

Press

Munich, August 1, 2018

Osram holds its ground in a difficult market environment

- Q3 revenue stable at €1.02 billion
- Adjusted EBITDA margin remains at 13.1 percent
- Osram initiates sale of luminaires business
- Group plans to save €130 to €140 million by 2020

"Despite a difficult market environment, we continue to generate good returns in our most important business areas. We are actively addressing the temporary weakness in demand of our customers in the automotive industry and improving our cost base. To ensure success, we are accelerating the current reorganization process and have laid an excellent foundation with the recently achieved reconciliation of interests," said Olaf Berlien, CEO of OSRAM Licht AG. "Nothing has changed in terms of long-term growth opportunities."

Osram held its ground in a difficult market environment in the third quarter of its 2018 fiscal year. On a comparable basis, revenue remained consistent with the prior year's level of €1.02 billion. At €133 million, EBITDA adjusted for special items was significantly below the prior year's level. The adjusted EBITDA margin reached 13.1 percent. Foreign exchange effects as well as higher expenses for R&D and ramp-up costs burdened the adj. EBITDA in Q3 with more than €40 million. In the first nine months these effects summed up to more than €130 million – thereof €75 million FX effects alone. Recently the worldwide changes in ordering behavior of our customers and distributors in part due to existing and imminent trade restrictions have weighed on the company's revenue. The change in market dynamics due to the transition from allocation to normalization for some semiconductor products have also taken a toll on revenue. These effects are expected to have an impact in the coming months and have led the Managing Board to adjust the annual forecast at the end of June. In this context, the Managing Board has decided to further sharpen the portfolio and as a first step the company will divest its luminaires business.

Management is looking at number of measures to rectify the current market situation. They are first looking to streamline the global administration, which should reduce cost by approx. 20 percent. Beyond that, several structural and operational programs have been implemented. This includes the improvement of efficiency in R&D, in the supply chain, and in the German factory alliance. These operational programs should sum to €130 to €140 million in savings by 2020.

Negotiations with employee representatives about a reconciliation of interests have been considerably expedited and are concluded. Charges for that have already been taken into account in the forecast for the current fiscal year.

In the third quarter of the fiscal year, the general economic slowdown and weak demand in the automotive industry was primarily reflected in our semiconductor segments Opto Semiconductors (OS) and in the Specialty Lighting (SP) segment. The trade tariffs in the USA, more stringent emission tests in Europe and lower production expectations from premium manufacturers have also caused uncertainty. In addition, there were project delays in business with mobile devices and horticulture applications and a continued slowdown of the general lighting market.

The strategic revision of the business unit Lighting Solutions (LS) unit announced at the beginning of the year has now been completed. In addition to the ongoing sale of the US service business, the Managing Board is now planning to divest the business with luminaires. The luminaires business as part of the reporting segment Lighting Solutions and Systems (LSS) is now on the right track due to numerous efficiency improvements.

Outlook for the current fiscal year

Osram adjusted its outlook for the current fiscal year at the end of June. Based on these changes, the Managing Board now expects a comparable revenue increase of 1.0 to 3.0 percent (previously: 3.0 to 5.0 percent) and adjusted EBITDA of €570 to 600 million (previously: approximately €640 million) for fiscal year 2018. In addition, earnings per share (diluted) of €1.00 to 1.20 (previously: EUR 1.90 to 2.10) are forecast for fiscal year 2018. This includes the extraordinary expense already communicated in connection with the "OSRAM future concept". Negative free cash flow at €150 to 200 million (previously: negative free cash flow €50 to 150 million) is now expected.

As previously announced, the Managing Board is currently revising the strategic development. The results will be announced at a capital market conference on November 7.

Osram's long-term growth prospects remain good. LED- and laser-based technologies are oriented to global megatrends and continue to serve growing high-tech markets. The group is actively shaping the ongoing technological shift and has also recently expanded its portfolio with innovative future technologies. That includes the acquisition of US provider Vixar, which specializes in compact 3D identification technology, and the acquisition of the horticulture company Fluence. The closings of both acquisitions were completed in the beginning of FQ4, as was the takeover of the former Trilux subsidiary BAG electronics. The Osram Continental joint venture, which will shape the future of intelligent car lighting, went into operation at the beginning of July.

The company will hold a conference call for analysts, starting at 1:00 p.m. CEST. The conference will be broadcast online at

<http://services.choruscall.eu/links/osram180801ir.html>

PRESS CONTACTS

Stefan Schmidt
Tel. +49 89 6213-4680
E-mail: stefan.schmidt@osram.com

Jens Hack
Tel. +49 89 6213-2129
E-mail: j.hack@osram.com

Torsten Wolf
Tel. +49 89 6213-2506
E-Mail: torsten.wolf@osram.com

Selected key figures for the Osram Light Group in the third quarter

	3 rd quarter 2018	3 rd quarter 2017	Change*
Revenue (comparable)	1,017	1,056	0.0%
Revenue (nominal)	1,017	1,056	(3.7%)
EBITDA	114	147	(22.0%)
...margin	11.2%	13.9%	(260bps)
Adjusted EBITDA ¹	133	174	(23.2%)
...margin	13.1%	16.4%	(330bps)
Profit after tax	33	64	(48.8%)
Free Cash Flow	28	39	(27.6)
'000 employees.	26.9	25.7	4.7%

(Unaudited figures. Items stated in € million, margin in %, employees at June 30: negative values in brackets)

(* Changes in Ebitda, adj. Ebitda, margins Profit after tax, FCF and employee numbers are nominal)

(¹ adjusted for special items, e.g. transformation costs, significant legal and regulatory matters, and M&A-related costs.)

Performance of the reporting segments in the third quarter

	3 rd quarter 2018	3 rd quarter 2017	Change (nominal)
Opto Semiconductors			
...Total revenue	443	439	0.8%
...EBITDA	100	126	(20.9%)
...Adjusted EBITDA	100	126	(20.3%)
Specialty Lighting			
...Total revenue	543	563	(3.5%)
...EBITDA	44	66	(32.5)
...Adjusted EBITDA	56	73	(23.9%)
Lighting Solutions & Systems			
...Total revenue	246	253	(2.8%)
...EBITDA	(11)	(19)	43.6%
...Adjusted EBITDA	(7)	(4)	(62.1%)

(Provisional, unaudited figures. Items stated in € million, margin in %, negative values in brackets)

ABOUT OSRAM

OSRAM, based in Munich, is a leading global high-tech company with a history dating back more than 110 years. Primarily focused on semiconductor-based technologies, our products are used in highly diverse applications ranging from virtual reality to autonomous driving and from smartphones to networked, intelligent lighting solutions in buildings and cities. OSRAM utilizes the infinite possibilities of light to improve the quality of life for individuals and communities. OSRAM's innovations will enable people all over the world not only to see better, but also to communicate, travel, work, and live better. As of the end of fiscal year 2017 (September 30), OSRAM had approximately 26,400 employees worldwide. It generated revenue of more than €4.1 billion in fiscal year 2017. The company is listed on the stock exchanges in Frankfurt and Munich (ISIN: DE000LED4000; WKN: LED400; trading symbol: OSR). Additional information can be found at www.osram.com.

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