

The OSRAM Way Forward

Q4 FY15 Management Presentation
(preliminary figures)

OSRAM Licht AG | November 11, 2015
Light is OSRAM



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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.

Strong foundation for future growth

FY15

- Successful financial performance with adj. EBITA margin of 10.2%
- Board proposes dividend of € 0.90 per share

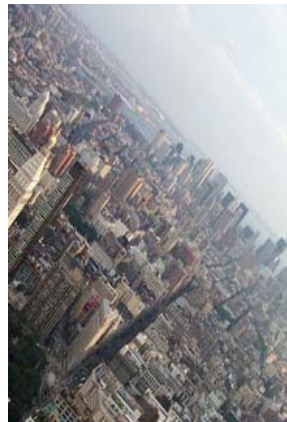
“Diamond” initiative

- Innovation & Growth Initiative with total R&D investment of € 2bn until FY20
- Additional CAPEX of € 1bn to invest in a new LED front-end plant to realize substantial growth potential and scale benefits

Stakeholder Value

- OSRAM intends to keep the dividend at least stable with € 0.90 per share for FY16
- Share buyback program of up to € 500m, starting Q1 CY16, duration 12-18 months
- “5.1.5” ambitions for FY20

Our industry faces strong trends and opportunities



Urbanization



Demographic Change



Digitalization



Infrastructure



Safety & Security



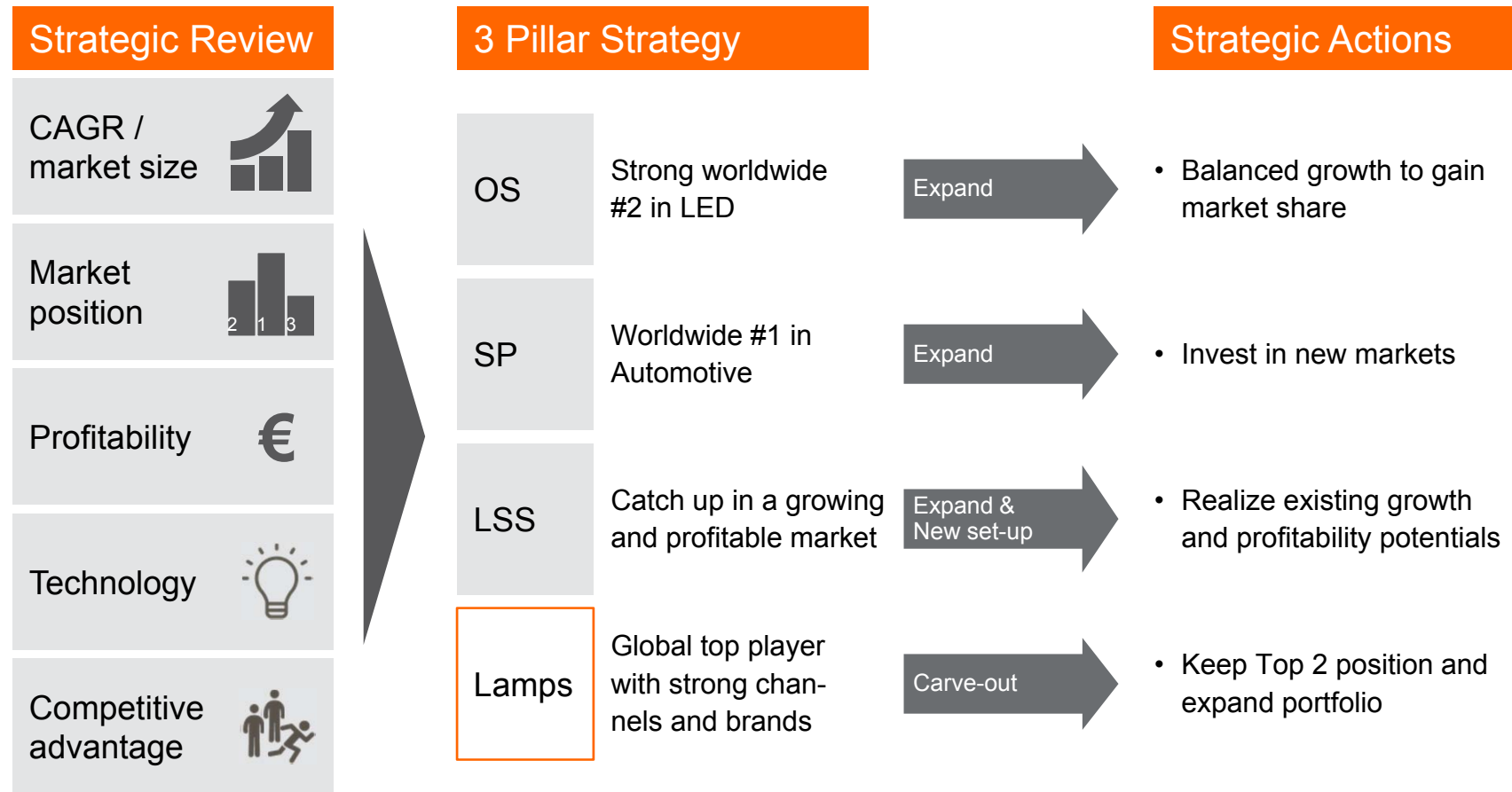
Mobility



All OSRAM businesses have been evaluated and strategic actions derived

OSRAM's future set-up on foundation of 3 strong pillars

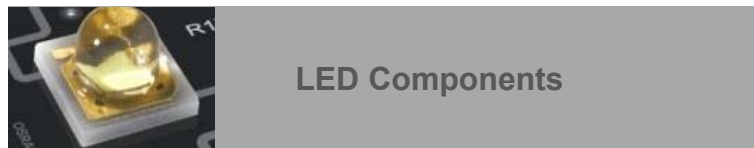
Conclusions of strategic review



OS: Build on strong worldwide #2 position in LED

LED becomes the new backbone of innovative lighting products

Today



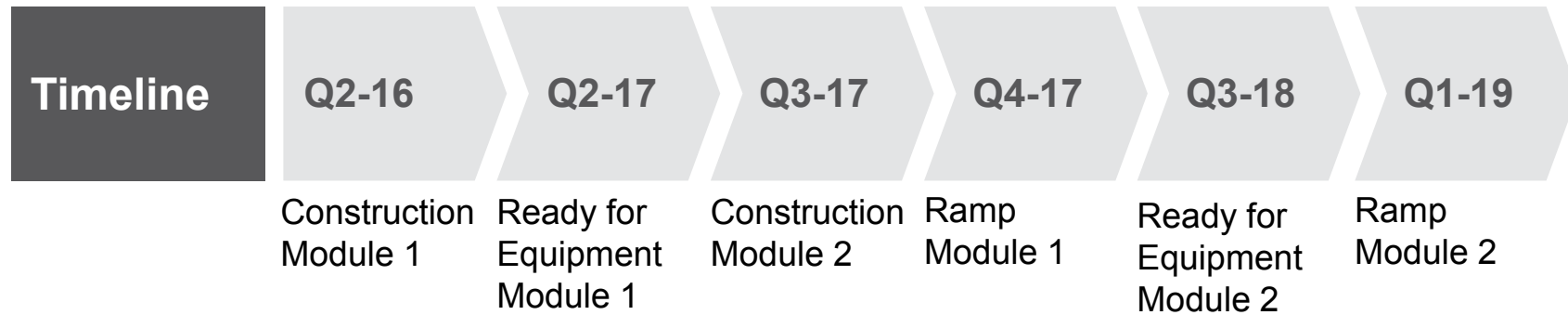
Balanced growth to gain market share

- Expand in existing niches and invest in new niches
- Gain market share in fast growing volume market
- Invest in new LED front-end plant to realize substantial growth potential and scale benefits
- Combine thinfilm & sapphire competence

Ambitions

- Capitalize market leading chip performance to expand market share
- Facilitate double-digit revenue growth by large-scale investments
- Focus on absolute EBITDA performance; remain in total free cash positive over investment phase

OS: Investment in a new LED front-end plant to realize growth potential and scale benefits



Facts new LED front-end plant

- Greenfield LED front-end plant for epitaxial- and chip production
- Kulim, Malaysia – close to existing Penang plant
- One of the largest and most efficient 6” production facilities in the world
- Mainly sapphire technology



→ **Total investment: € 1bn until FY20** (thereof € 370m in a first step)

SP: Leverage worldwide #1 position in Automotive



Xenon front light

Laser front light



OLED rear light

Invest in new markets

- Invest in innovative markets with high barriers to entry and high growth potential
 - Laser: more light (up to 600 meters) without glare
 - OLED: design freedom in car design
- Technology transfer from automotive to entertainment and medical

Ambitions

- Create a € ~1.1bn¹⁾ market for highly innovative laser and OLED products
- Continue to outgrow global car production
- Retain double-digit EBITDA margin during market build-up phase

1) Market size by 2025, externally validated market model

LSS: Catch up in a growing and profitable market



Smart Office as focus vertical



Innovative controls systems in facade illumination

Realize existing growth and profitability potentials

- “LS 800” program initiated for lighting solutions to return to profitable growth
- Strengthen access to all key stakeholders and expand full-solutions offering including services on the focus verticals, e.g. industry
- Maintain good momentum for light controls and LED components
- Strengthen connectivity know-how and innovative system architecture

Ambitions


- Turn into profitable growth mode
- Close “white spots” through bolt-on acquisitions
- Continuous, sustainable EBITDA improvement; long-term goal ~10%


Lamps: Separation process is well on-track

Lamps profile

LAMPS at carve-out

Trade Channel	Retail Channel
LED Lamps	
Traditional Lamps	
New Business	

Production  18 Sites

Sales  ~50 Sales offices¹⁾

Status carve-out process

- Carve-out date: 1st July 2016
- Agreement with workers' council on carve-out process and social conditions
- Cross-selling models defined
- Pension obligations mainly covered
- Sales process started

Ambitions

- Run as standalone business outside of OSRAM
- Keep Top 2 position
- Enter new segments in growth areas e.g. OTC²⁾ luminaires

1) Including representative offices 2) Over-the-counter



“Diamond” initiative to foster sustainable growth, corporate value and technological leadership



Total R&D Budget
(FY16-20)

€ ~2bn

Add. CAPEX for LED front-end plant
(FY16-20)

€ ~1bn

OSRAM TOP patent fields

Intellectual Property

- ~600 patents p.a.
- 18,000 total
- >2 patents per working day

OLED

>1,700 patents

OS

Epitaxy,
Chip concepts,
conversion

>6,600 patents

SP

Automotive SSL,
Laser

>2,700 patents

CI¹⁾

Innoventure,
Lightmanagement,
LED modules

>1,000 patents

1) Corporate Innovation

“Diamond” initiative to foster sustainable growth, corporate value and technological leadership

“5.1.5” ambitions for FY20¹⁾

Revenue	→	€5.0bn - €5.5bn
EBITDA	→	€0.9bn - €1.0bn
EPS²⁾	→	~ €5

FY16 Outlook³⁾ - paving the way for future performance

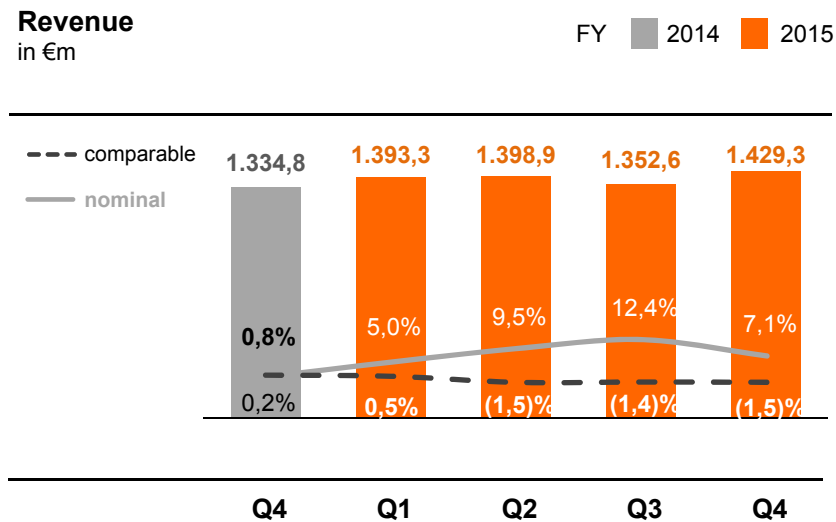
- Comparable revenue expected to be slightly below FY15 level
- Adjusted EBITA margin expected to be substantially below FY15 level, mainly due to upfront investment as part of “Diamond”, as well as structural effects of the Lamps carve-out and the ongoing transformation.
- OSRAM Push Phase II with gross savings of roughly €400m
- Free cash flow is expected to come in with a low to medium negative triple-digit €m amount, impacted by the intended special funding of pension plans and strong increase of capex
- The sale of FELCO will lead to a sharp increase in net income and ROCE
- Based on the FY16 outlook and OSRAM’s midterm prospects we intend to keep the dividend at least stable with €0.90 per share

1) Presuming stable economic environment including no severe anomaly of semiconductor cycle and stable FX; excluding Lamps 2) Including share buyback 3) Including Lamps

Comparable growth in all segments except Lamps – revenue still driven by FX effects

Group (€m)

Revenue development



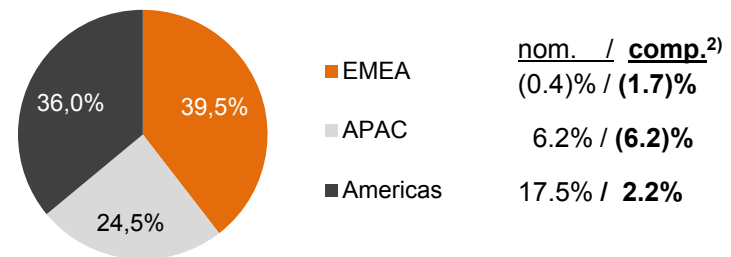
Comments Q4 FY15 y-o-y

- Currency translation of 7.3% and portfolio effect of 1.2% from Clay Paky
- Comp. growth in Americas mainly driven by growth at LSS and SP as well as stable revenue at Lamps
- APAC showed slowing growth across all segments
- LED continues to grow fast; LED share of 46%

Revenue by segment Q4 FY15 ¹⁾



Revenue by region Q4 FY15

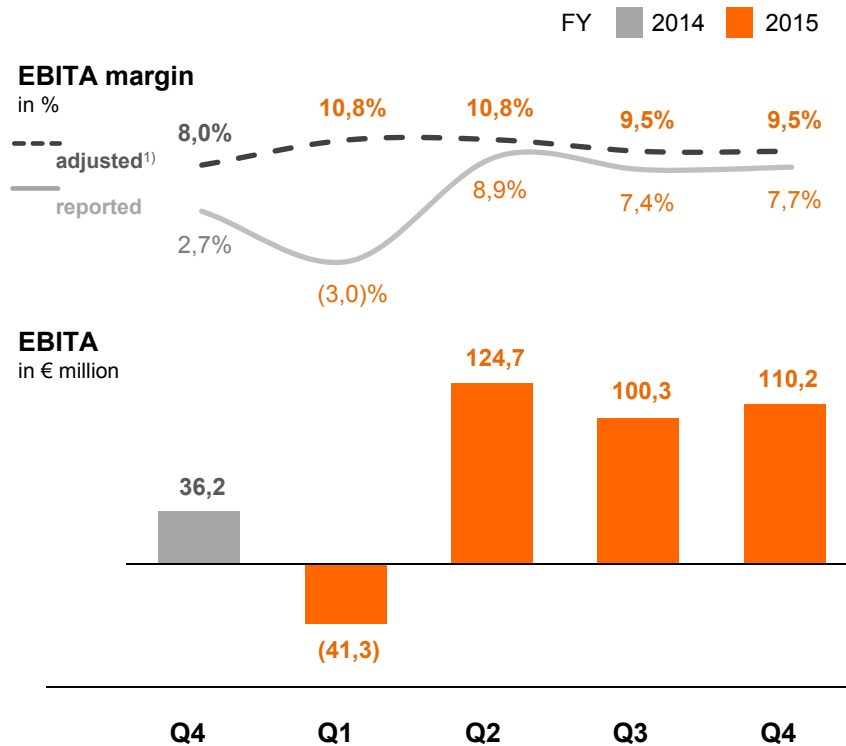


¹⁾ Based on sum of segments' revenue, w/o considering corp. items & consolidation. ²⁾ Nom. (nominal growth) – comp. (comparable growth), adjusted for FX and portfolio effects.

Strong year-end quarter thanks to solid execution

Group (€m)

EBITA development



Comments Q4 FY15 y-o-y

- Significant improvement on an adjusted basis with positive y-o-y comparison at three out of four segments
- Again strong profitability benefits from OSRAM Push savings and functional cost discipline
- Reported EBITA margin sharply above prior year due to proceeds from sale of real estate as well as lower restructuring expenses
- Net income at €69.1m and EPS at €0.59

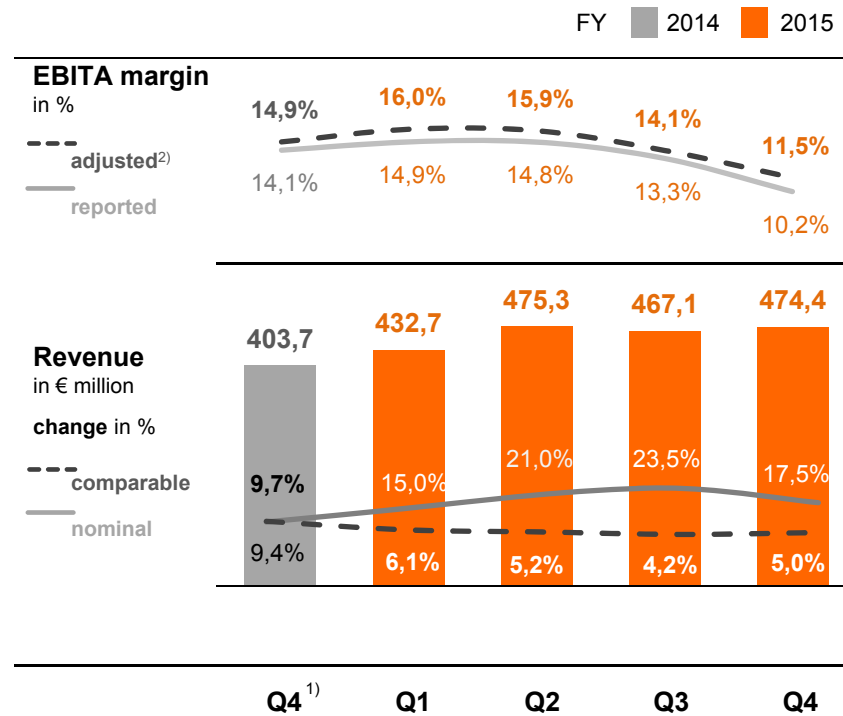
Special Items¹⁾

	2014		2015				FY
	Q4	FY	Q1	Q2	Q3	Q4	
EBITA reported	36.2	310.4	(41.3)	124.7	100.3	110.2	293.9
<i>therein:</i>							
OSRAM Push transformation costs incl. restructuring	(66.0)	(129.9)	(184.0)	(25.9)	(23.2)	(5.8)	(238.9)
Total special Items	(70.0)	(138.5)	(192.2)	(26.8)	(28.3)	(25.9)	(273.2)

¹⁾ Adjustment for special items includes e.g. transformation costs, carve-out/ spin-off-related costs, substantial legal and regulatory matters, acquisition related costs and costs related to changes in the managing board

Specialty Lighting: Good growth – but margin impacted by investments in new technologies

Revenue and EBITA margin development



Comments Q4 FY15 y-o-y

- All regions with y-o-y revenue increase
- Automotive showed 6% comp. growth
- Nominal sales supported by currency translation of 8.4% and Clay Paky with 4.1%
- Increase of LED share to 40% from 32%
- Significant positive currency effects in EBITA
- Adjusted EBITA margin substantially down y-o-y due to ramp-up costs for new technologies in car lighting and portfolio mix – also expected in coming quarters

Special Items^{1,2)}

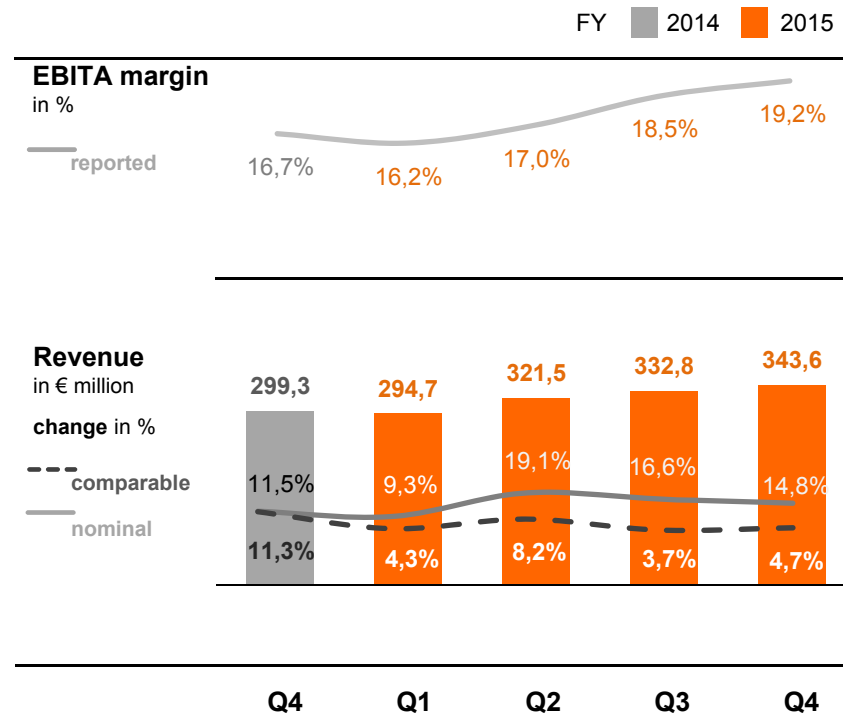
	Q4 FY14	Q4 FY15
EBITA reported	56.9	48.4
therein:		
Total special items	(3.2)	(6.2)

¹⁾ Prior year figures are adjusted for effects from OLED integration into SP

²⁾ Adjustment for special items includes e.g. transformation costs, carve-out-/ spin-off-related costs, substantial legal and regulatory matters, acquisition related costs and costs related to changes in the managing board

Opto Semiconductors: Profitability at high level driven by mix and productivity

Revenue and EBITA margin development

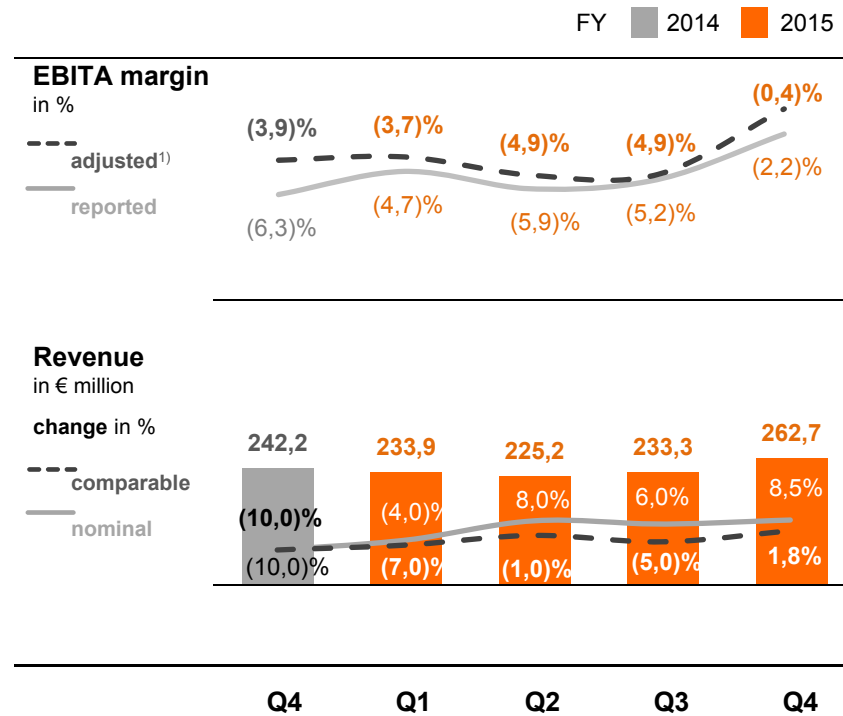


Comments Q4 FY15 y-o-y

- All regions growing, main growth drivers continue to be automotive and industry business
- Again best quarterly EBITA in OS history
- High productivity, capacity utilization and favorable business mix
- Quarterly EBITA was positively impacted by license gains and other one-offs

Lighting Solutions & Systems: Growth and improvement in profitability

Revenue and EBITA margin development



Comments Q4 FY15 y-o-y

- The LSS segment combines our downstream components, luminaires and solutions business
- Substantial decline in traditional controls and luminaires could be more than offset by LED growth, especially in LED controls
- LED share at a remarkable 61% up from 48% in Q4 FY14
- Promising profitability development despite currency headwinds in purchasing

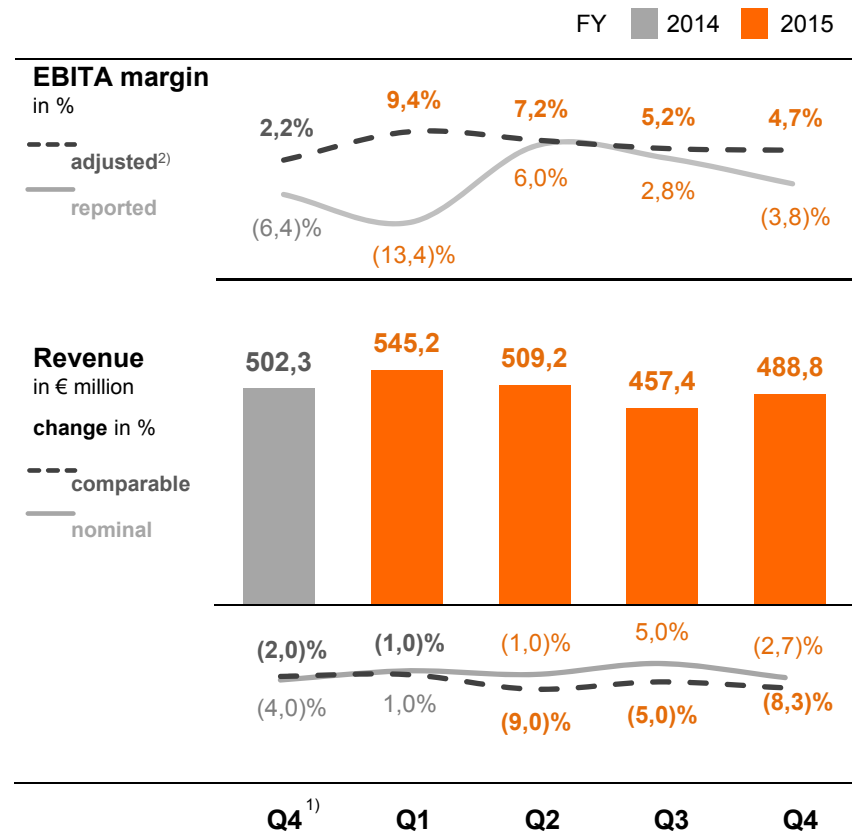
Special Items¹⁾

	Q4 FY14	Q4 FY15
EBITA reported	(15.2)	(5.7)
therein:		
Total special items	(5.7)	(4.5)

¹⁾ Adjustment for special items includes e.g. transformation costs, carve-out-/ spin-off-related costs, substantial legal and regulatory matters, acquisition related costs and costs related to changes in the managing board

Lamps: Excellent cash flow on asset improvements

Revenue and EBITA margin development



Comments Q4 FY15 y-o-y

- Decrease of traditional business in line with expectations
- HAL Classic and LED in Americas with continued strong double-digit growth
- Adjusted EBITA margin remained above prior year mainly due to lower SG&A costs and ongoing price stability in the traditional business
- FCF of €63.0m even above excellent prior quarters as inventory improvements become visible

Special Items^{1,2)}

	Q4 FY14	Q4 FY15
EBITA reported	(32.3)	(18.4)
therein: Total special Items	(43.6)	(41.5)

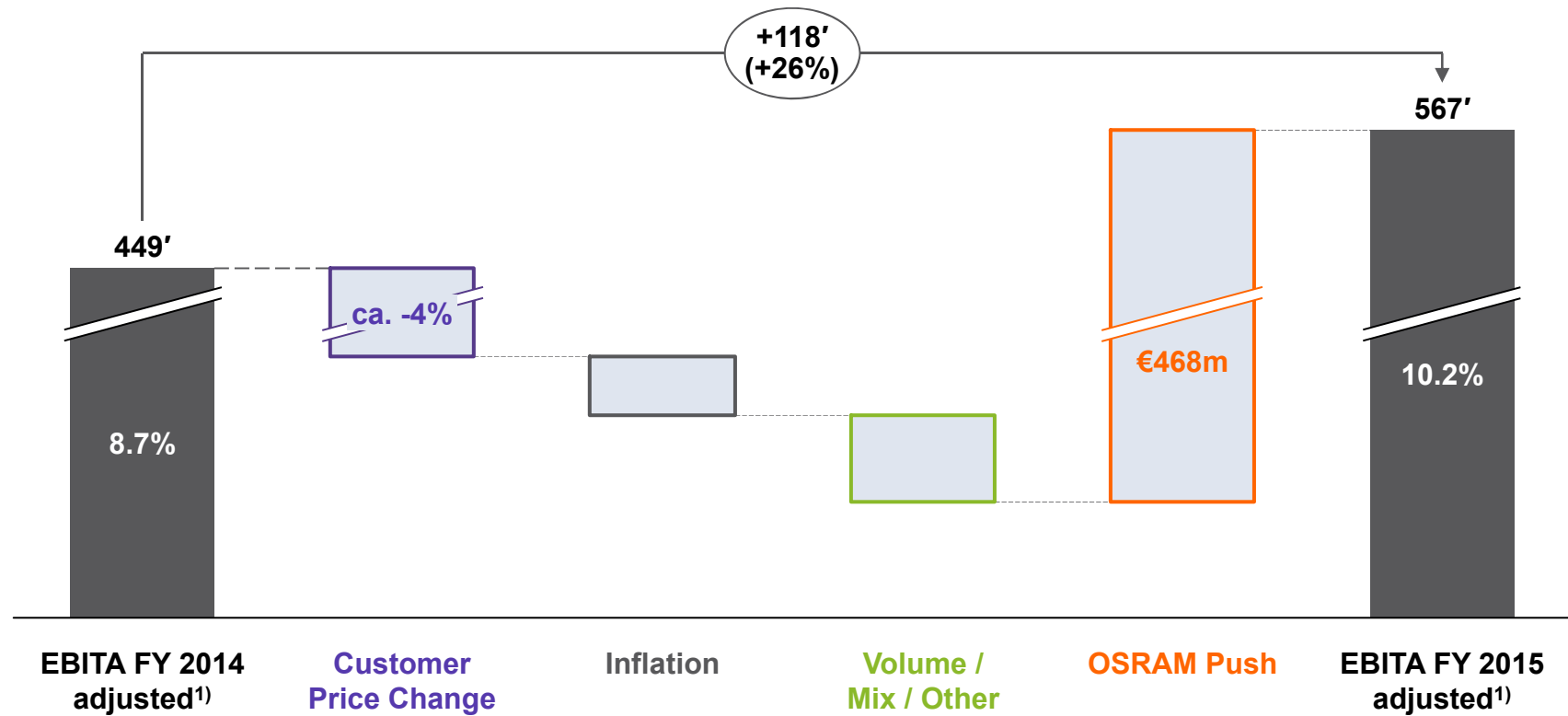
¹⁾ Prior year figures are adjusted for effects from prematerials integration into LP ²⁾ Adjustment for special items includes e.g. transformation costs, carve-out-/ spin-off-related costs, substantial legal and regulatory matters, acquisition related costs and costs related to changes in the managing board

OSRAM Push targets fulfilled

Project progress OSRAM Push

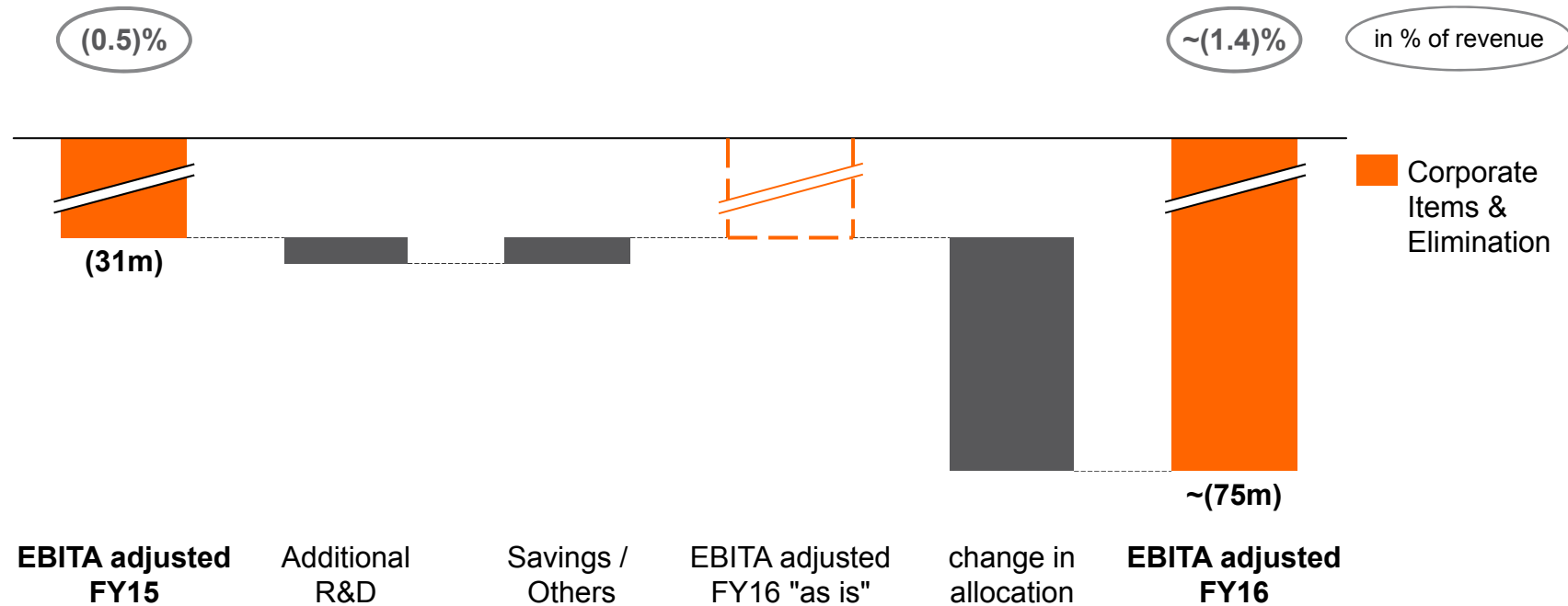
	Status September 30, 2015	Target (FY15-17)	Progress
Transformation costs, cumulated (€m)	317	~450	
Job reduction, cumulated (in 1,000 FTE)	2.4	7.8	
OSRAM Push cost reduction (gross), cumulated (€m)	468	1,300	

Productivity more than offsets moderate price decline, business mix and innovation investments



¹⁾ Adjustment for special items includes e.g. transformation costs, carve-out-/ spin-off-related costs, substantial legal and regulatory matters, acquisition related costs and costs related to changes in the managing board

The Lean Headquarter project will lead to changes in corporate costs

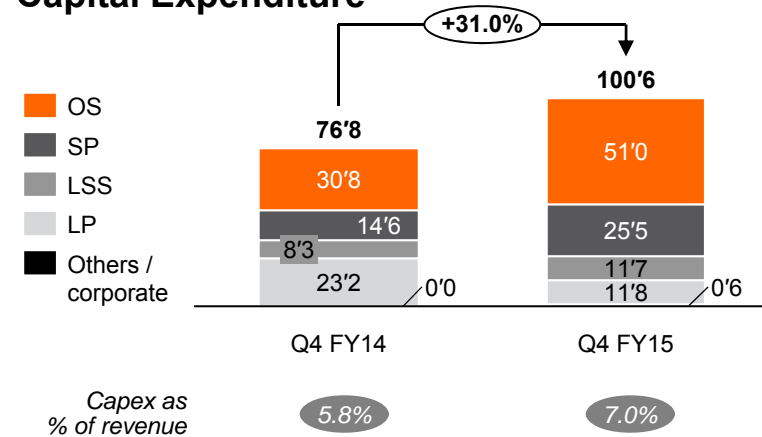


- Allocation change leads to unburdening of operating segments in FY16
- Comparable FY15 figures will be provided before Q1 FY16 reporting

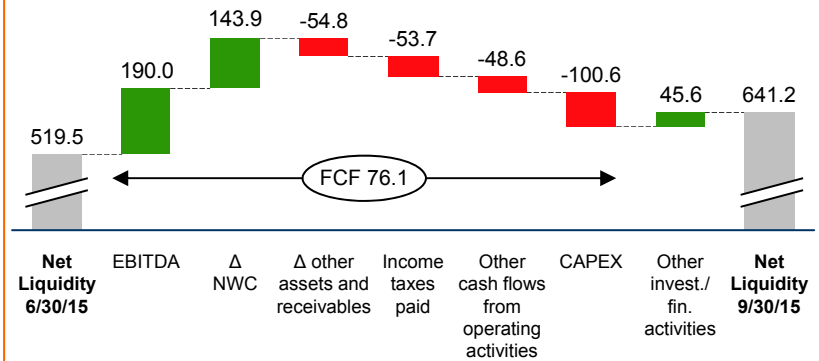
Record net liquidity despite ongoing investments and special pension funding

Group (€m)

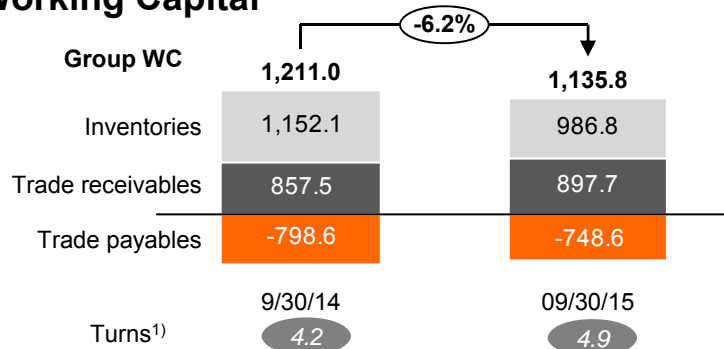
Capital Expenditure



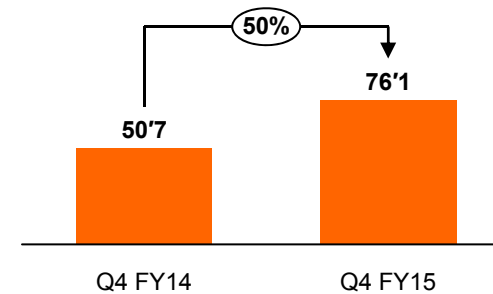
Net Liquidity Bridge



Working Capital



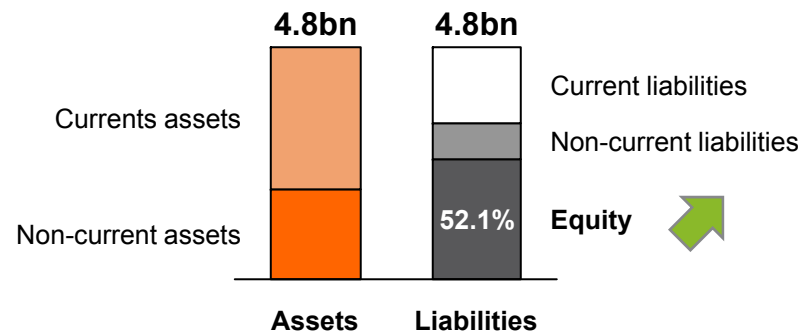
Free Cash Flow



¹⁾ Defined as revenue (last twelve months) divided by working capital

Sound financing and capital structure are the basis for future growth

Balance sheet (Sep 30, 2015)



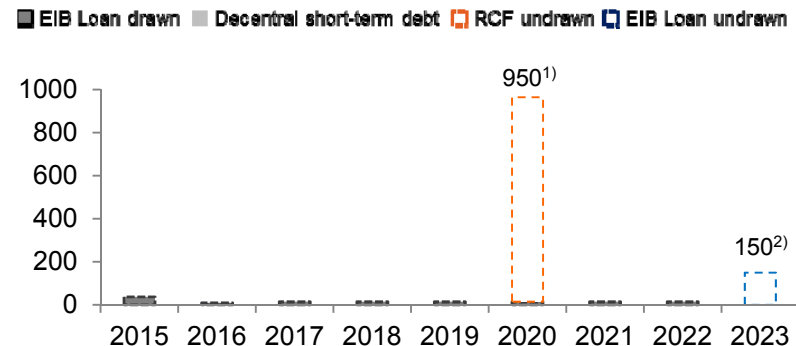
Planned share buyback

- OSRAM to repurchase up to ~10% of shares – maximum amount €500m
- Buyback expected to start in Q1 CY16
- Duration of buyback 12-18 months
- To be financed with funds already available
- Buyback is within the authorization granted by the annual shareholder meeting

Cash and available credit lines

- Cash and cash equivalents of €728m
 - Undrawn credit facilities of €1.1bn
- Strong liquidity provides opportunity for investment and shareholder return

Maturity profile



1) Extension options (5+1+1) until 2022

2) Subject to drawdown until December 2015

Financial Calendar and Investor Contacts

Upcoming events

- **November 12, 2015**
Roadshow, London
- **November 13, 2015**
Roadshow, Frankfurt
- **November 16, 2015**
Roadshow, New York
- **November 17, 2015**
Roadshow, Boston

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Certain numerical data, financial information and market data (including percentages) in this presentation have been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or interim totals or differences or if numbers are put in relation) in this presentation may not correspond in all cases to the amounts contained in the underlying (unrounded) figures appearing in the consolidated financial statements. Furthermore, in tables and charts, these rounded figures may not add up exactly to the totals contained in the respective tables and charts.

Backup

Key financial metrics

Group (€m)	Q4 FY14	Q4 FY15	Change (y-o-y)		FY14	FY15	Change (y-o-y)	
			nom.	7.1%			nom.	8.4%
Revenue	1,334.8	1,429.3	comp.	(1.5)%	5,142.1	5,574.2	comp.	(1.0)%
Gross margin	28.9%	28.9%		0 bps	31.4%	29.0%		(240) bps
R&D	(84.5)	(84.8)		0.3%	(331.4)	(344.9)		4.1%
SG&A	(265.5)	(287.1)		8.1%	(985.3)	(1,064.4)		8.0%
EBITA	36.2	110.2		>200%	310.4	293.9		-5.3%
EBITA margin	2.7%	7.7%		500 bps	6.0 %	5.3%		(70) bps
Adj. EBITA	106.2	136.1		28.2%	449.0	567.1		26.3%
Adj. EBITA margin ¹⁾	8.0%	9.5%		150 bps	8.7%	10.2%		150 bps
EBITDA	113.5	189.9		67.3%	556.2	556.8		0.1%
Adj. EBITDA margin	12.2%	13.4%		120 bps	13.0%	14.3%		130 bps
Financial result (including at-equity result)	(12.5)	(7.6)		n/a	(4.9)	(24.7)		n/a
Income before income taxes	17.1	95.2		>200%	279.2	238.8		-14.5%
Taxes	(5.1)	(26.1)		>200%	(86.1)	(67.6)		-21.5%
Net income	12.0	69.1		>200%	193.1	171.2		-11.2%
ROCE					9.3%	8.2%		(110) bps
Basic EPS in €	0.10	0.65		>200%	1.80	1.59		-11.7%
Free cash flow	50.7	76.1		50.2%	216.0	299.0		38.5%
CAPEX	(76.9)	(100.6)		30.8%	(243.2)	(280.8)		15.5%
Net liquidity	487.3	641.2		31.6%	487.3	641.2		31.6%
Adj. net debt / EBITDA ²⁾	0.1	0.3		n/a	0.1	0.3		n/a
Equity ratio	51.0%	52.1%		110 bps	51.0%	52.1%		110 bps
Employees (in thousands)	33.8	33.1		(2.1)%	33.8	33.1		(2.1)%

1) Adjustment for special items includes e.g. transformation costs, carve-out/ spin-off-related costs, substantial legal and regulatory matters, acquisition related costs and costs related to changes in the managing board

2) EBITDA for the 12 months ended September 30 2015

Segment overview

Q4 FY15	SP	OS	LSS	LP	CIE¹⁾	OSRAM Licht Group
Revenue	474.4	343.6	262.7	488.8	(140.1)	1,429.3
Change % vs. PY reported	17.5 %	14.8 %	8.5 %	(2.7)%		7.1 %
Change % vs. PY comparable	5.0 %	4.7 %	1.8 %	(8.3)%		(1.5)%
EBITA	48.4	65.9	(5.7)	(18.4)	20.0	110.2
EBITA margin	10.2 %	19.2 %	(2.2)%	(3.8)%		7.7 %
Special items EBITA	(6.2)	-	(4.5)	(41.5)	26.3	(25.9)
therein transformation costs	(6.0)	-	(4.5)	(41.4)	46.0	(5.8)
EBITA before special items	54.6	65.9	(1.2)	23.1	(6.3)	136.1
EBITA margin before special items	11.5 %	19.2 %	(0.4)%	4.7 %		9.5 %
EBITDA margin before special items	14.4 %	27.4 %	1.7 %	4.7 %		13.4 %
Free cash flow ²⁾	75.4	57.9	10.3	63.0	(130.5)	76.1
Additions to intangible assets and property, plant and equipment	25.5	51.0	11.7	11.8	0.5	100.6
Amortization ³⁾	2.5	0.2	2.6	1.4	0.8	7.5
Depreciation ⁴⁾	13.5	28.2	5.7	24.5	7.7	79.7

Minor differences may occur due to rounding.

- 1) Contains corporate items, pensions, eliminations, corporate treasury and other reconciling items.
- 2) 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.
- 3) Amortization and impairments represents amortization and impairments of goodwill and intangible assets, net of reversals of impairments.
- 4) Depreciation represents depreciation and impairments of property, plant and equipment, net of reversals of impairments.

Segment overview

FY15	SP	OS	LSS	LP	CIE¹⁾	OSRAM Licht Group
Revenue	1,849.5	1,292.6	955.1	2,000.5	(523.6)	5,574.2
Change % vs. PY reported	19.2 %	14.9 %	4.5 %	0.7 %		8.4 %
Change % vs. PY comparable	5.1 %	5.2 %	(2.7)%	(5.7)%		(1.0)%
EBITA	245.4	229.9	(42.1)	(48.4)	(90.8)	293.9
EBITA margin	13.3 %	17.8 %	(4.4)%	(2.4)%		5.3 %
Special items EBITA	(20.0)	-	(9.7)	(183.4)	(60.2)	(273.2)
therein transformation costs	(17.1)	-	(9.7)	(183.3)	(28.9)	(239.0)
EBITA before special items	265.4	229.9	(32.4)	135.0	(30.6)	567.1
EBITA margin before special items	14.3 %	17.8 %	(3.4)%	6.7 %		10.2 %
EBITDA margin before special items	16.7 %	26.5 %	(1.2)%	9.0 %		14.3 %
Free cash flow ²⁾	233.0	238.0	(58.2)	179.5	(293.3)	299.0
Additions to intangible assets and property, plant and equipment	71.6	148.2	25.4	31.9	(1.7)	280.8
Amortization ³⁾	11.4	0.9	9.6	5.2	3.5	30.5
Depreciation ⁴⁾	44.1	112.3	21.4	76.6	8.5	262.9

Minor differences may occur due to rounding.

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