

# DGAP-News: Osram impacted by market weakness in the first quarter

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Osram impacted by market weakness in the first quarter

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- Decline in sales due to market conditions
  - Political uncertainties shape business development
  - Management Board takes measures to secure revenues and margins

*"There was an increased headwind from our markets in the past quarter. In particular, the automotive cycle has deteriorated significantly. But demand has also declined in the mobile devices and general lighting sectors," said Olaf Berlien, CEO of OSRAM Licht AG. "We have taken a number of measures to improve revenue and returns."*

**Unfavorable developments in the automotive industry, especially in China, as well as within the mobile devices sector impacted Osram in the first quarter of fiscal 2019. Political adversities such as international trade disputes, weakened demand for general lighting and the after-effects of the emission test procedure WLTP also drove customer uncertainty. In addition, Osram's customers reduced their inventories towards the end of 2018. On a comparable basis, quarterly revenue decreased by around 15 percent year-on-year to EUR 828 million. EBITDA, before special items, was also down compared to last year at EUR 93 million. The adjusted EBITDA margin reached 11.3 percent. These figures no longer include the business activities of Sylvania Lighting Solutions in North America, for which a sales agreement has been signed in January, or the European luminaire business, which is held for sale. These activities will be accounted for as discontinued operations from the first quarter of fiscal 2019.**

The market weakness is reflected in all three of Osram's business segments. The Opto Semiconductors division, for example, recorded a decline in revenue of around 17 percent on a comparable basis in the first quarter. This reflects not only the economic effects of customers in the automotive industry and general lighting, but also a reduction in customer inventories. Revenue in the automotive segment were 11 percent lower than in the same period of the previous year. During the reporting period, the automotive market declined significantly, especially in China, where according to the market researcher IHS Markit, car production fell by more than 15 percent on a quarterly basis. Numerous Western manufacturers have also lowered their expectations recently. In the Digital segment, revenue fell by around 17 percent mostly due to weak market development in the general lighting segment.

Because of the numerous uncertainties mentioned above, the perspective for the upcoming quarters remains significantly restricted. The Management Board has initiated a number of countermeasures, also aiming for an increase in revenue. Significant structural measures were initiated in the Opto Semiconductors division, in particular. This is intended to secure the forecast for the year. However, the achievement of the annual targets is subject to a revival due to incoming orders in the upcoming months.

As announced, Osram will in the future hone its focus on photonics and optical technologies beyond lighting. This is reflected within the new organizational structures that the company initiated at the start of the new fiscal year. Osram is further sharpening its profile and focusing on high-growth markets, including optical semiconductors, automotive and digital applications. With this, Osram is moving even closer to its markets and therefore will be able to balance its portfolio more effectively. This long-term growth strategy remains intact.

Meanwhile, the sale of the European luminaires business is progressing. Due to the classification of this business as discontinued operation, a value adjustment was made which impacted net income.

Beginning at 2 pm CET on February 7, you can attend the analysts' conference with the Managing Board at <http://services.choruscall.eu/links/osram190207ir.html>.

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Selected key figures for the OSRAM Light Group (continuing operations) in the first quarter.

	<b>Q1</b>	Q1	change
	<b>2019</b>	2018	nominal
Revenue	<b>828</b>	939	(11.9%)
EBITDA	<b>69</b>	162	(57.3%)
.margin	<b>8.4%</b>	17.3%	(890bps)
Adjusted EBITDA <sup>1</sup>	<b>93</b>	174	(46.4%)
.margin	<b>11.3%</b>	18.5%	(720bps)
Profit after tax	<b>(5)</b>	77	n.a.
Free Cash Flow	<b>(101)</b>	(115)	12.9%
'000 Employees	<b>26.0</b>	25.1	3.3%

(Provisional, unaudited figures from continued operations. Items stated in EUR million, margin in %, employees as at December 31. Negative values in brackets.)

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

#### Segments Q1

	<b>Q1</b>	Q1	change
	<b>2019</b>	2018	nominal
<b>Opto Semiconductors</b>			
.Revenue	<b>350</b>	410	(14.6%)
.EBITDA	<b>58</b>	102	(43.1%)
.adjusted EBITDA	<b>69</b>	102	(32.4%)
<b>Automotive</b>			
.Revenue	<b>443</b>	491	(9.8%)
.EBITDA	<b>43</b>	71	(39.4%)
.adjusted EBITDA	<b>48</b>	73	(34.4%)
<b>Digital</b>			
.Revenue	<b>202</b>	222	(8.8%)
.EBITDA	<b>(14)</b>	16	n.a.
.adjusted EBITDA	<b>(10)</b>	22	n.a.

(Provisional, unaudited figures. Items stated in EUR million. 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 2018 (September 30), OSRAM had approximately 26,200 employees worldwide. It generated revenue of more than EUR3.8 billion from continued operation in fiscal year 2018. 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](http://www.osram.com).

#### Disclaimer

This document contains forward-looking statements and information, i.e. statements about events that lie in the future rather than the past. These forward-looking statements can be identified by words such as 'expect', 'want', 'anticipate', 'intend', 'plan', 'believe', 'seek', 'estimate', 'will', and 'predict'. Such statements are based on current expectations and certain assumptions made by OSRAM's management, so they are subject to various risks and uncertainties. A wide range of factors, many of which are beyond OSRAM's control, have an influence on the business activities, success, business strategy, and results of OSRAM. These factors may cause the actual results, success, and performance of OSRAM to differ significantly from those expressly or implicitly communicated in the forward-looking statements or from those that are expected on the basis of past trends. In particular, these factors include, but are not limited to, the circumstances described in the report on risks and opportunities contained in the annual report of the OSRAM Light Group. If one or more of these risks or uncertainties materializes, or should the underlying assumptions prove incorrect, the actual results, performance, and success of OSRAM may differ significantly from those described in forward-looking statements as being expected, anticipated, intended, planned, believed, sought, estimated, or projected. OSRAM assumes no obligation, nor does it intend, to update these forward-looking statements above and beyond the legal requirements or to adjust them in light of unexpected developments. Due to rounding, numbers presented in this and other reports may not add up precisely to the totals provided and

percentages may not precisely reflect the absolute figures to which they relate.

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