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Interim Report
of OSRAM Licht Group
for the First Half Year of Fiscal Year 2018

OSRAM

Contents

About this Report

This Interim Report contains the group interim management report and the condensed interim consolidated financial statements of OSRAM Licht AG and its subsidiaries ('OSRAM Licht Group', 'OSRAM' or 'we') for the six months ended March 31, 2018 as well as a responsibility statement. It complies with the half-year financial reporting requirements of section 115 of the *Wertpapierhandelsgesetz* (WpHG—German Securities Trading Act). The Interim Report should be read in conjunction with our » Annual Report for Fiscal Year 2017. OSRAM reports the LEDVANCE business, which was included in the consolidated financial statements until its deconsolidation on March 3, 2017, as a discontinued operation.

The group interim management report—especially the Report on Expected Developments—contains forward-looking statements that are based on current management estimates regarding future developments. These statements do not constitute a guarantee that these expectations will prove correct. The future performance of the OSRAM Licht Group and its affiliated companies depends on numerous risks and uncertainties, many aspects of which are outside OSRAM's sphere of influence. In particular, these include, but are not limited to, the circumstances described in the » 2017 Annual Report, A.4.2 Report on Risks and Opportunities, supplemented by the > Report on Opportunities and Risks in this group interim management report. As a result, material variances, both negative and positive, could arise between OSRAM's actual results, profits, and performance and those forecast in our forward-looking statements. OSRAM does not plan and does not assume any separate obligation to update the forward-looking statements over and above regulatory requirements.

OSRAM's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU).

Fiscal year 2018 for the OSRAM Licht Group began on October 1, 2017 and will end on September 30, 2018.

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

The Managing Board uses key financial performance indicators to manage OSRAM, some of which are 'alternative performance measures' (APMs); these include, but are not limited to, revenue growth adjusted for currency translation and portfolio effects, adjusted EBITDA, the adjusted EBITDA margin, and free cash flow. A detailed description of these key performance indicators and their calculation can be found in the » 2017 Annual Report, A.1.2 Performance Management and, if applicable, a reconciliation to the most similar IFRS performance indicators in > Reconciliation of Key Performance Indicators.

This document is a convenience translation of the original German-language document.

Cross-references in the text

> **Internal cross-reference** (within the document)

» **External cross-reference** (to another document)

Group Interim Management Report

Business Performance in the First Half Year of Fiscal Year 2018

Results of Operations

Revenue by Segments

in € million

	Six months ended March 31,		Change			
	2018	2017	nominal	therein currency	therein portfolio	comparable
Opto Semiconductors[1)]	836	817	2.4%	(7.9)%	1.4%	8.9%
Specialty Lighting	1,120	1,198	(6.5)%	(6.9)%	0.1%	0.3%
Lighting Solutions & Systems	466	494	(5.8)%	(6.1)%	4.4%	(4.1)%
Reconciliation to interim consolidated financial statements	(384)	(467)	(17.7)%	(6.3)%	(8.8)%	(2.6)%
OSRAM (continuing operations)	**2,038**	**2,042**	**(0.2)%**	**(7.2)%**	**3.7%**	**3.4%**

[1)] Including intersegment revenue of €415 million (previous year: €433 million).

- Clear negative currency translation effects on revenue in first half of the fiscal year; positive portfolio effects overall
- OS: Clear growth on a comparable basis, including substantial growth in general lighting
- SP: Modest comparable growth: On a comparable basis, the decreases affecting traditional light sources in original equipment manufacturer business were offset by growth in LED-based products and the aftermarket business
- LSS: Negative growth, largely due to the reduction in the volume and prices of traditional products
- LED proportion of 66.8%, compared with 64.0% in first half of fiscal year 2017

Revenue by Regions

(by customer location)
in € million

	Six months ended March 31,		Change			
	2018	2017	nominal	therein currency	therein portfolio	comparable
EMEA	770	756	1.9%	(0.8)%	4.3%	(1.5)%
therein Germany	334	312	7.0%			
APAC	701	715	(2.0)%	(10.1)%	0.2%	7.8%
therein China (including Hong Kong) and Taiwan	420	416	1.1%			
Americas	567	571	(0.7)%	(12.1)%	7.2%	4.2%
therein U.S.A.	461	444	3.8%			
OSRAM (continuing operations)	**2,038**	**2,042**	**(0.2)%**	**(7.2)%**	**3.7%**	**3.4%**

- Modest nominal growth in EMEA; modest decrease in revenue on a comparable basis, largely attributable to LSS
- Clear comparable growth in APAC, driven in particular by OS and LSS; negative currency effects are impacting revenue growth
- Moderate comparable growth in the Americas, to which all reporting segments contributed; negative currency effects were the main factor influencing the nominal decline in revenue

Earnings Development

in € million

	Six months ended March 31, 2018	2017	Change nominal
EBITDA segments			
Opto Semiconductors	207	226	(8.3)%
Specialty Lighting	168	187	(10.2%)
Lighting Solutions & Systems	(36)	(16)	128.5%
Reconciliation to interim consolidated financial statements	(48)	(40)	21.0%
EBITDA OSRAM (continuing operations)	**290**	**357**	**(18.7%)**
EBITDA margin	14.2%	17.5%	(320) bps
Special items[1)]	(34)	(6)	>200%
thereof transformation costs	(28)	(1)	(97.9)%
thereof acquisition costs	(4)	(5)	(13.3)%
thereof others	(2)	–	n.a.
EBITDA margin, adjusted	15.9%	17.7%	(180) bps
Amortization, depreciation, and impairments	125	108	16.6%
Financial result[2)]	(5)	(5)	5.0%
Income before income taxes OSRAM (continuing operations)	**160**	**245**	**(34.7)%**
Income taxes	(45)	(73)	(38.4)%
Income OSRAM (continuing operations)	**115**	**172**	**(33.1)%**
Income (loss) from discontinued operation, net of tax	(10)	(49)	(80.0)%
Net income (OSRAM Licht Group)	**105**	**122**	**(14.1)%**

1) Of which €(7) million was attributable to SP, €(18) million to LSS, and €(9) million to corporate items (reconciliation to the interim consolidated financial statements.

2) Income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other net financial income or expense.

EBITDA of OSRAM (continuing operations)

- EBITDA significantly below prior-year figure due to decreases in all segments
- The EBITDA margin at OS decreased year on year due to negative currency effects, ramp-up costs for the expansion of production capacity in Germany, Malaysia, and China, and higher costs for research and development in the context of spendings on growth and innovation
- The drop in profitability at SP was mainly the result of strong currency effects and the reduction in the volume of traditional products
- Deterioration in EBITDA at LSS due to the smaller volume and the intensification of price competition; difficult market environment in the U.S.A. and EMEA

Net Income (OSRAM Licht Group)

- The loss from the discontinued operation in the first half of fiscal year 2018 included expenses that were directly connected with the sale of LEDVANCE but were not incurred until fiscal year 2018

Development of Cash Flows

in € million

	Six months ended March 31,		Change
	2018	2017	nominal
Free cash flow segments			
Opto Semiconductors	(230)	63	n.a.
Specialty Lighting	69	135	(49.1)%
Lighting Solutions & Systems	(40)	(56)	(28.0)%
Reconciliation to interim consolidated financial statements	(50)	(54)	(7.6)%
Free cash flow OSRAM (continuing operations)	**(251)**	**88**	**n.a.**
therein additions to intangible assets and property, plant, and equipment	352	195	80.3%
Net cash OSRAM (continuing operations) provided by (used in)			
Operating activities	101	283	(64.4)%
Investing activities	(334)	151	n.a.
Financing activities	(114)	(111)	3.0%

Free Cash Flow of OSRAM (continuing operations)

- Free cash flow turned sharply into negative year on year, primarily due to the high level of capital expenditure, mainly at OS
- OS: Sharp reduction in free cash flow due to the increase in capital expenditure in Malaysia, China, and Germany and due to the rise in net working capital
- Cash flow remained positive at SP, although free cash flow decreased year on year as a result of the decline of traditional business and an increase in net working capital
- Improved free cash flow at LSS, mainly because of the release of funds from net working capital

Other Investing Activities (continuing operations)

- Cash outflow for acquisitions of €7 million was attributable to the acquisition of the operating business of Pacific Light Technologies Corp., Portland, U.S.A.
- Investments in financial assets of €3 million predominantly related to the acquisition of shares in the investments Blickfeld GmbH, Munich, GoodIP GmbH, Munich, and Beaconsmind AG, Zurich, Switzerland which all are accounted for using the equity method; see > Note 2 I Acquisitions, Disposals, and Discontinued Operations in the interim consolidated financial statements

Development of Net Liquidity

Fiscal year 2018
in € million

Net liquidity as of September 30, 2017	**411**
EBITDA OSRAM (continuing operations)	**290**
Change in net working capital[1)]	(141)
Change in other assets and liabilities	(8)
Income taxes paid	(33)
Other cash flows from operating activities[2)]	(6)
Additions to intangible assets and property, plant, and equipment	(352)
Free cash flow OSRAM (continuing operations)	**(251)**
Purchases of investments	(7)
Purchase of treasury shares	(3)
Proceeds and payments from the sale of business activities, net of cash disposed of	22
Dividends paid to shareholders of OSRAM Licht AG	(107)
Other investing and financing activities OSRAM (continuing operations)[3)]	2
Cash flows from operating, investing and financing activities discontinued operation	(4)
Net liquidity as of March 31, 2018	**63**

1) Includes changes in inventories, trade receivables, other current assets, trade payables, current provisions, and other current liabilities.
2) Includes dividends received, interest received, and other reconciling items to net cash provided by (used for) operating activities.
3) Includes non-cash effects, e.g., from currency translation, in addition to cash transactions.

Financing and Liquidity Analysis

- Proceeds and payments from the sale of business units less outgoing cash and cash equivalents included €17 million from the sale of the electro hot air devices business and €5 million from the final installment of the purchase price for LEDVANCE
- The total amount of the revolving loan facility of €950 million is available until February 2020; the term continues until February 2022 for an amount of €886 million

Financing of Pension Plans and Similar Commitments

- A moderate overall increase in the underfunding from €135 million as of September 30, 2017 to €140 million as of March 31, 2018 was driven primarily by changes in defined benefit obligations and in pension plan assets; defined benefit obligations decreased on the back of predominantly higher discount rates but pension plan assets decreased to a slightly greater extent, resulting in the modest overall increase

Net Assets

Balance Sheet Structure

in € million

	March 31, 2018	September 30, 2017	Change nominal
Assets			
Current assets	1,838	2,100	(12.5)%
therein assets held for sale	–	2	(100.0)%
Non-current assets	2,264	2,137	5.9%
Total assets	**4,102**	**4,238**	**(3.2)%**

	March 31, 2018	September 30, 2017	Change nominal
Liabilities and equity			
Current liabilities	1,227	1,280	(4.2)%
therein liabilities associated with assets held for sale	–	0	(100.0)%
Non-current liabilities	466	498	(6.3)%
Equity	2,409	2,460	(2.1)%
Total liabilities and equity	**4,102**	**4,238**	**(3.2)%**

— Decrease in current assets caused by the €354 million reduction in cash and cash equivalents
— This was attributable to cash paid for capital expenditure on intangible assets and property, plant, and equipment of €352 million (including cash paid for additions to property, plant, and equipment at OS in fiscal year 2017 that were still recognized as liabilities as of September 30, 2017) and the dividend payment of €107 million, which were not entirely offset by the cash inflow from operating activities of €97 million
— Property, plant, and equipment increased by €182 million as a result of capital expenditure on new manufacturing capacity at OS > Note 3 l Property, Plant, and Equipment in the interim consolidated financial statements
— The dividend payment of €107 million reduced both equity and other comprehensive income (loss), net of tax, which amounted to a loss of €49 million; equity only fell by around €51 million overall due to the net income of €105 million

Report on Expected Developments

On April 24, 2018, the Managing Board of OSRAM Licht AG decided to adjust the forecast for fiscal year 2018 (continuing operations) that was explained in detail in the » 2017 Annual Report, A.4.1 Report on Expected Developments.

The reasons for this are the uncertain macroeconomic conditions, particularly the weakness of the U.S. dollar against the euro, and the slower business development in the first half of fiscal year 2018. Based on current exchange rates, a comparable revenue increase of 3.0–5.0% (previously: 5.5–7.5%) and adjusted EBITDA of around €640 million (previously: around €700 million) are now forecast. Furthermore, OSRAM expects earnings per share (diluted) of €1.90–€2.10 (previously: €2.40–€2.60) and a negative free cash flow of €50 million to €150 million (unchanged) for fiscal year 2018.

The 'OSRAM future concept' agreed upon with the employee representatives in summer 2017 is entering the next phase as planned. This future concept is designed to facilitate the orderly transformation of the employment structure at the German locations and in non-production functions. This should safeguard the Company's competitiveness and profitability over the long term. The Managing Board will now enter into further talks with the employee representatives on implementation of the necessary measures. According to preliminary estimates, these measures may result in an extraordinary expense before tax of €60–70 million. It is not currently possible to predict precisely how long the negotiations with the employee representatives will take. The adjusted outlook for earnings per share (diluted) for the current fiscal year 2018 therefore does not reflect this extraordinary expense.

Report on Risks and Opportunities

In our » Annual Report for Fiscal Year 2017, we described the structure of our risk management system and presented material opportunities as well as material risks that could have particularly adverse effects on our business, and on our net assets, financial position, and results of operations, or that are highly likely to occur. The following risk is now categorized as such a risk:
The significant expansion of our production volume has led to higher procurement risks. The risk from reliance on sole suppliers, e.g., the curbing of production in the event of delivery problems, would therefore have a higher financial impact in the form of recourse payments and reduced revenue. On the procurement side, there continues to be general surplus demand for certain electronic components, which could also lead to delivery bottlenecks.

The assessment of foreign currency risks as described in the Annual Report for Fiscal Year 2017 under Financial Market Risks in our view was confirmed by the interim depreciation of the U.S. dollar against the euro and the continuing uncertainty about the development of the exchange rate going forward. A current evaluation of all risks results in a relative higher exposure compared to the assessment as of September 30, 2017.

The other risks and opportunities described in the » Annual Report for Fiscal Year 2017 did not change significantly in the six months ended March 31, 2018. Additional risks of which we are not currently aware or which we currently consider to be insignificant could also adversely affect our business activities. The Managing Board remains confident that the Group's profitability forms a solid basis for our future business performance and provides the resources needed to pursue the opportunities available to the OSRAM Licht Group. From the current perspective, the Managing Board considers that the risks described above are manageable and do not, either individually or together, appear to endanger the OSRAM Licht Group's continued existence as a going concern.

Reconciliation of Key Performance Indicators

This section shows the calculation of performance indicators that are described in more detail in the » 2017 Annual Report, A.1.2 Performance Management. There is also a reconciliation of alternative performance measures (APMs) to the most similar IFRS measures. Definitions of the key performance measures that can be directly derived from line items or subtotals in the IFRS consolidated financial statements can be found in the » 2017 Annual Report, A.1.2 Performance Management and the » 2017 Annual Report, A.2.6 Reconciliation of Key Performance Indicators.

Comparable Revenue Growth

Six months ended March 31,

Comparable Change in Revenue[1)]

Nominal revenue growth - currency translation effects - portfolio effects = comparable revenue growth

OSRAM (continuing operations)

2018: (0.2)% - (7.2)% - 3.7% = 3.4%   **2017:** 8.6% - 0.9% - (0.9)% = 8.6%

Currency Translation Effects

$$\frac{\text{Revenue in reporting period at exchange rate in reporting period - revenue in reporting period at prior period exchange rate}}{\text{Prior period revenue at prior period exchange rate}}$$

OSRAM (continuing operations)

2018: $\frac{2.038 - 2.186}{2{,}042}$ = (7.2)%   **2017:** $\frac{2{,}042 - 2{,}026}{1{,}881}$ = 0.9%

Portfolio Effects

$$\frac{\text{Revenue from acquisitions in reporting period and desinvestments prior period, cross-selling and contract-manufacturing agreements with LEDVANCE, as well as changes in the allocation of business activities}}{\text{Prior period revenue (OSRAM/segment/region/technology)}}$$

OSRAM (continuing operations)

2018: $\frac{75}{2{,}042}$ = 3,7%   **2017:** $\frac{(17)}{1{,}881}$ = (0,9)%

1) Portfolio changes during the fiscal year have a pro rata effect in the period following the acquisition/divestment, since there are only portfolio effects in the period of the portfolio change during those reporting months when the acquired company belongs to OSRAM, or the company disposed of no longer belongs to OSRAM. Thus, in the subsequent period, there are portfolio effects relating to the months in the period of the portfolio change during which the acquired company was not yet part of OSRAM or the company disposed of was still part of OSRAM. In addition, revenue from cross-selling and contract-manufacturing agreements with LEDVANCE is eliminated.

EBITDA and EBITDA Margin

EBITDA

in € million

	OSRAM (continuing operations)	
	Six months ended March 31,	
	2018	2017
Net income OSRAM (continuing operations)	115	172
Income taxes	45	73
Financial result[1)]	5	5
Amortization, depreciation, and impairments[2)]	125	108
EBITDA[3)]	**290**	**357**

1) Income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other net financial income or expense.

2) Net of reversals of impairment losses.

3) EBITDA (earnings before interest, taxes, depreciation, and amortization) is earnings before net financial income or expense, income taxes, amortization and impairment of intangible assets (goodwill and other assets) and depreciation and impairment of property, plant, and equipment, net of reversals of impairment losses.

EBITDA Margin and EBITDA Margin, Adjusted

in € million

	OSRAM (continuing operations)	
	Six months ended March 31,	
	2018	2017
Revenue	2,038	2,042
EBITDA	290	357
EBITDA margin	**14.2%**	**17.5%**
Special items	(34)	(6)
thereof transformation costs[1)]	(28)	(1)
thereof acquisition related costs [2)]	(4)	(5)
thereof others	(2)	-
EBITDA, adjusted	324	362
EBITDA margin, adjusted	**15.9%**	**17.7%**

1) Transformation costs, which impact on EBITDA, result mainly from the measures needed to strengthen our competitiveness (changes to manufacturing capacity, improvement of the cost position, etc.).

2) Acquisition-related costs, which also impact on EBITDA, comprise costs incurred in connection with the acquisition and disposal of companies, equity investments, and other businesses. In particular, these include the cost of legal and other advice as well as costs for integration/disposal.

Events After the Reporting Date

On May 2, 2018, OSRAM contractually agreed the acquisition of Fluence Bioengineering Inc., Austin, U.S.A., by the Specialty Lighting Business Unit. Fluence specializes in LED-based plant cultivation systems for a variety of applications, such as vertical farming. This makes it possible to grow plants particularly in urban areas. The transaction is expected to be completed in the second half of fiscal year 2018.

Furthermore, OSRAM contractually agreed the acquisition of Vixar Inc., Plymouth, U.S.A., on May 3, 2018. Scheduled for completion in the second half of fiscal year 2018, the acquisition will strengthen OSRAM's expertise in semiconductor-based optical security technology, with applications ranging from healthcare to industry and automotive in the Opto Semiconductors Business Unit.

Other than the above, no transactions of particular significance or with material effects on the net assets, financial position, or results of operations have occurred since the reporting date of March 31, 2018.

Condensed Interim Consolidated Financial Statements

for the Six Months Ended March 31, 2018

According to IFRS

Consolidated Statement of Income

OSRAM Licht Group – Consolidated Statement of Income (unaudited)

For the six months ended March 31, 2018 and 2017

in € million, if not stated otherwise

		Six months ended March 31,	
	Note	2018	2017
Revenue		2,038	2,042
Cost of goods sold and services rendered		(1,341)	(1,296)
Gross profit		697	746
Research and development expenses		(200)	(177)
Marketing, selling and general administrative expenses		(342)	(339)
Other operating income		22	20
Other operating expenses		(12)	0
Income (loss) from investments accounted for using the equity method, net		(3)	(1)
Interest income		2	3
Interest expenses		(5)	(6)
Other financial income (expenses), net		1	(2)
Income before income taxes OSRAM (continuing operations)		**160**	**245**
Income taxes		(45)	(73)
Income OSRAM (continuing operations)		**115**	**172**
Income (loss) from discontinued operation, net of tax	Note 2	(10)	(49)
Net income		**105**	**122**
Attributable to:			
Non-controlling interests		1	2
Shareholders of OSRAM Licht AG		103	120
Basic earnings per share (in €)	Note 7	1.07	1.23
Diluted earnings per share (in €)	Note 7	1.07	1.22
Basic earnings per share (in €) OSRAM (continuing operations)	Note 7	1.17	1.73
Diluted earnings per share (in €) OSRAM (continuing operations)	Note 7	1.17	1.73

Minor differences may occur due to rounding.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income

OSRAM Licht Group – Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended March 31, 2018 and 2017

in € million

	Six months ended March 31,	
	2018	2017
Net income	105	122
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(33)	56
therein: income tax	*(19)*	*(30)*
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(16)	58
Available-for-sale financial assets	0	0
therein: income tax	*0*	*0*
Derivative financial instruments	0	0
therein: income tax	*0*	*0*
	(16)	**58**
Other comprehensive income (loss), net of tax	**(49)**	**115**
Total comprehensive income (loss)	**56**	**237**
Attributable to:		
Non-controlling interests	2	2
Shareholders of OSRAM Licht AG	54	235

Minor differences may occur due to rounding.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Financial Position

OSRAM Licht Group – Consolidated Statement of Financial Position

As of March 31, 2018 (unaudited) and September 30, 2017

in € million	Note	March 31, 2018	September 30, 2017
ASSETS			
Current assets			
Cash and cash equivalents		255	609
Available-for-sale financial assets		2	2
Trade receivables		641	634
Other current financial assets		61	44
Inventories		725	662
Income tax receivables		34	35
Other current assets		120	112
Assets held for sale		-	2
Total current assets		**1,838**	**2,100**
Goodwill		146	148
Other intangible assets		143	142
Property, plant, and equipment	Note 3	1,578	1,396
Investments accounted for using the equity method		65	66
Other financial assets		13	13
Deferred tax assets		269	314
Other assets		49	59
Total assets		**4,102**	**4,238**

Minor differences may occur due to rounding.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

OSRAM Licht Group – Consolidated Statement of Financial Position

As of March 31, 2018 (unaudited) and September 30, 2017

in € million	March 31, 2018	September 30, 2017
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt and current maturities of long-term debt	26	16
Trade payables	694	752
Other current financial liabilities	32	29
Current provisions	72	75
Income tax payables	92	99
Other current liabilities	311	309
Liabilities associated with assets held for sale	-	0
Total current liabilities	**1,227**	**1,280**
Long-term debt	168	184
Pension plans and similar commitments	149	150
Deferred tax liabilities	2	10
Provisions	31	32
Other financial liabilities	9	10
Other liabilities	107	111
Total liabilities	**1,693**	**1,778**
Equity		
Common stock, no par value	105	105
Additional paid-in capital	2,032	2,035
Retained earnings	659	699
Other components of equity	(11)	5
Treasury shares, at cost	(386)	(392)
Total equity attributable to shareholders of OSRAM Licht AG	**2,399**	**2,452**
Non-controlling interests	10	8
Total equity	**2,409**	**2,460**
Total liabilities and equity	**4,102**	**4,238**

Minor differences may occur due to rounding.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Cash Flows

OSRAM Licht Group – Consolidated Statement of Cash Flows (unaudited)

For the six months ended March 31, 2018 and 2017

in € million		Six months ended March 31,	
	Note	2018	2017
Cash flows from operating activities			
Net income		105	122
Adjustments to reconcile net income to cash provided (used in) operating activities			
Income (loss) from discontinued operation, net of tax	Note 2	10	49
Amortization, depreciation, and impairments		125	108
Income taxes		45	73
Interest (income) expenses, net		3	2
(Gains) losses on sales and disposals of businesses, intangible assets and property, plant, and equipment, net		(15)	(17)
(Gains) losses on sales of investments, net		–	0
Other (income) loss from investments		3	1
Other non-cash (income) expenses		6	(1)
Change in current assets and liabilities			
(Increase) decrease in inventories		(65)	(36)
(Increase) decrease in trade receivables		(23)	(24)
(Increase) decrease in other current assets		(28)	4
Increase (decrease) in trade payables		(4)	62
Increase (decrease) in current provisions		(5)	(13)
Increase (decrease) in other current liabilities		(16)	(53)
Change in other assets and liabilities		(8)	2
Income taxes paid		(33)	1
Interest received		2	4
Net cash provided by (used in) operating activities OSRAM (continuing operations)		**101**	**283**
Net cash provided by (used in) operating activities discontinued operation		(4)	(83)
Net cash provided by (used in) operating activities OSRAM Licht Group (total)		**97**	**200**

Minor differences may occur due to rounding.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

OSRAM Licht Group – Consolidated Statement of Cash Flows (unaudited)

For the six months ended March 31, 2018 and 2017

in € million

	Note	Six months ended March 31, 2018	2017
Net cash provided by (used in) operating activities OSRAM Licht Group (total)			
Additions to intangible assets and property, plant, and equipment	Note 3	(352)	(195)
Acquisitions, net of cash acquired		(7)	(62)
Purchases of investments		(3)	(8)
Proceeds and payments from disposal of investments, intangible assets and property, plant, and equipment		6	27
Proceeds and payments from the sale of business activities, net of cash disposed of	Note 2	22	388
Net cash provided by (used in) investing activities OSRAM (continuing operations)		**(334)**	**151**
Net cash provided by (used in) investing activities discontinued operation		–	(14)
Net cash provided by (used in) investing activities OSRAM Licht Group (total)		**(334)**	**137**
Cash flows from financing activities			
Purchase of treasury shares		–	(158)
Proceeds from issuance of long-term debt		–	150
Repayment of long-term debt		(4)	(4)
Change in short-term debt and other financing activities		(1)	7
Interest paid		(2)	(6)
Dividends paid to shareholders of OSRAM Licht AG		(107)	(97)
Dividends paid to non-controlling interest shareholders		–	(3)
Net cash provided by (used in) financing activities OSRAM (continuing operations)		**(114)**	**(111)**
Net cash provided by (used in) financing activities discontinued operation		–	(16)
Net cash provided by (used in) financing activities OSRAM Licht Group (total)		**(114)**	**(126)**
Effect of exchange rates on cash and cash equivalents		(3)	11
Net increase (decrease) in cash and cash equivalents		(354)	222
Cash and cash equivalents at beginning of period		609	559
Cash and cash equivalents at end of period		255	781
Cash and cash equivalents at end of period (consolidated statement of financial position)		**255**	**781**

Minor differences may occur due to rounding.
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Changes in Equity

OSRAM Licht Group – Consolidated Statement of Changes in Equity (unaudited)

For the six months ended March 31, 2018 and 2017

in € million

	Common stock	Additional paid-in capital	Retained earnings	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of OSRAM Licht AG	Non-controlling interests	Total equity
Balance as of October 1, 2016	**105**	**2,035**	**512**	**59**	**1**	**0**	**(237)**	**2,473**	**13**	**2,486**
Net income	–	–	120	–	–	–	–	120	2	122
Other comprehensive income (loss), net of tax	–	–	56 [1)]	58	0	0	–	115	0 [2)]	115
Total comprehensive income (loss), net of tax	**–**	**–**	**177**	**58**	**0**	**0**	**–**	**235**	**2**	**237**
Purchase of treasury shares	–	–	–	–	–	–	(160)	(160)	–	(160)
Re-issuance of treasury shares	–	–	–	–	–	–	3	3	–	3
Dividends	–	–	(97)	–	–	–	–	(97)	(3)	(100)
Other changes in equity	–	2	0	–	–	–	–	2	1	3
Balance as of March 31, 2017	**105**	**2,037**	**591**	**117**	**1**	**0**	**(394)**	**2,456**	**12**	**2,468**
Balance as of October 1, 2017	**105**	**2,035**	**699**	**5**	**1**	**0**	**(392)**	**2,452**	**8**	**2,460**
Net income	–	–	103	–	–	–	–	103	1	105
Other comprehensive income (loss), net of tax	–	–	(33) [1)]	(17)	0	0	–	(49)	0 [2)]	(49)
Total comprehensive income (loss), net of tax	**–**	**–**	**71**	**(17)**	**0**	**0**	**–**	**54**	**2**	**56**
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–
Re-issuance of treasury shares	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	(107)	–	–	–	–	(107)	–	(107)
Other changes in equity	–	(3)	(4)	–	–	–	7	0	–	0
Balance as of March 31, 2018	**105**	**2,032**	**659**	**(12)**	**1**	**0**	**(386)**	**2,399**	**10**	**2,409**

1) Other comprehensive income (loss), net of tax, attributable to shareholders of OSRAM Licht AG includes remeasurement losses on defined benefit plans for the six months ended March 31, 2018 of €33 million; for the six months ended March 31, 2017, it includes remeasurement gains of €56 million.

2) Other comprehensive income (loss), net of tax, attributable to non-controlling interests includes currency translation differences for the six months ended March 31, 2018, and March 31, 2017, of €0 million and €0 respectively.

Minor differences may occur due to rounding.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

Segment Information

OSRAM Licht Group – Notes to the Condensed Interim Consolidated Financial Statements – Segment Reporting

For the six months ended March 31, 2018 und 2017 (unaudited) and as of March 31, 2018 (unaudited) and September 30, 2017

in € million

	External revenue		Intersegment revenue		Total revenue		EBITDA[1]	
	2018	2017	2018	2017	2018	2017	2018	2017
SEGMENTS								
Opto Semiconductors	421	384	415	433	836	817	207	226
Specialty Lighting	1,120	1,196	–	2	1,120	1,198	168	187
Lighting Solutions & Systems	466	454	–	41	466	494	(36)	(16)
Total segments	**2,007**	**2,033**	**415**	**475**	**2,422**	**2,509**	**339**	**397**
Reconciliation to interim consolidated financial statements								
Corporate items and pensions	31	9	–	39	31	47	(48)	(40)
Eliminations, corporate treasury, and other reconciling items	–	–	(415)	(514)	(415)	(514)	–	–
OSRAM (continuing operations)	2,038	**2,042**	–	–	**2,038**	**2,042**	**290**	**357**

	Assets[2]		Free cash flow[3]		Additions to intangible assets and property, plant, and equipment[4]		Amortization, depreciation, and impairments[5]	
	March 31, 2018	Sep. 30, 2017	2018	2017	2018	2017	2018	2017
SEGMENTS								
Opto Semiconductors	1,237	858	(230)	63	317	150	77	60
Specialty Lighting	748	724	69	135	24	25	31	32
Lighting Solutions & Systems	322	345	(40)	(56)	10	19	15	14
Total segments	**2,307**	**1,928**	**(201)**	**142**	**351**	**195**	**123**	**106**
Reconciliation to interim consolidated financial statements								
Corporate items and pensions	(121)	(126)	(101)	(51)	1	0	2	2
Eliminations, corporate treasury, and other reconciling items	1,915	2,435	52	(3)	–	–	–	–
OSRAM (continuing operations)	**4,102**	**4,238**	**(251)**	**88**	**352**	**195**	**125**	**108**

[1] EBITDA is earnings before net financial income or expense (income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other net financial income or expense), income taxes, and depreciation and amortization as defined below.

[2] Assets attributable to the segments and to corporate items and pensions are defined as total assets less financing receivables, tax assets, non-interest-bearing provisions and liabilities, and liabilities other than tax liabilities (e.g., trade payables).

[3] Free cash flow is net cash provided by (used for) 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

[4] Additions to intangible assets and property, plant, and equipment are defined as capital expenditures.

[5] Depreciation, amortization and impairments comprises impairment losses on goodwill and amortization of, and impairment losses on, other intangible assets, net of reversals of impairment losses as well as depreciation of, and impairment losses on, property, plant, and equipment, net of reversals of impairment losses.

Minor differences may occur due to rounding.

1 | Basis of Preparation

These condensed interim consolidated financial statements ('interim consolidated financial statements') are for OSRAM Licht AG, Munich, and its subsidiaries ('OSRAM Licht Group' or 'OSRAM'). OSRAM is a leading global provider of lighting technology and operates worldwide via a number of legal entities.

The OSRAM Licht Group prepared these interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*; they should be read in conjunction with the » consolidated financial statements of OSRAM Licht AG for fiscal year 2017, which were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The interim consolidated financial statements apply the same accounting policies as those used for the preparation of the » consolidated financial statements for fiscal year 2017. When preparing the interim consolidated financial statements, the Managing Board was required to make estimates and assumptions that influenced the application of the accounting principles and the reported amounts of income, expenses, assets, and liabilities, for example in connection with evaluating obligations relating to restructuring measures. Actual results may differ from these estimates.

The interim consolidated financial statements have been prepared in millions of euros (€ m). Due to rounding, differences may arise when individual amounts or percentages are added together. The interim consolidated financial statements were authorized for issue by the Managing Board of OSRAM Licht AG, Marcel-Breuer-Strasse 6, 80807 Munich, Germany, on May 8, 2018.

In addition to these interim consolidated financial statements, the Interim Report includes the > group interim management report, which presents the business performance in the first half of fiscal year 2018 and its effects on the net assets, financial position, and results of operations.

Income Taxes

In interim reporting periods, the income tax expense is calculated on the basis of the currently estimated effective tax rate for the full fiscal year. Income taxes in other comprehensive income (loss) in interim reporting periods are calculated on the basis of the relevant figures as of the interim reporting date.

Recent Accounting Pronouncements, not yet Adopted

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*. IFRS 9 was adopted into European law in November 2016.

OSRAM intends to apply IFRS 9 for the first time at the start of fiscal year 2019. As well as the accounting changes described below, application of IFRS 9 will necessitate additional disclosures in accordance with IFRS 7 *Financial Instruments: Disclosures*.

IFRS 9 takes a new approach to the classification and measurement of financial assets that reflects the business model under which the assets are held and the characteristics of their cash flows.

IFRS 9 defines three categories of financial assets: those measured at amortized cost, those measured at fair value whose gains and losses are recognized in profit or loss (FVTPL), and those measured at fair value whose gains and losses are recognized in other comprehensive income (FVOCI).

Based on a preliminary assessment, OSRAM's view is that trade receivables from customers that are sold to a factoring company in connection with customers' supply-chain financing programs need to be measured at fair value through profit or loss under IFRS 9, whereas they are currently measured at amortized cost under IAS 39. As a result, the gains or losses from the planned sale at a later date will have to be recognized earlier.

As of March 31, 2018, the Group had equity instruments classified as available for sale with a fair value of €2 million. IFRS 9 provides the option of classifying these equity securities as either FVOCI or FVTPL. In the event of allocation to the FVOCI category, fair value gains and losses are not reclassified from equity to the income statement, even if the equity instruments are subsequently sold. At present, OSRAM plans to exercise this option for some of the equity instruments that it holds.

IFRS 9 contains a new expected loss impairment model. Based on a preliminary assessment, OSRAM's view is that this will not have any significant impact on the level of accumulated valuation allowances at the time of initial application of IFRS 9. In some cases, impairment losses may have to be recognized earlier than is the case under IAS 39. For the bulk of the receivables, the valuation allowances will be calculated under IFRS 9 on the basis of the customer's individual credit rating.

The rules on hedge accounting are also changing as a result of IFRS 9. OSRAM uses derivative financial instruments, especially forward exchange contracts, to hedge against exchange rate fluctuations. Certain derivative financial instruments that are used to hedge forecast transactions and executory contracts and that meet the requirements for hedge accounting are accounted for as cash flow hedges. At the moment, the IASB gives all companies the option of continuing to apply the current hedge accounting rules pursuant to IAS 39 for the time being. However, the decision on choosing whether to carry out hedge accounting in accordance with IFRS 9 or IAS 39 can only be made once. Although this option will still be available when OSRAM adopts IFRS 9 for the first time, OSRAM will not exercise it. The latest assessment showed that the types of hedge that the Group currently uses will also meet the requirements of IFRS 9 regarding hedge accounting.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The standard contains a five-step model for revenue recognition that has to be applied to all contracts with customers and that stipulates when, and in what amount, revenue has to be recognized for the performance obligations in a contract. In May 2016, the IASB also issued clarifications to IFRS 15 relating to matters such as licensing contracts, the identification of separate performance obligations, and principal versus agent considerations. The standard was adopted into European law in October 2016 and the clarifications in November 2017.

OSRAM will apply IFRS 15 for the first time at the start of fiscal year 2019. When applying the new rules of IFRS 15 for the first time, companies can choose between full retrospective adoption and modified retrospective adoption. OSRAM has decided on modified retrospective adoption, which means that it will not restate the comparative figures for fiscal year 2018 when it applies the new rules for the first time for fiscal year 2019.

OSRAM has analyzed how IFRS 15 will affect the main business models in all of the Group's business units. The first step was to identify the business models and, using a standardized questionnaire, analyze whether they might be affected by IFRS 15. Representative contracts were then analyzed to verify the information obtained from the questionnaires. Next, what were deemed to be the main impacts of IFRS 15 were critically examined.

This analysis found that IFRS 15 will, in particular, lead to changes to accounting treatment in terms of the timing of revenue recognition. The main affected areas are:

- Transportation: The concept of the passing of control pursuant to IFRS 15 may, depending on the contractual provisions and delivery terms, cause revenue to be recognized later than under the current accounting treatment.
- Consignment warehouse: Where a consignment warehouse is located at the customer's premises, revenue may be recognized earlier than under the current accounting treatment if control passes before the customer has withdrawn goods from the warehouse.
- Customer-specific manufacturing: In the case of products whose specifications mean that they can only be sold to one particular customer, revenue may be recognized earlier than under the current accounting treatment.

An analysis showed that the cumulative effect for fiscal year 2017 of postponing revenue in respect of the aforementioned three areas would be approximately 1% of consolidated revenue.

The analysis carried out shows that the identification and separation of additional performance obligations and the determination of the transaction price will not cause any major changes. OSRAM will exercise the IFRS 15 option regarding the costs of obtaining a contract in such a way that these costs continue to be recognized directly through profit or loss, provided that the amortization period that would have to be applied in the event of recognition as an asset does not exceed one year.

In the first half of fiscal year 2018, the required modifications to systems and processes were analyzed, and their implementation began, to ensure that the accounting (including new disclosures) for fiscal year 2019 is compliant with IFRS 15.

IFRS 16 Leases

On January 13, 2016, the IASB published the final version of IFRS 16 Leases, its standard addressing the accounting treatment of leases. IFRS 16 specifies a single accounting model for lessees in which a lessee is required to recognize a right-of-use asset and a lease liability in its statement of financial position on the commencement date. In an exemption, a lessee may elect not to apply the requirement to recognize a right-of-use asset and a lease liability for short-term leases with a term of no more than twelve months or leases in which the underlying asset is of low value. Instead, the lessee must then recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The rules for lessors are largely unchanged from those specified in IAS 17. The new standard for leases also includes stipulations governing reporting, disclosures, and sale-and-leaseback transactions. IFRS 16 supersedes IAS 17 and the related interpretations (IFRIC 4, SIC-15, and SIC-27); application is mandatory in annual periods beginning on or after January 1, 2019. Early adoption is permitted, but only if IFRS 15 Revenue from Contracts with Customers is adopted at the same time. The standard was adopted into European law in November 2017. OSRAM is currently assessing the impact of adopting IFRS 16 on the consolidated financial statements.

The actual impact on the consolidated financial statements at the time of first-time adoption of IFRS 16 depends on future economic conditions, such as the interest rates relevant to the Group as of October 1, 2019, the composition of the portfolio of leases as of this date, the Group's assessment regarding the exercise of extension options, and the extent to which the Group utilizes exceptions and recognition exemptions. The most significant impact identified so far is that the Group will recognize new assets and liabilities for its operating leases, particularly in connection with the rental of buildings. Furthermore, the nature of the expenses associated with these leases will change because IFRS 16 replaces the expenses recognized for operating leases using the straight-line method with depreciation charges for the right-of-use asset and interest expenses for the lease liability.

2 I Acquisitions, Disposals, and Discontinued Operations

Acquisition of Digital Lumens

On September 1, 2017, OSRAM acquired 100% of the shares in Digital Lumens, Inc., Boston, U.S.A. By acquiring Digital Lumens, OSRAM is expanding its business with digital lighting solutions and adding to its expertise in software, sensors, and connectivity, particularly in the industrial sector. The purchase price amounted to approximately USD 53 million (around €45 million) including cash acquired of USD 5 million (around €4 million). The purchase price was paid in cash.

The following disclosures resulting from the purchase price allocation, which was completed in the reporting period, show the values recognized at the acquisition date for the major groups of assets acquired and liabilities assumed: intangible assets €9 million, deferred tax assets €6 million, inventories €5 million, receivables €5 million (the principal amount of the receivables was €5 million), liabilities and provisions €8 million, and deferred tax liabilities €3 million. Intangible assets predominantly consist of technologies of €5 million with useful lives of up to ten years and customer relationships of €4 million with useful lives of up to six years. The goodwill of €25 million comprises intangible assets that are not separable, such as employee know-how and expected synergy effects, and is not tax deductible. Digital Lumens is reported as an operating segment within LSS.

Acquisition of BAG

On March 15, 2018, OSRAM contractually agreed to purchase the shares in BAG electronics GmbH, Arnsberg, and its subsidiaries BAG Electronics Inc., Manila, Philippines, and TRILUX Lighting Inc., Mamplasan, Philippines. BAG specializes in electronic ballasts, LED modules, and software for innovative LED lighting solutions, such as for human-centric lighting (HCL). The transaction is expected to be completed by the end of fiscal year 2018 for a mid-double-digit million euro amount and thus has no effect on this half-year financial report.

Other Acquisitions

On December 15, 2017, OSRAM acquired the operating business of Pacific Light Technologies Corp., Portland, U.S.A. The acquisition strengthens the Opto Semiconductors (OS) Business Unit. The purchase price amounted to approximately USD 9 million (around €8 million). The acquisition resulted in goodwill of €3 million that is not tax deductible.

In the first half of fiscal year 2018, OSRAM also made an equity investment in Blickfeld GmbH, Munich, GoodIP GmbH, Munich, and Beaconsmind AG, Zurich, Switzerland, which are accounted for using the equity method.

Agreement Between OSRAM and Continental

On March 29, 2018, OSRAM and Continental contractually agreed to pool their expertise in lighting, light management, and electronics by setting up a company that will be run as a subsidiary of OSRAM Licht AG. Its product portfolio will include semiconductor-based lighting modules, such as LED modules for front and rear headlights, laser modules, and lighting control units. The company should go into operation in the second half of calendar year 2018, subject to the necessary antitrust approvals.

Sale of the Disposal Group Electro Hot Air Devices Business

On August 23, 2017, OSRAM contractually agreed the sale of its electro hot air devices business in the Specialty Lighting (SP) Business Unit to TUTCO, LLC, Cookeville, U.S.A. The transaction was completed at the start of November 2017 for a low double-digit million euro amount.

Discontinued Operation

The final installment of the purchase price for the sale of LEDVANCE, in the amount of €5 million, was paid in fiscal year 2018. As a result, the purchase price has now been paid in full. The net loss from the discontinued operation in fiscal year 2018 included expenses that were directly connected with the sale but were not incurred until fiscal year 2018.

3 I Property, Plant, and Equipment

In the six months ended March 31, 2018, the carrying amount of property, plant, and equipment increased by €182 million to €1,578 million (six months ended March 31, 2017: increase by €116 million to €1,176 million). In the reporting period, this increase included additions of €277 million (six months ended March 31, 2017: €222 million), in particular in connection with advances to suppliers and construction in progress, as well as technical machinery and equipment.

As of March 31, 2018, contractual obligations to purchase property, plant, and equipment amounted to €165 million (March 31, 2017: €347 million). These contractual obligations—as in the case of additions to property, plant, and equipment—relate mainly to capital expenditure on building the new LED chip factory in Kulim, Malaysia, and expanding the capacity of the plants in Regensburg, Penang, Malaysia and Wuxi, China.

4 I Personnel-related Restructuring Expenses

In the first six months of the fiscal year, OSRAM undertook measures throughout the Company to improve processes and make structural adjustments in production, sales, administration, and other indirect functions.

Personnel-related restructuring expenses in connection with these measures were incurred in the amount of €9 million in the six months ended March 31, 2018 (six months ended March 31, 2017: €5 million). These expenses were mainly incurred in Germany, primarily in connection with individual personnel-related restructuring measures at OSRAM GmbH, including pre-retirement part-time employment agreements and special contributions to the company pension plan.

In the six months ended March 31, 2018, and March 31, 2017, personnel-related restructuring expenses primarily affected cost of goods sold and services rendered, marketing, selling, and general administrative expenses, and research and development expenses.

5 I Legal Proceedings

Information regarding investigations and other legal proceedings, as well as the possible related risks and financial implications for OSRAM, are contained in the ≫ consolidated financial statements of OSRAM Licht AG for fiscal year 2017.

There have been no significant developments since the consolidated financial statements of OSRAM Licht AG for fiscal year 2017 were prepared.

OSRAM was named as a defendant in various legal disputes and proceedings in connection with its business activities, including fire damage investigations. Some of the legal actions include claims for indeterminate amounts of damages and/or punitive damages claims. In light of the number of legal disputes and other proceedings in which OSRAM is involved, there is a possibility that some of these proceedings could result in rulings against OSRAM that may have a considerable effect on OSRAM's net assets, financial position, and results of operations.

Carrying Amounts and Fair Values of Financial Assets and Liabilities

in € million

	Fair value hierarchy[1]	March 31, 2018 Carrying amount	March 31, 2018 Fair value	September 30, 2017 Carrying amount	September 30, 2017 Fair value
Financial assets					
Cash and cash equivalents[2]	n.a.	255	255	609	609
Available-for-sale financial assets[3]	Level 1	2	2	2	2
Trade receivables	n.a.	641	641	634	634
Other financial assets					
Derivatives not designated in a hedge accounting relationship	Level 2	4	4	2	2
Derivatives in connection with cash flow hedges	Level 2	0	0	0	0
Other financial assets	n.a.	70	70	56	56
Assets held for sale	n.a.	-	–	1	1
Financial liabilities					
Debt					
Loans from banks	n.a.	194	194	200	200
Trade payables	n.a.	694	694	752	752
Other financial liabilities					
Derivatives not designated in a hedge accounting relationship	Level 2	5	5	4	4
Derivatives in connection with cash flow hedges	Level 2	1	1	0	0
Other financial liabilities	n.a.	35	35	35	35
Liabilities associated with assets held for sale	n.a.	-	-	0	0

1) Only relevant for financial instruments carried at fair value. All other financial instruments are carried at cost or amortized cost. The methods for determining the fair values of financial instruments carried at fair value in the statement of financial position are described in the » consolidated financial statements of OSRAM Licht AG for fiscal year 2017.

2) Cash and cash equivalents consists primarily of deposits at banks with an investment grade rating and includes cash (predominantly denominated in euros or U.S. dollars) in checking accounts and fixed-term deposits with an original term of between one day (overnight deposits) and three months. To a small extent, it also includes checks and cash on hand. In the previous year, it also included money market instruments of €63 million.

3) The current portion of the OSRAM Licht Group's available-for-sale financial assets mainly comprises fund shares.

Currency Risk

Transaction Risk and Currency Risk Management

The policies for the foreign currency management system used throughout the Group were amended with effect from February 1, 2018. Now, every OSRAM company is obliged to hedge 100% of its net foreign currency exposure for a planning horizon of at least three months. Before this change, the companies were required to hedge their net foreign currency exposure within a band ranging from 75% as a minimum up to 100% for a planning horizon of at least three months. The main currency risks arising in connection with financial items in the statement of financial position and in connection with executory contracts and planned transactions are in respect of the U.S. dollar.

7 I Earnings per Share

Earnings per Share

in € million, if not stated otherwise

		Six months ended March 31, 2018	2017
Net income		105	122
Less: portion attributable to non-controlling interests		1	2
Net income attributable to shareholders of OSRAM Licht AG		**103**	**120**
Weighted average shares outstanding – basic	in thousands	96,507	98,050
Effect of dilutive potential equity instruments	in thousands	404	339
Weighted average shares outstanding – diluted	in thousands	**96,911**	**98,389**
Basic earnings per share	in €	1.07	1.23
Diluted earnings per share	in €	1.07	1.22
Basic earnings per share OSRAM (continuing operations)	in €	1.17	1.73
Diluted earnings per share OSRAM (continuing operations)	in €	1.17	1.73
Basic earnings per share OSRAM (discontinued operation)	in €	(0.10)	(0.50)
Diluted earnings per share OSRAM (discontinued operation)	in €	(0.10)	(0.50)

New tranches were issued under the existing programs for granting performance-based stock awards to the Managing Board of OSRAM Licht AG and senior managers in the OSRAM Licht Group (OSRAM Stock Awards) in the first six months of fiscal years 2018 and 2017. As of March 31, 2018, there was an average of 101,219 outstanding awards whose inclusion would not have a dilutive effect on earnings per share.

The number of treasury shares decreased from 8,289,639 as of September 30, 2017 to 8,145,509 as of March 31, 2018. This change resulted from the transfer of 108,440 shares in November 2017 under the stock award and bonus award programs and the issue of 35,690 shares under the employee share program (Base Share Program) in the second quarter of fiscal year 2018.

In the second quarter of fiscal year 2018, a dividend of €107 million was distributed from the unappropriated profit of OSRAM Licht AG for fiscal year 2017 in accordance with the resolution adopted at the Annual General Meeting in February 2018. This corresponds to a dividend of €1.11 per dividend-bearing share.

8 I Segment Information

Reconciliation EBITDA to Income before Income Taxes

in € million

	Six months ended March 31, 2018	2017
EBITDA	**290**	**357**
Amortization, depreciation, and impairment	(125)	(108)
Income (loss) from investments accounted for using the equity method, net	(3)	(1)
Interest income	2	3
Interest expense	(5)	(6)
Other financial income (expense), net	1	(2)
Income before income taxes OSRAM (continuing operations)	**160**	**245**

The following table reconciles the total net capital employed of the segments to the total assets reported in the consolidated statement of financial position:

Reconciliation Total Segment Net Capital Employed to Total Assets

in € million

	March 31, 2018	September 30, 2017
Total segment net capital employed	**2,307**	**1,928**
Reconciliation to interim consolidated financial statements		
Net capital employed corporate items and pensions	(121)	(126)
Net capital employed Treasury[1)]	229	617
Other reconciling items		
Tax related assets	303	349
Liabilities and provisions	1,234	1,319
Pension plans and similar commitments	149	150
Total assets	**4,102**	**4,238**

1) OSRAM Treasury does not have net capital employed in the same way as an operating segment, but it is determined here in the same way as for the operating segments; the assets consist primarily of cash and cash equivalents.

9 I Related Party Disclosures

Individuals classified as related parties comprise the members of the Managing Board and the members of the Supervisory Board of OSRAM Licht AG.

Details of the remuneration of the members of the Supervisory Board and Managing Board can be found in the remuneration report, which is part of the combined management report in the » Annual Report of the OSRAM Licht Group for Fiscal Year 2017.

Dr. Werner Brandt stepped down as a member of the Supervisory Board of OSRAM Licht AG and as Chairman of the Audit Committee with effect from the end of December 31, 2017. The term of office of the other Supervisory Board members ended at the close of the Company's Annual General Meeting on February 20, 2018. The Annual General Meeting elected Peter Bauer, Dr. Christine Bortenlänger, Dr. Roland Busch, Professor Dr. Lothar Frey, Dr. Margarete Haase, and Franciscus Lakerveld as the members of the Supervisory Board representing the shareholders.

At its constitutive meeting following the Annual General Meeting, the Supervisory Board elected Peter Bauer as Chairman and Michael Knuth and Dr. Roland Busch as Deputy Chairmen of the Supervisory Board. Also at this meeting, the Supervisory Board formed its committees and appointed the members of these committees. On the same day, the members of the Audit Committee elected Dr. Margarete Haase as Chairwoman of the Audit Committee. Details of the Supervisory Board committees and their composition are published on OSRAM's website at
» http://www.osram-group.de/en/our-company/our-management/supervisory-board.

10 I Events After the Reporting Date

On May 2, 2018, OSRAM contractually agreed the acquisition of Fluence Bioengineering Inc., Austin, U.S.A., by the Specialty Lighting Business Unit. Fluence specializes in LED-based plant cultivation systems for a variety of applications, such as vertical farming. This makes it possible to grow plants particularly in urban areas. The transaction is expected to be completed in the second half of fiscal year 2018.

Furthermore, OSRAM contractually agreed the acquisition of Vixar Inc., Plymouth, U.S.A., on May 3, 2018. Scheduled for completion in the second half of fiscal year 2018, the acquisition will strengthen OSRAM's expertise in semiconductor-based optical security technology, with applications ranging from healthcare to industry and automotive in the Opto Semiconductors Business Unit.

Other than the above, no transactions of particular significance or with material effects on the net assets, financial position, or results of operations have occurred since the reporting date of March 31, 2018.

Munich, May 8, 2018

OSRAM Licht AG
The Managing Board

Dr. Olaf Berlien
Chairman of the Managing Board
(CEO)

Ingo Bank
Chief Financial Officer
(CFO)

Dr. Stefan Kampmann
Chief Technology Officer
(CTO)

Statements and Further Information

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group in the remaining months of the fiscal year.

Munich, May 8, 2018

OSRAM Licht AG
The Managing Board

Dr. Olaf Berlien
Chairman of the Managing Board
(CEO)

Ingo Bank
Chief Financial Officer
(CFO)

Dr. Stefan Kampmann
Chief Technology Officer
(CTO)

Review Report

Translation of the German Review Report concerning the review of the condensed interim consolidated financial statements and interim group management report prepared in German.

To OSRAM Licht AG, Munich

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated statement of income (Konzern-Gewinn- und Verlustrechnung), consolidated statement of comprehensive income (Konzern-Gesamtergebnisrechnung), consolidated statement of financial position (Konzernbilanz), consolidated statement of cash flows (Konzern-Kapitalflussrechnung), consolidated statement of changes in equity (Konzern-Eigenkapitalveränderungsrechnung) and notes to the condensed interim consolidated financial statements (Anhang zum verkürzten Konzernzwischenabschluss), and the interim group management report (Konzernzwischenlagebericht), of OSRAM Licht AG, Munich, for the period from 1 October 2017 to 31 March 2018 which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, May 8, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller
Wirtschaftsprüfer
(German Public Auditor)

Hinderer
Wirtschaftsprüfer
(German Public Auditor)

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This interim report is also available in German. Additionally, both can be accessed at www.osram-group.de and www.osram-group.com.
If there are any discrepancies between the two language versions, the German text is the authoritative version.

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