ON

ReInventing Light for 110 Years

Annual Report
of OSRAM Licht Group
Fiscal Year 2016

OSRAM

Contents

About this Report

This Annual Report contains the combined management report and the consolidated financial statements of OSRAM Licht AG and its subsidiaries ('OSRAM Licht Group', 'OSRAM' or 'we') for the year ended September 30, 2016 as well as further information. It complies with the annual financial reporting requirements of section 37v of the Wertpapierhandelsgesetz (WpHG—German Securities Trading Act). The combined management report includes the management report for OSRAM Licht AG in addition to the information on the OSRAM Licht Group. The combined management report also contains the › C.4.2 Remuneration Report and the › C.4.3 Corporate Governance Declaration.

S Page 171
S Page 183

In view of the agreed sale of the general lighting lamps business › A.2.2.3 Other Significant Events Responsible for the Course of Business, OSRAM reports these activities in this financial report as a discontinued operation. Consequently, the explanations in the combined management report focus on OSRAM's core business in the future, i.e., the continuing operations comprising automotive and specialty lighting, opto semiconductors, and luminaires, lighting systems, and solutions; corresponding disclosures are identified by the addition of 'continuing operations'. Information for the entire OSRAM Licht Group is presented where this is necessary to evaluate the position of the Group, or where this is required for regulatory reasons or because separate information for continuing operations is not available.

S Page 15

The combined management report—especially the › A.4.1 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 of OSRAM's sphere of influence. In particular, these include, but are not limited to, the circumstances described in › A.4.2 Report on Risks and Opportunities. 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.

S Page 49
S Page 52

OSRAM's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the consolidated financial statements and the combined management report. The unqualified audit opinion can be found in › C Statements and Further Information.

S Page 156

Fiscal year 2016 for the OSRAM Licht Group and OSRAM Licht AG began on October 1, 2015 and ended on September 30, 2016.

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

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

Unless otherwise stated, the number of employees is given in thousands of full-time equivalents (FTEs) as of the reporting date.

The objective of the content and structure of this financial report is to ensure that even greater emphasis is given to key information that is required by the regulator.

Cross-references in the text

›
Internal cross-reference
(within the document)

»
External cross-reference
(to another document or via the Internet)

Combined Management[1] Report

A

1) The combined management report includes the management report of OSRAM Licht AG in addition to the information on the OSRAM Licht Group.

A . 1

Business and Environment

A.1.1 Business Activities and Structure of OSRAM Licht Group

A.1.1.1 Business Model

OSRAM is one of the world's leading lighting manufacturers and has a history dating back more than 100 years. We see ourselves as a focused lighting technology provider in the areas of automotive and specialty lighting, opto semiconductors, luminaires, lighting systems, and solutions. Our product portfolio ranges from high-tech applications using semiconductor-based technologies, such as infrared and lasers, to networked, intelligent lighting solutions for buildings and urban areas.

The operating activities covered by our business model are organized into four Business Units: Specialty Lighting, Opto Semiconductors, Digital Systems, and Lighting Solutions.

On July 1, 2016, we separated our former Lamps Business Unit, which primarily consisted of the general lighting lamps business, under the name LEDVANCE as planned as part of the strategic realignment of our business model. We then signed an agreement for the sale of this business in the fourth quarter of the fiscal year › A.2.2.3 Other Significant Events Responsible for the Course of Business. LEDVANCE's activities are reported in our consolidated financial statements as a discontinued operation. The disclosures in the combined management report focus on the continuing operations (Specialty Lighting, Opto Semiconductors, Digital Systems, and Lighting Solutions); corresponding disclosures are identified by the addition of 'continuing operations'.

S Page 15

Specialty Lighting (SP)

The SP Business Unit offers a broad range of lamps and systems for various sectors and special applications. In terms of revenue, SP's largest business is automotive lighting using LED products and products based on traditional technologies, as well as products using innovative OLED and laser technologies. Specialty lamps for stage, cinema, and studio lighting form another area of business. SP also serves further niche applications such as those that employ light for purposes other than illumination, for example lamps for cleaning that use high-intensity UV light to disinfect the surfaces, gases, or fluids that they irradiate.

Since the start of fiscal year 2016, the activities in connection with specific pre-materials (e.g. the production of fluorescent materials), which were previously reported in the former LP Business Unit (now LEDVANCE, discontinued operation), have been allocated to SP.

SP is active in specialty lighting markets that typically have a smaller number of competitors than markets such as general lighting. In the automotive lighting business, SP is the market leader in all regions; its main competitors are Lumileds, General Electric, and Nichia. OSRAM and our competitor Ushio are the market leaders in specialty lighting and lamps for stages, cinemas, and studios.

SP employed a total of around 6.6 thousand people as of September 30, 2016. Its products are marketed globally; the largest share of revenue is generated in our EMEA reporting region › A.1.1.2 Organization and Reporting Structure and the market with the greatest growth potential is APAC › A.1.1.2 Organization and Reporting Structure.

S Page 5
S Page 5

Opto Semiconductors (OS)

The OS Business Unit develops, produces, and markets products relating to opto semiconductor technology. This includes both LEDs, which generate visible light for a wide range of lighting applications, and other opto semiconductors, which emit invisible light or receive incoming light and convert it into signals. The main sources of demand for OS products are the automotive industry, industrial and end-customer applications, and, increasingly, the general lighting sector.

OS and Nichia have been the leaders in the highly competitive opto semiconductor market for many years. In addition to Lumileds and Cree, the relevant competitors in this segment primarily come from Asia and include companies such as Samsung, Epistar, Everlight, LG Innotek, Seoul Semiconductor, Lite-On, and Toyoda Gosei.

OS employed a total of around 10.5 thousand people as of September 30, 2016. Our APAC reporting region is the largest regional market for sales of OS products, followed by EMEA.

Digital Systems (DS)

The DS Business Unit is a provider of traditional electronic control units and LED drivers, LED modules, light engines (a combination of an LED module and the related electronic control gear), and light management systems. The growing share of the volume of DS's business accounted for by LEDs is causing an increasing shift away from standard products toward customized business involving adaptive production processes.

The main competitors for LED modules, LED light engines, and electronic ballasts are Philips Lighting, Zumtobel, and Asian manufacturers such as Panasonic, Samsung, LG, Meanwell, and Delta Electronics. A large number of manufacturers also specialize in particular products.

DS employed a total of around 3.3 thousand people as of September 30, 2016. The largest share of revenue was generated in our Americas reporting region › A.1.1.2 Organization and Reporting Structure.

S Page 5

Lighting Solutions (LS)

The activities of the LS Business Unit comprise OSRAM's luminaires and solutions business. This includes both the production and sale of luminaires and the design and implementation of solutions for internal and external lighting, as well as the service business. Our luminaires are primarily used in customer-specific projects in the fields of street lighting and architectural design, as well as professional interior lighting applications. We also offer fully integrated lighting solutions in order to cater to the growing demand for networked, intelligent lighting.

The 'Lightify' product portfolio for retail customers is no longer part of LS, having been reassigned to the former LP Business Unit at the start of the fiscal year.

LS operates in a highly fragmented and regionally focused market, both for luminaires and for solutions: Together, the five leading providers account for less than 30% of the market. The main competitors in Europe are Zumtobel, Philips Lighting, Fagerhult, Trilux, Schreder, and Eglo Leuchten. Acuity, Hubbell, and Cree are the leading competitors in the Americas.

LS employed a total of around 2.2 thousand people as of September 30, 2016. The largest revenue share was generated in EMEA.

A.1.1.2 Organization and Reporting Structure

The OSRAM Licht Group comprises the parent company OSRAM Licht AG, which is headquartered in Munich, Germany and is an Aktiengesellschaft (stock corporation) in accordance with German law, and 133 subsidiaries and investees, including minority interests › Note 36 I List of Equity Investments of the OSRAM Licht Group in Accordance with Section 313 of the HGB in B.6 Notes to the Consolidated Financial Statements.

S Page 148

The OSRAM Managing Board is the body with overall responsibility for the management of the business in accordance with the *Aktiengesetz* (AktG—German Stock Corporation Act). At the level below this, the management of the four Business Units described above has overall responsibility for their respective areas; this covers everything from product development through to product sales, and includes profit and loss responsibility.

For external financial reporting purposes, OSRAM's reporting structure is split into three reportable segments plus *Reconciliation to consolidated financial statements*. The DS and LS Business Units are combined in the Lighting Solutions & Systems (LSS) segment. *Reconciliation to consolidated financial statements* firstly includes *Corporate items and pensions*, which the management does not consider to be indicative of the segments' performance. Secondly, the reconciliation is impacted by consolidation processes, the results of our Corporate Treasury, and other accounting items › A.2.3.6 Reconciliation to the Consolidated Financial Statements.

S Page 22

In addition, our business is structured by region. OSRAM's global activities (in over 120 countries and with 24 production sites) are divided into three reporting regions: EMEA (Europe, Russia, the Middle East, and Africa), APAC (Asia, Australia, and the Pacific region), and the Americas (the U.S.A., Canada, Mexico, and South America). The key locations (for continuing operations) in EMEA are Munich (Group headquarters), Regensburg, Herbrechtingen, Traunreut (all Germany), Nové Zámky (Slovakia), and Treviso (Italy). Our key locations in the Americas and APAC regions are Hillsboro, New Hampshire and Wilmington, Massachusetts (both U.S.A.), Wuxi (China), and Penang and Kulim (under construction) (both Malaysia).

Independently of the reporting segments and regions, we subdivide our business at Group level into two categories based on technologies: the LED-based business (or 'LED business' for short) and the traditional business. Our definition of the LED business includes LED products and components, combinations of LEDs, OLEDs (organic light-emitting diodes), lasers and sensors, and drivers, as well as light management systems for LED lighting solutions and associated services.

A.1.1.3 Legal and Sector-specific Conditions

In addition to the general legal requirements, statutory and regulatory requirements relating to energy-efficient and qualitative lighting are the main provisions of relevance to the OSRAM Licht Group. The last few years have been marked by comprehensive regulatory change around the world. This is a continuing trend.

Since the autumn of 2015, the European Commission has been working on further tightening the Energy Efficiency Regulation. The changes are now also aimed at luminaires rather than just lamps; in other words, in contrast to the current situation, the objective is to have efficiency requirements for entire luminaires and not simply for the light sources. This would particularly affect products in our DS and LS Business Units. In view of this update to the efficiency requirements, we are modifying the portfolio of affected products. Regardless of regulatory requirements, however, we are always working to continuously enhance the efficiency of our products.

In the case of another set of European rules (Restriction of Hazardous Substances, RoHS), discussions are currently taking place with the European Commission to renegotiate the structure of exemption renewals (for example, for mercury in lamps). This has a particular impact on products in our Specialty Lighting Business Unit.

The global implementation of the Minamata Convention, an international treaty to reduce worldwide mercury use, has now begun. Mandatory limits for some lamps will be introduced, starting in 2020 at the latest, and low-efficiency mercury vapor lamps will have to be replaced around the world. Further and more comprehensive regulations on the use of materials are expected as a result › A.2.6.2 Ecological Aspects.

S Page 36

As the bulk of global regulations relevant to us concern the general lighting business, the volume of regulations applicable to OSRAM will contract as a result of the sale of LEDVANCE. By contrast, OSRAM faces a potential impact from advances in the digitalization of lighting. Digitalization is giving rise to new application options and therefore presenting OSRAM with opportunities based on new products, primarily smart city and smart building intelligent lighting solutions as well as solutions such as human-centric lighting to improve the quality of life for people. On the other hand, however, the requirements that the providers in the lighting market need to meet will also increase significantly. We predict a substantial effect, particularly on regulatory parameters such as those relating to consumer protection or data security. In these areas of business, OSRAM is actively carrying out work to prepare technical standards, in some cases in cooperation with various partners. The Company is also available to provide expert advice in advance of or in connection with new regulations.

OSRAM has made a similar commitment to designing appropriate guidelines through its involvement in the en.lighten public-private partnership, which has been part of the United for Efficiency (U4E) initiative of the United Nations Environment Programme (UNEP) since mid-2016. This initiative promotes efficient lighting in emerging and developing countries. Over the last fiscal year, the initiative has expanded its activities, e.g. to include street and office lighting solutions.

A.1.2 Performance Management

OSRAM's Managing Board uses a variety of financial and non-financial performance indicators to manage the Company. The most important of these performance indicators (key performance indicators) are generally determined at the level of the OSRAM Licht Group as a whole. They are related to our strategic goals and are designed to help ensure these goals are achieved at an operational level. The key performance indicators are also a measure of target attainment for managers and thus can influence the remuneration of OSRAM's management, in particular the remuneration of the Managing Board › C.4.2 Remuneration Report. In addition, regular reports on the key performance indicators are presented to the members of the Managing Board, who then report to the Supervisory Board. These indicators are used primarily in OSRAM's external financial reporting but are also a useful general vehicle for communicating with all stakeholders.

S Page 171

The key financial performance indicators enable OSRAM's management to optimize global business development and to find the balance between the interdependent factors of growth, earnings, and liquidity so as to achieve the goal of sustainable profitable growth. We believe that the latter is a precondition for increasing OSRAM's enterprise value over the long term. Our system of targets defines performance indicators for growth, profitability, liquidity, and capital efficiency.

Some of the financial key performance indicators described in more detail below are 'alternative performance measures' (APMs), i.e. key figures that are not defined or listed in the IFRSs (and are therefore also known as non-IFRS financial measures). These APMs supplement the figures calculated in accordance with IFRSs, rather than being an alternative to them. We believe that our APMs offer additional and useful information for investors that will help them to assess the business performance of the OSRAM Licht Group. Other companies that report similarly named financial measures may calculate these differently › A.2.7 Reconciliation of Key Performance Indicators. Ⓢ Page 43

In view of the sale of LEDVANCE (discontinued operation), we also focus the analysis of our key performance indicators at continuing operations level. This applies to the analysis and description of business performance over the past fiscal year, and especially to the forecast revenue and earnings performance for the coming fiscal year.

Growth

OSRAM measures the growth of its business volume using both nominal and comparable revenue growth figures. To determine comparable revenue growth, the percentage change in revenue from period to period is adjusted for currency-translation and portfolio effects › A.2.7 Reconciliation of Key Performance Indicators. Our strategy is to grow profitably and the main performance indicator we use to measure this is the comparable revenue growth figure, since this presents the Company's operating performance without any distortion caused by translating revenue into euros or by including acquisitions and divestments. We use the comparable revenue growth key performance indicator at both Group and segment levels. It is one of the indicators influencing the variable remuneration of the Managing Board. Ⓢ Page 43

Profitability

The key performance indicator used in the reporting year to measure our operating profit was the EBITA margin. In order to facilitate the analysis and assessment of operating profitability, we use not only the EBITA margin but also the EBITA margin adjusted for special items as defined by the Managing Board, especially transformation costs, as well as costs in connection with the separation of Lamps (LEDVANCE). This performance indicator is particularly important for management in periods with a high level of special items impacting earnings. The EBITA margin is calculated by dividing EBITA or adjusted EBITA by revenue. We use EBITA to evaluate profitability, as it is a widely used indicator of a company's operating effectiveness and, among other things, does not reflect certain effects resulting from acquisitions (such as the amortization of intangibles in connection with acquisitions) that would make it difficult to draw comparison with competitors. We also evaluate the operating performance of our segments on the basis of these performance indicators. The adjusted EBITA margin is also one of the indicators used in determining the variable remuneration of the Managing Board; in addition to transformation costs, this takes into consideration further key items determined on a case-by-case basis by the Supervisory Board. For further information on the calculation of EBITA and adjusted EBITA, and for the reconciliation to net income, see › A.2.7 Reconciliation of Key Performance Indicators. Ⓢ Page 43

Along with EBITA, net income from continuing operations or net income was a key indicator in the reporting year for assessing profitability and changes in the OSRAM Licht Group's results of operations, since it reflects all the other components of earnings (including financial income (expenses), net, and taxes) in addition to our operating activities. In the future, we will look at net income as an important performance measure, primarily in terms of its importance as an input variable for earnings per share, as described below.

In the reporting year, we used basic earnings per share (EPS), i.e. net income attributable to shareholders of OSRAM Licht AG divided by the weighted average number of shares outstanding without any dilution, as a performance indicator directly linked to net income › Note 30 I Earnings per Share in B.6 Notes to the Consolidated Financial Statements. Earnings per share shows the net income (loss) attributable to shareholders of OSRAM Licht AG in a particular reporting period and is thus an indicator for OSRAM's profitability—particularly from the point of view of the Company's shareholders. Changes in basic earnings per share therefore also impact the level of the long-term share-based remuneration to the Managing Board. From the start of fiscal year 2017, we will use diluted earnings per share (based on earnings from continuing operations) as an important measure of OSRAM's profitability. This is because we believe it is a better indicator of the net income that is at least attributable to one share and, moreover, is commonly used by investors as a KPI, particularly in English-speaking countries.

S Page 139

Liquidity

OSRAM uses free cash flow as a liquidity indicator. This is defined as net cash provided by (used in) operating activities less additions to intangible assets and property, plant, and equipment. For us, free cash flow is an indicator for evaluating our ability to generate cash surpluses from our operating activities. In addition, this indicator shows the extent to which we are able to meet both recurring and specific cash outflows that are not included in the figure (such as payments for acquisitions, dividends, or debt servicing). We also evaluate our segments' cash generation performance on the basis of free cash flow. In addition, free cash flow is one of the indicators used in determining the variable remuneration of the Managing Board › A.2.7 Reconciliation of Key Performance Indicators.

S Page 43

Capital Efficiency

In the reporting year, we measured capital efficiency on the basis of return on capital employed (ROCE). ROCE is calculated as income (loss) before interest but after taxes divided by the average capital employed (at the level of continuing operations and for the entire OSRAM Licht Group). This measures how efficiently and profitably OSRAM manages the capital provided by shareholders and lenders. ROCE is not reported for the individual segments. It will not be one of the financial key performance indicators in the future because our experience of capital market communications leads us to believe that it is no longer relevant for external financial reporting or, therefore, for internal management purposes. For information on the calculation of ROCE, see › A.2.7 Reconciliation of Key Performance Indicators.

S Page 43

In addition to the above key performance indicators, OSRAM uses other indicators to manage certain financial and non-financial items. The main indicators are described in the following.

Additional Performance Indicators

EBITDA is calculated on the basis of EBITA and is defined as EBITA before depreciation of and impairment losses on property, plant, and equipment, net of reversals of impairment losses › A.2.7 Reconciliation of Key Performance Indicators. This performance indicator will play an increasingly important role in the future in relation to our 'Diamond' technology, innovation, and growth initiative. The indicator reflects, among other things, changes in our operating performance excluding any distortion caused by the significant capital expenditures committed to expand our capacity in the area of LED chips for general lighting business. Such distortion would make it difficult to draw a comparison with competitors.

S Page 43

From the start of fiscal year 2017, EBITDA rather than EBITA will be one of OSRAM's financial key performance indicators and is therefore included in the forecast for fiscal year 2017.

We aim for a balanced capital structure, based on the usual criteria and indicators used for an investment grade rating, so as to ensure sufficient flexibility in our financing and favorable terms. The performance indicator used to assess our capital structure is calculated by dividing net debt/ net liquidity by EBITDA › A.2.4.3 Financing and Liquidity Analysis. In addition, we use the equity ratio, i.e., the ratio of total equity to total assets; this also gives an insight into OSRAM's capital structure and thus its ability to withstand crises. For information on the calculation of this performance indicator, see › A.2.7 Reconciliation of Key Performance Indicators.

S Page 25
S Page 43

The net operating working capital turnover ratio is an indicator that shows how efficiently net capital is used to generate revenue. For information on the calculation of this performance indicator, see › A.2.7 Reconciliation of Key Performance Indicators.

S Page 43

The share of revenue accounted for by LED-based products ('LED share') serves as a benchmark for the technological development of our product portfolio during the transition to semiconductor-based technologies › A.2.3.1 Revenue.

S Page 17

In the past, we managed the realignment of the OSRAM Licht Group to reflect the technology shift primarily by using OSRAM Push, our comprehensive, enterprise-wide continuous improvement program. Transformation costs, job reductions, and cost savings in connection with the program were used to monitor the progress of OSRAM Push. The program was hugely important at OSRAM mainly because of its relevance for the general lighting lamps business. Although the methodology of the continuous improvement program will remain relevant for OSRAM's continuing operations to ensure operating efficiency, the indicators referred to above will no longer be included in our key performance indicators in the future.

A . 2

Business Performance in 2016

A.2.1 Overall Assessment by the Managing Board of the Current Economic Situation

As was the case in the previous year, fiscal year 2016 was very successful for OSRAM. The Managing Board and the Supervisory Board will therefore propose a dividend of €1.00 per share to the General Meeting. The fiscal year was dominated by the separation of LEDVANCE, a very complex project that tied up large numbers of staff as well as significant financial resources. Nonetheless, OSRAM's financial results show that this was not at the expense of its operating performance—quite the opposite. As well as selling LEDVANCE, we met all our financial targets for fiscal year 2016. Our adjusted EBITA margin (continuing operations) of 12.5% marked a further year-on-year improvement. Profit from continuing operations, net income, and ROCE were also all higher, with the performance of the operational business and the gain on the sale of our investment in FELCO playing a key role. The fall in our free cash flow, partly due to an additional funding contribution to pension plan assets, was in line with our expectations. The proportion of pension commitments covered by plan assets is more than 90%, which is one of the highest percentages in the industry. As a result of this and also due to our share buyback, there was a planned reduction in OSRAM's net liquidity, which declined to €396 million. OSRAM's equity ratio of around 52% was unchanged on the previous year. In view of the good results of operations, sustained financial stability, and a well-balanced asset structure, OSRAM has experienced a further year-on-year improvement in its overall situation. By selling LEDVANCE, we have also provided OSRAM with the structure that will be the basis for our future plans of continuing to grow as a high-tech company and increasing our profitability.

For OSRAM, fiscal year 2016 was characterized by the implementation of the strategic realignment of the OSRAM Licht Group that had been approved the previous year. As planned, we separated our former Lamps Business Unit under the LEDVANCE name as of July 1, 2016. The unit largely consisted of the general lighting lamps business. During the fourth quarter of the last fiscal year, we signed an agreement to sell LEDVANCE and its activities are reported in our consolidated financial statements as a discontinued operation. The following disclosures on OSRAM's business performance focus on continuing operations (reported under the SP, OS, and LSS segments, including *Reconciliation to consolidated financial statements*). However, the comparison of the actual and predicted course of business is based on the performance of the OSRAM Licht Group as a whole, because the original forecast (at the beginning of the fiscal year) and the two adjustments to the forecast during the year were provided at this level.

A.2.1.1 OSRAM's Business Performance (continuing operations)

Against the backdrop of a steady, moderate upturn, the macroeconomic environment provided no decisive stimulus for OSRAM's business. Unlike in the previous fiscal year, exchange rates no longer had a significant impact on our revenue growth. OS and SP saw considerable fluctuation due to exchange rates and, at Group level, the positive currency-related impact on our earnings was smaller overall. The switch from traditional technologies to those based on semiconductors continued to affect the situation in the lighting market, although the corresponding transformation costs, which resulted from our OSRAM Push program, declined sharply.

Revenue in fiscal year 2016 rose to around €3.8 billion, an increase of 5.9% on a comparable basis. Although there was a sharp year-on-year decline in currency-translation and portfolio effects, revenue was clearly higher when they were included. The proportion of revenue attributable to our LED business increased to 61% (previous year: 54%). The revenue growth generated by our segments proceeded in line with our projections, with SP ahead of forecasts. EBITA increased substantially, which was primarily attributable to operational improvements and to the decline in (negative) special items—mainly transformation costs. As a result, we also saw a further year-on-year improvement on an adjusted basis (excluding special items); the adjusted EBITA margin rose to 12.5% (previous year: 12.0%). Higher-than-expected earnings, particularly at OS and SP, contributed to this increase. This excellent improvement in our operational profitability—together with the pre-tax gain on the sale of our investment in Foshan Electrical and Lighting Co. Ltd., Foshan, China (FELCO) amounting to €306 million—was reflected in income OSRAM (continuing operations). Both the net income of €532 million and the basic earnings per share (EPS) of €5.14 for continuing operations more than doubled, with our share buyback accounting for the slightly sharper rise in EPS. As a result, ROCE (continuing operations) increased to 24.1% (previous year: 10.7%). Consequently, we are very satisfied with the trend in our results of operations › A.2.3 Results of Operations. S Page 17

As expected, OSRAM's free cash flow (continuing operations) decreased to €24 million (previous year: €144 million). This was primarily the result of an additional funding contribution to pension plan assets and the settlement of pension obligations amounting to a total of €169 million. Our net liquidity fell to €396 million as of September 30, 2016 (previous year: €641 million). As well as the lower free cash flow, this figure was mainly the result of cash outflows of €234 million in connection with our share buyback program. The trend in our financial position is therefore largely in line with our projections, which is why we regard the course it has taken as satisfactory › A.2.4 Financial Position. The sharp rise in earnings was reflected in the increase in our retained earnings and resulted in our equity ratio remaining virtually unchanged at 52% despite our share buyback. We also believe our asset structure puts us in a very strong position for the future › A.2.5 Net Assets.

S Page 23
S Page 28

A.2.1.2 Comparison Between the Actual and Forecast Course of Business

Target Achievement 2016

	Initial position Fiscal year 2015	Expected developments Fiscal year 2016	Target achievement[1] Fiscal year 2016	Evaluation
Comparable revenue growth (adjusted for currency translation and portfolio effects)	(1.0)%	For fiscal 2016 we expect revenue on a comparable basis to be slightly below prior year level.		Outlook over-achieved and updated
		From April 18, 2016: In view of the positive course of business in all segments, the Managing Board now expects revenue for fiscal year 2016 on a comparable basis to be above the prior-year level.	2.0%	Outlook achieved
Adjusted EBITA margin (adjusted for special items—mainly trans-formation costs and costs for separation)	10.2%	We expect the adjusted EBITA margin substantially below the high level of fiscal 2015, mainly due to increasing research and development expenses in connection with Diamond as well as structural effects of the separation of Lamps and the ongoing transformation.		Outlook over-achieved and updated
		From January 18, 2016: Based on the successful first quarter, the Managing Board now expects an adjusted EBITA margin for fiscal year 2016 of above 8%.		Outlook over-achieved and updated
		From April 18, 2016: In view of the positive course of business in all segments, the Managing Board now expects an adjusted EBITA margin for fiscal year 2016 of above 10%.	10.4%	Outlook achieved
Net income	€171 million	Due to the gain from the sale of the investment in FELCO the net income will presumably increase sharply.	€398 million	Outlook achieved
Earnings per share (basic)	€1.59	Due to the planned share buyback, basic earnings per share will possibly increase more than net income.	€3.84	Outlook achieved
Return on capital employed (ROCE)	8.2%	ROCE—analog to net income—will presumably increase sharply.	18.2%	Outlook achieved
Free cash flow	€299 million	Free cash flow is expected with a low to medium negative in the three-digit millions of euros, due to the intended special funding of pension plans and strongly increasing capital expenditure.	€(194) million	Outlook achieved

1) The information presented in the table relates to the OSRAM Licht Group as a whole.

We achieved our forecasts for the key performance indicators across the whole OSRAM Licht Group in fiscal year 2016. We revised our forecast for adjusted EBITA margin and comparable revenue growth upward on two occasions (in the financial reporting for the first and second quarters of 2016), anticipating that they would be better than originally predicted. This was due to the unexpectedly strong business performance delivered by some of our segments › A.2.1.1 OSRAM's Business Performance (continuing operations) and LEDVANCE. S Page 11

The direction of the key performance indicators reported for the OSRAM Licht Group as a whole matched the trend followed by OSRAM (continuing operations). The effect of including results of the discontinued operation was essentially reductive. This particularly applies to revenue growth on a comparable basis, the adjusted EBITA margin, and free cash flow because LEDVANCE's year-on-year performance in terms of these three measures ran counter to that of the continuing operations. For further information on the calculation of the key performance indicators reported for the OSRAM Licht Group as a whole and for LEDVANCE, see › A.2.7 Reconciliation of Key Performance Indicators and › Note 3 I Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements.

S Page 43
S Page 100

A.2.1.3 Dividends

One of our objectives is to pay our shareholders an attractive dividend in line with the market. As fiscal year 2016 was very successful, the Managing Board and Supervisory Board intend to propose to the Company's General Meeting that OSRAM Licht AG's unappropriated profit of €157.95 million for fiscal year 2016 be used to distribute a dividend of €1.00 per dividend-bearing share, to transfer an amount of €53.260 million to other revenue reserves, and to carry forward the proportion of unappropriated profit attributable to treasury shares. Payment of this dividend is subject to approval by the General Meeting on February 14, 2017. A dividend of €0.90 was distributed for fiscal year 2015.

The proposed dividend equates to a total payout of around €99 million, based on the number of 99,364,665 shares outstanding as of September 30, 2016 (€105 million less the sum of around €5 million attributable to treasury shares). The total dividend payout may be reduced by further buybacks before the General Meeting. In terms of the Group net income for fiscal year 2016 that is attributable to the shareholders of OSRAM Licht AG, which amounts to €397 million (previous year: €166 million), this would equate to a probable dividend payout rate of 25.0% (previous year: 56.6%). However, our decision on the proposed dividend did not take account of the proceeds from the disposal of our investment in FELCO of around €270 million after tax because, as already announced, these were used as an additional funding contribution for our global funded pension commitments. Moreover, we regard net income from continuing operations as a better basis of calculation because the figure for the discontinued operation included high one-off expenses, some of which were non-cash effects. Based on net income from continuing operations and after deduction of the FELCO proceeds, the dividend payout rate is almost 40% and thus in the middle of our target range.

The Managing Board is seeking to maintain the dividend distribution at a level of at least €1.00 for fiscal year 2017 › A.4.1 Report on Expected Developments. Our dividend policy with a target dividend payout rate of between 30% and 50% of Group net income remains in place, provided such dividends paid are in line with long-term, sustainable business performance. Net income may be adjusted for certain extraordinary non-cash effects when determining the proposed amount to be distributed.

S Page 49

A.2.2 Events and Developments Responsible for the Course of Business

A.2.2.1 Macroeconomic Developments

The global economy grew at a steady, albeit slow, pace over the past fiscal year. In the current calendar year, the global economy will again see moderate growth of 2.2% according to an IHS forecast. This is just slightly below the growth of 2.5% in 2015. Both the OECD and the International Monetary Fund believe that the cause is flagging global trade and the accompanying weakening of value chains.

Economic indicators paint a picture of slow economic recovery with some factors acting as a brake on growth. U.S. gross domestic product rose moderately in the third quarter (of the calendar year) but was down slightly year on year. Investing activities were the main positive influence on growth, although it continues to be driven by consumer spending.

The moderate recovery in the eurozone is being sustained, although growth in the second quarter was moderate following a significant gain in the preceding quarter. The outcome of the UK referendum on membership of the EU has led to significant volatility in the financial markets and has dampened domestic demand in the UK. China continues to generate substantial, albeit declining, economic growth, but the sharp fall in its imports is suppressing global trade and hampering the growth of its trading partners, especially in Asia. Low prices for commodities such as crude oil continue to have an adverse impact on exporters of raw materials such as Russia and Brazil.

The moderate level of growth in the global economy was less critical to the performance of the OSRAM Licht Group in fiscal year 2016 than developments in the lighting market › A.2.2.2 Trends in the Lighting Market, which—as in the previous year—overshadowed general macroeconomic trends. S Page 14

The cost of raw materials and parts accounts for a considerable portion of our cost of goods sold and services rendered, and we are dependent on the availability of, and procurement prices for, critical materials. OSRAM hedges its exposure to commodity price risk by purchasing commodity derivatives › Note 27 | Financial Risk Management in B.6 Notes to the Consolidated Financial Statements. There were both ups and downs in fiscal year 2016 in the price of energy, copper, and gold, all key inputs for OSRAM products. Oil and copper both fell in price, primarily as a result of lower demand resulting from the muted rate of global economic growth. The price of oil in particular, as an indicator for the broader energy market, saw another significant drop from an average of around USD 61 per barrel in fiscal year 2015 to a historic low of USD 42 on average in fiscal year 2016. Over the same period, the average price of copper fell by around 20% from USD 5,910 to USD 4,765 per tonne. The price of gold moved in the opposite direction—driven primarily by a surge in demand in the UK following the referendum—recording a slight increase of 3% in the average figure for fiscal year 2016. Overall, changes in the price of commodities had no material impact on our earnings. This is a consequence of the transformation in the lighting market toward semiconductor-based lighting. As the proportion of LED products rises, the focus of procurement is shifting from raw materials to LED-related materials and pre-materials. This trend is set to continue in the future. S Page 129

The exchange rate between the euro and the US dollar has been relatively stable in the last seven quarters; in fiscal year 2016, the euro fell by 3% against the dollar compared with the average rate for the previous year. This made European products slightly cheaper in global markets, providing a corresponding boost for exports from the eurozone; this also applied to exports priced in Japanese yen, as the euro fell in value by 9% against the yen. The weakening of the Russian ruble and the Brazilian real made exports from the eurozone more expensive. The impact on OSRAM was not material, however, as we have a limited level of revenue in these countries. The overall impact of currency fluctuations on net income was substantially less than in the previous year.

A.2.2.2 Trends in the Lighting Market

Our assessments of trends in the global lighting market are based on forecasts by Frost & Sullivan, IHS, and internal analyses.

The lighting market saw further structural growth in fiscal year 2016, above that of the economy as a whole. For the full calendar year 2016, the global lighting market is expected to grow by around 5%, and the proportion of semiconductor-based products is predicted to pass the 50% mark for the first time.

Semiconductor-based products are still experiencing significant, double-digit growth rates in the general lighting market. Conversely, the market for products based on traditional lighting technologies is contracting significantly at a double-digit rate. This reflects the accelerated pace of transformation in the lighting market toward energy-efficient technologies.

The rate of growth in automotive production is predicted to recover slightly in calendar year 2016. An increase of approximately 3% is anticipated for 2016, compared with growth of 2% in the previous year. The rise in production is being driven by expansion in North America and China. Against this backdrop, there was a positive trend in the automotive lighting market with healthy single-digit percentage growth. Within this overall figure, demand for products based on traditional technologies contracted slightly, whereas LED, laser, and OLED products registered significant double-digit growth.

Source: IHS Automotive Production Forecast, October 2016

Global investment in the construction sector rose by 3% year on year over the past four quarters—in the U.S. and Germany growth was in excess of 4%—which had a correspondingly positive impact on demand for general lighting products in fiscal year 2016.

Source: IHS Construction Forecast, September 2016

The trends in the lighting market described above are reflected in our business performance, especially in the automotive business. Our two biggest segments, SP and OS, are dependent on what happens in the automotive market and with an increasing emphasis on the Asian market ❯A.2.3.3 Specialty Lighting, ❯A.2.3.4 Opto Semiconductors. The pick-up in investment in the construction sector, particularly in the U.S. and Germany, was reflected in the growth of the LSS segment ❯A.2.3.5 Lighting Solutions & Systems.

S Page 20
S Page 21
S Page 22

A.2.2.3 Other Significant Events Responsible for the Course of Business

Organizational Realignment

On July 1, 2016, we separated our general lighting lamps business under the name LEDVANCE as planned and signed an agreement at the end of July to sell the activities to a Chinese consortium. This represented a profound break for OSRAM's business, as in some cases business units that had evolved together over a period of more than 100 years, and were thus structurally intertwined, had to be separated into individual components. The separation cut right through significant processes, systems, and companies. A huge amount of personnel time and considerable financial resources had to be committed to this highly complex project. Total expenses of €177 million (previous year: €25 million) were incurred in fiscal year 2016 in connection with the separation of the lamps business (including transaction costs).

At the same time as the separation, the Company investigated cross-selling opportunities and entered into appropriate agreements where such agreements would be of commercial benefit to both OSRAM's continuing operations and LEDVANCE. For the most part, these agreements involve the DS Business Unit (within the LSS segment). From an overall perspective, the resulting rise in revenue was of minor significance. For the purposes of presenting the change in revenue from period to period, we have treated the corresponding impact on revenue as a portfolio effect, which is deducted as one of the adjustments to arrive at the comparable revenue growth figure.

‘Diamond’ Technology, Innovation, and Growth Initiative

At the beginning of fiscal year 2016, we used Diamond to set the course for the medium-term development of OSRAM (continuing operations) and then started to implement the planned measures over the rest of the fiscal year. In the coming fiscal years, we plan to use €1 billion of cash to build up our capacity in the area of LED chips used in general lighting.

The ground-breaking ceremony for the construction of an LED chip plant at Kulim in Malaysia took place in March 2016. The factory is due to open in the first quarter of fiscal year 2018. The project is on schedule. Because of the modular structure of the project, OSRAM can commit its capital expenditure on a flexible basis in terms of timing and therefore according to the Company’s priorities.

Our R&D expenses in fiscal year 2016 amounted to €334 million, which represented a significant rise compared with the previous year. This meant that R&D intensity (R&D expenses as a percentage of revenue) was at our target level of around 9%. R&D expenses increased primarily in OS and SP.

We believe we are on schedule to meet our revenue, EBITDA, and earnings per share targets for fiscal year 2020. At the start of fiscal year 2016, we stated these targets as €5 billion to €5.5 billion for revenue, €0.9 billion to €1.0 billion for EBITDA, and €5.00 for earnings per share, subject to stable economic conditions and excluding any effects from acquisitions. We confirm these ‘5.1.5’ targets without qualification.

Programm OSRAM Push

This comprehensive, enterprise-wide continuous improvement program was hugely important at OSRAM mainly because of its relevance for the general lighting lamps business. Over the last few years, that was reflected mainly in the transformation costs and reduction in employee numbers. The methodology of the continuous improvement program will remain relevant for OSRAM’s continuing operations to ensure operating efficiency. However, in the future, we will no longer be reporting on that from a project-based or target-related perspective.

OSRAM Push[1)]

in € million

		Fiscal year	
		2016	2015
Transformation costs		63	239
Job reduction	in thousands FTE	1.3	2.2
Cost reduction by OSRAM Push measures		478	468

1) The information presented in the table relates to the OSRAM Licht Group as a whole.

Continuing operations accounted for €26 million of the transformation costs incurred in connection with implementing the OSRAM Push measures in fiscal year 2016. The cost savings in the past fiscal year resulting from OSRAM Push measures were mainly achieved in continuing operations and included savings made in purchasing.

A.2.3 Results of Operations

A.2.3.1 Revenue

Revenue by Segments

in € million

	Fiscal year		Change	
	2016	2015	nominal	comparable
Specialty Lighting	2,006	1,861	7.8%	7.4%
Opto Semiconductors	1,425	1,293	10.2%	8.4%
Lighting Solutions & Systems	1,005	941	6.8%	5.5%
Reconciliation to consolidated financial statements	(650)	(523)	24.3%	16.9%
OSRAM (continuing operations)	**3,785**	**3,572**	**6.0%**	**5.9%**

- Clear year-on-year growth in revenue, both on a comparable and on a reported basis
- Positive currency translation effects of 0.6% were down sharply on fiscal year 2015, mainly due to the euro holding relatively steady against the U.S. dollar
- Growth across all segments; OS generated the strongest rise

Revenue by Technology

- Ongoing structural changes to the composition of our business owing to the transformation of the lighting market
- Proportion of LED business increased to €2,292 million, or 60.6% of OSRAM's revenue (continuing operations); the proportion was only 54.3% in the previous year
- Proportion of revenue from traditional products thus fell by 7.6%, whereas the proportion accounted for by LED business went up by 17.2% (both on a comparable, year-on-year basis)

Revenue by Regions

(by customer location)
in € million

	Fiscal year		Change	
	2016	2015	nominal	comparable
EMEA	1,457	1,396	4.4%	5.9%
thereof Germany	589	555	6.2%	
APAC	1,228	1,175	4.4%	3.2%
thereof China (including Hong Kong) and Taiwan	712	700	1.7%	
Americas	1,100	1,000	10.0%	9.1%
thereof U.S.A.	890	803	10.9%	
OSRAM (continuing operations)	**3,785**	**3,572**	**6.0%**	**5.9%**

- Barely any change in how OSRAM's total revenue (continuing operations) was split between the three reporting regions compared with the previous year
- Of the reporting regions, EMEA continues to generate the largest proportion of OSRAM's revenue at roughly 39%, followed by APAC with over 32% and the Americas with around 29%
- The impact of currency translation varied from region to region, with the strongest influence in the Americas reporting region

EMEA Region

- Clear growth on a comparable basis; the change in nominal revenue was influenced by negative currency translation effects of 0.9%
- Increases in central and eastern Europe were partly offset by decreases in western Europe and the Middle East
- All segments contributed to growth, with OS achieving the strongest rise

APAC Region

- Moderate nominal growth included positive currency translation effects of 1.2%
- Revenue was stable in China (incl. Hong Kong) and Taiwan, while India generated significant growth in percentage terms
- SP and OS were the growth drivers

Americas Region

- This reporting region saw the highest comparable growth (9.1%)
- Significant growth in the NAFTA area, particularly in the U.S.A.
- Increases across all segments; OS and SP generated the biggest rises

A.2.3.2 Earnings

Earnings Development

in € million

	Fiscal year		Change
	2016	2015	nominal
EBITA segments			
Specialty Lighting	233	249	(6.2)%
Opto Semiconductors	310	235	32.0%
Lighting Solutions & Systems	(17)	(31)	(44.1)%
Reconciliation to consolidated financial statements	(86)	(89)	(4.3)%
EBITA OSRAM (continuing operations)	**440**	**363**	**21.3%**
EBITA margin	11.6%	10.2%	140 bps
Special items	(31)	(65)	(51.8)%
therein transformation costs	(26)	(57)	(54.2)%
EBITA margin, adjusted	12.5%	12.0%	50 bps
Financial result[1]	**290**	**(16)**	**n.a.**
Amortization	(29)	(25)	16.4%
Income before income taxes OSRAM (continuing operations)	**701**	**322**	**117.8%**
Income taxes	(169)	(94)	80.3%
Income OSRAM (continuing operations)	**532**	**228**	**133.2%**
Loss discontinued operation	(134)	(57)	135.5%
Net income (OSRAM Licht Group)	**398**	**171**	**132.4%**

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

Changes in the Classification of Earnings Items in Connection with the Discontinued Operation

- After signing an agreement for the sale of LEDVANCE, OSRAM classified these activities as a discontinued operation in the fourth quarter of the fiscal year—in accordance with the relevant provisions of IFRS 5

- As part of this reclassification, certain items were allocated to the discontinued operation that, historically, related to the lamps business but were recognized in the past under *Corporate items and pensions* and *Eliminations, corporate treasury, and other reconciling items* (all items in Reconciliation to *consolidated financial statements*); this particularly applies to all the costs associated with the separation of the lamps business
- Prior-year figures shown on a comparable basis

EBITA of OSRAM (continuing operations)

- Reported EBITA rose by a substantial amount of roughly €77 million
- The increase at OS and LSS offset the decrease at SP many times over
- Special items more than halved to €–31 million (previous year: €–65 million); this sum was divided almost equally between LSS, SP, and *Corporate items*
- Special items in the previous year had resulted from transformation costs (predominantly recognized under *Marketing, selling, and general administrative expenses*) and a countervailing gain in the mid double-digit million euro range from the sale of our former Group headquarters (recognized under *Other operating income*)
- Gross profit increased significantly, mainly due to the performance of OS; gross profit margin (gross profit as a percentage of revenue) rose by more than 280 bps
- The significant growth in research and development (R&D) expenses to €334 million (previous year: €286 million) resulted mainly from the implementation of Diamond; there was also a clear rise in R&D expenses as a percentage of revenue, which stood at 8.8% (previous year: 8.0%)
- Also a clear improvement in EBITA adjusted for special items, which climbed to €471 million (previous year: €428 million)
- The increase in the adjusted EBITA margin reflects the changes in profitability in the segments; OS and LSS improved, together offsetting the reduction in SP's margin

Income OSRAM (continuing operations)

- Year-on-year increase in financial income (expenses), net resulted from the pre-tax gain of €306 million on the disposal of our investment in FELCO
- Reduction in the effective tax rate to 24.1% (previous year: 29.1%) was influenced by the FELCO transaction
- The basic earnings per share of OSRAM (continuing operations) of €5.14 (previous year: €2.13) rose more sharply than the income OSRAM (continuing operations) due to our share buyback program

Net Income (OSRAM Licht Group)

- The loss from the discontinued operation increased from €57 million to €134 million; this was largely determined by special items, including costs associated with the separation of the lamps business of €177 million and transformation costs of €72 million › Note 3 I Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements S Page 100
- LEDVANCE transformation costs down by two-thirds year on year (previous year: €182 million)
- Measurement of LEDVANCE at fair value resulted in impairment losses of €39 million (before taxes)
- Basic earnings per share increased to €3.84 (previous year: €1.59)

Return on Capital Employed

- Return on capital employed (ROCE) advanced to 24.1% at OSRAM (continuing operations)
- Cost of capital of around 7.8% clearly exceeded
- This was mainly due to higher income before interest and after taxes; for information on the calculation of ROCE, see › A.2.7 Reconciliation of Key Performance Indicators S Page 43

A.2.3.3 Specialty Lighting

Segment Data SP

in € million

		Fiscal year		Change	
		2016	2015	nominal	comparable
Total revenue		2,006	1,861	7.8%	7.4%
EBITA		233	249	(6.2)%	
EBITA margin		11.6%	13.4%	(170) bps	
Employees as of September 30	in thousands FTE	6.6	6.1	8.4%	

Revenue

- At more than €2 billion, revenue was clearly higher than in the previous year on a comparable basis; the percentage growth was higher than in fiscal year 2015; a small positive effect from the reclassification of customers who had been allocated to OS in the previous fiscal year
- At 0.5%, the positive currency translation effects were down sharply year on year
- Positive trend in all reporting regions, with the biggest increase in the Americas
- LED business was up by 21.1% (on a comparable basis), revenue from traditional products declined modestly; LED business thus accounted for 40% of total revenue in fiscal year 2016 (previous year: 35%)
- The growth in revenue was attributable to the automotive business; moderate year-on-year drop in revenue from special applications business
- Clear growth in the automotive business, primarily owing to increase in LED module business; stable revenue from traditional products; decrease in xenon was offset by growth in halogen lighting

Earnings

- Year-on-year decrease in EBITA to €233 million
- Positive volume effects and economies of scale were offset by the negative impact of the portfolio mix (larger proportion of business involving internally sourced LED modules and LED components from OS)
- Expenses relating to the innovative laser and OLED technologies adversely affected EBITA due, in particular, to increased R&D expenses
- EBITA margin therefore fell to 11.6%
- Stronger decrease in the adjusted EBITA margin to 12.3% (previous year: 14.9%) owing to higher special items in fiscal year 2015

Assessment of Business Performance

- The increase in revenue exceeded our own expectations
- The factors that depressed earnings were as anticipated, but earnings were actually clearly better than expected
- An encouraging performance overall

A.2.3.4 Opto Semiconductors

Segment Data OS

in € million

		Fiscal year		Change	
		2016	2015	nominal	comparable
Total revenue [1]		1,425	1,293	10.2%	8.4%
External revenue		801	767	4.4%	
EBITA		310	235	32.0%	
EBITA margin		21.8%	18.2%	360 bps	
Employees as of September 30	in thousands FTE	10.5	9.2	14.4%	

1) Including intersegment revenue of €623 million (previous year: €525 million).

Revenue

- Clear year-on-year rise in revenue on a comparable basis
- At 1.8%, the positive currency translation effects were down sharply year on year; nominal revenue growth exceeded 10%
- All reporting regions contributed to growth; EMEA and the Americas saw the biggest percentage increases
- Highest growth rates from premium products (automotive and industrial business as well as infrared components business); also a clear rise in business involving general lighting products

Earnings

- EBITA of over €300 million was substantially above the high prior-year level
- Good productivity and capacity utilization more than offset the significant increase in R&D expenses
- Earnings bolstered by sharp currency effects and exceptionally high licensing income
- Product mix remained favorable; growth in general lighting business had a negative effect on earnings
- EBITA margin went up by 360 bps

Assessment of Business Performance

- Revenue development positive, as expected
- Earnings bucked the predicted trend to reach a high level, thereby far exceeding our expectations—as in the previous year
- A very satisfactory fiscal year, including in respect of Diamond, particularly the construction of our new LED chip factory in Kulim, Malaysia

A.2.3.5 Lighting Solutions & Systems

Segment Data LSS

in € million

		Fiscal year		Change	
		2016	2015	nominal	comparable
Total revenue[1]		1,005	941	6.8%	5.5%
EBITA		(17)	(31)	(44.1)%	
EBITA margin		(1.7)%	(3.3)%	160 bps	
Employees as of September 30	in thousands FTE	5.5	4.8	13.0%	

1) Including intersegment revenue of €29 million (previous year: €- million) from cross-selling agreements with LEDVANCE.

Revenue

— At more than €1 billion, revenue was clearly higher than in the previous year (on a comparable basis), thereby reversing the previous year’s trend
— The increase in revenue resulting from new cross-selling agreements with LEDVANCE were eliminated as a portfolio effect; nominal revenue (including currency translation effects and portfolio effects) went up by 6.8% year on year
— The percentage increases in the Americas and EMEA reporting regions were the highest; revenue in APAC held steady
— Ongoing shift in the revenue structure toward LED products; LED business accounted for 68% of the segment’s total revenue (previous year: 55%)
— Business involving lighting systems and control gear generated clear increase
— The LS800 project in the luminaires and solutions business is starting to show success

Earnings

— Sharp improvement in EBITA and the EBITA margin
— The EBITA margin adjusted for special items was close to break-even at –0.7% and also improved sharply (previous year: –2.3%)
— The luminaires and solutions business benefited from a more favorable product mix and productivity improvements; in the lighting systems and control gear business, volume-related improvements were offset by increased transformation costs in connection with the relocation of a plant

Assessment of Business Performance

— The growth in revenue and the improvement in earnings were both as budgeted
— Performance was therefore satisfactory

A.2.3.6 Reconciliation to the Consolidated Financial Statements

Structure

— *Reconciliation to consolidated financial statements* comprises *Corporate items and pensions and Eliminations*, *corporate treasury, and other reconciling items*
— *Corporate items* is used for items that are not allocated directly to the segments because, from the Managing Board’s perspective, they are not indicative of their success (e.g. certain legal matters) and for the costs of governance functions, i.e. for functions that are clearly of a management nature; corporate costs have not been allocated to the segments since the start of fiscal year 2016 and, instead, are charged after the services in question provided by the Group headquarters have been utilized (prior-year figures shown on a comparable basis)

- *Pensions* contains the pension-related expenses and income that are not allocated to the segments
- *Eliminations, corporate treasury, and other reconciling items* comprises the consolidation of transactions between the segments and between segments and the discontinued operation; it also includes reconciliation and reclassification items as well as corporate treasury activities
- In connection with the recognition of LEDVANCE's activities as a discontinued operation, certain items have been reclassified to the discontinued operation that, historically, related to the lamps business but were recognized in the past in *Reconciliation to consolidated financial statements*; this includes, but is not limited to, all the costs associated with the separation of the lamps business (prior-year figures shown on a comparable basis)

Earnings

- Negative figure of €–86 million reported under *Corporate items and pensions* was largely unchanged (previous year: €–89 million)
- Substantial increase in the negative figure for *Corporate items and pensions* adjusted for special items
- Special items of €–9 million (previous year: €–28 million) contained in *Corporate items* included a sharply reduced figure for transformation costs of €–4 million (previous year: €–22 million); figure for the previous year included both restructuring expenses and gains on the sale of real-estate assets in the mid double-digit million euro range
- Both fiscal years were impacted by expenses in connection with changes on the OSRAM Licht Group's Managing Board and with share-based remuneration, in each case by an amount in the mid single-digit million euro range

A.2.4 Financial Position

A.2.4.1 Principles and Objectives of Financial Management

- The main objectives are to ensure that the Group and the individual companies remain solvent at all times and to centralize and reduce financial risks
- At the same time, the cost of capital must be minimized and the Group's long-term financial stability and flexibility secured and planned
- OSRAM's financial management is responsible for managing liquidity, ensuring adequate access to the debt capital markets, hedging interest-rate, currency, and commodity price risk, carrying out Group financing, and issuing guarantees and letters of support
- Centralized management by Corporate Finance & Treasury ensures transparency and cost-efficiency
- In addition to its governance function (monitoring compliance with Group-wide rules), Corporate Finance & Treasury advises the operating companies and offers financial services
- The provision of treasury infrastructure involves, among other things, cash pooling: A centralized cash management system enables excess liquidity at individual Group companies to be used to cover the financing requirements of other Group companies, which reduces both the volume of external financing and interest cost; the transparency required to ensure solvency is achieved by liquidity planning carried out at company level on a rolling monthly basis
- Corporate Finance & Treasury is the central trading partner for hedging transactions entered into within the OSRAM Licht Group, as far as permissible under local foreign exchange regulations; Corporate Finance & Treasury is therefore largely responsible for entering into external hedging transactions with banks
- The Treasury Risk Committee defines and monitors the risk strategy and financial management principles
- For further information on the extent and management of financial risks and on financing, see › Note 27 | Financial Risk Management and › Note 18 | Debt in B.6 Notes to the Consolidated Financial Statements

S Page 132
S Page 113

A.2.4.2 Cash Flow and Capital Expenditure Analysis

Development of Cash Flows

in € million

	Fiscal year		Change
	2016	2015	nominal
Free cash flow segments			
Specialty Lighting	242	238	1.7%
Opto Semiconductors	189	243	(22.3)%
Lighting Solutions & Systems	(36)	(43)	(15.7)%
Reconciliation to consolidated financial statements	(371)	(295)	25.9%
Free cash flow OSRAM (continuing operations)	**24**	**144**	**(83.4)%**
thereof: Additions to intangible assets and property, plant, and equipment	349	246	42.2%
Net cash OSRAM (continuing operations) provided by (used in)			
Operating activities	373	390	(4.4)%
Investing activities	(23)	(267)	(91.4)%
Financing activities	(319)	(221)	44.3%

Free Cash Flow of OSRAM (continuing operations)

- Reduction in free cash flow, primarily due to increased capital expenditure by OS as well as the additional funding contribution to pension plan assets and the settlement of pension obligations amounting to a total of €169 million (previous year: €51 million); included in *Reconciliation to consolidated financial statements*
- SP's free cash flow slightly higher than in fiscal year 2015 at €242 million; capital expenditure almost at prior-year level at €69 million
- Substantially lower free cash flow at OS; capital expenditure up by around two-thirds year on year, thereby substantially outweighing the improvement in earnings; in addition to the start of construction of the new LED chip factory in Kulim, Malaysia, OS also invested in further extending the LED assembly facility in Wuxi, China, and expanding production capacity in Regensburg, Germany
- LSS saw its negative free cash flow reduce by €7 million year on year; the improvement in EBITA and the release of funds from net working capital exceeded the sharp rise in capital expenditure
- Net operating working capital turnover ratio › A.2.7 Reconciliation of Key Performance Indicators at 6,0 S Page 43
- Sharp year-on-year rise in total capital expenditure of OSRAM (continuing operations); percentage breakdown between the individual EMEA, APAC, and Americas regions virtually unchanged compared with fiscal year 2015

Additions to Intangible Assets and Property, Plant, and Equipment

by Segments
in € million

	Fiscal year	
	2016	2015
Specialty Lighting	69	72
Opto Semiconductors	239	148
Lighting Solutions & Systems	41	25
Corporate items and pensions	1	1
Additions to intangible assets and property, plant, and equipment OSRAM (continuing operations)	**349**	**246**

by Regions
in € million

	Fiscal year	
	2016	2015
EMEA	169	119
APAC	149	104
Americas	31	24
Additions to intangible assets and property, plant, and equipment OSRAM (continuing operations)	**349**	**246**

Other Investing Activities and Disposals (continuing operations)

— Cash inflows of €326 million resulting from disposal of the investment in FELCO › Note 3 | Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements

Ⓢ Page 100

Cash Flows of the Discontinued Operation

— Net cash used for operating, investing, and financing activities totaled €196 million in fiscal year 2016 (previous year: net cash provided by these activities €151 million)
— This change was the result both of the operational performance, taking account of cash outflows for one-off items, such as the proportion attributable to LEDVANCE of the additional funding contribution to pension plan assets of €92 million, and the costs associated with the separation of the lamps business of €177 million

A.2.4.3 Financing and Liquidity Analysis

Net Liquidity

in € million

	September 30,	
	2016	2015
Short-term debt and current maturities of long-term debt	20	37
+ Long-term debt	42	50
Total debt	**62**	**87**
Cash and cash equivalents	457	727
+ Available for sale financial assets	1	1
Total liquidity	**458**	**728**
Net liquidity	**396**	**641**
– Pension plans and similar commitments	206	464
Adjusted net liquidity	**190**	**178**

- Of the loan facility from the European Investment Bank totaling €200 million, a sum of €50 million was drawn down, as had been the case a year earlier › Note 18 I Debt in B.6 Notes to the Consolidated Financial Statements S Page 113
- The total amount of the floating-rate revolving loan facility of €950 million remains available to OSRAM until February 2020; the term was extended to February 2021 for a partial sum of €886 million
- Share buyback program began in January 2016; a total of 5,358,131 shares had been repurchased as of September 30, 2016
- Net debt/net liquidity divided by EBITDA is used as a performance indicator as part of debt management and for contractual obligations under loan agreements (financial covenants) › Note 18 I Debt and › Note 25 I Additional Disclosures on Capital Management in B.6 Notes to the Consolidated Financial Statements S Page 113 S Page 127

Development of Net Liquidity

Fiscal year 2016
in € million

Net liquidity as of September 30, 2015	**641**
EBITA OSRAM (continuing operations)	440
Depreciation	181
EBITDA OSRAM (continuing operations)	**621**
Change in net working capital [1]	(35)
Change in other assets and liabilities	14
Income taxes paid	(64)
Special contributions to pension plans and settlement of a pension plan	(169)
Other cash flows from operating activities [2]	6
Additions to intangible assets, property, plant, and equipment	(349)
Free cash flow OSRAM (continuing operations)	**24**
FELCO sale	326
Purchase of treasury stock	(234)
Dividends paid to shareholders of OSRAM Licht AG	(94)
Other investing and financing activities OSRAM (continuing operations) [3]	(1)
Cash flows from operating, investing and financing activities discontinued operation	(196)
Reclassification to *Assets held for sale or Liabilities associated with assets held for sale* according to IFRS 5, and adjustments of issues which do not influence net liquidity of LEDVANCE	(68)
Net liquidity as of September 30, 2016	**396**

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 (continuing operations).
3) Includes non-cash effects, e.g. from currency translation, in addition to cash transactions (in particular payments from the sale of land and buildings).

Payments from Third Party Contractual Obligations[1)]

in € million

	Total	Less than 1 year	1 to 5 years	After 5 years
Debt[2)]	62	20	32	10
Purchase obligations	818	789	29	–
Operating leases	195	35	97	63
Total contractual obligations OSRAM (continuing operations)	**1,075**	**844**	**158**	**73**
Total contractual obligations OSRAM Licht Group (total)	**1,403**	**1,138**	**188**	**76**

1) Future cash outflows resulting from contractual obligations in existence as of September 30, 2016.
2) Including interest payments.

— Operating leases largely relate to the long-term rental of buildings
— Purchase obligations include legally binding obligations to purchase property, plant, and equipment, intangible assets, materials and supplies, and services

A.2.4.4 Financing of Pension Plans and Similar Commitments

— OSRAM's principal pension and other post-employment defined benefit plans relate to Germany and the U.S.A.; it has less significant benefit plans in other countries
— The plans are largely funded

Funded Status (continuing operations)

— Defined benefit obligation: €1,996 million (previous year: €1,790 million)
— Fair value of plan assets: €1,794 million (previous year: €1,445 million)
— Underfunding as of September 30, 2016 was therefore €202 million (previous year: €344 million); proportion of commitments covered by plan assets (including unfunded commitments): 90%; proportion of commitments in funded plans covered by plan assets: 96%
— The €142 million improvement in the funded status largely resulted from the additional funding contribution to pension plan assets of €166 million, a further €3 million was paid to settle a pension plan, but there were countervailing net costs of €32 million recognized in profit or loss

Funded Status OSRAM Licht Group (total)

— Underfunding as of September 30, 2016 of €255 million (previous year: €461 million); proportion of commitments covered by plan assets (including unfunded commitments): 89%
— Proportion attributable to LEDVANCE of the additional funding contribution to pension plan assets amounted to €92 million; a further €2 million was paid to settle a pension plan
— For further information on OSRAM's pension plans, see › Note 19 I Pension Plans and Similar Commitments in B.6 Notes to the Consolidated Financial Statements S Page 114

A.2.5 Net Assets

A.2.5.1 Statement of Financial Position Analysis

Changes in Presentation in Connection with the Discontinued Operation

— After signing an agreement for the sale of LEDVANCE, OSRAM has recognized these activities as a discontinued operation since the fourth quarter of fiscal year 2016—in accordance with the relevant provisions of IFRS 5
— In the consolidated statement of financial position as of September 30, 2016, the assets and liabilities attributable to the discontinued operation were shown under *Assets held for sale* and *Liabilities associated with assets held for sale*
— Consolidated statement of financial position as of September 30, 2015 was not shown on a comparable basis

Assets

— Total assets of the OSRAM Licht Group as of September 30, 2016 were on a par with the end of fiscal year 2015
— Reduction in all asset positions in connection with the discontinued operation, with a countervailing increase in *Assets held for sale* › Note 3 I Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements; at the time the discontinued operation was classified as such, the following amounts were reclassified under assets: €102 million under cash, €382 million under receivables and other current assets, €418 million under inventories, and €234 million under noncurrent assets S Page 100
— Decrease in cash too, mainly due to the dividend payment and share buyback
— The decrease in noncurrent assets resulting from the reclassifications in accordance with IFRS 5 was offset, above all, by additions to property, plant, and equipment following capital expenditure by OS › A.2.4.2 Cash Flow and Capital Expenditure Analysis S Page 24
— Ratio of noncurrent assets to total assets is thus 35% (previous year: 39%)

Liabilities and Equity

— Reduction in the bulk of liability positions—excluding specific changes—in connection with the discontinued operation, with a countervailing increase in *Liabilities associated with assets held for sale* › Note 3 I Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements; at the time the discontinued operation was classified as such, the main amounts reclassified under liabilities were €623 million under current liabilities and €97 million under noncurrent liabilities S Page 100
— *Pension plans and similar commitments* fell sharply year on year, mainly due to the additional funding contribution to our pension plan assets and the settlement of pension obligations amounting to a total of €169 million (in connection with continuing operations); as a result of this, and also due to reclassifications in accordance with IFRS 5, noncurrent liabilities and provisions were substantially lower overall than as of September 30, 2015
— The improved results of operations with other comprehensive income of €332 million and a corresponding rise in retained earnings led to only a small rise in equity to €2,486 million owing to the recognition of repurchased shares and the distribution of €94 million in dividends
— Equity ratio (total equity to total assets) of 52% as of September 30, 2016 was therefore unchanged on September 30, 2015 (52%)

Balance Sheet Structure

in € million

	September 30, 2016	2015	Change nominal
Assets			
Current assets	3,124	2,929	6.7%
thereof assets held for sale	1,136	95	>200%
Non-current assets	1,676	1,836	(8.7)%
Total assets	**4,801**	**4,765**	**0.7%**

	September 30, 2016	2015	Change nominal
Liabilities and equity			
Current liabilities	1,948	1,546	26.0%
thereof liabilities associated with assets held for sale	785	0	>200%
Non-current liabilities	367	737	(50.2)%
Equity	2,486	2,482	0.1%
Total liabilities and equity	**4,801**	**4,765**	**0.7%**

Assets Not Recognized in the Statement of Financial Position

— Significant assets that were not recognized in the statement of financial position related to intangible assets and rights under operating leases
— Intangible assets resulted in particular from R&D activities, spending on which amounted to €334 million in continuing operations (previous year: €286 million)
— In addition, cross-licensing agreements with competitors that allow the reciprocal use of patents › A.2.6.1 Economic Aspects/Research and Development, Patents S Page 33

Liabilities Not Recognized in the Statement of Financial Position

— In addition to noncancellable operating leases, the main liabilities not recognized in the statement of financial position include obligations under purchase agreements and guarantees › A.2.4.3 Financing and Liquidity Analysis and › Note 22 I Other Financial Commitments and Contingent Liabilities in B.6 Notes to the Consolidated Financial Statements S Page 25
S Page 123

A.2.5.2 Explanations of Acquisitions and Disposals

— Sale of the 13.47% stake in Foshan Electrical and Lighting Co. Ltd., Foshan, China (FELCO) to a subsidiary of Guangdong Rising Assets Management Co., Ltd., China
— Following the approval by the Supervisory Board of OSRAM Licht AG for the sale of the general lighting lamps business (LEDVANCE) to a Chinese consortium, the transaction is expected to be completed in fiscal year 2017; LEDVANCE is recognized under *Assets held for sale* in the consolidated statement of financial position
— Acquisition of all shares in Novità Technologies, Hendersonville, U.S.A. contractually agreed; closing of the transaction in the first quarter of fiscal year 2017
— For further information on these transactions, see › Note 3 I Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements S Page 100

A.2.6 Sustainability

Our strategic decisions are based on the integrated model of the three pillars of sustainability: the economy, the environment, and society. These provide a holistic framework for our mindset and actions.

We take responsibility for our business activities throughout the world. This includes the enhancement of our product portfolio and our general dealings with customers, suppliers, and employees, as well as our own production activities—primarily in relation to the environment and resources, as well as occupational health and safety. In all of these areas, we help to reduce negative impacts and strengthen positive effects using appropriate guidelines, management systems, organization and measures.

The success of our sustainability activities was repeatedly confirmed by external sources in fiscal year 2016. For example, sustainability investment specialists RobecoSAM again acknowledged our performance with a Bronze Class award; we were also included in the company's Sustainability Yearbook 2016. Our shares were listed in the Dow Jones Sustainability Index (DJSI) World, a key benchmark for financial investors, for the third consecutive time. We also remained a member of the FTSE4Good Index and were included in the STOXX Global ESG Leaders Index once more. We also retained our oekom Prime Status that we had been awarded once again in 2015. This is presented to companies classed as sustainability leaders in their respective sectors during the oekom corporate rating.

Excerpt of Facts and Figures Related to Sustainability at OSRAM (Including Information for Previous Year)[1]

in Fiscal Year 2016 and as of September 30, 2016

Appreciation of our sustainability performance
Dow Jones Sustainability World Index 2016 (Industry: Electrical Components and Equipment)
FTSE4Good Index
oekom Prime Status
RobecoSAM Bronze Class Award 2016
RobecoSAM Sustainability Yearbook 2016
STOXX Global ESG Leaders Index

	2016	2015
Economic aspects		
Compliance		
Notifications of possible compliance violations	59	64
Compliance investigations (substantial)	16	11
Disciplinary consequences	12	19
Closed cases from previous notifications	42	60
Classroom training	6,120	5,558
Research and development, patents		
Employees—Research and Development (R&D)[2]	2.4 thousand FTEs	–
R&D expenses[1]	€334 million	€286 million
R&D intensity[1]	8.8%	8.0%

R&D expenses for LED technologies[1]	91%	85%
Patents and patent applications[2]	approx. 16,600	–
Patent families[2]	approx. 5,800	–
Procurement		
Purchasing volume (goods and services purchased from third parties)	approx. €3.2 billion	approx. €2.9 billion
Number of signed codes of conduct	684 new codes (which now covers 98% of our total purchasing volume)	approx. 2,900 (which covered 90% of our purchasing volume)
Customer relationships and marketing		
Employees—Sales[2]	2.3 thousand FTEs	–
Proportion of revenue attributable to single biggest customer[1]	5.1%	4.7%
Proportion of revenue attributable to top 50 customers[1]	59.3%	57.4%
Production and quality management		
ISO 9001 certification	All OSRAM production and development locations	All OSRAM production and development locations
ISO TS 16949 certification	Locations supplying automotive customers	Locations supplying automotive customers
Ecological aspects		
ISO 14001 certification	All production locations	All production locations
Energy and climate		
Primary energy consumption	984,694MWh	1,013,611MWh
Electricity consumption	712,828MWh	719,130MWh
CO_2 emissions, primary energy	197,943 tonnes	203,559 tonnes
CO_2 emissions, electricity	362,367 tonnes	369,019 tonnes
ISO 50001 certification	European Union: all production locations	Germany: all plants France: Molsheim
Water		
Absolute water consumption	3,377,691m³	3,288,299m³
Waste		
Recyclable waste	26,892 tonnes	30,665 tonnes
Waste for disposal	10,376 tonnes	11,396 tonnes
Social aspects		
OHSAS 18001 certification	Group headquarters and Asian production locations (excl. Panyu) Italy: Bergamo	Group headquarters and Asian production locations (excl. Panyu) Italy: Bergamo
SA8000 certification	India: Headquarters, design center, production locations	India: Headquarters, design center, production locations
Occupational safety		
Lost time injury frequency rate (LTIFR) per 200,000 working hours	0.50	0.53
Severity rate per 200,000 working hours	8.47	7.25

1) The information in this table—and generally in this section—relates to the OSRAM Licht Group as a whole, with the exception of the information about R&D expenses, R&D intensity, R&D expenses for LED technologies, the proportion of revenue attributable to our single biggest customer, and the proportion of revenue attributable to the top 50 customers, which are shown for OSRAM (continuing operations).
2) The number of employees and the data for 'patents and patent applications' and 'patent families' cannot be presented on a comparable basis as of September 30, 2015, so no data as of that date is shown. The numbers as of September 30, 2016 relate to OSRAM (continuing operations).

Sustainability Management and Organization

Organizationally, the interdisciplinary and company-wide topic of sustainability, is directly anchored at senior management level via the Chief Sustainability Officer. Tasks to be performed and key topics are developed and prepared by the sustainability department together with the content owners concerned and are presented for discussion by the Sustainability Council, which consists of delegates from Business Units and the heads of the corporate functions relevant to sustainability. The Council approves the draft resolutions on sustainability to be submitted to the Managing Board. The sustainability department is responsible for preparing Sustainability Council meetings, and manages the implementation of decisions.

The Sustainability Council meets twice per fiscal year. In the last fiscal year, it focused on examining the management processes relating to human rights and on working through the changes in the requirements for sustainability-related, non-financial reporting.

Stakeholder Engagement and Materiality Analysis

Regular dialogue with different interest groups (stakeholders) provides us with feedback on our actions. In addition to our shareholders and potential investors, we are in regular contact with our employees, customers, consumers, and suppliers, as well as political and social institutions. This helps us to ensure that approaches to sustainability solutions are publicized.

The materiality analysis (identification and evaluation of significant matters relating to sustainability) carried out in fiscal year 2015 remains the basis for our key topics. The key topics relating to the environment are product responsibility, operational eco-efficiency, and climate strategy. From the social perspective, they are working conditions, occupational health and safety, and human capital management. The subjects with economic relevance are operational and brand excellence, innovation management, and corporate governance.

Reporting

In fiscal year 2016, we continued to report our sustainability activities in accordance with the G4 Sustainability Reporting Guidelines at Core Level, specified by the Global Reporting Initiative (GRI). These comprehensive guidelines set standards for transparency and the meaningful selection of company-specific sustainability aspects. The publication of this information provides our stakeholders with information on the key sustainability topics at OSRAM, our sustainability management, and our sustainability performance.

Further information and examples of sustainability at OSRAM can also be found on our website
›› www.osram-group.de/en/sustainability.

A.2.6.1 Economic Aspects

Compliance

Compliance with applicable laws and with uniform Group-wide regulations is part of our DNA and it is a prerequisite for success in any business. OSRAM's compliance system is amongst other things designed to prevent the infringements of the applicable anticorruption and antitrust rules that would contradict our core values, to detect existing violations and, if necessary, to introduce the appropriate preventative measures for the future (Prevent—Detect—Respond). The system's key components are codes of conduct for employees and managers, training and communication about their content, and risk assessments and inspections at OSRAM's units.

A total of 6,120 employees around the world received personal compliance training in the past fiscal year. In 2016, web-based antitrust training was also successfully rolled out to complement the web-based anticorruption training that had already been developed in 2015.

All employees and external contacts can use the Tell OSRAM whistleblower hotline to pass on information about potential violations securely and anonymously to our compliance department. The compliance department pursues all information on violations and conducts internal investigations if there is specific evidence.

Research and Development, Patents

OSRAM's innovative strength is a core foundation for its medium- and long-term economic sustainability. As a leading global supplier in the lighting industry, we occupy a strong position in research and development (R&D), particularly in the fast-growing LED business.

The changing lighting market means that the LED business continues to gain in importance. We responded in fiscal year 2016 by clearly increasing the proportion of R&D expenditure for LED-related topics once more. Total expenditure for R&D and the level of research intensity were also increased significantly. Networked and intelligent lighting technologies and the integration of light, sensors, and communications technology are becoming increasingly important. In order to safeguard our position as a leading innovator in this sector, we have focused the activities of the Corporate Innovation function even more firmly on these areas and stepped up our collaboration with external innovation partners. At the same time, Fluxunit GmbH was established as an in-house business incubator to develop new, disruptive business ideas and external start-ups, and to bring them rapidly to market.

In fiscal year 2016, we continued with the following key areas of our past R&D activities to which we added new topics:

Key Areas of OSRAM's R&D Activities

Fiscal year 2016

Pre-development of innovative materials, processes, and semiconductor components Research and development of epitaxy, chip technology, converters, and housing designs for visible and infrared LEDs in all performance classes High-efficiency visible and infrared lasers for projection and sensor applications such as adaptive cruise control (ACC) systems in cars OLEDs (organic light-emitting diodes) in automotive applications	Application-specific LEDs or laser-based light sources in a wide range of designs, largely for general lighting (including LED lamps) and automotive forward lighting units, e.g. for matrix headlight systems Intelligent controls and integration of drivers and circuits in components and platforms	Expansion of the LED luminaire portfolio for professional and consumer applications, such as wireless communication with and between devices Lighting systems with increased functionality as a result of the integration of luminaires, sensors, intelligent controls, algorithms, and new forms of user interfaces, such as those used in Lightify, an intelligent wireless lighting control system operated via a smartphone or tablet Integration of lighting, sensor, and communication technologies for use in intelligent urban systems New applications for light sources, e.g. for plant growth and disinfection.

Collaboration with scientific partners around the world is a key part of our R&D activities. We are working with various research institutions, universities, and other companies on more than 100 projects of different sizes, including those in research programs that are sponsored by institutions such as the European Commission and the Bundesministerium für Bildung und Forschung (BMBF—German Federal Ministry of Education and Research). In addition, our active membership of various academic governing bodies provides us with strong connections in the university research community. Our R&D project portfolio is constantly changing and follows trends such as Smart Cities, the Internet of Things, and the move toward networked and autonomous vehicles.

Fiscal year 2016 also saw numerous successes that were achieved as a result of our R&D work. A few highlights are given below:

— OSRAM OLEDs (organic light-emitting diodes) have been fitted in the tail lights of the new BMW M4 GTS, which is the first time that this technology has been used in a mass production vehicle. These organic lighting panels take up exceptionally little space and open up possibilities for design that were previously unattainable in the automotive sector.

— The refinement of the laser-induced fluorescent materials that were unveiled in 2012 was further proof of OSRAM's leading position in high-performance light sources. OSRAM first showcased the technology for use in stage lighting at the Prolight & Sound trade show. The new Phaser 500 for applications in endoscopy, boroscopy, and measurement technology generates a record level of luminance of 3,700 cd/mm^2.

— In the area of intelligent solutions for cities and buildings, OSRAM has launched the first systems that offer added value as well as acting as luminaires. SLC RF, the new generation of OSRAM Street Light Control, integrates luminaires into a wireless network, which can form the backbone for completely new benefits of a smart city, such as a wide-area information network or new sensor-controlled services.

— OSRAM Einstone was launched at the 2016 Light + Building exhibition. Directly integrated into lighting technology, the transmission unit creates a type of local GPS signal and provides accurate search and navigation services as well as a wide range of digital applications via smartphone—in offices, museums, department stores, factories or public spaces.

The lighting industry, and the LED industry in particular, is characterized by a significant number of patent cross-licensing agreements between manufacturers. The cross-licensing agreements and non-assertion agreements that we entered into with companies such as Samsung, Nichia, Philips, Toyoda Gosei, LG, Cree, and Sharp in the past remain in force.

Intellectual property, which includes patents, utility models, registered designs, copyrights and trademarks, trade secrets, and expertise, is particularly important in our industry. The large number of patents reflects our consistent ability to innovate. Among other things, our patent portfolio enables us to enter into patent cross-licensing agreements with key market players within the scope of our corporate strategies.

Procurement

The supply chain plays a key role for us in terms of sustainability. It requires a high degree of flexibility, particularly in view of the technology shift. Our procurement function is managed globally but is organized regionally with regard to certain raw materials groups. This type of organization enables us to supply the production and sales units in the best possible way, and to stay in close contact with our partners across all Business Units. Global pooling also enables us to achieve economies of scale that make a substantial contribution to the Company's productivity.

For us, sustainability in the supply chain also means implementing our high environmental, social, and ethical standards in our business relationships with suppliers. A key part of this is our code of conduct for suppliers. Like our own business conduct guidelines, it incorporates the most important international standards and conventions and addresses important matters such as compliance, the environment, human rights, and conflict minerals. As well as accepting our Code of Conduct, our suppliers are required to provide self-certification. In addition, we hold supplier days in various regions in order to exchange information with our suppliers. Another cornerstone of our supplier management is the expertise of our employees. We train our global procurement teams and raise awareness of sustainability by running regular information initiatives and training courses.

The issue of conflict minerals is one of the aspects of a sustainable supply chain that continues to gain importance. We addressed this in 2013 by introducing an appropriate policy and expanding our code of conduct for suppliers to include conflict minerals. The target for the OSRAM Licht Group is to create total transparency regarding the origin of potential conflict minerals by 2017.

Production and Quality Management

Our own manufacturing activities are a further mainstay of our business. Our production expertise is based on longstanding experience and the constant refinement of our activities. The production sites are located mainly in Europe, the Asia-Pacific region, and North America. The transition from traditional lighting to LED products requires a decrease in vertical integration and greater use of standardized electronic components.

We are increasing the speed and efficiency of our production processes and, where appropriate, are building up new core competencies through and for in-house manufacturing. During the second quarter of fiscal year 2016, ground-breaking ceremonies took place for new electronic component production facilities in Plovdiv, Bulgaria, and Monterrey, Mexico, the purpose of which is to help meet the growing demand for intelligent lighting systems in local markets. In March 2016, the ground-breaking ceremony for a new LED chip plant also took place at Kulim in Malaysia. This will be the world's biggest six-inch LED chip factory and manufacturing of chips for automotive and general lighting will start at the end of 2017.

We also work continuously to improve processes at existing production sites. In the past fiscal year, for example, at the Regensburg plant, Germany, we managed to significantly cut the consumption of organic solvents used in a purification process and the dilution of used solvents with water. These improvements will reduce the impact on the environment and lower the energy consumption of these processes.

Sustainability plays a particularly important role in terms of the products that OSRAM sells to its customers. In line with our brand promise of innovation and quality, we ensure that our products meet the highest quality standards and perform reliably. At OSRAM, 'quality first' initiatives are brought together to accompany products throughout their whole lifecycle, irrespective of whether the value is created in our own production facilities or beforehand at our suppliers. Internationally recognized quality management systems are used to ensure that every stage is monitored efficiently and, when necessary, modified systematically and transparently. Only by consistently implementing our own requirements we are able to ensure that the quality of our products remains at the same very high level.

Customer Relationships and Marketing

Our relationships with many of our customers go back many years, and they are maintained by means of ongoing key account management. OSRAM uses the Net Promoter Score (NPS) to measure customer satisfaction. Based on an annual survey, it indicates how likely customers are to recommend OSRAM. In the past fiscal year, there was a further rise in our NPS, which was already high compared with our competitors.

In fiscal year 2016, our main OSRAM brand and the OSRAM logo were registered as trademarks in every country where trademarks can be protected. Our products were primarily marketed under this brand. Products are also sold under the SYLVANIA brand in North America. LEDVANCE GmbH, the company that emerged from the separation of the lamps business, has been the licensee for the OSRAM and SYLVANIA brands at product level since July 1, 2016. The licensing agreement sets the time limits for the use of the brand names for various product categories, particularly the general lighting business.

OSRAM also has various special brands that supplement our main brand in specific businesses. Many of these brands originate from mergers and acquisitions and are routinely reviewed with regard to the individual scenarios specified for their integration and migration. We sell opto semiconductors under the special OSRAM Opto Semiconductors brand. Traxon and Siteco are special brands in the markets for professional luminaires and light management systems; we market these as part of the OSRAM brand portfolio with the addition of 'AN OSRAM BUSINESS'; the same applies to SYLVANIA Lighting Solutions for the service and solutions business in the U.S.A., Canada, and Mexico, and Clay Paky in the entertainment sector. These brands also operate with the addition of 'AN OSRAM BUSINESS' beneath our main brand. As a further brand in our portfolio, we use the NEOLUX secondary brand completely independently in the automotive aftermarket business. This brand is used for entry-level business priced below the positioning of the OSRAM brand range. Together with the OSRAM brand, it enables us to tap into the whole market and it protects the premium positioning and pricing of the main OSRAM brand from erosion.

The key objectives of our brand communication activities were the further strengthening of our brands and the appropriate positioning of OSRAM.

A.2.6.2 Ecological Aspects

For OSRAM, environmental protection encompasses a sustainable approach to energy saving, water conservation, waste disposal, chemicals, and emissions monitoring. Great importance is also attached to environmentally friendly design and product recycling. These objectives are enshrined in our EHS (environmental protection, health management, and safety) policy, which is binding on all operating sites worldwide. It sets out our environmental policy guidelines and targets for the Company. In order to monitor compliance with our environmental targets continuously, we have introduced clear areas of responsibility with corresponding management powers in line with the international ISO 14001 standard. In return, we regularly receive matrix certification for all of our global production sites from an external body. The environmental permits for production plants were shared or duplicated for OSRAM and LEDVANCE so that production could continue at all plants without interruption.

The following performance figures relate to all locations that exceeded the thresholds set for parameters such as energy consumption, volumes of waste, or water consumption.

Energy and Climate

Within the OSRAM Licht Group, energy efficiency is the metric against which our products, lighting solutions, and production facilities are judged every day. One example is our Energy Efficiency Project in which a team operating around the world has focused on the aim of implementing energy-saving and efficiency measures at all plants since 2013. The team continued to focus on energy-saving measures with the same high level of commitment in fiscal year 2016, with the result that global energy productivity was around 3% higher at the end of the fiscal year. This related to both primary and secondary energy consumption, further reducing the Company's global CO_2 emissions.

Actual primary energy consumption was down moderately year on year, falling to 984,694 MWh from 1,013,611 MWh in the previous year. Similarly, total electricity consumption saw a modest reduction to 712,828 MWh (previous year: 719,130 MWh). This directly impacted CO_2 emissions, which amounted to 197,943 tonnes (previous year: 203,559 tonnes) for primary energy and 362,367 tonnes (previous year: 369,019 tonnes) for electricity.

Profitable, efficiency-enhancing environmental and energy projects are rigorously pursued and fine-tuned at all plants. After officially opening a further cogeneration plant (combined heat and power unit (CHP)) in Eichstätt, Germany, in 2015, a new plant in Schwabmünchen, Germany, was brought on stream on the basis of the high level of efficiency achieved and the great benefit for the environment. This brings the total in Germany to six plants at four locations. They can be operated all year round because they use absorption coolers to produce the refrigeration required for the process from the heat generated by the CHP. To help combat climate change, OSRAM is also investing in new production facilities. In the summer of 2016 it finished installing solar modules on the administration and manufacturing buildings in Wuxi, China, which will reduce the amount of electricity that would otherwise be obtained from the public grid by around 420 MWh a year.

Luminaires are prepared for all-weather use in the paint shop at our plant in Traunreut, Germany. All individual parts must be thoroughly cleaned beforehand. Working with industrial cleaning agent producers Henkel and BCD Chemie, the cleaning process has now been optimized so that the plant can generally manage without heating the water for the process. This will reduce the paint shop's annual energy usage by 30% and achieve CO_2 savings of 120 tonnes.

As planned, an ISO 50001-certified energy management system was introduced in all European plants outside Germany during the past fiscal year. Our ISO 50001 matrix certification now covers all production facilities in the European Union.

We work at all times on improving the efficiency (lumens per watt) of our products, LED modules and LED lamps and luminaires. As an example, OSRAM has increased the luminous efficiency of white and blue high-power LEDs by 7.5% by making improvements in epitaxy. In terms of product design, the focus is on conserving resources (e.g. aluminum) and on improving usability, for example by reducing the size of a product or increasing its beam angle. These improvements and relentless cost reduction are resulting in ever greater market penetration for this extremely efficient lighting technology.

Water

In conventional lighting production, water is mainly used for cooling and pollution is therefore minimal. Nonetheless, responsible and conservative use of water is very important to us. We ensure that contaminated water is either purified by us or fed into local waste water treatment plants, while also setting ourselves the target of reducing our overall water consumption.

By contrast, LED manufacturing produces different types of effluents. They receive separate in-house treatment for each contaminant and the purified waste water is discharged into the sewage system. Total consumption in this area has been reduced by means of various water-saving projects, although this is often offset by rising production volumes.

We recorded a moderate increase in absolute water consumption in fiscal year 2016, when water consumption amounted to 3,377,691m^3 (previous year: 3,288,299m^3).

Waste

Prevent waste, recycle waste, dispose of waste: This order of priority is a mission statement for waste management in our plants, and also makes economic sense. In the past fiscal year, OSRAM produced 26,892 tonnes of recyclable waste worldwide (previous year: 30,665 tonnes) and 10,376 tonnes of waste for disposal (previous year: 11,396 tonnes). In the reporting year, the absolute reduction in both types of waste was again partly attributable to plant closures and the related relocations.

Packaging

The design process, which includes packaging, makes a significant contribution to waste prevention at an early stage. OSRAM has clear guidelines for the design and procurement of packaging. Packaging should be made from environmentally sustainable materials that can be easily recycled or disposed of. In addition, its volume and weight should be limited to that required to protect the contents. For the majority of our products, this means that folding boxes are used for primary packaging and corrugated cardboard boxes for transit packaging. The cardboard and paper used to produce these packaging components currently have a recycled content of more than 80%.

Product Responsibility

OSRAM is striving to go above and beyond the legal requirements for reducing the use of critical substances wherever technically and economically viable. We are actively championing the introduction of globally harmonized substance restrictions, e.g. in connection with implementation of the Minamata Convention in the signatory countries. › A.1.1.3 Legal and Sector-specific Conditions. S Page 5

Directive 2011/65/EU (RoHS), which bans certain substances and imposes mercury limits for lamps, serves as a model for comparable legislation in other countries and regions, such as the Middle East and India. We have developed and implemented a dedicated SAP tool that enables us to monitor the use of critical substances at component level and to ensure long-term legal compliance against a backdrop of constantly increasing requirements.

We conduct product lifecycle analyses in order to evaluate the overall impact of OSRAM products on the environment. The methodology used for these analyses is based on the international ISO 14040 and ISO 14044 standards.

Recycling

The aim of product recycling is to recover as many sorted materials as possible in order to conserve limited resources and to protect the environment by disposing of hazardous substances properly. The recycling of valuable metals such as tungsten and molybdenum, for example, plays a considerable role in the conservation of resources and reduction of costs. By taking the recycling aspect into consideration during product development, OSRAM ensures that a high proportion of components can be recycled.

OSRAM meets its obligation as a manufacturer to take back products (e.g. under the European WEEE (Waste Electrical and Electronic Equipment) directive) by participating in organizations, companies, and foundations that were specially set up for this purpose. Luminaires contain electronic components and valuable raw materials. This is why it is important that the products are collected and recycled or disposed of safely.

A.2.6.3 Social Aspects

In addition to the economic and environmental aspects, OSRAM also fulfills its social responsibilities as a global enterprise, completing our holistic approach to sustainability.

We respect the human rights of all employees and expressly oppose child labor, as well as unethical and antisocial business practices. We do not discriminate with regard to ethnic origin, gender, religion, social background, disability, political views, or sexual orientation. We respect local laws on wages and salaries in all countries in which we operate. Our employees throughout the world have the right to freedom of organization and assembly. In countries where employee representative bodies have been established, we set great store by working as closely and constructively as possible with employee representatives. We seek to offer our employees a safe working environment on fair terms. We will only be able to shape the future of light by working together with a team of committed employees. Where redundancies are unavoidable as part of the technological shift and associated restructuring measures, OSRAM tries to manage these with the minimum possible social impact.

Employees

Highly motivated, performance-driven employees are essential to the successful development of our business, particularly against the background of the fundamental technology shift in the lighting market. That is why recruiting skilled workers and talented young professionals is one of our top priorities. In fiscal year 2016, we hired a total of 6,450 new employees, of whom 1,120 were white-collar workers. Changes in the market during the past fiscal year have given rise to many new specialist functions in project and solutions business, sales, production management, and software and application development.

We use our employer promise ‘Light is what you make it’ to reach out to specific groups of applicants in the relevant networks. At the core of our employer branding is our careers page on the OSRAM website, which we redesigned in fiscal year 2016 in order to improve the information for prospective employees and make it easier for them to search for jobs. Our presence on social media such as Facebook, Xing, and LinkedIn complements our website and enables us to communicate directly with our target groups.

Employees by Segments [1)]

in thousands FTE

	September 30,	
	2016	2015
Specialty Lighting	6.6	6.1
Opto Semiconductors	10.5	9.2
Lighting Solutions & Systems	5.5	4.8
Corporate [2)]	2.0	2.9
OSRAM (continuing operations)	**24.6**	**–**
OSRAM Licht Group (total)	**34.2**	**33.1**

Employees by Regions [1)]

in thousands FTE

	September 30,	
	2016	2015
EMEA	9.6	13.8
thereof Germany	6.4	8.9
APAC	12.1	13.2
thereof China (including Hong Kong) and Taiwan	5.3	6.4
Americas	2.9	6.0
thereof NAFTA [3)]	2.8	5.7
OSRAM (continuing operations)	**24.6**	**–**
OSRAM Licht Group (total)	**34.2**	**33.1**

1) The number of employees shown for Corporate and the regional breakdown are not comparable with the figures as of September 30, 2015. For this reason, a prior-year figure is not given for OSRAM (continuing operations).
2) Group management employees and employees of other global corporate functions. As of September 30, 2016, including employees working in contract manufacturing.
3) NAFTA comprises employees in the U.S.A., Canada, and Mexico.

Sustainable business success at a global level is only possible if we systematically encourage and develop the right employees, facilitate their continuing professional development, motivate them, and ensure they remain with OSRAM. In order to maintain a leading position in the lighting market, we offer our employees at all levels in the Company a wide range of programs and training opportunities to further their personal and professional development. We use classroom formats, e-learning modules, and blended learning for this, depending on the content and focus of the training.

We draw on a wide range of tools to select and develop managers. These range from company-specific, internal group programs, through individual measures such as coaching or team development, down to external professional development opportunities. One example is our Essentials of Leadership program, which optimally prepares first-time managers for their future roles. Over the course of six months, they are familiarized with the basics of successful people management. The program comprises virtual elements and locally held events.

We launched our Talent Management@OSRAM program in fiscal year 2015 to develop our high potentials and top performers, both at global and local level. High potentials are initially nominated as part of our performance management process. Our talent management activities revolve around development plans focusing on concrete target functions, as well as regular support from experienced mentors. In addition, we offer our high potentials a wide range of development opportunities that enable them to grow into the jointly defined target function during their three-year membership of the talent pool. The second generation of employees (15 people) is now going through this process, which means that, adding in the first generation of 26 employees, a total of 41 employees are participating in the program.

In order to position the Company as an even more attractive employer for technology specialists, we provide highly qualified technology staff with a Key Expert career path. This is an alternative to the traditional management career path and provides the opportunity to focus on technical challenges and to contribute expert knowledge to the Company's strategic orientation. In fiscal year 2016, a further 15 experts (previous year: six experts) were nominated from six core technology areas.

Diversity for OSRAM means creating the opportunity for employees from different cultures, and with different backgrounds, religions, genders, and skills to work together. In addition, we are convinced that diversity is a prerequisite for generating competitive advantages over our global competitors and securing market share. We use and offer a range of channels to ensure that the benefits brought by this diversity are developed in a sustainable manner. For example, different employee groups can exchange information and ideas in Group-wide networks. Open Mentoring, a program in which employees can choose a suitable mentor for themselves, is one of the ways in which we foster the sharing of experiences across hierarchical and international boundaries. We are also working to encourage more women to enter technological professions and to increase the proportion of managerial roles held by women.

Occupational Safety

Strict management and the orderly documentation and monitoring of processes, equipment, methods, and procedures, together with appropriate training programs, are essential to implementing OSRAM's commitment to providing a safe, healthy working environment for all employees and to minimizing the risk of accidents at work or of employment-related illnesses.

All OSRAM employees have an obligation and responsibility to be mindful of safety at all times, wherever they are. In order to monitor ongoing compliance with our occupational safety targets, we have introduced a management system that meets the requirements of the internationally recognized OHSAS 18001 standard.

Risk assessments have to be carried out for all areas of operation by the responsible managers, supported by trained safety representatives. In addition, we have established occupational health and safety committees at all relevant sites, in accordance with local legal requirements or on a voluntary basis.

We use key performance indicators to monitor the effectiveness of our occupational health and safety programs. In fiscal year 2016, we introduced two new global KPIs in order to analyze accidents more effectively and ensure that we take appropriate measures. These are the severity rate and the lost time injury frequency rate (LTIFR) per 1,000 employees. The success of our programs can be seen at OSRAM GmbH, where the number of workplace accidents is well below the average reported by the employers' liability insurance association. As a result, all OSRAM GmbH sites had insurance premiums reimbursed in the 2015 calendar year.

Social Commitment

As a global enterprise, we not only engage with numerous cultures and societies—we also actively take responsibility locally. As part of this commitment, OSRAM supports a variety of initiatives in the areas of education and science, art and culture, as well as social and humanitarian projects. OSRAM also promotes employee involvement in charitable campaigns. Our employees support a variety of different projects through fundraising activities and personal involvement.

Here are just some of our activities in the reporting year: A major project in the area of education and science was the AKOMI demonstrator, which we developed with science and technology partners and which is used to devise new solutions relating to the pioneering Plug&Produce technology. The demonstrator has been donated to the Technical University of Munich, Germany, so that it can be put to use in research and teaching.

As part of our involvement in art and culture, in 2015 we organized the international light art award, LiO (Light is OSRAM), in cooperation with the Cologne International School of Design (KISD), Germany. Over 50 art and design students from the school in Cologne and partner universities in Milan, Italy, and Philadelphia, U.S.A., submitted concepts. The prizewinners were honored at a vernissage in Munich's 'Deutsche Museum', Germany, in December 2015, and the winner project has been presented there for several months. OSRAM also sponsored the Eurovision Song Contest again in 2016, which was held in Stockholm, Sweden. Using an app from OSRAM, viewers worldwide were able to rate the songs and thereby light up Stockholm's landmarks in a variety of colors.

Examples of activities as part of social and humanitarian projects to help underprivileged members of society included financial and material support for refugees and the participation of our subsidiary Clay Paky in a fund for stagehands who have fallen ill.

A.2.7 Reconciliation of Key Performance Indicators

This section shows the calculation of some of the performance indicators presented in › A.1.2 Performance Management. There is also a reconciliation of APMs to the most similar IFRS measures.

S Page 6

Comparable Revenue Growth

Changes in revenue for OSRAM as a whole, broken down by segment, region, and technology, are shown as a percentage change between the relevant comparative period and the reporting period, either on a nominal or a comparable basis (adjusted for currency translation effects and portfolio effects). This enables the operating performance to be analyzed without any distortion caused by translating revenue into euros (when the financial statements are prepared) or by including acquisitions and divestments. Other effects, such as price increases/decreases and quantity/volume changes, are also ignored in the calculation of comparable revenue growth.

Comparable Revenue Growth

Comparable Change in Revenue[1)]

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

OSRAM (continuing operations)	**2016:** 6.0% – 0.6% – (–0.5%) = 5.9%	
OSRAM Licht Group (total)	**2016:** 1.9% – (–0.1%) – 0.0% = 2.0%	**2015:** 8.4% – 7.9% – 1.5% = –1.0%

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)	**2016:** $\frac{3{,}785 - 3{,}763}{3{,}572} = 0.6\%$	
OSRAM Licht Group (total)	**2016:** $\frac{5{,}678 - 5{,}686}{5{,}574} = -0.1\%$	**2015:** $\frac{5{,}574 - 5{,}169}{5{,}142} = 7.9\%$

Portfolio Effects[2)]

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

OSRAM (continuing operations)	**2016:** $\frac{(19)}{3{,}572} = -0.5\%$	
OSRAM Licht Group (total)	**2016:** $\frac{1}{5{,}574} = 0.0\%$	**2015:** $\frac{78}{5{,}142} = 1.5\%$

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. The item is also adjusted for revenue from cross-selling agreements.
2) In 2015, the portfolio effect was attributable to only one acquisition.

EBITA, EBITDA, and EBITA/EBITDA Margin

We use EBITA and the EBITA margin to measure the operating performance of OSRAM as a whole and of our segments. The EBITA margin is defined as EBITA divided by revenue. We also use the adjusted EBITA margin, which is calculated by dividing EBITA adjusted for special (recurring and non-recurring) items by revenue. In addition, we use EBITDA to determine our capital structure data; EBITDA is becoming increasingly important to us in view of Diamond. Because of the way they are defined, EBITA and EBITDA do not reflect all economic effects (no loss in value of assets resulting from depreciation, amortization, and impairment). Moreover, neither EBITA nor EBITDA include financial income (expenses), net.

EBITA and EBITDA

in € million

	OSRAM (continuing operations)		OSRAM Licht Group (total)	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
Net income	532	228	398	171
Income taxes	169	94	151	68
Financial result [1]	(290)	16	(280)	25
Amortization [2]	29	25	39	31
EBITA [3]	**440**	**363**	**309**	**294**
Depreciation [2]	181	180	267	263
EBITDA [4]	**621**	**543**	**575**	**557**

1) Income (loss) from investments accounted for using the equity method, net, interest income, interest expenses, and other financial income (expenses), net.
2) Net of reversals of impairment losses.
3) OSRAM defines EBITA (earnings before interest, taxes, and amortization) as income (loss) before financial result, income taxes, and amortization and impairment of intangible assets (goodwill and other assets), net of reversals of impairment losses.
4) OSRAM defines EBITDA (earnings before interest, taxes, depreciation, and amortization) as EBITA before depreciation and impairment of property, plant, and equipment, net of reversals of impairment losses.

EBITA/EBITDA Margin and EBITA/EBITDA Margin, Adjusted

in € million

	OSRAM (continuing operations)		OSRAM Licht Group (total)	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
Revenue	3,785	3,572	5,678	5,574
EBITA	440	363	309	294
EBITA margin	**11.6%**	**10.2%**	**5.4%**	**5.3%**
EBITDA	621	543	575	557
EBITDA margin	**16.4%**	**15.2%**	**10.1%**	**10.0%**
Special items	(31)	(65)	(280)	(273)
Transformation costs	(26)	(57)	(98)	(239)
Costs associated with the separation of the lamps business	0	–	(177)	(25)
Acquisition related costs	(1)	(3)	(1)	(3)
Costs associated with changes in the Managing Board of OSRAM Licht AG	(5)	(6)	(5)	(6)
Others	–	0	–	0
EBITA, adjusted	471	428	589	567
EBITA margin, adjusted	**12.5%**	**12.0%**	**10.4%**	**10.2%**
Depreciation [1]	180	179	231	230
EBITDA, adjusted	652	607	819	798
EBITDA margin, adjusted	**17.2%**	**17.0%**	**14.4%**	**14.3%**

1) Excluding depreciation and impairment losses recognized as special items within transformation costs.

Liquidity

We report free cash flow as a liquidity measure that provides an indication of our ability to generate cash over the long term from our operating activities. However, we are not entirely free to use this cash at our discretion because it is also needed for a variety of expenditures that are not at our discretion, e.g. servicing our debts or paying dividends. Free cash flow is net cash provided by (used for) operating activities less additions to intangible assets and property, plant, and equipment.

Free Cash Flow

in € million

	OSRAM (continuing operations)		OSRAM Licht Group (total)	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
Net cash provided by (used in) operating activities	373	390	187	580
Net cash provided by (used in) investing activities	(23)	(267)	(9)	(298)
therein: Additions to intangible assets and property, plant, and equipment	349	246	381	281
Free cash flow	**24**	**144**	**(194)**	**299**

Return on Capital Employed

Return on capital employed (ROCE) is a measure of capital efficiency. Because it is the ratio of income (loss) before interest and after taxes to the average capital employed, ROCE does not provide any information about the absolute amounts of income and capital employed.

Capital Employed

in € million

	September 30,		
	2016	2015	2014
Total equity	2,486	2,482	2,401
Long-term debt	42	50	138
Short-term debt and current maturities of long-term debt	20	3	8
Pension plans and similar commitments	206	348	349
Cash and cash equivalents	(457)	(668)	(614)
Capital employed OSRAM (continuing operations)	**2,297**	**2,215**	**2,281**
Capital employed discontinued operation [1]	(31)	91	78
Capital employed	**2,267**	**2,306**	**2,359**

1) The capital employed that was attributable to the discontinued operation as of September 30, 2015 and 2014 is based on unaudited pro-forma statements of financial position.

Return on Capital Employed

in € million

	OSRAM (continuing operations)		OSRAM Licht Group (total)	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
Income before interest after taxes				
Net income	532	228	398	171
Interest (income) expenses, net [1]	15	18	24	27
Taxes on interest [2]	(4)	(5)	(7)	(8)
Income before interest after taxes	**543**	**241**	**415**	**190**
Calculation of tax rate				
Income before income taxes	701	322	549	239
Income taxes	169	94	151	68
Tax rate [3]	**24.1%**	**29.1%**	**27.6%**	**28.3%**
ROCE				
Income before interest after taxes	543	241	415	190
Average capital employed [4]	2,256	2,248	2,286	2,333
ROCE	**24.1%**	**10.7%**	**18.2%**	**8.2%**

1) Interest expense less interest income.
2) Taxes on interest have been calculated on a simplified basis applying the tax rate determined under *Calculation of tax rate* to the interest income (expenses), net.
3) The tax rate is calculated by dividing the income taxes by income before income taxes.
4) Average capital employed in the reporting period is defined as the average of capital employed at the beginning of the reporting period and the capital employed at the end of the reporting period.

Capital Structure

Net liquidity is the difference between total debt and total liquidity. Adjusted net liquidity is net liquidity less *Pension plans and similar commitments*. For the calculation of net liquidity and adjusted net liquidity, see › A.2.4.3 Financing and Liquidity Analysis. The fact that debt and *Pension plans and similar commitments* are deducted from liquidity does not mean that liquidity can only, or primarily, be used to meet these obligations.

Ⓢ Page 25

Capital Structure Data

in € million

	September 30, 2016	September 30, 2015
EBITDA OSRAM (continuing operations)	621	543
Net liquidity [1)]	396	641
Net liquidity in relation to EBITDA	**0.6**	**1.2**
Adjusted net liquidity [1)]	190	178
Adjusted net liquidity in relation to EBITDA	**0.3**	**0.3**

1) The values as of September 30, 2016 relate to continuing operations, whereas the previous year's values relate to the entire OSRAM Licht Group.

Equity Ratio

Equity Ratio

in € million

	September 30, 2016	September 30, 2015
Total equity	2,486	2,482
Total assets	4,801	4,765
Equity ratio	**52%**	**52%**

Net Operating Working Capital Turnover Ratio

Net Operating Working Capital Turnover Ratio [1)]

$$\frac{\text{Revenue}}{\text{Inventories + trade receivables – trade payables}}$$

2016: $\frac{3{,}785}{(655 + 580 - 601)} = 6.0$ **2015:** $\frac{5{,}574}{(987 + 898 - 749)} = 4.9$

1) In accordance with the relevant provisions of IFRS 5, the consolidated statement of financial position as of September 30, 2015 was not shown on a comparable basis. For this reason, the value for fiscal year 2016 determined for OSRAM (continuing operations) can only be compared to a limited extent with the previous year's value calculated for the entire OSRAM Licht Group.

A.3

Events After the Reporting Date

The acquisition of all shares in Novità Technologies, Hendersonville, U.S.A. became effective on October 4. Detailed information is reported in › Note 3 I Acquisitions, Disposals, and Discontinued Operations.

S Page 100

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 September 30, 2016.

A . 4

Report on Expected Developments and Associated Material Risks and Opportunities

A.4.1 Report on Expected Developments

A.4.1.1 Future Economic and Sector-specific Developments

According to forecasts by IHS, the global economy is expected to grow by 3% in calendar year 2017. However, according to the International Monetary Fund's latest report on the global economy (WEO October 2016), there is an increasing risk of stagnation. This means that trade barriers could be raised, which would harm productivity, economic growth, and innovation. The UK's planned exit from the EU has also given rise to uncertainty, as well as to reduced forecasts for economic growth in the United Kingdom and negative consequences for its main trading partners.

The performance of the global economy has a direct impact on the most important macroeconomic indicators for the lighting market. The outlook for the construction sector remains positive in fiscal year 2017 with investment forecast to increase globally by 3%. However, the forecast for approximately 2% growth in automobile production in 2017 is down on the previous year. The risk of lower growth in production in China and Europe is considered to be relatively high. Production in China, for example, is only expected to rise by 1% in 2017. Automobile production in North America is also expected to decline as a result of inventory adjustments. A lower rate of growth in production would have a direct impact on demand for lighting products for new vehicles.

Regardless of trends in the general economy, the transformation of the global lighting market is likely to continue and to remain largely dominated by the technology shift from traditional light sources to semiconductor-based lighting. The lighting market is forecast to grow at a slightly faster rate than the general economy. We believe that the sector will become increasingly differentiated—with volume-driven markets on the one hand, in which consistently high quality and cost efficiency are crucial competitive factors, and technology-driven professional markets on the other, which are characterized by innovation, customer-specific solutions, and sustainable growth.

A.4.1.2 Expected Revenue and Earnings Trends

On the basis of the expected business environment and our planned actions and initiatives, our revenue forecast for our segments is as follows (all on a comparable basis): OS is likely to see a growth of total (internal and external) revenue in the order of a high single-digit to a low double-digit percentage figure, supported by substantial growth in LED chips for general lighting and consistently strong demand for LED chips in the premium segment. We predict that SP will continue to grow at a faster rate than global automotive production, but, in contrast to the reporting year, we only anticipate moderate growth. We expect to see a continuation of the growth momentum at LSS, with revenue likely to grow clearly, particularly on the back of the already high proportion of business accounted for by LEDs. Based on these trends in the reporting segments, we expect to see revenue growth in fiscal year 2017 for OSRAM—again on a comparable basis—at a similar level to fiscal year 2016.

With regard to earnings growth in our reporting segments, we believe that SP's adjusted EBITDA margin will be clearly below the margin of 14.8% for the year under review, primarily due to the changing product mix. OS will probably generate an EBITDA margin that is clearly below the margin of 29.2% for fiscal year 2016 because the beneficial earnings effects from exchange rate fluctuations and licensing income seen in fiscal year 2016 are likely to be less significant in fiscal year 2017. LSS's adjusted EBITDA margin is anticipated to be in the low-to-mid single-digit percentage range (fiscal year 2016: 1.6%) thanks to the ongoing efforts to improve earnings in this segment. The adjusted EBITDA under *Corporate items and pensions* (in *Reconciliation to consolidated financial statements*) will probably stay at roughly the same level as in fiscal year 2016 (€–75 million).

Taking into account the trends in the individual segments, we anticipate an EBITDA margin adjusted for special items (primarily transformation costs) for the continuing operations of OSRAM of at least 16%. In view of the expected slight drop in reported EBITDA and given the non-recurring gains of €306 million (before tax) from the sale of our investment in FELCO in the reporting year, we anticipate a slight decline in income OSRAM (continuing operations). Therefore, assuming that the share buyback program proceeds according to plan, diluted earnings per share from continuing operations is expected to be between €2.35 and €2.65.

A.4.1.3 Expected Financing and Liquidity Situation and Planned Capital Expenditure

Despite a sharp increase in capital expenditure, particularly in the OS Business Unit, we are striving to achieve a free cash flow at break-even level for the next fiscal year. With reported EBITDA set to decline slightly and with the previously mentioned increase in capital expenditure in connection with our 'Diamond' innovation and growth initiative—even though the additional funding contribution to pension plan assets and the settlement of pension obligations, which amounted to a total of €169 million in fiscal year 2016, will not be repeated—, we will have to do even better in our management of net working capital in order to achieve this target.

Despite the ongoing share buyback program and the proposed dividend distribution, we assume that OSRAM will again show a net liquidity in the next fiscal year, producing an extremely stable financial profile that provides sufficient room for maneuver to finance the needs of our business and to continue with the implementation of our growth and innovation strategy over the coming years. The anticipated inflow of funds from the sale of LEDVANCE will help with this.

A.4.1.4 Overall Assessment of Expected Developments

Fiscal year 2017 will represent a key turning point for OSRAM. The anticipated completion of the sale of our lamps business will see the departure of a fundamental part of OSRAM. From our perspective, this remains an absolutely necessary step in order to set OSRAM on a path of growth and technology leadership. Although we expect to incur further significant restructuring expenses in fiscal year 2017 of around €80 million to €100 million, which should be seen in the context of our OSRAM Push transformation program (due to end in 2017), the profile of the Company will change rapidly. In the future, there will be an even stronger focus on revenue growth and technological progress. At the same time, we will be not only investing in growth and innovation, but also allowing our shareholders to benefit even more from our strong earnings and liquidity development. We are planning to both continue the share buyback program as scheduled and propose a dividend per share for fiscal year 2016 of €1.00 to the General Meeting in February 2017, representing an increase of more than 10% on the previous year. Based on the net income from continuing operations, excluding the non-recurring proceeds from the sale of the investment in FELCO that was used to largely fund our pension plans, this represents a dividend payout rate in the middle of the range that has been stated in our dividend policy. We are also aiming for a dividend of at least €1.00 in the following fiscal year.

The table below provides an overview of our Group forecasts for our key performance indicators:

Expected Developments 2017 [1)]

	Initial position Fiscal year 2016	Expected developments Fiscal year 2017
Comparable revenue growth (adjusted for currency translation and portfolio effects)	5.9%	We expect comparable revenue growth of 5–7%, similar to the growth in fiscal year 2016.
Adjusted EBITDA margin (adjusted for special items—mainly transformation costs)	17.2%	We anticipate an adjusted EBITDA margin of at least 16%.
Earnings per share (diluted)	€5.12	We anticipate diluted earnings per share of between €2.35 and €2.65, assuming the continuation of the share buyback program as scheduled.
Free cash flow	€24 million	We are aiming to achieve a free cash flow at break-even level.

1) Both the initial position and the forecast relate to OSRAM (continuing operations).

In addition to the macroeconomic trends presented above, our forecast is based on OSRAM Licht Group's multi-year business plan, which assumes the successful completion of the sale of LEDVANCE in fiscal year 2017. Until the transaction has been completed, this business will continue to be reported as a discontinued operation. We have not taken into account the economic risks presented under the economic and sector-specific developments. Our forecast is based on an average U.S. dollar exchange rate of €1.12. The forecast thus assumes broadly stable exchange rates and less of a currency impact on our business than was the case in fiscal year 2016. Our planning also assumes that the technology shift in the lighting market will take place at a certain rate, based on the model of the lighting market described above. We also expect customer price reductions of around 6% for OSRAM Licht Group (total) in fiscal year 2017, with OS experiencing an above-average decline of around 10%. Our assumption is for a 3.5% increase in costs in Germany, mainly related to personnel expenses. We expect the Group tax rate for fiscal year 2017 to be around 30%.

This forecast is based on the fundamental assumption that our newly developed products will be successful in the market. Furthermore, the impact of legal and regulatory issues is not taken into account in this forecast.

Any deviations from these assumptions, or the materialization of any risks or opportunities, may result in discrepancies between the forecast and actual business performance.

A.4.2 Report on Risks and Opportunities

A.4.2.1 Risk and Opportunity Management System

OSRAM uses systematic risk and opportunity management (hereinafter 'risk management') to identify, assess, and manage risks and opportunities. We use a coordinated set of risk management and control systems that support us in the early recognition of risks jeopardizing OSRAM's continued existence as a going concern or the achievement of our strategic, operating, financial, and compliance goals and targets, and in implementing the necessary measures. This also applies, conversely, to opportunities. The Supervisory Board's Audit Committee is responsible for monitoring the effectiveness of this system. Group Internal Audit also reviews compliance with the corporate policies regarding risk management in its regular audits of selected entities. The findings of these audits are taken into account in the continuous improvement process for our risk management system. This ensures that we have an appropriate and effective risk management system that keeps the Managing Board and Supervisory Board fully and promptly informed of material risks and opportunities.

Our risk management system is based on a comprehensive, interactive, and management-oriented Enterprise Risk Management (ERM) approach, which builds on the globally recognized Enterprise Risk Management—Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The ERM process is thus connected with the Group's financial reporting process and closely integrated with our internal control system, which consequently incorporates corporate strategy, the efficiency and effectiveness of our business operations, the reliability of our financial reporting, as well as compliance with relevant laws and regulations.

The risk management system aims to ensure that all relevant business risks and opportunities throughout the Group are captured. Any event that can have a (negative or positive) influence on business performance beyond the scope of our business planning represents a risk or an opportunity. The time frame is generally three years.

In order to ensure a comprehensive assessment, the bottom-up identification and assessment process is flanked by quarterly discussions with the management teams of the Business Units and regions (top-down process). This top-down element ensures that potential new risks and opportunities are discussed at the management level outside of regular reporting and, if relevant, are included in the reporting process. Reported risks and opportunities are analyzed for potential cumulative effects and aggregated in the OSRAM risk/opportunity register. Reporting generally takes place on a quarterly basis, but is complemented by ad hoc reporting as necessary.

In order to determine the significance of risks and opportunities for OSRAM, we assess them based on both their impact on our business activities and their likelihood. We use the net principle, meaning that we assess risks in the context of measures that have already been implemented and taken effect. Measures that are planned or are in the process of being implemented do not reduce gross risk.

Based on the assessment, risks are classified as ‘major,’ ‘high,’ ‘medium,’ or ‘low.’ We do not quantify risks in monetary terms at overall Company level.

We define responsibilities for all reported risks and opportunities. The designated person first decides on a general response strategy and then develops, implements, and monitors specific and appropriate response measures. For example, we take out appropriate insurance policies against potential cases of damage and liability risks in order to reduce our exposure and to avoid or minimize possible losses.

The Managing Board has grouped responsibility for risk management and the internal control system in a corporate department to ensure the integration and harmonization of existing control activities in line with legal and operating requirements. This department produces a quarterly report on the material consolidated risks and opportunities, which the Managing Board uses to evaluate the risk and opportunity situation across the Group.

A.4.2.2 Risks

Below, we describe the 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. Of the following reported risks, the first strategic risk is classified as ‘major,’ with the remainder classified as ‘high’ or ‘medium.’ The order in which they are presented within the categories reflects the current estimate of OSRAM’s relative exposure and thus gives an indication of the significance of these risks at present for OSRAM. The current estimate of the level of risk may change over time. At present, we do not expect to incur any risks that in isolation or in combination would appear to jeopardize our continued existence as a going concern. The identification and assessment of some of the risks described for fiscal year 2015 have changed. It should be mentioned in this context that the possible delay in the process of selling our lamps business is seen as a new significant risk. Risks associated with the introduction of new products as well as legal and compliance risks are considered to be less pronounced compared with the prior year.

Where it is not explicitly stated that a risk relates to an individual segment, the risk described concerns the OSRAM Licht Group as a whole. The expected significant changes to the risks and opportunities for the OSRAM Licht Group that may arise from the planned sale of our lamps business are also explicitly mentioned.

Strategic Risks

Market Developments

The lighting industry is facing a far-reaching technology shift toward semiconductor-based lighting. This shift is changing the market, which may have a material impact on our competitive position. The speed and extent of this shift are uncertain. These developments affect all segments, not just OS.

The shift could mean that, in certain circumstances, we are unable to quickly offset a strong contraction in the traditional market by increasing our revenue from LED products. This particularly applies in markets where we hold a leading market position based on our traditional products. As well as the general lighting business, we also see the risk of a strong decline in the area of traditional automotive lighting. In addition, some of our established market access points could be replaced, which would impact on our competitive position.

Selling our lamps business may therefore result in significant changes to this risk for the OSRAM Licht Group.

Since fiscal year 2014, we have been systematically countering this risk with the OSRAM Push initiative › A.2.2 Events and Developments Responsible for the Course of Business, in which we have been taking specific measures over the course of a number of phases. Continuing to implement these measures under OSRAM Push has enabled us to appropriately counter these risks. The planned sale of our lamps business is another way in which we want to ensure that we can rigorously counter this risk by operating more freely in the market and opening up better strategic options. S Page 13

Failure to implement the identified measures may have a clear adverse effect on our business activities and on our net assets, financial position, and results of operations.

Strategic Investments

OSRAM aims to ensure future sustainable growth with its ‘Diamond’ technology, innovation, and growth initiative. Among other things, we are planning multi-stage capital expenditure totaling €1 billion to build up our capacity for LED chips used in general lighting.

This capital expenditure will entail risk if it fails to generate our planned level of revenue. It primarily relates to our OS segment. The risk could arise if there is insufficient market demand for our future product › A.4.2.2 Risks/Market Dynamics and Competitive Environment. This is especially true for the planned establishment of capacity for LED chips used in general lighting in Kulim, Malaysia, but also if we fail to translate our capital expenditure on research and development into successful new products. S Page 55

The level of profit margin achieved on the additional production capacity for LED chips used in general lighting that is being built up will depend heavily on the capacity utilization when it goes into production. Expansion of our own production capacity in parallel to similar moves by our competitors may create overcapacity in the market, possibly leading to underutilization of our own production capacity but also to increased price pressure in the market, including among competitors who are pursuing a strategy of gaining market share › A.4.2.2 Market Dynamics and Competitive Environment and › A.4.2.2 Risks/Price Pressure. S Page 55
S Page 57

We are countering the risk related to the building up of production capacity in Malaysia with a specific, dedicated action plan. For example, the Managing Board reviews progress on the capital expenditure project each month. In addition, all of the significant influencing factors are checked and evaluated and any necessary measures are initiated.

Failure to ensure the success of our strategic investments may have a clear adverse effect on our business activities and on our net assets, financial position, and results of operations.

Market Dynamics and Competitive Environment

Developments in the lighting industry may lead to more consolidation and commoditization. We see an increased risk of consolidation, particularly at the start and in the middle of the value chain, due to slower market growth and strong competition. In the medium term, there is also a risk that manufacturers will have fewer opportunities to differentiate themselves on the basis of technological expertise or brand value. As a result, we can see a situation in which manufacturers of LED components and products for general lighting are forced to differentiate themselves more on price than was previously the case, leading to a price war between competitors who want to fully utilize their production capacity and are pursuing a strategy of gaining market share. It should be borne in mind in this context that some participants in the volume market for general lighting LED chips receive public subsidies, which they can use to their advantage in order to compete on price. In particular, we believe that this risk affects the large-scale capital expenditure that we are planning in connection with the establishment of capacity for LED chips used for general lighting in Kulim, Malaysia.

As part of OSRAM Push, we regularly check whether we can offset price and inflation risks through productivity measures, something we succeeded in doing again in fiscal year 2016 › A.2.2 Events and Developments Responsible for the Course of Business and › A.2.3 Results of Operations. We also constantly review the market for appropriate investments to achieve growth through acquisition. Furthermore, we intend to ensure our competitiveness by implementing the internal ‘Diamond’ technology, innovation, and growth initiative, although the measures implemented under Diamond itself also involve certain risks, given its investments in new technologies and products › A.4.2.2 Risks/Strategic Investments. For example, we are investing in the construction of a new LED chip factory in Malaysia to open up additional growth potential. Moreover, targeted spending on research and development should help to further OSRAM’s goal of technological leadership.

S Page 13
S Page 17
S Page 54

Failure to implement the necessary measures may have a clear adverse effect on our business activities and on our net assets, financial position, and results of operations.

Sale of the Lamps Business

The completion of the sale of our lamps business is contingent on a number of factors, including obtaining permission from various national approval authorities, such as antitrust approval and consent from various Chinese authorities. In addition, the Bundesministerium für Wirtschaft und Energie (BMWi—German Federal Ministry for Economic Affairs and Energy) also needs to certify that there are no concerns about the transaction under the *Außenwirtschaftsgesetz* (AWG—German Foreign Trade and Payments Act) and the *Außenwirtschaftsverordnung* (AWV—German Foreign Trade and Payments Regulation). We are not aware of any facts that might prevent the transaction being approved. However, the prerequisites for obtaining permission from national approval authorities involve complex legal and technical questions, so we cannot exclude the possibility that the necessary approvals will not be granted.

Moreover, there are various requirements in the cooperation between the buyers, OSRAM, and LEDVANCE that have to be met before the transaction can be completed, such as a separate treasury system. There is a possibility of delays in the process. Completion of the transaction also requires the buyers and OSRAM to fulfill various obligations before the completion date, including payment of the purchase consideration by the buyers.

For the above-mentioned reasons, it is possible that the sale of the lamps business will be delayed or even not take place at all. This might have a clear negative impact on implementation of the strategy and on OSRAM's business activities and its net assets, financial position, and results of operations.

Adjustments to the Organization and the Industrial Footprint

Continuous change in the lighting industry has led to restructuring and transformation activities. OSRAM is reacting to the stronger than anticipated momentum of the technology shift with measures aimed at making our processes more flexible and reducing our fixed cost base. The risk attaching to these transformation activities is that too many of the affected resources (particularly management resources and employees) will be tied up during implementation of these measures, temporarily compromising the operational performance of our business.

In addition, there is a risk that the action plan decided upon may fall behind schedule. Delayed implementation of the restructuring measures that have been announced—such as measures affecting manufacturing sites or those involving large-scale relocation of processes or organizational changes—could also have a negative impact on our competitiveness. The transformation activities that we have announced could also aggravate risks relating to personnel, processes, and systems. Changes to both our organization and our industrial footprint could meet with resistance from the affected employees.

We are meeting this challenge through the OSRAM Push program and the planned sale of the lamps business. Both projects are being managed by rigorously monitoring the progress of their implementation. Selling our lamps business may therefore result in significant changes to this risk for the OSRAM Licht Group.

Failure to implement the necessary measures may have a clear adverse effect on our business activities and on our net assets, financial position, and results of operations.

Economic Situation

The cyclical nature of the lighting business and the changing general economic environment have led to significant volatility in demand for our products in the past and, therefore, our revenue and earnings. This trend may continue in the future.

Demand for our products is cyclical and the bulk of our business is sensitive to changes in the general economic environment. Our products are used in a wide variety of application segments within the general lighting sector, such as residential, office, hospitality, outdoor, architectural, and industrial lighting, the automotive sector, displays, and the entertainment industry. Most of these are affected by changes in the economic environment relatively early in the economic cycle. The main exception is the luminaires business; this is more exposed to the construction industry, which is affected relatively late in the economic cycle. Furthermore, as our main markets are in Europe, the U.S.A., and Asia, economic developments in these regions have the greatest impact on our business activities. In particular, uncertainties about a sharper decline in China and a subdued outlook for industrialized nations must be taken into account. A sovereign default could also have material adverse effects on the global economy and thus on OSRAM's business. In addition, fluctuating exchange rates can have material adverse effects on our revenue, profit, and competitive position.

Due to our cyclical business environment, we make conscious investment decisions based on careful consideration about whether to make or buy. We also closely monitor the economic situation and have developed alternative courses of action as part of the OSRAM Push program › A.2.2 Events and Developments Responsible for the Course of Business to ensure that we are able to react to a change in demand.

S Page 13

Failure to implement the necessary measures might have a clear adverse effect on our business activities and our net assets, financial position, and results of operations.

Price Pressure

Prices for lighting products have historically been subject to price erosion. This trend could accelerate, both for traditional products and, in particular, for LEDs. If we cannot fully offset these price reductions by selling larger quantities of products, we will need to improve productivity and reduce our costs. Initially, at least, we would only be able to achieve this to a limited extent in the SP and OS segments with a high volume of capital expenditure. For example, in the event of competitors expanding their capacity while we are investing in sapphire technology (for volume LEDs) in the OS segment, there could be overcapacity in the market. In turn, this overcapacity could cause prices to decline more than we expect, which would impact on our earnings.

To ensure our productivity, one of the things that is becoming increasingly important is an efficient procurement organization. We regularly review our structures, global and regional presence, and processes in order to identify potential cost savings and to adapt our global and regional reach accordingly. By doing so, we aim to make cost savings and operational improvements that will allow us to offset falling selling prices, rising commodity and energy costs, and higher wages.

Selling our lamps business may result in changes to this risk for the OSRAM Licht Group; although other segments are affected by the risk of sustained price pressure, the main ones affected would be OS and SP.

Failure to implement the necessary measures might have a clear adverse effect on our business activities and our net assets, financial position, and results of operations.

Adjustments to the Business Model

The shift toward semiconductor-based products in the lighting industry is having significant effects on our competitive position and business model for the reasons explained below; in this context, it is important to distinguish between light-generating LED components and LED products resulting from the forward integration of LEDs (integration of light sources in lamps, luminaires, and/or lighting systems).

The greater longevity of LED products is expected to cause the once stable replacement lamp business to evolve into a new installation business over the coming years. The trend toward long-lasting light sources will lead to lower replacement demand. Selling LED products and complete lighting systems, as well as supplying such systems to manufacturers for their new installation business, is likely to become more important and take over from the supply of replacement lamps. We must therefore align our research and development resources accordingly. Moreover, we need to adapt and retrain our sales force in order to develop the necessary technical know-how so that we can respond to the new requirements of a business model focused on new installations, which above all calls for cooperation with architects, lighting advisors, and property developers. Since luminaires (with integrated light sources) are becoming a more and more important part of both the lighting market and our product portfolio (as compared to lamps and replacement lamps), we will need to develop the expertise required to meet this expected shift in demand. If the realignment of the LSS segment takes longer than expected, this could also lead to delays in adapting the business model.

We are countering this risk by developing and complying with a list of measures for the LSS segment and strategically realigning our business model as part of the ‘Diamond’ technology, innovation, and growth initiative.

Failure to implement the necessary measures may have an adverse effect on our business, financial position, and results of operations.

Operational Risks

Bringing Innovations to Market

The lighting industry is facing rapid technological changes, frequent introduction of new products, shorter and shorter innovation and product lifecycles, changes in customer preferences, and increasing price pressure. Future, sustained business success therefore largely depends on our ability to offer innovative products tailored to our customers’ needs. We need to continuously optimize our product range in order to respond quickly to the latest technological developments and be the first to go to market with technical innovations, as can clearly be seen with laser technology and organic LEDs (OLEDs).

There is nothing routine about this process, as in many cases it involves breaking completely new ground. For this, we need, among other things, significant expertise, qualified employees, and considerable investment in R&D. When launching technical innovations, we have to overcome specific challenges before the technologies reach production standard and absorb first-mover and one-off costs that may arise, for example, during the necessary approval processes. This may entail the risk that we cannot always fully meet customers’ requirements with regard to the on-time delivery and perfect quality of our innovative solutions. In addition to our innovative laser and OLED technologies, this risk also affects our investments in sapphire technology (for volume LEDs) in the OS segment.

This also applies if our competitors succeed in developing their current products and technologies more quickly or selling them in greater quantities than we do and could have negative implications for the products offered by OSRAM. This risk particularly affects the SP and OS segments and is associated with a high volume of future capital expenditure for new technologies and products. The same is true if alternative products or technologies are launched on the market that are more attractively priced, of a higher quality, or more functional or, for other reasons, are more competitive than ours.

We counter this risk with a clear project structure for the development and launch of innovations, close consultation with customers and, where appropriate, external experts, and careful monitoring by the relevant management team.

Failure to implement the necessary measures may have a clear adverse effect on our business activities and on our net assets, financial position, and results of operations.

Shortage of Qualified Employees

Competition for qualified employees among companies that rely heavily on engineering and technology is intense. The loss of qualified employees or an inability to attract, retain, and motivate highly skilled employees required for the operation, transition, and expansion of our business could limit our ability to conduct research successfully and to develop and sell marketable products. Competition for qualified personnel is particularly intense in the areas of research and development, engineering, sales, and the project business (qualified LED salespeople). We could also lose experienced managers who are important to our business and for the structural changes required. We particularly see challenges in retaining key employees in Asia and the U.S.A.

Succession planning, identification and encouragement of talent, and dedicated employee development programs are therefore a focus for us worldwide. They include our concept for developing talent and our Open Mentoring program › A.2.6.3 Social Aspects. We have also expanded our social media presence and are using these channels to recruit new employees in order to secure our position as an attractive employer for the long term. S Page 39

Failure to implement the necessary measures might have a clear adverse effect on our business activities and our net assets, financial position, and results of operations.

Financial Market Risks

The OSRAM Licht Group is exposed to a variety of financial market risks. Market price fluctuations may result in significant volatility in earnings and cash flow. The market risks relevant to OSRAM include currency risk, interest rate risk, and commodity price risk. Changes to exchange rates, interest rates, and commodity prices can impact both on operating business and on the investing and financing activities of the Group. All financial market risks are continuously monitored and managed separately by our Treasury department, and a variety of strategies, particularly the use of derivative financial instruments, are employed to reduce them › Note 32 I Financial Risk Management in B.6 Notes to the Consolidated Financial Statements. S Page 144

A.4.2.3 Opportunities

We also regularly identify, evaluate, and respond to the opportunities arising for OSRAM using our comprehensive, interactive, and management-oriented ERM approach. The assessment methodology is the same as that applied to the assessment of risks. Of the opportunities reported below, four are classified as 'high,' four as 'medium,' and two as 'low.' The order in which the opportunities are presented within the categories reflects the current estimate of the relative degree of opportunity for OSRAM and thus provides an indication of the opportunities' current importance for OSRAM. This current estimate of the degree of opportunity may change over time. Changes have occurred with respect to our opportunities since fiscal year 2015. For example, we rated the opportunities arising from having expertise along the entire value chain, from strategic acquisitions and partnerships, and from HR initiatives for the development of our organization more highly. The same applies to opportunities for increasing efficiency in our traditional business, predominantly lamps.

Where it is not explicitly stated that an opportunity relates to an individual segment, the opportunity described concerns the OSRAM Licht Group as a whole.

Strategic Opportunities

Expertise Along the Entire Value Chain

We believe that our combined know-how in the areas of traditional and LED technology, together with our deep understanding of lighting applications, will be important success factors in our transition to LED products. Based on our technological and innovative strength, we believe that we have a leading revenue position in most lighting technology and application areas. OSRAM offers a comprehensive product portfolio that includes both traditional and LED products and, in our view, creates an excellent platform for the transition to energy-efficient lighting products. Our global salesforce supports our leading position and the strong awareness of our brands across all regions, as demonstrated by our highly diversified customer base right across our well-balanced mix of sales channels. In addition, we have optimized our operating processes and have a well-established global sourcing and manufacturing footprint designed to ensure accelerated, market-driven product launch times based on shorter innovation cycles.

The result of our combined core strengths is reflected in the success of our OSRAM brand, which is a global pure-play lighting brand. We plan to leverage the trust that is associated with our global lighting brand in order to strengthen our downstream business in the areas of luminaires and complete lighting solutions. We see an opportunity here for further selective forward integration plus the expansion of our range of value-added services.

We expect to be able to utilize this opportunity thanks to our product development activities, which follow a modular platform strategy based on roadmaps to coordinate and align markets and trends, products and technologies, and resources and competencies, as well as our R&D activities › A.2.6.1 Economic Aspects/Research and Development, Patents. Our 'Diamond' technology, innovation, and growth initiative should also provide support in this area. S Page 33

If this opportunity (rated as high) materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Strategic Acquisitions and Partnerships

We believe that our present organization, including Siteco, Traxon, Clay Paky, and Novità Technologies, means we are well positioned to deploy our know-how and provide integrated solutions. To further exploit our potential, we may consider selective value-adding acquisitions, joint ventures, and partnerships in the future. The announced sale of our volume-oriented lamps business should increase the opportunities for acquisitions and partnerships in this business and in the remaining technology-oriented Business Units.

To ensure we can utilize this opportunity, we constantly review the market for appropriate investments to achieve organic growth and growth by acquisition. We particularly see specific opportunities for partnerships in relation to our OS Business Unit. Partnerships in the area of specialty lighting, for example in connection with organic LEDs (OLEDs), might also give rise to opportunities.

If this opportunity (rated as high) materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Customizing Products for Local Standards

Most of our product portfolio meets high regional or supraregional standards and is adapted to new statutory requirements on an ongoing basis. For example, the entire portfolio has been modified to meet the technical requirements, including warm-up times and the switching cycle, set out in the EU's new ERP 5 standard. Compliance with these standards ensures that our products offer excellent quality for our discerning customers, whether for professional or consumer applications. In addition to this premium market segment, there is another segment where price is the main purchase criterion. This segment is particularly significant for consumer applications and in developing countries. We believe that adapting products to local standards, particularly in developing countries and emerging markets, offers opportunities to generate profitable business. We particularly see growth opportunities for intelligent lighting in Asia.

By adapting product specifications to local standards, we aim to enhance our cost position in the low price segment so that we can offer lower selling prices. This could possibly also be achieved in combination with producing products locally or purchasing local products.

If this opportunity materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Accelerated Introduction of Lighting Applications, Products, and Technologies

In recent years, OSRAM has expanded its business model to include professional lighting solutions. The implementation of customized, energy-efficient, and innovative lighting concepts will continue to represent a growing business segment in the future.

Our market position is strengthened by our systematic, forward-looking investments in innovative lighting technologies. Our efforts also extend to optimizing our business processes. We want to structure our processes so that we can launch products more quickly, giving us a competitive edge and allowing us to achieve higher price points.

To take advantage of this opportunity, we use an integrated product roadmapping process that is based on an analysis of trends as well as of market and customer requirements. In all segments, we also use a multi-project management approach to launch products.

If this opportunity materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Opportunities Related to Organizational and Process-related Improvements

Continuous improvement of key business processes with respect to agility, speed, and cost-efficiency is essential to ensure our sustained profitability. We believe that we have not yet fully exhausted the possibilities for further optimizing our cost structures and the quality of our business processes within the Group. It is therefore our goal to make our organization more efficient and effective through harmonization and consolidation.

We see further potential for organizational improvements in the streamlining of our sales structures and making them more customer-focused, with the aim of ensuring better and faster customer service.

As part of our continuous improvement program, OSRAM Push › A.2.2 Events and Developments Responsible for the Course of Business, we are implementing a dedicated project to ensure that we utilize this opportunity. Page 13

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Expansion into Adjacent Market Segments

We offer future-oriented products and solutions along the entire lighting value chain. The products thus cover a number of application areas, such as residential, office, industrial, hospitality, outdoor, and architectural uses. In addition to the products and solutions already available, we have ideas and development projects for what are currently white spaces on the map, such as intelligent lighting or applications above and beyond light. We see the opportunity here for further growth in market segments that do not belong to the traditional lighting value chain. This includes, in particular, areas relating to biometric and UV sensors or gesture control.

We are able to benefit here from our strong position in research and development. This is demonstrated by the external awards that we have won › A.2.6 Sustainability. We also aim to safeguard our goal of long-term technological leadership through our internal 'Diamond' technology, innovation, and growth initiative. Page 30

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Operational Opportunities

Efficiency Gains in the Traditional Lamps Business

Our product portfolio includes a large number of traditional products that meet various customer needs, including different sockets and wattages. This offers opportunities for specifically lowering costs and cutting back on production equipment for traditional products by limiting the product range to the essentials, i.e., by reducing the complexity of the portfolio and the availability of products. Stabilizing selling prices is particularly important here.

To utilize this opportunity, we have launched an initiative to reduce complexity in sales, warehousing, and production. We also use a centralized price management system.

If this opportunity materializes, it may have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Selling our lamps business may result in significant changes to this opportunity for the OSRAM Licht Group.

Other Opportunities

Personnel Opportunities

The transformation of the lighting market and the resulting shift in the business model from an integrated lighting manufacturer toward a dedicated lighting technology provider are also altering the organizational structure and culture of OSRAM. To be able to deal with existing challenges adequately, OSRAM needs, more than ever before, flexible and motivated employees who are willing to remain committed to the Company over the long term. To foster this process, we have launched a number of projects with our employees aimed at enhancing our organizational structures, communications, and corporate culture. These projects have resulted in measures that are helping to harmonize processes and underpin our management culture. We are also constantly refining OSRAM's employer brand. This enables us to live up to the increasingly high expectations of job seekers regarding the attractiveness of employers.

These projects and the measures described form the cornerstone of the realignment of HR work at OSRAM. We firmly believe that, with these measures and, above all, with the help of our skilled and committed employees and managers, we will succeed in realigning OSRAM.

If this opportunity (rated as high) materializes, it may therefore have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Project Financing Opportunities

In our industry, there are many projects involving the installation of new or replacement lighting solutions that increase energy efficiency and longevity to an extent that more than offsets the required capital expenditure. However, the initial funding required represents a barrier for many potential project customers.

We intend to use the opportunity to overcome this challenge for potential customers by providing intelligent financing models.

If this opportunity (rated as low) materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

Licensing of Patents

Intellectual property, which includes patents, utility models, registered designs, copyrights and trademarks, trade secrets, and expertise, is particularly important in our industry. Our standard practice is to seek patent protection for technical solutions that are important for products in our business. The OSRAM Licht Group regularly files patent applications in countries of major economic significance as well as in countries where competitors' manufacturing sites are located. These countries include Germany, the U.S.A., and China, but also other European and Asian countries and, occasionally, countries elsewhere.

Important patents held by the OSRAM Licht Group mainly relate to technical solutions for LED components and LED products as well as to technical solutions for traditional light sources, the related electronics, and the components and pre-materials used.

The lighting industry, and the LED industry in particular, is characterized by a significant number of patents and patent cross-licensing agreements between manufacturers. In addition, OSRAM has granted one-way licenses in certain fields for which we receive license fees. We believe this offers opportunities to grant licenses to other interested parties.

To utilize this opportunity, we pursue our patent strategy rigorously.

If this opportunity (rated as low) materializes, it might have a positive impact on our business activities as well as on our net assets, financial position, and results of operations.

A.4.2.4 Overall Assessment of Risks and Opportunities

The OSRAM Licht Group consolidates all of the risks and opportunities reported by its various regions, Business Units, and corporate functions in its quarterly risk and opportunity assessment process. There were significant changes to the overall assessment of risks and opportunities at Group level compared to the prior year. Risks arise, in particular, from the technological shift toward LED technology (and the resulting changes in the market) and the failure to implement—or delays in implementing—the countermeasures defined as part of OSRAM Push. In addition, risks arise from strategic investments, particularly in building up capacity for LED chips used in general lighting, from the impact of the faster rate of change in the market, and from the competitive environment that may be created by increased consolidation and commoditization. We particularly see greater opportunities created by our expertise along the entire value chain and by entering into partnerships and making strategic acquisitions as part of our focused strategy. Furthermore, we believe the realignment of our HR work and the related organizational development provides the opportunity to establish OSRAM as an attractive employer over the long term. Taking into account the likelihood and the potential impact of the risks described in this report, and given our sound financial position and current business outlook, the Managing Board does not foresee any material danger to the OSRAM Licht Group's continued existence as a going concern. This assessment is also strongly underpinned by our financing structure › A.2.4.3 Financing and Liquidity Analysis.

S Page 25

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.

A.4.2.5 Key Features of the Accounting-related Internal Control and Risk Management System

The following information contains disclosures in accordance with sections 289(5) and 315(2) no. 5 of the *Handelsgesetzbuch* (HGB—German Commercial Code) and an explanatory report.

The overarching objective of our accounting-related internal control and risk management system is to ensure that financial reporting is carried out correctly so that the consolidated financial statements and combined management report comply with all relevant requirements.

The accounting-related internal control system ('control system') used by OSRAM is based on the same framework developed by COSO as our ERM system › A.4.2.1 Risk and Opportunity Management System. The two systems are complementary and can each reveal gaps or risks within the other, contributing to their elimination or avoidance.

S Page 52

OSRAM Licht AG's management team is responsible for establishing and effectively maintaining appropriate controls for financial reporting, and examines the appropriateness and effectiveness of the control system at the end of each fiscal year. The management team established the effectiveness of the internal controls for financial reporting as of September 30, 2016. However, every control system has certain limitations in terms of its effectiveness. No control system—even if it has been assessed as effective—can prevent or uncover every instance of inaccurate data.

The conceptual framework for preparing the consolidated financial statements largely consists of the uniform Group accounting policies and the chart of accounts, which are both issued by the Accounting and Controlling department and must be applied consistently by all units. New legislation, accounting standards, and other official pronouncements are continuously analyzed in terms of their relevance and their impact on the consolidated financial statements and the combined management report. Where necessary, our accounting policies and chart of accounts are adjusted accordingly. The local accounting departments are informed about current topics affecting accounting and the process of preparing the financial statements in monthly financial-reporting memos, which are intended to help avoid errors in the financial statements and facilitate adherence to deadlines.

The base data used in the preparation of the consolidated financial statements comprises the financial data reported by OSRAM Licht AG and its subsidiaries, which in turn is based on the accounting entries made in the units. Our internal shared services organizations offer services to the majority of the subsidiaries worldwide, including the preparation of financial statements, the general ledger, and accounting for receivables, payables, and assets. In addition, we draw on support from external service providers with specialist knowledge, such as in relation to the valuation of pension obligations.

The consolidated financial statements are prepared in the consolidation system by the relevant employees in the Group Consolidation department on the basis of the accounting data reported. The steps to be performed are subject to extensive manual and system controls. The reasons for any validation or warning messages must be rectified by the unit delivering the data before it can be approved.

The basic principle is that of dual control. Furthermore, the accounting data must undergo certain approval processes at all levels. Variance analyses and analyses of the composition of and changes in individual items are also carried out. The employees involved in the accounting and reporting process are assessed for their professional aptitude during the selection process and subsequently receive training as required.

Individual access authorizations protect the data in the accounting-related IT systems against unauthorized access, change, and use. All of the entities included in the consolidated financial statements are subject to the corporate guidelines on information security.

The management teams of the subsidiaries included in the consolidated financial statements, of the Business Units, and of certain central corporate units confirm the correctness of the financial data reported to Group headquarters and the effectiveness of the relevant control systems on a quarterly basis. In addition, we have established a Disclosure Committee comprising the heads of certain central corporate units, whose task it is to check material financial and non-financial data before publication.

The activities of our Internal Audit function constitute another element of our control system. OSRAM's Internal Audit function performs continual audits throughout the Group to ensure that policies are observed, our control system is reliable and working properly, and our ERM system is appropriate and effective.

The Supervisory Board also forms part of the control system via the Audit Committee. In particular, the latter monitors the accounting and reporting process, the effectiveness of the control system, the ERM system, and the Internal Audit function, and oversees the audit of the financial statements by the auditors. It also examines the documents relating to OSRAM Licht AG's single-entity financial statements and to the consolidated financial statements, and discusses OSRAM Licht AG's single-entity financial statements, the consolidated financial statements, and the combined management report with the Managing Board and the auditors.

Additional Information Regarding OSRAM Licht AG's Single-entity Financial Statements (HGB)

As the parent company of the OSRAM Licht Group, OSRAM Licht AG is included in the Group-wide accounting-related internal control system described above. The disclosures made above also apply in principle to OSRAM Licht AG's HGB single-entity financial statements.

The consolidated financial statements are prepared in accordance with IFRS. If necessary (for example, for the single-entity financial statements in accordance with German commercial law, or for tax purposes), individual accounts are reconciled to the relevant requirements. Correctly calculated IFRS accounting data therefore also represents an important basis for OSRAM Licht AG's single-entity financial statements. An HGB chart of accounts supplements the above-mentioned conceptual framework in the case of OSRAM Licht AG and other Group companies accounted for in accordance with HGB. The above-mentioned manual and system control measures also apply in principle to the reconciliation of IFRS accounting data to the HGB single-entity financial statements.

A . 5

Takeover-related Disclosures, Remuneration Report, and Corporate Governance Declaration

A.5.1 Takeover-related Disclosures

The takeover-related disclosures and explanatory report for fiscal year 2016 are published in accordance with section 289(4) and section 315(4) of the HGB.

Structure of the Common Stock

As of September 30, 2016, the Company's capital stock amounted to €104,689,400 (previous year: €104,689,400). The capital stock is divided into 104,689,400 (previous year: 104,689,400) registered no-par-value shares, each with a notional value of €1.00. The shares are fully paid in. In accordance with Article 4(3) sentence 1 of the Articles of Association, shareholders do not have a right to receive share certificates insofar as this is permissible in law and unless share certificates are required under the rules applicable for a stock exchange on which the shares are admitted for trading. Individual certificates or global certificates for shares can be issued. In accordance with section 67(2) of the AktG, only shareholders who are entered as such in the share register are deemed to be shareholders of the Company.

The same rights and obligations attach to all shares. Details of the rights and obligations of the shareholders are contained in the provisions of the AktG, in particular in sections 12, 53a ff., 118 ff., and 186 of the AktG.

Restrictions Affecting the Voting Rights or the Transfer of Shares

Each share entitles the holder to one vote at the General Meeting and serves as the basis for determining the shareholder's share in the Company's profits. This does not apply to treasury shares held by the Company, which do not give rise to any rights for the Company. Restrictions of the voting rights attached to shares can result in particular from the provisions of stock corporation law, such as section 136 of the AktG. Breaches of the notification requirements within the meaning of sections 21(1), 25(1), and 25a(1) of the WpHG could lead to rights attached to shares and also the right to vote being invalid, at least temporarily, in accordance with section 28 of the WpHG. We are not aware of any contractual restrictions on voting rights.

In connection with the initial listing of OSRAM Licht AG shares on July 8, 2013, former members of the Managing Board of OSRAM Licht AG and other (in some cases, former) senior executives of the OSRAM Licht Group were granted a transaction bonus in the form of OSRAM Licht shares, which will be transferred to the beneficiaries four years after the IPO. Each beneficiary was able to request a transfer prior to this date in four equal annual tranches; it was possible to request the transfer of the first tranche as of October 2013 and the second, third, and fourth tranches as of July 2014, 2015, and 2016 respectively. Where such an advance transfer of shares was made, a mandatory holding period of four years from the date of listing on the stock exchange applies to these shares.

Interests in the Capital Exceeding 10% of the Voting Rights

Siemens Beteiligungen Inland GmbH, which has its registered office in Munich and which to our knowledge is a wholly owned subsidiary of Siemens Aktiengesellschaft, whose registered offices are in Berlin and Munich, notified us on December 18, 2013 that it held 17,797,198 shares, representing 17% of OSRAM Licht AG's voting rights. We have not been notified of other direct or indirect interests in the Company's capital that reach or exceed 10% of the voting rights, and we are not otherwise aware of any such interests.

Shares Conveying Special Control Rights

There are no shares conveying special control rights.

System of Control of Voting Rights if Employees Are Shareholders and Do Not Exercise Their Control Rights Directly

To the extent OSRAM Licht AG has issued or issues shares to employees as part of employee share ownership programs, these shares are transferred directly to the employees. The eligible employees can exercise the control rights arising out of the employee shares directly, like other shareholders, in accordance with the statutory provisions and the provisions of the Articles of Association.

Statutory Provisions and Provisions of the Articles of Association Governing the Appointment and Dismissal of Members of the Managing Board and Amendments to the Articles of Association

The appointment and the dismissal of members of the Managing Board are governed by sections 84 and 85 of the AktG and by section 31 of the *Mitbestimmungsgesetz* (MitbestG—German Codetermination Act). Article 5(1) of the Articles of Association specifies that the Managing Board must consist of several persons; the number of members of the Managing Board is determined by the Supervisory Board. The Supervisory Board can appoint a Chairman and a Deputy Chairman of the Managing Board, as specified in section 84(2) of the AktG and Article 5(2) of the Articles of Association.

In accordance with sections 119(1) no. 5 and 179 of the AktG, a resolution of the General Meeting is required to amend the Articles of Association. Article 9(4) of the Articles of Association gives the Supervisory Board the power to make amendments to the Articles of Association that affect the wording only. In addition, the Supervisory Board was authorized by resolutions of the OSRAM Licht AG General Meeting on June 14, 2013, to amend the Articles of Association to reflect any utilization of Authorized Capital 2013 and Contingent Capital 2013, and following expiration of the relevant authorization periods.

The adoption of resolutions at the General Meeting requires a simple majority of votes and, if a capital majority is required, a simple majority of the capital stock represented in the voting unless a greater majority is required by law (Article 17(2) of the Articles of Association). This means that General Meeting resolutions amending the Articles of Association also require a majority of the capital stock represented in the voting, as well as a simple majority of the votes, unless a greater majority is required by law.

Powers of the Managing Board to Issue or Repurchase Shares

By way of a resolution passed by the General Meeting on June 14, 2013, the Managing Board was authorized to increase the Company's capital stock, subject to the approval of the Supervisory Board, by up to €52,344,700 by issuing up to 52,344,700 registered no-par value shares for cash and/or non-cash contributions in the period until February 28, 2018 (Authorized Capital 2013). The Managing Board is authorized, subject to the approval of the Supervisory Board, to disapply preemptive rights in full or in part in the case of capital increases against non-cash contributions. In the case of capital increases for cash, preemptive rights can be disapplied

1 to settle any fractional amounts,

2 to issue shares to Company employees, and to employees and members of the executive boards of subordinate affiliated companies, including, to the extent permitted by law, in such a way that the contribution to be made in return for the shares is covered by that portion of the annual net income that the Managing Board and Supervisory Board could transfer to other revenue reserves in accordance with section 58(2) of the AktG,
3 to grant holders of conversion rights or options that were or will be issued by the Company or its Group companies preemptive rights to new shares if this is necessary to service acquisition obligations or acquisition rights, or to prevent dilution, and
4 if the issue price of the new shares is not significantly lower than the quoted market price, and the shares issued in accordance with section 186(3) sentence 4 of the AktG (disapplying preemptive rights, for cash at an issue price not significantly lower than quoted market price), together with other shares issued or sold in accordance with or in line with this statutory provision during the effective period of this authorization until the time this authorization is fully utilized, do not in total exceed 10% of the capital stock, either on the effective date of the authorization or when it is exercised. Further details are contained in Article 4(5) of the Articles of Association.

By way of a resolution passed by the General Meeting on June 14, 2013, the Managing Board was authorized to issue, in the period up to February 28, 2018, bonds in an aggregate principal amount of up to €300,000,000 with conversion rights, or with options evidenced by warrants, or a combination of these instruments, for up to a total of 10,207,216 registered no-par-value shares in OSRAM Licht AG with a total share in the capital stock of up to €10,207,216. The bonds under this authorization are to be issued for cash. Further details are contained in the authorizing resolution. In particular, under this authorization, the bonds must generally be offered to the existing shareholders for subscription; they can also be issued to banks with the condition that the bonds are offered to existing shareholders for subscription. However, the Managing Board is authorized, subject to the approval of the Supervisory Board, to disapply preemptive rights
1 if the issue price for a bond is not significantly lower than its theoretical fair value calculated using accepted valuation techniques,
2 if this is required to settle fractional amounts arising as a result of the subscription ratio, and
3 to grant preemptive rights to the holders or beneficiaries of conversion rights/options for the Company's shares or equivalent conversion/option obligations, so as to compensate for dilution.

To grant shares to the holders or beneficiaries of convertible bonds or bonds with warrants that are issued on the basis of the Managing Board's authorization, the capital stock was contingently increased by up to €10,207,216 by issuing up to 10,207,216 registered no-par-value shares (Contingent Capital 2013). Further details are contained in Article 4(6) of the Articles of Association.

In accordance with section 186(3) sentence 4 of the AktG, the total amount of shares that can be issued on the basis of bonds under this authorization may not, together with other shares issued or sold in accordance with or in line with this statutory provision during the effective period of these authorizations, exceed 10% of the capital stock, either on the effective date of the authorization or when it is exercised. Shares that were issued up to these points in time on the basis of the Authorized Capital 2013, any other authorized capital, or through sales of treasury shares for which the preemptive rights of the shareholders were disapplied, must also be counted toward this limit.

The Company's Managing Board is authorized to repurchase treasury shares and to sell repurchased shares in the cases laid down by law in section 71 of the AktG. On June 14, 2013, the General Meeting authorized the Managing Board of the Company, in accordance with section 71(1) no. 8 of the AktG, to acquire, in the period up to February 28, 2018, treasury shares totaling up to 10% of the capital stock in existence since July 5, 2013, in the amount of €104,689,400 or—if this amount is lower—the capital stock in existence in each case in which the authorization is exercised. The shares purchased on the basis of this authorization, together with other Company shares that the Company has already purchased and still holds, or that are attributable to it in accordance with sections 71d and 71e of the AktG, may not account for more than 10% of the capital stock at any point. The acquisition of OSRAM Licht shares can be made at the Managing Board's discretion

1 as a purchase via the stock exchange,
2 by way of a public purchase offer,
3 by way of a public invitation to all shareholders to submit an offer to sell, or
4 by granting shareholders put options.

In addition, a resolution passed by the General Meeting on February 26, 2015, authorized the Managing Board, subject to the approval of the Supervisory Board, to use certain equity derivatives (put options, call options, and forward purchase contracts, as well as combinations of these derivatives) to acquire OSRAM Licht shares under the above-mentioned authorization. Any share purchases using such derivatives are capped at 5% of the capital stock existing as of the date on which the General Meeting adopted the resolution, or—if this amount is lower—the capital stock existing each time the authorization is exercised. The maturity of equity derivatives may not exceed 18 months in each case, and the transaction must be selected in such a way as to ensure that acquisition of the OSRAM Licht shares by means of the equity derivative does not take place after February 28, 2018.

In addition to selling, via the stock exchange or via an offer to all shareholders, treasury shares acquired on the basis of the above-mentioned or earlier authorizations, the Managing Board was also authorized by way of the resolutions passed at the General Meetings of June 14, 2013, and February 26, 2015, to do the following with these shares:

1 retire them,
2 subject to the approval of the Supervisory Board, offer and transfer them to third parties for a non-cash consideration, especially in connection with business combinations or with the acquisition of companies, parts of a company, or equity interests,
3 subject to the approval of the Supervisory Board, sell them to third parties for cash if the price at which the OSRAM Licht shares are sold is not significantly lower than the quoted market price of OSRAM Licht shares at the time of sale,
4 use them to fulfill acquisition obligations or acquisition rights to OSRAM Licht shares arising from or in connection with convertible bonds or bonds with warrants issued by the Company or one of its Group companies, or
5 offer them for sale to persons who are or were employed by the Company or by one of its affiliated companies, or to members of executive or supervisory bodies of the Company's affiliated companies, or to grant or transfer them subject to a lock-up period of not less than two years, whereby the recipient must be employed by the Company or by one of its affiliated companies or be a member of an executive or supervisory body of an affiliated company of the Company at the time of the offer or pledge.

In the case of option 5 above, the shares acquired on the basis of the authorization dated June 14, 2013, can also be offered, granted, or transferred to beneficiaries in connection with the admission of the Company's shares to trading on the stock exchange, on the condition that the shares in question must be held until the end of a holding or lock-up period of at least six months following the listing or transfer. The shares utilized as specified in options 3 or 4 in accordance with section 186(3) sentence 4 of the AktG and on the basis of the authorizations may not, together with other shares issued or sold in accordance with or in line with this statutory provision during the effective period of these authorizations until their utilization, exceed in total 10% of the capital stock at this time.

In addition, the Supervisory Board was authorized to use the acquired treasury shares to service acquisition obligations or acquisition rights to OSRAM Licht shares that were or are agreed with members of the Managing Board of OSRAM Licht AG as part of the arrangements for Managing Board remuneration.

In November 2015, the Company announced a share buyback involving up to 9.81% of the Company's capital stock, subject to a maximum value of €500 million within a period of 12 to 18 months. This was initiated on January 11, 2016, under the authorizations issued by the General Meeting on June 14, 2013 and February 26, 2015. As of September 30, 2016, 5,358,131 shares at a purchase price of €238,959,831.68 had been repurchased as part of this share buyback. The purpose of the share buyback is to support all the actions permitted under the authorizations issued by the General Meeting on June 14, 2013, and February 26, 2015. The Company held 5,324,735 treasury shares as of September 30, 2016 (previous year: 41,262).

Details regarding the authorizations can be found in each authorization resolution and in Article 4 of the Articles of Association.

Material Agreements of the Company That Are Subject to a Change of Control upon a Takeover Bid, Together with the Resulting Effects

OSRAM GmbH and OSRAM Licht AG are parties to a loan agreement with a banking syndicate for a revolving credit facility with a volume of €950 million and a loan agreement with the European Investment Bank for a credit facility with a volume of €200 million. These loan agreements give each lender the right to require early repayment if a person or group of persons acting together (with the exception of Siemens AG and its subsidiaries) acquires 50% or more of the voting rights of OSRAM Licht AG or OSRAM GmbH. If these termination rights were to be exercised, the funding for the OSRAM Licht Group's ongoing business operations could then potentially be insecure, at least temporarily.

Severance Payments Agreed by the Company with the Members of the Managing Board or Employees in the Event of a Takeover Bid

In the event of a change of control—that is, if one or several shareholders acting together acquire the majority of OSRAM Licht AG's voting rights and exercise a controlling influence, if OSRAM Licht AG becomes a dependent company by entering into an intercompany agreement within the meaning of section 291 of the AktG, or if OSRAM Licht AG is merged into another company—each member of the Managing Board has the right to resign their position, resulting in the simultaneous termination of their employment contract, if the change of control results in a significant change in their role. Members of the Managing Board are entitled to a severance payment amounting to a maximum of two years' remuneration on termination of their employment contracts. In addition to the basic remuneration and the bonus actually received, the calculation of the severance payment includes the monetary value of the stock awards granted, based on the last fiscal year ended prior to the termination of the contract in each case. The severance payment is reduced by 15% of the portion of the severance payment that has been calculated without taking into account the first six months of the remaining contract term to reflect a flat-rate discount and to offset earnings from other sources. In addition, non-cash benefits are settled in full by a payment in the amount of 5% of the severance payment. Any share-based remuneration components granted in the past remain unaffected and are settled on the dates originally planned. Members of the Managing Board are not entitled to a severance payment to the extent that they receive payments from third parties on the occasion of or in connection with the change of control. No termination right exists if the change of control takes place less than twelve months before the member of the Managing Board retires.

OSRAM Licht AG has not agreed any severance payment arrangements with its own employees or with the members of the managing boards, managing directors, or employees of direct or indirect subsidiaries for circumstances in which there is a change of control (except for aforementioned arrangements with members of the Managing Board of OSRAM Licht AG who are simultaneously managing directors of the subsidiaries OSRAM GmbH and OSRAM Beteiligungen GmbH). This does not include an agreement with the CEO of LEDVANCE Sylvania Inc., who is also the CEO of LEDVANCE GmbH. In the event of a change of control in which this CEO's area of responsibility or remuneration is materially restricted, or in which the headquarters of LEDVANCE Sylvania Inc. are relocated, he has a special right of resignation that, if exercised, entitles him to a severance payment amounting to two years' remuneration plus the continuation of his health insurance for 12 months.

A.5.2 Remuneration Report

The remuneration report summarizes the principles used to determine the total remuneration of the members of the Managing Board of OSRAM Licht AG and explains the structure and amount of the remuneration granted to the members of the Managing Board. It also describes the principles and amount of the remuneration paid to the members of the Supervisory Board. These disclosures in accordance with section 315(2) no. 4 of the HGB and sections 4.2.4, 4.2.5, and 5.4.6(3) of the German Corporate Governance Code are contained in › C.4.2 Remuneration Report. The remuneration report is part of the combined management report. S Page 171

A.5.3 Corporate Governance Declaration

The corporate governance declaration in accordance with section 289a of the HGB is a component of the combined management report and is published on our website » www.osram-group.com/en/our-company/our-management/corporate-governance. The corporate governance declaration can also be found in › C.4.3 Corporate Governance Declaration in Accordance with Section 289a of the HGB. S Page 183

A . 6

OSRAM Licht AG

Disclosures in Accordance with the HGB

In contrast to the consolidated financial statements, OSRAM Licht AG's annual financial statements are prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB—German Commercial Code), rather than International Financial Reporting Standards as adopted by the European Union (IFRSs).

A.6.1 Business and Operating Environment

OSRAM Licht AG is a management holding company and is actively involved in the day-to-day business operations of its subsidiaries to ensure that they are managed consistently. In fiscal year 2015, the governance function for the OSRAM Licht Group was formally and legally established at OSRAM Licht AG by transferring the relevant employees to OSRAM Licht AG. OSRAM Licht AG employed around 67 full-time equivalents (FTEs) as of September 30, 2016 (previous year: 70 FTEs).

OSRAM Licht AG directly and indirectly holds shares in over 130 companies, including minority interests. The economic environment of OSRAM Licht AG largely corresponds to that of the OSRAM Licht Group and is described in › A.1.1 Business Activities and Structure of OSRAM Licht Group and › A.2.2 Events and Developments Responsible for the Course of Business.

S Page 3
S Page 13

A.6.2 Results of Operations

Income Statement of OSRAM Licht AG in Accordance with German Commercial Code

in € thousand

	Fiscal year	
	2016	2015
Research and development expenses	(16,711)	(193)
General administrative expenses	(44,617)	(31,861)
Other operating income	4,417	4,344
Other operating expenses	(1,144)	(3,126)
Operating profit (loss)	**(58,056)**	**(30,836)**
Income (loss) from investments, net	373,950	163,679
Interest income	0	0
Interest expenses	(1,165)	(1,876)
Other financial income (expenses), net	(74)	(307)
Income (loss) from ordinary activities	**314,655**	**130,661**
Taxes on income and earnings	–	25,995
Net income	**314,655**	**156,657**
Income carried forward	622	92
Allocation to other retained earnings	(157,327)	(62,528)
Unappropriated profit	**157,950**	**94,220**

OSRAM Licht AG's research and development (R&D) expenses came to €16,711 thousand in the year under review (previous year: €193 thousand) and relate to the coordination of research and development in the OSRAM Licht Group.

Group-wide research activities have been reorganized in line with the governance function that OSRAM Licht AG performs for the OSRAM Licht Group. Expenses in this area are shown in the figure for OSRAM Licht AG due to intercompany cost allocation, which largely explains the rise of €16,518 thousand.

In fiscal year 2016, general administrative expenses mainly contained increased personnel expenses resulting from the transfer of employees, expenses for the General Meeting and the Supervisory Board, expenses under share programs for the employees of the OSRAM Licht Group, and fees for the auditors of the annual financial statements and consolidated financial statements and for the review of the interim financial statements of the OSRAM Licht Group.

Other operating income relates to the charging on of administrative expenses to affiliated companies and the reimbursement of costs for the buyback of treasury shares by affiliated companies. Other operating expenses in fiscal year 2016 included the expenses from the increase in the obligation under employee bonus programs; this increase was linked to the share price.

In fiscal year 2016, OSRAM Licht AG generated income from investments totaling €373,950 thousand as a result of an advance dividend from OSRAM GmbH, Munich, Germany, of €61,535 thousand (previous year: €32,004 thousand) and the transfer of profits from OSRAM Beteiligungen GmbH, Munich, Germany, of €312,415 thousand (previous year: €131,675 thousand).

In fiscal year 2015, OSRAM Licht AG reported a tax income of €25,995 thousand thanks to the investment income tax at the level of OSRAM Beteiligungen GmbH that it was able to offset in its capacity as the parent company of the tax group. Investment income was received without deduction of investment income tax in fiscal year 2016 on the basis of a certificate issued by the tax authority permitting this.

A.6.3 Net Assets and Financial Position

Statement of Financial Position of OSRAM Licht AG (Condensed Version)

in € thousand

	September 30,	
	2016	2015
Assets		
Non-current assets		
Financial assets	3,044,734	2,600,334
Current assets		
Receivables and other current assets	178,141	222,993
Cash and cash equivalents	23	17
Other prepaid expenses	138	–
Total assets	**3,223,036**	**2,823,344**
Liabilities and equity		
Equity	**2,472,568**	**2,487,548**
Accruals and provisions		
Pensions and similar commitments	11,818	9,415
Other provisions	16,463	15,303
Liabilities		
Liabilities to affiliated companies	701,202	301,783
Other liabilities and trade payables	20,984	9,294
Total liabilities and equity	**3,223,036**	**2,823,344**

The additions to financial assets resulted from the acquisition of 56,856,940 shares (10.1%) in OSRAM GmbH from OSRAM Beteiligungen GmbH with a total value of €444,400 thousand.

The year-on-year decrease in receivables and other assets as of September 30, 2016 to €178,141 thousand was largely attributable to lower receivables from affiliated companies, which amounted to €126,765 thousand (previous year: €175,335 thousand).

Equity decreased by €14,980 thousand, from €2,487,548 thousand to €2,472,568 thousand. This decline is largely due to the share buyback of €238,960 thousand and the distribution of a dividend of €93,598 thousand. There was a countervailing effect from net income in fiscal year 2016, which came to €314,655 thousand.

The Supervisory Board and Managing Board are proposing that a dividend of €1.00 per dividend-bearing share, amounting to approximately €99 million in total (€105 million less the sum of around €5 million attributable to treasury shares), be distributed to shareholders from unappropriated profit. The total dividend payout may be reduced by further buybacks before the General Meeting. It is also proposed that an amount of €53 million be transferred to other revenue reserves.

The provisions for pensions and similar commitments include pension commitments to the Managing Board and to the employees transferred to OSRAM Licht AG in fiscal years 2015 and 2016. Other provisions rose by €1,160 thousand to €16,463 thousand and mainly contain obligations relating to the share-based remuneration of the Managing Board. The increase was primarily due to the level of the share price as of September 30, 2016.

Liabilities to affiliated companies largely comprise liabilities in connection with cash pooling at OSRAM. They went up as a result of the acquisition of shares.

Other liabilities mainly comprised personnel-related liabilities for wages and salaries in the amount of €6,808 thousand (previous year: €5,301 thousand), as well as other liabilities incurred during the fiscal year.

A.6.4 Opportunities and Risks

OSRAM Licht AG's business performance is largely subject to the same opportunities and risks as that of the OSRAM Licht Group. As a rule, OSRAM Licht AG's exposure to the risks of its subsidiaries and investments is in proportion to its direct or indirect equity interest in these entities › A.4.2 Report on Risks and Opportunities.

S Page 52

As the parent company of the OSRAM Licht Group, OSRAM Licht AG is included in the Group-wide risk management system. The description of OSRAM Licht AG's internal control system required by section 289(5) of the HGB can be found in › A.4.2.5 Key Features of the Accounting-related Internal Control and Risk Management System.

S Page 64

A.6.5 Outlook

Due to its interrelationships with the companies in the Group, the expectations for OSRAM Licht AG are reflected in the forecast for the Group. OSRAM Licht AG's net assets, financial position, and results of operations are primarily dependent on the business performance of, and distributions made by, Group companies. On the basis of our Group forecast for fiscal year 2017, we expect that OSRAM Licht AG's net income for fiscal year 2017 will again be sufficient to allow a further dividend of at least €1.00 per share to be distributed from the unappropriated profit for fiscal year 2017 › A.4.1 Report on Expected Developments.

S Page 49

Consolidated Financial Statements

of OSRAM Licht AG
for Fiscal Year 2016 According to IFRS

B

B . 1

Consolidated Statement of Income

OSRAM Licht Group – Consolidated Statement of Income

For the fiscal years ending September 30, 2016, and 2015

in € million

	Note	2016	2015
Revenue		3,785	3,572
Cost of goods sold and services rendered		(2,432)	(2,398)
Gross profit		1,353	1,173
Research and development expenses		(334)	(286)
Marketing, selling and general administrative expenses		(604)	(604)
Other operating income	Note 5	6	58
Other operating expenses	Note 6	(9)	(4)
Income (loss) from investments accounted for using the equity method, net	Note 7	306	5
Interest income	Note 26	2	2
Interest expenses	Note 19, 26	(17)	(20)
Other financial income (expenses), net		(2)	(3)
Income before income taxes OSRAM (continuing operations)		**701**	**322**
Income taxes	Note 8	(169)	(94)
Income OSRAM (continuing operations)		532	228
Loss discontinued operation	Note 3	(134)	(57)
Net income		**398**	**171**
Attributable to:			
Non-controlling interests		1	5
Shareholders of OSRAM Licht AG		397	166
Basic earnings per share (in €)	Note 30	3.84	1.59
Diluted earnings per share (in €)	Note 30	3.83	1.58
Basic earnings per share (in €) OSRAM (continuing operations)	Note 30	5.14	2.13
Diluted earnings per share (in €) OSRAM (continuing operations)	Note 30	5.12	2.13

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

B . 2

Consolidated Statement of Comprehensive Income

OSRAM Licht Group – Consolidated Statement of Comprehensive Income

For the fiscal years ending September 30, 2016, and 2015
in € million

	Note	2016	2015
Net income		398	171
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	Note 19	(25)	(23)
thereof: income tax		*12*	*17*
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	Note 3	(22)	23
Available-for-sale financial assets		(23)	23
thereof: income tax		*4*	*(4)*
Derivative financial instruments	Note 24	5	(3)
thereof: income tax		*(2)*	*1*
		(40)	**43**
Other comprehensive income (loss), net of tax[1]		**(66)**	**20**
Total comprehensive income (loss)		**332**	**191**
Attributable to:			
Non-controlling interests		1	6
Shareholders of OSRAM Licht AG		331	185

1) *Other comprehensive income (loss), net of tax* did not include any income from investments accounted for using the equity method in the twelve months to September 30, 2016 (twelve months to September 30, 2015: €27 million). All of the amount in the previous year could be reclassified subsequently to profit or loss.

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

B . 3

Consolidated Statement of Financial Position

OSRAM Licht Group – Consolidated Statement of Financial Position

As of September 30, 2016, and 2015
in € million

	Note	September 30, 2016	September 30, 2015
ASSETS			
Current assets			
Cash and cash equivalents		457	727
Available-for-sale financial assets		1	1
Trade receivables	Note 9	580	898
Other current financial assets	Note 10	53	70
Inventories	Note 11	655	987
Income tax receivables		52	58
Other current assets	Note 12	192	93
Assets held for sale	Note 3, 14	1,136	95
Total current assets		**3,124**	**2,929**
Goodwill	Note 13	77	77
Other intangible assets	Note 13	113	133
Property, plant, and equipment	Note 14	1,060	1,115
Investments accounted for using the equity method		–	1
Other financial assets		4	5
Deferred tax assets	Note 8	384	452
Other assets	Note 15	38	54
Total assets		**4,801**	**4,765**

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

OSRAM Licht Group – Consolidated Statement of Financial Position

As of September 30, 2016, and 2015

in € million

	Note	September 30, 2016	September 30, 2015
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt and current maturities of long-term debt	Note 18	20	37
Trade payables		601	749
Other current financial liabilities	Note 16	50	51
Current provisions	Note 20	98	105
Income tax payables		89	78
Other current liabilities	Note 17	305	526
Liabilities associated with assets held for sale	Note 3, 14	785	0
Total current liabilities		**1,948**	**1,546**
Long-term debt	Note 18	42	50
Pension plans and similar commitments	Note 19	206	464
Deferred tax liabilities	Note 8	2	11
Provisions	Note 20	18	19
Other financial liabilities		2	2
Other liabilities	Note 21	97	192
Total liabilities		**2,315**	**2,283**
Equity			
Common stock, no par value		105	105
Additional paid-in capital		2,035	2,033
Retained earnings		512	234
Other components of equity		60	100
Treasury shares, at cost [1)]		(237)	(1)
Total equity attributable to shareholders of OSRAM Licht AG		**2,473**	**2,470**
Non-controlling interests		13	12
Total equity	Note 24	**2,486**	**2,482**
Total liabilities and equity		**4,801**	**4,765**

1) The Company held 5,324,735 treasury shares as of September 30, 2016 (previous year: 41,262).

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

B . 4

Consolidated Statement of Cash Flows

OSRAM Licht Group – Consolidated Statement of Cash Flows

For the fiscal years ending September 30, 2016, and 2015
in € million

	Note	2016	2015
Cash flows from operating activities			
Net income		398	171
Loss discontinued operation		134	57
Adjustments to reconcile net income (loss) to cash provided			
Amortization, depreciation, and impairments		210	205
Income taxes		169	94
Interest (income) expenses, net		15	18
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant, and equipment, net	Note 5	2	(49)
(Gains) losses on sales of investments, net		(307)	(2)
(Income) loss from investments		0	(3)
Other non-cash (income) expenses		3	(3)
Change in current assets and liabilities			
(Increase) decrease in inventories		(75)	33
(Increase) decrease in trade receivables		(20)	(18)
(Increase) decrease in other current assets		(101)	(5)
Increase (decrease) in trade payables		25	(20)
Increase (decrease) in current provisions		22	(18)
Increase (decrease) in other current liabilities		114	56
Change in other assets and liabilities		14	(1)
Special contribution to pension plans and settlement of a pension plan	Note 19	(169)	(51)
Income taxes paid		(64)	(80)
Dividends received		1	4
Interest received		2	2
Net cash provided by (used in) operating activities – OSRAM (continuing operations)		**373**	**390**
Net cash provided by (used in) operating activities discontinued operation		(186)	190
Net cash provided by (used in) operating activities – OSRAM Licht Group (total)		**187**	**580**

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

OSRAM Licht Group – Consolidated Statement of Cash Flows

For the fiscal years ending September 30, 2016, and 2015
in € million

	Note	2016	2015
Cash flows from investing activities			
Additions to intangible assets and property, plant, and equipment	Note 13, 14	(349)	(246)
Acquistions, net of cash acquired	Note 3	–	(77)
Proceeds and payments for sales of investments, intangible assets, and property, plant, and equipment		327	56
Proceeds and payments from the sale of business activities		(1)	0
Net cash provided by (used in) investing activities – OSRAM (continuing operations)		**(23)**	**(267)**
Net cash provided by (used in) investing activities discontinued operation		14	(31)
Net cash provided by (used in) investing activities – OSRAM Licht Group (total)		**(9)**	**(298)**
Cash flows from financing activities			
Purchase of treasury stocks		(234)	–
Payments for acquisition of non-controlling interests	Note 3	–	(20)
Proceeds from issuance of long-term debt	Note 18	–	50
Transaction costs for long-term debt	Note 18	–	(2)
Repayment of long-term debt	Note 18	–	(140)
Change in short-term debt and other financing activities		9	(7)
Interest paid		1	(4)
Dividends paid to shareholders of OSRAM Licht AG	Note 24	(94)	(94)
Dividends paid to non-controlling interest shareholders		–	(3)
Other transactions/financing with Siemens Group		–	(1)
Net cash provided by (used in) financing activities – OSRAM (continuing operations)		**(319)**	**(221)**
Net cash provided by (used in) financing activities discontinued operation		(24)	(8)
Net cash provided by (used in) financing activities – OSRAM Licht Group (total)		**(343)**	**(228)**
Effect of exchange rates on cash and cash equivalents		(3)	6
Net increase (decrease) in cash and cash equivalents		(168)	59
Cash and cash equivalents at beginning of period		727	668
Cash and cash equivalents at the end of period		559	727
Less: Cash and cash equivalents of discontinued operation at end of period		102	59
Cash and cash equivalents at the end of period (consolidated statement of financial position)		**457**	**668**

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

B . 5

Consolidated Statement of Changes in Equity

OSRAM Licht Group – Consolidated Statement of Changes in Equity

For the fiscal years ending September 30, 2016, and 2015

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, 2014	**105**	**2,026**	**190**	**58**	**0**	**(2)**	**(3)**	**2,376**	**25**	**2,401**
Net income	–	–	166	–	–	–	–	166	5	171
Other comprehensive income (loss), net of tax	–	–	(23) [1)]	22	23	(3)	–	19	1 [2)]	20
Total comprehensive income (loss), net of tax	**–**	**–**	**143**	**22**	**23**	**(3)**	**–**	**185**	**6**	**191**
Re-issuance of treasury stock	–	–	–	–	–	–	2	2	–	2
Dividends	–	–	(94)	–	–	–	–	(94)	(3)	(97)
Acquisition of non-controlling interests (without change of control)	–	–	(6)	–	–	–	–	(6)	(16)	(22)
Other changes in equity	–	7 [3)]	0	–	–	–	–	7	–	7
Balance as of September 30, 2015	**105**	**2,033**	**234**	**81**	**24**	**(5)**	**(1)**	**2,470**	**12**	**2,482**
Balance as of October 1, 2015	105	2,033	234	81	24	(5)	(1)	2,470	12	2,482
Net income	–	–	397	–	–	–	–	397	1	398
Other comprehensive income (loss), net of tax	–	–	(25) [1)]	(22)	(23)	5	–	(65)	(1) [2)]	(66)
Total comprehensive income (loss), net of tax	**–**	**–**	**371**	**(22)**	**(23)**	**5**	**–**	**332**	**0**	**332**
Purchase of treasury stocks	–	–	–	–	–	–	(239)	(239)	–	(239)
Re-issuance of treasury stock	–	–	–	–	–	–	3	3	–	3
Dividends	–	–	(94)	–	–	–	–	(94)	–	(94)
Other changes in equity	–	2	–	–	–	–	–	2	–	2
Balance as of September 30, 2016	**105**	**2,035**	**512**	**59**	**1**	**0**	**(237)**	**2,473**	**13**	**2,486**

1) Other comprehensive income (loss), net of tax, attributable to shareholders of OSRAM Licht AG includes remeasurement losses on defined benefit plans for the twelve months ended September 30, 2016, and 2015, of €25 million and €23 million respectively.
2) Other comprehensive income (loss), net of tax, attributable to non-controlling interests includes currency translation differences for the twelve months ended September 30, 2016, and 2015, of €–1 million and €1 million respectively.
3) In fiscal year 2015, other changes in equity included a capital withdrawal of €1 million for compensation claims by Siemens AG in connection with the spin-off of the OSRAM Licht Group.

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

B. 6

Notes to the Consolidated Financial Statements

B.6.1 Segment Information

OSRAM Licht Group – Notes to the Consolidated Financial Statements – Segment Information

For the fiscal years ending September 30, 2016, and 2015
in € million

	External revenue		Intersegment revenue		Total revenue		EBITA[1]	
	2016	2015	2016	2015	2016	2015	2016	2015
SEGMENTS[7]								
Specialty Lighting	2,005	1,861	0	–	2,006	1,861	233	249
Opto Semiconductors	801	767	623	525	1,425	1,293	310	235
Lighting Solutions & Systems	976	941	29	–	1,005	941	(17)	(31)
Total segments	**3,782**	**3,569**	**653**	**525**	**4,435**	**4,095**	**526**	**452**
Reconciliation to consolidated financial statements								
Corporate items and pensions	2	2	32	–	35	2	(86)	(89)
Eliminations, corporate treasury, and other reconciling items[8]	–	–	(685)	(525)	(685)	(525)	0	(1)
OSRAM (continuing operations)	**3,785**	**3,572**	**–**	**–**	**3,785**	**3,572**	**440**	**363**

	Assets[2] September 30,		Free cash flow[3]		Additons to intangible assets and property, plant, and equipment[4]		Amortization[5]		Depreciation[6]	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
SEGMENTS[7]										
Specialty Lighting	570	550	242	238	69	72	15	12	51	45
Opto Semiconductors	614	488	189	243	239	148	1	1	106	112
Lighting Solutions & Systems	334	313	(36)	(43)	41	25	11	10	24	21
Total segments	**1,518**	**1,351**	**395**	**438**	**348**	**245**	**27**	**22**	**181**	**179**
Reconciliation to consolidated financial statements										
Corporate items and pensions	(129)	(258)	(370)	(271)	1	1	2	3	0	1
Eliminations, corporate treasury, and other reconciling items[8]	3,412	3,672	(1)	(24)	–	–	–	–	–	–
OSRAM (continuing operations)	**4,801**	**4,765**	**24**	**144**	**349**	**246**	**29**	**25**	**181**	**180**

1) EBITA is earnings before financial result (income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other financial income (expenses), net), income taxes, and amortization and impairment losses on intangible assets 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 all such capital expenditures.
5) Amortization comprises impairment losses on goodwill and amortization of, and impairment losses on, other intangible assets, net of reversals of impairment losses.
6) Depreciation comprises depreciation of, and impairment losses on, property, plant, and equipment, net of reversals of impairment losses.
7) Segment information line items for fiscal year 2015 have been presented on a comparable basis, › Note 31 I Segment Information.
8) The other reconciliation items as of September 30, 2016 also include assets held for sale; as of September 30, 2015, they include the assets attributable to the discontinued operation › Note 31 I Segment Information.

Minor differences may occur due to rounding.

B.6.2 Basis of Preparation

1 I General Principles

Consolidated Financial Statements

These consolidated financial statements ('consolidated financial statements') include 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 ❯Note 36 I List of Equity Investments of the OSRAM Licht Group in Accordance with Section 313 of the HGB. Ⓢ Page 148

The consolidated financial statements and the combined management report for the year ended September 30, 2016 have been prepared in accordance with section 315a(1) of the Handelsgesetzbuch (HGB—German Commercial Code). They are filed with and published in the electronic Bundesanzeiger (Federal Gazette). OSRAM has prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

The 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 consolidated financial statements were authorized for issue by the Managing Board of OSRAM Licht AG, Marcel-Breuer-Strasse 6, 80807 Munich, Germany, on November 17, 2016.

2 I Summary of Significant Accounting Policies

Unless stated otherwise, the accounting principles set out below have been applied consistently for all periods presented in these consolidated financial statements. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Group's results of operations, financial position, and cash flows. Critical accounting estimates could also involve estimates or judgments where management reasonably could have used a different estimate or judgment in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Basis of Consolidation

The consolidated financial statements include OSRAM Licht AG and the direct and indirect subsidiaries over which OSRAM exercises control. Control is assumed when OSRAM has exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. Power exists when OSRAM has existing rights that enable it to direct the relevant activities.

Associates and entities in which OSRAM has joint control are included using the equity method.

Business Combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 (2008). Cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed, as well as the agreed contingent consideration, at the acquisition date. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

A positive difference between the acquisition cost including the fair value of the non-controlling interests and the assets and liabilities acquired is accounted for as goodwill. A negative difference is recognized directly in profit or loss after it has been reviewed again. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions outside profit or loss. If control is lost, any retained equity interests are remeasured at fair value through profit or loss on the date control is transferred.

Associates and Jointly Controlled Entities

Companies in which OSRAM has the ability to exercise significant influence over their operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights) and jointly controlled entities are initially recognized in the consolidated financial statements at cost and subsequently accounted for using the equity method. The following policies equally apply to associates and jointly controlled entities. Goodwill relating to the acquisition of associates is included in the carrying amount of the investment and is not amortized, but is tested for impairment as part of the overall investment in the associate. OSRAM's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition changes in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate. If OSRAM's share of losses in an associate equals or exceeds its interest in the associate, OSRAM does not recognize further losses unless it incurs obligations. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of OSRAM's net investment in the associate. Intercompany profits or losses arising from transactions between OSRAM and its associates are eliminated to the extent of OSRAM's interest in the associate. OSRAM determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, OSRAM calculates the impairment loss requirement as the difference between the recoverable amount of the associate and its carrying amount. Upon loss of significant influence over the associate, OSRAM remeasures any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Foreign Currency Translation

The assets, including goodwill, and liabilities of foreign subsidiaries whose functional currency is not the euro are translated using the middle spot exchange rate at the end of the reporting period, while the consolidated statement of income and the consolidated statement of cash flows are translated using average exchange rates during the period. Differences arising from the translation of the financial statements of foreign subsidiaries are recognized in other comprehensive income and reclassified to profit or loss when the gain or loss on disposal of the foreign subsidiary is recognized.

The changes in the exchange rates for the significant currencies of non-euro countries used in currency translation were as follows:

Exchange Rates

€ 1 quoted into currencies

		Middle Spot Exchange Rate		Annual Average Exchange Rate	
		September 30,		Fiscal year	
		2016	2015	2016	2015
U.S. dollar	USD	1.116	1.120	1.107	1.148
Chinese renminbi	CNY	7.446	7.121	7.229	7.141
Hong Kong dollar	HKD	8.655	8.682	8.591	8.907
Malaysian ringgit	MYR	4.615	4.924	4.573	4.202
Mexican peso	MXP	21.739	18.977	19.793	17.367

Measurement of Foreign Currency Transactions

Transactions that are denominated in a currency other than the functional currency of an entity are reported in the functional currency using the middle spot exchange rate on the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign-currency-denominated monetary assets and liabilities are remeasured in the functional currency applying the middle spot rate prevailing at that date. Gains or losses arising from these foreign currency remeasurements are recognized in profit or loss. Non-monetary items in the statement of financial position denominated in foreign currency are remeasured using historical exchange rates.

Revenue Recognition

Provided there is persuasive evidence that an arrangement exists, delivery has occurred, or services have been rendered, revenue is recognized to the extent that it is probable that the economic benefits will flow to OSRAM and the revenue can be reliably measured, regardless of when the payment will be made. In cases where the inflow of economic benefits is not probable because of customer-related credit risks, revenue is recognized on the basis of customer payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates, and excluding taxes or duty. OSRAM assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

If sales of goods and services or software arrangements involve the provision of multiple elements, OSRAM determines whether the contract or arrangement contains more than one unit of account. The following specific recognition criteria must also be met before revenue is recognized:

- Sale of goods
  Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. If product sales are subject to customer acceptance, revenue is not recognized until the customer has accepted the goods.
- Rendering of services
  Revenue from service transactions is recognized as soon as the services have been provided. In the case of long-term service contracts, revenue is recognized on a straight-line basis over the term of the contract or, if this method does not reflect the pattern of service delivery, as the services are provided.
- Interest
  Interest income and expenses are recognized using the effective interest method.

— Royalties
  Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.
— Dividends
  Dividends are recognized when the right to receive payment is established.

Function Costs

In general, operating expenses are assigned to the individual function cost types on the basis of the function of the corresponding cost centers or using an appropriate allocation principle.

Amortization/depreciation charges, impairment losses, and reversals of impairment losses on intangible assets and on property, plant, and equipment are recognized in *Cost of goods sold and services rendered*, *Research and development expenses, or Marketing, selling, and general administrative expenses*, depending on the asset's use.

Government Grants

Government grants are recognized when there is reasonable assurance that the conditions attached to the grants will be complied with and the grants will be received. Grants awarded for the purchase or the production of noncurrent assets (grants related to assets) are generally offset against the cost of the respective asset and reduce future depreciation charges accordingly. Grants awarded other than for noncurrent assets (grants related to income) are reported in the consolidated statement of income under the same function as the corresponding expenses. They are recognized as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recognized as deferred income.

Research and Development Expenses

Costs of research activities are expensed as incurred. Costs for development activities are capitalized if the development costs can be measured reliably, the product or process is technically and commercially feasible, and it is probable that future economic benefits will be generated. OSRAM must also have the intention and sufficient resources to complete development and to use or sell the asset.

The costs capitalized include the cost of materials, direct labor, and other directly attributable expenditure that serves to prepare the asset for use. Capitalized development expenditure is reported under *Other intangible assets* and is carried at cost less accumulated amortization and impairment losses with an amortization period of generally three to five years. Other development costs are expensed as incurred.

Government grants for research and development activities are offset against research and development costs. They are recognized pro rata as income over the periods in which the research and development costs that are to be compensated are incurred. Government grants for future research and development costs are recognized as deferred income.

Earnings per Share

Basic earnings per share is calculated by dividing profit from continuing operations, profit from discontinued operations (if applicable), and net income, in each case attributable to the shareholders of OSRAM Licht AG, by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share is calculated on the basis of the assumption that all potentially dilutive securities and share-based payment programs will be converted or exercised, as applicable.

Goodwill

Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, which is the lowest level at which goodwill is monitored by management for internal purposes.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, an impairment loss is recognized on the goodwill allocated to this cash-generating unit. The recoverable amount is the higher of the cash-generating unit's fair value less costs of disposal and its value in use. If either of these amounts exceeds the carrying amount, it is not necessary to determine both amounts. These values are generally determined using the discounted cash flow method. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit to which the goodwill is allocated.

Other Intangible Assets

Other intangible assets consist of software and other internally generated intangible assets, patents, licenses, and similar rights. The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. The estimated useful lives for software, patents, licenses, and other similar rights generally range from three to eight years, although other useful lives are possible, particularly for intangible assets with finite useful lives acquired in business combinations.

Intangible assets acquired in business combinations primarily consist of patented and unpatented technology and customer relationships. Useful lives have been up to 17 years for patented and unpatented technology and between two and 16 years for customer relationships. Intangible assets determined to have indefinite useful lives, as well as intangible assets not yet available for use, are not amortized, but instead tested for impairment at least annually.

Property, Plant, and Equipment

Property, plant, and equipment is measured at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant, and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. The following useful lives are assumed:

Useful Lives

Buildings	20 to 50 years
Technical machinery and equipment	5 to 15 years
Furniture and office equipment	5 to 6 years

Impairment Losses and Reversals of Impairment Losses

OSRAM tests property, plant, and equipment, investments accounted for using the equity method, and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets that are determined to have indefinite useful lives, intangible assets not yet available for use, and goodwill are subject to an impairment test at least once a year. Recoverability of assets is determined by comparing the carrying amount of the asset with the recoverable amount. Determining the recoverable amount of an asset or a cash-generating unit in connection with which the asset generates cash inflows that are largely independent of the cash inflows from other assets involves the use of estimates by management. These estimates are influenced by certain factors, for example expected economic growth trends, the successful integration of acquired entities, capital market volatility, interest rate movements, and foreign exchange rate fluctuations. The recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal. An asset's value in use is measured by discounting its estimated future cash flows. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level; instead it is performed at the level of the cash-generating unit to which the asset belongs. If the carrying amount of an asset or cash-generating unit is found to exceed its recoverable amount, the difference is recognized as an impairment loss. If there is an indication that the reasons for the impairment no longer apply, OSRAM assesses the need to reverse all or a portion of the impairment loss.

OSRAM generally uses discounted cash flow methods to determine these values. These discounted cash flow calculations generally use five-year projections that are based on business plans. Cash flow projections take into account past experience, current operating results, and market assumptions, and represent management's best estimate of future performance. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of the recoverable amount include estimated growth rates and the weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately on the amount of the impairment loss on any asset that is tested for impairment. The estimate of growth rates takes into account expectations of inflation and market growth, as well as macroeconomic data and industry-specific trends.

Income Taxes

OSRAM operates in various tax jurisdictions and is thus subject to a wide variety of tax laws and regulations. The tax items presented in the financial statements are determined in accordance with the applicable local tax laws and tax authority directives, which can be complex, resulting in interpretations by the taxpayer that could be different from those of the local tax authorities.

Tax expense includes current and deferred taxes. These are recognized in profit or loss unless they are related to a business combination or to items that are recognized directly in equity or in other comprehensive income.

Current tax assets and liabilities are measured at the amount expected to be refunded by or payable to the tax authority. The possibility that individual current or other refund claims may not be successful cannot be entirely ruled out. Measurement of the amount is based on the tax rates and laws that apply at the end of the relevant reporting period in those countries in which the Group operates.

Deferred tax assets and liabilities are recognized using the balance sheet liability method for existing temporary differences between the carrying amount of assets or liabilities in the statement of financial position and their tax base at the end of the reporting period. Deferred tax assets and liabilities are measured using the tax rates expected to apply at the end of the reporting period in which an asset will be recovered or a liability will be settled. The expectation is based on the tax rates in effect as of the reporting date. Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards, and unused tax credits to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax loss carryforwards, and unused tax credits can be utilized.

When measuring current and deferred tax items, OSRAM takes into account the effects of uncertain tax items and whether additional taxes and interest, including any possible penalties, might be payable. It assesses these items on the basis of estimates and assumptions, which may involve the exercise of management judgment in respect of a range of future events. New information may become available that causes OSRAM to modify its assessment of the appropriateness of existing tax items. Any such changes in tax items will affect net income in the period in which they are reassessed. We cannot rule out the possibility that the tax authorities (for example, following current or future tax investigations or audits) and/or the courts may decide that OSRAM is subject to additional liabilities or that the provisions recognized for these liabilities are inadequate. Reasons could include the rejection of some of the transfer prices applied to intragroup sales of goods and services, issues connected with permanent establishments, or the audit of items that could trigger indirect taxes. Such decisions could also cause temporary cash outflows in addition to their impact on profit or loss.

Deferred tax assets are recognized if sufficient taxable income will be available in the future. This assessment takes into account a number of factors, including projected earnings from operating activities and possible tax strategies. As of the end of each reporting period, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. In the case of tax loss carryforwards, a five-year period is generally applied. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will be recoverable. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that some or all of a deferred tax asset cannot be recovered, a corresponding valuation allowance is recognized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will be available to allow the deferred tax asset to be recovered. The amount of any tax loss carryforwards and temporary differences, as well as of the deferred taxes recognized in respect of such items, could be adversely affected by tax audits in the future.

Future changes in tax laws and regulations, as well as their interpretation, and other changes in tax systems could materially affect our existing tax assets and liabilities, as well as our deferred tax assets and liabilities, and thus result in a higher expense for direct and indirect taxes, and in higher tax payments. Additionally, uncertainties affecting the tax environment in some regions could impair our ability to enforce our rights.

Assumptions are used to determine the breakdown of the *Income taxes* item into current and deferred taxes in the Notes and the breakdown of income taxes paid in the statement of cash flows because the reporting of discontinued operations makes the effort required to determine a precise breakdown unreasonable.

Inventories

OSRAM recognizes inventories at the lower of cost and net realizable value, with cost being generally determined on the basis of the average cost method or first-in, first-out (FIFO) method. Production cost comprises direct material, labor costs, and assignable portions of material and production overheads, including associated depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Noncurrent Assets Held for Sale and Discontinued Operations

A discontinued operation is reported as soon as a component of an entity with operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for sale or has already been disposed of and the component (1) represents a separate major line of business or geographical area of operations, (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (3) is a subsidiary acquired exclusively with a view to resale. The gain or loss from discontinued operations is reported in the consolidated statement of income separately from the income and expenses attributable to continuing operations; prior-year figures are presented on a comparable basis. In the consolidated statement of cash flows, the cash flows from discontinued operations are presented separately from the cash flows related to continuing operations; prior-year figures are presented on a comparable basis. The disclosures in the notes to the consolidated financial statements (except for › Note 3 I Acquisitions, Disposals, and Discontinued Operations) S Page 100 that make reference to the consolidated statement of income and the consolidated statement of cash flows generally relate to continuing operations unless otherwise indicated. OSRAM reports discontinued operations separately under › Note 3 I Acquisitions, Disposals, and Discontinued Operations. S Page 100 Revenue and expenses arising from intragroup transactions are eliminated for the purposes of presenting the financial impact from discontinued operations. The presentation does not include any profits or losses whatsoever from intragroup transactions.

OSRAM classifies a noncurrent asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction or a distribution to shareholders rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale or distribution in its present condition, subject only to terms that are usual and customary for sales/distributions of such assets (or disposal groups), and its sale/distribution must be highly probable. The disclosures in the notes to the consolidated financial statements that make reference to the consolidated statement of financial position generally relate to assets that are not held for sale unless otherwise indicated. OSRAM reports noncurrent assets held for sale (or disposal groups) separately under › Note 3 I Acquisitions, Disposals, and Discontinued Operations. S Page 100

Noncurrent assets classified as held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell unless those items presented in the disposal group are not part of the scope of measurement as defined in IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations*. Estimates and assumptions subject to some uncertainty are involved in determining the date on which a noncurrent asset (or disposal group) is classified as held for sale and in determining the fair value less costs to sell. These estimates and assumptions include, in particular, estimates in connection with price adjustment mechanisms, which depend on future changes up to the date on which the transaction is concluded.

Defined Benefit Plans

OSRAM measures the benefit entitlements under defined benefit plans using the projected unit credit method. For unfunded plans, OSRAM recognizes a provision equal to the defined benefit obligation (DBO). For funded plans, OSRAM offsets the fair value of the plan assets against the DBO. Taking into account any effects relating to the asset ceiling, a deficit is recognized in the *Pension plans and similar commitments* line item or a surplus is recognized in the *Other assets* line item.

These measurements rely on financial and demographic assumptions, including the discount rate (for information on effects, › Note 19 | Pension Plans and Similar Commitments), assumptions regarding trends in salaries, pensions, and healthcare costs, and mortality tables. The discount rate assumptions are determined by reference to market yields on high-quality corporate bonds at the end of the reporting period. In countries where there is no deep market in such corporate bonds, market yields on government bonds are used. Both the currency and the maturity of the underlying corporate or government bonds are matched to the currency and estimated maturity of the benefit payments. Due in particular to changing market and economic conditions, actual developments may differ from the underlying assumptions and could have a significant impact on pensions and similar commitments.

S Page 114

Remeasurements of the net defined benefit liability (asset) are recognized in *Other comprehensive income (loss), net of tax* in the year in which they arise, as a result of which they are reported in full in equity, net of tax.

Provisions

A provision is recognized in the statement of financial position when OSRAM has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured taking into account all identifiable risks at the expected settlement amount, which is determined on the basis of a best estimate using suitable estimation methods and sources of information depending on the characteristics of the obligation. Individual obligations (e.g., legal and litigation risks) are measured at the most likely outcome unless other estimates result in a more appropriate measurement due to particular probability distributions for possible outcomes.

Specific provisions are recognized for warranty claims that are known about by the reporting date. OSRAM also recognizes provisions if warranty claims are likely based on specific past operational or industry experience. The expense for product warranties is recognized within the *Cost of goods sold and services rendered*.

Provisions for restructuring measures are recognized if a detailed, formal restructuring plan has been drawn up and announced to those affected by it.

Termination benefits are recognized as an expense and a liability when the entity has demonstrably committed itself, as part of restructuring measures or by otherwise creating a valid expectation, to provide the benefits. OSRAM is implementing restructuring programs and individual measures to terminate employment contracts. Expenses in conjunction with terminating employment contracts and other exit costs are subject to estimates and assumptions to a significant extent. These include, for example, the probability of acceptance in respect of an offer to terminate employment contracts and the nature of the measures. In the case of group agreements in Germany, the formal restructuring plan is generally detailed by an agreement on a reconciliation of interests and a social compensation plan reached between the employer and the workforce. Further information is available in › Note 4 I Personnel-related Restructuring Expenses.

S Page 102

OSRAM is subject to litigation, regulatory proceedings, and investigations by authorities in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, or disgorgement orders against the Company. Litigation, regulatory proceedings, or investigations by authorities often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such an obligation will result in an outflow of resources, and whether the amount of the obligation can be reliably estimated. The required amount of a provision may change in the future due to new developments in the particular matter concerned. › Note 20 I Provisions, › Note 22 I Other Financial Commitments and Contingent Liabilities, and › Note 23 I Legal Proceedings.

S Page 122
S Page 123
S Page 124

When a contract becomes onerous, the present obligation under the contract is recognized as a provision and measured at the amount by which the expected cost of fulfilling the contract or the expected cost of terminating the contract exceeds the expected economic benefits of the contract, whichever is the lower.

If the effect of the time value of money is material, provisions are discounted using pre-tax market interest rates.

Leasing

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The decisive factor is whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Finance leases in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to OSRAM as lessee are recognized in the statement of financial position at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial assets of OSRAM mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, and derivative financial instruments with a positive fair value. OSRAM does not make use of the held-to-maturity category. The financial liabilities of OSRAM mainly comprise loans from banks, trade payables, finance lease payables, and derivative financial instruments with a negative fair value. OSRAM does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (fair value option).

Financial instruments are recognized in the statement of financial position when OSRAM becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e., purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Financial instruments are initially recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only taken into account in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category—cash and cash equivalents, available-for-sale financial assets (AfS), loans and receivables (LaR), financial liabilities measured at amortized cost (FLaC), or financial assets and liabilities classified as held for trading (FAHfT and FLHfT)—to which they are assigned.

Financial instruments are derecognized when they have been repaid by the debtor. Repayment usually takes place in the form of a payment from the debtor to the creditor. However, repayment can also occur in cases where the debtor is legally released from the debtor's original obligation or the obligation is extinguished. The obligation is also derecognized by the creditor if the creditor transfers the financial asset to another party and has not retained any significant risks and rewards from that financial asset.

Cash and Cash Equivalents

All highly liquid assets with a maturity of less than three months from the date of acquisition are considered to be cash equivalents. Cash and cash equivalents are measured at cost.

Available-for-Sale Financial Assets

Investments in equity instruments, debt instruments, and fund shares are classified as available-for-sale financial assets and are measured at fair value if this value can be reliably determined. Unrealized gains and losses, net of deferred taxes, are recognized in *Other comprehensive income (loss), net of tax*. If fair value cannot be reliably determined, OSRAM measures available-for-sale financial assets at cost.

Loans and Receivables

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade receivables are recognized using separate allowance accounts.

The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on the creditworthiness of each customer, current economic trends, and analysis of historical bad debts on a portfolio basis. To determine the country-specific component in the individual allowance, OSRAM also factors in country credit ratings based on information from external rating agencies. Where the valuation allowance is derived from a portfolio-based analysis of historical bad debts, a rise or decline in the volume of receivables results in a corresponding increase or reduction in such allowances.

Loans and receivables with a maturity of more than one year that are interest-free or have lower-than-market interest rates are discounted.

Financial Liabilities

OSRAM measures financial liabilities other than derivative financial instruments at amortized cost using the effective interest method.

Derivative Financial Instruments

Derivative financial instruments, such as forward exchange deals and interest-rate swaps, are measured at fair value. OSRAM classifies derivative financial instruments as held for trading unless they are designated as hedging instruments to which hedge accounting is applied. Changes in the fair value of derivative financial instruments classified as held for trading are recognized in profit or loss in the relevant period. The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized net of deferred taxes in *Other comprehensive income (loss), net of tax*. The ineffective portion is recognized immediately in the consolidated statement of income. Amounts accumulated in equity are reclassified to the consolidated statement of income in the same period in which the relevant hedged items are recognized in the consolidated statement of income or if the underlying hedged item is no longer expected to materialize. › Note 26 | Financial Instruments for further information.

S Page 129

Share-based Payment

OSRAM has launched equity-settled share-based payment programs. In accordance with IFRS 2, the fair value calculated for equity-settled share-based payments at the grant date is recognized as a remuneration expense over the vesting period. The fair value is determined at the market price of OSRAM Licht shares, taking into account the present value of dividends during the vesting period to which the grantees are not entitled and, to the extent necessary, certain market and non-vesting conditions. Additional information on OSRAM's share-based payment programs can be found in › Note 28 | Share-based Payment.

S Page 136

Recent Accounting Pronouncements, not yet Adopted

The following pronouncements issued by the IASB are not yet effective and have not yet been adopted by OSRAM.

In May 2014, the IASB issued IFRS 15 Revenue from *Contracts with Customers*. The standard is effective for annual periods beginning on or after January 1, 2018, and contains a single, comprehensive model that establishes how an entity should recognize revenue from contracts with customers. It replaces the current revenue recognition requirements in IAS 11, IAS 18, and the related interpretations. The basic principle behind the model is that an entity should recognize revenue in the amount of the consideration to which it expects to be entitled for the performance obligation(s) assumed. The standard contains considerably more extensive application guidance and disclosure requirements than the current provisions. The standard was endorsed by the European Union in October 2016. OSRAM is currently assessing the impact of adopting IFRS 15 on the consolidated financial statements. In terms of the current business model, which is primarily based on the sale of standardized products, we do not anticipate any significant changes in the timing of revenue recognition. However, this could change in the future as our business shifts away from standardized products toward customized solutions (involving production-related modification processes) and complete lighting solutions.

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*, which extends the previous version of the standard to include new impairment accounting requirements for financial assets and introduces an additional measurement category for debt instruments (at fair value through other comprehensive income). The new standard requires the consistent application of a single impairment model under which both incurred losses and expected losses are recognized. IFRS 9 also amends the classification and measurement requirements for financial assets, including some hybrid contracts. It uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the different requirements in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and on the contractual cash flow characteristics of the financial assets. The previous hedge accounting requirements in IAS 39 have been replaced with a new hedge accounting model that aligns accounting more closely with risk management. These new hedge accounting requirements, which were published in November 2013, were incorporated into the final version of IFRS 9 unchanged with the exception of the new measurement category for debt instruments. IFRS 9 also sets out additional disclosure requirements. Subject to its endorsement by the EU, the final version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. It must be applied retrospectively, although some simplification options are provided. Voluntary early application is permitted. OSRAM is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements.

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 on the date the item is added to its statement of financial position. 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 12 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-lease-back 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. Provided that the EU has adopted the new standard, it is possible to apply the standard from an earlier date, although the user must then also apply IFRS 15 *Revenue from Contracts with Customers* at the same time. OSRAM is currently assessing the impact of adopting IFRS 16 on the consolidated financial statements.

B.6.3 Acquisitions, Disposals, and Discontinued Operations

31 Acquisitions, Disposals, and Discontinued Operations

Acquisitions

On July 19, 2016, OSRAM contractually agreed to buy all the shares in Novità Technologies, Hendersonville, U.S.A. Novità is a U.S. manufacturer of LED lighting modules for the automotive industry; the modules are used mainly in tail lamps, fog lamps, and daytime running lights. This acquisition strengthens OSRAM's position in the market for automotive LED lighting modules and enhances its project and system business portfolio in the Specialty Lighting (SP) Segment. As the transaction was completed in October 2016, it has no effect on these consolidated financial statements.

The provisional purchase price amounted to approximately USD 79 million, including cash acquired. The purchase price will be paid in cash. OSRAM has initiated action to determine the purchase price allocation. It is not yet possible to provide details of the acquired assets and liabilities or their fair values.

On August 3, 2016, OSRAM acquired the operating business of ADB TTV S.A.S., Saint Quentin, France. ADB specializes in theatre and TV studio lighting. This acquisition enables OSRAM to continue improving its position in the innovation-driven entertainment market. The purchase price came to approximately €1 million and was accounted for almost entirely by acquired inventories. No goodwill was recognized.

Effective January 14, 2015 (closing date), OSRAM acquired additional shares in its subsidiaries Chung Tak Lighting Control Systems (Guangzhou) Ltd., Guangzhou, China (previously 58.5%) and OSRAM Lighting Control Systems Ltd., Hong Kong, Hong Kong (previously 65.0%) for €22 million, €20 million of which was paid in cash at the closing date. This increased OSRAM's interest in both companies to 100%. The difference of €6 million between the non-controlling interests of €16 million and the purchase price was recognized directly in equity as a transaction between shareholders.

On October 13, 2014, OSRAM acquired all the shares in Clay Paky, Seriate (Bergamo), Italy ('Clay Paky'). Clay Paky is a leading provider of entertainment lighting for shows and events. The acquisition enables OSRAM to drive forward its technology and innovation strategy, and continue to consolidate its position in the area of entertainment lighting. Clay Paky has been assigned to the Specialty Lighting Segment. The final purchase price amounted to €85 million (including €7 million in cash acquired). The purchase price was paid in cash.

Disposals

On September 9, 2015, OSRAM contractually agreed to sell its 13.47% interest in Foshan Electrical and Lighting Co. Ltd., Foshan, China, (FELCO) to a subsidiary of Guangdong Rising Assets Management Co., China, and transferred the interest on December 4, 2015.

The investment in FELCO, which had previously been accounted for using the equity method, was reported under *Assets held for sale* in accordance with IFRS 5 as of September 30, 2015. OSRAM made use of derivatives to hedge against the currency risk associated with the sale price, which was to be paid in Chinese renminbi. The hedged sale price amounted to €360 million. The transaction gave rise to a pre-tax gain on disposal of €306 million, which was reported under income (loss) from investments accounted for using the equity method, net. This figure included a net pre-tax gain of €23 million reclassified from *Other components of equity* to profit or loss. The breakdown of this gain in turn was as follows: gain of €12 million on currency translation differences, hedging loss of €16 million on derivatives entered into to hedge against the currency risk associated with the sale price, and gains of €27 million on available-for-sale financial assets held by FELCO.

Discontinued Operation

On June 12, 2015, OSRAM resolved to separate its general lighting lamps business (LEDVANCE). On July 26, 2016, the Supervisory Board of OSRAM Licht AG consented to the sale of LEDVANCE. The buyer of the business is a Chinese consortium comprising strategic investor IDG Capital Partners (IDG), Chinese lighting company MLS Co., Ltd. (MLS), and financial investor Yiwu State-Owned Assets Operation Center (Yiwu).

In accordance with IFRS 5, the assets and liabilities of LEDVANCE, which largely consisted of the former Lamps Business Unit, were classified as *Assets held for sale* or *Liabilities associated with assets held for sale*. LEDVANCE was reported as a discontinued operation in accordance with IFRS 5 in the consolidated statement of income and the consolidated statement of cash flows.

It is anticipated that the deal will be completed in fiscal year 2017, provided that all the necessary consents have been obtained. The relevant applications have been submitted for approval by the Bundesministerium für Wirtschaft und Energie (BMWi—German Federal Ministry for Economic Affairs and Energy) and by other authorities.

When LEDVANCE was remeasured at the lower of the carrying amount and fair value less costs to sell, impairment losses amounting to €39 million were recognized. These impairment losses are recognized within profit (loss) from the discontinued operation, and reduce the carrying amount of LEDVANCE's intangible assets and property, plant, and equipment. The fair value is based on the agreed sale price and takes into account anticipated adjustments, including the costs to sell still to be incurred.

Results from Discontinued Operation

in € million

	Fiscal year	
	2016	2015
Revenue	1,893	2,003
Expenses	(2,006)	(2,086)
Income (loss) from operating activities	**(113)**	**(83)**
Related income taxes	8	26
Income (loss) from operating activities, net of taxes	**(105)**	**(57)**
Income (loss) from the measurement to fair value less costs to sell	(39)	–
Related income taxes	9	–
Income (loss) from the measurement to fair value less costs to sell	**(29)**	**–**
Income (loss) from discontinued operation	**(134)**	**(57)**

Assets and Liabilities of Discontinued Operation

in € million

	September 30, 2016
Cash and cash equivalents	102
Trade receivables and other current assets	382
Inventories	418
Non-current assets	234
Assets held for sale	**1,136**
Current liabilities	623
Pension plans and similar commitments	53
Non-current provisions	12
Non-current liabilities	97
Liabilities associated with assets held for sale	**785**

The currency translation differences include cumulative expenses of €38 million associated with the discontinued operation.

B.6.4 Disclosures on the Statement of Income

4 I Personnel-related Restructuring Expenses

In the past, OSRAM managed the realignment of the OSRAM Licht Group to bring it into step with the technology shift primarily through OSRAM Push, a comprehensive, enterprise-wide continuous improvement program. The program was hugely important at OSRAM mainly because of its relevance for the general lighting lamps business. Unless stated otherwise, the details below refer to the restructuring expenses throughout the whole of the Group in order to present a complete picture of OSRAM Push.

The measures taken within OSRAM Push aim to bring about process improvements and structural adjustments, and affect not only production capacity for products in the discontinued operation, but also sales, administration, and other indirect functions throughout the Company.

In connection with the measures referred to above, the OSRAM Licht Group incurred personnel-related restructuring expenses of €44 million in fiscal year 2016 (previous year: €210 million), of which expenses of €9 million were attributable to the continuing operations. These expenses arose mainly in connection with collective and individual agreements in Germany, France, South Korea, China, and Brazil.

Additional personnel-related restructuring expenses of €6 million were incurred in fiscal year 2016 (previous year: €8 million), primarily related to the resignation of a member of the Managing Board. See also Note 32 I Related Party Disclosures. S Page 144

In fiscal years 2016 and 2015, 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 Other Operating Income

Other Operating Income

in € million

	Fiscal year	
	2016	2015
Gain on sales of property, plant, and equipment, and intangibles	1	52
Miscellaneous other income	5	6
Other operating income	**6**	**58**

In fiscal year 2015, *Gain on sales of property, plant, and equipment, and intangibles* mainly consisted of the gain from the sale of the OSRAM Licht Group's former headquarters in Munich.

6 I Other Operating Expenses

Other Operating Expenses

in € million

	Fiscal year	
	2016	2015
Losses on sales and disposals of property, plant, and equipment, and intangibles	(3)	(3)
Miscellaneous other expenses	(6)	(1)
Other operating expenses	**(9)**	**(4)**

7 I Income (Loss) from Investments Accounted for Using the Equity Method, Net

The following table shows the changes in income (loss) from investments accounted for using the equity method, net:

Income (Loss) from Investments Accounted for Using the Equity Method, Net

in € million

	Fiscal year	
	2016	2015
Share of profit (loss), net	0	3
Reversals of impairments/impairments, net	0	0
Gains (losses) on sales, net	306	2
Income (loss) from investments accounted for using the equity method, net	**306**	**5**

Gains (losses) on sales, net included the pre-tax gain on the disposal of the investment in FELCO. In fiscal year 2015, *Share of profit (loss), net* mainly comprised income from the investment in FELCO.

8 | Income Taxes

Income Taxes
in € million

	Fiscal year 2016	Fiscal year 2015
Current tax (expense) benefit, net	(139)	(83)
Deferred tax (expense) benefit, net	(30)	(11)
Income tax (expense) benefit, net	**(169)**	**(94)**

Current tax (expense) benefit, net in fiscal year 2016 included a tax expense of €2 million (previous year: tax benefit of €10 million) for prior fiscal years.

Deferred tax (expense) benefit, net in fiscal year 2016 included a deferred tax expense of €13 million (previous year: deferred tax expense of €12 million) related to the recognition and reversal of temporary differences.

In Germany, current taxes are calculated on distributed and retained profits based on a uniform corporate income tax rate of 15% and a solidarity surcharge of 5.5% thereon. In addition to corporate income tax, trade tax is also levied on profits generated in Germany. Trade tax is calculated using an average tax rate of 14.3%, resulting in an aggregate tax rate for Germany of 30.1%.

Profit generated by foreign subsidiaries is calculated on the basis of national tax laws, and taxes are paid on that profit at the tax rate applicable in the country in which the subsidiary concerned is based.

Expected income tax expense is calculated using the aggregate German tax rate of 30.1%.

Reconciliation to Actual Income Tax Expense
in € million

	Fiscal year 2016	Fiscal year 2015
Expected income tax expense	**(211)**	**(98)**
Increase/decrease in income taxes resulting from:		
Non-deductible losses and expenses	(30)	(21)
Tax-free income	68	6
Taxes for prior years	2	11
Change in realizability of deferred tax assets and tax credits	(6)	9
Foreign tax rate differential	12	8
Change in tax rates	(1)	(2)
Other, net	(3)	(7)
Actual income tax (expense) benefit, net	**(169)**	**(94)**

Tax-free income comprised for the most part the entire tax effect arising from the disposal of the investment in FELCO, net of the associated withholding tax. In fiscal years 2016 and 2015, *Other, net* primarily comprised nondeductible withholding taxes on intragroup dividend payments.

Deferred tax assets and liabilities (gross) are attributable to the following items in the statement of financial position:

Deferred Tax Assets and Liabilities

in € million

	September 30,	
	2016	2015
Assets		
Financial assets	3	1
Other intangible assets	17	3
Property, plant, and equipment	31	37
Inventories	48	48
Receivables	9	16
Pension plans and similar commitments	166	199
Provisions	42	71
Liabilities	59	68
Tax loss and credit carryforwards	68	88
Other	3	0
Deferred tax assets	**446**	**531**
Liabilities		
Financial assets	–	(7)
Other intangible assets	(12)	(21)
Property, plant, and equipment	(26)	(26)
Inventories	(1)	(1)
Receivables	(5)	(12)
Pension plans and similar commitments	(3)	(5)
Provisions	(2)	(3)
Liabilities	(3)	(4)
Other	(12)	(12)
Deferred tax liabilities	**(64)**	**(90)**
Total deferred tax asset (liability), net	**382**	**441**

Deferred tax assets and deferred tax liabilities are offset if the Group has an enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes of the same taxable entity that are levied by the same tax authority.

The decisive factor in assessing whether deferred tax assets are impaired or not is the extent to which management believes the deferred tax assets can be recovered. The assessment is made taking into account budgeted results from operating activities and possible tax strategies. Based on past experience and expected taxable income, it is generally assumed that the benefits of deferred tax assets can be recovered.

In this context, deferred tax assets of €29 million (previous year: €31 million) have been recognized for entities that generated a loss in the current period or in the prior period. The deferred taxes mainly relate to tax loss carryforwards.

Tax loss carryforwards amounted to €314 million as of September 30, 2016 (previous year: €371 million). In fiscal year 2016, deferred tax assets of €50 million were recognized in Germany (previous year: €60 million) in respect of tax loss carryforwards. OSRAM assumes that there will be sufficient positive taxable income available from future business activities to recover these deferred tax assets.

No deferred tax assets were recognized for the following items (gross amounts):

Items for Which No Deferred Tax Assets Have Been Recognized

in € million

	September 30,	
	2016	2015
Deductible temporary differences	41	31
Tax loss carryforwards	141	132

Of the tax loss carryforwards for which no deferred tax assets were recognized as of September 30, 2016, €22 million (previous year: €0 million) are time-limited. €12 million of these time-limited tax loss carryforwards will expire by 2021 and a further €10 million over the five years thereafter up to 2026. The total amount of tax credits for which no deferred tax assets have been recognized rose by €15 million to €55 million in the reporting period.

In a number of countries, companies in the OSRAM Licht Group have several years for which a tax audit has not yet been completed. OSRAM recognizes appropriate provisions for those outstanding assessment periods bearing in mind numerous factors, including interpretations of tax law and past experience.

Income taxes and withholding taxes that could be incurred in connection with profits distributable by subsidiaries are recognized as deferred tax liabilities if these profits are expected to be subject to such taxation or it is not intended to reinvest them for the long term.

As of September 30, 2016, no deferred tax liabilities were recognized for subsidiaries' accumulated earnings of €862 million (previous year: €706 million) as these profits are to be reinvested for an indefinite period.

Including items recognized in other comprehensive income (loss), income tax (expense) benefit can be broken down as follows:

Income Tax (Expense) Benefit

in € million

	Fiscal year	
	2016	2015
Income tax (expense) benefit, net	(169)	(94)
(Expense) benefit recognized directly in equity	14	14

B.6.5 Disclosures on the Statement of Financial Position (Assets)

9 I Trade Receivables

The changes in valuation allowances recognized in respect of trade receivables were as follows:

Valuation Allowance
in € million

	September 30, 2016	September 30, 2015
Valuation allowance as of beginning of fiscal year	**(26)**	**(28)**
Reclassification discontinued operation	11	–
Change in valuation allowances recorded in the income statement in the current period	2	3
Changes to the group of consolidated companies and other changes	–	(2)
Valuation allowance as of fiscal year end	**(13)**	**(26)**

As of September 30, 2016, there were no trade receivables past due but not impaired, whereas trade receivables with a value of €12 million had been past due but had not been impaired as of September 30, 2015.

10 I Other Current Financial Assets

Other Current Financial Assets
in € million

	September 30, 2016	September 30, 2015
Derivative financial instruments	2	13
Debit balances of trade accounts payable	6	5
Receivables from employees	2	2
Other	43	50
Other current financial assets	**53**	**70**

As of September 30, 2016, the *Other* item included an amount of €20 million related to the sale of LEDVANCE. OSRAM received this sum to cover its transaction costs should the deal fail to materialize for specified reasons, see › Note 3 I Acquisitions, Disposals, and Discontinued Operations and › Note 16 I Other Current Financial Liabilities. S Page 100
S Page 112

Information on derivative financial instruments can be found in › Note 26 I Financial Instruments. S Page 129

11 I Inventories

Inventories
in € million

	September 30, 2016	September 30, 2015
Raw materials and supplies	150	205
Work in progress	183	205
Finished goods and merchandise	323	580
Advances to suppliers	2	1
Advance payments received	(3)	(4)
Inventories	**655**	**987**

After taking into account the classification of inventories as *Assets held for sale or Liabilities associated with assets held for sale* in accordance with IFRS 5, cumulative valuation allowances declined by a total of €24 million in fiscal year 2016 to €114 million (previous year: decline of €1 million).

The cost of inventories sold during the fiscal year represents the major part of the cost of goods sold and services rendered.

12 I Other Current Assets

Other Current Assets
in € million

	September 30, 2016	September 30, 2015
Miscellaneous tax receivables	174	61
Prepaid expenses	3	16
Other	15	16
Other current assets	**192**	**93**

Miscellaneous tax receivables includes a value added tax (VAT) receivable of €105 million; a related VAT liability for a good mid double-digit million euro amount is recognized in the discontinued operation. The possibility that individual refund claims may not be successful cannot be entirely ruled out.

As of September 30, 2016, *Prepaid expenses* included the current portion of the transaction costs related to the revolving credit facility amounting to €2 million (previous year: €2 million).

The *Other* line item mainly consists of advance payments.

13 I Goodwill and Other Intangible Assets

Goodwill and Other Intangible Assets

in € million

	Gross carrying amount as of October 1, 2015	Translation differences	Additions through business combinations[1]	Additions[1]	Retirements[1]	Reclassification of discontinued operation	Gross carrying amount as of September 30, 2016	Accumulated amortization and impairment	Net book value as of September 30, 2016	Amortization and impairment during fiscal 2016
Goodwill	**307**	**1**	**–**	**–**	**–**	**(14)**	**294**	**(217)**	**77**	**0[2]**
Capitalized software development costs	110	0	–	0	0	(36)	74	(73)	1	(1)
Capitalized development costs for other projects	64	0	–	11	0	(3)	71	(47)	24	(4)
Patents, licenses, and other rights	465	1	0	14	(4)	(21)	455	(366)	89	(24)
Other intangible assets	**638**	**1**	**0**	**25**	**(4)**	**(61)**	**600**	**(487)**	**113**	**(29)**

	Gross carrying amount as of October 1, 2014	Translation differences	Additions through business combinations	Additions	Retirements	Reclassification of discontinued operation	Gross carrying amount as of September 30, 2015	Accumulated amortization and impairment	Net book value as of September 30, 2015	Amortization and impairment during fiscal 2015
Goodwill	**263**	**10**	**35**	**–**	**–**	**–**	**307**	**(230)**	**77**	**(5)[2]**
Capitalized software development costs	108	2	1	0	0	–	110	(109)	1	(2)
Capitalized development costs for other projects	51	1	0	13	(2)	–	64	(44)	20	(3)
Patents, licenses, and other rights	398	26	37	6	(1)	–	465	(352)	112	(26)
Other intangible assets	**557**	**29**	**37**	**19**	**(3)**	**–**	**638**	**(505)**	**133**	**(31)**

1) Excluding goodwill and other intangible assets classified as Assets held for sale or Liabilities associated with assets held for sale in accordance with IFRS 5.
2) This amount includes currency translation differences relating to goodwill impairment in fiscal year 2012.

On October 13, 2014, OSRAM acquired all the shares in Clay Paky, Seriate (Bergamo), Italy ('Clay Paky'). The transaction resulted in goodwill of €35 million, which was allocated to the Specialty Lighting (SP) Business Unit › Note 3 I Acquisitions, Disposals, and Discontinued Operations.

S Page 100

The operating activities of the Classic Lamps & Ballasts (CLB) and LED Lamps & Systems (LLS) Business Units were reorganized effective July 1, 2015: The traditional lamps business and the LED lamps of the CLB and LLS Segments were allocated to the new Lamps (LP) Segment. Operating activities involving traditional ballasts and LED modules, drivers, and light management systems were allocated to the new Digital Systems (DS) Business Unit › Note 31 I Segment Information. The goodwill previously presented and monitored for internal management purposes in the LLS Business Unit arose from the acquisition of Encelium Holdings Inc., Teaneck, U.S.A., and relates to the latter's activities and assets. Since these activities and assets have been transferred to DS as part of the reorganization, the goodwill will be monitored for internal management purposes at the level of the DS Business Unit.

S Page 140

Goodwill is allocated to the segments as follows:

Goodwill

in € million

	Net book value as of	
	September 30, 2016	September 30, 2015
Digital Systems	38	38
Specialty Lighting	39	39
Goodwill	**77**	**77**

The annual impairment test in both fiscal year 2016 and the comparative period was based on the current business plans at that time. The recoverable amount of the cash-generating units was determined on the basis of their fair value less costs of disposal (hierarchy Level 3). The key assumptions used in impairment testing cash-generating units to which goodwill has been allocated are the terminal value growth rates and the discount rates.

The annual impairment tests in fiscal year 2016 assumed a growth rate of 2.4% (previous year: 2.5%) and discount rates (after tax) between 7.2% and 7.9% (previous year: between 7.0% and 7.4%). As in the previous year, the impairment tests confirmed the recoverability of the carrying amounts of all goodwill items.

As of September 30, 2016, *Other intangible assets* mainly comprised rights arising from a reciprocal licensing agreement with Koninklijke Philips Electronics N.V., Eindhoven, Netherlands ('Philips') with a value of €20 million (previous year: €28 million). The rights under the licensing agreement had been recognized as of September 30, 2008, with an assumed useful life of 16 years. As part of the classification of the asset in accordance with IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations*, a residual carrying amount of €5 million was reclassified. Intangible assets of €37 million identified in connection with the acquisition of Clay Paky were added in fiscal year 2015.

There were no significant obligations to purchase other intangible assets as of September 30, 2016, or 2015.

14 | Property, Plant, and Equipment

Property, Plant, and Equipment

in € million

	Gross carrying amount as of October 1, 2015	Translation differences[1]	Additions through business combinations[1]	Additions[1]	Reclassifications[1]	Retirement[1]	Reclassification of discontinued operation	Gross carrying amount as of September 30, 2016	Accumulated amortization and impairment	Net book value as of September 30, 2016	Amortization and impairment during fiscal 2016
Land and buildings	648	3	0	6	17	(10)	(239)	424	(207)	217	(15)
Technical machinery and equipment	3,382	21	–	107	100	(84)	(1,397)	2,130	(1,585)	545	(122)
Furniture and office equipment	656	5	–	28	24	(18)	(162)	532	(429)	104	(43)
Advances to suppliers and construction in progress	139	0	–	213	(142)	(2)	(11)	196	(1)	195	(1)
Property, plant, and equipment	**4,824**	**28**	**0**	**354**	**–**	**(113)**	**(1,810)**	**3,283**	**(2,223)**	**1,060**	**(181)**

	Gross carrying amount as of October 1, 2014	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirement	Reclassification of discontinued operation	Gross carrying amount as of September 30, 2015	Accumulated amortization and impairment	Net book value as of September 30, 2015	Amortization and impairment during fiscal 2015
Land and buildings	640	4	7	4	11	(19)	–	648	(364)	284	(20)
Technical machinery and equipment	3,356	5	0	76	86	(140)	–	3,382	(2,801)	581	(190)
Furniture and office equipment	652	(9)	1	23	27	(38)	–	656	(544)	112	(52)
Advances to suppliers and construction in progress	114	0	0	151	(123)	(3)	–	139	(1)	138	(1)
Property, plant, and equipment	**4,763**	**(1)**	**8**	**254**	**–**	**(200)**	**–**	**4,824**	**(3,709)**	**1,115**	**(263)**

1) Excluding property, plant, and equipment classified as Assets held for sale or Liabilities associated with assets held for sale in accordance with IFRS 5.

As of September 30, 2016, contractual obligations to purchase property, plant, and equipment amounted to €216 million (previous year: €78 million).

Government grants received in fiscal year 2016 for the purchase or production of property, plant, and equipment amounted to €0 million (previous year: €0 million). Further government grants awarded, in particular for LED and OLED research projects, amounted to €7 million in fiscal year 2016 (previous year: €18 million). These grants related to incurred and future costs and were recognized as a reduction in expenses within *Research and development expenses*. Real estate required for production was also made available to OSRAM by public authorities free of charge in fiscal years 2016 and 2015.

In fiscal year 2015, OSRAM had recognized impairment losses of €6 million in respect of certain items of property, plant, and equipment used in connection with the production of traditional products, and a further impairment loss of €7 million in respect of a production line used for the manufacture of LED lamps.

15 I Other Assets

Other Assets

in € million

	September 30, 2016	2015
Prepaid expenses	20	16
Deferred compensation assets	8	7
Chinese land usage	1	8
Other	9	23
Other assets	**38**	**54**

As of September 30, 2016, *Prepaid expenses* included the noncurrent portion of the transaction costs related to the revolving credit facility amounting to €7 million (previous year: €9 million).

The *Other* line item mainly consists of advance payments made.

B.6.6 Disclosures on the Statement of Financial Position (Liabilities and Equity)

16 I Other Current Financial Liabilities

Other Current Financial Liabilities

in € million

	September 30, 2016	2015
Derivative financial instruments	2	21
Credit balances on trade accounts receivable	11	5
Other	38	19
Other current financial liabilities	**50**	**51**

As of September 30, 2016, the *Other* item included an amount of €20 million related to the sale of LEDVANCE. OSRAM received this sum to cover its transaction costs should the deal fail to materialize for specified reasons › Note 3 I Acquisitions, Disposals, and Discontinued Operations and › Note 10 I Other Current Financial Assets.

S Page 100
S Page 107

Information on *Derivative financial instruments* can be found in › Note 26 I Financial Instruments.

S Page 129

17 I Other Current Liabilities

Other Current Liabilities
in € million

	September 30, 2016	September 30, 2015
Payroll obligations and social security taxes	114	139
Employee-related accruals	92	174
Bonus obligations	29	97
Other taxes	26	48
Other	44	68
Other current liabilities	**305**	**526**

Employee-related accruals primarily include vacation pay, severance payment obligations in connection with personnel reduction or early retirement plans, overtime, and service anniversary awards. The personnel-related restructuring measures are mainly attributable to the enterprise-wide OSRAM Push improvement program. See also › Note 4 I Personnel-related Restructuring Expenses.

S Page 102

18 I Debt

Debt
in € million

	September 30, 2016	September 30, 2015
Short-term (within 1 year)		
Loans from banks	20	37
Short-term debt and current maturities of long-term debt	**20**	**37**
Long-term (between 1 and 5 years)		
Loan from the European Investment Bank	42	50
Long-term debt	**42**	**50**
Debt	**62**	**87**

In fiscal year 2015, OSRAM entered into a loan agreement with the European Investment Bank. A €50 million variable-rate tranche of this loan had been drawn down as of September 30, 2016, and 2015. The interest rate, which is based on EURIBOR plus a credit margin, was 0.238% p.a. as of September 30, 2016 (previous year: 0.499% p.a.). This tranche will be repaid according to the scheduled redemption between the end of the second year of the loan's term and its maturity at the end of 2022. In addition, undrawn credit lines amounting to a total of €150 million remained available under this loan agreement as of September 30, 2016, and 2015. The clause in the loan agreement relating to the financial position of the OSRAM Licht Group (financial covenants), which reflects normal business practice and according to which the ratio of net debt to EBITDA may not exceed 2.5:1, was complied with in full.

In addition, OSRAM has access to a variable-rate revolving credit line of €950 million (previous year: €950 million), which may also be drawn down in U.S. dollars or, with the approval of the banks, in other currencies. The term of the loan facility has been extended until February 2021 for an amount of €886 million. The balance of €64 million still remains available until February 2020. OSRAM also has the option in fiscal year 2017 of extending the term of the facility for a further year. The revolving credit facility had not been drawn down as of the end of the reporting period. The clause in the loan agreement relating to the financial position of the OSRAM Licht Group (financial covenants), which reflects normal business practice and according to which the ratio of net debt to EBITDA may not exceed 2.5:1, was complied with in full.

Other than the short-term portion of the loan from the European Investment Bank in an amount of €8 million, the short-term loans from banks result from drawdowns on short-term credit lines, especially by OSRAM companies in countries that are not able to take part in Group financing because of national restrictions on capital transfers.

19 | Pension Plans and Similar Commitments

In the reporting period, OSRAM provided almost all of the Company's employees in Germany and many of the Company's employees outside Germany with defined benefit and defined contribution pension plans based on contractual arrangements and/or statutory requirements. OSRAM regularly reviews the design of its pension plans, which historically have been predominantly based on defined benefit obligations. The majority of OSRAM's pension obligations are funded with assets in segregated entities.

Unless stated otherwise, the following disclosures relate to the pension plans and similar commitments in the continuing operations of OSRAM. Where the comparative values in the tables in this section show figures from the statement of financial position as of September 30, 2015, these figures have been taken from the prior year's financial statements without modification.

Defined Benefit Plans

OSRAM has significant pension plans and similar benefit commitments in both Germany and the U.S.A. As part of the separation of the discontinued operation, pension plans have been set up in newly established companies as far as possible with the same terms and structures.

Germany

In Germany, OSRAM provides pension benefits predominantly through the Beitragsorientierte OSRAM Altersversorgung ('BOA') defined contribution plan launched in fiscal year 2004, legacy defined benefit plans, and deferred compensation plans. The BOA is a defined contribution pension plan in which the benefits are predominantly based on contributions made by the Company and the returns earned on such contributions, subject to a minimum return guaranteed by the Company. The obligations under this plan are still affected by longevity, inflation adjustments and remuneration increases, but to a much lesser extent than in the case of the legacy defined benefit plans.

No further employee entitlements can be added to the majority of the legacy defined benefit plans. However, these frozen plans still expose the Company to financial risks and demographic risks such as investment risk, interest rate risk, and longevity risk. OSRAM entered into a trust agreement with the Deutsche Treuinvest Stiftung, Frankfurt am Main, Germany, in November 2011 for all funded pension plans. The trustee administers the plan assets and is responsible for ensuring they are invested in line with the trust agreement with the Company. A deferred compensation plan is also offered to employees.

U.S.A.

The majority of the employees at OSRAM SYLVANIA INC., Wilmington, U.S.A., who joined the company before December 31, 2006, are members of two closed defined benefit pension plans. The benefits for most of the employees under these plans are largely linked to final salary on retirement, although the benefits for a small group of employees are based on fixed amounts. All these defined benefit plans expose the company to financial and demographic risks such as interest rate risk, remuneration increase risk, investment risk, and longevity risk. Benefits for salaried participants are frozen and therefore a salary increase risk with regard to these employees is eliminated. The plans are subject to the applicable legal and regulatory framework, which is determined by the U.S. Employee Retirement Income Security Act ('ERISA'). Based on this legislation, a funding valuation is determined yearly to ensure that the minimum funding level for funded defined benefit plans is achieved. The funding level must be at least 80% to avoid benefit restrictions.

The evaluation of the funding level is used as a basis for determining the statutory contributions to the plan assets. As the sponsoring employer, OSRAM SYLVANIA Inc. has set up an investment committee comprising members of the senior management of OSRAM SYLVANIA Inc. to make investment decisions.

The company provides other post-employment benefits in the form of two closed medical benefit plans (including a life insurance component). For one of these plans, the amount of the obligation depends on the expected cost trend, while the benefits in the other plan are based on fixed amounts.

Defined Contribution Plans and Government Plans

The defined contribution plans are organized such that the Company pays contributions to public or private entities based on statutory or contractual provisions or on a voluntary basis without assuming any obligation to provide further benefits to employees. In fiscal year 2016, contributions to defined contribution plans for the continuing and discontinued operations amounted to €21 million (previous year: €20 million), and to government plans €128 million (previous year: €123 million). In both cases the contributions are recognized in profit or loss.

Actuarial Assumptions

The amount of the obligation arising from defined benefit plans is generally determined as of the end of the fiscal year on the basis of reports prepared by external, independent actuaries. The actuarial measurement of defined benefit obligation (DBO) is based on demographic and financial assumptions. Significant assumptions include mortality rates, pension trends, and trends in healthcare costs. Here, the Company makes its best estimate bearing in mind the economic environment in the country in question and existing expectations.

Another significant assumption is the discount rate. The discount rates used are determined by reference to yields on high-quality fixed-income corporate bonds at the end of the reporting period. In countries where there is no deep market in such corporate bonds, market yields on government bonds are used.

Significant financial and demographic assumptions were as follows in the reporting period:

Key Assumptions for the Calculations of the DBO

	OSRAM (continuing operations)	OSRAM (continuing operations)	OSRAM Licht Group (total)
	September 30, 2016	October 1, 2015	September 30, 2015
Discount rate	**2.56%**	**3.58%**	**3.62%**
Germany	1.20%	2.46%	2.50%
U.S.A.	3.50%	4.36%	4.40%
Mortality tables			
Germany	Richttafeln Heubeck 2005 G	Richttafeln Heubeck 2005 G	Richttafeln Heubeck 2005 G
U.S.A.	RP-2014 with Scale MP-2016 (20 years convergence)	RP-2014 with Scale MP-2015	RP-2014 with Scale MP-2015

In the U.S.A., the switch to the anticipated Mortality Improvement Scale MP-2016 resulted in a positive effect of €37 million in other comprehensive income. In Switzerland and France, the impact from the use of new mortality tables was insignificant.

In Germany, a pension progression rate of 1.75% was applied for the legacy defined benefit plans as of September 30, 2016, and 2015. The expected inflation rate is factored into the pension progression rate and therefore also has an impact on the DBO. The discount rate is weighted using the amount of the obligation at fiscal year-end and including all pension and other post-employment benefit plans.

The measurement assumptions determined at the beginning of the reporting period are used to determine the current service cost as well as the interest income and interest expenses in the fiscal year. Therefore, the interest income and interest expenses for the fiscal year are based on the discount rate as of the beginning of the current fiscal year multiplied by the fair value of the plan assets and the defined benefit obligation as of the start of the fiscal year, respectively. The fair value and thus the interest income on plan assets, the defined benefit obligation, and the interest expenses are adjusted for significant events in the reporting period, such as additional funding contributions, plan amendments, or business combinations and disposals. Reported expense components are adjusted for those portions relating to the discontinued operation. The carrying amounts as of September 30, 2016 relate to the pension plans and similar commitments for the continuing operations.

Sensitivity Analysis

The following sensitivity analysis shows the effects of a change in significant actuarial assumptions on the amount of the defined benefit obligation as of September 30, 2016.

Sensitivity Analysis

in € million

	Effect on DBO as of September 30, 2016, due to	
	50-basis-points increase	50-basis-points decrease
Discount rate	(120)	136
Rate of pension progression	43	(38)

A 10% decrease in mortality probability for each age would result in an increase in the DBO of €59 million.

Increases and decreases in the discount rate and the rate of pension progression used to determine the DBO do not have a symmetrical effect on the DBO, primarily due to the compound interest effect arising when the net present value of the future benefits is determined. This includes the fact that a decrease or increase by more or less than 50 basis points as presented in the table above would not result in a completely linear effect on the DBO. Furthermore, if more than one of the assumptions are changed simultaneously, the cumulative impact is not necessarily the same as the total of the individual changes.

The weighted average duration of the DBO for defined benefit plans and similar commitments was 13.1 years.

Funding Policy and Investment Strategy

The policy for funding defined benefit plans is an integral part of OSRAM's financial management, and also includes an ongoing analysis of the structure of its defined benefit liabilities. The investment strategy for plan assets is derived from the structure and characteristics of the liabilities and is based on asset-liability modeling studies at the individual plan level.

We intend to reduce the volatility of the proportion of commitments covered by plan assets through liability-driven investing (LDI).

Risk budgets are used as the basis for determining our investment strategy at the individual plan level, i.e., for the strategic asset allocation of key plan assets and the level of appropriate limits for interest rate and credit spread risk hedging.

The investment strategy, the hedging rules, and changes in the proportion of commitments covered by plan assets are regularly reviewed with the participation of external experts in the international asset management industry to permit an integral view of plan assets and defined benefit obligations. We review the asset allocation of each plan in light of the duration of the related defined benefit obligation and analyze trends and events that may affect asset values in order to initiate appropriate measures at a very early stage.

Our asset manager selection process is based on our quantitative and qualitative analysis. We continuously monitor the performance of each asset manager mandate and the risk it entails, both individually and in a more general portfolio context.

Our investment strategy to reduce risk, as part of an integrated risk management approach for assets and liabilities, is mainly based on investments in physical securities. Additionally, derivatives are used either to reduce the fluctuations in the value of plan assets or to reduce volatility in the proportion of commitments covered by plan assets. OTC derivatives are collateralized on a daily basis to mitigate counterparty risk.

The additional funding of employer contributions in fiscal year 2016 amounted to approximately €258 million. These additional contributions to increase the proportion of commitments covered by plan assets in the global funded pension plans came from the proceeds generated by the disposal of the investment in Foshan Electrical and Lighting Co. Ltd., Foshan, China (FELCO). Of the additional funding contributions in fiscal year 2016, approximately €92 million was allocated to the discontinued operation following the separation of the pension plans. In the previous year, additional funding contributions of €58 million had been paid into the U.S. pension plans from the same budget; of this amount, €51 million had been allocated to the continuing operations and €7 million to the discontinued operation.

Notes on the Items Presented in the Consolidated Financial Statements

The consolidated statement of financial position and the consolidated statement of changes in equity contain the following items related to pension plans and similar commitments as of September 30, 2016, and 2015. The funded status of these plans and the reconciliation of the funded status to the carrying amounts contained in the related statement of financial position items were as follows for fiscal years 2016 and 2015:

Net Amount Recognized: Pension Plans and Similar Commitments

in € million

	September 30, 2016	2015
DBO	1,996	2,150
Fair value of plan assets	1,794	1,689
Funded status	**(202)**	**(461)**
Pension plan obligation	(120)	(361)
Obligations for similar commitments	(83)	(100)
Germany	(56)	(145)
U.S.A.	(123)	(280)
Other countries	(23)	(36)
Net amount recognized	**(202)**	**(461)**
The net amount recognized consists of the following balance sheet items		
Other assets	4	3
Pension liability	206	464
Pension plans	123	364
Similar commitments	83	100
Remeasurements of the net defined benefit liability (asset)	(388)	(351)
Income tax effect	142	130
Net amount recognized in the consolidated statement of changes in equity, net of tax	**(246)**	**(221)**

The additional funding contributions referred to above—reflected in the continuing operations in an amount of €166 million—helped to improve the funded status substantially as of September 30, 2016. The pension plan in Sweden was transferred to an insurance company with the payment of a single premium and since then has no longer been reported. Of this single premium, €3 million was attributable to the continuing operations.

In the U.S.A., the plan assets for the discontinued operation were segregated from the existing pension plan in accordance with the relevant tax regulations. The funded status of the pension plan in the continuing operations has improved as a result of this segregation. The switch to updated demographic assumptions also had a positive impact.

As of September 30, 2016, the pension plan in Canada reported a surplus of €3 million (previous year: €3 million).

Gains and losses from the remeasurement of defined benefit plans reported in *Other comprehensive income (loss)* include the pension plan changes in the discontinued operation.

The following table shows the expenses recognized in connection with the pension and other post-employment benefit plans presented in the consolidated statement of income and consolidated statement of comprehensive income:

Defined Benefit Cost

in € million

	Fiscal year	
	2016	2015
Current service cost	24	35
Past service cost/(income)	0	–
Settlement loss/(gain)	(6)	–
Net interest income	0	0
Net interest cost	12	16
Liability administration cost	1	1
Defined benefit cost recognized in consolidated statement of income	**31**	**52**
Germany	*15*	*24*
U.S.A.	*14*	*22*
Other countries	*3*	*5*
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	(192)	66
Actuarial (gains) and losses arising from changes in demographic assumptions	(37)	(14)
Actuarial (gains) and losses arising from changes in financial assumptions	240	(8)
Actuarial (gains) and losses arising from experience adjustments	(10)	(4)
Remeasurements of the net defined benefit liability (asset) recognized in consolidated statement of other comprehensive income	**2**	**40**
Germany	*32*	*19*
U.S.A.	*(33)*	*19*
Other countries	*3*	*3*
Defined benefit cost	**33**	**92**

The voluntary settlement of current pensions in Germany contributed to positive earnings of €5 million in fiscal year 2016. An amount of €35 million arising from the remeasurement of pensions in the discontinued operation was also recognized in other comprehensive income (loss).

The current service cost, past service cost, settlement gains and losses, and liability administration cost are allocated to the function costs (*Cost of goods sold and services rendered, Research and development expenses, Marketing, selling, and general administrative expenses* line items) in line with the functional area of the respective profit and cost centers.

The actuarial gains from changes in demographic assumptions amounting to €37 million in fiscal year 2016 resulted for the most part from the use of updated mortality tables in the U.S.A.

Reconciliation for Defined Benefit Obligation (DBO) and Plan Assets

A detailed reconciliation for the changes in the defined benefit obligation for fiscal years 2016 and 2015 is provided in the following table:

Change in DBO

in € million

	OSRAM (continuing operations)	OSRAM Licht Group (total)	OSRAM Licht Group (total)
	2016	2016	2015
DBO at beginning of fiscal year	**1,790**	**2,150**	**2,023**
Current service cost	24	34	35
Past service cost/(income)	0	(1)	0
Settlements and curtailments	(6)	(6)	–
Interest cost	64	77	76
Remeasurements			
Actuarial (gains) and losses arising from changes in demographic assumptions	(37)	(40)	(14)
Actuarial (gains) and losses arising from changes in financial assumptions	240	300	(8)
Actuarial (gains) and losses arising from experience adjustments	(10)	3	(4)
Plan participants' contributions	6	6	7
Benefits paid	(131)	(135)	(111)
Transfer-in from the discontinued operation	53	–	–
Acquisitions	–	0	1
Divestments	(3)	(5)	–
Foreign currency translation effects	6	7	146
DBO at end of fiscal year	**1,996**	**2,390**	**2,150**
Germany	*766*	*911*	*776*
U.S.A.	*1,139*	*1,343*	*1,248*
Other countries	*92*	*136*	*126*
Active employees	469	837	743
Former employees with vested benefits	270	276	211
Retirees and surviving dependents	1,258	1,278	1,196

The pension payments also include settlement amounts for current pensions in Germany. The associated reversal of the DBO in a different amount produces a gain on settlement.

A detailed reconciliation of the changes in the fair value of plan assets for fiscal years 2016 and 2015 is provided in the following table:

Change in Plan Assets

in € million

	OSRAM (continuing operations) 2016	OSRAM Licht Group (total) 2016	OSRAM Licht Group (total) 2015
Fair value of plan assets at beginning of fiscal year	**1,445**	**1,689**	**1,582**
Interest income	52	62	59
Remeasurement:			
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	192	225	(66)
Employer contributions	193	283	99
Plan participants' contributions	2	2	3
Benefits paid	(100)	(101)	(95)
Settlements	(28)	(28)	–
Transfer-in from the discontinued operation	36	–	–
Liability administration cost	(1)	0	(1)
Foreign currency translation effects	3	3	108
Fair value of plan assets at end of fiscal year	**1,794**	**2,135**	**1,689**
Germany	*709*	*841*	*631*
U.S.A.	*1,016*	*1,195*	*968*
Other countries	*69*	*99*	*90*

The employer contributions to the funded pension plans amounted to €193 million in fiscal year 2016. Of this amount, €123 million was attributable to the German pension plans and €67 million to the U.S. pension plans. The most significant portion was accounted for by the additional funding contributions to the plan assets to improve the funding level.

Composition of Plan Assets

in € million

	September 30, 2016	September 30, 2015
Equity funds	282	364
Global equities	100	99
U.S. equities	85	117
European equities	1	2
Emerging markets equities	13	13
Other (mainly global equities ex U.S. equities)	84	134
Fixed income	1,357	1,122
Government bonds	351	281
Corporate bonds	1,006	841
Mixed funds	28	38
Commodities	3	–
Real estate funds	30	40
Plan assets that do have a quoted market price in an active market	**1,700**	**1,563**
Hedge funds	58	74
Cash and other assets	33	57
Derivatives	4	(5)
Plan assets that do not have a quoted market price in an active market	**94**	**126**
Fair value of plan assets at end of fiscal year	**1,794**	**1,689**

As part of the separation of the discontinued operation, funded pension plans were split up and segregated pension funds created as of September 30, 2016. The duration of the funded pension obligations was taken into account when apportioning the plan assets, which are invested in different asset classes.

20 | Provisions

Provisions

in € million

	Warranties	Other related losses and risks	Other legal proceedings	Others	Total
Balance as of October 1, 2015	**58**	**10**	**22**	**35**	**124**
Reclassification discontinued operation[1]	(10)	(1)	(20)	(10)	(42)
Additions[2]	25	19	1	26	71
Usage[2]	(8)	(9)	–	(2)	(19)
Reversals[2]	(8)	0	0	(11)	(19)
Translation differences	0	0	5	(4)	1
Changes of the group of consolidated companies and other changes	1	–	1	(1)	1
Balance as of September 30, 2016	**58**	**19**	**8**	**32**	**116**
thereof non-current	6	8	0	5	18

1) The reclassification for the discontinued operation relates to the position as of August 1, 2016.
2) The reported additions, usage, and reversals relate to the entire OSRAM Licht Group for the period October 1, 2015 to July 31, 2016, and to the continuing operations for the period August 1, 2016 to September 30, 2016.

Warranties relate primarily to warranty obligations for products sold and services rendered.

OSRAM recognizes *Provisions for order-related losses and risks* for anticipated losses and risks on uncompleted construction and sales contracts.

The *Other legal proceedings* category includes provisions for certain legal disputes and legal costs. This category encompasses provisions for product liability proceedings, patent and trademark litigation, and other proceedings. For further information, see › Note 23 I Legal Proceedings.

S Page 124

The *Other* item includes provisions for obligations arising from the sale of LEDVANCE amounting to €12 million and provisions for leasehold improvement reinstatement obligations of €3 million as of September 30, 2016 (previous year: €3 million).

21 I Other Liabilities

Other Liabilities
in € million

	September 30,	
	2016	2015
Employee-related liabilities	35	108
Deferred compensation plan	31	39
Other	31	45
Other liabilities	**97**	**192**

Employee-related liabilities contain, in particular, early retirement and termination benefit obligations.

The *Other* line item contains, among other things, deferred payments received under leases and other contracts.

22 I Other Financial Commitments and Contingent Liabilities

As of September 30, 2016, there were contingent liabilities of €12 million (previous year: €50 million) in connection with significant legal proceedings, in particular related to fire damage claims. In the case of liability claims, OSRAM is in principle covered by insurance, the nature and scope of which is set out in the terms and conditions of the respective insurance policies. The insured amount and extent of cover are adequate for the risk and are customary for the industry. However, whether and to what extent OSRAM is covered by insurance in individual cases depends on the circumstances of the case concerned. In addition, information is not available in sufficient detail for certain legal proceedings to determine the possible amount of the obligation. Information on litigation can be found in › Note 23 I Legal Proceedings.

S Page 124

As of September 30, 2016, further undiscounted contingent liabilities mainly comprised guarantees entailing maximum future payments of €17 million (previous year: €19 million) for which OSRAM was potentially liable as of the reporting date. The guarantees mainly relate to a contractual obligation for guarantees from the sale of shares in a joint venture in the U.S.A. in fiscal year 2014.

Additional contingent liabilities have arisen from contractual obligations associated with the sale of LEDVANCE. The liability amount is limited to the sale price.

OSRAM was subject to the following future payment obligations under noncancelable operating leases as of September 30, 2016, and 2015:

Future Payment Obligations under Non-cancelable Operating Leases

in € million

	September 30,	
	2016	2015
Within one year	35	43
Between one and five years	97	104
After five years	63	76
Future payment obligations under non-cancelable operating leases	**195**	**224**

Most of the future payment obligations under noncancelable operating leases are in connection with buildings leased on a long-term basis. Total operating lease expenses in respect of third parties amounted to €50 million in fiscal year 2016 (previous year: €65 million). Of this amount, €1 million was attributable to contingent lease payments in fiscal year 2016 (previous year: €3 million).

23 | Legal Proceedings

Product Liability Cases

Class Action Suits v. OSRAM SYLVANIA Canada

In September 2014, OSRAM SYLVANIA Products and OSRAM Sylvania Ltd., Ontario, Canada (‘OSRAM SYLVANIA Canada’) were served with a class action lawsuit filed by plaintiff Rino Petrella in the Superior Court in the Province of Quebec, District of Montreal. In November 2014, OSRAM SYLVANIA Canada was served with a class action lawsuit filed by plaintiff Charles Collins in the Superior Court in the Province of Ontario, District of Ottawa. Both claims were filed under consumer protection and mandatory labelling statutes. The plaintiffs claim that power ratings and advertisements relating to the Silverstar® headlight bulbs were ‘false and misleading.’ Both actions seek to certify a class of Canadian purchasers of Silverstar® headlight bulbs. In June 2016, the parties agreed on a settlement in the low single-digit million euro range. The settlement agreement is subject to court approval.

EBV Elektronik SAS v. OSRAM Opto Semiconductors GmbH

On January 20, 2016, OSRAM Opto Semiconductors GmbH (OS) was joined in the case pending before the commercial court in Nanterre, France, between EBV Elektronik SAS (EBV) and Société Provence D’Electronique et Cabelage (SPEC) by means of an action in warranty. SPEC is suing EBV for damages relating to the supply of allegedly faulty OS LEDs in SPEC passenger information boards. EBV has brought OS into the action in order to seek recourse from OS as the supplier of the allegedly defective products. In pretrial hearings the commercial court in Nanterre has declared itself competent to hear the case. OS intends to appeal this decision before the appeal court in Versailles.

Other Legal Disputes

Professor E. Fred Schubert v. OSRAM GmbH et al

In July 2012, Professor E. Fred Schubert filed suit against OSRAM GmbH, OSRAM Opto Semiconductors GmbH, OSRAM Opto Semiconductors, Inc., and OSRAM SYLVANIA Inc. in the United States District Court for the District of Delaware for infringement of a U.S. patent. The lawsuit claims that the manufacture and distribution of certain OSRAM LEDs infringe the patent in question. Following various procedural stages before the U.S. patent and trademark office and an appeal court, it is expected that the case will soon be continued in the District Court. OSRAM disputes the infringement and will defend its legal position in the matter. Provisions for the litigation costs have been recognized in the lower single-digit million euro range.

The following lawsuit refers to the discontinued operation:

Osasco Labor Prosecutor's Office et al. v. OSRAM do Brasil

In September 2012, the Osasco Labor Prosecutor's Office filed a so-called civil public action against OSRAM do Brasil Lampadas Eléctricas Ltda. ('OSRAM do Brasil'; LEDVANCE Brasil Comércio de Produtos de Iluminação Ltda. in the future). The case concerns the allegation of possible chronic mercury poisoning of 25 former employees while mercury was being used in production.

Independently of the Prosecutor's Office, co-plaintiff AEIMM has filed another civil public action against OSRAM do Brasil in the same matter. In its claim, AEIMM is seeking extensive compensation in various forms for a group of beneficiaries that is not clearly identifiable but is said to include workers who fell ill and were potentially exposed, as well as heirs and family members. The lawsuit was served in September 2015.

On March 15, 2016, OSRAM do Brasil reached a settlement agreement with the plaintiffs. The settlement includes a fixed payment by OSRAM in the mid single-digit million euro range as well as further expected payments, primarily for life-long insurance premiums. Provisions have been recognized for this, also in the mid single-digit million euro range.

Unless otherwise stated, in accordance with IAS 37.92 no further information will be disclosed in respect of the above matters as OSRAM believes that such disclosure could seriously prejudice the outcome of the respective litigation.

In addition to the investigations and legal disputes described above, OSRAM was named as a defendant in various other legal disputes and proceedings in connection with its business activities, including fire investigations in the U.S.A. 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, it cannot be ruled out 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.

24 I Equity

Common Stock

The common stock of OSRAM Licht AG amounted to €104,689,400 as of both reporting dates and is divided into 104,689,400 no-par-value ordinary registered shares. This equates to a notional interest in the common stock of €1.00 per share. Each share grants shareholders one voting right and entitles them to receive dividends.

The following table shows the changes in the number of treasury shares and in the number of shares outstanding:

Change in Treasury Stock and Shares Outstanding

shares

	Treasury stock		Shares outstanding	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
As of the beginning of fiscal year	**41,262**	**102,145**	**104,648,138**	**104,587,255**
Share buyback	5,358,131	–	(5,358,131)	–
Issue to resignees of the transaction bonus	(3,828)	(8,613)	3,828	8,613
Issue in connection with the employee share purchase program (Base Share Program)	(70,830)	(52,270)	70,830	52,270
As of the end of fiscal year	**5,324,735**	**41,262**	**99,364,665**	**104,648,138**

Authorized Capital

The Managing Board of OSRAM Licht AG is authorized to increase the Company's common stock, subject to the approval of the Supervisory Board, by up to €52,344,700 by issuing up to 52,344,700 new registered no-par-value shares for cash and/or non-cash contributions on one or more occasions in the period until February 28, 2018. In specific circumstances, the Managing Board may, subject to the consent of the Supervisory Board, disapply the preemptive rights of shareholders in full or in part.

Contingent Capital

The General Meeting on June 14, 2013 passed a resolution approving a contingent increase in the common stock by up to €10,207,216, comprising up to 10,207,216 no-par-value registered shares (Contingent Capital 2013). This contingent capital increase is linked to the authorization of the Managing Board of OSRAM Licht AG to issue, with the approval of the Supervisory Board, bearer or registered convertible bonds or bonds with warrants ('bonds') in an aggregate principal amount of up to €300,000,000 on one or more occasions until February 28, 2018, and to grant the holders conversion or option rights to up to 10,207,216 new ordinary shares in the Company, as defined in more detail in the terms and conditions of the bonds. These terms and conditions may also provide for a conversion or option obligation as well as an issuer put option for delivery of shares.

Additional Paid-in Capital

The change in additional paid-in capital in fiscal years 2016 and 2015 was mainly the result of share-based payment transactions › Note 28 I Share-based Payment. In fiscal year 2015, a capital withdrawal of €1 million was included for compensation claims by Siemens AG in connection with the spin-off of the OSRAM Licht Group.

S Page 136

Retained Earnings

Retained earnings includes the undistributed net income generated by the OSRAM Licht Group in the past. This item also includes actuarial gains and losses on pension plans and similar commitments.

Treasury Shares

The Managing Board of OSRAM Licht AG was authorized by the General Meeting on June 14, 2013, to acquire treasury shares equating to up to 10% of the common stock in existence at the time this authorization came into effect for any purpose permitted within legal constraints.

At the General Meeting on February 26, 2015, the Managing Board of OSRAM Licht AG was also authorized to acquire treasury shares using equity derivatives. The maximum of 10% for treasury shares has not increased. The shareholders' right to tender shares is disapplied if the shares are acquired using equity derivatives. If treasury shares are acquired directly, shareholders can be granted the right to tender shares.

Appropriation of Profits

In accordance with the *Aktiengesetz* (AktG—German Stock Corporation Act), the appropriation of profits is based on the unappropriated profit reported in the annual financial statements of OSRAM Licht AG prepared in accordance with German GAAP.

In the second quarter of fiscal year 2016, a dividend of €94 million was distributed from the unappropriated profit of OSRAM Licht AG for fiscal year 2015 in accordance with the resolution adopted at the General Meeting on February 16, 2016. This corresponds to a dividend of €0.90 per eligible ordinary share. For fiscal year 2016, the Managing Board and Supervisory Board are proposing to distribute a dividend of €1.00 per share, which amounts to a total of approximately €99 million (€105 million less the amount of around €5 million attributable to treasury shares), from the unappropriated profit of OSRAM Licht AG. The total dividend payout may be reduced by further buybacks before the General Meeting. Payment of this dividend is subject to approval by the General Meeting on February 14, 2017. It is also proposed that an amount of €53 million be transferred to other retained earnings.

B.6.7 Other Disclosures

25 | Additional Disclosures on Capital Management

Capital management supports the OSRAM Licht Group in attaining its financial goals. In addition to ensuring the solvency of the Group and the individual companies and reducing financial risk, the main focus continues to be on minimizing the cost of capital and safeguarding the Group's financial stability and flexibility.

There was virtually no change in the capital structure (equity ratio, i.e., ratio of equity to total assets, of around 52%) between the end of fiscal year 2015 and the end of fiscal year 2016.

To assess our capital structure, we use net debt/net liquidity divided by EBITDA. In addition, the ratio of adjusted net debt/net liquidity to EBITDA is determined. The calculation of these indicators is described in section › A.2.7 Reconciliation of Key Performance Indicators in the combined management report. S Page 43

Capital Structure Data

in € million

	September 30, 2016	2015
EBITDA OSRAM (continuing operations)	621	543
Net liquidity [1]	396	641
Net liquidity in relation to EBITDA	**0.6**	**1.2**
Adjusted net liquidity [1]	190	178
Adjusted net liquidity in relation to EBITDA	**0.3**	**0.3**

1) The figures as of September 30, 2016 relate to the continuing operations, whereas the prior-year figures are for the whole of the OSRAM Licht Group.

The capital management tools generally available to the Managing Board of OSRAM Licht AG are equity-related measures, borrowing, and share repurchases. Additional information on authorizations granted to the Managing Board of OSRAM Licht AG to implement equity-related measures and share repurchases can be found in › Note 24 | Equity. Existing credit lines are described in › Note 18 | Debt.

S Page 126
S Page 113

The OSRAM Licht Group does not have any corporate credit ratings from rating agencies.

26 I Financial Instruments

Carrying Amounts and Fair Values of Financial Assets and Liabilities

in € million

	Category according to IAS 39	Fair value hierachy[1]	September 30, 2016 Carrying amount	September 30, 2016 Fair value	September 30, 2015 Carrying amount	September 30, 2015 Fair value
Financial assets						
Cash and cash equivalents[2]	n.a.	n.a.	457	457	727	727
Available-for-sale financial assets (non-current)[3]	AfS	n.a.	0	–	1	–
Available-for-sale financial assets[4]	AfS	Level 1	1	1	1	1
Trade receivables	LaR	n.a.	580	580	898	898
Other financial assets						
Derivatives not designated in a hedge accounting relationship	FAHfT	Level 2	2	2	13	13
Derivatives in connection with cash flow hedges	n.a.	Level 2	0	0	0	0
Other financial assets	LaR	n.a.	54	54	61	61
Assets held for sale	LaR	n.a.	334	334	–	–
Assets held for sale	FAHfT	Level 2	–	–	–	–
Financial liabilities						
Debt						
Loans from banks	FLaC	n.a.	62	62	87	87
Trade payables	FLaC	n.a.	601	601	749	749
Other financial liabilities						
Derivatives not designated in a hedge accounting relationship	FLHfT	Level 2	2	2	13	13
Derivatives in connection with cash flow hedges	n.a.	Level 2	–	–	7	7
Other financial liabilities	FLaC	n.a.	50	50	32	32
Liabilities associated with assets held for sale	FLaC	n.a.	298	298	–	–
Liabilities associated with assets held for sale	FLHfT	Level 2	1	1	–	–

1) Only relevant for financial instruments carried at fair value. All other financial instruments are carried at cost or amortized cost.
2) Cash and cash equivalents consists primarily of deposits at banks with an investment grade rating. The item includes money market instruments of €35 million (previous year: €117 million). To a small extent, it also includes checks and cash on hand.
3) This line item contains equity instruments classified as available for sale for which a fair value could not be reliably determined. For this reason, the equity instruments were recognized at cost.
4) The current portion of the OSRAM Licht Group's available-for-sale financial assets mainly comprises fund shares.

The aggregated carrying amounts by IAS 39 category are as follows:

Aggregated Carrying Amounts

in € million

	Category according to IAS 39	Carrying amount September 30,	
		2016	2015
Loans and receivables	LaR	969	959
Financial assets held for trading	FAHfT	2	13
Available-for-sale financial assets	AfS	1	2
Financial liabilities measured at amortized cost	FLaC	1,011	868
Financial liabilities held for trading	FLHfT	3	13

Determination of Fair Values of Financial Instruments Carried at Cost and Amortized Cost in the Statement of Financial Position

Because of their short maturities, the fair values of cash and cash equivalents, trade receivables and trade payables with a remaining term of up to twelve months, and of other current financial assets and liabilities correspond approximately to their carrying amounts. OSRAM measures receivables on the basis of different parameters, such as interest rates, specific country risk factors, or the individual credit quality of the customer. On the basis of this measurement, OSRAM recognizes valuation allowances on the above receivables. The carrying amounts of these receivables, net of allowances, are approximately the same as their fair values.

The fair values of loans from banks and other noncurrent financial liabilities are determined by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities. The fair values of the above obligations corresponded approximately to their carrying amounts because of their short-term nature or the use of market interest rates for the noncurrent obligations.

Determination of Fair Values of Financial Instruments Carried at Fair Value in the Statement of Financial Position

Hierarchy Level 1 for Determining Fair Value

OSRAM derives the fair values of available-for-sale financial assets from quoted market prices in an active market.

Hierarchy Level 2 for Determining Fair Value

The fair values of derivative financial instruments are determined on the basis of inputs that are observable either directly or indirectly. The exact determination depends on the nature of the derivative. The fair value of forward exchange contracts is based on forward exchange rates. The fair value of commodity derivatives (swaps, forwards) is based on forward commodity prices.

The fair values of each type of derivative financial instrument recognized as a financial asset or financial liability were as follows:

Fair Values of Derivative Financial Instruments

in € million

	September 30, 2016		September 30, 2015	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	2	2	13	18
Commodity derivatives	0	0	0	2
	2	**2**	**13**	**21**

Net gains/losses on financial instruments, excluding foreign currency gains and losses, were as follows:

Net Gains/Losses on Financial Instruments

in € million

	Fiscal year	
	2016	2015
Available-for-sale financial assets	0	(1)
Loans and receivables	(3)	2
Financial assets and financial liabilities held for trading	2	(1)

Net gains/losses on available-for-sale financial assets include impairment losses.

Net gains/losses on loans and receivables contain changes in valuation allowances, gains or losses on derecognition, as well as recoveries of loans and receivables previously written off.

The net gains/losses on financial liabilities measured at amortized cost comprise gains or losses on derecognition.

Net gains/losses on financial assets and financial liabilities held for trading consist of changes in the fair values of derivative financial instruments for which hedge accounting was not applied.

Foreign currency gains and losses on the realization and measurement of monetary assets and liabilities led to a net loss of €8 million in the fiscal year under review (previous year: net loss of €22 million).

The interest income from financial assets measured at amortized cost included in the line items *Interest income* and *Profit (loss) from discontinued operations* in the consolidated statement of income amounted to €3 million (previous year: €3 million); this income comprised, among other things, interest income from short-term deposits with banks.

The interest expenses on financial liabilities measured at amortized cost included in the line items *Interest expenses and Profit (loss) from discontinued operations* in the consolidated statement of income amounted to €12 million (previous year: €13 million); these interest expenses largely related to debt.

In connection with cash flow hedges, realized net hedging losses before tax amounting to €16 million (previous year: net hedging losses of €5 million) were reclassified from *Other components of equity* in the consolidated statement of financial position to the consolidated statement of income; the net hedging gains or losses recognized in other comprehensive income (loss) amounted to a net gain of €7 million (previous year: net loss of €5 million). The realized net hedging loss before tax in fiscal year 2016 arose mainly as a result of the derivatives entered into to hedge against the currency risk associated with the sale price for the disposal of the investment in FELCO.

In fiscal year 2015, an ineffective portion of €–1 million of the changes in fair value had been recognized through profit or loss for currency derivatives accounted for as cash flow hedges.

27 | Financial Risk Management

Market Risks

The market risks relevant to OSRAM include currency risk, interest rate risk, and commodity price risk. OSRAM seeks to manage and control these risks primarily through its regular operating activities and uses derivative financial instruments when deemed appropriate from a risk perspective.

The amounts determined on the basis of sensitivity analyses in the sections below represent hypothetical data, which may differ significantly from the actual impact on the consolidated statement of income or the consolidated statement of comprehensive income, especially because of simplified assumptions and as a result of unpredictable developments in financial markets.

Currency Risk

Transaction Risk and Currency Risk Management

OSRAM's international operations expose the Company to currency risks in the ordinary course of business, particularly from U.S. dollars, Hong Kong dollars, and Chinese renminbi.

The currency risk is partly mitigated by purchasing goods, commodities, and services in the respective currencies as well as by performing production activities and other services along the value chain in the local markets. Operating company financing or investing activities are preferably conducted in the relevant functional currency or on a hedged basis. Operating companies are prohibited from borrowing or investing in foreign currencies on a speculative basis.

Within the foreign currency management system used throughout the Group, every OSRAM company must record and measure its transaction-related currency risks, and hedge its net foreign currency exposure within a narrow band ranging from 75% as a minimum to no more than 100%. 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.

USD Exposure

Nominal amounts in USD million

	September 30, 2016	2015
Gross exposure before hedging	319	332
Net exposure after hedging	**53**	**34**

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. As of September 30, 2016, and 2015, the maturities of the derivatives accounted for as cash flow hedges were three months or less.

OSRAM uses a sensitivity analysis to determine the hypothetical impact of fluctuations in the exchange rate between the U.S. dollar and the euro on income (loss) before income taxes and on equity. The analysis includes foreign currency exposures denominated in U.S. dollars of companies whose functional currency is the euro. The foreign currency exposures comprise in particular cash and cash equivalents as well as receivables and payables. In addition, the analysis covers euro foreign currency exposures of companies whose functional currency is the U.S. dollar. All currency derivatives outstanding as of the end of the reporting period are also remeasured by applying the hypothetical exchange rate. This analysis does not take into account the offsetting effects of unrecognized executory contracts and forecast transactions. According to the sensitivity analysis, a 10% increase or decrease in the value of the euro against the U.S. dollar as of September 30, 2016, and 2015 would result in the following pre-tax effects:

Sensitivity Analysis USD/EUR

in € million

	Change of exchange rate as of September 30, 2016		Change of exchange rate as of September 30, 2015	
	by +10%	by –10%	by +10%	by –10%
Net income (loss) before income taxes OSRAM Licht Group (total)	(1)	1	1	(1)
Other income (loss) before income taxes	2	(3)	1	(2)
Total effect on equity	**1**	**(1)**	**3**	**(3)**

Effects of Currency Translation

The effects of exchange rate fluctuations on the translation of the financial statements of subsidiaries outside the eurozone into the reporting currency are recognized in equity in OSRAM's consolidated financial statements. To consider the effects of foreign currency translation in risk management, there is an assumption that investments in foreign-based operations are permanent and that reinvestment of profits is continuous.

Interest Rate Risk

OSRAM may be exposed to interest rate risk, especially as a result of rising finance costs due to an increase in interest rates; conversely, falling interest rates lead to lower interest income from deposits. The purpose of interest rate risk management is to monitor and manage interest rate risk.

Variable-rate financial instruments are subject to cash flow risk, which is reflected in uncertainty about the level of future interest payments. This risk also affects fixed-income financial instruments as soon as they are reinvested or refinanced. These risks are quantified using cash flow sensitivity analysis. This kind of analysis includes all cash and cash equivalents as well as debt as of the end of the reporting period. To simulate the potential impact of changes in the market interest rate, a parallel shift in the yield curve of + 100 and – 25 basis points is assumed for all currencies. The table below shows the annual effect on interest payments and net interest on the basis of the exposure as of the end of the reporting period.

Sensitivity Analysis Interest Risk

in € million

	September 30, 2016	2015
Cash and cash equivalents	457	727
Debt [1]	(62)	(87)
Exposure	**395**	**640**
Annual effect of an interest increase by 100 basis points	4	6
Annual effect of an interest decrease by 25 basis points	(1)	(2)

1) Debt is included in the nominal amount relevant for calculating the interest. Since the transaction costs have been included when applying the effective interest method in accordance with IAS 39, the carrying amount may be lower than the nominal amount.

OSRAM does not believe there is any relevant current exposure to interest rate risk (defined as the risk of changes in fair value) because the primary interest-bearing financial instruments held by OSRAM are measured at amortized cost. As of the end of the reporting period, there were no interest rate derivatives measured at fair value.

Commodity Price Risk

OSRAM's production activities expose the Group to various commodity price risks in the ordinary course of business. Copper, gold, silver, aluminum, tin, and molybdenum, in particular, are highly important in the manufacture of its products. OSRAM also uses derivative financial instruments for these commodities to prevent direct exposure to undesirable and/or unforeseeable commodity price volatility.

Each OSRAM company is responsible for recording, measuring, monitoring, reporting, and hedging its risks arising from forecast and pending commodity purchase transactions (commodity price risk exposure). Under the mandatory guidelines, the companies must hedge these risks within a narrow band from 75% to 100% of their risk exposure. The risk exposure is derived from pending and forecast procurement transactions to cover the commodity demand in the product business for the current and subsequent quarter.

The aggregated commodity price risk is hedged primarily using commodity derivatives (swaps and forwards), which are measured at fair value through profit or loss. Commodity derivatives are not included in hedge accounting.

OSRAM uses a sensitivity analysis to estimate the effects on net income and equity of hypothetical changes in the fair values of the commodity derivatives. This analysis does not take into account the offsetting effects of procurement transactions that have not yet been recognized. According to the sensitivity analysis, a 10% increase in the forward price of gold as of September 30, 2016 would lead to an increase of €1 million in income (loss) before income taxes (previous year: €1 million). A 10% decrease in the forward price of gold would lead to a fall in income (loss) before income taxes by the same amount.

Liquidity Risk

Liquidity risk relates to the possibility that OSRAM may not be able to meet its existing and future financial obligations. To monitor and manage liquidity risk, OSRAM uses cash forecasts and effectively manages its cash and net working capital.

As of September 30, 2016, the liquidity reserve in the form of cash and cash equivalents amounted to €457 million (previous year: €727 million). OSRAM also had at its disposal unused lines of credit totaling €1.1 billion as of September 30, 2016 (previous year: €1.1 billion).

The following table shows all contractually fixed payments for settlement, repayments, and interest resulting from recognized financial liabilities as of September 30, 2016, including expected net cash outflows from derivative financial liabilities. The amounts disclosed are undiscounted net cash outflows for the next fiscal years, based on the earliest date on which OSRAM could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the terms and conditions as of September 30, 2016.

Settlement, Repayments, and Interest

in € million

	September 30,		
	2017	2018 to 2021	2022 and thereafter
Non-derivative financial liabilities			
Loans from banks	20	32	10
Trade payables	601	–	–
Other financial liabilities	49	2	–
Derivative financial liabilities	2	–	–
Total financial liabilities OSRAM (continuing operations)	**671**	**34**	**10**
Total financial liabilities OSRAM Licht Group (total)	**970**	**34**	**10**

Credit Risk

Credit risk arises when a customer or other counterparty of a financial instrument is unable to meet its payment obligations or if the assets used as collateral decline in value. OSRAM is exposed to credit risk especially in relation to receivables from its business operations. In terms of financing activities, bank deposits and derivatives with positive fair values are exposed to credit risk.

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount.

Effective monitoring and management of credit risk is a core competency of risk management. It includes setting credit limits, performing credit checks, or using ratings. Customer ratings and individual customer limits are based on generally accepted rating methodologies, with the input consisting of information obtained from external rating agencies, data service providers, and OSRAM’s previous customer default experience. Credit risk is recorded and monitored on an ongoing basis.

In fiscal year 2016, OSRAM decided that it would no longer take out credit insurance on a regular basis to minimize credit risk. As of September 30, 2016, the level of credit insurance was insignificant, whereas the risk on around 39% of the nominal amount of trade receivables had been minimized using credit insurance as of September 30, 2015. In addition, OSRAM benefited from other collateral, especially guarantees, amounting to €11 million as of September 30, 2016 (previous year: €10 million).

In relation to credit risk in financing activities, OSRAM aims to have a broadly based business volume in order to reduce credit risk and excessive dependence on individual institutions. The banks with which OSRAM enters into finance transactions are selected and regularly reviewed according to various criteria, in particular credit quality considerations.

As of September 30, 2016, and 2015, there were no significant concentrations of credit risk.

As of September 30, 2016, there were no indications that any payment defaults would materialize in respect of the trade receivables, other receivables, and other loans and receivables within the line items *Other financial* assets and *Assets held for sale* that were neither past due nor impaired.

28 | Share-based Payment

OSRAM grants a range of share-based payment components. Since fiscal year 2013, OSRAM has offered its own share-based payment programs to employees and members of the Managing Board. These programs provide for settlement using equity instruments.

Share-based Payment Programs of OSRAM Licht AG

Stock Awards

The Company grants stock awards to senior managers of domestic and foreign subsidiaries (OSRAM Stock Awards) as a form of share-based payment using its own performance-based OSRAM Stock Awards program. In accordance with IFRSs, the stock awards are settled with equity instruments, i.e., shares in OSRAM Licht AG.

The allocation of stock awards is linked to Company-related performance criteria, i.e. targets. To measure the degree to which these targets are attained, a lower limit of 0% and an upper limit of 200% are applied. The target amount of the stock awards is linked to the average earnings per share (basic EPS) for the past three fiscal years. This target amount is adjusted on the basis of target achievement.

The stock awards granted in fiscal year 2016 were recognized at the XETRA closing price for OSRAM Licht shares on November 12, 2015, less the present value of the dividends expected during the four-year waiting or lock-up period. The fair value on the grant date was €33.34 (previous year: €27.25). The number of stock awards granted is calculated by dividing the cash value by this amount. In fiscal year 2016, 183,062 stock awards (previous year: 231,926 stock awards) were granted to the beneficiaries. The fair value of these entitlements granted to senior managers of the domestic and foreign companies amounted to €6 million as of the grant date (previous year: €6 million).

The remuneration expense related to the stock awards is recognized over a four-year vesting period, which encompasses the four-year lock-up period. Upon expiration of the lock-up period, the beneficiary receives shares in OSRAM Licht AG without having to make a payment. Generally, all stock awards are forfeited if the beneficiary's employment terminates during the lock-up period. During the lock-up period, the beneficiaries are not entitled to dividends. Stock awards may not be sold, transferred, pledged, or otherwise encumbered during the lock-up period. The Company decides afresh each fiscal year whether to grant stock awards. The Managing Board decides on the number of stock awards for senior managers of the domestic and foreign subsidiaries.

Stock awards to employees in the discontinued operation are being settled by means of a cash payment when the employees concerned leave the OSRAM Licht Group. As a result, 94,689 awards intended as equity-settled arrangements were converted into cash-settled awards in fiscal year 2016. The amount of the cash payment for each stock award equates to the XETRA closing price for OSRAM shares, less the present value of the dividends expected up to the end of the lock-up period. The relevant date for calculating the cash payment is the date on which the discontinued operation leaves the OSRAM Licht Group. The conversion led to an increase of €2 million in the fair value of the award. The liability under the program amounted to €4 million as of September 30, 2016.

In connection with equity-settled stock awards to senior managers, a pre-tax expense for share-based payments of €3 million (previous year: €4 million) was recognized in fiscal year 2016. The pre-tax expense in fiscal year 2016 for stock awards that are to be settled in cash amounted to €4 million.

As in the previous year, agreements were also entered into with the Managing Board of OSRAM Licht AG in the reporting period, providing for an entitlement to receive awards of OSRAM Licht shares. The awards are linked to the same Company-based performance criteria, and the defined target attainment requirement is identical. These stock awards are also subject to a lock-up period of around four years and grant an entitlement to OSRAM Licht shares, which the beneficiary will receive upon expiration of the lock-up period. Starting with stock awards granted for fiscal year 2014, the value of the shares to be transferred is capped at 250% of the relevant target amount. For the members of the Managing Board of OSRAM Licht AG, the remuneration expense related to the stock awards is generally recognized over a five-year vesting period, which encompasses the four-year lock-up period. The system of Managing Board remuneration and the awards granted in the period under review are explained in detail in the remuneration report.

In fiscal year 2016, 56,365 stock awards were granted to members of the Managing Board of OSRAM Licht AG (previous year: 63,470 stock awards). As of the grant date of November 12, 2015, the fair value of one stock award amounted to €28.96 (previous year: €25.11). In fiscal year 2016, this value was calculated using an option model, which applies a reduction taking into account the maximum variable share-based remuneration amount (cap) when the awarded OSRAM Licht shares are received. This reduction in value results in a deviation from the monetary value of a stock award used to calculate the number of shares in accordance with the employment contract. As of the grant date, the fair value of these entitlements amounted to €2 million (previous year: €2 million).

In fiscal year 2016, income from share-based payments of €1 million was recognized in connection with stock awards granted to members of the Managing Board of OSRAM Licht AG (previous year: expense of €2 million).

Transaction Bonus

In connection with the spin-off and listing on the stock exchange, a transaction bonus was granted by Siemens AG to the members of the Managing Board of OSRAM Licht AG (as well as other executives). A total of 198,104 stock awards were granted to the Managing Board and other beneficiaries in this way. Up to September 30, 2016, 162,696 stock awards had vested and 35,408 had been forfeited (previous year: 137,815 stock awards vested, 35,408 forfeited). The OSRAM Licht shares will be transferred four years after the listing. Transfer prior to this date may be requested in four equal annual tranches; in this case, the shares are also subject to a lock-up period of four years from the date of the listing. The average fair value on the grant date was €36.97. The fair value of these stock awards was €7 million as of the grant date.

In fiscal year 2016, this program resulted in expenses (before tax) for the Company of €0 million (previous year: €1 million).

For additional information on the purchase of treasury shares and on the transfer, see
› Note 24 I Equity.

S Page 126

Base Share Program

In fiscal year 2016, employees of the domestic OSRAM companies could again acquire Company shares with a value of up to €720 with a discount of €360. When calculating the number of OSRAM Licht shares to be granted, the volume-weighted average price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange during the four consecutive trading days starting upon expiration of the acceptance period was used as a basis. The shares are subject to a lock-up period of six months from expiration of the acceptance period. The fair value under the Base Share Program corresponds to the tax-privileged allowance paid by OSRAM. In fiscal year 2016, this program resulted in expenses (before tax) for the participating companies of €1 million (previous year: €1 million).

29 I Personnel Costs

Personnel Costs

in € million

	Fiscal year	
	2016	2015
Wages and salaries	(1,442)	(1,520)
Statutory social welfare contributions and expenses for optional support	(237)	(232)
Expenses relating to pension plans and employee benefits	(69)	(71)
Personnel costs	**(1,748)**	**(1,823)**

The reported personnel costs relate to the entire OSRAM Licht Group.

The number of employees is measured in terms of full-time equivalents (FTEs). The number of employees for the continuing operations and for the entire OSRAM Licht Group are shown below separately, in each case as of September 30, 2016. The comparative figures for fiscal year 2015 are an average for the year. The employees were assigned to the following functional areas:

Employees by Functions

FTE

	OSRAM (continuing operations)	OSRAM Licht Group (total)	OSRAM Licht Group (total)
	September 30,	September 30,	Fiscal year
	2016	2016	2015
Production and service	18,705	25,107	24,344
Selling	2,348	4,360	2,433
Administration and general services	1,214	2,067	4,307
Research and development	2,372	2,682	1,830
Employees	**24,640**	**34,216**	**32,914**

30 I Earnings per Share

Earnings per Share

in € million, unless otherwise stated

		Fiscal year	
		2016	2015
Net income		398	171
Less: portion attributable to non-controlling interests		1	5
Net income attributable to shareholders of OSRAM Licht AG		**397**	**166**
Weighted average shares outstanding – basic	in thousands	103,232	104,678
Effect of dilutive potential equity instruments	in thousands	424	320
Weighted average shares outstanding – diluted	in thousands	**103,656**	**104,998**
Basic earnings per share	in €	3.84	1.59
Diluted earnings per share	in €	3.83	1.58
Basic earnings per share OSRAM (continuing operations)	in €	5.14	2.13
Diluted earnings per share OSRAM (continuing operations)	in €	5.12	2.13
Basic earnings per share OSRAM (discontinued operation)	in €	(1.30)	(0.54)
Diluted earnings per share OSRAM (discontinued operation)	in €	(1.29)	(0.54)

As of September 30, 2016, there were no outstanding awards that were not included in the calculation of diluted earnings per share because their inclusion would not have had a dilutive effect.

Earnings per share related to the discontinued operation is calculated using the weighted average of the number of shares outstanding shown above.

31 | Segment Information

The OSRAM Licht Group is managed centrally by the Managing Board of OSRAM Licht AG in its function as chief operating decision maker ('CODM'). The Managing Board is responsible for the operating activities of the OSRAM Licht Group. The following information is intended to show how it monitors the reportable segments.

At the beginning of the fiscal year 2016, there were four reportable segments: Specialty Lighting (SP), Opto Semiconductors (OS), Lighting Solutions & Systems (LSS), and Lamps (LP). The lamps business (Lamps) was classified as a discontinued operation in the fourth quarter and no longer constituted a reportable segment at the end of fiscal year 2016.

The segment disclosures for the prior period have been restated for comparative purposes.

Description of Reportable Segments

Specialty Lighting

The Specialty Lighting Segment develops and produces lamps and lighting systems for the automotive sector, studio, stage and TV applications, projection systems, as well as special lamps for industrial and medical applications. In addition, it produces lamps for disinfecting liquids, surfaces, and gases with UV light.

Opto Semiconductors

The Opto Semiconductors Segment manufactures optoelectronic semiconductors. The product portfolio includes LEDs, optical sensors, infrared LEDs, and high-power laser diodes for visible and infrared light. The products are used in the automotive industry as well as in communication products and consumer goods.

Lighting Solutions & Systems

The Digital Systems (DS) Business Unit develops, produces, and markets LED light engines (a combination of an LED module and the related electronic control gear), electronic ballasts for LED modules and traditional lamps, and light management systems.

The Lighting Solutions (LS) Business Unit comprises OSRAM's luminaires and solutions business. This business includes luminaires for professional applications such as street lighting or architectural lighting, which are mainly sold as part of large projects, as well as (to a much lesser extent) luminaires for private applications such as table lamps and flashlights. In addition, LS offers lighting solutions and associated light management systems that are used in internal and external architectural lighting, and in event lighting. Installation and maintenance services for the LS product portfolio are covered by the services unit. Due to the similar business activities and economic characteristics of the DS and LS Business Units, they have been grouped in a single reporting segment.

Reconciliation to the Consolidated Financial Statements

The *Reconciliation to Consolidated Financial Statements* line item contains business activities and items that are not directly related or allocated to OSRAM's reportable segments.

Corporate Items and Pensions

Corporate items includes certain business activities and special topics that are not directly attributable to the segments because the Managing Board of OSRAM Licht AG does not consider them to be indicative of the segments' performance. These include costs for Group management and for central research and innovation topics. The *Pensions* item includes those pension-related income and expenses at OSRAM that are not allocated to the segments.

In fiscal year 2016, the EBITA column of the *Corporate items* and pensions line item included €–81 million (fiscal year 2015: €–83 million) relating to *Corporate items* and €–5 million (previous year: €–7 million) relating to *Pensions*. The most significant influence on *Corporate items* in fiscal year 2016 was general administrative expenses amounting to a total of €50 million. A notable component of these expenses was the cost of the governance function amounting to €33 million, including personnel costs and relevant materials. *Corporate items* also included basic research expenditure of €16 million and costs of €5 million for 'innoventures,' i.e. lean organizational units focused on pursuing new, innovative business ideas. In addition, transformation costs of €4 million (previous year: €22 million) were reported under *Corporate items*. Both fiscal years were impacted by expenses in connection with changes on the OSRAM Licht Group's Managing Board and with share-based remuneration, in each case by an amount in the mid single-digit million euro range.

Eliminations, Corporate Treasury, and Other Reconciling Items

Eliminations, corporate treasury, and other reconciling items comprises the consolidation of transactions between the segments, certain reconciliation and reclassification items, and the operations of OSRAM's Corporate Treasury.

Segment Performance Measures

The accounting policies for the segment information are generally the same as those described in › Note 2 I Summary of Significant Accounting Policies. Corporate overheads and certain other items not directly attributable to segments are allocated to the segments. S Page 87

From fiscal year 2016 onward, the costs of Group headquarters will generally be allocated according to the source of the costs. The costs of the governance function, i.e., functions clearly associated with corporate governance, are no longer allocated to the operating segments. Users only bear costs incurred centrally in proportion to their use of the corresponding services provided by Group headquarters. The only exceptions from this principle are certain services (for example, accounting services) where the effort required to determine a 'cost driver' would be unreasonable. These services will continue to be allocated using an adequate formula. The treatment of certain other regular business items will remain unchanged.

Segment EBITA

The Managing Board of OSRAM Licht AG is responsible for assessing the performance of the segments. The chief operating decision maker, the Managing Board, has specified that earnings before financial result, income taxes, and amortization and impairment of intangible assets and goodwill ('EBITA') is to be used as the performance measure for the reporting period. EBITA is an indicator based on operating performance.

Similarly, key decisions on pension-related issues are taken centrally. Therefore, EBITA primarily includes current service cost only. Pension plan curtailments are regarded as a partial payback reimbursement of past service cost, which affects segment profit or loss.

Moreover, income taxes are not a component of EBITA since income tax is only imposed on legal entities, which typically do not correspond to the structure of the segments.

Reconciliation to the Consolidated Financial Statements

Reconciliation EBITA to Income (Loss) before Income Taxes

in € million

	Fiscal year	
	2016	2015
EBITA	**440**	**363**
Amortization	(29)	(25)
Interest income	2	2
Interest expenses	(17)	(20)
Other financial income (expenses), net	(2)	(3)
Income (loss) from investments accounted for using the equity method, net	306	5
Income before income taxes OSRAM (continuing operations)	**701**	**322**

Reconciliation Total Segment Net Capital Employed to Total Assets

in € million

	September 30,	
	2016	2015
Total segment net capital employed	**1,518**	**1,351**
Reconciliation to consolidated financial statements		
Net capital employed corporate items and pensions	(129)	(258)
Net capital employed Treasury[1]	466	679
Other reconciling items		
Tax related assets	436	510
Liabilities and provisions	1,168	812
Pension plans and similar commitments	206	464
Assets held for sale[2]	1,136	1,208
Total assets	**4,801**	**4,765**

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 operating segments; the assets consist primarily of cash and cash equivalents.
2) The assets attributable to the discontinued operation are included as of September 30, 2015.

Income (Loss) from Investments Accounted for Using the Equity Method, Net

in € million

	Fiscal year	
	2016	2015
Segments		
Specialty Lighting	0	2
Opto Semiconductors	–	–
Lighting Solutions & Systems	0	0
Reconciliation to consolidated financial statements		
Corporate items and pensions	306	3
Income (loss) from investments accounted for using the equity method, net	**306**	**5**

Revenue by Regions

in € million

	By location of customer		By location of company	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
EMEA	1,457	1,396	1,578	1,517
APAC	1,228	1,175	1,146	1,092
Americas	1,100	1,000	1,061	962
OSRAM (continuing operations)	**3,785**	**3,572**	**3,785**	**3,572**
thereof Germany	589	555	1,054	973
thereof foreign countries	3,196	3,017	2,731	2,598
therein U.S.A.	890	803	929	815
therein China (including Hong Kong) and Taiwan	712	700	924	876

The EMEA region comprises Europe, Russia, the Middle East, and Africa. The Americas region includes the U.S.A., Canada, Mexico, and South America. The APAC region comprises Asia, Australia, and the Pacific.

Non-current Assets by Regions

in € million

	September 30,	
	2016	2015
EMEA	705	774
APAC	401	348
Americas	145	203
OSRAM (continuing operations)	**1,250**	**1,324**
thereof Germany	566	622
thereof foreign countries	684	702
therein U.S.A.	136	191
therein China (including Hong Kong) and Taiwan	144	154

Noncurrent assets consist of property, plant, and equipment, goodwill, and other intangible assets.

32 I Related Party Disclosures

The OSRAM Licht Group has business relations with OSRAM associates and joint ventures.

Transactions with Associates and Joint Ventures

OSRAM's business activities included transactions with OSRAM associates and joint ventures, in particular in respect of the operating business. These are summarized below:

Sales and Purchases of Goods and Services and Other Income from and Expenses to Associates and Joint Ventures

in € million

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Fiscal year		Fiscal year	
	2016	2015	2016	2015
OSRAM's associates and joint ventures	5	7	1	3

OSRAM's receivables from and payables to associates and joint ventures of OSRAM were as follows:

Receivables from and Payables to OSRAM's Associates and Joint Ventures

in € million

	Receivables		Liabilities	
	September 30,		September 30,	
	2016	2015	2016	2015
OSRAM's associates and joint ventures	0	2	–	1

OSRAM regularly reviews, in the normal course of business, loans and receivables associated with joint ventures and associates. This review did not lead to any valuation allowances being recognized or reversed in the reporting period. All receivables from and payables to related parties are settled regularly.

As of September 30, 2016, and 2015, accumulated valuation allowances on loans and receivables amounted to €0 million.

Transactions with Related Individuals

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

In fiscal year 2016, the members of the Managing Board received cash remuneration of €5 million (previous year: €4 million). The fair value of the share-based remuneration at the grant date in fiscal year 2016 was €2 million (previous year: €2 million). Contributions to the BOA for the members of the Managing Board in fiscal year 2016 amounted to €2 million (previous year: €1 million). The contributions to the BOA for fiscal year 2016 included an additional contribution granted in July 2016 for one member of the Managing Board amounting to €1 million (previous year: €1 million).

At the meeting of the Supervisory Board held on April 19, 2016, Dr. Stefan Kampmann was appointed a member of the Managing Board, effective July 1, 2016. Dr. Kampmann has assumed responsibility for technology. Managing Board member Dr. Klaus Patzak resigned as a member of the Managing Board, effective June 30, 2016. The Supervisory Board approved this resignation at its meeting on May 11, 2016. In fiscal year 2016, this resignation resulted in expenses of €5 million, €4 million of which arose from a compensatory payment and €1 million from additions to pension provisions. At the meeting of the Supervisory Board held on July 18, 2016, Ingo Bank was appointed to succeed Dr. Patzak as a member of the Managing Board and Chief Financial Officer, effective September 1, 2016.

In addition, Dr. Patzak stood down on June 30, 2016, as a managing director of OSRAM GmbH, Munich, with responsibility for finance. Ingo Bank took over this role from September 1, 2016. Effective July 1, 2016, Dr. Kampmann was also appointed as a managing director of OSRAM GmbH with responsibility for technology.

The remuneration and benefits granted to the members of the Managing Board therefore totaled €13 million (including the termination agreement with Dr. Klaus Patzak) in fiscal year 2016, and €12 million (including the termination agreement with Wolfgang Dehen) in fiscal year 2015.

Equity-settled share-based payments under OSRAM programs gave rise to income of €1 million in fiscal year 2016 (previous year: expense of €2 million). For additional information, see › Note 28 I Share-based Payment.

S Page 136

In connection with the spin-off and listing, a transaction bonus was granted by Siemens AG to the former members of the Managing Board of OSRAM Licht AG. This bonus led to an expense for share-based payments of €0 million (before tax) in both fiscal year 2016 and fiscal year 2015.

Former members of the Managing Board of OSRAM Licht AG and former managing directors of OSRAM GmbH and their surviving dependents received aggregate remuneration within the meaning of section 314(1) no. 6 b of the HGB amounting to €1 million in fiscal year 2016 (previous year: €3 million). The defined benefit obligation for all pension commitments to former members of the Managing Board of OSRAM Licht AG and former managing directors of OSRAM GmbH and their surviving dependents amounted to a total of €14 million as of September 30, 2016 (previous year: €11 million). For further information, see › Note 19 I Pension Plans and Similar Commitments.

S Page 114

Remuneration granted to members of the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH in fiscal year 2016 comprised basic remuneration as well as additional remuneration for committee activities; it totaled €1 million, including attendance fees (previous year: €1 million).

The Company did not provide loans or advances to members of the Managing Board or Supervisory Board during the reporting period.

OSRAM has directors' and officers' liability insurance for the members of OSRAM's Managing Board and Supervisory Board and certain other employees in the OSRAM Licht Group. The insurance covers the personal liability of the insured in the event of a financial loss for which these governing body members or employees are held liable in the course of performing their duties. Since October 1, 2014, the members of the Managing Board have also been covered by the criminal liability insurance that OSRAM has taken out for its employees and governing body members. The insurance covers any lawyers' fees or court costs arising in connection with their defense in criminal or administrative offense proceedings.

Details of the remuneration of individual members of the Managing Board and Supervisory Board are provided in the C.4.2 Remuneration Report, which is a component of the combined management report. The remuneration report can be found in the Corporate Governance section as well as in the Takeover-related Disclosures, Remuneration Report, and Corporate Governance Declaration section of the combined management report.

S Page 171

As in the previous year, no other major transactions took place between the Company and other members of the Managing Board or Supervisory Board.

Alfred Haas stepped down as a member of the Supervisory Board of OSRAM Licht AG as of the end of February 29, 2016. To replace him, Ulrike Salb was appointed as a member of the Supervisory Board of OSRAM Licht AG by way of an order of the Munich local court dated March 1, 2016.

Several members of the Supervisory Board of OSRAM GmbH and of the Supervisory Board of OSRAM Licht AG hold, or in the fiscal year under review held, positions of significant responsibility in other companies. OSRAM has relationships with almost all of these companies in the ordinary course of business. Products are bought and sold, and services procured and provided, on an arm's length basis.

33 | Audit Fees and Services

The following table shows the fees for professional services provided by the Company's auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, (EY GmbH) and its network for fiscal years 2016 and 2015:

Auditor's Fees

in € million

	Fiscal year			
	2016			2015
		Carve-Out project Lamps	Total	Total
Audit services	4	2	6	4
thereof EY GmbH	2	1	3	2
Audit-related services	0	4	4	0
thereof EY GmbH	0	4	4	0
Tax advisory services	–	–	–	0
thereof EY GmbH	–	–	–	0
Other services	0	1	1	0
thereof EY GmbH	0	1	1	0
Total auditor's fees	**4**	**6**	**10**	**5**
thereof EY GmbH	2	5	7	2

The total fees comprise the expenses incurred by OSRAM Licht AG and all consolidated subsidiaries. The rise in total fees is mainly attributable to services provided as part of the project to separate the general lighting lamps business, which was initiated in fiscal year 2015.

Audit services in connection with the separation of the general lighting lamps business refer to services for companies newly established as part of the project. This item also includes the expenses for auditing the accounting-related IT system after the migration and for auditing the implementation of each concept for separating the lamps business as part of the audit of the financial statements.

The fees reported under *Audit-related services* mainly relate to auditing and other assurance services in connection with past financial statements for the lamps business.

34 I Corporate Governance

As of September 27, 2016, the Managing Board and the Supervisory Board of OSRAM Licht AG issued the declaration required under section 161 of the AktG and made it publicly accessible on the Company's website under Our Company/Our Management/Corporate Governance/German Corporate Governance Code » www.osram-group.com/~/media/Files/O/Osram/documents/en/corporate-governance-docs/declaration-september-2016.pdf.

35 I Events After the Reporting Date

The acquisition of all the shares in Novità Technologies, Hendersonville, U.S.A., came into effect on October 4, 2016. Detailed information is provided in › Note 3 I Acquisitions, Disposals, and Discontinued Operations. S Page 100

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 September 30, 2016.

36 | List of Equity Investments of the OSRAM Licht Group in Accordance with Section 313 of the HGB

List of Equity Investments of OSRAM Licht AG

As of September 30, 2016

	Equity interest in %
Equity investments of OSRAM Licht AG, Munich/Germany	
OSRAM Beteiligungen GmbH, Munich/Germany	100.00
OSRAM GmbH, Munich/Germany	100.00
Subsidiaries of OSRAM GmbH, Munich/Germany	
Germany (as of September 30, 2016: 10 companies)	
LEDVANCE GmbH, Garching near Munich [1)]	100.00
OSRAM Opto Semiconductors GmbH, Regensburg	100.00
Heramo Immobilien GmbH & Co. KG, Grünwald	100.00
OSRAM Beteiligungsverwaltung GmbH, Grünwald	100.00
OSRAM OLED GmbH, Regensburg	100.00
OSRAM Lighting Services GmbH, Wipperfürth	100.00
Fluxunit GmbH, Munich	100.00
Siteco Auslandsholding GmbH, Traunreut	100.00
Siteco Beleuchtungstechnik GmbH, Traunreut	100.00
Siteco Lighting GmbH, Traunreut	100.00
EMEA (excluding Germany) (as of September 30, 2016: 28 companies)	
OSRAM Lighting EOOD, Sofia/Bulgaria	100.00
OSRAM Lighting Sales EOOD, Sofia/Bulgaria	100.00
OSRAM Lighting A/S, Taastrup/Denmark	100.00
OSRAM Oy, Vantaa/Finland	100.00
OSRAM Lighting S.A.S.U., Molsheim/France	100.00
ADB STAGELIGHT S.A.S.U., Saint-Quentin/France	100.00
OSRAM Lighting Ltd., Slough, Berkshire/Great Britain	100.00
Yekta Setareh Atllas Co. (P.J.S.), Teheran/Iran	100.00
Clay Paky S.p.A., Seriate/Italy	100.00
OSRAM S.p.A. - Società Riunite OSRAM Edison Clerici, Milan/Italy	100.00
OSRAM Lighting d.o.o., Zagreb/Croatia	100.00
OSRAM Benelux Lighting B.V., Capelle aan den Ijssel/Netherlands	100.00
OSRAM AS, Oslo/Norway	100.00
Siteco Lighting Austria GmbH, Vienna/Austria	100.00
Siteco Österreich GmbH, Vienna/Austria	100.00
OSRAM Lighting Sp. z o.o., Warsaw/Poland	100.00
OSRAM, Lda, Carnaxide/Portugal	100.00
OSRAM Romania S.R.L., Bucharest/Romania	100.00
OOO OSRAM, Moscow/Russia	100.00
OSRAM Lighting AB, Stockholm/Sweden	100.00
OSRAM Lighting AG, Winterthur/Switzerland	100.00
OSRAM d.o.o., Belgrade/Serbia	100.00
OSRAM, a.s., Nové Zámky/Slovakia	100.00
OSRAM Lighting S.L., Madrid/Spain	100.00
OSRAM Lighting (Pty) Ltd., Midrand/South Africa	100.00
OSRAM Ceská republika s.r.o., Bruntál/Czech Republic	100.00
OSRAM Teknolojileri Ticaret Anonim Sirketi, Istanbul/Turkey	100.00
OSRAM Lighting Middle East FZE, Dubai/United Arab Emirates	100.00

List of Equity Investments of OSRAM Licht AG

As of September 30, 2016

	Equity interest in %
Americas (as of September 30, 2016: 15 companies)	
OSRAM S.A., Buenos Aires/Argentina	100.00
OSRAM Comercio de Solucoes de Iluminacao Ltda., Barueri/Brazil	100.00
OSRAM Chile Ltda., Santiago de Chile/Chile	100.00
OSRAM Ltd., Vancouver/Canada	100.00
OSRAM de Colombia Iluminaciones S.A., Bogotá/Colombia	100.00
OSRAM de México S.A. de C.V., Naucalpan/Mexico	100.00
OSRAM S.A. de C.V., Naucalpan/Mexico	100.00
OSRAM Servicios Administrativos, S.A. de C.V., Naucalpan/Mexico	100.00
OSRAM Opto Semiconductors, Inc., Wilmington, Delaware/USA	100.00
OSRAM SYLVANIA INC., Wilmington, Delaware/USA	100.00
Logistics & Fulfillment LLC, Wilmington, Delaware/USA	100.00
Sylvania Lighting Services Corp., Wilmington, Delaware/USA	100.00
Traxon Supply USA Inc., Nyack, New York/USA	100.00
LEDVANCE LLC, Wilmington, Delaware/USA [1)]	100.00
Transport & Distribution Inc., Wilmington, Delaware/USA [1)]	100.00
APAC (as of September 30, 2016: 21 companies)	
OSRAM Pty. Ltd., Sydney/Australia	100.00
Chung Tak Lighting Control Systems (Guangzhou) Ltd., Panyu/China	100.00
OSRAM China Lighting Ltd., Foshan/China	90.00
OSRAM Asia Pacific Management Company Ltd., Foshan/China	100.00
OSRAM Kunshan Display Optic Co., Ltd., Kunshan/China	100.00
OSRAM Kunshan Specialty Lighting Co., Ltd., Kunshan/China	100.00
OSRAM Opto Semiconductors (China) Co., Ltd., Wuxi New District/China	100.00
OSRAM Opto Semiconductors Trading (Wuxi) Co., Ltd., Wuxi, Wuxi/China	100.00
OSRAM Asia Pacific Ltd., Wanchai/Hong Kong	100.00
OSRAM Lighting Control Systems Ltd., Wanchai/Hong Kong	100.00
OSRAM Opto Semiconductors Asia Ltd., Wanchai/Hong Kong	100.00
Traxon Technologies Ltd., Shatin/Hong Kong	100.00
OSRAM Lighting Private Limited, Gurgaon/India	100.00
P.T. OSRAM Indonesia, Jakarta/Indonesia	100.00
OSRAM Ltd., Yokohama/Japan	100.00
OSRAM (Malaysia) Sdn. Bhd., Kuala Lumpur/Malaysia	100.00
Osram Opto Semiconductors (Malaysia) Sdn Bhd, Penang/Malaysia	100.00
OSRAM Lighting Pte. Ltd., Singapore/Singapore	100.00
OSRAM Co., Ltd., Seoul/South Korea	100.00
OSRAM Taiwan Company Ltd., Taipei/Taiwan	100.00
OSRAM (Thailand) Co., Ltd., Bangkok/Thailand	100.00
Associates and joint ventures of OSRAM GmbH, Munich/Germany	
EMEA (excluding Germany) (as of September 30, 2016: 3 companies)	
EMGO N.V., Lommel/Belgium	50.00
LAMP NOOR (P.J.S.) Co., Teheran/Iran	20.00 [2)]
Kompetenzzentrum Licht GmbH, Dornbirn/Austria	33.33 [2)]

List of Equity Investments of OSRAM Licht AG

As of September 30, 2016

	Equity interest in %
Americas (as of September 30, 2016: 1 company)	
CVL Componentes de Vidro Ltda., Caçapava - SP/Brazil	50.00
APAC (as of September 30, 2016: 1 company)	
Siteco Prosperity Lighting (Lang Fang) Co., Ltd., Lang Fang/China	50.00
Other equity investments of OSRAM GmbH, Munich/Germany	
Germany (as of September 30, 2016: 1 company)	
GSB - Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	0.07
EMEA (excluding Germany) (as of September 30, 2016: 3 companies)	
KNX Association cvba, Brussels-Diegem/Belgium	2.96
Design LED Products Limited, Livingston/Great Britain	6.03
Voltimum S.A., Meyrin/Switzerland	13.71
Subsidiaries of LEDVANCE GmbH, Garching near Munich/Germany [1]	
Germany (as of September 30, 2016: 1 company)	
Radium Lampenwerk GmbH, Wipperfürth	100.00
EMEA (excluding Germany) (as of September 30, 2016: 24 companies)	
LEDVANCE EOOD, Sofia/Bulgaria	100.00
LEDVANCE A/S, Taastrup/Denmark	100.00
LEDVANCE Oy, Vantaa/Finland	100.00
LEDVANCE S.A.S.U., Molsheim/France	100.00
LEDVANCE A.E., Athens/Greece	100.00
LEDVANCE Ltd., Westbrook, Warrington/Great Britain	100.00
LEDVANCE S.p.A., Milan/Italy	100.00
LEDVANCE d.o.o., Zagreb/Croatia	100.00
LEDVANCE Benelux B.V., Capelle aan den Ijssel/Netherlands	100.00
LEDVANCE AS, Oslo/Norway	100.00
LEDVANCE GmbH, Vienna/Austria	100.00
LEDVANCE Sp. z o.o., Warsaw/Poland	100.00
LEDVANCE Lda., Carnaxide/Portugal	100.00
OAO OSRAM, Smolensk/Russia	99.61
LEDVANCE AB, Stockholm/Sweden	100.00
LEDVANCE AG, Winterthur/Switzerland	100.00
LEDVANCE s.r.o., Nitra/Slovakia	100.00
LEDVANCE Lighting S.A., Madrid/Spain	100.00
LEDVANCE (Pty.) Ltd., Midrand/South Africa	100.00
LEDVANCE s.r.o., Prague/Czech Republic	100.00
LEDVANCE Aydinlatma Ticaret A.S., Istanbul/Turkey	100.00
Enterprise with 100% foreign investment 'LEDVANCE', Kiev/Ukraine	100.00
LEDVANCE Kft., Budapest/Hungary	100.00
LEDVANCE Middle East FZE, Dubai/United Arab Emirates	100.00

List of Equity Investments of OSRAM Licht AG

As of September 30, 2016

	Equity interest in %
Americas (as of September 30, 2016: 8 companies)	
LEDVANCE S.A., Buenos Aires/Argentina	100.00
OSRAM do Brasil Lampadas Elétricas Ltda., Osasco/Brazil	100.00
OSRAM del Ecuador S.A., Guayaquil/Ecuador	100.00
LEDVANCE Ltd., Mississauga, Ontario/Canada	100.00
LEDVANCE Servicios Administrativos, S.A. de C.V., Tultitlán/Mexico	100.00
LEDVANCE, Sociedad Anónima de Capital Variable, Tultitlán/Mexico	100.00
LEDVANCE Manufacturing, Sociedad Anónima de Capital Variable, Tultitlán/Mexico	100.00
LEDVANCE S.A.C., Lima/Peru	100.00
APAC (as of September 30, 2016: 7 companies)	
LEDVANCE Pty. Ltd., Pennant Hills/Australia	100.00
LEDVANCE Lighting Co., Ltd., Foshan/China	100.00
LEDVANCE Limited, Wanchai/Hong Kong	100.00
LEDVANCE Pvt. Ltd., Haryana/India	100.00
LEDVANCE Sdn. Bhd., Kuala Lumpur/Malaysia	100.00
LEDVANCE Pte. Ltd., Singapore/Singapore	100.00
LEDVANCE Co., Ltd., Seoul/South Korea	100.00
Assoicates and joint ventures of LEDVANCE GmbH, Garching near Munich/Germany	
Germany (as of September 30, 2016: 1 company)	
Lightcycle Retourlogistik und Service GmbH, Munich	47.00[2]
EMEA (excluding Germany) (as of September 30, 2016: 4 companies)	
Recylum Société par Actions Simplifiée, Paris/France	25.00[2]
SIA Ekogaisma, Riga/Latvia	33.00[2]
EKOSIJ d.o.o., Ljubljana/Slovenia	25.00[2]
EKOLAMP s.r.o., Prague/Czech Republic	33.33[2]
APAC (as of September 30, 2016: 1 company)	
LEDVANCE Prosperity Company Ltd., Wanchai/Hong Kong	50.00
Other equity investments of LEDVANCE GmbH, Garching near Munich/Germany	
EMEA (excluding Germany) (as of September 30, 2016: 2 companies)	
Anakiklosi Siskevon Simetochiki S.A., Piraeus/Greece	10.00
ElektroEko Organizacja Odzysku Sprzetu Elektrycznego S.A., Warsaw/Poland	10.80

1) LEDVANCE Business.
2) Not accounted for using the equity method due to immateriality.

37 | Supervisory Board and Managing Board

Supervisory Board of OSRAM Licht AG

Members in office as of September 30, 2016	Member Since	Supervisory Board and Comparable Appointments
Peter Bauer Chairman Born June 22, 1960 Independent management consultant	July 5, 2013	Member of the Supervisory Board of Infineon Technologies AG Intragroup: Chairman of the Supervisory Board of OSRAM GmbH
Dr. Christine Bortenlänger Born November 17, 1966 Chief Executive of Deutsches Aktieninstitut e.V.	August 27, 2013	Member of the Supervisory Board of Covestro AG Member of the Supervisory Board of Covestro Deutschland AG Member of the Supervisory Board of SGL Carbon SE Member of the Supervisory Board of TÜV Süd AG Intragroup: Member of the Supervisory Board of OSRAM GmbH
Dr. Werner Brandt Born January 3, 1954 Independent management consultant, former member of the Executive Board of SAP SE	August 7, 2014	Chairman of the Supervisory Board of ProSiebenSat.1 SE Member of the Supervisory Board of Deutsche Lufthansa AG Chairman of the Supervisory Board of Innogy SE (since July 1, 2016) Chairman of the Supervisory Board of RWE AG (since April 20, 2016) Chairman of the Supervisory Board of QIAGEN N.V., Netherlands (until June 21, 2016) Intragroup: Member of the Supervisory Board of OSRAM GmbH
Dr. Roland Busch Deputy Chairman Born November 22, 1964 Member of the Managing Board of Siemens AG	November 27, 2013	Member of the Board of Directors of Atos S.A., France Chairman of the Board of Supervisors of Siemens Ltd., China Member of the Board of Siemens Ltd., India Intragroup: Deputy Chairman of the Supervisory Board of OSRAM GmbH
Professor Lothar Frey Born June 7, 1958 Professor at the University of Erlangen-Nuremberg (Chair of Electron Devices) and Head of the Fraunhofer Institute for Integrated Systems and Device Technology (IISB)	August 27, 2013	Member of the Supervisory Board of the Innovations for High Performance Microelectronics/Leibnitz-Institut für Innovative Mikroelektronik 'IHP GmbH' (since December 1, 2015) Intragroup: Member of the Supervisory Board of OSRAM GmbH
Michael Knuth Deputy Chairman Born April 29, 1957 Trade Union Secretary for IG Metall Bavaria	September 3, 2013	Member of the Supervisory Board of FTE Group Holding GmbH Intragroup: Deputy Chairman of the Supervisory Board of OSRAM GmbH
Frank (Franciscus) H. Lakerveld Born December 5, 1947 Member of the Supervisory Board of Sonepar S.A.	August 27, 2013	Member of the Supervisory Board of Aliaxis S.A., Belgium Member of the Supervisory Board of Technische Unie, Netherlands Member of the Supervisory Board of Sonepar S.A., France Chairman of the Supervisory Board of Sonepar Nederland B.V. (since October 1, 2016) Chairman of the Supervisory Board of OTRA N.V. (since October 1, 2016) Chairman of the Advisory Board of Sonepar Deutschland GmbH (since October 1, 2016) Chairman of the Supervisory Board of Sonepar US Holding, Inc. (since October 1, 2016) Intragroup: Member of the Supervisory Board of OSRAM GmbH
Hubert Roßkopf Born October 13, 1968 Member of the Works Council of LEDVANCE GmbH Eichstätt plant	September 3, 2013	Intragroup: Member of the Supervisory Board of OSRAM GmbH (until June 30, 2016) Member of the Supervisory Board of LEDVANCE GmbH (since September 22, 2016)
Ulrike Salb Born July 6, 1967 Head of Procurement at OSRAM Licht AG	March 1, 2016	
Willi Sattler Born September 11, 1959 Member of the Works Council of LEDVANCE GmbH, Augsburg plant Chairman of the General Works Council of LEDVANCE GmbH	September 3, 2013	Intragroup: Member of the Supervisory Board of OSRAM GmbH (until June 30, 2016) Member of the Supervisory Board of LEDVANCE GmbH (since September 22, 2016) Deputy Chairman of the Supervisory Board of LEDVANCE GmbH (since September 26, 2016)
Irene Schulz Born April 10, 1964 Executive Member of the Managing Board of IG Metall	September 3, 2013	Member of the Supervisory Board of Nokia Solutions & Networks Management GmbH (until March 11, 2016) Member of the Supervisory Board of AUDI AG (since July 11, 2016) Intragroup: Member of the Supervisory Board of OSRAM GmbH
Thomas Wetzel Born May 18, 1964 Member of the Works Council of OSRAM GmbH, Berlin plant Chairman of the General Works Council of OSRAM GmbH	September 3, 2013	Intragroup: Member of the Supervisory Board of OSRAM GmbH

Supervisory Board of OSRAM Licht AG

Former members in fiscal year 2016	Member from/to	Supervisory Board and Comparable Appointments
Alfred Haas Born October 23, 1950 Head of CB Governmental Affairs at OSRAM GmbH until February 29, 2016	September 3, 2013 to February 29, 2016	Intragroup: Member of the Supervisory Board of OSRAM GmbH (until February 29, 2016)

Committees of the Supervisory Board of OSRAM Licht AG

	Meetings in Fiscal Year 2016	Tasks	Members as of September 30, 2016
Executive Committee	October 30, November 10, and December 4, 2015; April 26, July 26, and September 20, 2016	Performs the duties of a nomination and remuneration committee. Makes preparations for the appointment of members of the Managing Board, the determination of Managing Board remuneration, and the full Supervisory Board's review of the remuneration system for the Managing Board; deals with Managing Board contracts. Decides whether to approve transactions with members of the Managing Board and people or companies closely associated with them (related parties), and coordinates the work of the Supervisory Board.	Peter Bauer Dr. Roland Busch Michael Knuth Willi Sattler
Audit Committee	November 10 and December 4, 2015; February 2, April 26, and July 26, 2016	Oversees the accounting process. Prepares the Supervisory Board's proposal to the General Meeting for the appointment of the auditor and makes a corresponding recommendation to the Supervisory Board. Discusses the quarterly financial results and half-year financial statements prepared by the Managing Board. Prepares the Supervisory Board's review of the single-entity and consolidated financial statements and of the proposal for the appropriation of profits. Deals with ensuring the integrity of the Company's accounting and risk management; monitors the effectiveness of the internal control system, the risk management system, and the internal audit system. Issues the audit engagement to the auditor and monitors the audit of the financial statements. Monitors compliance with legislation, official regulations, and company policies; examines sustainability matters.	Dr. Werner Brandt Dr. Christine Bortenlänger Dr. Roland Busch Michael Knuth Hubert Roßkopf Irene Schulz
Nomination Committee	none	Recommends candidates to the shareholder representatives on the Supervisory Board for proposal as shareholder representatives to be elected by the General Meeting.	Peter Bauer Dr. Werner Brandt Dr. Roland Busch
Strategy and Technology Committee	February 1, April 25, and July 25, 2016	Oversees and advises the Managing Board on questions of corporate strategy and regarding the development and safeguarding of technologies that are relevant for the Company.	Peter Bauer Prof. Dr. Lothar Frey Frank H. Lakerveld Hubert Roßkopf Willi Sattler Thomas Wetzel
Mediation Committee	none	Makes proposals to the Supervisory Board for the appointment or dismissal of members of the Managing Board if the required majority is not reached during the first ballot.	Peter Bauer Dr. Roland Busch Michael Knuth Willi Sattler

Managing Board of OSRAM Licht AG

Members in office as of September 30, 2016	Date of Initial Appointment	End of Term of Appointment	Responsibilities	Occupation/Other Mandates
Dr. Olaf Berlien Chairman of the Managing Board (CEO) Born September 20, 1962	January 1, 2015	December 31, 2017	Opto Semiconductors (OS), Specialty Lighting (SP), Lamps (LP), Digital Systems (DS), Lighting Solutions (LS) Business Units; Regions; Corporate Strategy; Corporate Sales; Corporate Communications & Brand Strategy; Corporate Office; General Counsel & Compliance; Human Resources	Chairman of the Managing Board of OSRAM Licht AG Member of the Supervisory Board of Droege International Group AG Member of the Board of Directors of ALSO Holding AG, Switzerland (until March 31, 2016) Intragroup: Chairman of the Supervisory Board of OSRAM Opto Semiconductors GmbH (since January 1, 2015) Chairman of the Supervisory Board of LEDVANCE GmbH (since June 29, 2016)
Ingo Bank Chief Financial Officer (CFO) Born June 9, 1968	September 1, 2016	August 31, 2019	Accounting & Controlling; Corporate Finance & Treasury; Taxes & Subsidiaries; Investor Relations; Information Technology; Corporate Audit; Real Estate; Mergers & Acquisitions; Post Closing Management; Global Shared Services; financial organization of the business units and regions (functional responsibility)	Member of the Managing Board of OSRAM Licht AG
Dr. Stefan Kampmann Chief Technology Officer (CTO) Born June 28, 1963	July 1, 2016	June 30, 2019	Corporate Innovation; Innoventures (Fluxunit GmbH); Procurement & Supply Chain (incl. Logistics); Quality Management & Operations; Environment, Health & Safety; R&D organizations of the business units (functional responsibility)	Member of the Managing Board of OSRAM Licht AG Intragroup: Member of the Supervisory Board of OSRAM Opto Semiconductors GmbH (since July 27, 2016)

Mr. Bank was appointed on July 18, 2016 by the Supervisory Board as a member of the Managing Board and Chief Financial Officer with effect from September 1, 2016. Dr. Kampmann was appointed on April 19, 2016 by the Supervisory Board as a member of the Managing Board and Chief Technology Officer with effect from July 1, 2016.

Former members in fiscal year 2016	Date of Initial Appointment	End of Term of Appointment	Responsibilities	Occupation/Other Mandates
Dr. Klaus Patzak Chief Financial Officer (CFO) Born May 8, 1965	November 8, 2012	March 31, 2021	Accounting & Controlling; Corporate Finance & Treasury; Taxes & Subsidiaries; Investor Relations; Information Technology; Corporate Audit; Real Estate; Mergers & Acquisitions; Post Closing Management; Global Shared Services; financial organization of the business units and regions (functional responsibility)	Former member of the Managing Board of OSRAM Licht AG (until June 30, 2016) Member of the Supervisory Board of Bayerische Börse AG Intragroup: Member of the Supervisory Board of OSRAM Opto Semiconductors GmbH (until June 30, 2016) Chairman of the Board of Directors of OSRAM SYLVANIA INC. (until June 30, 2016) Member of the Board of Directors of OSRAM China Lighting Ltd. (until June 30, 2016)

On May 9, 2016, Dr. Klaus Patzak resigned from the Managing Board effective from the end of June 30, 2016 with the approval of the Supervisory Board.

Munich, November 17, 2016

OSRAM Licht AG
The Managing Board

Dr. Olaf Berlien	Ingo Bank	Dr. Stefan Kampmann
Chairman of the Managing Board (CEO)	Chief Financial Officer (CFO)	Chief Technology Officer (CTO)

Statements and Further Information

C

C.1

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report for OSRAM Licht AG, 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.

Munich, November 17, 2016

OSRAM Licht AG
The Managing Board

Dr. Olaf Berlien	Ingo Bank	Dr. Stefan Kampmann
Chairman of the Managing Board (CEO)	Chief Financial Officer (CFO)	Chief Technology Officer (CTO)

C . 2

Independent Auditor's Report

Translation of the German Independent Auditor's Report concerning the audit of the consolidated financial statements and group management report prepared in German.

To OSRAM Licht AG, Munich

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OSRAM Licht AG, Munich and its subsidiaries, which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and notes to the consolidated financial statements for the business year from October 1, 2015 to September 30, 2016.

Management's Responsibility for the Consolidated Financial Statements

The management of OSRAM Licht AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the supplementary requirements of German law pursuant to Sec. 315a (1) HGB ['Handelsgesetzbuch': German Commercial Code], to give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view.

The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to Sec. 315 a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2016 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of OSRAM Licht AG, for the business year from October 1, 2015 to September 30, 2016. The management of the company is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to Sec. 315 a (1) HGB. We are required to conduct our audit in accordance with Sec. 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the IDW. Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, November 17, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller	Esche
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

C.3

Report of the Supervisory Board

Dear Shareholders,

In the fiscal year just ended, OSRAM achieved the best results since its stock market listing. At the same time, the Company made and implemented key strategic decisions. Following the successful separation and sale of LEDVANCE, OSRAM will continue to expand its business in Opto Semiconductors (OS), Specialty Lighting (SP), and Lighting Solutions & Systems (LSS) and capitalize on the opportunities presented by digitalization.

In the year under review, the Supervisory Board performed the duties required of it by law, the Articles of Association, and the rules of procedure. We monitored the activities of the Managing Board and regularly advised it on the management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company.

In the past fiscal year, the Managing Board provided the Supervisory Board with regular, timely, and comprehensive information, orally and in writing, on all key matters relating to the management of the Company. In particular, this included reports on and explanations of corporate strategy and planning, business development, the current position of the Group, compliance processes, the financial reporting process, the effectiveness of the Company's internal control and risk management systems, and all significant business events. The Managing Board kept us regularly informed about the Company's strategy and the implementation of the approved strategic action plans, notably the separation of the general lighting lamps business. Any variances in performance compared with corporate planning were explained to us in detail. We discussed key transactions for the Company in detail on the basis of the reports submitted by the Managing Board. The Supervisory Board approved the resolutions proposed by the Managing Board after thorough examination and extensive discussion.

Most of the Supervisory Board's activities in the past fiscal year were performed in the context of plenary meetings. The Supervisory Board held a total of twelve ordinary and extraordinary plenary meetings in the year under review. These took place in November and December 2015, and in February, March, April, May, June, July, and September 2016. The Supervisory Board also has a number of committees. The work performed in the meetings of the Supervisory Board committees is addressed in the following section.

Attendance at the plenary meetings averaged 93% in the year under review. The committee meetings were fully attended, with the exception of one Executive Committee meeting, one Audit Committee meeting, and one meeting of the Strategy and Technology Committee, where one member was absent in each case.

The Chairman of the Supervisory Board was in regular contact with the Managing Board outside Supervisory Board meetings and kept abreast of current business developments and significant transactions. The Chairman of the Supervisory Board discussed the outlook for and future direction of the individual businesses and the Company as a whole with the Managing Board in separate strategy meetings.

The Supervisory Board also held regular discussions without the involvement of the Managing Board, mainly to cover Supervisory Board issues and personnel matters relating to the Managing Board. During the autumn of 2015, the Supervisory Board carried out a self-appraisal in which it reviewed the efficiency of its activities. The members of the Supervisory Board judged the work carried out in both the plenary sessions and the committees to be efficient, but also decided that some aspects of the organization of the work of the Supervisory Board needed improvement.

C.3.1 Matters Addressed by the Full Supervisory Board

In the fiscal year just ended, the Supervisory Board of OSRAM Licht AG addressed in particular the fundamental corporate strategy and the strategy of the individual business units, including the separation and disposal process for the general lighting lamps business, the current business performance of the OSRAM Licht Group, the annual and multi-year planning for the Company and the OSRAM Licht Group, and the position of the Group, especially its financial position and results of operations.

At its meeting held on November 10, 2015, the Supervisory Board discussed the business performance for the fourth quarter, together with the preliminary figures for fiscal year 2015. It also examined in detail the annual planning for fiscal year 2016 and the Company's multi-year planning; it then approved the annual planning decided by the Managing Board for fiscal year 2016. On the basis of the annual planning, the Supervisory Board specified the targets for the Managing Board's remuneration in fiscal year 2016 and came to a decision on the variable remuneration components and on the level of contributions to the pension plan for the Managing Board for fiscal year 2015. Following in-depth deliberations, which included consulting external experts, the Supervisory Board also gave its consent for the construction by the OS business unit of an LED chip production plant in Kulim, Malaysia, as well as for the associated capital expenditures. In addition, it approved the decision of the Managing Board to carry out a share buyback with a volume of up to 9.81% of the Company's capital stock, subject to a maximum of €500 million.

At the Supervisory Board meeting held on December 4, 2015 to adopt the financial statements, the Managing Board reported on the position of the Company—especially the response from investors to publication of the strategy—and the final figures for fiscal year 2015. Following an in-depth examination of the financial statements documentation, the Supervisory Board approved the single-entity annual financial statements, the consolidated financial statements, and the combined management report for OSRAM Licht AG and the Group for the year ended September 30, 2015. The annual financial statements were thus adopted. The auditors participated in the discussions and reported on the main findings of the audit before the resolution was passed. The report by the Supervisory Board to the General Meeting for fiscal year 2015 was also approved. In addition, the Supervisory Board adopted its proposed resolutions for the individual agenda items to be voted on by the 2016 General Meeting. Finally, the main findings of the Supervisory Board's efficiency audit were examined in detail without the involvement of the Managing Board.

In its meeting on February 16, 2016, the Supervisory Board addressed the results for the first quarter of the fiscal year and the current performance of the Company. It also discussed the General Meeting, including the allegations relating to the Managing Board raised during the general debate. It discussed personnel matters in extraordinary meetings held by conference call on February 21, 2016, March 3, 2016, and April 4, 2016. In a further conference call meeting on April 19, 2016, the Supervisory Board appointed Dr. Stefan Kampmann as a member of the Managing Board and Chief Technology Officer effective July 1, 2016, and also approved a resolution amending the distribution of responsibilities in the Managing Board.

The main items addressed by the Supervisory Board at its meeting on April 26, 2016, were the results for the second quarter and first half of fiscal year 2016, together with the business performance of the Group. Detailed deliberations also focused on the separation and disposal process for the general lighting lamps business and the strategy of the SP business unit. The Supervisory Board also discussed appointments to the Managing Board. On May 11, 2016, the Supervisory Board approved the resignation of Dr. Klaus Patzak as an ordinary member of the Managing Board with effect from the end of June 30, 2016, and agreed to enter into a termination agreement. In extraordinary conference call meetings held on June 13 and July 18, 2016, the Supervisory Board discussed the selection of a new person for the role of Chief Financial Officer and, on July 18, 2016, appointed Ingo Bank as a member of the Managing Board and Chief Financial Officer with effect from September 1, 2016.

At the meeting on July 26, 2016, the Managing Board reported on the position of the Company and the results for the third quarter. The Supervisory Board also addressed in detail—which included taking advice from external experts—the sale of the general lighting lamps business to a Chinese consortium of buyers. In particular, the Supervisory Board assured itself that the sale had been carefully considered and prepared, and it also examined the possible risks arising from the transaction. After extensive discussions, the Supervisory Board approved the sale. Finally, the Supervisory Board received a report on the status of the construction by the OS business unit of an LED chip production plant in Kulim.

At its meeting on September 27, 2016, the Supervisory Board held in-depth discussions on the Company's strategy, using as a basis the preliminary discussions in the Strategy and Technology Committee and at the plenary meeting in July 2016. It also addressed the annual and multi-year planning, and approved the annual planning for fiscal year 2017. Under other agenda items at the same meeting, the Supervisory Board specified the targets for the Managing Board remuneration in fiscal year 2017 and approved the declaration of conformity with the German Corporate Governance Code.

C.3.2 Work Performed by the Supervisory Board Committees

In the past fiscal year, the Supervisory Board continued to make use of five committees to enable it to carry out its responsibilities efficiently. The committees prepared resolutions for the full Supervisory Board and other matters to be addressed in the plenary meetings. In addition, certain Supervisory Board decision-making powers have been transferred to committees to the extent permitted by law. The chairs of the committees provided the Supervisory Board with regular, comprehensive reports on the work performed by the committees.

The Supervisory Board's Executive Committee met five times in the year under review. It carried out detailed preparatory work for decisions on remuneration and on the expansion and composition of the Managing Board, including longer-term personnel planning. It also dealt with corporate governance matters. In addition, the Chairman of the Supervisory Board regularly discussed matters of particular importance to the Group, especially concerning corporate strategy, with the members of the Executive Committee.

The Mediation Committee did not have to be convened in the past fiscal year.

The Strategy and Technology Committee met on three occasions in the year under review to address strategic and technological issues affecting individual business units and the Group as a whole. Topics discussed by the committee included the DS and SP business units, and key capital expenditure projects, particularly the construction of an LED chip production plant in Kulim.

The Audit Committee held five meetings in the past fiscal year. It addressed the financial statements of OSRAM Licht AG and the consolidated financial statements, as well as the combined management report for OSRAM Licht AG and the Group, in the presence of the auditors and the members of the Managing Board. The Audit Committee issued a recommendation to the Supervisory Board relating to the Supervisory Board's proposal to the 2016 General Meeting for the election of the auditors. In addition, the committee's detailed discussions focused on selecting the auditors, engaging the auditors for fiscal year 2016 (including specifying the key points for the audit), monitoring the independence and eligibility of the auditors as well as the quality of the audit, and setting the audit fee. Further deliberations covered the quarterly financial information and the findings of the auditors' review of the half-year financial report. The Committee addressed the issue of ensuring the integrity of the financial reporting process and discussed the Company's internal control system as well as the risk management system. The Audit Committee's work also focused on the structure, organization, activities, effectiveness, resources, and findings of the Internal Audit function. In another area of activity, it was informed of potential and pending legal disputes. The Audit Committee also discussed the results of investigations by the Internal Audit function into the effectiveness of internal controls and compliance with applicable legislation, official regulations, and internal policies. Finally, the Audit Committee addressed the reports by the Chief Compliance Officer on OSRAM's compliance program and on significant compliance events in the period under review.

The Nomination Committee did not meet in the period under review.

C.3.3 Corporate Governance Code and Annual and Consolidated Financial Statements

On September 27, 2016, the Managing Board and Supervisory Board agreed to issue a declaration of conformity in accordance with section 161 of the AktG. The declaration states that the Company has complied with all recommendations of the German Corporate Governance Code in full since the last declaration of conformity on September 28, 2015, and that it will continue to comply with the recommendations in the future. The declaration of conformity was made permanently accessible to shareholders on the Company's website.

Insofar as they arose, specific conflicts of interest affecting Supervisory Board members were disclosed to the Supervisory Board. In the case of the resolutions by the shareholder representatives on the Supervisory Board of OSRAM Licht AG relating to the approval of the actions of the members of the Supervisory Board of OSRAM GmbH for fiscal 2015 in accordance with section 32 of the Mitbestimmungsgesetz (MitbestG—German Codetermination Act), individual resolutions were adopted for the individual shareholder representatives, since the members of the Supervisory Board of OSRAM Licht AG are largely the same as the members of the Supervisory Board of OSRAM GmbH. The process adopted ensured that Supervisory Board members Dr. Christine Bortenlänger, Peter Bauer, Dr. Werner Brandt, Dr. Roland Busch, Professor Dr. Lothar Frey, and Frank H. Lakerveld did not take part in the voting relating to the approval of their own actions.

Further disclosures on corporate governance can be found in ›C.4.1 Corporate Governance Report. Page 166

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, (Ernst & Young) audited the annual financial statements and the consolidated financial statements, as well as the combined management report for OSRAM Licht AG and the Group, for the year ended September 30, 2016, and issued an unqualified audit opinion. Ernst & Young have been the auditors for OSRAM Licht AG since the Company was established in fiscal year 2012, and auditors for the OSRAM Licht Group since fiscal year 2013. The auditors responsible for signing the annual financial statements have been Mr. Esche since fiscal year 2013, and Mr. Keller, as the responsible auditing partner, since fiscal year 2016. The annual financial statements of OSRAM Licht AG and the combined management report for OSRAM Licht AG and the Group were prepared in accordance with the requirements of German commercial law. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law in accordance with section 315a(1) of the Handelsgesetzbuch (HGB—German Commercial Code). The auditors conducted the audit in accordance with section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW—Institute of Public Auditors in Germany), and, for the consolidated financial statements, in supplementary compliance with the International Standards on Auditing (ISA). The above-mentioned documents and the Managing Board's proposal for the appropriation of profits were circulated by the Managing Board to the members of the Supervisory Board in good time.

In a first step, the proposal for the appropriation of profits, the annual financial statements, the consolidated financial statements, and the combined management report, as well as the associated audit reports by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, were examined and discussed in detail in the meeting of the Audit Committee on December 1, 2016.

The financial statements and corresponding audit reports were then comprehensively reviewed in the presence of the auditors at the full Supervisory Board meeting held to adopt the financial statements on the same day; the audit reports had been made available to all members of the Supervisory Board. The auditors reported on the main findings of the audit and stated that there were no major defects or flaws in the internal control system or the risk management system. Additionally, in the same meeting, the Managing Board commented in detail on the financial statements of OSRAM Licht AG and the consolidated financial statements, as well as the risk management system. The auditors also addressed the scope, focus points, and costs of the audit.

The Supervisory Board concurred with the results of the audit. The Audit Committee's examination and the Supervisory Board's own examination did not result in any objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements; the annual financial statements were thus formally adopted. The Managing Board has proposed to use the net retained profits of €157,950 thousand to distribute a dividend of €1.00 per dividend-bearing share, to transfer an amount of €53,260 thousand to other retained earnings, and to carry forward the remaining profits; the Supervisory Board agrees with this proposal.

C.3.4 Changes to the Supervisory Board and the Managing Board

Alfred Haas retired and thus stepped down with effect from the end of February 29, 2016. Ulrike Salb was appointed as a member of the Supervisory Board by way of an order of the Munich local court dated March 1, 2016. The Supervisory Board would like to take this opportunity to express its gratitude to Alfred Haas for his contribution over many years as a representative of the senior executives on the supervisory boards of OSRAM GmbH and OSRAM Licht AG.

In May 2016, a mutual agreement was reached with Dr. Klaus Patzak under which his appointment as a member of the Managing Board would be terminated as of the end of June 30, 2016. The Supervisory Board thanked Dr. Patzak sincerely for everything he has achieved, especially in connection with the separation of OSRAM. The Supervisory Board has appointed Dr. Stefan Kampmann and Ingo Bank as members of the Managing Board with effect from July 1, 2016 and September 1, 2016 respectively.

The Supervisory Board would like to thank all members of the Managing Board, as well as the employees and employee representatives of OSRAM Licht AG and of all Group companies for their successful contributions in fiscal year 2016.

Munich, December 1, 2016

On behalf of the Supervisory Board

Peter Bauer
Chairman

C.4

Corporate Governance

C.4.1 Corporate Governance Report

One of the crucial factors for the future success of the OSRAM Licht Group is our ability to increase shareholder value on a sustainable basis, for which the trust of our customers and investors is essential. Transparent, responsible corporate governance enables us to strengthen this trust.

The Managing Board and Supervisory Board of OSRAM Licht AG have discussed compliance with the requirements of the German Corporate Governance Code (the 'Code') at great length. On the basis of these deliberations, the annual declaration of conformity was issued on September 27, 2016. The declaration of conformity can be found in › C.4.3 Declaration on Corporate Governance Pursuant to section 289a of the HGB and is published on our website » www.osram-group.com veröffentlicht.

S Page 183

OSRAM Licht AG voluntarily complies with the Code's non-binding suggestions, with the exception of the suggestion in section 2.3.2, according to which proxies should also be contactable during the General Meeting. We do not believe that this suggestion is appropriate for shareholders who are not present or represented at the General Meeting, because the objective of the suggestion—that of issuing or amending instructions regarding the exercise of voting rights via electronic media during the General Meeting itself—involves significant technical uncertainty and therefore threatens the validity of any resolutions passed.

C.4.1.1 Management and Control Structure

OSRAM Licht AG is subject to the Aktiengesetz (AktG—German Stock Corporation Act) and therefore has a two-tier management system consisting of a Managing Board and a Supervisory Board.

Supervisory Board

Pursuant to section 7(1) sentence 1 no. 1 of the *Mitbestimmungsgesetz* (MitbestG—German Codetermination Act), the Supervisory Board consists of equal numbers of shareholder and employee representatives, i.e. six of each. The term of appointment of all members of the Supervisory Board ends at the end of the General Meeting in 2018. Most of the rules applicable to the Supervisory Board and its organization are contained in sections 7 to 12 of the Company's Articles of Association and in the rules of procedure for the Supervisory Board.

In view of section 5.4.1(2) of the Code, the Supervisory Board adopted a resolution at its meeting on July 28, 2015 on the following targets for its composition:

— At least a quarter of the members of the Supervisory Board should have long-standing international experience.
— At least half of the shareholder representatives on the Supervisory Board should be people with no potential conflicts of interest, particularly those which may result from a consultancy or directorship role at clients, suppliers, lenders or other third parties.
— More than half of the Supervisory Board members should be independent within the meaning of section 5.4.2 of the German Corporate Governance Code.
— Furthermore, as a general rule, no person who will have reached the age of 70 on the date of the election should be nominated.

- At least three of the positions on the Supervisory Board should be occupied by women by the next regular election of members of the Supervisory Board.
- The period of membership of the Supervisory Board should generally not exceed 15 years.

We can report as follows on progress with achieving these targets: Ms. Ulrike Salb was appointed to the Supervisory Board as representative of the senior executives in March 2016, succeeding Mr. Alfred Haas. Since then, three positions on the Supervisory Board have been occupied by women. At least three of the members of the Supervisory Board have long-standing international experience. None of the members of the Supervisory Board has reached the age of 70 or has been a member of the Supervisory Board for more than 15 years. At least three of the shareholder representatives on the Supervisory Board are people with no potential conflicts of interest. Several members of the Supervisory Board work in senior positions at other companies with which OSRAM has business relationships or had done so in the preceding year. Transactions that OSRAM conducted with these companies were on an arm's-length basis. We do not believe that these transactions compromise the independence of the members of the Supervisory Board concerned.

For details on fulfillment of the quota defined in section 96(2) sentence 2 of the AktG, according to which at least 30% of Supervisory Board members must be female and at least 30% male, see › C.4.3.4 Targets for the Proportion of Women on the Managing Board, Supervisory Board, and in Senior Management.

S Page 184

The Supervisory Board oversees the Managing Board and advises it on the management of the business. The Supervisory Board regularly discusses business performance and planning, strategy and its implementation. It reviews the single-entity financial statements, the management report, the proposal for the appropriation of profits, the consolidated financial statements, and the combined management report. It discusses the quarterly financial results and half-year financial reports and approves the single-entity financial statements of OSRAM Licht AG and the consolidated financial statements, including the independent auditors' report and the findings of the review carried out by the Audit Committee. The Supervisory Board's remit also includes appointing members of the Managing Board and specifying their areas of responsibility. Significant Managing Board decisions, such as major acquisitions, disposals, and financial actions, require its approval. Supervisory Board approval is a condition of some resolutions adopted at the General Meeting, such as authorizations for the Managing Board to increase the Company's capital stock (authorized capital), to exclude subscription rights when issuing debt instruments, using equity derivatives in connection with the acquisition of treasury shares, and, in some cases, when utilizing treasury shares.

The Supervisory Board currently has five committees. Their tasks, responsibilities, and work processes meet the requirements of the AktG and the Code. The chairman of each committee reports regularly to the Supervisory Board on the work of the committees.

The **Executive Committee** consists of the Chairman of the Supervisory Board, his deputies and one other employee representative on the Supervisory Board who is elected by the Supervisory Board. It performs the duties of a nomination and remuneration committee, provided that these duties are not performed by the Nomination Committee or German law does not require the full Supervisory Board to carry out these duties. In particular, the Executive Committee makes preparations for the appointment of members of the Managing Board, the setting of Managing Board remuneration, and the full Supervisory Board's review of the remuneration system for the Managing Board. It also deals with Managing Board contracts. When proposing candidates for appointment as members of the Managing Board, the Executive Committee takes into account long-term succession planning and diversity as well as other factors. The Executive Committee also decides whether to approve transactions with members of the Managing Board and people or companies closely associated with them (related parties), and coordinates the work of the Supervisory Board.

The **Audit Committee** comprises three shareholder representatives and three employee representatives from the Supervisory Board. They are elected to the committee by the Supervisory Board. According to German law, the Audit Committee must include at least one independent member of the Supervisory Board who has expert knowledge of accounting or the auditing of financial statements. Dr. Werner Brandt, who has been the Chairman of the Audit Committee since November 5, 2014, satisfies these legal requirements and satisfies the requirement of independence pursuant to section 5.4.3 of the German Corporate Governance Code. The Audit Committee oversees the accounting process. It prepares the Supervisory Board's proposal to the General Meeting for the appointment of the auditors and makes a corresponding recommendation to the Supervisory Board. In addition to the review by the independent auditors, the Audit Committee is also required to discuss the Company's quarterly financial results and half-year financial statements prepared by the Managing Board. It prepares the Supervisory Board's review of the single-entity and consolidated financial statements and the Managing Board's proposal for the appropriation of profits. It deals with questions of accounting and the Company's risk management, and monitors the effectiveness of the internal control system, the risk management system, and the Company's internal audit system. Following the adoption of a resolution by the General Meeting, the Audit Committee issues the audit engagement to the independent auditors and monitors the audit of the financial statements, particularly the independence of the auditors and the additional services they provide. The committee can make recommendations and suggestions aimed at ensuring the integrity of the financial reporting process. Finally, it monitors the Company's compliance with legislation, official regulations and company policies and examines sustainability matters.

The **Nomination Committee** consists of the Chairman of the Supervisory Board, his deputy, who is not elected in accordance with the MitbestG, and a further member of the Supervisory Board, who is elected by the shareholder representatives from among their number. The task of the Nomination Committee is to recommend candidates to the Supervisory Board for proposal as shareholder representatives to be elected by the General Meeting. In addition to the required knowledge, skills, and professional experience of the proposed candidates, the targets stated by the Supervisory Board for its composition (see above) should also be taken into consideration.

The **Mediation Committee** comprises the Chairman of the Supervisory Board, his deputy, who is elected in accordance with the MitbestG, one member elected by the shareholder representatives on the Supervisory Board, and one member elected by the employee representatives on the Supervisory Board. It makes proposals to the Supervisory Board for the appointment or dismissal of members of the Managing Board if the two-thirds majority of the votes by the members of the Supervisory Board as required by section 31(2) of the MitbestG is not achieved during the first ballot.

The **Strategy and Technology Committee**, which is made up of three shareholder representatives and three employee representatives elected by the Supervisory Board, oversees and advises the Managing Board on questions of corporate strategy and regarding the development and safeguarding of technologies that are relevant for the Company.

The members of the Supervisory Board and its committees are disclosed in the Notes to the Consolidated Financial Statements › Note 37 | Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. S Page 152

Detailed information on the Supervisory Board's work in fiscal year 2016 can be found in › C.3 Report of the Supervisory Board. S Page 160

The remuneration of the members of the Supervisory Board is described in › C.4.2 Remuneration Report. Page 171

Managing Board

As the management body of OSRAM Licht AG, the Managing Board is obliged to act in the Company's interests and sustainably increase its enterprise value. The Managing Board currently has three members. They are jointly responsible for the overall management of the business and decide on fundamental issues regarding business policy and corporate strategy, as well as on the Company's annual and multi-year planning.

The Managing Board is responsible for preparing the Company's half-year financial statements, the single-entity financial statements of OSRAM Licht AG, the consolidated financial statements, and the quarterly financial information. In addition, the Managing Board must ensure that all legal and regulatory requirements, and internal policies are complied with, and must work to ensure that all Group companies also comply with them.

The Managing Board and Supervisory Board work closely together for the benefit of the Company. The Managing Board provides the Supervisory Board with regular, timely, and comprehensive information on all issues of importance to the Company in relation to strategy, planning, business development, financial position, results of operations, and compliance, as well as of material business risks. The Managing Board considers diversity when filling managerial positions within the Company and, among other things, strives to increase the number of women in these roles.

The members of the Managing Board are disclosed in the Notes to the Consolidated Financial Statements › Note 37 | Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. Page 152

The remuneration of the members of the Managing Board is described in › C.4.2 Remuneration Report. Page 171

Share Ownership

On October 28, 2016, the current members of the Managing Board held a total of 21,750 (previous year: 15,879) OSRAM Licht shares; this corresponds to 0.0208% (previous year: 0.0152%) of the capital stock of OSRAM Licht AG, which is divided into 104,689,400 no-par-value shares.

As of the same date, the current members of the Supervisory Board held a total of 3,359 (previous year: 4,731) OSRAM Licht shares; this corresponds to less than 0.01% (previous year: less than 0.01%) of the capital stock of OSRAM Licht AG.

C.4.1.2 Purchase and Sale of Company Shares

Under Article 19 of Regulation (EU) no. 596/2014 on market abuse, members of the Managing Board and Supervisory Board are legally required to disclose the purchase or sale of shares in OSRAM Licht AG, derivatives referring to them, or other financial instruments relating to them if the value of the transactions conducted by the board member in question or any related parties exceeds a total volume of €5,000 in any calendar year. A process has been established to ensure that these transactions are duly published if such notification is received. Transactions that have been reported can be accessed on the Company's website at » www.osram-group.com.

In the fiscal year just ended, Dr. Berlien notified OSRAM Licht AG that he had purchased shares to the value of €396 thousand at a price of €39.61 each on December 1, 2015 and shares to the value of €302 thousand at a price of €46.44 each on July 29, 2016.

C.4.1.3 Shareholder Relations

OSRAM routinely reports to its shareholders four times a year on the Company's business performance and net assets, financial position, and results of operations. The General Meeting, at which the Company's business performance is also reported, is usually held in the first five months of the fiscal year. The Managing Board enables the shareholders to follow the speeches by the Chairman of the Supervisory Board and the Managing Board members by means of electronic communication media, particularly the Internet, and enables shareholders to vote by proxy. Under sections 14(5) and (6) of the Articles of Association, the Managing Board may also allow shareholders to cast their votes in writing or by means of electronic communication (absentee voting), or to participate in the General Meeting without the need to be present at the meeting venue and without a proxy, and to exercise all or some of their rights either fully or partially by means of electronic communication (electronic participation). In view of the significant technical uncertainties already mentioned and the resulting risks regarding the validity of the resolutions passed, the Managing Board has not yet made the option of electronic participation available. No use has yet been made of absentee voting, since shareholders have adequate comparable methods for exercising their voting rights, particularly in the form of the Company's proxies. The reports, documents, and information legally required for the General Meeting, including the annual report, are available online, as are the agenda for the General Meeting, and any shareholder countermotions or nominations that are required to be made available.

The General Meeting elects the shareholder representative members of the Supervisory Board. It resolves on all matters assigned to it by law, particularly the appropriation of net profit, the approval of the actions of the Managing Board and Supervisory Board, the election of the independent auditors, and amendments to the Articles of Association. When voting on resolutions, each share grants one vote. Resolutions to amend the Articles of Association, such as measures that change the Company's capital stock, are adopted by the General Meeting and implemented by the Managing Board. Shareholders may submit motions regarding resolutions proposed by the Managing Board and Supervisory Board and may contest resolutions adopted by the General Meeting. Shareholders who collectively hold at least €100,000 of the capital stock may also demand that the courts appoint a special auditor to examine specific issues, subject to the additional requirements of section 142 of the AktG.

As part of our investor relations activities, we provide comprehensive information on the Company's performance. OSRAM makes extensive use of the Internet for reporting purposes. In addition to quarterly financial information, half-year and annual reports, earnings releases, ad hoc announcements, analysts' presentations, and press releases, the financial calendar for the current year, which includes the key publication dates for financial communications and the date of the General Meeting, is published at » www.osram-group.com.

Our Articles of Association, the rules of procedure for the Supervisory Board and Managing Board, and all declarations of conformity and other information relating to corporate governance are available on our website at » www.osram-group.com.

C.4.2 Remuneration Report
A Component of the Combined Management Report

The remuneration report summarizes the principles used to determine the total remuneration of the members of the Managing Board of OSRAM Licht AG and explains the structure and amount of the remuneration paid to the members of the Managing Board. It also describes the principles and amount of the remuneration paid to the members of the Supervisory Board. In addition, the remuneration of each member of the Managing Board and Supervisory Board for fiscal year 2016 is presented on an individual basis. The remuneration report is based on the recommendations of the German Corporate Governance Code and includes the disclosures required by the HGB and the IFRS. The remuneration report is part of the combined management report.

C.4.2.1 Remuneration System for the Members of the Managing Board

The remuneration system for the Managing Board of OSRAM Licht AG was established on July 5, 2013 and was most recently approved by the Company's General Meeting on February 16, 2016. The Supervisory Board regularly evaluates the appropriateness of the compensation paid to members of the Managing Board and of the remuneration system. The remuneration system is intended to provide incentives to ensure sustainable management, and comprises the following components:

Non-performance-based Components
The Managing Board members receive fixed base compensation, which is paid in the form of a monthly salary. They are also awarded nonmonetary benefits and ancillary benefits, such as the provision of a company car, contributions to insurance policies, the reimbursement of certain legal and tax advisory expenses, and accommodation costs, including any taxes incurred on these, and costs related to preventive medical examinations.

Performance-based Components
The performance-based components comprise variable compensation (bonus) and long-term share-based compensation.

Variable Compensation (Bonus)
The variable compensation (bonus) is dependent on the Company's business performance in the respective fiscal year just ended. At the beginning of each fiscal year, the Supervisory Board sets clearly defined targets for certain performance indicators at Group level (currently organic revenue growth, EBITA, and free cash flow). The target amount of the bonus (100%) is equivalent to the amount of the base compensation. The bonus is not payable if target achievement is 0%, and is capped at 200% of the base compensation. The Supervisory Board may, at its professional discretion, also increase or decrease the amount of the bonus determined in accordance with the degree of target attainment by up to 20%. When deciding whether to make such adjustments, the Supervisory Board considers criteria which it also establishes at the beginning of the fiscal year. This adjustment option can also be used to take account of Managing Board members' individual achievements. The bonus is paid entirely in cash.

Long-term Share-based Compensation
The long-term share-based compensation is awarded in the form of unvested commitments to transfer OSRAM Licht AG shares (stock awards), which are subject to a lock-up period. This lock-up period ends at the close of the second day following the publication of OSRAM Licht AG's financial results in the fourth calendar year after the date of the award, and thus lasts for approximately four years. Once this lock-up period has expired, the beneficiaries receive either one OSRAM Licht AG share for each stock award without them having to make any additional payment, or a corresponding cash settlement.

The monetary value of this compensation component is based on the achievement of targets set by the Supervisory Board at the beginning of each fiscal year. In the event of 100% target achievement, the annual target monetary value of the stock awards in fiscal year 2016 is €1 million for the Chairman of the Managing Board and €660,000 for the other Managing Board members. Depending on the degree of target achievement, the actual monetary value may be between 0% and 200% (cap) of the target amount. The number of stock awards granted is determined by dividing the monetary value determined once the Supervisory Board has calculated the level of target achievement by the closing price of OSRAM Licht shares in XETRA trading on the date of the award and subtracting the discounted estimated dividends over the four-year lock-up period.

In the event of extraordinary unforeseen developments impacting the relevant share price, the Supervisory Board may decide to reduce the number of granted stock awards retroactively, or to only pay a cash settlement in a defined and limited amount in lieu of transferring the relevant shares, or to suspend the transfer of shares due under the stock awards until the developments have ceased to have an impact on the share price.

As a rule, if a Managing Board member's contract ends during the course of his or her term of office, the stock awards lapse without compensation. The same applies if the contract ends because the Managing Board member does not wish to extend his or her appointment at the end of the term of office, or if there is good cause that would have justified the appointment being revoked or the contract being terminated. However, granted stock awards do not lapse if the contract ends due to retirement, disability, or death, or in the event of a spin-off, transfer of undertakings, or a change of activity within the Group.

Maximum Remuneration Amounts

In addition to the bonus caps, maximum remuneration amounts for both the long-term share-based compensation and the total compensation paid to members of the Managing Board have applied since October 1, 2014:

- With regard to long-term share-based compensation, the maximum amount as of the grant date for the stock awards is 200% of the monetary value of the target amount, i.e. €2 million for the Chairman of the Managing Board and €1.32 million for the remaining members of the Managing Board.
- Upon expiration of the lock-up period of approximately four years, the maximum value of the shares transferred is capped at 250% of the target amount. This corresponds to €2.5 million for the Chairman of the Managing Board and €1.65 million for the remaining members of the Managing Board.
- The maximum total compensation is €6 million for the Chairman of the Managing Board and €4 million for the remaining members of the Managing Board. The total compensation represents the sum of the compensation awarded for the fiscal year in question (excluding the monetary value of long-term share-based compensation) plus amounts accruing from share-based payment instruments whose lock-up period expired in the fiscal year concerned. The value of the amounts received is determined using the closing price of OSRAM Licht shares in XETRA trading on the Frankfurt Stock Exchange on the last trading day before the shares are transferred.

If any of the above maximum remuneration amounts are exceeded, the entitlement to the transfer of shares under granted stock awards is reduced and the number of shares to be transferred is rounded down. If this reduction is insufficient to bring the total compensation payable down to below the limit, the Supervisory Board may at its professional discretion reduce other compensation components or require the repayment of compensation already awarded.

Other Remuneration System Rules

Share Ownership Guidelines

In accordance with the provisions of their contracts, the members of the Managing Board are obliged to hold a significant portion of their base compensation in OSRAM Licht shares during their term of office on the Managing Board. This portion amounts to 200% of the average base compensation paid in the last four years in the case of the Chairman of the Managing Board, and 100% for the remaining members of the Managing Board. Evidence that this requirement has been met must be provided following a build-up phase of at least four years, and updated annually thereafter. If the value of the shareholding built up in this way falls below the required minimum level due to a decline in the price of OSRAM Licht shares, the Managing Board member will be required to acquire additional shares.

Commitments in Connection with the Termination of Managing Board Membership

Managing Board contracts provide for a compensatory payment if membership of the Managing Board is terminated prematurely by mutual agreement, without good cause. The amount of this payment must not exceed the value of two years' compensation (cap). The amount of the compensatory payment is calculated on the basis of the remaining term of the contract and the sum of the base compensation plus the variable compensation actually received for the last fiscal year before termination. It is payable in the month the Managing Board member leaves the Managing Board. In addition, a one-off contribution is made to the OSRAM Defined Contribution Benefit Plan (BOA), which is calculated based on the remaining term of the contract and the contribution made to the BOA in the previous year. The above benefits are not paid if the member's activity on the Managing Board is terminated prematurely at the member's request, or if there is good cause for the Company to terminate the employment relationship.

In the event of a change of control (if a controlling influence over OSRAM Licht AG arises as a result of a majority voting interest, an intercompany agreement, or a merger) that leads to a material change in the position of the individual Managing Board member, the member of the Managing Board will have a special right of termination. On exercise of this right of termination, the member of the Managing Board concerned is entitled to a severance payment amounting to a maximum of two years' compensation (cap). The calculation of the annual compensation includes the base compensation, and the bonus and the long-term share-based compensation in the last completed fiscal year prior to termination of the contract. Any stock awards not yet due remain unaffected. There is no entitlement to a severance payment if the Managing Board member receives benefits from third parties in connection with the change of control, or if the change of control occurs within a period of twelve months prior to the Managing Board member's retirement.

Compensatory or severance payments are increased by a flat rate of 5% of the total compensation or severance amount to cover nonmonetary benefits. In addition, compensatory or severance payments are reduced by a flat rate of 15% to account for discount effects and income earned elsewhere, if the remaining term of the Managing Board member's contract was at least six months. However, this reduction only applies to the portion of the compensatory or severance payments that was calculated without taking account of the first six months of the remaining term of the Managing Board member's contract.

Pension Commitments

Like most OSRAM Licht Group employees in Germany, the members of the Managing Board are included in the OSRAM Defined Contribution Benefit Plan (BOA). Under the BOA, members of the Managing Board receive contributions that are credited to their personal pension account. The amount of these contributions is decided annually by the Supervisory Board; it is currently set at 28% of the sum of the base compensation and target amount of the bonus. The pension commitments have vested. Members of the Managing Board are entitled to benefits under the BOA on reaching the age of 62. They may choose to receive the benefits under the BOA in the form of a pension, as a lump sum payment, or in up to twelve annual installments.

D&O Insurance and Criminal Liability Insurance

D&O insurance is taken out for governing body members and certain employees of the OSRAM Licht Group. This insurance, which is taken out for a period of one year in each case, covers the personal liability of these people for financial losses arising in connection with the performance of their duties. The members of the Managing Board of OSRAM Licht AG are also the managing directors of OSRAM GmbH. Liability risks arising from this activity are also covered. The OSRAM D&O insurance policy provides for a deductible for the Managing Board of OSRAM Licht AG, which meets the requirements of the AktG.

The members of the Managing Board are also covered by the criminal liability insurance that the OSRAM Licht Group has taken out for its employees and governing body members. This insurance covers any lawyers' fees and court costs arising in connection with their defense in criminal or administrative offense proceedings.

C.4.2.2 Remuneration of OSRAM Licht AG Managing Board Members in Fiscal Year 2016

After assessing the achievement of the targets that it had set before the beginning of fiscal year 2016, the Supervisory Board of OSRAM Licht AG established the amounts of variable compensation (bonus), the stock awards to be granted, and the contributions to the pension plan at its meeting on November 8, 2016 as follows:

Variable Compensation (Bonus)

For the variable compensation (bonus) payable to the members of the Managing Board for fiscal year 2016, the Supervisory Board defined concrete targets at Group level for organic revenue growth, EBITA, and free cash flow. These targets are equally weighted. Organic revenue growth is defined as the change in the Company's revenue, adjusted for portfolio and currency effects. EBITA is defined as earnings before financial result, income taxes, and amortization and impairment losses on intangible assets. Free cash flow is calculated on the basis of the net cash provided by/used in operating activities, less cash received/paid in connection with additions to intangible assets and property, plant, and equipment. The Supervisory Board also specified that the EBITA and free cash flow financial indicators should be adjusted for significant transformation costs arising from the OSRAM Push program and for expenses relating to the separation and sale of the general lighting lamps business when determining the level of target achievement. No other adjustments were made. Finally, before the start of the fiscal year, the Supervisory Board resolved to take particular account of the success with which the general lighting lamps business was separated and sold and the success of the sale of the shareholding in Foshan Electric and Lighting Co. Ltd. in its decision to increase or decrease the variable compensation paid by up to 20%.

When setting the targets, the Supervisory Board took into consideration the plans for the fiscal year submitted by the Managing Board, performance compared to the results for the previous fiscal year, macroeconomic conditions, and the situation in the lighting industry. Based on the results in fiscal year 2016, the Supervisory Board determined the degree of target achievement to be 175.4% (previous year: 129.3%). In addition, it decided at its professional discretion to not adjust the amounts to be paid out on the basis of this target achievement.

Long-term Share-based Compensation

As in the previous year, the Supervisory Board of OSRAM Licht AG decided for fiscal year 2016 to adjust the amount of the long-term share-based compensation in line with the average (basic) earnings per share (EPS) of the OSRAM Licht Group over the past three fiscal years. The average EPS determined for fiscal years 2014 to 2016 was €2.40 and the degree of target achievement was thus 126.0% (previous year: 114.8%). In order to determine the number of stock awards to be granted, the value of the stock awards was calculated using the XETRA closing price for OSRAM Licht shares on the date of the award, less the present value of the dividends expected during the four-year lock-up period, to which the beneficiaries are not entitled, as set out in the employment contracts. This figure amounted to €44.21 (previous year: €33.34). In contrast to the procedure for measuring the stock awards, the cap on long-term share-based compensation is not taken into account in this calculation.

Dr. Klaus Patzak's Departure from the Managing Board

Dr. Klaus Patzak's appointment to the Managing Board was terminated by mutual agreement as of the end of June 30, 2016, and his contract was terminated at the same time. Dr. Patzak was granted the contractually agreed compensation for his work in fiscal year 2016, and it was agreed that the variable compensation components would be calculated on the basis of the degree of target achievement in fiscal year 2016. In addition, a gross compensatory payment of around €4.1 million and a one-off contribution to the BOA totaling €672 thousand, credited in July 2016, were agreed with Dr. Patzak to settle the further claims arising from his contract. The bonus awards granted to Dr. Patzak during his appointment to the Managing Board as well as his rights to the transaction bonus awarded by Siemens AG remain in force without restriction, in accordance with the plan terms and conditions. The stock awards granted to Dr. Patzak during his appointment to the Managing Board were settled pro rata temporis according to the portion of the lock-up period that had already elapsed, at their value as of the termination date, resulting in a cash payment of approximately €1.3 million. This value was the closing price of OSRAM shares on the Frankfurt Stock exchange (XETRA trading) on June 30, 2016 of €46.54, less the discounted, estimated dividends for the remaining portion of the four-year lock-up period. As agreed, no variable share-based compensation was granted for fiscal year 2016.

Total Compensation

Based on the above amounts determined by the Supervisory Board, the total compensation (excluding pension commitments) of the members of the OSRAM Licht AG Managing Board who were in office during fiscal year 2016 amounted in total to €5.9 million (previous year: €5.3 million). Of this total compensation, €4.6 million (previous year: €3.7 million) was attributable to the cash component and €1.3 million (previous year: €1.6 million) to the share-based compensation.

The following compensation was granted to the individual members of the Managing Board in fiscal year 2016:

Benefits Granted for Fiscal Year 2016

in €

	Managing Board members in office as of September 30, 2016							
	Dr. Olaf Berlien Chairman of the Managing Board				**Ingo Bank** (from September 1, 2016) Chief Financial Officer			
	Fiscal 2015	Fiscal 2016	Fiscal 2016 (Min.)	Fiscal 2016 (Max.)	Fiscal 2015	Fiscal 2016	Fiscal 2016 (Min.)	Fiscal 2016 (Max.)
Non-performance-based components								
Fixed compensation (base compensation)	675,000	900,000	900,000	900,000	0	50,000	50,000	50,000
Ancillary benefits 1)	157,489	170,560	170,560	170,560	0	7,073	7,073	7,073
Total	**832,489**	**1,070,560**	**1,070,560**	**1,070,560**	**0**	**57,073**	**57,073**	**57,073**
Performance-based components								
Excluding long-term incentive effect, not share-based								
One-year variable compensation (bonus)	872,775	1,578,600	0	2,160,000	0	87,700	0	120,000
Including long-term incentive effect, share-based								
Multi-year variable compensation OSRAM stock awards (lock-up period of 4 years) 3) 4)	747,840	1,098,742	0	2,500,000	0	60,448	0	137,500
Total	**2,453,104**	**3,747,902**	**1,070,560**	**5,730,560**	**0**	**205,221**	**57,073**	**314,573**
Service cost	408,213	547,315	547,315	547,315	0	28,395	28,395	28,395
Total compensation	**2,861,317**	**4,295,217**	**1,617,875**	**6,277,875**	**0**	**233,616**	**85,468**	**342,968**

1) Ancillary benefits include expenses and non-cash benefits such as the provision of company cars, contributions to insurance policies, the reimbursement of legal and tax advisory expenses, accommodation and moving costs, and costs related to preventive medical examinations.
2) Dr. Klaus Patzak left the Managing Board as of June 30, 2016. In connection with his departure from the Managing Board, it was agreed with Dr. Patzak that the share-based payment instruments in the form of OSRAM bonus awards granted to him while he was a member of the Managing Board are to be treated as having vested and that the individual lock-up periods in accordance with the plan terms and conditions remain unaffected. The OSRAM stock awards granted to Dr. Patzak were settled pro rata temporis according to the portion of the lock-up period that had already elapsed, at their value as of the termination date. In addition to the compensation granted for fiscal year 2016 that is shown, which relates to his activities as a member of the Managing Board, a compensatory payment of €4.1 million was agreed with Dr. Patzak in respect of the remaining term of his contract (July 1, 2016 to March 31, 2021). In July 2016, Dr. Patzak was also granted a one-off pension contribution of €672 thousand in respect of this remaining term.
3) The expense arising from the stock awards for members of the Managing Board of OSRAM Licht AG recognized in fiscal years 2016 and 2015 in accordance with IFRS amounted to a net gain of €0.5 million for fiscal year 2016 and an expense of €2.3 million for fiscal year 2015. The expense attributable to each member of the Managing Board in fiscal year 2016 was therefore as follows: Dr. Olaf Berlien €0.4 million (previous year: €0.1 million), Ingo Bank €1 thousand (previous year: €0), Dr. Stefan Kampmann €9 thousand (previous year: €0), Dr. Klaus Patzak (until June 30, 2016) net gain of €0.9 million (previous year: expense of €0.4 million).
4) As of the grant date of November 10, 2016, the fair value of one stock award based on the data in the table amounted to €38.55 (previous year: €28.96). This value was calculated using an option model, which applies a reduction taking into account the maximum variable share-based remuneration amount (cap) described above when the awarded OSRAM Licht shares are received; as a result, it differs from the value of €44.21 used to determine the number of stock awards granted. This reduction in value results in a deviation from the monetary value of a stock award used to calculate the number of shares in accordance with the employment contract. Based on target achievement of 100%, the monetary values for the members of the Managing Board in office as of September 30, 2016, were as follows: Dr. Olaf Berlien €1.0 million (previous year: €750 thousand), Ingo Bank €55 thousand (previous year: €0), Dr. Stefan Kampmann €165 thousand (previous year: €0). For former members of the Managing Board on the basis of target achievement of 100%, the monetary values were as follows: Dr. Klaus Patzak €0 (previous year: €660 thousand).

Benefits Granted for Fiscal Year 2016

in €

	Managing Board members in office as of September 30, 2016				Former members of the Managing Board			
	Dr. Stefan Kampmann (from July 1, 2016) Member of the Managing Board				**Dr. Klaus Patzak**[2] (until June 30, 2016) Member of the Managing Board			
	Fiscal 2015	Fiscal 2016	Fiscal 2016 (Min.)	Fiscal 2016 (Max.)	Fiscal 2015	Fiscal 2016	Fiscal 2016 (Min.)	Fiscal 2016 (Max.)
Non-performance-based components								
Fixed compensation (base compensation)	0	150,000	150,000	150,000	600,000	465,000	465,000	465,000
Ancillary benefits[1]	0	31,559	31,559	31,559	53,155	70,893	70,893	70,893
Total	**0**	**181,559**	**181,559**	**181,559**	**653,155**	**535,893**	**535,893**	**535,893**
Performance-based components								
Excluding long-term incentive effect, not share-based								
One-year variable compensation (bonus)	0	263,100	0	360,000	775,800	815,610	0	1,116,000
Including long-term incentive effect, share-based								
Multi-year variable compensation OSRAM stock awards (lock-up period of 4 years)[3] [4]	0	181,305	0	412,500	658,100	0	0	0
Total	**0**	**625,964**	**181,559**	**954,059**	**2,087,055**	**1,351,503**	**535,893**	**1,651,893**
Service cost	0	86,450	86,450	86,450	353,763	266,289	266,289	266,289
Total compensation	**0**	**712,414**	**268,009**	**1,040,509**	**2,440,818**	**1,617,792**	**802,182**	**1,918,182**

1) Ancillary benefits include expenses and non-cash benefits such as the provision of company cars, contributions to insurance policies, the reimbursement of legal and tax advisory expenses, accommodation and moving costs, and costs related to preventive medical examinations.
2) Dr. Klaus Patzak left the Managing Board as of June 30, 2016. In connection with his departure from the Managing Board, it was agreed with Dr. Patzak that the share-based payment instruments in the form of OSRAM bonus awards granted to him while he was a member of the Managing Board are to be treated as having vested and that the individual lock-up periods in accordance with the plan terms and conditions remain unaffected. The OSRAM stock awards granted to Dr. Patzak were settled pro rata temporis according to the portion of the lock-up period that had already elapsed, at their value as of the termination date. In addition to the compensation granted for fiscal year 2016 that is shown, which relates to his activities as a member of the Managing Board, a compensatory payment of €4.1 million was agreed with Dr. Patzak in respect of the remaining term of his contract (July 1, 2016 to March 31, 2021). In July 2016, Dr. Patzak was also granted a one-off pension contribution of €672 thousand in respect of this remaining term.
3) The expense arising from the stock awards for members of the Managing Board of OSRAM Licht AG recognized in fiscal years 2016 and 2015 in accordance with IFRS amounted to a net gain of €0.5 million for fiscal year 2016 and an expense of €2.3 million for fiscal year 2015. The expense attributable to each member of the Managing Board in fiscal year 2016 was therefore as follows: Dr. Olaf Berlien €0.4 million (previous year: €0.1 million), Ingo Bank €1 thousand (previous year: €0), Dr. Stefan Kampmann €9 thousand (previous year: €0), Dr. Klaus Patzak (until June 30, 2016) net gain of €0.9 million (previous year: expense of €0.4 million).
4) As of the grant date of November 10, 2016, the fair value of one stock award based on the data in the table amounted to €38.55 (previous year: €28.96). This value was calculated using an option model, which applies a reduction taking into account the maximum variable share-based remuneration amount (cap) described above when the awarded OSRAM Licht shares are received; as a result, it differs from the value of €44.21 used to determine the number of stock awards granted. This reduction in value results in a deviation from the monetary value of a stock award used to calculate the number of shares in accordance with the employment contract. Based on target achievement of 100%, the monetary values for the members of the Managing Board in office as of September 30, 2016, were as follows: Dr. Olaf Berlien €1.0 million (previous year: €750 thousand), Ingo Bank €55 thousand (previous year: €0), Dr. Stefan Kampmann €165 thousand (previous year: €0). For former members of the Managing Board on the basis of target achievement of 100%, the monetary values were as follows: Dr. Klaus Patzak €0 (previous year: €660 thousand).

The following table shows the fixed compensation, ancillary benefits, one-year variable compensation, multi-year variable compensation, and the service cost received in or for fiscal year 2016:

Benefits Received in Fiscal Year 2016

in €

	Managing Board members in office as of September 30, 2016						Former members of the Managing Board	
	Dr. Olaf Berlien Chairman of the Managing Board		**Ingo Bank** (from September 1, 2016) Chief Financial Officer		**Dr. Stefan Kampmann** (from July 1, 2016) Member of the Managing Board		**Dr. Klaus Patzak**[2)] (until June 30, 2016) Member of the Managing Board	
	Fiscal 2015	Fiscal 2016	Fiscal 2015	Fiscal 2016	Fiscal 2015	Fiscal 2016	Fiscal 2015	Fiscal 2016
Non-performance-based components								
Fixed compensation (base compensation)	675,000	900,000	0	50,000	0	150,000	600,000	465,000
Ancillary benefits[1)]	157,489	170,560	0	7,073	0	31,559	53,155	70,893
Total	**832,489**	**1,070,560**	**0**	**57,073**	**0**	**181,559**	**653,155**	**535,893**
Performance-based components								
Excluding long-term incentive effect, not share-based								
One-year variable compensation (bonus)	872,775	1,578,600	0	87,700	0	263,100	775,800	815,610
Including long-term incentive effect, share-based								
Multi-year variable compensation OSRAM stock awards (lock-up period of 4 years)	0	0	0	0	0	0	0	0
Total	**1,705,264**	**2,649,160**	**0**	**144,773**	**0**	**444,659**	**1,428,955**	**1,351,503**
Service cost	408,213	547,315	0	28,395	0	86,450	353,763	266,289
Total compensation	**2,113,477**	**3,196,475**	**0**	**173,168**	**0**	**531,109**	**1,782,718**	**1,617,792**

1) Ancillary benefits include expenses and non-cash benefits such as the provision of company cars, contributions to insurance policies, the reimbursement of legal and tax advisory expenses, accommodation and moving costs, and costs related to preventive medical examinations.
2) Dr. Klaus Patzak left the Managing Board as of June 30, 2016. In connection with his departure from the Managing Board, it was agreed with Dr. Patzak that the share-based payment instruments in the form of OSRAM bonus awards granted to him while he was a member of the Managing Board are to be treated as having vested and that the individual lock-up periods in accordance with the plan terms and conditions remain unaffected. The OSRAM stock awards granted to Dr. Patzak were settled pro rata temporis according to the portion of the lock-up period that had already elapsed, at their value as of the termination date. In addition to the compensation granted for fiscal year 2016 that is shown, which relates to his activities as a member of the Managing Board, a compensatory payment of €4.1 million was agreed with Dr. Patzak in respect of the remaining term of his contract as of July 2016 (July 1, 2016 to March 31, 2021). Dr. Patzak was also granted a one-off pension contribution of €672 thousand in respect of this remaining term.

Pension Commitments

The amount of the contributions to the OSRAM Defined Contribution Benefit Plan (BOA) is determined by the Supervisory Board on an annual basis. The contributions to the BOA are credited to the plan members' personal pension accounts in the January following the end of the fiscal year concerned, with a value date of January 1. Interest is credited (guaranteed interest) to the pension account on January 1 each year until the pension becomes payable. OSRAM Licht AG made contributions of €0.9 million to the BOA for the work performed by the members of the Managing Board who were in office during fiscal year 2016 based on a Supervisory Board resolution dated November 8, 2016 (previous year: €0.8 million). Of this amount, €7,969 (previous year: €10,625) was attributable to the funding of personal pension entitlements acquired by former members of the Managing Board in the Siemens Group before the introduction of a defined contribution pension plan, and transferred to OSRAM while OSRAM belonged to the Siemens Group. The remaining amount of €0.9 million (previous year: €0.8 million) was credited to the individual pension accounts.

The following overview shows, among other things, the contributions (additions) made to the BOA for the individual Managing Board members for fiscal year 2016:

Overview of Pension Commitments to Members of the Managing Board for Fiscal Year 2016

in €

	Total contribution[1] for		Present value of all pension commitments excluding deferred compensation[2]	
	2016	2015	2016	2015
Managing Board members in office as of September 30, 2016				
Dr. Olaf Berlien	504,000	378,000	908,026	373,169
Ingo Bank	28,000	–	28,395	–
Dr. Stefan Kampmann	84,000	–	86,450	–
Former Managing Board members				
Dr. Klaus Patzak[3]	932,400	336,000	3,845,836	2,589,493
Total	**1,548,400**	**714,000**	**4,868,707**	**2,962,662**

1) This figure includes the present value of pension commitments under the Siemens AG occupational pension plan, which one former member of the Managing Board transferred to OSRAM when he moved to OSRAM.
2) As of September 30, 2015/2016.
3) Dr. Klaus Patzak left the Managing Board as of June 30, 2016. The present value of his pension commitments reflects the one-off contribution of €672 thousand that was granted to him in connection with his departure from the Managing Board in July 2016.

In fiscal year 2016, former members of the Managing Board of OSRAM Licht AG and their dependents received total compensation within the meaning of section 314(1) no. 6b of the HGB in the amount of €126 thousand (previous year: €2.5 million). As of September 30, 2016, the present value of all pension commitments for former members of the Managing Board of OSRAM Licht AG and their dependents totaled €5.3 million (previous year: €1.5 million).

Additional Disclosures on Share-based Payment Instruments in Fiscal Year 2016

The stock commitments held by members of the Managing Board who were in office during fiscal year 2016 (bonus awards, stock awards, and stock commitments under the transaction bonus) changed as follows in fiscal year 2016:

Stock Commitments Held by Current and Former Members of the Managing Board

Quantity

	Beginning of fiscal year 2016			Granted in fiscal year 2016[3]	Vested and transferred in fiscal year 2016	Lapsed in fiscal year 2016	End of fiscal year 2016[4]		
	Vested OSRAM bonus awards[1]	Unvested stock awards	Stock commitments under the transaction bonus[2]	OSRAM stock awards	Bonus awards/ stock awards and stock commitments under the transaction bonus	Stock awards	OSRAM bonus awards	OSRAM stock awards	Stock commitments under the transaction bonus
Managing Board members in office as of September 30, 2016									
Dr. Olaf Berlien	0	0	0	25,825	0	0	0	25,825	0
Ingo Bank	0	0	0	0	0	0	0	0	0
Dr. Stefan Kampmann	0	0	0	0	0	0	0	0	0
Former Managing Board members									
Dr. Klaus Patzak[5]	13,718	46,845	19,141	22,726	0	69,571	13,718	0	19,141
Total	**13,718**	**46,845**	**19,141**	**48,551**	**0**	**69,571**	**13,718**	**25,825**	**19,141**

1) Until September 30, 2014, a bonus was granted, half of which was granted in cash and half in the form of vested stock commitments for the transfer of OSRAM Licht AG shares (bonus awards). Bonus awards have not been granted since October 1, 2014.
2) In fiscal year 2013, prior to OSRAM's spin-off from the Siemens Group, Siemens Aktiengesellschaft (Siemens AG) awarded a transaction bonus to members of the Managing Board of OSRAM Licht AG and other OSRAM executives in connection with the spin-off and listing of OSRAM. This bonus was awarded in the form a commitment to transfer OSRAM Licht shares. As of September 30, 2016, former member of the Managing Board Dr. Klaus Patzak was entitled to 19,141 OSRAM Licht shares (calculated using the volume-weighted average price of OSRAM Licht shares in Xetra trading on the Frankfurt Stock Exchange during the first 20 days of trading from the start of trading, which was €26.12) with a monetary value of €500,000 (calculated on the basis of target achievement of 50% determined at the discretion of Siemens AG (volatility range: 50–200%)). OSRAM Licht AG assumed responsibility for the settlement of the transaction bonus, and particularly for delivery of the OSRAM Licht shares to be granted, from Siemens AG. Siemens AG will reimburse OSRAM Licht AG for the costs of settling the transaction bonus, including the cost of acquiring the shares to be delivered to the beneficiaries. The OSRAM Licht shares awarded were allocated in four tranches; the final tranche fell due on July 5, 2016. The quantity of OSRAM Licht shares determined for the transaction bonus will be transferred to the members of the Managing Board four years after the listing.
3) In fiscal year 2016, the fair value at the grant date of the stock awards granted in November 2015 was €28.96 per share awarded (previous year: €25.11).
4) Stock awards granted in November 2016 (fiscal year 2017) as compensation for fiscal year 2016 are not included in these figures. Please see the above disclosures for further information.
5) Dr. Klaus Patzak left the Managing Board as of June 30, 2016.

Other Information

In fiscal year 2016, members of the Managing Board did not receive any advances or loans from the Company.

C.4.2.3 Remuneration of Members of the Supervisory Board

The remuneration of the members of the Supervisory Board is governed by section 12 of the Articles of Association of OSRAM Licht AG, which stipulates the following base compensation: €120 thousand for the Chairman of the Supervisory Board, €100 thousand for each Deputy Chairman of the Supervisory Board, and €65 thousand for the other Supervisory Board members. The Chairman of the Audit Committee receives an additional €50 thousand, and each further member of the Audit Committee €15 thousand; the Chairman of the Executive Committee receives €20 thousand, and each further member of the Executive Committee €10 thousand. The Chairman of the Strategy and Technology Committee receives an additional €15 thousand, and each further member €10 thousand. However, the additional compensation for activities on Supervisory Board committees is limited to a total of €50 thousand for the Chairman of the Audit Committee, €22.5 thousand for the Chairman of any other committee in respect of which compensation is paid, and €15 thousand for all other members of the Supervisory Board.

If a Supervisory Board member does not participate in a Supervisory Board meeting, one-third of the total compensation described above is reduced by a percentage equal to the number of meetings the Supervisory Board member did not attend relative to the total number of meetings held in the fiscal year. The members receive €500 in each case for attendance at meetings of the full Supervisory Board or the committees. Supervisory Board members who do not belong to the Supervisory Board or a committee for a full fiscal year, or who do not hold the position of chairman for a full year, receive the compensation on a pro rata basis, with parts of months being rounded up to full months.

Based on these provisions, the compensation in fiscal year 2016 is as follows:

Compensation of Members of the Supervisory Board

in €

	2016				2015			
	Base compen-sation	Additional compen-sation for activities on commit-tees[2]	Attendance fees	Total compen-sation	Base compen-sation	Additional compen-sation for activities on committees	Attendance fees	Total compen-sation
Supervisory Board members of OSRAM Licht AG in office as of September 30, 2016[1]								
Peter Bauer	120,000	22,500	10,500	153,000	120,000	22,500	9,500	152,000
Michael Knuth[3]	100,000	15,000	11,500	126,500	100,000	15,000	10,000	125,000
Dr. Christine Bortenlänger	65,000	15,000	8,500	88,500	65,000	15,000	6,500	86,500
Dr. Werner Brandt[4]	63,194	48,611	8,000	119,806	59,583	45,833	5,500	110,917
Dr. Roland Busch[5]	94,444	14,167	10,000	118,611	95,833	14,375	9,000	119,208
Prof. Dr. Lothar Frey	63,194	9,722	7,000	79,917	65,000	10,000	6,000	81,000
Frank H. Lakerveld	65,000	10,000	7,500	82,500	65,000	10,000	6,000	81,000
Hubert Roßkopf[3]	65,000	15,000	10,000	90,000	65,000	15,000	8,500	88,500
Ulrike Salb[4]	37,917	–	3,500	41,417	–	–	–	–
Willi Sattler[3]	65,000	15,000	10,500	90,500	65,000	15,000	9,000	89,000
Irene Schulz[3]	57,778	13,333	6,000	77,111	65,000	15,000	6,500	86,500
Thomas Wetzel[3]	63,194	9,722	6,500	79,417	65,000	10,000	6,000	81,000
Former Supervisory Board members of OSRAM Licht AG								
Alfred Haas[5]	24,826	–	1,500	26,326	65,000	–	4,000	69,000
Total	**884,547**	**188,055**	**101,000**	**1,173,605**	**895,416**	**187,708**	**86,500**	**1,169,625**

1) Peter Bauer, Michael Knuth, Alfred Haas (until February 29, 2016), Dr. Christiane Bortenlänger, Dr. Werner Brandt, Dr. Roland Busch, Professor Dr. Lothar Frey, Frank H. Lakerveld, Hubert Roßkopf, Willi Sattler, Irene Schulz, and Thomas Wetzel were also members of the Supervisory Board of OSRAM GmbH in fiscal year 2016. The Chairman of the Supervisory Board of OSRAM GmbH receives annual compensation of €7,500 and all other members receive €5,000. No additional compensation is paid for activities on the committees of the OSRAM GmbH Supervisory Board. Equally, no attendance fees are granted. In the event of changes in the Supervisory Board of OSRAM GmbH, the compensation is paid on a pro rata basis, with parts of months being rounded up to full months. If a Supervisory Board member does not participate in a Supervisory Board meeting, one-third of the total compensation due is reduced by a percentage equal to the number of meetings the Supervisory Board member did not attend relative to the total number of meetings held in the fiscal year. The aforementioned members of the Supervisory Board of OSRAM Licht AG received the following base compensation for their activities on the committees of the OSRAM GmbH Supervisory Board: Peter Bauer as Chairman of the Supervisory Board of OSRAM GmbH €7,500, Dr. Roland Busch €4,667, Alfred Haas €2,083, Hubert Roßkopf €3,750, Willi Sattler €3,750, Irene Schulz €4,667, Thomas Wetzel €4,667, and all other members of the Supervisory Board €5,000.
2) The following people each received additional compensation for their activities on committees in fiscal year 2016: Peter Bauer as Chairman of the Supervisory Board of OSRAM Licht AG, of the Executive Committee, and of the Strategy and Technology Committee; Dr. Christine Bortenlänger as a member of the Audit Committee; Dr. Werner Brandt as Chairman of the Audit Committee; Dr. Roland Busch as Deputy Chairman of the Supervisory Board and a member of the Executive Committee and the Audit Committee; Professor Dr. Lothar Frey as a member of the Strategy and Technology Committee; Michael Knuth as Deputy Chairman of the Supervisory Board and a member of the Executive Committee and the Audit Committee; Frank H. Lakerveld as a member of the Strategy and Technology Committee; Hubert Roßkopf as a member of the Audit Committee and the Strategy and Technology Committee; Willi Sattler as a member of the Executive Committee and the Strategy and Technology Committee; Irene Schulz as a member of the Audit Committee; Thomas Wetzel as a member of the Strategy and Technology Committee. This compensation was paid on a pro rata basis where they assumed their activities on the committees during the fiscal year.
3) The employee representatives on the Supervisory Board, who represent the employees in accordance with section 3(1) no. 1 of the MitbestG, and the trade union representatives on the Supervisory Board have stated that they pay their remuneration to the Hans Böckler Foundation, in accordance with the guidelines of the German Confederation of Trade Unions.
4) Ulrike Salb was appointed as a member of the Supervisory Board of OSRAM Licht AG by way of an order of the Munich local court dated March 1, 2016 and received on March 4, 2016.
5) Alfred Haas stepped down as a member of the Supervisory Board of OSRAM Licht AG as of the end of February 29, 2016.

Members of the Supervisory Board did not receive any loans or advances from the Company in fiscal year 2016.

C.4.3 Corporate Governance Declaration in Accordance with Section 289a of the HGB

The corporate governance declaration for fiscal year 2016 is made in accordance with section 289a of the HGB. According to section 317(2) sentence 3 of the HGB, the disclosures in accordance with section 289a of the HGB should not be included in the audit.

C.4.3.1 Declaration of Conformity with the German Corporate Governance Code

On September 27, 2016, the Managing Board and Supervisory Board of OSRAM Licht AG issued the following declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the AktG:

'OSRAM Licht AG complies with all of the recommendations of the German Corporate Governance Code (the 'Code') in the version dated May 5, 2015, published by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette), and will also comply with these in the future.

In the period since the last declaration of conformity dated September 28, 2015, was issued, OSRAM Licht AG has complied with all the recommendations of the Code in the version dated May 5, 2015.

Munich, September 27, 2016

OSRAM Licht AG
The Managing Board The Supervisory Board'

C.4.3.2 Disclosures on Corporate Governance Practices

Suggestions in the Code
OSRAM Licht AG also voluntarily complies with the non-mandatory suggestions in the German Corporate Governance Code in the version dated May 5, 2015 (the 'Code'), with the following single exception:

In contrast to the suggestion contained in section 2.3.2 of the Code, no proxy will be reachable during the General Meeting of OSRAM Licht AG by shareholders who are not present or represented at the General Meeting.

The Code can be downloaded online at » www.dcgk.de/en/code.html.

Company Values and Business Conduct Guidelines
Technical performance, innovation, quality, reliability, and an international reach are the basis for OSRAM's excellent reputation as one of the leading companies in the lighting industry. We will continue to build on our outstanding achievements and high ethical standards in the future.

Our Business Conduct Guidelines form the legal and ethical framework within which we do business. They contain additional corporate governance practices that are applied above and beyond the legal requirements and the requirements of the Code, as well as basic principles and rules for our conduct both internally and toward our external partners and the public. The guidelines demonstrate how we meet our ethical and legal responsibilities as a company, and express our company values: 'innovative—respectful—entrepreneurial'. The Business Conduct Guidelines can be downloaded at » www.osram-group.de/en/sustainability/economic/compliance.

C.4.3.3 Description of the Working Practices of the Managing Board and the Supervisory Board, as well as of the Composition and Working Practices of the Supervisory Board Committees

The composition of the Supervisory Board committees (currently the Executive Committee, Audit Committee, Nomination Committee, Mediation Committee, and Strategy and Technology Committee) can be found in › Note 37 | Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. This Note also reports on the composition of the Managing Board and Supervisory Board. The composition of the boards is also available online at » www.osram-group.com.

S Page 152

A general description of the tasks and working practices of the Managing Board and Supervisory Board can be found under the heading 'Management and Control Structure' in › C.4.1 Corporate Governance Report.

S Page 166

Further details on the working practices of the Managing Board and the Supervisory Board are contained in the disclosures on the committees and in the bodies' rules of procedure. These documents are published on the Company's website at » www.osram-group.com. Related disclosures can also be found in › C.3 Report of the Supervisory Board and in › C.4.1 Corporate Governance Report.

S Page 160
S Page 166

C.4.3.4 Targets for the Proportion of Women on the Managing Board, Supervisory Board, and in Senior Management

On July 28, 2015, the Supervisory Board set the target for the proportion of women on the Managing Board of the Company to be achieved by June 30, 2017 at 0% because of the existing terms of appointment for the members of the Managing Board in post at that time. However, at the same time, it asked the Executive Committee to give particular consideration to female candidates for future Managing Board positions in its long-term succession planning.

On September 15, 2015, the Managing Board set the target for the proportion of women in the first level of the Company's management below the Managing Board to be achieved by June 30, 2017 at 22.2% and an equivalent target for the second level of the Company's management at 35%. At the same time, it decided that, for the Group as a whole, the target to be achieved by June 30, 2017 for the proportion of women in the first two management levels in Germany would be 15%.

In relation to the target for the proportion of women on the Supervisory Board, the Supervisory Board decided on July 28, 2015 that at least three of the positions on the Supervisory Board should be occupied by women by the next regular election of members of the Supervisory Board. Ms. Ulrike Salb was appointed to the Supervisory Board as representative of the senior executives in March 2016, succeeding Mr. Alfred Haas. Since then, three positions on the Supervisory Board have been occupied by women (previously two), which equates to 25% (previously 16.6%). As no Supervisory Board members other than Ms. Salb were appointed in fiscal year 2016, it was not yet possible in the reporting period to satisfy the requirement pursuant to section 96(2) sentence 1 of the AktG that at least 30% of Supervisory Board members be female.

Date of Publication
December 5, 2016

Publisher
OSRAM Licht AG
represented by Dr. Olaf Berlien,
Ingo Bank and
Dr. Stefan Kampmann

Headquarters
Marcel-Breuer-Str. 6
80807 Munich
Germany
Tel: +49 89 6213-0
Fax: +49 89 6213-2020
Email webmaster@osram.com
www.osram-group.de
www.osram-group.com

Chairman of the Supervisory Board
Peter Bauer

Chief Executive Officer
Dr. Olaf Berlien

Corporate Communications &
Brand Strategy, Investor Relations
OSRAM Licht AG
Jan-Peter Schwartz

Contact
Melanie Kellerer
Marcel-Breuer-Str. 6
80807 Munich
Germany
Tel: +49 89 6213-4875
Fax: +49 89 6213-3629
Email ir@osram.com
www.osram-group.de/en/investors

Concept and Design
Strichpunkt GmbH, Stuttgart/Berlin,
Germany

Printing
Meinders & Elstermann GmbH & Co. KG,
Belm, Germany

Printed on Munken Kristall brilliant white in a climate-neutral process. Produced from 100% recycled fiber, the paper is FSC®-certified and carries the EU Ecolabel.

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

OSRAM Licht AG

Headquarters
Marcel-Breuer-Str. 6
80807 Munich
Germany
Phone +49 89 6213-0
Fax +49 89 6213-2020

OSRAM