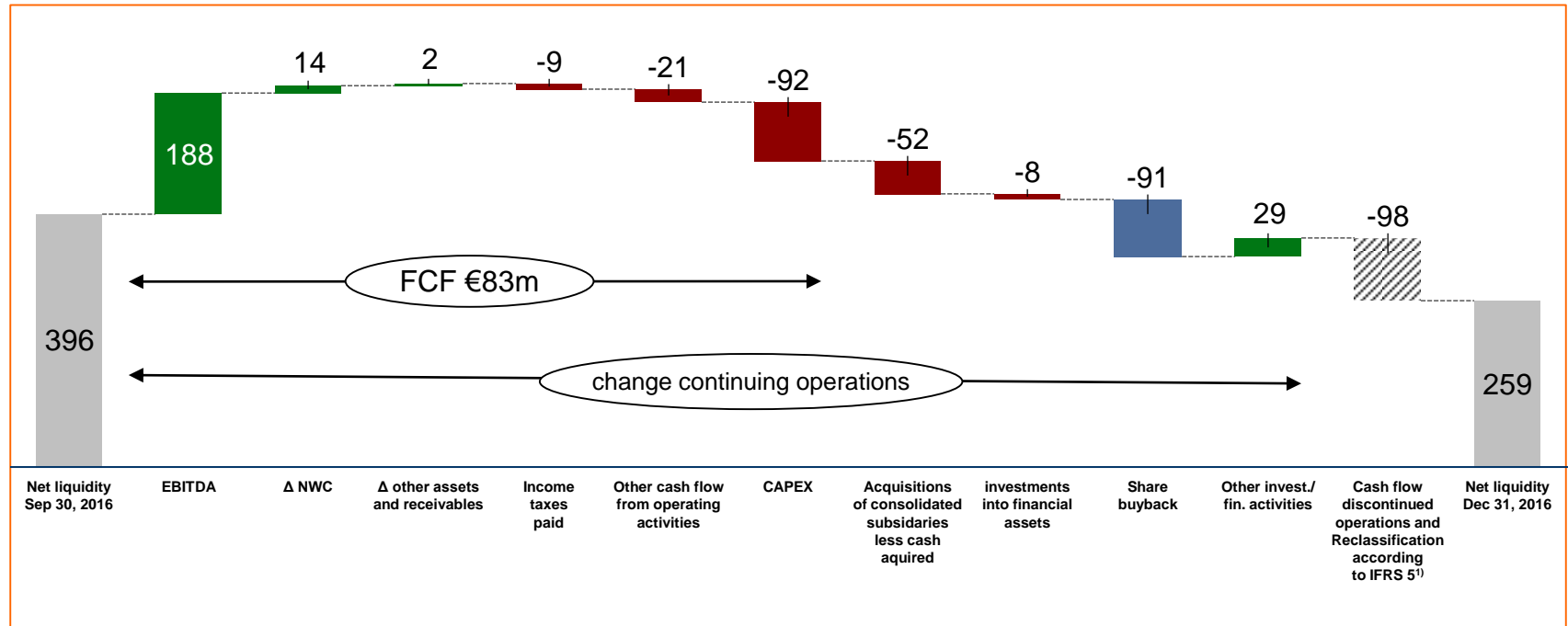
### Capital expenditure (percent of revenue)



<sup>1)</sup> Defined as revenue (last twelve months) divided by working capital.

# High FCF more than offset by share buyback and purchase price payment for Novità Technologies

## Net liquidity bridge (€m) – continuing operations



- Net liquidity with temporary negative impact from cash outflow within discontinued operations
- Share buyback, acquisitions and capital expenditure as main negative cash effects in continuing operations
- Previously agreed loan from European Investment Bank (€150m) fully drawn; no impact on net liquidity

<sup>1)</sup> Contains, amongst others, cash and cash equivalents less financial debt of Ledvance (reclassified and now contained in assets/liabilities held for sale).

# Outlook confirmed

Objective	Metric	Outlook FY17
Growth	Comparable revenue growth	We target comparable revenue growth of 5-7%, in a similar range as FY16
Profitability	Adjusted EBITDA, % of revenue	We expect an adjusted EBITDA margin of at least 16%
Earnings growth	Earnings per share, diluted (€)	We aim for earnings per share between €2.35 and €2.65 <sup>1)</sup>
Value creation	Free Cash Flow (€m)	We intend to achieve a FCF around break-even

➔ Based on the outlook for FY17 and OSRAM's midterm prospects, we intend to keep the dividend at least stable at €1.00 per share

Please note: All numbers represent continuing operations, i.e. excluding Ledvance business now shown as discontinued operations.

<sup>1)</sup> Based on an ongoing share buyback according to schedule.

# Financial calendar and IR contact information

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## Upcoming events

- **February 09, 2017**  
Roadshow, Frankfurt
- **February 14, 2017**  
General Meeting, Munich

## Investor Relations contact

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Email	<a href="mailto:ir@osram.com">ir@osram.com</a>
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# Appendix

# Key financial metrics (unaudited)

Group (€m)	Q1 FY16	Q1 FY17	Change (y-o-y)
			nom. 5.4%
			comp. 7.6%
<b>Revenue</b>	<b>940</b>	<b>991</b>	
Gross margin	35.0%	36.9%	180 bps
R&D	-77	-87	13.5%
SG&A	-137	-163	19.1%
EBITA	122	141	16.1%
EBITA margin	12.9%	14.3%	130 bps
Adj. EBITA	127	132	4.0%
Adj. EBITA margin	13.6%	13.4%	-20 bps
<b>EBITDA</b>	<b>165</b>	<b>188</b>	13.8%
EBITDA margin	17.6%	18.9%	140 bps
Adj. EBITDA	171	179	4.7%
<b>Adj. EBITDA margin</b>	<b>18.2%</b>	<b>18.0%</b>	-10 bps
Financial result (incl. at-equity result)	303	-3	-101.0%
Income before income taxes	<b>418</b>	<b>132</b>	-68.5%
Taxes	-102	-39	-61.7%
Net income	316	92	-70.7%
<b>Diluted EPS in €</b>	<b>3.00</b>	<b>0.92</b>	-69.4%
<b>Free cash flow</b>	<b>9</b>	<b>83</b>	861.8%
CAPEX	-62	-92	48.9%
Net liquidity	-	259	-
Adj. Net liquidity / EBITDA <sup>1)</sup>	-	0.1	-
Equity ratio	55.5%	51.6%	-390 bps
Employees (in thousands)	24.6	25.7	4.5%

Please note: All numbers represent continuing operations, i.e. excluding Ledvance business now shown as discontinued operations.

<sup>1)</sup> EBITDA for the 3 months ended December 31 was annualized for calculation purposes.

# Segment overview (unaudited)

Q1 FY17 (€m)	OS <sup>2)</sup>	SP <sup>2)</sup>	LSS	CIE	OSRAM Licht Group
Revenue	387	588	251	-234	991
Change % vs. PY reported	15.2%	9.7%	3.3%		5.4%
<b>Change % vs. PY comparable</b>	<b>15.0%</b>	<b>8.5%</b>	<b>2.3%</b>		<b>7.6%</b>
EBITA	73	80	-7	-6	141
EBITA margin	19.0%	13.7%	-2.6%		14.3%
EBITA before special items	73	83	-4	-20	132
EBITA margin before special items	19.0%	14.2%	-1.8%		13.4%
<b>EBITDA</b>	<b>101</b>	<b>93</b>	<b>-1</b>	<b>-6</b>	<b>188</b>
EBITDA margin	<b>26.2%</b>	<b>15.8%</b>	<b>-0.4%</b>		<b>18.9%</b>
Special items EBITDA	0	-3	-2	14	9
therein transformations costs	0	-1	-2	14	11
EBITDA before special items	101	96	1	-20	179
<b>EBITDA margin before special items</b>	<b>26.2%</b>	<b>16.3%</b>	<b>0.5%</b>		<b>18.0%</b>
Assets <sup>1)</sup>	659	658	359	3,314	4,991
<b>Free cash flow</b>	<b>22</b>	<b>99</b>	<b>-18</b>	<b>-20</b>	<b>83</b>
Additions to intangible assets and property, plant and equipment	68	12	12	0	92
Amortization	1	4	1	1	7
Depreciation	28	13	6	0	47

<sup>1)</sup> Net assets on segment level; total assets on group level; CIE includes reconciling items as well as Ledvance business now classified as discontinued operations.

<sup>2)</sup> Certain automotive-related external revenue historically reported under OS was reclassified to SP external revenue starting Q1 FY17; OS now shows this business as internal revenue. This also affects other financials, such as profitability, assets and cash flow. All prior year information in this document has been retrospectively adjusted.

# Reconciliation of EBITDA Ledvance to Net income from discontinued operations (unaudited)

in (€m)	2016					2017
	Q1	Q2	Q3	Q4	full year	Q1
<b>EBITDA as previously reported under Ledvance</b>	<b>76</b>	<b>35</b>	<b>18</b>	<b>4</b>	<b>133</b>	<b>33</b>
Carve-out costs	-26	-41	-47	-56	-170	-1
Allocation changes and others	-5	2	-9	-11	-23	-1
Amortization added back	-2	-2	-2	-4	-10	-2
Depreciation added back	-14	-12	-12	-35	-73	-20
<b>EBIT from discontinued operations</b>	<b>29</b>	<b>-17</b>	<b>-51</b>	<b>-102</b>	<b>-142</b>	<b>9</b>
Interest income / expense	-2	-2	-1	-4	-9	0
<b>EBT from discontinued operations</b>	<b>27</b>	<b>-19</b>	<b>-52</b>	<b>-107</b>	<b>-151</b>	<b>9</b>
Income taxes	-4	5	2	15	18	-3
<b>Net income (loss) from discontinued operations</b>	<b>22</b>	<b>-15</b>	<b>-50</b>	<b>-92</b>	<b>-134</b>	<b>6</b>

Please note:

- Carve-out costs relate to the carve-out of the formerly reported Ledvance segment and were allocated in total to discontinued operations. Future carve-out costs will also only affect net income from discontinued operations.
- Allocation changes and others reflect central items, eliminations, pensions, and treasury items that historically related to the Ledvance business. As a result, they have been reflected in discontinued operations.

# Consolidated statement of income (unaudited)

in (€m)	Three months ended December 31 <b>2016</b>	Three months ended December 31 <b>2015</b>
Revenue	991	940
Cost of goods sold and services rendered	-626	-611
Gross profit	365	329
Research and development expenses	-87	-77
Marketing, selling and general administrative expenses	-163	-137
Other operating income	20	0
Other operating expense	0	0
Income (loss) from investments accounted for using the equity method, net	0	306
Interest income	1	0
Interest expense	-3	-4
Other financial income (expense), net	0	0
<b>Income before income taxes OSRAM (continuing operations)</b>	<b>132</b>	<b>418</b>
Income taxes	-39	-102
Net income from continuing operations	92	316
Net income from discontinued operations	6	22
<b>Net income</b>	<b>99</b>	<b>338</b>
Attributable to:		
Non-controlling interests	1	1
Shareholders of OSRAM Licht AG	98	337
Basic earnings per share (in €)	0.99	3.22
Diluted earning per share (in €)	0.98	3.21
Basic earnings per share (in €) OSRAM (continuing operations)	0.92	3.01
<b>Diluted earning per share (in €) OSRAM (continuing operations)</b>	<b>0.92</b>	<b>3.00</b>

# Consolidated statement of financial position (unaudited)

in (€m)	As of December 31 2016	As of September 30 2016	in (€m)	As of December 31 2016	As of September 30 2016
<b>Assets</b>			<b>Liabilities and equity</b>		
<b>Current Assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	478	457	Short-term debt and current maturities of long-term debt	31	20
Available-for-sale financial assets	1	1	Trade payables	617	601
Trade receivables	579	580	Other current financial liabilities	50	50
Other current financial assets	65	53	Current provisions	88	98
Inventories	679	655	Income tax payables	79	89
Income tax receivables	43	52	Other current liabilities	307	305
Other current assets	123	192	Liabilities associated with assets classified as held for sale	729	785
Noncurrent assets held for sale	1,251	1,136	<b>Total current liabilities</b>	<b>1,901</b>	<b>1,948</b>
<b>Total current assets</b>	<b>3,220</b>	<b>3,124</b>	Long-term debt	190	42
Goodwill	118	77	Pension plans and similar commitments	166	206
Other intangible assets	148	113	Deferred tax liabilities	23	2
Property, plant and equipment	1,099	1,060	Provisions	24	18
Investments accounted for using the equity method	7	-	Other financial liabilities	15	2
Other financial assets	4	4	Other liabilities	97	97
Deferred tax assets	353	384	<b>Total liabilities</b>	<b>2,417</b>	<b>2,315</b>
Other assets	42	38	<b>Equity</b>		
<b>Total assets</b>	<b>4,991</b>	<b>4,801</b>	Common stock, no par value	105	105
			Additional paid-in capital	2,037	2,035
			Retained earnings	643	512
			Other components of equity	100	60
			Treasury shares, at cost	-326	-237
			<b>Total equity attributable to shareholders of OSRAM Licht AG</b>	<b>2,559</b>	<b>2,473</b>
			Non-controlling interests	15	13
			<b>Total equity</b>	<b>2,574</b>	<b>2,486</b>
			<b>Total liabilities and equity</b>	<b>4,991</b>	<b>4,801</b>

# Consolidated statement of cash flows (unaudited)

	Three months ended December 31	Three months ended December 31		Three months ended December 31	Three months ended December 31
in (€m)	2016	2015	in (€m)	2016	2015
<b>Cash flows from operating activities</b>			<b>Cash flows from investing activities</b>		
Net income	99	338	Additions to intangible assets and property, plant and equipment	-92	-61
Net income from discontinued operations	-6	-22	Acquisitions, net of cash acquired	-52	-
Adjustments to reconcile net income (loss) to cash provided			Purchases of investments	-8	0
Amortization, depreciation, and impairments	53	50	Proceeds and payments from sales of investments, intangible assets, and property, plant and equipment	27	359
Income taxes	39	102	Proceeds and payments from the sale of business activities	-	0
Interest (income) expense, net	2	3	<b>Net cash provided by (used in) investing activities from continuing operations</b>	<b>-124</b>	<b>298</b>
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant and equipment, net	-19	1	Net cash provided by (used in) investing activities from discontinued operations	-6	34
(Gains) losses on sales of investments, net	0	-306	<b>Net cash provided by (used in) investing activities - OSRAM Licht Group (total)</b>	<b>-130</b>	<b>332</b>
(Income) loss from investments	0	-	<b>Cash flows from financing activities</b>		
Other non-cash (income) expenses	0	1	Purchase of treasury stock	-91	-
Change in current assets and liabilities			Proceeds from issuance of long-term debt	150	-
(Increase) decrease in inventories	-12	-29	Repayment of long-term debt	-2	-
(Increase) decrease in trade receivables	21	5	Change in debt and other financing activities	13	-1
(Increase) decrease in other current assets	11	-27	Interest paid	-4	0
Increase (decrease) in trade payables	16	27	<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>66</b>	<b>-2</b>
Increase (decrease) in current provisions	-15	19	Net cash provided by (used in) financing activities from discontinued operations	-13	-2
Increase (decrease) in other current liabilities	-7	11	<b>Net cash provided by (used in) financing activities - OSRAM Licht Group (total)</b>	<b>53</b>	<b>-4</b>
Change in other assets and liabilities	2	-5	Effect of exchange rates on cash and cash equivalents	9	3
Special contributions to pension plans and settlement of a pension plan	-2	-91	Net increase (decrease) in cash and cash equivalents	35	361
Income taxes paid	-9	-7	Cash and cash equivalents at beginning of period	559	727
Dividends received	-	0	Cash and cash equivalents at the end of period	593	1,088
Interest received	1	0	Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	115	53
<b>Net cash provided by (used in) operating activities from continuing operations</b>	<b>174</b>	<b>70</b>	<b>Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)</b>	<b>478</b>	<b>1,035</b>
Net cash provided by (used in) operating activities from discontinued operations	-71	-41			
<b>Net cash provided by (used in) - OSRAM Licht Group (total)</b>	<b>103</b>	<b>30</b>			