

# OSRAM delivers solid Q3, continues to execute growth strategy

**Q3 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, EBITDA margin, capital expenditure, capital expenditure as percentage of revenue, net financial debt, and net working capital. We have provided these measures and other information in this presentation because we believe they provide investors with additional information to assess our performance. Our use of these supplemental financial measures may vary from others in our industry and should not be considered in isolation or as an alternative to our results as reported under IFRS.

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

# Business driven by high-tech products – investment in innovation leadership and future growth

## Statement from the CEO



### Third quarter highlights

- Revenue of **€1,056m**; comp. growth at **3.2%**, excluding pre-buying effects at estimated **8.5%**
- Solid adjusted EBITDA margin of **16.4%**
- Positive free cash flow despite increased capital expenditures

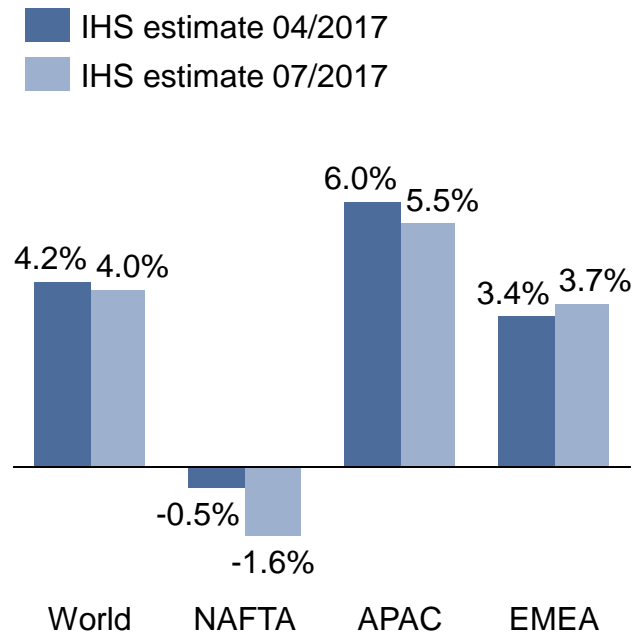
“OSRAM continued its positive business development in the third quarter, delivering very good growth and solid profitability. The biggest growth drivers remain to be our innovative, high-tech products – especially at Opto Semiconductors. In light of the ongoing strong results we confirm our outlook for FY17.

With the investment in LeddarTech, we further strengthen our position in the future market of automotive LIDAR and autonomous driving.”

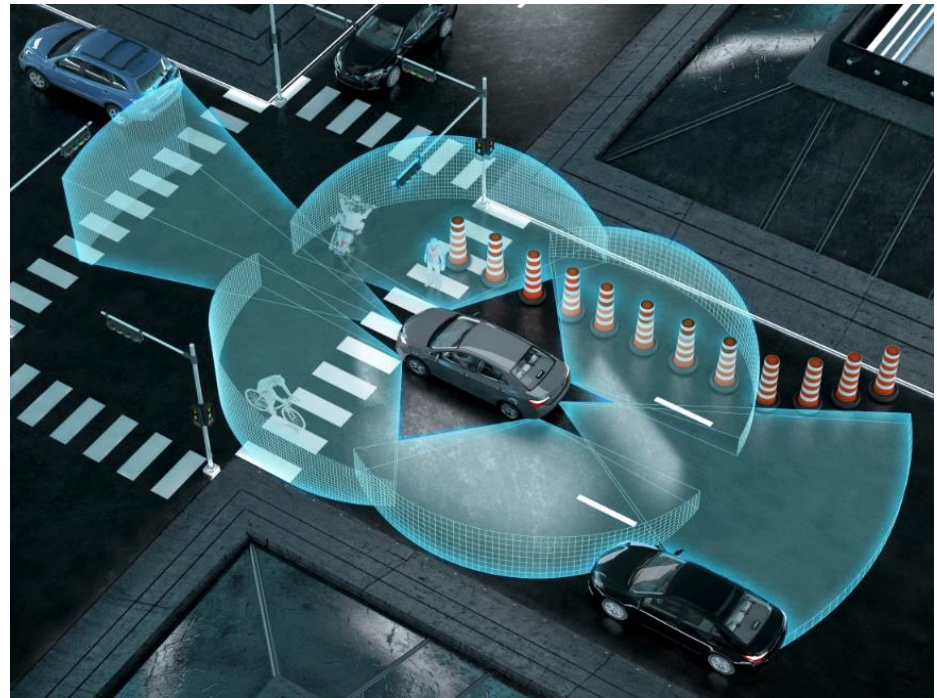
# Automotive growth with softer momentum – future growth largely determined by increasing content

## Light vehicle production

(Source: IHS for OSRAM FY17)



## LIDAR market growth potential of approx. CAGR 35% until 2026<sup>1)</sup>



1) Source: Global market for automotive LIDAR modules, estimate based on Goldman Sachs, Wall Street Research, IHS, OSRAM, industry interviews

# Investment in LeddarTech strengthens our position in automotive LIDAR and autonomous driving

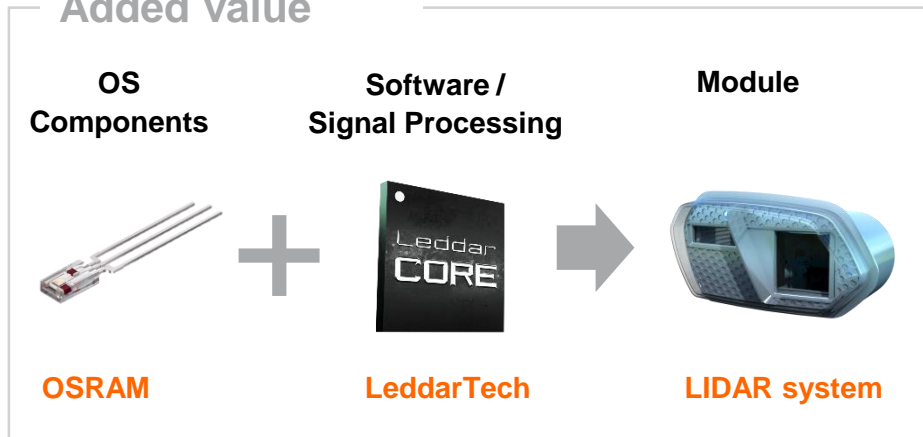
**LeddarTech®**

LeddarTech is a developer of proprietary solid-state LIDAR technology integrated into semiconductors and sensor modules used in autonomous driving systems

## Strategic rationale

- ✓ Automotive LIDAR market very attractive
- ✓ Strong patent portfolio for sensitive and cost-effective LIDAR modules
- ✓ Technology USP (algorithms), enabler for component optimization and module business

## Added value



## Key facts/figures

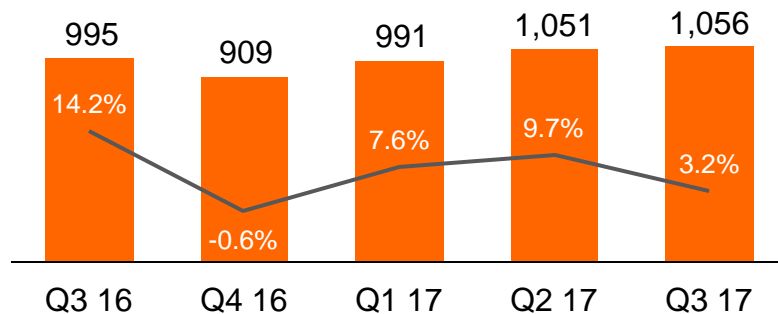
<i>Headquarter:</i>	Quebec, Canada
<i>Founded:</i>	2007
<i>OSRAM stake:</i>	25.1%
<i>Purchase price:</i>	Mid-double digit €m

Signing achieved in July 2017, therefore a Q4 event.

# Growth continues well for OS; other segments growth percentage distorted by prior year carve-out effects

## Revenue (€m)

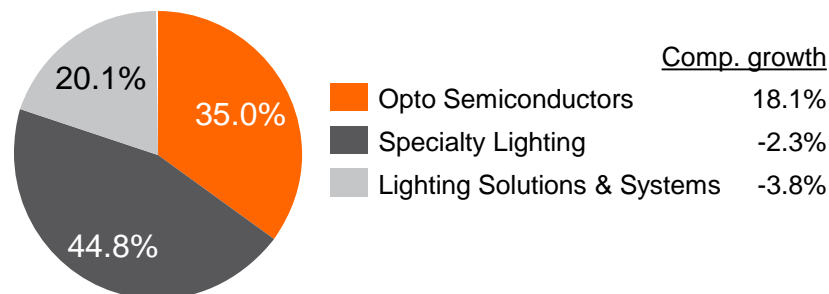
### Quarterly development / comp. growth<sup>1)</sup>



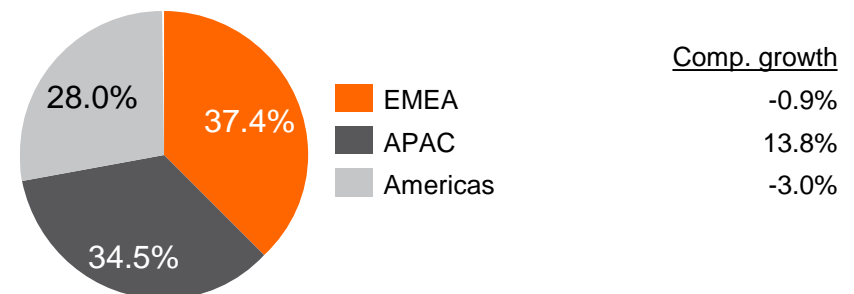
### Comments Q3 FY17

- Carve-out related pre-buying effects of an estimated €47m in prior year period; when excluding these growth would have been approximately 8.5%
- Nominal growth at 6.2%, currency effects of +80bps and portfolio effects of +220bps
- OS and APAC continue to be main growth drivers
- LED share at 67% vs. 61% in Q3 FY16

### Segment split Q3 FY17<sup>2)</sup>



### Regional split Q3 FY17



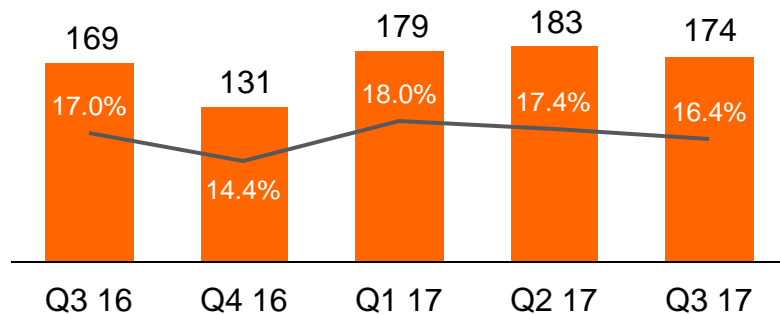
<sup>1)</sup> Comparable growth year-over-year, adjusted for currency and portfolio effects.

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

# Profitability remains strong, in line with historical seasonality

## Adjusted EBITDA (€m)

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



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

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
<b>Total special items</b>	-15	-6	9	-14	-27
<b>Reported EBITDA</b>	154	125	188	169	147
<b>Adjusted EBITA</b>	125	81	132	135	125
<b>Adjusted EBITA margin</b>	12.5%	8.9%	13.4%	12.8%	11.8%

### Comments Q3 FY17

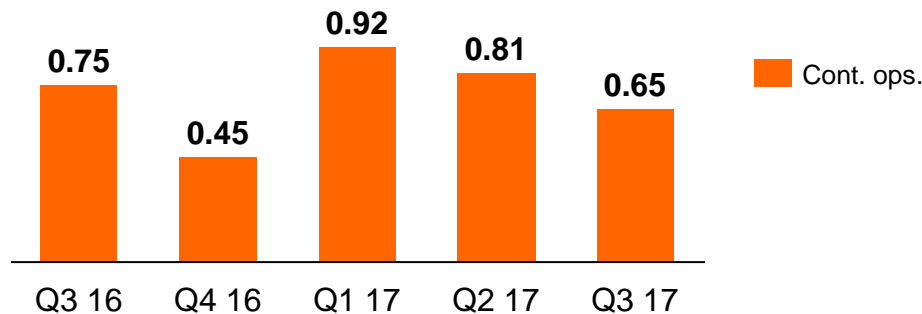
- Adjusted EBITDA margin at 16.4% – about the same level as PYQ when adjusting for carve out related pre-buying effects
- Continued investments into R&D, capacity expansion and salesforce to ensure future growth
- Productivity savings of €60m
- Adjusted EBITDA in corporate items of €-21m as expected
- Special items of €-27m mainly driven by transformation and integration costs; largely related to LSS
- Full year special items expected to come in at approx. €75m-€85m

<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.

# Earnings per share on track to reach full year guidance of €2.70-2.90

## Earnings per share, diluted (€)

### Quarterly development



### Comments Q3 FY17

- Solid operational profitability drives €64m of net income (cont. ops.)
- Year-over-year difference in net income mainly due to higher special items and a higher corporate tax rate
- Tax rate at approx. 30%, in line with expectations
- Share buyback concluded on July 10, in line with schedule; overall 8.1% of issued shares were repurchased

### Net income / Shares outstanding

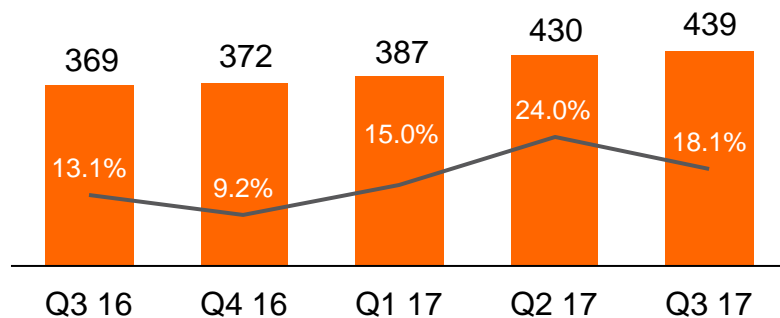
	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Net Income cont. ops. (€m)	78	44	92	79	64
Net Income discont. ops. (€m)	-50	-92	6	-56	-5
<b>Total Net Income (€m)</b>	<b>28</b>	<b>-48</b>	<b>99</b>	<b>23</b>	<b>59</b>
Shares outstanding, diluted (million)	103.0	100.8	99.2	97.6	97.0



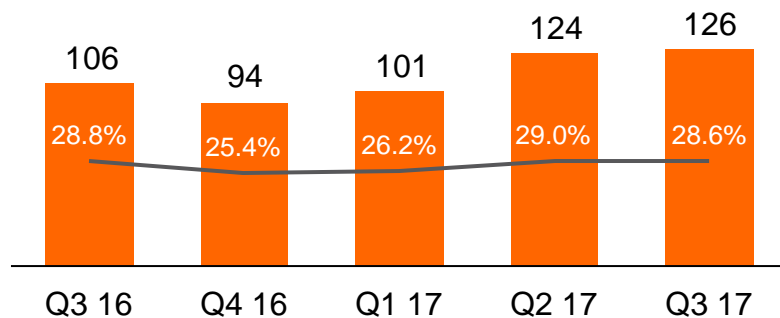
# OS: Sales growth continues to be strong, driven by automotive and infrared

## Opto Semiconductors (OS) (€m)

### Revenue development / comp. growth



### EBITDA development / margin



### Comments Q3 FY17

- Growth benefits from rising demand in infrared (e.g. iris scan) and automotive lighting
- EBITDA margin on high level supported by strong sales
- Positive free cash flow despite capex step-up for Kulim and ongoing investments into growth opportunities
- Expansion of back-end capacity in Wuxi (China) starting in August
- Higher investments expected in Q4

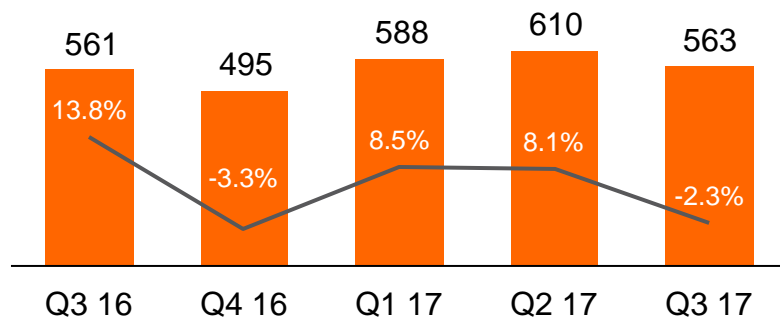
### EBITA / Free cash flow

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
EBITA	80	67	73	94	95
EBITA margin	21.8%	17.9%	19.0%	21.9%	21.7%
Free cash flow	50	28	22	41	2

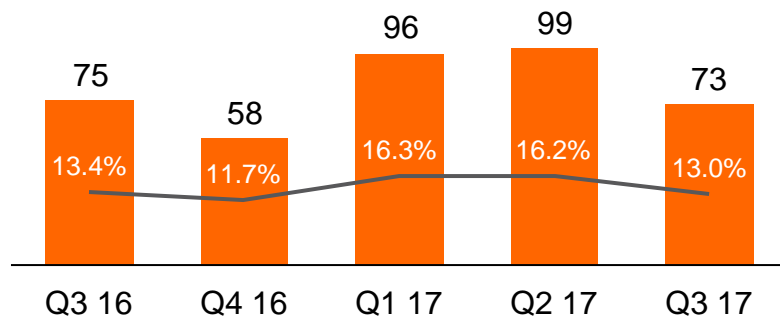
# SP: Solid operational growth, profitability remains strong

## Specialty Lighting (SP) (€m)

### Revenue development / comp. growth



### Adj. EBITDA development / adj. margin



### Comments Q3 FY17

- SP grew by an estimated 4% excluding carve-out related pre-buying effects in PYQ
- Continued strong development in automotive LED products and LED modules
- LED share increases to above 50%
- Profitability remains robust and is trending in line with typical historical seasonal patterns

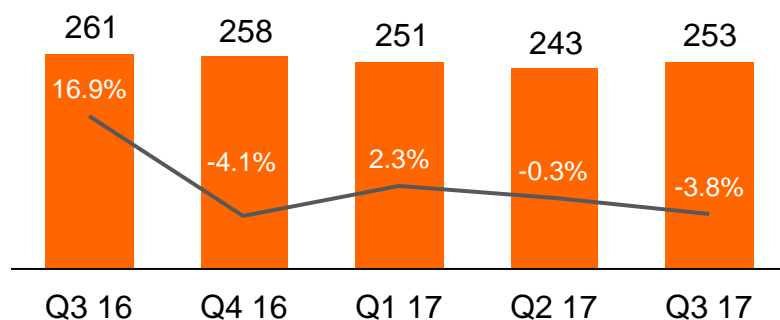
### Special items / EBITA / Free cash flow

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Total special items	-4	-3	-3	-5	-7
<b>Reported EBITDA</b>	<b>71</b>	<b>55</b>	<b>93</b>	<b>94</b>	<b>66</b>
Adjusted EBITA	63	42	83	86	61
<b>Adjusted EBITA margin</b>	<b>11.3%</b>	<b>8.4%</b>	<b>14.2%</b>	<b>14.2%</b>	<b>10.8%</b>
<b>Free cash flow</b>	<b>62</b>	<b>73</b>	<b>99</b>	<b>35</b>	<b>88</b>

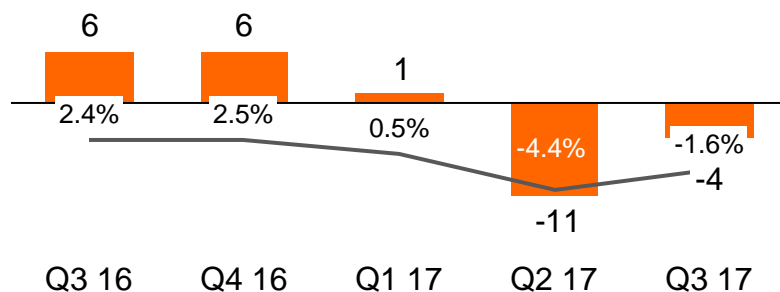
# LSS: US market conditions still challenging; structural measures started in Germany

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

### Revenue development / comp. growth



### Adj. EBITDA development / adj. margin



### Comments Q3 FY17

- LSS grew by an estimated 1% excluding the pre-buying effects in PYQ; segment returns to sequential growth
- Negative EBITDA margin driven by lower volume and unfavorable mix; softness in US market continues
- Positive developments in EMEA outdoor business as well as the APAC region
- Key terms agreed in Traunreut, reduction of approx. 30% of workforce at main plant in Germany

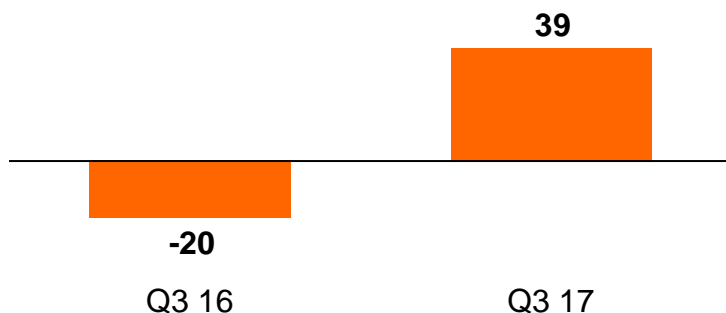
### Special items / EBITA / Free cash flow

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Total special items	-4	-3	-2	-4	-15
Reported EBITDA	3	4	-1	-15	-19
Adjusted EBITA	0	0	-4	-16	-10
Adjusted EBITA margin	0.2%	0.0%	-1.8%	-6.7%	-3.8%
Free cash flow	-17	41	-18	-38	-25

# Positive free cash flow despite step-up in investments

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

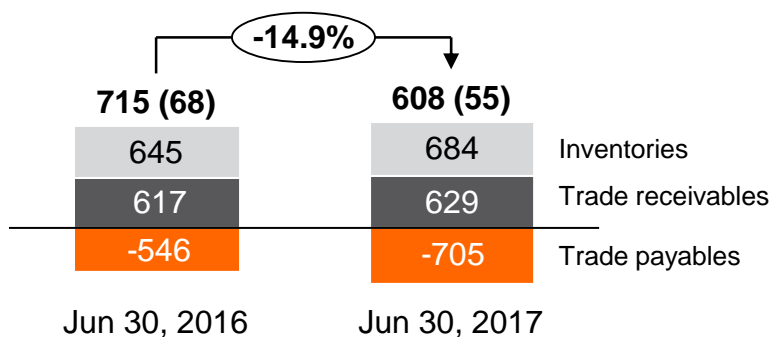
### Free cash flow



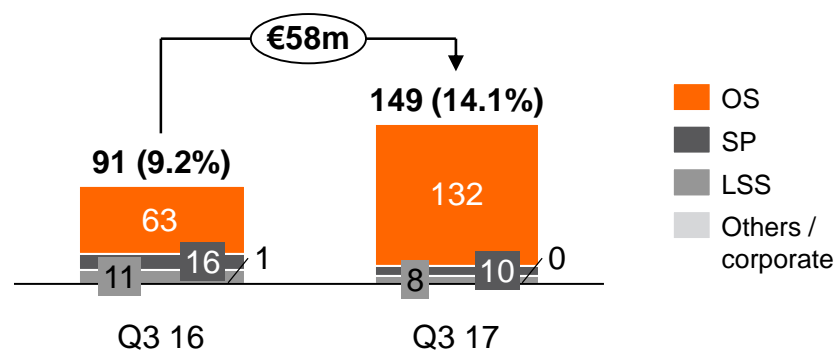
### Comments Q3 FY17

- Increase in capex driven by capacity expansion at OS
- Positive free cash flow in spite of high investments; full year projection continues to be around break-even
- Net working capital days outstanding improving year-over-year

### Net working capital (days outstanding<sup>1)</sup>)



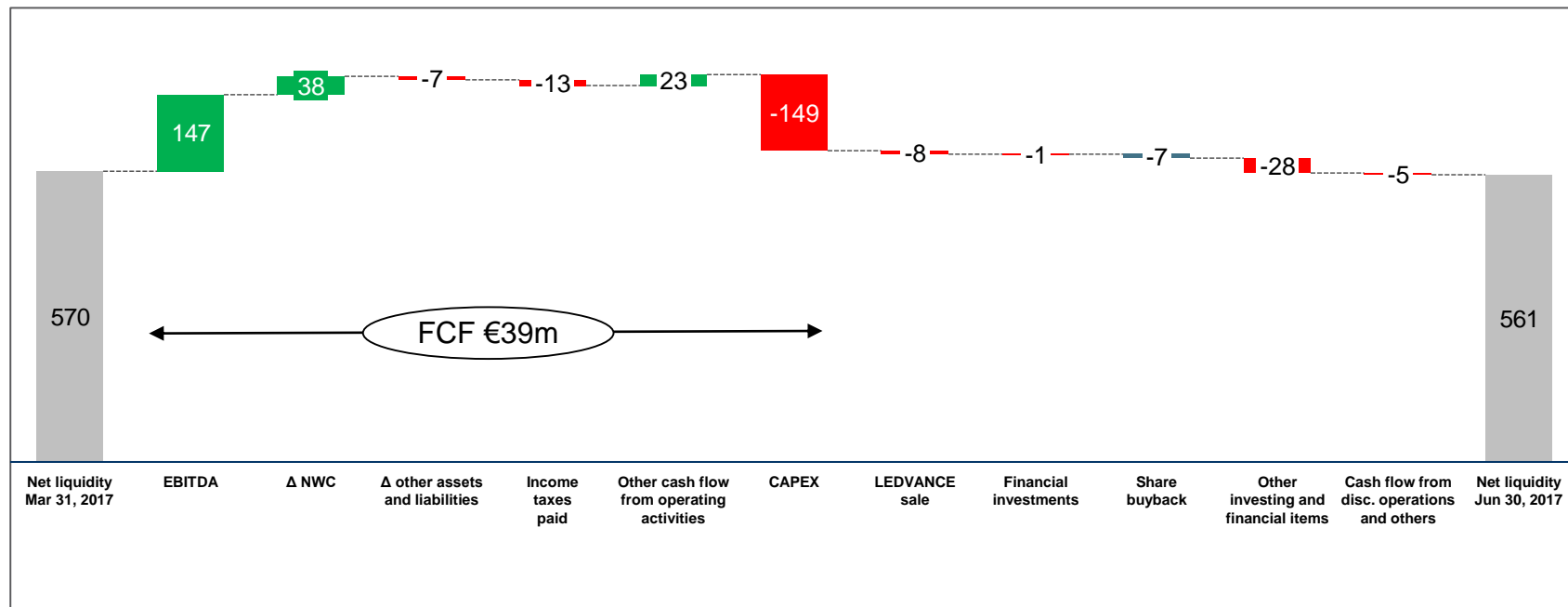
### Capital expenditure (percent of revenue)



<sup>1)</sup> Defined as operating net working capital divided by revenue (last twelve months) times 365 days.

# Stable net liquidity

## Net liquidity bridge (€m)



- Operating performance overcompensates strong build-up in investments
- Minor effect from share buyback which concluded on July 10
- Strong balance sheet provides foundation for the ongoing execution of our growth strategy

# Outlook confirmed

Objective	Metric	Outlook FY17
Growth	Comparable revenue growth	We target comparable revenue growth of 7-9%
Profitability	Adjusted EBITDA in % of revenue	We expect an adjusted EBITDA margin between 16.5% and 17.5%
Earnings growth	Earnings per share, diluted (€)	We aim for earnings per share between €2.70 and €2.90
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 sold in March 2017 and presented as discontinued operations starting Q4 FY16.

# Financial calendar and IR contact information

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## Upcoming events

- **July 31- August 03, 2017**  
Roadshow, West Coast, USA
- **August 07-08, 2017**  
Jefferies 2017 Industrials Conference, New York, USA
- **August 09, 2017**  
Canaccord Growth Conference 2017, Boston, USA
- **August 30, 2017**  
Commerzbank Sector Conference 2017, Frankfurt, Germany

## Investor Relations contact

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# Appendix



# Key financial metrics (unaudited)

Group (€m)	Q3 FY16	Q3 FY17	Change (y-o-y)	
			nom.	
<b>Revenue</b>	<b>995</b>	<b>1,056</b>	nom.	6.2%
			comp.	3.2%
Gross margin	34.9%	32.9%		-200 bps
R&D	-82	-92		11.8%
SG&A	-159	-168		5.9%
EBITA	110	97		-11.7%
EBITA margin	11.1%	9.2%		-190 bps
Adj. EBITA	125	125		0.2%
Adj. EBITA margin	12.5%	11.8%		-70 bps
<b>EBITDA</b>	<b>154</b>	<b>147</b>		-5.0%
EBITDA margin	15.5%	13.9%		-160 bps
Adj. EBITDA	169	174		2.9%
<b>Adj. EBITDA margin</b>	<b>17.0%</b>	<b>16.4%</b>		-50 bps
Financial result (incl. at-equity result)	-5	-2		-65.5%
Income before income taxes	<b>100</b>	<b>90</b>		-10.3%
Taxes	-22	-26		16.7%
Net income	78	64		-17.9%
<b>Diluted EPS in €</b>	<b>0.75</b>	<b>0.65</b>		-13.3%
<b>Free cash flow</b>	<b>-20</b>	<b>39</b>		-
CAPEX	-91	-149		63.9%
Net liquidity	-	561		-
Adj. net liquidity / EBITDA <sup>1)</sup>	-	0.7		-
Equity ratio	54.3%	58.8%		450 bps
Employees (in thousands)	24.9	25.7		3.2%

Please note: All numbers represent continuing operations, i.e. excluding Ledvance business sold in March 2017 and presented as discontinued operations starting Q4 FY16.

<sup>1)</sup> EBITDA for the 3 months ended June 30 was annualized for calculation purposes.

## Segment overview (unaudited)

Q3 FY17 (€m)	OS <sup>2)</sup>	SP <sup>2)</sup>	LSS	CIE	OSRAM Licht Group
Revenue	439	563	253	-198	1,056
Change % vs. PY reported	19.1%	0.2%	-3.4%		6.2%
<b>Change % vs. PY comparable</b>	<b>18.1%</b>	<b>-2.3%</b>	<b>-3.8%</b>		<b>3.2%</b>
EBITA	95	53	-25	-26	97
EBITA margin	21.7%	9.5%	-9.9%		9.2%
EBITA before special items	95	61	-10	-22	125
EBITA margin before special items	21.7%	10.8%	-3.8%		11.8%
<b>EBITDA</b>	<b>126</b>	<b>66</b>	<b>-19</b>	<b>-26</b>	<b>147</b>
EBITDA margin	<b>28.6%</b>	<b>11.7%</b>	<b>-7.6%</b>		<b>13.9%</b>
Special items EBITDA	0	-7	-15	-4	-27
therein transformations costs	0	-3	-15	-4	-23
<b>EBITDA before special items</b>	<b>126</b>	<b>73</b>	<b>-4</b>	<b>-21</b>	<b>174</b>
<b>EBITDA margin before special items</b>	<b>28.6%</b>	<b>13.0%</b>	<b>-1.6%</b>		<b>16.4%</b>
Assets <sup>1)</sup>	780	642	371	2,384	4,178
<b>Free cash flow</b>	<b>2</b>	<b>88</b>	<b>-25</b>	<b>-26</b>	<b>39</b>
Additions to intangible assets and property, plant and equipment	132	10	8	0	149
Amortization	1	3	2	1	6
Depreciation	31	13	6	0	49

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

<sup>2)</sup> Beginning with fiscal year 2017, certain external revenue in the automotive sector, yet reported in the OS segment, are reported at SP. Instead, OS now reports intersegment revenue (eliminated within the corporate consolidation). Prior-year figures were adjusted accordingly.

# Consolidated statement of income (unaudited)

in (€m)	Three months ended June 30 <b>2017</b>	Three months ended June 30 <b>2016</b>
<b>Revenue</b>	<b>1,056</b>	<b>995</b>
Cost of goods sold and services rendered	-709	-647
Gross profit	348	348
Research and development expenses	-92	-82
Marketing, selling and general administrative expenses	-168	-159
Other operating income	6	3
Other operating expense	-3	-5
Income (loss) from investments accounted for using the equity method, net	0	0
Interest income	2	0
Interest expense	-3	-5
Other financial income (expense), net	0	0
<b>Income before income taxes OSRAM (continuing operations)</b>	<b>90</b>	<b>100</b>
Income taxes	-26	-22
Net income from continuing operations	64	78
Result after tax from discontinued operations	-5	-50
<b>Net income</b>	<b>59</b>	<b>28</b>
Attributable to:		
Non-controlling interests	1	1
Shareholders of OSRAM Licht AG	59	27
Basic earnings per share (in €)	0.61	0.26
Diluted earning per share (in €)	0.60	0.26
Basic earnings per share (in €) OSRAM (continuing operations)	0.65	0.75
<b>Diluted earning per share (in €) OSRAM (continuing operations)</b>	<b>0.65</b>	<b>0.75</b>

# Consolidated statement of financial position (unaudited)

in (€m)	As of June 30 2017	As of September 30 2016	in (€m)	As of June 30 2017	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	771	457	Short-term debt and current maturities of long-term debt	26	20
Available-for-sale financial assets	2	1	Trade payables	705	601
Trade receivables	629	580	Other current financial liabilities	33	50
Other current financial assets	48	53	Current provisions	81	98
Inventories	684	655	Income tax payables	113	89
Income tax receivables	16	52	Other current liabilities	280	305
Other current assets	110	192	Liabilities associated with assets classified as held for sale	1	785
Noncurrent assets held for sale	3	1,136	<b>Total current liabilities</b>	<b>1,239</b>	<b>1,948</b>
<b>Total current assets</b>	<b>2,263</b>	<b>3,124</b>	Long-term debt	186	42
Goodwill	118	77	Pension plans and similar commitments	139	206
Other intangible assets	139	113	Deferred tax liabilities	15	2
Property, plant and equipment	1,258	1,060	Provisions	32	18
Investments accounted for using the equity method	8	-	Other financial liabilities	10	2
Other financial assets	14	4	Other liabilities	99	97
Deferred tax assets	310	384	<b>Total liabilities</b>	<b>1,721</b>	<b>2,315</b>
Other assets	68	38	<b>Equity</b>		
<b>Total assets</b>	<b>4,178</b>	<b>4,801</b>	Common stock, no par value	105	105
			Additional paid-in capital	2,037	2,035
			Retained earnings	656	512
			Other components of equity	43	60
			Treasury shares, at cost	-395	-237
			<b>Total equity attributable to shareholders of OSRAM Licht AG</b>	<b>2,445</b>	<b>2,473</b>
			Non-controlling interests	11	13
			<b>Total equity</b>	<b>2,456</b>	<b>2,486</b>
			<b>Total liabilities and equity</b>	<b>4,178</b>	<b>4,801</b>

# Consolidated statement of cash flows (unaudited)

in (€m)	Three months ended June 30 2017	Three months ended June 30 2016	in (€m)	Three months ended June 30 2017	Three months ended June 30 2016
<b>Cash flows from operating activities</b>			<b>Cash flows from investing activities</b>		
Net income	59	28	Additions to intangible assets and property, plant and equipment	-149	-91
Result after tax from discontinued operations	5	50	Acquisitions, net of cash acquired	0	-
Adjustments to reconcile net income (loss) to cash provided			Purchases of investments	-1	0
Amortization, depreciation, and impairments	56	50	Proceeds and payments from sales of investments, intangible assets, and property, plant and equipment	0	-29
Income taxes	26	22	Proceeds and payments from the sale of business activities	-8	0
Interest (income) expense, net	2	5	<b>Net cash provided by (used in) investing activities from continuing operations</b>	<b>-159</b>	<b>-121</b>
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant and equipment, net	0	0	Net cash provided by (used in) investing activities from discontinued operations	-	-7
(Gains) losses on sales of investments, net	0	0	<b>Net cash provided by (used in) investing activities - OSRAM Licht Group (total)</b>	<b>-159</b>	<b>-128</b>
(Income) loss from investments	0	0	<b>Cash flows from financing activities</b>		
Other non-cash (income) expenses	21	-2	Purchase of treasury stock	-7	-85
Change in current assets and liabilities			Repayment of long-term debt	-2	-
(Increase) decrease in inventories	-5	8	Change in debt and other financing activities	0	1
(Increase) decrease in trade receivables	-27	-40	Interest paid	-2	-1
(Increase) decrease in other current assets	9	-8	<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>-10</b>	<b>-85</b>
Increase (decrease) in trade payables	61	6	Net cash provided by (used in) financing activities from discontinued operations	-	-5
Increase (decrease) in current provisions	-8	13	<b>Net cash provided by (used in) financing activities - OSRAM Licht Group (total)</b>	<b>-10</b>	<b>-90</b>
Increase (decrease) in other current liabilities	7	21	Effect of exchange rates on cash and cash equivalents	-26	5
Change in other assets and liabilities	-7	3	Net increase (decrease) in cash and cash equivalents	-10	-232
Special contribution to pension plans and settlement of a pension plan	-	-78	Cash and cash equivalents at beginning of period	781	904
Income taxes paid	-13	-7	Cash and cash equivalents at the end of period	771	672
Dividends received	-	0	Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	-	71
Interest received	2	0	<b>Cash and cash equivalents at end of period (Consolidated Statement of Financial Position)</b>	<b>771</b>	<b>601</b>
<b>Net cash provided by (used in) operating activities from continuing operations</b>	<b>188</b>	<b>71</b>			
Net cash provided by (used in) operating activities from discontinued operations	-2	-91			
<b>Net cash provided by (used in) - OSRAM Licht Group (total)</b>	<b>186</b>	<b>-20</b>			