

# Performance Programs gain speed - market environment remains challenging

Q3 FY19 Earnings Release (unaudited figures)

# Disclaimer

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This presentation includes references to non-IFRS financial measures, including, but not limited to: FCF, EBITDA, EBITDA margin, capital expenditure, capital expenditure as percentage of revenue, net financial debt and net working capital. We have provided these measures and other information in this presentation because we believe they provide investors with additional useful 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.

# Performance programs gain speed

## Statement from the CEO



### Third quarter summary

- Revenue of **€850m**
- Adjusted EBITDA margin of **6.8%**
- Performance measures taking effect

Overall, our third quarter developed in line with expectations.

We are still facing challenging environment in our core markets and as of today, we see no signs of recovery. Global economic indicators continue to slow down. The automotive sector in particular remains on a sharp decline.

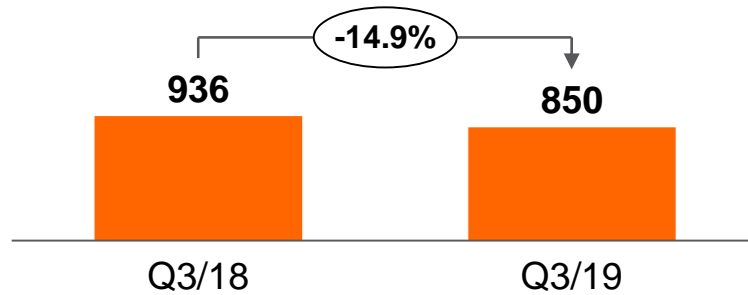
At the same time, the counter measures, that we put in place earlier in the year, are starting to take effect. Our performance programs gain speed and show first results – especially in our Opto segment.

This gives us some confidence for the rest of the year – despite the fact that we are not seeing any significant short-term recovery of the markets.

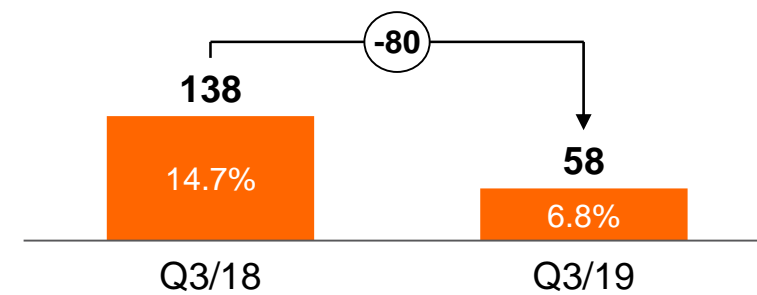
We therefore confirm our full year targets for fiscal year 2019 adjusted in March.

# Initiated performance measures show results - Q3 FY19 remains impacted by continuously challenging market and economy conditions

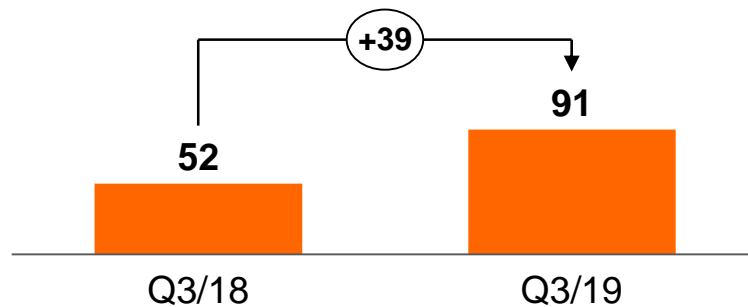
## Revenue (€m) / comparable growth



## Adj. EBITDA (€m) / margin



## Free cash flow (€m)



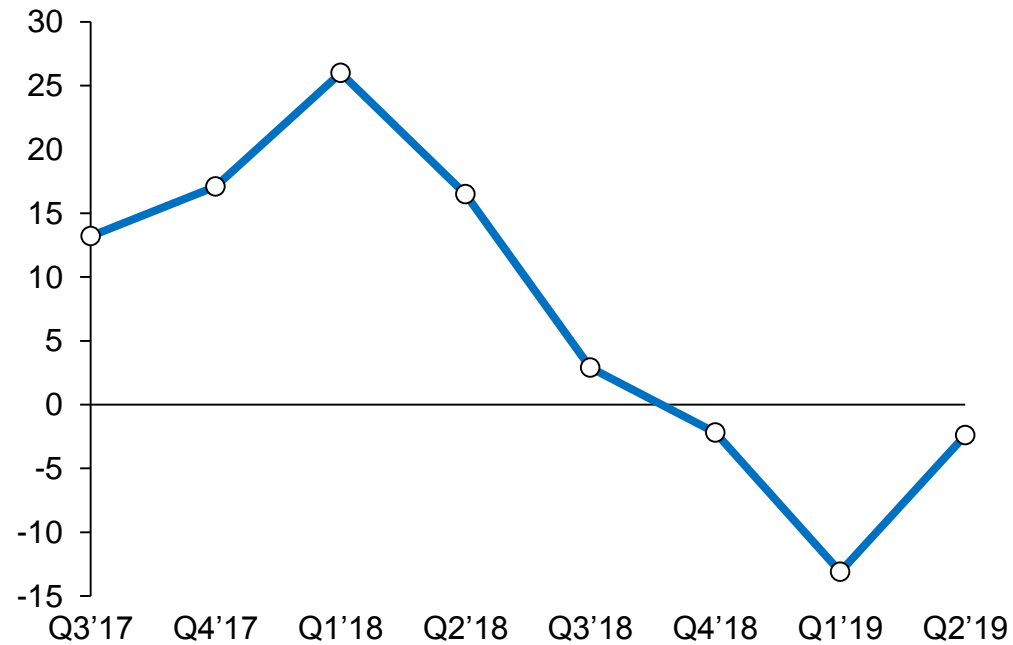
## Comments

- Continuously weak market environment in China
- No solution in sight for global trade conflicts
- Initiated Performance measures take effect

# Indicators of the current economic environment continue to slow down - industry climate shows signs of relief

## IFO World economic climate

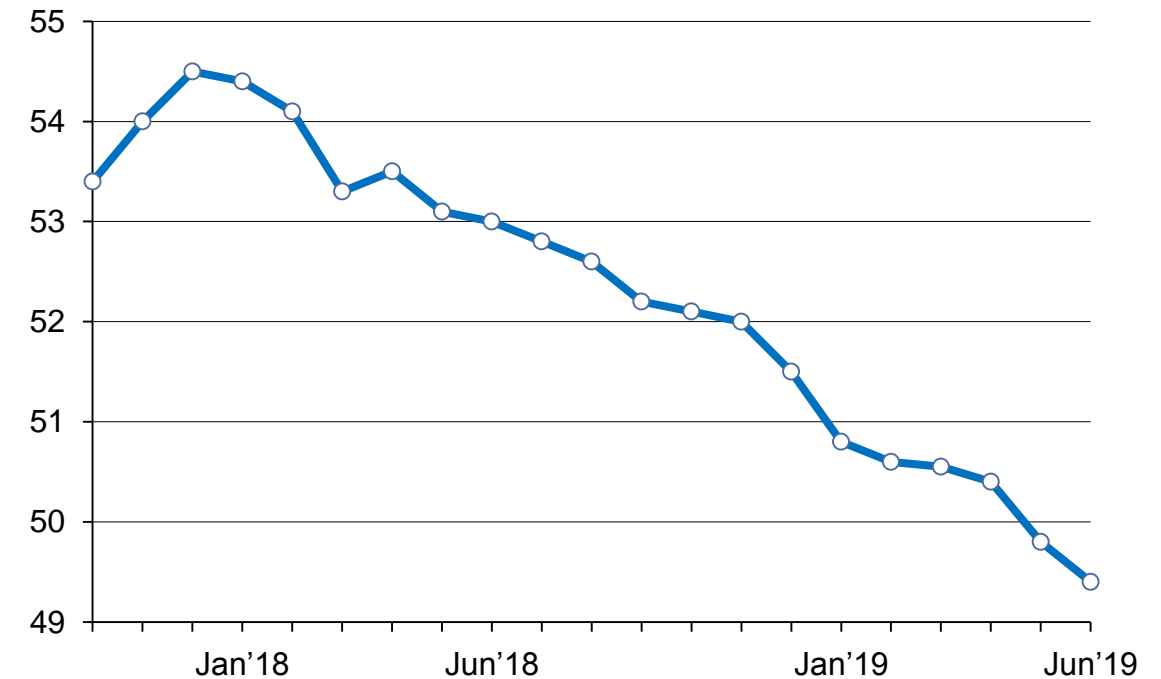
Ifo economic climate index, Calendar year based



Source: ifo World Economic Survey, May 2019

## Global Manufacturing PMI

JP Morgan Purchasing Manager Index, Calendar year based



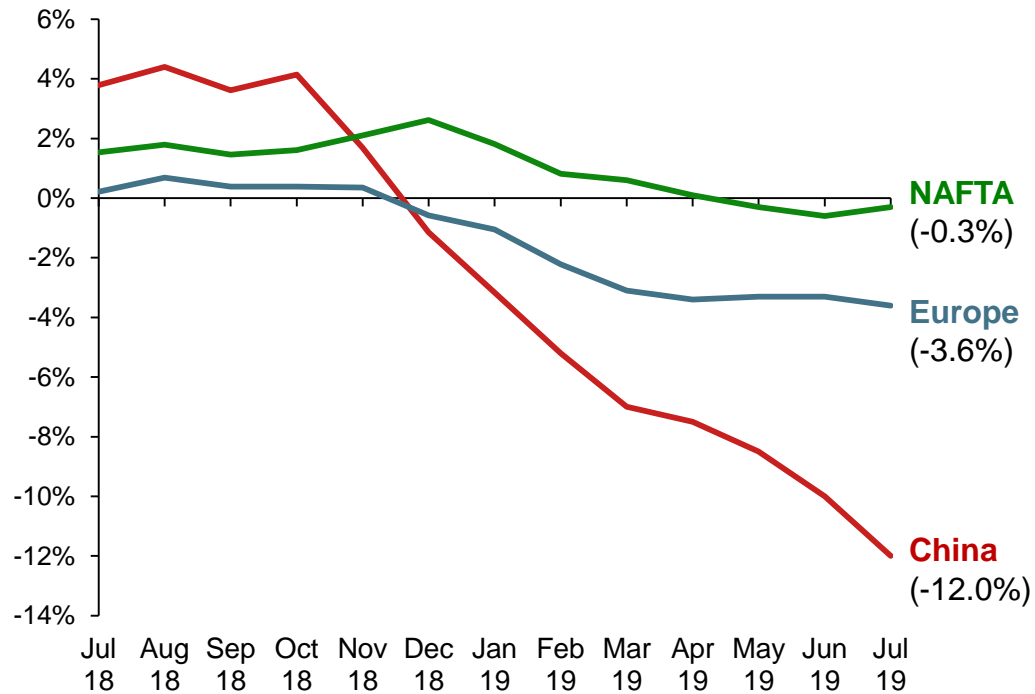
Source: J.P.Morgan and IHS Markit in association with ISM and IFPSM, July 2019

# Global automotive markets now declining in all regions

## – China is affected most severe

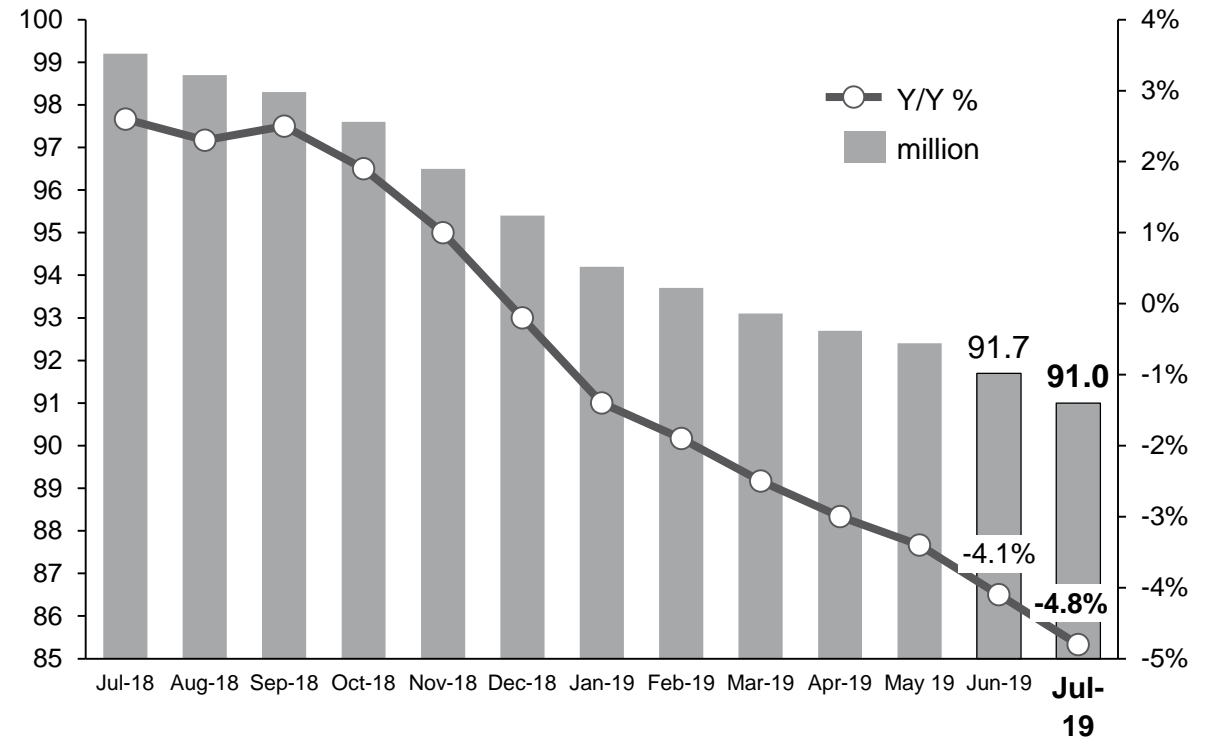
### IHS – Light vehicle production

(YoY comparison)












### IHS – Global light vehicle production

(forecast yearly production number worldwide, FY based)



Source: IHS monthly data, Juli 2019

# Key OSRAM customers (automotive Tier 1) continue to fall short of their agreed-on purchasing volumes on a YTD view

		2019		
		% growth LED automotive: Act 2018 vs contract 2019 (01.01.19-31.12.19)	Deviation between VPA <sup>1)</sup> to June vs. actual orders YTD (CY)	Change vs. March
	Customer 1	→ +22%	→ -40%	+1%
	Customer 2	→ +9%	→ -20%	-6%
	Customer 3	→ -13%	→ -7%	-10%
	Customer 4	→ -2%	→ -5%	-4%
	Customer 5	→ -6%	→ -45%	+1%
	Customer 6	→ +16%	→ +28%	-4%
	Customer 7	→ +0%	→ -32%	-4%
	Customer 8	→ +6%	→ -8%	-4%
	Customer 9	→ +15%	→ -24%	0%



• *General weakness in the automotive industry continues*

<sup>1)</sup> VPA: Volume Purchase Agreement





# Management Board and Supervisory Board recommend the voluntary takeover offer from Bain & Carlyle

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THE CARLYLE GROUP



**Attractive offer price**  
of 35 euros per share  
in cash

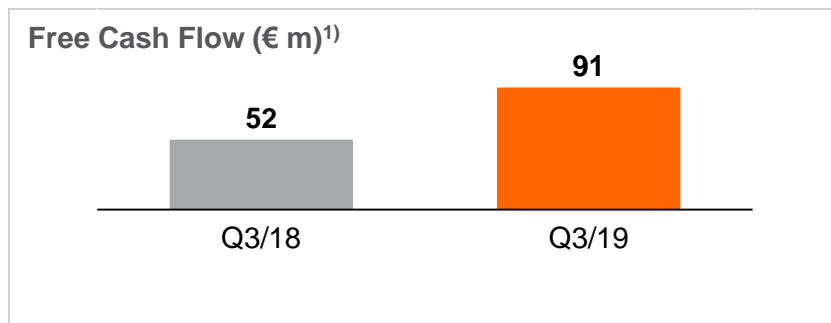
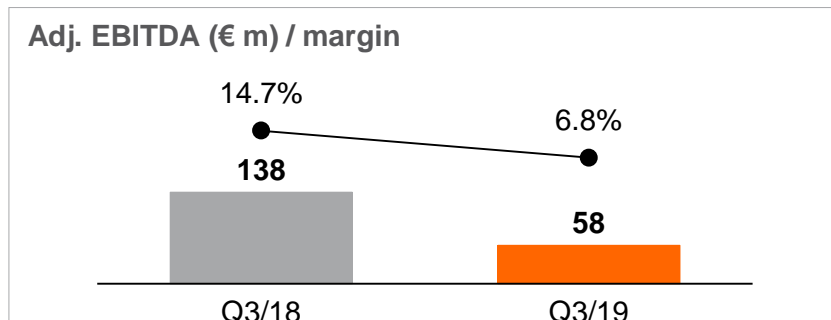
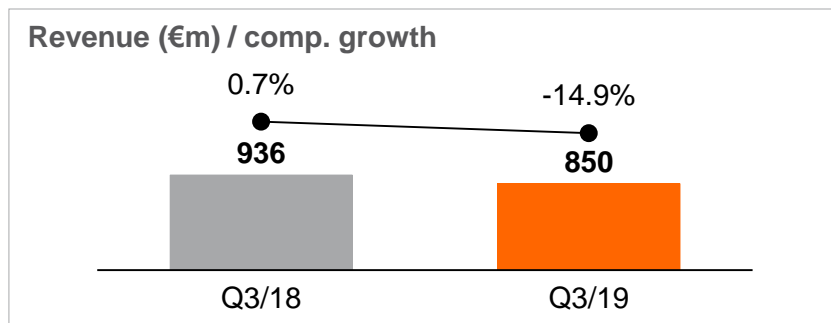


**Investor agreement**  
with comprehensive  
commitments to the  
workforce and locations



**Full strategy support**  
and investment in  
growth

# Summary Key Financial Performance Q3 FY19



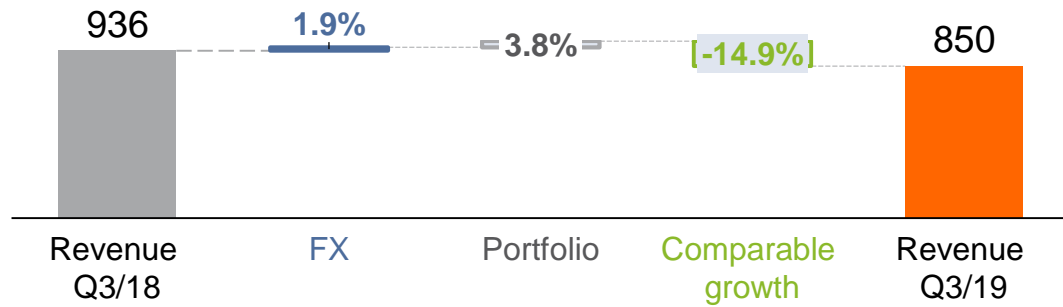
- Market weakness in Automotive and General Lighting continued to drive revenue decline in all segments
- Overall Osram business in China declined -24% y-o-y; yet improved sequentially by 12% (vs. Q2 FY19)
- Q3 FY19 adjusted EBITDA margin @ **6.8%**; sharp decline vs. PY mainly due to negative volume effects and lower fix cost absorption
- EBITDA **Special Items** in Q3 FY19 at €-16m; **CIE** Adj. EBITDA -18m
- Gross savings generation from **strategic performance programs** gaining traction: €32m in the quarter; expect to exceed full year savings targets
- Positive **Free Cash Flow** of €91m driven by improved Working Capital and lower CapEx spend
- **Net income:** €-35m from continuing operations; €-17m from discontinued operations

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

# Revenue declines in all segments y-o-y; Sequential stabilization in OS and DI; AM sequentially lower in line with seasonality

## Revenue (€m) / Comp. growth (%)

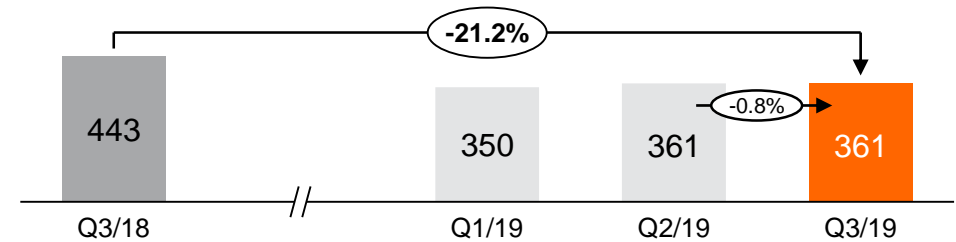
### OSRAM Group: Revenue bridge Q3 FY19 YoY



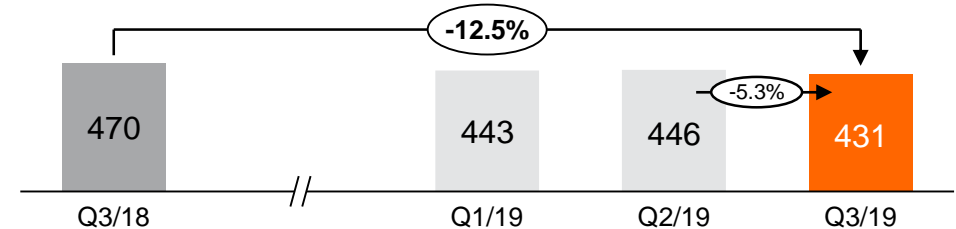
### APAC decline largely impacted by China (-24%)



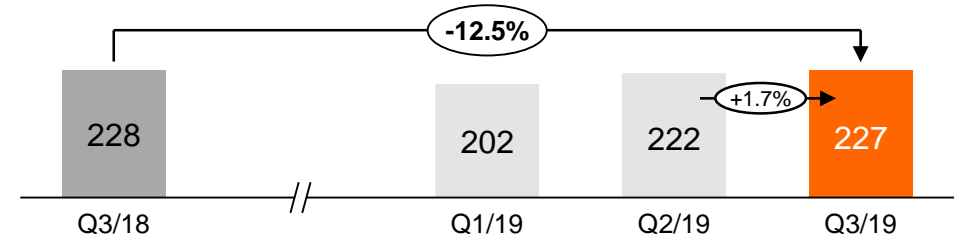
### OS Revenue Development



### AM Revenue Development



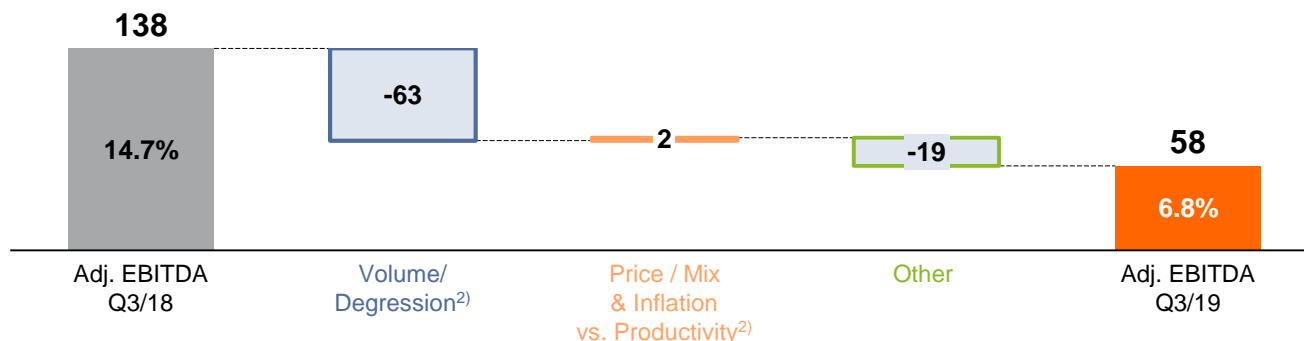
### DI Revenue Development



# Profitability impacted by lower volumes across all segments

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

### Adjusted EBITDA<sup>1)</sup> Q3 FY19 YoY



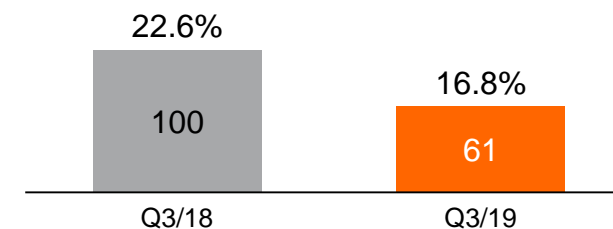
### Comments

- Lower volumes limiting fixed cost absorption of underutilized factories; Price erosion and inflation offset by savings of operational & performance programs
- Reduced volumes and low double-digit negative one-off charges (a. o. litigation) weighing on **OS** profitability; sequential improvement in profitability through saving measures
- **AM** profitability impacted lower volumes in traditional OEM light sources, factory underutilization and higher OPEX due to the consolidation of Osram Continental
- **DI** impacted by lower volumes and unfavorable mix

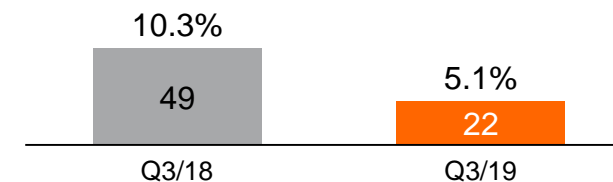
<sup>1)</sup> Adjustment for special items (S.I.) includes a.o. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities including the sale of subsidiaries, investments and other businesses.

<sup>2)</sup> Related to COGS.

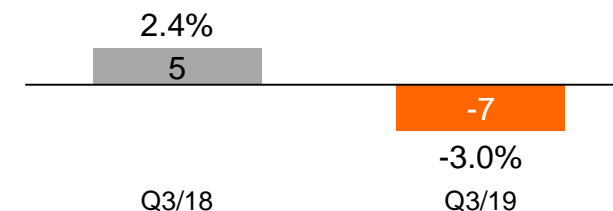
### OS adjusted EBITDA





### AM adjusted EBITDA



### DI adjusted EBITDA



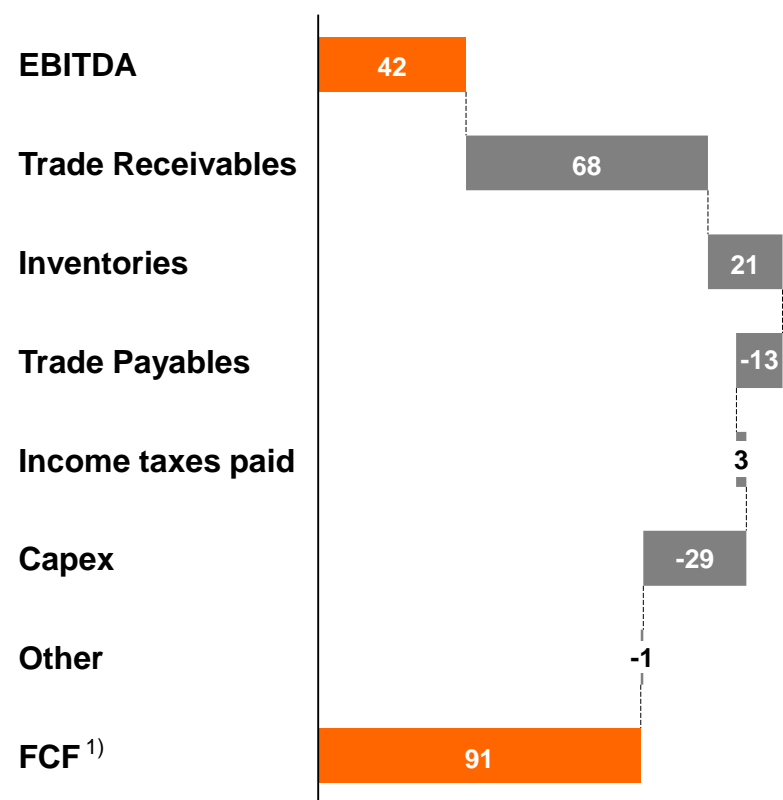
# Savings from Performance Programs gain further momentum in Q3 FY19

	Savings YTD FY19	Savings Target FY19	Comments
 <p>Overhead productivity global</p>	€ 36m	€ 45m - 50m	<ul style="list-style-type: none"> <li>Gross savings started to gain improved momentum in Q3 FY19: ~45% of total YTD savings generated in Q3 FY19</li> <li>Full year gross savings are expected to slightly exceed upper end of the targeted range</li> </ul>
 <p>Transformation of plants</p>	€ 32m	€ 40m - 45m	
<b>Total</b>	<b>€ 68m</b>	<b>€ 85 - 95m</b>	

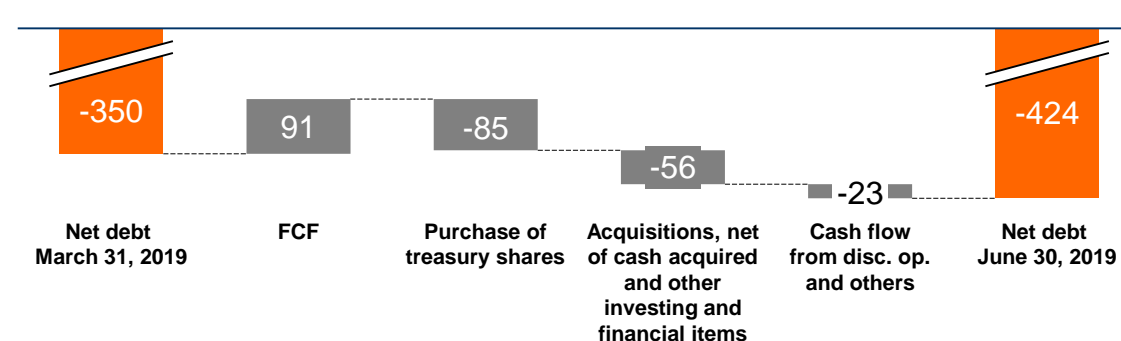
# Lower Net Working Capital and Capex driving positive Free Cash Flow

## Free Cash Flow / Net Debt (€m)

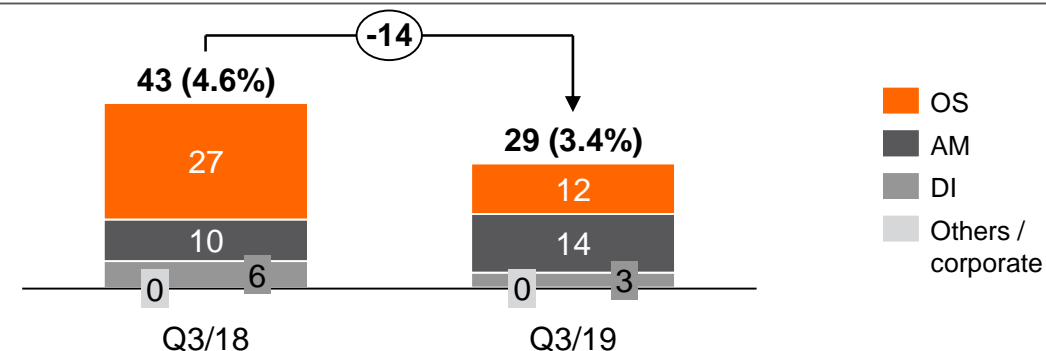
### Free Cash Flow<sup>1)</sup> bridge Q3 FY19



### Net debt bridge Q3 FY19



### Capital expenditure (percent of revenue) Q3 FY19 YoY



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

# Outlook for FY19 unchanged <sup>1)2)</sup>

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## Revenue

Decline of comparable revenue between 11% and 14%

## Adj. EBITDA margin

Adjusted EBITDA margin of 8% to 10%

## Free Cash Flow

Negative Free Cash Flow between €-50m and €-150m<sup>3)</sup>

<sup>1)</sup> based on an exchange rate EUR/USD of 1.15; based on cont. operations, excl. European luminaire business and Sylvania Lighting Solutions (USA). <sup>2)</sup> Outlook as communicated on March 28, 2019. <sup>3)</sup> Excl. proceeds from possible divestments.

# Financial calendar and IR contact information

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## Upcoming events

- **November 12, 2019**  
Earnings Release for the 4<sup>th</sup> quarter FY19 (preliminary, unaudited)
- **December 6, 2019**  
Annual Report 2019

## Investor Relations contact

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# Appendix

# Impact of Foreign Exchange on comparable growth and adjusted EBITDA margin

## Revenue growth Q3 FY19 YoY

	Nom. growth	FX	Portfolio	Comp. growth
Opto Semiconductors	-18.6%	2.1%	0.4%	-21.2%
Automotive	-8.3%	2.0%	2.2%	-12.5%
Digital	-0.5%	1.6%	10.5%	-12.5%

## Adjusted EBITDA margin Q3 FY19

	Adj. EBITDA margin	FX impact YoY
Opto Semiconductors	16.8%	0.2%
Automotive	5.1%	-0.4%
Digital	-3.0%	-1.2%

# Key financial metrics (continuing operations) (unaudited)

Group (€m)	Q3 FY19	Q3 FY18	Change (y-o-y)	
			nom.	comp.
<b>Revenue</b>	<b>850</b>	<b>936</b>	-9.2 %	-14.9 %
Gross margin	23.3%	31.2%	-780 bps	
R&D	-98	-99	-1.2 %	
SG&A	-142	-137	3.8 %	
EBITDA	42	123	-66.2 %	
EBITDA margin	4.9%	13.1%	-820 bps	
<b>Adj. EBITDA</b>	<b>58</b>	<b>138</b>	<b>-58,1 %</b>	
<b>Adj. EBITDA margin</b>	<b>6.8%</b>	<b>14.7%</b>	<b>-790 bps</b>	
Financial result, including at-equity result (continuing operations)	-9	-2	-	
Income (loss) before income taxes (continuing operations)	-43	59	-173.2 %	
Taxes	8	-17	146.4 %	
Net income (loss) (continuing operations)	-35	42	-183.9 %	
<b>Diluted EPS in € (continuing operations)</b>	<b>-0.27</b>	<b>0.43</b>	<b>-162.6 %</b>	
<b>Free cash flow (continuing operations)</b>	<b>91</b>	<b>52</b>	<b>76.0 %</b>	
CAPEX	29	43	-32.6 %	
Net debt	-424	88	-	
Equity ratio	50.6%	58.3%	-770 bps	
Employees (in thousands)	24.3	25.7	-2.0% %	

# Segment overview (continuing operations) (unaudited)

Q3 FY19 (€m)	OS	AM	DI	CIE	OSRAM Licht Group
<b>Revenue</b>	<b>361</b>	<b>431</b>	<b>227</b>	<b>-168</b>	<b>850</b>
Change % vs. PY reported	-18.6%	-8.3%	-0.5%		-9.2%
<b>Change % vs. PY comparable</b>	<b>-21.2%</b>	<b>-12.5%</b>	<b>-12.5%</b>		<b>-14.9%</b>
EBITDA	56	16	-10	-22	42
EBITDA margin	15.6%	3.8%	-4.2%		4.9%
Special items EBITDA	-4	-6	-3	-4	-16
therein transformations costs	-4	-3	-2	-4	-12
<b>EBITDA before special items</b>	<b>61</b>	<b>22</b>	<b>-7</b>	<b>-18</b>	<b>58</b>
<b>EBITDA margin before special items</b>	<b>16.8%</b>	<b>5.1%</b>	<b>-3.0%</b>		<b>6.8%</b>
Assets <sup>1)</sup>	1,296	832	431	1,938	4,498
<b>Free cash flow</b>	<b>82</b>	<b>31</b>	<b>-3</b>	<b>-19</b>	<b>91</b>
Additions to intangible assets and property, plant and equipment	12	14	3	0	29
Amortization	2	6	3	1	12
Depreciation	46	11	6	0	63

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

# Consolidated statement of income (continuing operations) (unaudited)

in (€m)	Three months ended June 30 2019	Three months ended June 30 2018	Nine months ended June 30 2019	Nine months ended June 30 2018
<b>Revenue</b>	<b>850</b>	<b>936</b>	<b>2,540</b>	<b>2,814</b>
Cost of goods sold and services rendered	-652	-644	-1,909	-1,869
Gross profit	199	292	630	944
Research and development expenses	-98	-99	-318	-288
Marketing, selling and general administrative expenses	-142	-137	-432	-422
Other operating income	9	7	26	28
Other operating expense	-2	-3	-45	-13
Income (loss) from investments accounted for using the equity method, net	-2	-1	-5	-2
Interest income	1	0	1	3
Interest expense	-3	-3	-10	-8
Other financial income (expense), net	-4	1	-7	2
<b>Income (loss) before income taxes OSRAM (continuing operations)</b>	<b>-43</b>	<b>59</b>	<b>-160</b>	<b>245</b>
Income taxes	8	-17	29	-69
<b>Income (loss) OSRAM (continuing operations)</b>	<b>-35</b>	<b>42</b>	<b>-131</b>	<b>175</b>
Income (loss) from discontinued operation, net of tax	-17	-7	-103	-35
<b>Net income (loss)</b>	<b>-53</b>	<b>35</b>	<b>-234</b>	<b>140</b>
Attributable to:				
Non-controlling interests	-10	1	-21	2
Shareholders of OSRAM Licht AG	-43	35	-213	138
Basic earnings per share (in €)	-0.45	0.36	-2.21	1.43
Diluted earning per share (in €)	-0.45	0.36	-2.21	1.43
Basic earnings per share (in €) OSRAM (continuing operations)	-0.27	0.43	-1.14	1.80
<b>Diluted earning per share (in €) OSRAM (continuing operations)</b>	<b>-0.27</b>	<b>0.43</b>	<b>-1.14</b>	<b>1.79</b>

# Consolidated Statement of Comprehensive Income (continuing operations) (unaudited)

	Three months ended June 30	Three months ended June 30	Nine months ended June 30	Nine months ended June 30
in (€m)	2019	2018	2019	2018
<b>Net income (loss)</b>	<b>-53</b>	<b>35</b>	<b>-234</b>	<b>140</b>
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit plans	-1	-2	-6	-35
<i>thereof: income tax</i>	3	1	6	-18
Measurements of equity instruments at fair value	0	-	0	-
<i>thereof: income tax</i>	0	-	0	-
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation differences	-31	41	31	24
Available-for-sale financial assets	-	0	-	0
<i>thereof: income tax</i>	-	0	-	0
Derivative financial instruments	3	-9	6	-9
<i>thereof: income tax</i>	-1	4	-2	4
	-27	32	36	16
<b>Other comprehensive income (loss), net of tax</b>	<b>-29</b>	<b>30</b>	<b>30</b>	<b>-19</b>
<b>Total comprehensive income (loss)</b>	<b>-81</b>	<b>66</b>	<b>-204</b>	<b>122</b>
Attributable to:				
Non-controlling interests	-10	1	-21	2
Shareholders of OSRAM Licht AG	-71	65	-184	119



# Consolidated statement of cash flows (continuing operations) (unaudited)

in (€m)	Three months ended June 30 2019	Three months ended June 30 2018	Nine months ended June 30 2019	Nine months ended June 30 2018
<b>Cash flows from operating activities</b>				
Net income (loss)	-53	35	-234	140
Adjustments to reconcile net income (loss) to cash provided				
Income (loss) from discontinued operation, net of tax	17	7	103	35
Amortization, depreciation, and impairments	75	62	261	181
Income taxes	-8	17	-29	69
Interest (income) expense, net	3	2	9	5
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant and equipment, net	0	-2	1	-17
(Gains) losses on sales of investments, net	0	-	0	-
(Income) loss from investments	2	2	5	4
Other non-cash (income) expenses	1	3	6	8
Change in current assets and liabilities				
(Increase) decrease in inventories	21	-29	-31	-99
(Increase) decrease in trade receivables	68	46	162	17
(Increase) decrease in other current assets	12	-26	23	-55
Increase (decrease) in trade payables	-13	-44	-89	-51
Increase (decrease) in current provisions	3	-9	-1	-14
Increase (decrease) in other current liabilities	-9	44	-48	40
Change in other assets and liabilities	-4	2	-2	-3
Income taxes paid	3	-17	-30	-50
Dividends received	-	-	0	-
Interest received	1	0	1	3
<b>Net cash provided by (used in) operating activities - OSRAM (continuing operations)</b>	<b>120</b>	<b>95</b>	<b>109</b>	<b>213</b>
Net cash provided by (used in) operating activities discontinued operation	-14	-22	-32	-43
<b>Net cash provided by (used in) - OSRAM Licht Group (total)</b>	<b>106</b>	<b>73</b>	<b>76</b>	<b>170</b>

in (€m)	Three months ended June 30 2019	Three months ended June 30 2018	Nine months ended June 30 2019	Nine months ended June 30 2018
<b>Cash flows from investing activities</b>				
Additions to intangible assets and property, plant and equipment	-29	-43	-195	-390
Acquisitions, net of cash and cash equivalents acquired	-48	-4	-50	-11
Purchases of investments	-4	-4	-14	-7
Proceeds and payments from sales of investments, intangible assets, and property, plant and equipment	0	3	2	8
Proceeds and payments from the sale of business activities, net cash disposed of	-	-	22	22
Proceeds and payments from sales of business activities, net of cash and cash equivalents disposed of	-	1	-	1
<b>Net cash provided by (used in) investing activities - OSRAM (continuing operations)</b>	<b>-80</b>	<b>-47</b>	<b>-235</b>	<b>-378</b>
Net cash provided by (used in) investing activities discontinued operation	-3	-2	-8	-5
<b>Net cash provided by (used in) investing activities - OSRAM Licht Group (total)</b>	<b>-84</b>	<b>-49</b>	<b>-243</b>	<b>-383</b>
<b>Cash flows from financing activities</b>				
Purchase of treasury stocks	-85	-	-92	-
Proceeds from capital increases at subsidiaries with minority interests	-	1	3	1
Repayment of long-term debt	-8	-2	-24	-6
Change in short-term debt and other financing activities	110	1	345	0
Interest paid	-1	-1	-5	-3
Dividends paid to shareholders of OSRAM Licht AG	-	-	-107	-107
<b>Net cash provided by (used in) financing activities - OSRAM (continuing operations)</b>	<b>15</b>	<b>-2</b>	<b>119</b>	<b>-116</b>
Net cash provided by (used in) financing activities discontinued operation	-	-	-	-
<b>Net cash provided by (used in) financing activities - OSRAM Licht Group (total)</b>	<b>15</b>	<b>-2</b>	<b>119</b>	<b>-116</b>
Effect of exchange rates on cash and cash equivalents	-4	2	2	0
Net increase (decrease) in cash and cash equivalents	33	24	-45	-329
Cash and cash equivalents at beginning of period	255	255	333	609
Cash and cash equivalents at the end of period	288	279	288	279
Less: Cash and cash equivalents of discontinued operation at end of the reporting period	6	0	6	0
<b>Cash and cash equivalents at end of period (consolidated statement of financial position)</b>	<b>282</b>	<b>279</b>	<b>282</b>	<b>279</b>