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Annual Report
of OSRAM Licht Group
Fiscal Year 2020

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, 2020, as well as further information. It complies with the annual financial reporting requirements of section 114 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.4.1 Corporate Governance Declaration (incl. Corporate Governance Report).

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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 depends on numerous risks and uncertainties, many aspects of which are outside OSRAM's sphere of influence. In particular, these include, but are not limited to, the circumstances described in › 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.

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

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Fiscal year 2020 for the OSRAM Licht Group and OSRAM Licht AG began on October 1, 2019, and ended on September 30, 2020. 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.

Cross-references in the text

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

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

Combined 1) Management Report

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

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Business and Environment

A.1.1 Business Activities and Structure of OSRAM Licht Group

A.1.1.1 Business Model

OSRAM can look back on an almost 115-year history as an international lighting manufacturer. We are currently undergoing a transformation from a lighting manufacturer into a high-tech photonics company. In addition to lighting, we are increasing our focus on sensors, visualization, and light-based treatments. Our mainly semiconductor-based products find wide-ranging use in our specialist fields of mobility, safety, connectivity, and health and well-being. Sample applications range from virtual reality, autonomous driving, and high-tech smartphones to intelligent and connected lighting solutions in buildings and the indoor cultivation of plants.

In fiscal year 2020, the operating activities covered by our business model were essentially organized into three business units: Opto Semiconductors, Automotive, and Digital. These three business units together with the Group headquarters constituted the OSRAM Licht Group (continuing operations) in the past fiscal year.

In its continuing operations, OSRAM employed a total of around 21.4 thousand people as of September 30, 2020 (previous year: 23.5 thousand).

Opto Semiconductors (OS)

Measured in terms of revenue, the OS Business Unit is one of the world's leading providers of opto semiconductors, which are crucial elements in lighting, visualization, and sensor technology. OS offers a wide range of LEDs in the low-power, mid-power, high-power, and ultra-high-power classes that are used in general lighting, automotive, consumer, and industrial applications as well as infrared, laser, and optical sensors. The main markets for these components are the automotive sector, smartphones, wearables, general lighting, lighting for plants, industrial lighting, and projection.

OS and Nichia have been the global leaders in the highly competitive opto semiconductor market for many years. In addition to Lumileds, the relevant competitors in this segment primarily come from Asia and include companies such as Samsung, Sanan, Everlight, Seoul Semiconductor, and MLS. Our APAC reporting region was the largest regional market for sales of OS products, followed by EMEA.

OS employed around 10.4 thousand people as of September 30, 2020 (previous year: 11.4 thousand).

Automotive (AM)

The AM Business Unit develops and produces lamps, light modules, and sensors, which it sells to original equipment manufacturers and their suppliers in the automotive industry and to the spare parts market (aftermarket). This includes products based on traditional lighting technologies as well as LED-based solutions. The LED and laser technology-based automotive system (or module) original equipment manufacturer business was operated by our subsidiary OSRAM CONTINENTAL in the past fiscal year.

There are only a small number of international competitors in the automotive lighting market. AM is the global market leader for automotive lighting. Its main competitors are Lumileds, Tungsram, and Nichia.

AM employed around 5.2 thousand people as of September 30, 2020 (previous year: 5.7 thousand).

Digital (DI)

The DI Business Unit handles all of OSRAM's business activities that will benefit the most from the growing use of digital technologies. It focuses on smart devices and solutions for the Internet of Things (IoT). The digital capabilities range from electronic components and lighting systems to hardware and software for high-performance light management and IoT solutions beyond lighting. The DI Business Unit includes the Digital Systems (DS) segment, which consists of traditional electronic ballasts and LED drivers, LED modules, light engines (a combination of an LED module and the related electronic control gear), and light management systems (including sensor-based and software-based value-added services, such as indoor location solutions). The DI Business Unit also includes the Specialty Lighting segment with specialty lamps and lighting systems for stages, cinemas, and studios and in smart LED-based plant cultivation systems (smart farming), as well as lighting solutions for medical and industrial applications, such as high-intensity UV lamps and LED illumination for clothing. Complete lighting solutions for smart, networked, and mainly architectural internal and external lighting are also included in this Business Unit, as are professional interior lighting applications.

The main competitors for LED modules, LED light engines, and electronic ballasts are Signify, Zumtobel, and Asian manufacturers such as Inventronics, LG, Meanwell, and Delta Electronics. A large number of manufacturers also specialize in particular products. OSRAM and our competitor Ushio are the leading providers of specialty lighting for stages, cinemas, and studios. The largest share of revenue from DI products was generated in our Americas reporting region in the past fiscal year.

DI employed around 4.1 thousand people as of September 30, 2020 (previous year: 4.5 thousand).

A.1.1.2 Research and Development (R&D)

In fiscal year 2020, OSRAM continued to push ahead with its transformation from a lighting manufacturer into a leading high-tech photonics company with a firm focus on fast-growing high-tech markets. Global trends and challenges, such as the progressive automation of personal transport, the growing demand for digital services in increasingly networked systems, and the combined demographic issues of a growing and, in western societies, aging population, are opening up opportunities for light-based applications that go far beyond lighting for people. Intelligent sensors and digital technologies are building blocks of the systems of the future that enable these social issues to be tackled. OSRAM is playing an active part in this regard, for example in the development of new optical sensors and in the field of intelligent building services (smart buildings).

Structures and Processes

Strategic matters are closely coordinated between the business units and Managing Board at monthly board meetings and, at planning level, in an annual technology review. A network of experts from all business units has also been set up, ensuring that their specialist knowledge can be put to use across the Company. As part of its efforts to adapt to the changed economic environment, the Company transferred the activities of the central Innovation department to the business units.

OSRAM's venture capital arm, Fluxunit, continued the activities it had begun in previous years. Fluxunit makes targeted investments in young start-ups that may have the potential to complement OSRAM's future business in the long term. The investment portfolio currently comprises nine companies that develop products in areas in which OSRAM operates, and two further investments in venture capital funds.

To maintain our strong technological position going forward, we protect our innovations with patents and other industrial property rights as early as possible. The realignment of the patent strategy was continued during the reporting year and the patent portfolio was streamlined. The realignment encompassed R&D, business development, and patent aspects in a multidimensional approach. Strategic patent cross-licensing agreements and other agreements on the use of patents with other players in the lighting industry further help to secure our position in the lighting market.

We take an open approach to innovation, collaborating with various research institutions, universities, and other companies worldwide. Some of this cooperation takes the form of research programs supported by the European Commission and the Bundesministerium für Bildung und Forschung (BMBF—German Federal Ministry of Education and Research).

Objectives and Results

To enhance our service portfolio, IoT applications for facilities management and automated plant cultivation in greenhouses were jointly developed and tested with pilot customers. These applications enable OSRAM to offer comprehensive analysis of lighting- and building-related data, creating added value for customers that goes far beyond that offered by intelligent light control. It has many possible applications, ranging from occupancy management for rooms and workplaces to optimized use of space in office blocks and improved plant cultivation based on customized lighting and ambient conditions.

The business units launched a wealth of innovative products on the market. Here are just a few examples:

- The OS Business Unit expanded its product portfolio with numerous innovations relating to LEDs for automotive lighting. For example, particularly compact LED variants with maximum luminance were added to the Oslon Boost product family and enable new, ultra-slim headlight designs. The prototypes for the second generation of the intelligently controllable LED Eviyos with more than 25,000 pixels, which were unveiled at the CES trade fair, offer a glimpse of the automotive industry of the future, in which headlights not only illuminate the road and the vehicle's surroundings based on the driving situation but can also project warnings and symbols onto the road.
- OS expanded its horticultural LED product portfolio for professional top lighting, inter lighting, and vertical farming applications for the rapidly expanding market for plant cultivation. Horticultural LEDs enable more produce to be grown throughout the year, helping to resolve food problems. OS is setting a new standard for professional plant cultivation applications with the new generation of OSLON Square Hyper Red 660 nm, which boasts efficiency of 74%. Hyper red is the most important wavelength for horticultural applications. New products have also been added to the portfolio that enable cost-efficient lighting designs.
- A number of new infrared light sources from the OS Business Unit open up new ways of using sensors. The world's smallest broadband infrared LED makes mobile spectroscopy applications possible, such as determining whether food is fresh and identifying counterfeit medication and bank notes. New infrared surface-emitting lasers (VCSEL) are used in 3D cameras, for facial recognition in mobile devices and, in the future, as light sources for LiDAR (light detection and ranging) systems in autonomous and semi-autonomous vehicles.
- The DI Business Unit has launched a host of products that cater to the trend for networked general lighting systems and lay the foundations for new value-added services. For example, DI went to market with the world's first driver that is certified according to the new D4i standard for the IoT. The product portfolio was also expanded to include drivers and other components that enable integration into light management systems controlled using the Bluetooth Mesh and Zigbee wireless connectivity standards.
- The AM Business Unit launched the NIGHT BREAKER H7 LED, the first LED retrofit for low beam to be approved in Germany, and will replace the H7 halogen lamps still fitted in many vehicles. The retrofit lamp significantly improves driving safety thanks to increased brightness, colder color temperature, and greater longevity.

R&D Figures

		Fiscal year 2020	Fiscal year 2019
Employees — R&D	in thousands FTE	2.4	2.8
R&D expenses	in € million	362	403
R&D intensity [1]		11.9%	11.6%
Patents and patent applications		approx. 12,200	approx. 15,100
Patent families		approx. 5,000	approx. 5,800

1) R&D intensity is the ratio of R&D expenses to revenue.

A.1.1.3 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 93 subsidiaries and 20 investees › Note 38 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.

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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 three 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 was split into three reportable segments, OS, AM, and DI, plus *Reconciliation to consolidated financial statements* in fiscal year 2020. *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.

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OSRAM markets its products in more than 120 countries and has 23 production facilities worldwide. The regional breakdown used for reporting purposes is EMEA (Europa, Russia, 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 in EMEA are Munich (Group headquarters), Regensburg, Herbrechtingen (all Germany), Nové Zámky (Slovakia), Treviso (Italy), and Plovdiv (Bulgaria). Our key locations in the Americas and APAC regions are Hillsboro in New Hampshire and Wilmington in Massachusetts (both U.S.A.), Monterrey (Mexico), Wuxi (China), and Penang and Kulim (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 ('LED business') and the traditional business. Our definition of the LED business includes LED products and components, combinations of LEDs, lasers and sensors, and drivers, as well as light management systems for LED lighting solutions and associated services.

A.1.1.4 Legal and Sector-specific Conditions

In addition to the general legal requirements, statutory and regulatory requirements relating to technical regulations and standards 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.

Working in collaboration with different partners, such as the Lighting Europe trade association and the German Electrical and Electronic Manufacturers' Association (ZVEI), OSRAM keeps a close eye on new industry-specific regulations as well as general changes to legislation affecting our business across all regions. Before new regulations are introduced, for example, we help with the definition of technical standards or contribute our expertise in an advisory capacity. In doing so, we work to ensure—drawing on our experience in the lighting market, in particular—that new requirements address users' needs but can still be feasibly implemented by the industry.

After almost four years of work, the European Commission finally adopted new regulations on energy efficiency and energy labeling in December 2019. This includes new energy efficiency requirements for all types of light source (including LEDs) and separate electronic ballast and LED drivers in the general lighting sector, which particularly affects the products of our DI Business Unit and, to a lesser extent, those of the OS Business Unit. The new rules come into force in September 2021. Since January 2019, there has been a European product database for energy labeling (EPREL database) in which all companies with products in the affected product groups must register their products before they can sell them on the European market. The product information to be entered in the database relates to the energy label, the technical documentation, and monitoring of compliance with the rules. With effect from September 1, 2021, the product groups covered by this database are to be extended to include all light sources subject to energy labeling requirements in the EU. In January 2021, a SCIP database (Substances of Concern In articles as such or in complex objects (Products)) will be launched at the European Chemicals Agency (ECHA), into which details of substances of very high concern (SVHC) will have to be entered.

In the past, new regulatory requirements for the global lighting market have very often been driven or triggered by the introduction of legislation in Europe. The European Commission is currently focusing on the EU Green Deal, which particularly affects OSRAM with regard to the circular economy. Specific issues being addressed include extending the useful life of products by making them easier to repair, reuse, and recycle, reducing the overall volume of waste, and generally increasing recycling rates. As the idea of strengthening the circular economy gains traction, the public is becoming even more aware of regulations on avoiding or restricting hazardous substances, such as the European Restriction of Hazardous Substances Directive (RoHS) and the European regulation concerning the registration, evaluation, authorization, and restriction of chemicals (REACH). Issues of particular importance to OSRAM include the use of cadmium in quantum-dot LEDs and mercury in special discharge lamps, for example for lithography and UVC applications. These regulations particularly affect products in our OS and DI Business Units but also products in our AM spare parts business.

Other regions are increasingly using the lighting regulations successfully introduced in Europe as the basis for their own regulations, such as the RoHS directive in Japan and China.

Over the next few years, we expect the EU Green Deal to lead to a growing number of new regulations in the areas of digitalization and sustainability. OSRAM may be affected because it offers products and solutions in areas such as autonomous driving, smart buildings, smart cities, human-centric lighting, specialty LED lighting for plant cultivation (horticultural lighting) and, in general, sensors.

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 achievement 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.

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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.

Some of the financial performance indicators described in more detail below are 'alternative performance measures' (APMs), i.e., key figures that are not defined or listed in IFRS (and are therefore also known as non-IFRS financial measures). These APMs supplement the figures calculated in accordance with IFRS, 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.2.6 Reconciliation of Performance Indicators.

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The analysis of our performance indicators focuses primarily on continuing operations.

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.2.6 Reconciliation of 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 also one of the targets used in determining the variable remuneration of the Managing Board.

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Earnings

The primary metric used to measure our operating profit is the adjusted EBITDA margin, which is calculated by dividing adjusted EBITDA by revenue. Reported EBITDA is adjusted for special items—particularly transformation costs—according to the Managing Board's assessment. We use EBITDA as the starting point because it is widely used in OSRAM's competitive environment to measure a company's operating performance without the effects of depreciation (on property, plant, and equipment), amortization (on intangible assets), and impairment (including in connection with acquisitions). We evaluate the operating performance of the Group and of our segments on this basis. Moreover, the adjusted EBITDA margin is one of the targets used in determining the variable remuneration of the Managing Board. This adjusted performance indicator is particularly important for management in periods in which earnings are impacted by a high level of special items. We have recognized special items—in some cases, at high levels—in recent fiscal years due to the disruptive development of the lighting market, the restructuring that has become necessary as a result, and the associated transformation costs.

For further information on the calculation of EBITDA, adjusted EBITDA, and the corresponding EBITDA margins, and for the reconciliation to net income (loss), see › A.2.6 Reconciliation of Performance Indicators. Ⓢ Page 29

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. Moreover, free cash flow is one of the targets used in determining the variable remuneration of the Managing Board. For information on the calculation of this performance indicator, see › A.2.6 Reconciliation of Performance Indicators. Ⓢ Page 29

Additional Performance Indicators

Fundamentally, 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. Ⓢ Page 25

The capital commitment period (days outstanding) for net operating working capital is an indicator that shows how efficiently working capital is used to generate revenue. For information on the calculation of this performance indicator, seel › A.2.6 Reconciliation of Performance Indicators. Ⓢ Page 29

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Business Performance in 2020

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

OSRAM's fiscal year 2020 was impacted by the COVID-19 pandemic (COVID-19). In addition to the direct economic consequences of COVID-19, there will be long-term and structural effects—for example, changes to how society operates—that are not yet foreseeable. We made a robust start to our fiscal year under review and the measures taken to adapt our business to market conditions resulted in a significant increase in our operating profitability and cash flow. However, the onset of COVID-19 had a considerable negative impact on the situation in our core markets. Although we responded to the crisis rapidly and resolutely, we were compelled to withdraw our outlook for fiscal year 2020 in view of the considerable global impact and related uncertainty. Our top priority was the health and safety of our employees worldwide. We also took steps to ensure the continued operation of our business and to limit the effects of COVID-19 on our results of operations and financial position. While managing the crisis, we also prepared ourselves for business opportunities after the crisis. This is one of the reasons why we benefited from the small economic recovery during the summer months, after our revenue hit rock bottom in the third quarter of the fiscal year following an unprecedented slump in demand for our products. As a result, we were able to issue a slightly improved business outlook. We achieved the new targets. Revenue amounted to more than €3 billion, a year-on-year decrease of 13.8% on a comparable basis. The adjusted EBITDA margin stood at 8.3%, which was very close to the prior-year level of 8.9%. Our free cash flow was just into positive territory at €12 million. We overcame the operating and financial challenges of COVID-19 and laid strong foundations for any upturn. This also applies with regard to our shared future with ams AG (ams), Premstätten (Austria), which will create a world-leading provider of sensor solutions and photonics. After ams successfully acquired a majority stake in OSRAM Licht AG, we formed joint project groups and—within the bounds of the legal possibilities at that juncture—began to make what plans we could for the integration of the two companies. The Extraordinary General Meeting of OSRAM, which was held as a virtual event on November 3, 2020, approved the domination and profit and loss transfer agreement that we have entered into with ams Offer GmbH (ams Offer), Ismaning (Germany). In the valuation report produced in this context, OSRAM is valued at €4.3 billion or €45.54 per share. This valuation shows that our strategy of becoming a photonics champion was and is the right one. We want to forge ahead with this strategy in partnership with ams.

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

After the end of the first quarter, the biggest influence by far on the course of business in the OSRAM Licht Group during fiscal year 2020 was the COVID-19 pandemic. At the start of the reporting year, the outlook for the macroeconomic environment had already presented a mixed picture, including for our core businesses. COVID-19 caused a decline in what was already a challenging general market environment as a result of factors such as the ongoing trade disputes, geopolitical uncertainties, and the continued decline in automotive manufacturing. Our volume of business fell significantly. Moreover, the slump in revenue—which was at its worst in the third quarter—had a huge effect on our earnings situation. The immediate measures that we took to limit the fallout from COVID-19 (the SHIELD program) and the revival of business in the fourth quarter prevented a more dramatic deterioration in earnings and margins. SHIELD included measures such as even closer monitoring of revenue and our customers' ordering patterns. The main measures taken to safeguard liquidity were the optimization of liquidity planning, the use of factoring programs, and—until a shareholders' loan was arranged with ams—the use of existing credit facilities at banks and the agreement of an additional bilateral credit facility. The key steps that we took at operational level included measures to manage working capital in relation to trade receivables and inventories, and personnel measures (management of working hours, short-time working, and a hiring freeze) › A.2.2.3 Other Significant Events Responsible for the Course of Business. S Page 13

Our business also continued to be heavily affected by the impact of changes in the lighting market, i.e., the shift from traditional lighting products to LED-based components and solutions. Due to the resulting restructuring, including the costs incurred in connection with our performance programs, OSRAM faced a moderate increase in transformation costs in fiscal year 2020 compared with fiscal year 2019.

The revenue of around €3.0 billion reported by OSRAM for fiscal year 2020 was significantly lower than in the previous year. Excluding currency influences and portfolio effects, i.e., on a comparable basis, the reduction was 13.8% (previous year: reduction of 13.1%). Mid-single-digit percentage reductions in selling prices, primarily at OS, were one of the factors behind the decline in revenue. The proportion of revenue attributable to LED-based products and solutions rose moderately, reaching 73% in fiscal year 2020 (previous year: 70%). All of OSRAM's segments registered a drop in revenue on a comparable basis. DI saw the largest fall of more than a fifth. OS registered a clear decrease and AM a significant decrease. As a result of the significant overall fall in revenue, OSRAM's EBITDA adjusted for special items went down year on year, from €307 million to €253 million. The fall in reported EBITDA was less sharp due to the decrease in special items. Whereas OS saw a moderate increase in earnings (on an adjusted basis), adjusted EBITDA at both AM and DI fell sharply. OSRAM's adjusted EBITDA margin stood at 8.3%, which was very close to the prior-year level of 8.9%.

This trend was reflected in the loss of €267 million reported under Income (loss) OSRAM (continuing operations), following a loss of €343 million in the previous year. The slump in revenue as a result of COVID-19 meant that our cost-saving measures were unable to reduce the cost of goods sold and services rendered to the same extent as the decline in the volume of business. Consequently, the gross profit margin (gross profit as a percentage of revenue) contracted by more than 400 basis points (bps), mainly due to the negative volume effects and the loss of economies of scale. The significant reduction in depreciation, amortization, and impairment compared with the previous year mitigated the effect of the fall in gross profit. Overall, the loss was substantially lower than in the previous year. Diluted earnings per share were in line with Income (loss) OSRAM (continuing operations) and stood at €–1.96 › A.2.3 Results of Operations. S Page 17

The loss also impacted on free cash flow. Nevertheless, OSRAM's free cash flow (continuing operations) remained just in positive territory at €12 million (previous year: €17 million). This was predominantly because of reduced investing activity and disciplined cost management. Our net debt increased to €541 million as of September 30, 2020 (previous year: €350 million), mainly due to the recognition of leases following the transition to IFRS 16 › Note 3 I Impact of First-time Adoption of New Accounting Pronouncements in B.6 Notes to the Consolidated Financial Statements. The loss meant that equity decreased significantly; the equity ratio fell to 44% › A.2.5 Net Assets. S Page 79
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A.2.1.2 Comparison between the Actual and Forecast Course of Business

Target Achievement 2020

	Initial position Fiscal year 2019	Expected developments Fiscal year 2020	Target achievement Fiscal year 2020	Evaluation
Comparable revenue growth (adjusted for currency translation and portfolio effects)	(13.1)%	(3)% to 3%		Outlook not achieved and withdrawn
		On March 18, 2020: Due to the COVID-19 pandemic, the OSRAM Managing Board does not expect to achieve its corporate targets for the current 2020 financial year. The economic impact of the pandemic on OSRAM, however, can neither be adequately determined nor reliably quantified at this time.		
		On June 17, 2020: The OSRAM Managing Board expects for the fiscal year 2020 a comparable revenue decline of 15% to 19%.		Outlook over-achieved and updated
		On September 16, 2020: The OSRAM Managing Board raised the guidance for the fiscal year 2020 due to stronger business recovery in summer, in particular in August. It now expects a comparable revenue decline of approximately 14%.	(13.8)%	Outlook achieved

Adjusted EBITDA margin (adjusted for special items—mainly transformation costs)	8.9%	9% to 11%		Outlook not achieved and withdrawn
		On March 18, 2020: Due to the COVID-19 pandemic, the OSRAM Managing Board does not expect to achieve its corporate targets for the current 2020 financial year. The economic impact of the pandemic on OSRAM, however, can neither be adequately determined nor reliably quantified at this time.		
		On June 17, 2020: The OSRAM Managing Board expects for the fiscal year 2020 an adjusted EBITDA margin of 3% to 6%.		Outlook over-achieved and updated
		On September 16, 2020: The OSRAM Managing Board raised the guidance for the fiscal year 2020 due to stronger business recovery in summer, in particular in August. It now expects an adjusted EBITDA margin of approximately 8%.	8.3%	Outlook achieved
Free cash flow	€17 million	positive free cash flow, possibly in a mid-double-digit million-€-range		Outlook not achieved and withdrawn
		On March 18, 2020: Due to the COVID-19 pandemic, the OSRAM Managing Board does not expect to achieve its corporate targets for the current 2020 financial year. The economic impact of the pandemic on OSRAM, however, can neither be adequately determined nor reliably quantified at this time.		
		On June 17, 2020: The OSRAM Managing Board expects for the fiscal year 2020 a negative free cash flow in the mid-double-digit to lower-triple-digit million-€-range.		Outlook over-achieved and updated
		On September 16, 2020: The OSRAM Managing Board raised the guidance for the fiscal year 2020 due to stronger business recovery in summer, in particular in August. It now expects a balanced free cash flow.	€12 million	Outlook achieved

1) The information presented in the table relates to OSRAM (continuing operations).

Following the outbreak of the COVID-19 pandemic and the countermeasures implemented in response worldwide, we withdrew our original forecast on March 18, 2020. We did not issue a new forecast at that time because the uncertainty resulting from the spread of COVID-19 made it impossible to adequately calculate or reliably quantify the impact of the pandemic.

Following a decline in the third quarter of the fiscal year (as had been expected) and in anticipation of a small recovery in the coming months, OSRAM published a new forecast for fiscal year 2020 on June 17, 2020. We raised the new forecast on September 16, 2020, in view of the more pronounced recovery of business during the summer months, especially August. The OS and AM Business Units particularly benefited from the improved business situation in our core markets of China and the U.S.A. We achieved the adjusted forecast for fiscal year 2020.

A.2.1.3 Dividends

Generally, one of our objectives is to pay our shareholders an attractive dividend. But the decline in business performance—primarily as a result of the economic fallout from the COVID-19 pandemic—in fiscal year 2020 and the high degree of uncertainty regarding global economic growth, led to an accumulated loss, that will be carried forward to the next accounting period.

With regard to the appropriation of profits from fiscal year 2021 onward, it should be noted that OSRAM Licht AG and ams Offer GmbH entered into a domination and profit and loss transfer agreement on September 22, 2020. The Extraordinary General Meeting of OSRAM Licht AG on November 3, 2020, approved this agreement ›A.2.2.3 Other Significant Events Responsible for the Course of Business. The agreement is scheduled to take effect at the turn of the year when it is entered in the commercial register. Once this happens, ams Offer GmbH will be contractually entitled to the entire profit of OSRAM Licht AG, which means there will be no appropriation of profits by the Annual General Meeting and no divided payments to shareholders. As compensation, the minority shareholders of OSRAM Licht AG will receive an annual payment of €2.57 gross per OSRAM share

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(less any corporate income tax and solidarity surcharge at the applicable rate for the fiscal year in question) for the duration of the agreement.

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

A.2.2.1 Macroeconomic Developments

During OSRAM's fiscal year 2020, the performance of the global economy was subject to significant uncertainty due to the global spread of infection in the COVID-19 pandemic. The global economy slumped in the second quarter of calendar year 2020. Every region in the world experienced a considerable reduction in economic activity as a result of the fall in supply and demand triggered by COVID-19. Even before the pandemic, global economic growth had been affected by cyclical trends in global industry, the impact of the U.S.A.'s trade disputes with China and the EU, and geopolitical risks.

The second quarter of the calendar year saw the strongest downturn, but indicators for the global economy as a whole are now pointing to a recovery. In April 2020, worldwide industrial output declined by 12.1% compared with April 2019. Many countries in Europe and elsewhere implemented more stringent infection control measures in view of the spread of COVID-19. For the third quarter of 2020, the indicators of future sentiment signaled growing optimism about the economy. The global purchasing managers' index compiled by J.P. Morgan / IHS Markit registered clear increases in the period June to August. It recently reached 51.8 points and thus moved back above its growth threshold. The sub-indices for the service sector and manufacturing are now both at similar levels again. During the lockdown months of March and April, the sub-index for the service sector saw a much sharper fall than the sub-index for manufacturing. In the updated October report of Consensus Economics, which combines the forecasts of more than 30 respected institutions worldwide, the average prediction is that global domestic product (GDP) will contract by 4.4% in 2020 as a whole.

The level of growth in the global economy was important to the performance of the OSRAM Licht Group in fiscal year 2020 because it influenced end markets with direct links to the lighting market, such as the automotive industry. As a result of COVID-19, for example, growth deteriorated more sharply in various end markets than in the economy as a whole and the related uncertainties increased markedly. It may therefore be more difficult than in previous years to come up with forecasts for the end markets › A.2.2.2 The Lighting Market in Fiscal Year 2020. Ⓢ Page 13

The cost of materials (including energy) accounts for a significant portion of our cost of goods sold and services rendered. LED-related materials and pre-materials account for the lion's share of OSRAM's purchasing volume. However, the volume of commodities purchased is much smaller and, as a result, price risk and fluctuations in the price of the commodities that OSRAM needs are insignificant. Furthermore, OSRAM tries to reduce volatility by drafting its procurement contracts accordingly and—where it makes economic sense—hedges its exposure to commodity price risk by purchasing appropriate derivatives › Note 29 I Financial Risk Management in B.6 Notes to the Consolidated Financial Statements. In fiscal year 2020, the change in precious metal prices and the sharp rise in transportation prices as a result of reduced transportation capacity—in both cases triggered by COVID-19—had an adverse impact on our earnings. Ⓢ Page 112

The euro depreciated slightly against the U.S. dollar for fiscal year 2020 compared with the previous year, with the average exchange rate for the year falling by 0.8%. As a substantial proportion of our revenue is generated in U.S. dollars, this situation benefited our business volume—albeit only slightly in line with the movement of the exchange rate. Overall, however, currency translation effects had no impact on our revenue. As had been the case in the previous year, we registered only small positive currency effects on our net income (loss) overall.

A.2.2.2 The Lighting Market in Fiscal Year 2020

Our assessments of the global lighting market are based on statistics from the World Semiconductor Trade Statistics (WSTS) organization, forecasts by IHS Markit, Yole Développement, and Consensus Economics, and internal market models.

The lighting market contracted by around 10% in fiscal year 2020. This COVID-19-related contraction was evident in almost every market segment after the closure of customers' factories and a clear fall in demand from end customers. Automotive and entertainment lighting business were hit hard by the fallout from the crisis. The effect on other market segments, such as the market for horticultural lighting, was less severe. Moreover, there was growth in the market segment for components and solutions using UV light for disinfecting surfaces.

There was a clear slump in automotive manufacturing. IHS Markit put the decrease in fiscal year 2020 at approximately 18%, a year-on-year decrease of more than 15 million cars. The impact of COVID-19 took a particular toll on car production. In the period April to June, many car manufacturers closed their plants, scaled back production, or stopped it altogether. There were many reasons for this: protection of employees, supply bottlenecks due to disruptions in the supply chain and a shortage of bought-in parts, and a decline in demand. Sales figures fell dramatically in the first half of the year, for example by more than 80% in China in February, by approximately 80% in Europe in April, and by approximately 50% in the U.S.A. in the same period.

The opto semiconductor market is also contracting in calendar year 2020 according to the forecast of OMDIA (formerly IHS). Following growth in calendar year 2019, the analysts' latest forecast indicates that the market will shrink by around 10% in 2020. COVID-19 will depress growth in all market segments. According to the forecast, opto semiconductors in the automotive segment will see a reduction of approximately 18% this year. The only exception is the UV LED segment, which has experienced a clear increase in demand due to the pandemic and is expected to achieve double-digit growth.

The trend in the lighting market described above was largely reflected in our business performance. This was especially the case in the automotive business, on which our two biggest segments, OS and AM, are dependent—still with an increasing emphasis on the Asian market › A.2.3.3 Opto Semiconductors, › A.2.3.4 Automotive. The effects of COVID-19 were reflected in the revenue from other parts of OS's business and in the business of DI › A.2.3.5 Digital.

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

COVID-19 Pandemic

In the past fiscal year, business at OSRAM was seriously affected by the global spread of the COVID-19 pandemic and its impact on economic conditions, our customers, and our suppliers. The effect of COVID-19 on our global business activities varied from country to country. There were also regional and local differences within countries and between individual local authorities, depending on the severity of the impact. Governments and authorities took various measures to try to contain the pandemic. These included restrictions on social contact, adherence to mandatory hygiene standards, complete lockdowns, and the temporary closure of businesses.

In the early part of the pandemic, OSRAM faced not only disruptions in its internal and external supply chains but also government restrictions on its manufacturing capacity. Lengthy plant closures as a direct consequence of COVID-19 measures were mainly seen at the Italian sites of the AM Business Unit and of the DI Business Unit in its entertainment lighting business. Operations at some of OS's production sites in China and Malaysia also stopped or were significantly restricted for a time. Furthermore, capacity at other plants was deliberately reduced (e.g., by shutting them during holiday periods or introducing short-time working) in view of the COVID-19-related slump in demand for our products.

The adverse effects on our sales markets were at their worst in April, May, and June 2020, when the overall decrease in revenue was substantial. In the third quarter of the fiscal year, OSRAM's revenue was down by around 29% compared with the same quarter of the previous fiscal year. From mid-June, the situation increasingly eased—from an overall perspective—and the year-on-year reduction in revenue was substantially lower in the fourth quarter at 20%. Nevertheless, conditions varied in OSRAM's different areas of business, in some cases significantly. For example, the collapse of demand in the entertainment lighting business (specialty lamps and lighting systems for stage, cinema, and studio lighting) of the DI Business Unit continued until the end of the fiscal year owing to the COVID-19 restrictions still imposed on this sector (for further information, see the description of the course of business in the individual segments ›A.2.3.3 Opto Semiconductors, ›A.2.3.4 Automotive and ›A.2.3.5 Digital).

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OSRAM set up a dedicated crisis management function to tackle COVID-19 at an early stage. Local working groups were formed in China when the pandemic first broke out. On February 19, 2020, a 'coronavirus war room' was established to manage activities centrally and provide the Managing Board with weekly status reports. From the outset, the focus was on the health and safety of our employees and on ensuring the continuation of our business. In addition, the 'SHIELD' action plan was initiated with the aim of maintaining the OSRAM Group's solvency and ability to act, reducing the effects of COVID-19 on its results of operations, and being able to react quickly to market developments (business opportunities during and after the crisis). The SHIELD action steps, their status, and implementation were tracked throughout the pandemic and managed centrally using scenario models. These action steps were focused on four areas:

- Revenue, with topics including close customer contact, monitoring of ordering patterns and revenue, allocation management, macroeconomic analysis, and identification of market opportunities.
- Liquidity, with topics including utilization of existing credit facilities and agreement of new ones, use of factoring programs, and careful monitoring and forecasting of changes in liquidity.
- Operating business, with topics including optimization of production and logistics, monitoring of customer credit risk, monitoring of inventory levels, capital expenditure monitoring, and cost reductions.
- Personnel measures, with topics including hiring freeze, management of working hours, and short-time working.

OSRAM CONTINENTAL

At the start of fiscal year 2019, the Managing Board of OSRAM Licht AG had adopted a new strategy with the aim of focusing OSRAM's business even more firmly on digitalization and markets of the future. As part of this process, OSRAM also defined its medium-term performance targets for the individual segments. AM's achievement of its margin target depended on the business performance of OSRAM CONTINENTAL going forward. Following a sluggish start, the medium-term planning for OSRAM CONTINENTAL had to be adjusted in view of the difficult conditions in the automotive market and because the company's results fell short of expectations.

In the past fiscal year, the business performance of OSRAM CONTINENTAL was again held back by the gloomy market conditions, which were further exacerbated by COVID-19; see also ›A.2.3.4 Automotive. For this reason, OSRAM and Continental have agreed to separate out their activities in OSRAM CONTINENTAL once again and take them back into their own organizations by autumn 2021. In this context, the assets and liabilities attributable to Continental were recognized as *Assets held for sale* and *Liabilities associated with assets held for sale* as of the end of the fiscal year. Negotiations on transferring the parts of the business back to the two companies are due to be completed by the end of calendar year 2020.

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The industrial aspects that resulted in the foundation of OSRAM CONTINENTAL have not changed. New lighting solutions are likely to continue to require the close integration of electronics, software functionality, and modern LED light sources going forward. OSRAM and Continental therefore plan to work together in the future in order to continue serving their customers in the automotive industry.

Capital Expenditure

OSRAM's capital expenditure on intangible assets and on property, plant, and equipment was reduced by more than half compared with the previous year due to the challenging macroeconomic conditions and the uncertain business outlook as a result of COVID-19. Total capital expenditure amounted to €98 million (previous year: €208 million). Although the majority of capital expenditure was again in OS in fiscal year 2020, the savings in this business unit were also by far the highest in both absolute and percentage terms. Capital expenditure in AM was also down substantially year on year, but this decrease was barely perceptible relative to the overall level of reductions; see also ›A.2.4.2 Cash Flow and Capital Expenditure Analysis. As of the end of the fiscal year, contractual obligations to purchase property, plant, and equipment amounted to €39 million (previous year: €40 million).

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R&D Expenses

Despite our considerable efforts to reduce costs across much of our Company due to COVID-19, we did not neglect our investment in innovative technologies of the future. In absolute terms, there was a clear reduction in our R&D expenses to €362 million (previous year: €403 million). However, this meant that OSRAM's R&D intensity was higher than in the previous year at 11.6% in fiscal year 2020. OS and DI recorded significant and clear decreases in R&D expenses respectively, whereas there was a moderate increase at AM. See also › A.1.1.2 Research and Development.

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Process Improvements and Structural Adjustments

The lighting market is undergoing a two-pronged technological shift: firstly due to the ongoing transition from traditional to semiconductor-based lighting technologies and, increasingly, due to the growing use of digital technologies in general (e.g., IoT). The effects of this shift, for example on the competitive situation, have a direct influence on our business activities.

To deal with this situation and in view of market conditions that were already difficult at that time, the Managing Board decided in fiscal year 2018 to initiate an extensive package of measures aimed at improving our competitiveness. Since then, these activities have continued and have been expanded to form a package of individual programs to which all business units contribute. All of the operational and structural programs and measures are focused on reducing costs for the long term by streamlining administrative functions worldwide and improving structural efficiency in procurement, R&D, and the German plant network. A further program of structural change was initiated in fiscal year 2019, mainly with the aim of a strategic realignment at OS.

We also raised our targets for cost savings in line with the expanded action plans. Our original target, set in fiscal year 2018, was for savings totaling €120 million to €150 million compared with our cost base in fiscal year 2017, to be achieved by fiscal year 2020. In fiscal year 2019, we extended the deadline to fiscal year 2021 and raised our target for cost savings to around €220 million. In the past fiscal year, we further extended the range of measures—in part due to the fallout from COVID-19, but mainly in view of the progress already made—and now intend to achieve total cost savings of €300 million by fiscal year 2022.

Of these savings, we realized around €127 million in the past fiscal year, which was much more than we had targeted at the start of fiscal year 2020. The biggest cost reductions were achieved as a result of modifying central structures (streamlining of administrative functions) and at OS.

In the fiscal year under review, the measures to improve processes and make structural adjustments notably resulted in transformation costs totaling €90 million (previous year: €87 million) that impacted on EBITDA. These expenses were incurred in all three segments and in Corporate items, with more than three-quarters of the total sum attributable to AM and DI.

Merger with ams

Bids for OSRAM in Fiscal Year 2019

On July 22, 2019, Luz (C-BC) Bidco GmbH (Luz Bidco), Munich (Germany), published a voluntary public takeover offer made to the shareholders of OSRAM Licht AG. Luz Bidco was a holding company jointly controlled by certain investment funds that were advised by and/or affiliated with companies of the financial investors Bain Capital Private Equity and The Carlyle Group. The offer was not successful and was not implemented.

On September 3, 2019, Opal BidCo GmbH (Opal Bidco), Frankfurt am Main (Germany), published a voluntary public takeover offer made to the shareholders of OSRAM Licht AG. Opal Bidco is a wholly owned subsidiary of ams. The offer was not successful and was not implemented.

On September 25, 2019, the financial investors Advent and Bain Capital, which had together formed a consortium (bidding consortium), sent OSRAM an indicative offer letter for a possible voluntary public takeover offer. On October 18, the bidding consortium communicated its decision that, for the time being, it would not be pursuing the plan to make a possible voluntary public takeover offer for all outstanding OSRAM shares.

Further Takeover Offer from ams

On October 18, 2019, ams announced that it would submit a further voluntary public takeover offer to the shareholders of OSRAM Licht AG through its wholly owned subsidiary ams Offer. ams Offer published a voluntary public takeover offer on November 7, 2019. The offer was made to all OSRAM shareholders and related to the purchase of all of their registered no-par-value shares with an imputed share of the capital stock of €1.00, in return for consideration of €41.00 per share. The offer specified a minimum acceptance threshold of 55% (excluding treasury shares held by OSRAM) and other conditions that reflect normal business practice. The acceptance deadline was December 5, 2019, which was followed by a further acceptance period that ran from December 11 to 24, 2019.

Following the signing of a merger agreement between OSRAM and ams on November 11, 2019, the Managing Board and the majority of the Supervisory Board of OSRAM Licht AG recommended in their joint reasoned statement dated November 12, 2019, and pursuant to section 27(1) of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG—German Securities Acquisition and Takeover Act) that the OSRAM shareholders accept the offer made by ams Offer. In the merger agreement, OSRAM and ams agreed on important points for the integration of OSRAM into a joint group, including job protection with the exclusion of merger-related redundancies until the end of 2022 for employees at German sites and the designation of the Munich site as the co-headquarters of the new group, the inclusion of the OSRAM brand in the name of the new group, and support for OSRAM's photonics strategy. The shared objective of OSRAM and ams in striving for a merger is to create a world-leading provider of sensor solutions and photonics.

On December 6, 2019, ams announced that the minimum acceptance threshold of 55% had been reached. On January 2, 2020, ams announced the final outcome of the takeover offer. Once the competent antitrust authorities worldwide had approved the takeover of OSRAM by ams, the granting of approval from the European Commission on July 6, 2020, meant that all conditions for executing the takeover offer had been met. On July 9, 2020, ams announced that it had completed the takeover of OSRAM by paying the offer price to the holders of the tendered shares. ams announced in a statement that, following completion of the offer, it held 69% of all OSRAM shares (as a result of the takeover offer and further purchases).

On February 10, 2020, ams announced in an ad hoc disclosure that it intended to enter into a domination and profit and loss transfer agreement between ams Offer GmbH as the controlling company and OSRAM Licht AG as the controlled company.

Merger of OSRAM and ams

On September 22, 2020, OSRAM Licht AG and ams Offer GmbH signed a domination and profit and loss transfer agreement in which ams Offer GmbH is the controlling company and OSRAM Licht AG is the controlled company. An amendment to the agreement was signed on November 2, 2020. Under this agreement, the outside shareholders of OSRAM will receive an annual compensation payment of €2.57 gross per OSRAM share (less any corporate income tax and solidarity surcharge at the applicable rate for the fiscal year in question) for the duration of the agreement. The outside shareholders of OSRAM will also be made an offer for the purchase of their OSRAM shares in return for payment of a reasonable cash settlement of €45.54 (settlement offer). The amount of the annual compensation payment and of the settlement offer were determined in accordance with the legal requirements and on the basis of a company valuation pursuant to the IDW S 1 standard of the Institut der Wirtschaftsprüfer (IDW—Institute of Public Auditors in Germany).

The shareholders' meeting of ams Offer approved the signing of the agreement on November 2, 2020. The General Meeting of OSRAM Licht AG approved the agreement on November 3, 2020. To this end, an Extraordinary General Meeting was held as a virtual General Meeting without the physical presence of the shareholders or their proxies. The domination and profit and loss transfer agreement still needs to be entered in the commercial register for it to be effective.

An integration project was begun in January 2020 in order to prepare for the merger of OSRAM and ams. In this project, working groups from both companies are drawing up the planning basis for the future merged company. This includes its vision, organizational structure, and management model. The exchange of information between OSRAM and ams in the context of the integration project is clearly regulated and protected. This exchange of information and other legal transactions and measures of OSRAM relating to ams are taking place subject to the requirement that they do not create any disadvantages for OSRAM. The planning drawn up in the integration project will largely be implemented when the domination and profit and loss transfer agreement comes into effect.

A.2.3 Results of Operations

A.2.3.1 Revenue

Revenue by Segments

in € million

	Fiscal year		Change			
	2020	2019	nominal	therein currency	therein portfolio	comparable
Opto Semiconductors	1,338	1,464	(8.6)%	0.5%	0.0%	(9.1)%
Automotive	1,588	1,781	(10.9)%	(0.2)%	3.1%	(13.7)%
Digital	742	934	(20.6)%	(0.3)%	0.0%	(20.3)%
Reconciliation to consolidated financial statements	(628)	(715)	(12.2)%	0.4%	0.0%	(12.6)%
OSRAM (continuing operations)	**3,039**	**3,464**	**(12.3)%**	**0.0%**	**1.6%**	**(13.8)%**

- OSRAM's volume of business declined due to the effects of COVID-19, which brought about the considerable deterioration of already challenging market conditions for our core businesses; revenue was also negatively impacted by a price fall in the mid-single-digit percentage range, primarily at OS; following the slump in demand triggered by COVID-19 in the third quarter, OSRAM's revenue recovered in the fourth quarter, but not right across the business due to the continued impact of COVID-19 in some areas
- Revenue fell significantly year on year, on both a reported and a comparable basis; no impact from currency translation effects overall in the past fiscal year; overall positive portfolio effects of 1.6% due to an acquisition in the previous year (Ring Automotive, Leeds (United Kingdom)) and due to OSRAM CONTINENTAL
- Revenue went down in all segments on a comparable basis; sharpest decrease at DI (more than a fifth); significant fall at AM and a clear fall at OS on a comparable basis

Revenue by Technology

- Substantial fall in revenue from traditional lighting products, especially in the automotive and entertainment businesses; slightly smaller but still clear decrease in revenue from LED-based products
- Revenue from traditional products fell by a total of 21.4% year on year and from LED business by 10.5% (both on a comparable basis)
- OSRAM's revenue from LED-based products came to €2,222 million; the proportion of revenue from LED-based products was thus moderately higher than in the previous year at 73.1% (previous year: 70.2%)

Revenue by Regions

(by location of customer)
in € million

	Fiscal year		Change			
	2020	2019[1]	nominal	therein currency	therein portfolio	comparable
EMEA	1,016	1,194	(14.9)%	(0.3)%	2.5%	(17.1)%
therein Germany	365	447	(18.3)%			
APAC	1,127	1,237	(8.9)%	0.4%	1.3%	(10.5)%
therein China (including Hong Kong) and Taiwan	675	693	(2.6)%			
Americas	896	1,032	(13.2)%	(0.1)%	0.7%	(13.9)%
therein U.S.A.	759	849	(10.6)%			
OSRAM (continuing operations)	**3,039**	**3,464**	**(12.3)%**	**0.0%**	**1.6%**	**(13.8)%**

1) The figures for the previous year have been restated due to a changed method of calculation.

- Significant revenue decrease in all of OSRAM's reporting regions on a comparable basis; biggest percentage reduction in EMEA; smallest percentage decline in APAC
- This trend was reflected in the breakdown of total revenue by region; APAC had the largest share of revenue at 37.1%, which was higher than in fiscal year 2019 (previous year: 35.7%); the share attributable to the Americas was almost unchanged year on year at 29.5% (previous year: 29.8%); moderate decrease in EMEA's share to 33.4% (previous year: 34.5%)

- Greatest currency translation and portfolio effects in APAC and EMEA, but only a modest overall impact in every region

EMEA Region
- Significant fall in revenue on a comparable basis; the drop in nominal revenue included a modest level of negative currency translation effects and moderate positive portfolio effects
- Portfolio effects related to AM (Ring Automotive and OSRAM CONTINENTAL) and primarily impacted on EMEA
- Significant reductions in all segments

APAC Region
- Significant revenue reduction on a comparable basis; small positive currency translation and portfolio effects
- Biggest factor was the more than 30% drop in revenue at DI; moderate fall at OS and a clear fall at AM on a comparable basis
- Revenue also declined in China, but to a lesser extent than in the region as a whole

Americas Region
- Comparable revenue significantly lower than in the previous year; currency translation and portfolio effects in this region were the most modest overall
- Reduction in revenue on a comparable basis was attributable to the performance of all segments; sharpest fall in percentage terms was in the OS Segment (more than a fifth); biggest revenue decrease in absolute terms was at AM
- U.S.A., the biggest source of revenue in the region, registered a 12% decline on a comparable basis

A.2.3.2 Earnings

Earnings
in € million

	Fiscal year		Change
	2020	2019	nominal
EBITDA segments			
Opto Semiconductors	268	201	33.5%
Automotive	33	118	(71.9)%
Digital	(56)	(39)	43.2%
Reconciliation to consolidated financial statements	(88)	(103)	(14.8)%
EBITDA OSRAM (continuing operations)	**157**	**176**	**(10.9)%**
EBITDA margin	5.2%	5.1%	10 bps
Special items [1]	(96)	(131)	(26.4)%
therein transformation costs	(90)	(87)	4.3%
therein acquisition related costs	(6)	(41)	(85.7)%
Adjusted EBITDA	253	307	(17.5)%
Adjusted EBITDA margin	8.3%	8.9%	(50) bps
Amortization, depreciation, and impairments	(415)	(521)	(20.4)%
Net financial income or expense [2]	(40)	(32)	25.7%
Income (loss) before income taxes OSRAM (continuing operations)	**(298)**	**(377)**	**(20.9)%**
Income taxes	31	33	(6.4)%
Income (loss) OSRAM (continuing operations)	**(267)**	**(343)**	**(22.3)%**
Loss discontinued operation, net of tax	(4)	(123)	(96.4)%
Net income (loss)	**(271)**	**(467)**	**(41.9)%**

1) Of which €0 million was attributable to OS (previous year: €–53 million), €–43 million to AM (previous year: €–22 million), and €–28 million to DI (previous year: €–31 million) in fiscal year 2020; impact of €–25 million in Corporate items within Reconciliation to consolidated financial statements (previous year: €–25 million).
2) Income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other financial income (expenses), net.

EBITDA of OSRAM (continuing operations)

- At €253 million, EBITDA adjusted for special items was down significantly year on year; OSRAM's adjusted EBITDA margin sank by 50 bps
- This trend was predominantly due to volume effects resulting from the reduction in revenue and the related decrease in economies of scale; general cost increases also took their toll; there was a countervailing effect from cost reductions and productivity-boosting measures in our performance programs and a non-recurring year-on-year improvement in earnings due to first-time adoption of IFRS 16 amounting to €54 million (of which €17 million at OS, €14 million at AM, €10 million at DI, and €12 million in *Corporate items* within *Reconciliation to consolidated financial statements)*
- Sharp falls in earnings at AM and DI; however, a clear increase in adjusted EBITDA at OS
- Substantial year-on-year fall in special items to €–96 million, the largest share of which (almost 45%) was attributable to AM; the remainder was largely evenly split between DI and *Corporate items*, while OS's share was negligible
- Vast majority of the special items resulted from transformation costs, of which more than 90% consisted of personnel-related restructuring expenses › Note 5 | Personnel-related Restructuring in B.6 Notes to the Consolidated Financial Statements; the remainder was attributable to acquisition-related costs S Page 82
- The bulk of the special items impacted on *Cost of goods sold and services rendered* and *Marketing, selling and general administrative expenses*
- Substantial reduction in gross profit to €650 million (previous year: €886 million) due to the above-mentioned effects of the reduction in volume and loss of economies of scale; gross profit margin deteriorated by more than 400 bps to 21.4% (previous year: 25.6%)
- Moderate to clear reduction in other functional costs, but they were higher when expressed as a percentage of revenue due, in particular, to the year-on-year reduction in volume; Research and development expenses decreased at OS, DI, and Corporate items but were almost unchanged at AM
- In line with the adjusted EBITDA trend, reported EBITDA went down, although the fall was less pronounced due to the effect of the reduction in special items

Income (Loss) OSRAM (continuing operations)

- Significantly lower depreciation, amortization, and impairment, which had been particularly affected in the previous year by the need to recognize an impairment loss on the goodwill of OSRAM CONTINENTAL and Digital Systems
- Overall deterioration in net financial income or expense; improvement in income (loss) from investments accounted for using the equity method, net; higher interest expenses, primarily due to the initial recognition of interest expenses in connection with leases as a result of the transition to IFRS 16
- An income tax benefit was recognized in the fiscal year under review; higher tax rate than in the previous year, mainly due to non-deductible impairment of goodwill in fiscal year 2019; however, the tax rate of 10.5% (previous year: 8.8%) was well below the Group tax rate of 30.1%, in particular because of the non-recognition of deferred tax assets › Note 9 I Income Taxes in B.6 Notes to the Consolidated Financial Statements S Page 84
- Net income (loss) from continuing operations amounted to a loss, but the loss was substantially smaller than in the previous year
- Diluted earnings per share of OSRAM (continuing operations) thus amounted to €–1.96 (previous year: €–2.93)

Net Income (Loss)

- The discontinued operation's net loss in the reporting year was essentially due to the sale of the European luminaires business, the loss on which had already largely been recognized in the previous year because of measurement at fair value; there had also been a significant impact from the current income and expense and from the loss on the sale of the luminaire service business in North America in fiscal year 2019
- The net loss was thus much smaller than in the previous year
- Diluted earnings per share therefore improved to €–2.00 (previous year: €–4.22)

A.2.3.3 Opto Semiconductors

Segment Data OS

in € million

		Fiscal year		Change	
		2020	2019	nominal	comparable
Total revenue [1]		1,338	1,464	(8.6)%	(9.1)%
External revenue		689	712	(3.3)%	
EBITDA		268	201	33.5%	
EBITDA margin		20.1%	13.7%	630 bps	
Employees as of September 30	in thousands FTE	10.4	11.4	(8.8)%	

1) Including *Intersegment revenue* of €649 million (previous year: €752 million).

Revenue

- No significant impetus for market conditions at the start of the fiscal year as automotive production continued to decline, yet OS's business performance turned the corner with stable revenue in the first half of fiscal year 2020 compared with the previous year; demand slumped in the third quarter of the fiscal year owing to COVID-19 and automotive was the worst affected business; recovery across all areas of business in the fourth quarter; clear year-on-year fall in prices
- Clear year-on-year reduction in revenue, in both nominal and comparable terms; small positive currency translation effects of 0.5%
- Decrease in all reporting regions on a comparable basis; biggest percentage fall in revenue in the Americas region, where there was a substantial reduction of more than a fifth; revenue in the APAC region was shored up by moderate growth in China
- Revenue declined on a comparable basis in all areas of business except illumination; significant falls for automotive and visualization but just a moderate fall in revenue from the sensing business
- Illumination benefited from increased demand for LED specialty lighting used to grow plants; COVID-19 was responsible for the decline in the automotive business; in the visualization business, the biggest decrease was in revenue from industrial lasers used in materials processing; revenue in the sensing business was bolstered, in particular, by stronger demand for 3D sensors

Earnings

- EBITDA increased substantially to €268 million despite the fall in revenue; the rise in the EBITDA margin was therefore even sharper at more than 600 bps
- Adjusted EBITDA also increased, reaching €269 million (previous year: €254 million); at 20.1%, the adjusted EBITDA margin was up by 280 bps compared with the previous year
- Improvement in earnings primarily attributable to the performance programs implemented in fiscal year 2019 that were stepped up over the course of fiscal year 2020; the resulting cost reductions—including those made in connection with steps taken to limit the fallout from COVID-19—and the streamlining of the product portfolio boosted productivity and profitability; this offset the fall in prices, negative product mix effects, and declining volumes and the loss of economies of scale; income from patent sales and the resolution of a legal dispute had a positive impact, as did currency effects
- Sharp rise in earnings in the illumination business, but decreases for automotive, sensing, and visualization

Assessment of Business Performance

- Revenue was far below our expectations, mainly due to COVID-19
- The resulting level of earnings therefore did not quite match our original forecast from the start of the fiscal year
- Therefore a satisfactory business performance given the impact of COVID-19; the increase in earnings—particularly the year-on-year rise in the EBITDA margin—shows that our extensive countermeasures have resulted in structural and thus sustained improvements to our cost base that will enable us to look to the future with optimism as economic conditions pick up

A.2.3.4 Automotive

Segment Data AM

in € million

		Fiscal year		Change	
		2020	2019	nominal	comparable
Total revenue		1,588	1,781	(10.9)%	(13.7)%
EBITDA		33	118	(71.9)%	
EBITDA margin		2.1%	6.6%	(450) bps	
Employees as of September 30	in thousands FTE	5.2	5.5	(5.5)%	

Revenue

- Contraction of the automotive market continued from the previous year, greatly exacerbated by COVID-19; after a stable start to fiscal year 2020 compared with the previous year, AM's business performance was severely affected by the collapse of automotive manufacturing; recovery in the final quarter, but revenue still significantly lower than in the first quarter of fiscal year 2020, which had been still largely unaffected by COVID-19
- Significant reduction in reported revenue compared with previous year; even greater decrease on a comparable basis after adjustment for negative currency translation effects and positive portfolio effects; portfolio changes following the acquisition of Ring Automotive in the previous year and due to OSRAM CONTINENTAL boosted revenue by 3.1% while the reduction as a result of currency translation was only small
- Significant fall in revenue on a comparable basis in EMEA and the Americas; smallest decrease in APAC, with slight growth in China
- The reduction in revenue was the most pronounced (measured in terms of nominal revenue) in the original equipment manufacturer business involving traditional technology and in the LED component business; on a comparable basis, revenue from xenon and halogen headlights decreased substantially and revenue from the LED component business fell significantly
- AM's nominal revenue was shored up by the other LED-based products, both in the original equipment manufacturer business (including OSRAM CONTINENTAL) and in the spare parts business, thanks to a sharp increase in revenue from XLS products (eXchangable LED LightSource) and from LED retrofits (both on a comparable basis); clear contraction in the spare parts business involving traditional lighting products, but less pronounced than that of the original equipment manufacturer business
- Share of business involving LED-based technology rose to 62.3% overall in the reporting year (previous year: 59.5%)

Earnings

- Drop in EBITDA to €33 million (previous year: €118 million) and in the EBITDA margin to 2.1% (previous year: 6.6%)
- Adjusted EBITDA also down year on year at €76 million (previous year: €140 million); substantial drop in the adjusted EBITDA margin to 4.8% (previous year: 7.8%)
- Overall, the main reason for this decline was the fall in revenue, which led to negative volume effects and the loss of economies of scale; earnings were also affected by negative product mix effects, lower prices, and negative currency effects, although these factors were partly offset by productivity improvements
- OSRAM CONTINENTAL's loss reported under EBITDA was larger than in the previous year, which weighed heavily on AM's earnings
- Rise in special items to €–43 million (previous year: €–22 million), mainly due to transformation costs
- Impairment losses on property, plant, and equipment and on other intangible assets of OSRAM CONTINENTAL, which are not included in reported segment earnings, had a total impact of €65 million › Note 14 I Goodwill and Other Intangible Assets in B.6 Notes to the Consolidated Financial Statements S Page 89

Assessment of Business Performance

- We fell short of our revenue expectations due to the impact of COVID-19 on the already gloomy automotive market
- AM's earnings and margins were also worse than forecast at the start of the fiscal year, primarily due to the reduction in business volume

— Performance in fiscal year 2020 was not satisfactory; this also applies to OSRAM CONTINENTAL; consequently, OSRAM and Continental have agreed to separate out their activities in OSRAM CONTINENTAL once again › A.2.2.3 Other Significant Events Responsible for the Course of Business

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A.2.3.5 Digital

Segment Data DI

in € million

		Fiscal year		Change	
		2020	2019	nominal	comparable
Total revenue		742	934	(20.6)%	(20.3)%
EBITDA		(56)	(39)	43.2%	
EBITDA margin		(7.6)%	(4.2)%	(340) bps	
Employees as of September 30	in thousands FTE	4.1	4.4	(6.8)%	

Revenue

- Market conditions remain challenging due to the decline of traditional business and growing competitive pressure in the LED business; DI's entertainment business was hit particularly hard by COVID-19 due to social distancing requirements that were still in place at the end of the financial year; no noticeable recovery of the segment's revenue in the fourth quarter following the general slump in revenue triggered by COVID-19, mainly in the third quarter
- DI's revenue down by more than a fifth year on year, on both a nominal and a comparable basis; small negative currency translation effects of 0.3%
- Among the regions, APAC recorded the sharpest decrease in revenue of more than 30% (on a comparable basis), predominantly due to weak demand—particularly in China—for lighting systems and lighting installations and in the entertainment business; revenue was significantly lower than in the previous year both in EMEA and the Americas
- The proportion of total revenue accounted for by LEDs went up again, rising moderately to 73.0% (previous year: 70.1%)
- On a comparable basis, revenue decreased in all of DI's businesses
- Revenue from lighting systems and control gear (Digital Systems)—the segment's largest business—declined significantly (on a comparable basis); revenue from entertainment and industrial business fell by around a quarter, mainly due to the slump in demand for stage, cinema, and studio lighting; the primarily COVID-19-related reduction in customer projects led to a substantial drop in revenue from lighting systems and lighting installations; significant decrease in the connected building applications business, also mainly due to COVID-19; revenue only held steady year on year in our smart farming business (on a reported basis)

Earnings

- EBITDA in negative territory at €–56 million, a deterioration compared with fiscal year 2019 (previous year: €–39 million)
- Special items affecting EBITDA amounted to €–28 million (previous year: €–31 million); decrease in acquisition-related costs was greater than the increase in transformation costs
- Adjusted EBITDA below the prior-year level at €–28 million (previous year: €–8 million); adjusted EBITDA margin was –3.8% (previous year: –0.9%)
- EBITDA influenced by decline in revenue and the related negative volume effects and the associated loss of economies of scale; pricing pressure and higher costs also took their toll; these negative effects were mitigated considerably by productivity measures and cost reductions
- Despite COVID-19-induced falls in revenue, the earnings situation improved for Digital Systems and the connected building applications business; all other areas of business saw a decrease in earnings, with the sharpest drop in nominal terms recorded in the entertainment and industrial businesses

Assessment of Business Performance

- The DI Segment's revenue fell far short of our expectations due to the effects of COVID-19, some of which continued until the end of the fiscal year and beyond
- The moderate increase in the adjusted EBITDA margin forecast at the start of fiscal year 2020 was only achieved by Digital Systems
- We are not satisfied with the course of business in the past fiscal year, despite the productivity improvements achieved and the successful—in terms of the volume of cost reductions—measures taken to limit the effects of COVID-19

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; other central costs incurred are recognized in *Corporate items* provided that they have not been charged to the segments after the services rendered by the Group headquarters have been utilized
- *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; it also includes reconciliation and reclassification items as well as corporate treasury activities

Earnings

- Negative EBITDA figure of €–87 million reported under *Corporate items and pensions*, a significant year-on-year decrease (previous year: €–103 million)
- *Corporate items* at €–78 million (previous year: €–97 million); *Pensions* at €–9 million (previous year: €–6 million); improvement in *Corporate items* mainly due to restructuring and more disciplined cost management
- Special items were unchanged year on year at €–25 million, of which almost two-thirds was attributable to transformation costs in connection with restructuring at the Group headquarters › Note 5 I Personnel-related Restructuring Expenses in B.6 Notes to the Consolidated Financial Statements; the remainder was accounted for by acquisition-related costs Page 82
- The adjusted EBITDA figure for *Corporate items and pensions* thus reflected reported EBITDA and amounted to €–62 million (previous year: €–77 million)

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 expenses; the transparency required to ensure solvency is achieved by liquidity planning carried out at the level of material companies on a rolling monthly basis
- Corporate Finance & Treasury is the central trading partner for derivative 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 29 I Financial Risk Management and › Note 20 I Debt in B.6 Notes to the Consolidated Financial Statements Page 112
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A.2.4.2 Cash Flow and Capital Expenditure Analysis

Development of Cash Flows

in € million

	Fiscal year		Change
	2020	2019	nominal
Free cash flow segments			
Opto Semiconductors	190	160	18.8%
Automotive	(36)	127	n.a.
Digital	(39)	(73)	(47.4)%
Reconciliation to consolidated financial statements	(103)	(197)	(47.6)%
Free cash flow OSRAM (continuing operations)	**12**	**17**	**(27.0)%**
therein: Additions to intangible assets and property, plant, and equipment	(98)	(208)	(52.6)%
Net cash OSRAM (continuing operations) provided by (used in)			
Operating activities	111	224	(50.7)%
Investing activities	(118)	(246)	(52.1)%
Financing activities	35	71	(50.1)%

Free Cash Flow of OSRAM (continuing operations)

- Despite the negative earnings performance, free cash flow was in neutral territory and thus almost at the level of the previous year; this was due to the sharp decrease in capital expenditure on property, plant, and equipment at OS
- At €98 million, the total capital expenditure of OSRAM (continuing operations) decreased by more than half, not only because of planned reductions but also because a considerable volume of capital expenditure was postponed as a result of measures taken to safeguard liquidity in connection with COVID-19
- Asset management measures resulted in the release of funds under trade receivables and inventories, but this was negated by the sharp rise in the outflow of funds in connection with trade payables; overall, this led to an increase of €40 million in net operating working capital (previous year: decrease in net operating working capital of €110 million) in the past fiscal year; the capital commitment period for net operating working capital (days outstanding) increased to 85 days (previous year: 74 days) › A.2.6 Reconciliation of Performance Indicators S Page 29
- First-time adoption of IFRS 16 had a positive impact on free cash flow of €54 million in fiscal year 2020 (of which €17 million at OS, €14 million at AM, €10 million at DI, and €12 million in *Corporate items* within *Reconciliation to consolidated financial statements)*
- OS's free cash flow was significantly higher than in the previous year due to the year-on-year improvement in earnings and the sharp fall in capital expenditure on property, plant, and equipment to €53 million (previous year: €139 million)
- Having been in positive territory in the previous year, AM's free cash flow dropped into negative territory as a result of the decline in earnings and, in particular, the increase in net operating working capital
- The negative free cash flow seen at DI in the previous year declined sharply owing to reduced capital expenditure and a decrease in net operating working capital

Additions to Intangible Assets and Property, Plant, and Equipment

by segments
in € million

	Fiscal year	
	2020	2019
Opto Semiconductors	53	139
Automotive	37	49
Digital	8	19
Corporate items and pensions	0	1
Additions to intangible assets and property, plant, and equipment OSRAM (continuing operations)	**98**	**208**

by regions
in € million

	Fiscal year	
	2020	2019
EMEA	52	96
APAC	26	91
Americas	18	20
Additions to intangible assets and property, plant, and equipment OSRAM (continuing operations)	**98**	**208**

Other Investing Activities and Disposals at OSRAM (continuing operations)

— Proceeds and payments from the sale of business units less outgoing cash and cash equivalents resulted in a net cash outflow of €14 million in connection with the sale of the European luminaires business; the sale of another business in Asia during the first quarter of fiscal year 2020 resulted in an inflow of funds of €4 million
— Cash payments for acquisitions, net of cash and cash equivalents acquired, included payments for acquisitions in previous fiscal years, in particular contingent consideration liabilities
— Investments in financial assets resulted from investments by OSRAM's venture capital unit Fluxunit, mainly capital contributions to investment entities and existing equity investments and the acquisition of shares in VividQ Ltd., London (United Kingdom)

A.2.4.3 Financing and Liquidity Analysis

Net Debt

in € million

	September 30,	
	2020	2019
Short-term debt and current maturities of long-term debt	714	539
+ Long-term debt	148	120
Total debt	**862**	**659**
Cash and cash equivalents	321	310
Total liquidity	**321**	**310**
Net debt	**(541)**	**(350)**
– Pension plans and similar commitments	144	167
Adjusted net debt	**(685)**	**(516)**

Net Cash Provided by (Used for) Financing Activities of OSRAM (continuing operations)

— In connection with the change of control to ams in July 2020 › A.2.2.3 Other Significant Events Responsible for the Course of Business, the long-term loan from the European Investment Bank, the amounts drawn down under the variable-rate revolving credit facility (including ancillary facilities), and a further bilateral credit facility arranged in April 2020 were repaid and replaced by shareholder loans from ams in September 2020 Ⓢ Page 13
— On September 11, 2020, OSRAM GmbH entered into a loan agreement for a total of up to €1,050 million, in which ams AG is the lender; a sum of €675 million was drawn down under this agreement as of the end of the fiscal year
— Net cash provided by financing activities of the continuing operations amounted to €35 million (previous year: €71 million)

Net Debt

— The first-time adoption of IFRS 16 caused debt to increase by a total of €188 million as of September 30, 2020
— As of September 30, 2020, debt of OSRAM CONTINENTAL amounting to €98 million was reclassified to *Liabilities associated with assets held for sale;* cash and cash equivalents of OSRAM CONTINENTAL amounting to €9 million were reclassified to *Assets held for sale*

— Net debt divided by EBITDA is used as a performance indicator as part of debt management and for contractual obligations under loan agreements (financial covenants) › Note 20 I Debt and › Note 27 I Additional Disclosures on Capital Management in B.6 Notes to the Consolidated Financial Statements.

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Change in Net Debt

in € million

	Fiscal Year 2020
Net debt as of October 1, 2019	**(350)**
EBITDA OSRAM (continuing operations)	**157**
Change in net working capital[1]	(11)
Change in other assets and liabilities	(5)
Income taxes paid	(32)
Other cash flows from operating activities[2]	1
Additions to intangible assets, property, plant, and equipment	(98)
Free cash flow OSRAM (continuing operations)	**12**
Increase of debt due to the first time application of IFRS 16 *Leases* as of October 1, 2019	(236)
Proceeds and payments from sales of business activities[3]	7
Acquisitions, net of cash and cash equivalents acquired	(14)
Purchases of investments	(4)
Other investing and financing activities OSRAM (continuing operations)[4]	(45)
Reclassification of OSRAM Continental's net debt to *Assets held for sale* and *Liabilities associated with assets held for sale*	89
Net debt as of September 30, 2020	**(541)**

1) Includes changes in inventories, trade receivables, other current assets, trade payables, current provisions, and other current liabilities.
2) Includes dividends received, interest received, and other reconciling items to net cash provided by (used for) operating activities.
3) In the table showing the change in net debt, the purchase consideration received for the discontinued operation (Siteco) was not reduced by the sold holdings of cash and cash equivalents amounting to €17 million because these were no longer included in the calculation of the net debt of continuing operations as of September 30, 2019, owing to their inclusion in the Assets held for sale line item. In accordance with IAS 7, the consolidated statement of cash flows shows the net cash outflow from the disposal less the sold holdings of cash and cash equivalents.
4) Includes non-cash effects, e.g., from currency translation and non-cash changes in lease liabilities, in addition to cash transactions.

Financial Instruments Not Recognized in the Statement of Financial Position

In October 2019, OSRAM sold trade receivables under its own factoring program for the first time. The volume of receivables sold under this program stood at €35 million as of September 30, 2020. OSRAM continued to make use of existing supply-chain financing programs of customers, but was only using them on a modest scale as of the end of the fiscal year.

Contractual Payment Obligations to Third Parties

Future cash outflows resulting from contractual obligations in existence as of September 30, 2020, were as follows:

Payments from Third Party Contractual Obligations

in € million

	Total	Less than 1 year	1 to 5 years	After 5 years
Debt[1]	915	742	104	69
Purchase obligations	124	121	4	–
Total contractual obligations	**1,040**	**862**	**108**	**69**

1) Including interest payments.

— For details on the breakdown of debt, see › Note 20 I Debt in B.6 Notes to the Consolidated Financial Statements
— Purchase obligations include legally binding obligations to purchase property, plant, and equipment, intangible assets, materials and supplies, and services

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A.2.4.4 Financing of Pension Plans and Similar Commitments

- OSRAM's principal pension plans and similar commitments relate to Germany and the U.S.A.; it has less significant commitments in other countries
- The plans are virtually fully funded

Funded Status of OSRAM (continuing operations)

- Present value of defined benefit obligation: €1,218 million (previous year: €1,249 million)
- Fair value of plan assets: €1,088 million (previous year: €1,098 million)
- Underfunding had fallen to €130 million as of September 30, 2020 (previous year: €151 million); proportion of commitments covered by plan assets (including unfunded commitments) thus stood at 89% (previous year: 88%); also a small rise in the proportion of commitments in funded plans covered by plan assets to 99% (previous year: 98%)
- The change in the funded status was attributable to various positive and negative factors; there was a considerable decrease in the defined benefit obligation and plan assets due to currency effects in the U.S.A.; however, the rise in plan assets in the U.S.A. and Germany was able to offset the negative currency effects on plan assets and thereby improve the funded status

A.2.5 Net Assets

A.2.5.1 Statement of Financial Position Analysis

Assets

- Clear decrease in the total assets of the OSRAM Licht Group as of September 30, 2020, compared with the end of fiscal year 2019
- Changes in the asset structure attributable to various factors, including the reclassification of non-current assets to *Assets held for sale* in connection with OSRAM CONTINENTAL › Note 4 I Acquisitions, Disposals, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements and the recognition of right-of-use assets following first-time adoption of IFRS 16 › Note 3 I Impact of First-time Adoption of New Accounting Pronouncements in B.6 Notes to the Consolidated Financial Statements S Page 80 S Page 79
- *Cash and cash equivalents* stood at €321 million as of the reporting date, which was only moderately higher than the figure a year earlier of €310 million
- Substantial reduction in *Trade receivables* and a clear reduction in *Inventories*, driven predominantly by the steps taken to manage working capital in view of the decline in business activity; the total reduction was almost €170 million
- Substantial increase in *Assets held for sale* to €117 million because the assets of OSRAM CONTINENTAL that are attributable to Continental were reclassified to this line item; in the prior year, this item had included the assets of the European luminaires business that were sold in fiscal year 2020
- This led to a clear decrease in current assets overall
- *Other intangible assets* fell sharply—by more than €150 million in total—due to amortization and impairment and because of the reclassification of assets to *Assets held for sale* in connection with OSRAM CONTINENTAL
- Significant decrease in *Property, plant, and equipment* of almost €270 million, largely because of depreciation and impairment and because of the reclassification of assets to *Assets held for sale* in connection with OSRAM CONTINENTAL
- On October 1, 2019, right-of-use assets in respect of leased assets were recognized in an amount of €236 million as part of the transition to IFRS 16; *Right-of-use* assets stood at €190 million as of the end of the fiscal year
- This resulted in a clear overall fall in non-current assets; the proportion of total assets accounted for by non-current assets was unchanged year on year at 58%

Liabilities and Equity

- Changes to the liabilities and equity side of the statement of financial position, primarily due to first-time adoption of IFRS 16, reclassification of liabilities to *Liabilities associated with assets held for sale,* and the signing of a loan agreement with ams
- Substantial increase in *Short-term debt and current maturities of long-term debt* of more than €170 million, mainly due to the changes to the debt structure as a result of short-term loans from ams that replaced not only the short-term loans from banks but also a long-term loan from the European Investment Bank; the transition to IFRS 16 increased this line item by around €39 million; there was a countervailing effect from the reclassification to *Liabilities associated with assets held for sale* of debt held by OSRAM CONTINENTAL companies

- Substantial decrease in *Trade payables* to €372 million (previous year: €548 million), mainly due to the decline in business activity
- Substantial rise in *Liabilities associated with assets held for sale* of more than €20 million in connection with OSRAM CONTINENTAL; the increase was partly offset by the derecognition of liabilities in connection with completion of the sale of the European luminaires business
- Current liabilities and provisions were thus only slightly higher than at the end of fiscal year 2019
- *Long-term debt* rose to €148 million (previous year: €120 million) due to the first-time recognition of lease liabilities amounting to €148 million in connection with IFRS 16, although this was partly offset by the repayment of the loan from the European Investment Bank
- Significant fall in *Pension plans and similar commitments* to €144 million (previous year: €167 million)
- Consequently, non-current liabilities and provisions saw a moderate year-on-year decline overall
- Significant decrease in equity, mainly attributable to the negative earnings performance; *Non-controlling interests* declined to €–10 million (previous year: €79 million) in connection with OSRAM CONTINENTAL
- Equity ratio (total equity to total assets) of 44% as of September 30, 2020 (previous year: 48%)

Balance Sheet Structure

in € million

	September 30,		Change
	2020	2019	nominal
Current assets			
Current assets	1,669	1,824	(8.5)%
therein assets held for sale	117	93	25.9%
Non-current assets	2,317	2,511	(7.7)%
Total assets	**3,987**	**4,335**	**(8.0)%**

	September 30,		Change
	2020	2019	nominal
Liabilities and equity			
Current liabilities	1,808	1,786	1.2%
therein liabilities associated with assets held for sale	111	90	23.6%
Non-current liabilities	442	466	(5.2)%
Equity	1,737	2,083	(16.6)%
Total liabilities and equity	**3,987**	**4,335**	**(8.0)%**

Liabilities Not Recognized in the Statement of Financial Position

The main liabilities not recognized in the statement of financial position included obligations under purchase agreements and guarantees ›A.2.4.3 Financing and Liquidity Analysis and ›Note 24 I Other Financial Commitments and Contingent Liabilities in B.6 Notes to the Consolidated Financial Statements. S Page 25 S Page 104

A.2.5.2 Explanations of Acquisitions and Disposals

In June 2019, OSRAM signed an agreement with Stern Stewart Capital Sustainability GmbH, Munich (Germany), concerning the sale of the European luminaires business—predominantly operated by Siteco Beleuchtungstechnik GmbH (Siteco), Traunreut (Germany). The transaction was completed on October 1, 2019. The European luminaires business had been reported as a discontinued operation from the start of fiscal year 2019 following the Managing Board's strategic decision to dispose of the entire luminaires business. For further information, see ›Note 4 I Disposals, Disposal Groups, and Discontinued Operations in B.6 Notes to the Consolidated Financial Statements. S Page 80

A.2.6 Reconciliation of Key Performance Indicators

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

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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

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

OSRAM (continuing operations)	**2020:**	−12.3% – 0% – 1.6%	= −13.8%	**2019:**	−8.6% – 2.0% – 2.5%	= −13.1%

Currency Translation Effects

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

OSRAM (continuing operations)

2020: $\frac{3{,}039 - 3{,}040}{3{,}464} = 0.0\%$ **2019:** $\frac{3{,}464 - 3{,}398}{3{,}789} = 2.0\%$

Portfolio Effects [1]

$$\frac{\text{Revenue from acquisitions in the reporting period and desinvestments prior period as well as changes in the allocation of business activities}}{\text{Prior period revenue}}$$

OSRAM (continuing operations)

2020: $\frac{54}{3{,}464} = 1.6\%$ **2019:** $\frac{96}{3{,}789} = 2.5\%$

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.

EBITDA and EBITDA Margin

We predominantly use the (adjusted) EBITDA margin to measure the performance of the operating business of OSRAM as a whole and of our segments. The (adjusted) EBITDA margin is defined as (adjusted) EBITDA divided by revenue. Adjusted EBITDA is calculated by adjusting EBITDA for special (recurring and non-recurring) items. In addition, we use adjusted EBITDA to determine our capital structure data. Because of the way it is defined, EBITDA does not reflect all economic effects (no loss in value of assets resulting from depreciation, amortization, and impairment). Moreover, EBITDA does not include net financial income or expense.

EBITDA

in € million

	OSRAM (continuing operations) Fiscal year	
	2020	2019
Income (loss) OSRAM	(267)	(343)
Income taxes	(31)	(33)
Net financial income or expense[1]	40	32
Amortization, depreciation, and impairments[2]	415	521
EBITDA[3]	**157**	**176**

1) Income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other financial income (expenses), net.
2) Impairment losses on goodwill and amortization of, and impairment losses on, other intangible assets, net of reversals of impairment losses as well as depreciation of, and impairment losses on, property, plant, and equipment, net of reversals of impairment losses; depreciation of right-of-use assets included in fiscal year 2020 due to first-time adoption of IFRS 16 (prior-year figures not restated due to modified retrospective adoption).
3) EBITDA (earnings before interest, taxes, depreciation, and amortization) is earnings before net financial income or expense, income taxes, impairment losses on goodwill and amortization of, and impairment losses on, other intangible assets, net of reversals of impairment losses as well as depreciation of, and impairment losses on, property, plant, and equipment, net of reversals of impairment losses.

EBITDA Margin and Adjusted EBITDA Margin

in € million

	OSRAM (continuing operations) Fiscal year	
	2020	2019
Revenue	3,039	3,464
EBITDA	157	176
EBITDA margin	**5.2%**	**5.1%**
Special items	(96)	(131)
Transformation costs[1]	(90)	(87)
Acquisition related costs	(6)	(41)
Other	0	(3)
Adjusted EBITDA	253	307
Adjusted EBITDA margin	**8.3%**	**8.9%**

1) Special items comprise transformation and acquisition-related costs, which impact on EBITDA, costs for significant legal and regulatory matters, and related income, such as from the reversal of provisions. Transformation costs, which impact on EBITDA, result mainly from the measures needed to strengthen our competitiveness (changes to manufacturing capacity, improvement of the cost position, etc.). Acquisition-related costs, which also impact on EBITDA, comprise costs incurred in connection with the acquisition and disposal of companies, equity investments, and operating businesses. In particular, these include the cost of legal and other advice, costs for integration/disposal, and adjustments in profit or loss of contingent consideration liabilities in the context of acquisitions.

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) Fiscal year	
	2020	2019
Net cash provided by (used in) operating activities	111	224
Less: Additions to intangible assets and property, plant, and equipment	98	208
Free cash flow	**12**	**17**

Capital Structure

Net debt is the difference between total debt and total liquidity. Adjusted net debt is net debt less *Pension plans and similar commitments*. For the calculation of net debt and adjusted net debt, 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.

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Capital Structure Data

in € million

	September 30,	
	2020	2019
EBITDA OSRAM (continuing operations)	157	176
Net debt	(541)	(350)
Net debt in relation to EBITDA	**(3.4)**	**(2.0)**
Adjusted net debt	(685)	(516)
Adjusted net debt in relation to EBITDA	**(4.4)**	**(2.9)**

Equity Ratio

Equity Ratio

in € million

	September 30,	
	2020	2019
Total equity	1,737	2,083
Total assets	3,987	4,335
Equity ratio	**44%**	**48%**

Capital Commitment Period (Days Outstanding) for Net Operating Working Capital

Capital Commitment Period (Days Outstanding) for Net Operating Working Capital 1)

$$\frac{\text{Inventories + trade receivables - trade payables}}{\text{Revenue}} \times 365$$

2020: $$\frac{(641 + 440 - 372)}{3{,}039} \times 365 = 85.1$$

2019: $$\frac{(692 + 558 - 548)}{3{,}464} \times 365 = 73.9$$

1) OSRAM (continuing operations).

A.3

Events After the Reporting Date

Amendment to the Domination and Profit and Loss Transfer Agreement between OSRAM Licht AG and ams Offer GmbH

On September 22, 2020, OSRAM Licht AG (controlled company) and ams Offer GmbH (controlling company) signed a domination and profit and loss transfer agreement. Under the domination and profit and loss transfer agreement, the outside shareholders of OSRAM will receive an annual compensation payment of €2.57 gross per OSRAM share (less any corporate income tax and solidarity surcharge at the applicable rate for the fiscal year in question) for the duration of the agreement. The outside shareholders of OSRAM are also to be made an offer for the purchase of their OSRAM shares in return for payment of a reasonable cash settlement of €44.65. The amount of the annual compensation payment and of the settlement offer were determined in accordance with the legal requirements and on the basis of an assessment of OSRAM's enterprise value pursuant to the IDW S 1 standard.

On November 2, 2020, OSRAM Licht AG (controlled company) and ams Offer GmbH (controlling company) agreed to amend the domination and profit and loss transfer agreement dated September 22, 2020, owing to a change in the basic interest rate. The cash settlement to be offered to the shareholders of OSRAM in accordance with clause 5.1 of the domination and profit and loss transfer agreement dated September 22, 2020, was raised by €0.89, from €44.65 to €45.54 per OSRAM share. The compensation payment, and the other provisions of the agreement, remained unchanged.

At the Extraordinary General Meeting on November 3, 2020, the shareholders of OSRAM Licht AG approved the signing of the agreement dated September 22, 2020, as amended on November 2, 2020.

Influence of the Domination and Profit and Loss Transfer Agreement on the Deferred Tax Assets in the Consolidated Financial Statements

The domination and profit and loss transfer agreement is expected to take effect retrospectively from October 1, 2020. This will affect the balance of deferred taxes in the consolidated financial statements of OSRAM Licht AG, in part because the deferred taxes of a tax group formed for the purpose of income tax have to be measured and recognized at the level of the tax group's parent entity. Of the balance of deferred tax assets recognized in the consolidated financial statements of OSRAM Licht AG as of September 30, 2020, around €390 million was attributable to the tax group of OSRAM Licht AG formed for the purpose of income tax. Most of this amount will have to be released to profit and loss when the domination and profit and loss transfer agreement takes effect.

Changes on the Managing Board

On November 5, 2020, the Supervisory Board of OSRAM Licht AG resolved to reduce the Managing Board to two members and to enter into negotiations with Dr. Stefan Kampmann, Chief Technology Officer (CTO), about terminating his contract prematurely by mutual agreement. By means of a resolution circulated to its members in writing dated November 16, 2020, the Supervisory Board approved Dr. Kampmann's resignation from the Managing Board with effect from the end of November 30, 2020, and approved the signing of a severance agreement. The Supervisory Board reallocated the responsibilities among the Managing Board members with effect from December 1, 2020, assigning to the Chairman of the Managing Board all the previous responsibilities of the CTO with the exception of Procurement & Supply Chain (incl. Logistics) and Information Technology, which have been assigned to the Chief Financial Officer.

These developments had no impact on the consolidated financial statements as of September 30, 2020.

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, 2020.

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 the latest forecasts based on the average of the Consensus forecast, global economic growth is likely to be 4.9% in calendar year 2021 and will thus more or less cancel out the contraction in 2020. Economic prospects will continue to be heavily influenced by the spread of infection. The coronavirus outbreak, which continues to be out of control in some areas, creates considerable risks for an unbroken economic recovery. Another risk is a renewed escalation of the trade dispute and areas of political contention between the U.S.A. and China. The U.S.A.'s long-running trade disputes with the EU continue to smolder too. The risk of a no-deal Brexit has not gone away, either. How these disputes progress, and their eventual outcome, is also likely to affect economic conditions. The performance of the global economy has a direct impact on the most important macroeconomic indicators for the lighting market.

IHS Markit forecasts clear growth of around 13.5% for automotive manufacturing in our fiscal year 2021, following its slump in 2020. However, the volume of car production achieved in 2019 will not be repeated in the medium term. The risk of slower growth in the coming fiscal year is regarded as relatively high because it is difficult to gauge future demand and hard to predict further possible restrictions as a result of the pandemic and the effects of potential trade disputes. The emergence of a further wave of the pandemic due to a vaccine being unavailable would adversely affect growth. A fall in production would have a direct impact on demand for lighting products for new vehicles.

According to the August forecast from the World Semiconductor Trade Statistics (WSTS) organization, the semiconductor market is expected to expand by around 4% in fiscal year 2021. There is likely to be a fall in the first quarter, followed by a clear recovery in subsequent quarters. For the opto semiconductor market served by OSRAM, analysts at OMDIA anticipate growth of around 5% in calendar year 2021. The automotive sector, which saw a clear contraction in 2020, is likely to record double-digit growth rates.

Regardless of economic influences on growth in the wider economy, the transformation of the global lighting market is continuing, with a shift away from traditional lighting toward semiconductor-based lighting. For example, the prevalence of LEDs in car headlights is expected to continue to increase in the coming fiscal year. Moreover, virtually all lighting markets are experiencing a clear increase in networked and intelligent lighting solutions. Demand for optical sensors will also grow. 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. For example, our automotive forecasts assume the continuation of the trend toward vehicles being fitted with higher-value equipment. Lighting products in vehicles should benefit disproportionately from this trend, which may lead to increased lighting technology revenue per vehicle. Besides products aimed purely at illumination, other photonics applications are benefiting from the technological shift. Double-digit growth rates are expected in markets such as LED horticultural lighting and lasers for optical sensors in vehicles, for example.

A.4.1.2 Expected Revenue and Earnings Trends

The macroeconomic and sector-specific trends presented above show that OSRAM operates in fast-changing markets and that there are currently uncertainties about future market conditions. Consequently, we anticipate that OSRAM's comparable revenue growth (adjusted for currency translation and portfolio effects) will be in a range between 6% and 10%. We anticipate clear comparable revenue growth for OS and AM. Within DI, we certainly expect entertainment, and perhaps also other areas of business, to continue to be weighed down by the COVID-19 pandemic.

For OSRAM (continuing operations) in fiscal year 2021, we estimate an EBITDA margin—adjusted for special items (mainly transformation costs)—of between 9% and 11%, which would mean modest to moderate growth compared with 2020. At segment level too, we predict a modest to moderate increase in the adjusted EBITDA margin.

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

In the coming fiscal year, we anticipate that free cash flow will be neutral or just into positive territory in the low double-digit millions of euros. One of the contributors will be OS, which will have a free cash flow that is well into positive territory. For AM, we expect free cash flow to be neutral. We anticipate that DI's free cash flow will be in negative territory. Free cash flow is likely to be adversely affected by payments in connection with restructuring costs that will have an impact on the corporate functions and on the segments.

For the coming fiscal year, we forecast that OSRAM will again have a stable financial profile that will provide sufficient room for maneuver to finance our business requirements in the years ahead.

A.4.1.4 Overall Assessment of Expected Developments

In addition to the macroeconomic trends presented above, our forecast is based on the OSRAM Licht Group's multi-year business plan. The following table provides an overview of our Group forecasts for our key performance indicators:

Expected Developments 2021 [1)]

	Initial position Fiscal Year 2020	Expected developments Fiscal Year 2021
Comparable revenue growth (adjusted for currency translation and portfolio effects)	(13.8)%	6% to 10%
Adjusted EBITDA margin (adjusted for special items - mainly transformation costs)	8.3%	9% to 11%
Free Cash Flow	€12 million	Free cash flow ranging from balanced to a positive low double-digit million-€-figure

1) The information presented in the table relates to OSRAM (continuing operations).

This forecast assumes that the effects of COVID-19 will be overcome over the course of fiscal year 2021. Any economic consequences from a renewed flare-up of the pandemic are thus not taken into consideration in the forecast figures.

We have also not taken into account the economic risks presented under the macroeconomic and sector-specific developments nor a recession scenario. Our forecast is based on current exchange rates, especially against the U.S. dollar, Malaysian ringgit, and Chinese renminbi. Our planning also assumes that the technology shift and, potentially, adverse price trends will materialize at a certain rate.

Our forecast for fiscal year 2021 does not contain any predictions for a hard Brexit scenario. Overall, the direct risk to the Company in relation to revenue generated in the United Kingdom is seen as very small. The procurement risk is negligible.

With regard to international trade, the forecast does not contain any predictions for additional increases in tariffs or for further expansion of their scope of application.

We have not factored any effects of the takeover by ams Offer into the forecast.

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 elements 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. Our risk policy is also aimed at unlocking opportunities in a way that boosts profitability as well as enterprise value.

OSRAM has a risk management system that keeps the Managing Board and Supervisory Board fully and promptly informed of material risks and opportunities. Our centralized 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 risk management system aims to ensure that all relevant business risks and opportunities throughout the Group are captured. Any event that can have a significant negative or positive influence on business performance and goes beyond the scope of the current business planning represents a risk or an opportunity. The time horizon is in line with our medium-term planning. All relevant organizational units and regions are included in the analysis.

In order to ensure a comprehensive assessment, the bottom-up identification and assessment process is flanked by quarterly discussions with the management team (top-down process). This top-down element ensures that potential new risks and opportunities are discussed at the management level and, if relevant, are included in the reporting process. Reported risks and opportunities are aggregated in a risk/opportunity register. Reporting to the Managing Board takes place on a quarterly basis and 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, initiates, and monitors implementation of the 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 Supervisory Board's Audit Committee is responsible for monitoring the effectiveness of this system. Group Internal Audit also reviews compliance with corporate policies regarding risk management as part of its regular audit activities. The findings of these audits are taken into account in the improvement process for our risk management system.

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 strategic and operational risks reported below, one is classified as 'major' and eight as 'high' while the final operational risk is classified as 'medium.' The order in which they are presented within the categories reflects the current estimate of the relative exposure and thus gives an indication of the significance of these risks at present for OSRAM. The estimate of the level of risk may change over time. Our assessment of some of the material risks has changed compared with the previous year. As described in our interim financial reporting, we believe there is a higher probability of a long-lasting and significant deterioration in macroeconomic conditions because of the COVID-19 pandemic. This also results in higher financing risks for OSRAM. Another increased risk that we have identified is that transformation programs decided upon cannot be implemented as planned or that additional restructuring programs may be necessary if the scope of the programs originally planned is not enough to offset falls in revenue. We also believe there is a higher risk of operational disruptions—particularly because of the COVID-19 pandemic—and of increasing reliance on individual production facilities and suppliers. Compared with the previous year, we also see an increase in the risks that arise from the sector's usual market dynamics and from the difficult competitive environment created by growing pressure from competitors with regard to innovation and prices. The technological shift from traditional to LED lighting and other semiconductor-based applications has recently gathered pace and has been taken into account in the current business planning. However, this increases the risk that our product portfolio might not meet the needs of our customers.

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.

Strategic Risks

Economic Situation

Macroeconomic conditions in fiscal year 2020 were dominated by the effects of the COVID-19 pandemic triggered by the novel coronavirus (SARS-CoV-2). This led to a significant fall in demand for our products and, consequently, a decline in our revenue and earnings. Economic prospects will continue to be heavily influenced by the spread of infection. Although significant macroeconomic indicators have improved to some extent, it is currently not possible to predict how quickly or strongly the economy will recover from the effects of the COVID-19 outbreak. The coronavirus outbreak, which continues to be out of control in some areas, creates considerable risks for a continual and sustained economic recovery.

Moreover, renewed escalation of the current U.S./Chinese trade dispute—in which key high-tech companies backed by the Chinese government are being deliberately targeted in some cases—and the stepping up of protectionist measures, e.g., against Mexico and Europe, may adversely affect revenue and earnings. The threat of a hard Brexit and the resulting ongoing uncertainty, as well as the re-emergence of the debate about government debt, might also affect OSRAM's European business.

A decline in worldwide automotive manufacturing was already discernible in previous years, a trend that has been strengthened by the recent outbreak of COVID-19. In the opinion of leading market research institutions, pre-crisis levels may not be reached for some years. The technological and structural evolution in the automotive industry may lead to an even greater decrease in new vehicle registrations. We continually monitor the relevant early warning indicators so that we can develop effective response strategies and adjust them regularly. To counteract the above-mentioned effects, we regularly review our value chain, i.e., our global and regional presence, and our processes. By doing so, we aim to make cost savings and operational improvements that will allow us to avoid customs tariffs and offset falling selling prices, rising commodity and energy prices, and higher wage costs.

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.

COVID-19 Pandemic

Having spread to different regions at different rates in the first half of 2020, the COVID-19 pandemic has now established itself as a global phenomenon. Governments worldwide will continue to impose strict measures to contain the virus until an effective vaccine has been developed. Although the intensity and duration of the measures to contain COVID-19 have been eased in many countries since mid-2020, there is still expected to be a negative impact on affected countries and regions. As the second wave of the virus gathers pace, it is becoming more likely that measures taken to control the infection will be tightened again. This could have further implications for OSRAM's business.

If shops close again and people continue to receive short-time working benefits for an extended period, there would be a direct adverse effect on consumer demand and thus on demand for new vehicles. Our OEM customers might then suffer a sustained drop in demand, which would primarily impact on the Opto Semiconductors and Automotive Business Units. The reduction in traffic as a result of borders being closed, restrictions placed on public life, and more people working from home mean that vehicle mileage is falling, which is leading to reduced wear and tear and thus depressing demand for vehicle spare parts. Furthermore, extensive bans on large gatherings is affecting demand for lighting solutions, such as in the entertainment sector. Demand in this sector will not recover until the spread of the virus can be reliably and sustainably contained by means of a vaccine.

The steps taken to prevent the spread of COVID-19 resulted in disruptions to supply chains and production at the start of the pandemic. Further disruptions to production, either due to material shortages or restrictions on OSRAM's production activities in affected regions, could have a renewed adverse impact on OSRAM's ability to supply its products and on its revenue.

From the start of the pandemic, OSRAM has taken specific steps to mitigate the effects on our business as effectively as possible. We have set up a crisis management function comprising various working groups. Working with the local crisis teams in the business units, it developed a wide range of measures to safeguard earnings and liquidity and, where necessary, implemented them. These included measures to reduce personnel costs, e.g., by introducing short-time working and temporarily closing sites. In the operating business, measures to optimize logistics, production, and stockpiling were examined and implemented. Moreover, liquidity was monitored more closely. As the list of measures drawn up has not been exhausted, the OSRAM management team continues to monitor the situation constantly and comprehensively so that it can take further steps if necessary.

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.

Market Dynamics and Competitive Environment

The opto semiconductor market depends on global economic growth and is thus exposed to significant volatility. This cyclicality may be amplified by an increase in requests from customers to change order volumes at short notice. OSRAM's forecasts are therefore subject to considerable uncertainty and create the risk of underutilization of capacity and higher inventory levels that may result in an inefficient cost structure and narrower margins. They also create the risk of capacity bottlenecks and delivery problems that may lead to a loss of revenue and customers.

Entry into the semiconductor market requires high levels of capital expenditure. New competitors have to capture market share if they are to make full use of their production capacity. This may result in established manufacturers of LED components and products for automotive, general lighting, and horticultural applications having to differentiate themselves more on price than in the past. Given our extensive capital expenditure on semiconductor manufacturing in Kulim (Malaysia), we may suffer declining economies of scale because of the level of fixed costs.

There is also a risk that manufacturers will have fewer opportunities to differentiate themselves on the basis of technological expertise or brand value. This commoditization of products may cause prices to decline more than we expect, which would impact on our earnings.

If we cannot fully offset these price reductions by selling larger quantities of products, or if we cede market share at the same time, we will need to improve productivity and lower our costs. We therefore regularly investigate further measures for increasing productivity and reducing costs › A.2.2 Events and Developments Responsible for the Course of Business and › A.2.3 Results of Operations.

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Ongoing streamlining, renewal, and diversification of the product portfolio, along with more targeted spending on research and development, are also needed in order to secure a technological edge and ensure that existing capacity is utilized profitably.

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.

Adjustments to the Organization and the Industrial Footprint

The economic downturn, which has been made worse by COVID-19, and the accompanying softening of demand, for example in our business with customers from the automotive and entertainment industries, have made it necessary to restructure and transform our business. OSRAM is also reacting to the contracting markets with measures aimed at making our processes faster and more efficient and at reducing our fixed cost base › A.2.2 Events and Developments Responsible for the Course of Business. S Page 12

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 and delaying the strategic realignment that is needed in some cases.

We believe that the agreed winding up of the joint venture between OSRAM and Continental and the upcoming reintegration of OSRAM's parts of the business into the Group are likely to result in the stepping up of transformation activities. To minimize this risk, OSRAM and Continental are currently working on developing a joint project plan for winding up the joint venture and taking back their parts of the business.

In addition, there is a risk that restructuring measures decided upon are insufficient or fall behind schedule. Inadequate or delayed implementation of, for example, measures relating to manufacturing facilities or involving large-scale relocation of processes or organizational changes could also make us less competitive. The cost-saving and transformation activities that we have announced could also lead to risks relating to personnel, processes, and systems.

Planned savings from program measures are recorded in a centralized reporting tool and their achievement is monitored by the financial planning and reporting department. We also try to counter this risk by designing programs with the minimum possible social impact and introducing employee retention and communications measures.

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.

Renewal of the Product Portfolio

The technological shift toward semiconductor-based lighting and other applications, such as sensors and visualization, brings with it shorter product lifecycles. Fierce competition to introduce new technologies creates the risk that changing markets and new customer requirements are not factored into strategic product planning and operational product creation processes promptly and sufficiently. 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.

This leads to greater demands being made in terms of the quality of strategic product planning and the speed and efficiency of the day-to-day product development processes.

We counter these risks with specific measures, for example by analyzing the market, regularly reviewing the technology fields and the research and development projects, and sharpening their focus where necessary. We are also continuing to work on optimizing the efficiency of our process and system landscape for day-to-day product development.

Moreover, the development of intelligent and networked products with specific software applications is becoming an increasingly important part of both the lighting market and our product portfolio. There is a risk that we cannot respond to this expected shift in demand to the necessary extent. We are therefore working on making our development processes more agile and are establishing new (digital) distribution channels.

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

Operational Disruptions

As we steadily optimize our manufacturing organization, reliance on individual production facilities increases, especially in the OS and AM Business Units. There is a risk that accidents and disruptions in our plants or external influences such as supply bottlenecks, environmental disasters, pandemics, wars, or political unrest will prevent us from manufacturing products and shipping them in the planned volumes. This may adversely affect our results of operations. Furthermore, greater demands may be placed on our production processes in the future in order to ensure compliance with environmental regulations.

It is essential to protect our production facilities and monitor our suppliers in order to make sure that our value chain and our ability to deliver are not affected by internal or external sources of disruption. OSRAM has taken out various insurance policies, including for business interruption risk; the sums insured are adequate from a commercial perspective.

There are also various control systems and business continuity plans designed to ensure the availability and quality of our products. During the COVID-19 pandemic, we used these when our plants in China and Malaysia had to temporarily stop manufacturing—either completely or partly—due to restrictions imposed by the authorities.

As far as possible, we reduce the risk of supply bottlenecks at external suppliers by diversifying the supplier base and continuously monitoring critical suppliers and materials › Risks—Supplier and Procurement Market Risks. S Page 40

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

Management of the Portfolio of Companies

There is a risk that our current portfolio of companies could be insufficiently geared to long-term growth opportunities. We regularly evaluate our Group portfolio in order to define our profile more clearly and focus on high-tech sectors offering long-term growth opportunities. Any opportunities for acquisitions, equity investments, or disposals of parts of our Company are investigated in this context.

In fiscal year 2020, we therefore again added to our portfolio. Fluxunit, our venture capital arm, continues to invest in start-ups either directly or indirectly through fund investments. In fiscal year 2020, for example, Fluxunit invested in software company VividQ, London (United Kingdom). The company develops software for computer-generated holography (CGH) used in every-day consumer electronics and automotive applications.

However, the complexity of the Group's current portfolio and potential future adjustments make it more difficult to achieve synergies through our existing integration and portfolio management processes. Moreover, OSRAM and Continental have decided to wind up their joint venture and partly reintegrate it into the OSRAM Group.

We draw up customized integration plans to ensure that we can achieve the anticipated benefits of adjusting the portfolio. To this end, we deploy cross-functional teams and have established a system of tracking and reporting on project objectives, including the achievement of synergies, that is based on the expertise of our central M&A department.

The planned takeover by ams and the related uncertainty surrounding future strategy could have a negative impact on the volume of new orders and on day-to-day business, especially at DI.

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

Operational Risks

Shortage of Qualified Employees

Competition for qualified employees among companies that rely heavily on engineering and technology is intense. The loss of these 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, software development and architecture, and project business. Various redundancy schemes, including in research and development, are making it increasingly difficult to fill managerial vacancies and other key positions.

We could also lose experienced managers who are important to our business and for the structural changes required. We particularly see challenges in securing employees for key positions in Asia and the U.S.A. This risk may grow due to the planned takeover by ams and the resulting increase in uncertainty.

In addition to staff loyalty programs, we therefore focus worldwide on the identification and advancement of talented individuals and on dedicated employee development programs. These include educational and training opportunities, a range of career paths, continuing professional development, and programs for high-potential employees. We have also greatly expanded our social media presence and are using these channels to recruit new employees in order to ensure an enduring perception of OSRAM as an attractive employer. For example, we were awarded Top Employer 2020 certification in China, Germany, Malaysia, and the U.S.A. We also carry out a variety of employer branding activities, such as taking part in training days and graduate fairs at universities, in order to communicate our employer positioning and present OSRAM as an employer of choice.

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.

Supplier and Procurement Market Risks

Because we are a manufacturing company with a broad product range, we obtain the various materials and services from a large number of suppliers. It is not possible in every case to arrange a number of alternative suppliers in addition to our preferred supplier. In certain areas, we are therefore reliant on individual suppliers' quality and ability to deliver. The supplier base in our traditional lighting business is becoming increasingly consolidated. Moreover, the ever greater demands in respect of sustainability in supply chains might further restrict the number of possible suppliers.

Should one or more important suppliers not fulfill its obligations, shortages may arise in the production process and thus impair our own ability to deliver our products.

There is also uncertainty about future purchase prices for products to be taken back from OSRAM CONTINENTAL, for which Continental has supplied the components until now.

We counter these risks by means of forward-looking inventory management and procurement management. The main elements of this are long-term supply agreements, price escalation clauses, and monitoring of leading indicators for negative developments in commodity markets. Besides certifying alternative suppliers of critical commodities and components, we are monitoring the remaining dependencies and developing strategies that enable us to react to price rises and shortages. Obtaining information on suppliers' financial situation and regularly monitoring it are an integral element of supplier risk management.

If measures to reduce risk in the automotive supplier business or the adjustment of creditworthiness criteria, for example, mean that providers of trade credit insurance are no longer willing to insure OSRAM's risk to the same extent, this may restrict our choice of suppliers or lead to changes in payment terms.

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

Security of the System Landscape

As the digitalization of our business models and processes continues, our system landscape is playing an ever-more important role. We are increasingly using Internet-based applications and offer Internet-based products in order to provide greater benefits for customers and make our products and processes more efficient. At the same time, more and more regulatory requirements are being introduced worldwide concerning the protection, integrity, and availability of data. As well as guarding against the possible loss of business information and intellectual property, we have to ensure that the personal data we hold is safe. In this context, we focus both on external cyber-attacks on our IT systems and on problems caused by a lack of awareness within our organization. Not only could data be stolen by third parties, there is also a risk of data loss as well as significant time and expense involved in restoring the data.

Attacks on our IT systems, or their improper use, may also lead to downtime that would significantly affect our business operations. The failure of one of our ERP systems or even one of the smaller systems may have negative consequences, including production stoppages, disruptions to the supply chain, and the unavailability of products.

We counter these risks by relocating IT systems and applications to cloud solutions that are protected by adequate security measures and by conducting independent tests on the vulnerability of our IT systems. Moreover, we run training courses for our employees.

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

Quality Risks

Ensuring that our products meet market-specific and customer-specific requirements is crucial to our Company's success. The risk of possible quality defects is rising due to the growing complexity of product and manufacturing processes and due to the shorter development cycles. Poor-quality products can lead to high direct costs if our customers have to recall their products, especially in the automotive industry. This could also indirectly harm our reputation.

We counter this risk with robust Group-wide quality processes that are audited inhouse and by our customers at regular intervals in accordance with established standards (e.g., ISO 9001 and IATF 16949). The processes are also certified by external companies. We have set up an effective system for reporting quality defects and product safety incidents to ensure that we can take action promptly.

Failure to implement the necessary measures might have a clear adverse effect on our business activities and on 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.

As a company with global operations, we conduct transactions in a variety of currencies. This creates risks from fluctuations in exchange rates, both in operational business (transaction risk) and in financial reporting. The latter is exposed not only to transaction risks but also to effects from translating amounts into the Group's reporting currency, which is the euro. Exchange rate volatility may have an adverse impact on earnings, equity, and cash flow. Our organizational structure means that we are mainly exposed to changes in the euro exchange rate against the U.S. dollar, the Malaysian ringgit, and the Chinese renminbi. Possible changes to monetary policy measures and a shift in the political and economic climate may result in heightened volatility in the future.

As already described with regard to risk relating to the › COVID-19 pandemic, a protracted and severe outbreak of COVID-19 could cause a marked slowdown in global growth. Economic measures announced by central banks and governments—and already implemented in some cases—might not be sufficient to make up for the adverse economic effects of the pandemic. If these adverse effects on the global economy are more pronounced and/or last longer, this might have a significant negative impact on our business activities and on our net assets, financial position, and results of operations. Structural transformation measures already initiated or being planned might not be sufficient or effective. This includes the risk that OSRAM temporarily breaches the financial covenants in the shareholder loan agreement with ams, which contains clauses relating to the financial position of the OSRAM Licht Group (financial covenants) that reflect normal business practice and according to which the ratio of net debt to adjusted EBITDA may not exceed 3.75:1 with effect from June 30, 2021. If the financial covenants are not adhered to, ams has a contractual right of termination as the lender and parent company of OSRAM. Furthermore, material OSRAM subsidiaries have become parties to this shareholder loan agreement and to certain funding agreements of ams AG as guarantors, whereby the guarantee liability is limited to the amount that the individual guarantor would specifically draw down as funding when there would otherwise be a breach of applicable rules on maintaining capital. The loan agreement with ams AG has a term of twelve months with a one-off option to extend it by a further six months. If it were not extended or could not be refinanced via the capital markets, the long-term overall funding of OSRAM would not be assured. It is not possible to exclude the possibility that a change in the Company's S Page 37

circumstances, or in market conditions, may result in disadvantageous changes to the terms and conditions when follow-up funding is arranged.

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 29 I Financial Risk Management in B.6 Notes to the Consolidated Financial Statements. S Page 112

Legal and Compliance Risks

Like other global companies, OSRAM faces various legal and compliance risks. These include risks arising from legal disputes and compliance issues, from the breach of industrial property rights, and from failure to comply with regulatory requirements.

The OSRAM Licht Group and its subsidiaries are involved in various court cases, claims, and investigations by authorities. These could lead to costs for OSRAM as a result of claims for damages, reworking orders, recalls, fines, or other financial disadvantages. It might also suffer reputational damage.

As we do ourselves, many of our competitors, suppliers, and customers protect their technologies using patents and other intellectual property rights. If claims for the alleged breach of intellectual property rights are enforced, we might have to pay compensation, purchase licenses, or limit the marketing of our products. Defending ourselves against such claims may lead to high legal costs. We reduce our risk by entering into cross-licensing agreements with competitors, although there is no way of contractually protecting ourselves against patent brokerage firms.

We are also subject to extensive government regulations worldwide, such as in the areas of environmental protection, product safety, and working conditions. New legislation has recently been introduced that tightens the rules on environmental protection. Depending on the circumstances, failure to comply with the applicable rules may lead to significant fines and reputational risk. To prevent this as far as possible and to anticipate future regulatory changes as soon as possible, we have central departments that monitor changes to legislation worldwide and help with implementing the necessary processes and controls at country level.

If necessary, OSRAM also recognizes provisions for legal proceedings. Where it makes financial sense, some of the risks are additionally covered by insurance. For an overview of significant legal proceedings, see ›Note 25 I Legal Proceedings in B.6 Notes to the Consolidated Financial Statements. Furthermore, OSRAM has established a Group-wide compliance management system in order to avoid and identify any compliance-relevant issues rapidly. S Page 105

A.4.2.3 Opportunities

We also regularly identify, evaluate, and respond to the opportunities arising for OSRAM using our ERM approach. The assessment methodology is the same as that applied to the assessment of risks. Of the opportunities reported below, one of the strategic opportunities is classified as ‘major’, one as ‘high’, and three as ‘medium.’ The order in which the opportunities are presented within the categories reflects the current estimate of the relative degree of opportunity and thus provides an indication of the opportunities’ current importance for OSRAM. The estimate of the degree of opportunity may change over time. Compared to the previous year, the following changes have occurred with respect to our opportunities.

For example, we rate the opportunities more highly that arise from launching new products and technologies, from structuring the Group-wide organization more efficiently, and from harmonizing the IT system landscape. We believe the opportunities that arise from launching products more rapidly, from reducing the complexity and costs of manufacturing processes, and from the potential for expansion into adjacent market segments have diminished relative to the previous year.

The possibilities for obtaining public-sector subsidies have largely been exhausted, which means they no longer represent a significant opportunity for OSRAM. We also believe that the potential opportunities offered by entering into partnerships and making strategic acquisitions are currently much smaller owing to the unfavorable economic conditions. Moreover, there are currently no significant HR-related opportunities due to the planned takeover by ams and the resulting uncertainty.

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

Introduction of New Products and Technologies

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. Targeted investments in innovative technologies of the future may continue to help to strengthen our market position. 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.

For example, our automotive forecasts assume the continuation of the trend toward vehicles being fitted with higher-value equipment. Lighting products in vehicles should benefit disproportionately from this trend, which may lead to increased lighting technology revenue per vehicle thanks to products that are used not only for illumination but also for projection. Besides products aimed purely at vehicle illumination, other photonics applications are benefiting from the technological shift. For example, double-digit growth rates are expected in the market for lasers for optical sensors in vehicles. This trend is driven by demand for electric vehicles, active safety functions, and driver assistance systems.

New, fast-growing markets for LED lighting and other semiconductor-based technologies are also opening up outside the automotive industry, such as in the areas of consumer electronics, smart farming, and healthcare.

Knowledge gained during the coronavirus pandemic, for example, is being used in the development of systems and functions that reduce infection risk in enclosed spaces. Short-distance wireless network technology and sensors enable distances to be checked and the flow of people controlled. LED-based UV-C irradiation can be used for the lasting disinfection of water, air, and surfaces. In the field of human-centric lighting (HCL), biologically effective light can be used to positively influence physiological processes.

If these opportun ties materialize, they may have a clear positive impact on our business activities and on our net assets, financial position, and results of operations.

Opportunities Related to Organizational, Process-related, and IT System-related Improvements

Continuous improvement of key business processes with respect to agility, speed, and cost-efficiency is essential to ensure our sustained profitability.

In the AM and DI Business Units, we want to streamline our global processes and make them more efficient by harmonizing our ERP system landscape and consolidating redundant IT solutions. We also believe the automation of repetitive processes offers potential.

Simplification of the organizational structures in the Company's segments, regions, and plants should result in more efficient development processes, more efficient operational management, and faster decision-making. We see further potential for organizational improvements through streamlining our sales structures and making them more customer-focused. Among other benefits, this should help us to respond to the needs of relevant growth markets. We can also continue to press ahead with the digitalization of sales.

In the OS Business Unit, initiatives are currently taking place that are aimed at establishing greater end-to-end responsibility for business processes. This should increase business acumen and improve collaboration between the segments.

As a result, it will be possible to improve the efficiency of our core product development and market launch processes. We want to structure our processes in such a way that we can launch products more quickly that may give us a competitive edge and thus allow us to achieve higher price points. Moreover, we can use existing technology platforms to rapidly move into new application areas or increase our production volumes.

If these opportunities materialize, they may have a clear positive impact on our business activities and on our net assets, financial position, and results of operations.

Future-proof Group Portfolio

In addition to expanding our Group portfolio by means of acquisitions and strategic partnerships › A.2.2.3 Other Significant Events Responsible for the Course of Business, there are also opportunities for separating or disposing of areas of business that are no longer part of our core business. By slimming down our portfolio in this way, we can sharpen our focus on fast-growing markets of the future and define our profile as a high-tech company more clearly. The advantages primarily lie in reducing the complexity of portfolio management and generating proceeds from the sale of these areas of business.

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Conversely, the separated parts of the Company benefit because they can concentrate on their core business and potentially have more flexibility because of their smaller size, providing a greater chance of growth and returns.

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

Production Capacity and Efficiency

We currently have cutting-edge production facilities in Europe and Asia thanks to strategic investments for the future at OS. In this global network, standardization and the control of production technologies are essential, as are the properties of our products.

A number of programs have therefore been initiated to reduce manufacturing variability and optimize global manufacturing. To achieve these aims, we use system and production simulation tools and artificial intelligence tools that should enable us to identify and react to process discrepancies at an early stage. This means we can improve global production planning and optimize the value streams.

These tools are improving the efficiency and flexibility of manufacturing and helping with the transition to new generations of technologies and products in the Opto Semiconductors Business Unit.

While the more protectionist economic and trade policies of the U.S.A. are generally bringing with them the risk of a softening of global growth and could restrict OSRAM's supply chain, given that it has manufacturing operations worldwide › A.2.2.1 Macroeconomic Developments, we see advantages in that we have our own manufacturing capacity both in and outside Asia/China and can thus react to changing circumstances. We also see potential for optimizing and safeguarding our supply chain and production chain by relocating the procurement and production of pre-materials to Asian countries outside China that have so far not been affected by punitive tariffs imposed by the U.S.A and by switching manufacturing capacity to other countries in the Americas outside the U.S.A.

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If these opportunities materialize, they might have a positive impact on our business activities and on our net assets, financial position, and results of operations.

Growth of Market Share in Particular Regions

China's size, market potential, and growth rates make it one of OSRAM's most important sales markets. It is crucial that we monitor developments in the country and unlock potential for growth in all segments. Despite contracting sharply in the first half of 2020 due to the impact of COVID-19, the Chinese automotive market is already showing clear signs of recovery and remains a core sales market for OSRAM. Despite greater competition from local competitors, we still see an opportunity for significantly expanding our business in China. To do so, we want to increase our existing footprint and position ourselves as a partner to Chinese industry in order to step up existing business, such as in the automotive sector, and to tap the potential for additional unit sales.

In the event of consolidation of the traditional automotive lighting market, we believe there is the possibility of capturing further market share in North America and China.

If this opportunity materializes, it might have a positive impact on our business activities and 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 the various countries, business units, and corporate functions in its quarterly risk and opportunity assessment process. In the past fiscal year, the risk position of the OSRAM Licht Group underwent some significant changes compared with the previous year and was more volatile, primarily due to the impact of the COVID-19 pandemic. The economic risks could have a severe effect on OSRAM's business and require the repeated implementation of new operational measures and constant strategic adjustments. It is still not clear how long the current period of market weakness will continue in the semiconductor and automotive industries. In the opinion of leading market research institutions, worldwide automotive manufacturing may not reach pre-crisis levels for some years. The extent and duration of the impact of the COVID-19 pandemic on our business going forward are not yet known. As a result of the second wave of the virus, there is a growing risk of a renewed fall in demand and of restrictions on procurement, production, and the delivery of our products.

Taking into account their likelihood and potential impact, the risks described in this report do not, either individually or together, endanger the OSRAM Licht Group's continued existence as a going concern. Given our 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 underpinned by our financing structure › A.2.4.3 Financing and Liquidity Analysis. S Page 25

The risks and opportunities described above do not include additional risks and opportunities, or changes to risks and opportunities, that might arise for OSRAM after the takeover by ams.

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(4) and 315(4) 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 35

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, 2020. 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 central Accounting & Financial Reporting 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 commitments.

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. The Supervisory Board is also required to review the OSRAM Licht Group's non-financial report.

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, Treasury Shares, Corporate Governance Declarations, Non-financial Group Report, and the Managing Board's Closing Statement on the Dependency Report

A.5.1 Takeover-related Disclosures

The takeover-related disclosures and explanatory report for fiscal year 2020 are published in accordance with section 289a(1) and section 315a(1) of the HGB and article 83(1) sentence 2 of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB—Introductory Act to the German Commercial Code).

Structure of the Common Stock

As of September 30, 2020, the Company's capital stock amounted to €96,848,074 (previous year: €96,848,074). The capital stock is divided into 96,848,074 (previous year: 96,848,074) registered no-par-value shares, each with a notional value of €1.00. The shares are fully paid in. In accordance with section 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) sentence 1 of the AktG, only those parties entered in the share register have rights and obligations in relation to the Company arising from shares.

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 Annual 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 33(1), 38(1), and 39(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 44 of the WpHG. We are not aware of any contractual restrictions on voting rights.

Interests in the Capital Exceeding 10% of the Voting Rights

As far as the Company is aware, the following direct and indirect interests in the voting capital of OSRAM Licht AG exceeding 10% of the voting rights existed as of the reporting date:

Interests in the Capital Exceeding 10% of the Voting Rights

	Number of voting rights	Direct share of voting rights in %[1]	Indirect share of voting rights in %[1]
ams Offer GmbH, Ismaning (Germany)	66,605,912[2]	68.77	–
ams AG, Premstätten (Austria)	66,605,912	–	68.77

1) Based on the capital stock of OSRAM Licht AG, which is divided into 96,848,074 shares.
2) According to page 9 of the joint contract report of the Managing Board of OSRAM Licht AG and the managing directors of ams Offer GmbH pursuant to section 293a of the AktG and dated September 22, 2020.

We have not been notified of any 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

If 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). Section 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 section 5(2) of the Articles of Association.

In accordance with sections 119(1) no. 5 and 179 of the AktG, a resolution of the Annual General Meeting is required to amend the Articles of Association. Section 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 Annual General Meeting on February 20, 2018, to amend the Articles of Association to reflect any utilization of Authorized Capital 2018 and Contingent Capital 2018, and following expiration of the relevant authorization periods.

The adoption of resolutions at the Annual General Meeting requires a simple majority of votes or, 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 (section 17(2) of the Articles of Association). This means that Annual 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. In particular, a change to the object of the Company requires a 75% majority of the capital stock represented in the voting, pursuant to section 179(2) of the AktG.

Powers of the Managing Board to Issue or Repurchase Shares

By way of a resolution passed by the Annual General Meeting on February 20, 2018, the Managing Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's capital stock by up to €24,078,562 in total by issuing, in one or more tranches, a total of up to 24,078,562 new registered no-par value shares, each representing €1.00 of the capital stock, in return for cash and/or non-cash contributions in the period until February 19, 2023 (Authorized Capital 2018). The new shares must be offered to the existing shareholders for subscription; they can also be issued to banks with the condition that the shares are offered to existing shareholders for subscription. 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 if, at the time of the final determination of the issue price, the issue price of the new shares is not significantly lower than the market price of the Company's shares already listed and this disapplication of preemptive rights is limited to a maximum of 10% of the Company's existing capital stock,

2 to grant the holders or beneficiaries of convertible bonds and/or warrant-linked bonds, profit-sharing rights and/or income bonds, or warrants a preemptive right to new shares that is equal to the right they would have after exercising the conversion right or option or after fulfilling the conversion obligation or option obligation,
3 so far as the new shares are to be issued to members of the Company's Managing Board, to members of the representative body of an affiliated company, to employees of the Company, or to employees of an affiliated company under a share ownership or other share-based scheme, and
4 to remove any fractional amounts from the preemptive rights. Further details are contained in section 4(5) of the Articles of Association.

By way of a resolution passed by the Annual General Meeting on February 20, 2018, the Managing Board was authorized, subject to the approval of the Supervisory Board, to issue bearer or registered subordinated or non-subordinated convertible bonds and/or warrant-linked bonds, profit-sharing rights, and/or income bonds in an aggregate principal amount of up to €1,000,000,000 in the period until February 19, 2023, on one or more occasions, also simultaneously in different series, and to grant the holders or beneficiaries of the bonds conversion or option rights up to a maximum of 10,468,940 registered no-par-value shares in the Company representing a proportionate amount of the capital stock totaling up to €10,468,940. The bonds can be issued in return for cash and/or non-cash capital contributions. 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. 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 issues against non-cash contributions. In the case of issues for cash, preemptive rights can be disapplied:
1 if bonds are issued with conversion or option rights/conversion or option obligations and the issue price of the bonds is not significantly below their hypothetical market value calculated using generally accepted methods (in particular, methods used in financial mathematics). The authorization to disapply preemptive rights applies to bonds with conversion or option rights/conversion or option obligations in respect of shares whose value in terms of their proportionate amount of the capital stock does not, in total, exceed 10% of the capital stock of the Company,
2 to grant the holders or beneficiaries of bonds or warrants a preemptive right that is equal to the right they would have after exercising the conversion right or option or after fulfilling the conversion obligation or option obligation, and
3 to remove any fractional amounts from the preemptive rights.

To grant shares to the holders or beneficiaries of convertible bonds or warrant-linked bonds that are issued on the basis of the Managing Board's authorization, the Company's capital stock was contingently increased by up to €10,468,940 by issuing up to 10,468,940 new registered no-par-value shares (Contingent Capital 2018). Further details are contained in section 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 2018, 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 February 14, 2017, the Annual 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 13, 2022, treasury shares totaling up to 10% of the capital stock in existence on the effective date of this authorization in the amount of €104,689,400 or—if this amount is lower—the capital stock in existence each time that this 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.

With the approval of the Supervisory Board, the Managing Board partially exercised the authorization to purchase treasury shares under a share buyback program in fiscal year 2019. In the period from January 10, 2019, up to and including May 28, 2019, the Company acquired 2,663,125 treasury shares via the stock exchange.

In addition, a resolution passed by the Annual General Meeting on February 14, 2017, 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 Annual General Meeting adopted the resolution, or—if this amount is lower—the capital stock in existence 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 13, 2022.

The Managing Board was also authorized by resolutions of the Annual General Meeting on February 14, 2017, to do the following with treasury shares acquired on the basis of the above-mentioned or earlier authorizations:

1 Sell them on the stock exchange or, subject to the approval of the Supervisory Board, through a public offer to all shareholders in relation to their existing holdings,
2 Retire them,
3 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,
4 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,
5 Use them to fulfill acquisition obligations or acquisition rights to OSRAM Licht shares arising from or in connection with convertible bonds or warrant-linked bonds issued by the Company or one of its Group companies, or
6 Offer them for sale to persons who are or were employed by the Company or by one of its affiliated companies, or to current or former members of executive or supervisory bodies of the Company's affiliated companies, or to grant or transfer them subject to a holding or 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.

The shares utilized in accordance with section 186(3) sentence 4 of the AktG on the basis of the authorization in option 4 may not, 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 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. The Company held 2,664,388 treasury shares as of September 30, 2020 (previous year: 2,796,275).

Details regarding the authorizations can be found in each authorization resolution and in section 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 is party to a loan agreement with ams AG, Premstätten (Austria), concerning a funding facility and a revolving facility, with OSRAM GmbH as the borrower and ams AG as the lender. The agreement has a total volume of €1,050,000,000 and a term of twelve months with a one-off option to extend it by a further six months ('loan agreement'). OSRAM Licht AG and material subsidiaries have become parties to this loan agreement and to certain funding agreements of ams AG as guarantors. In the event of a change of control, the loan agreement gives the lender the right to require early repayment. If this termination right were to be exercised, the funding for the OSRAM Licht Group's ongoing business operations could then potentially be insecure, at least temporarily.

Two German companies in the OSRAM Group have entered into agreements with a major German factoring company, under which trade receivables in a total volume of up to €95 million can be sold on a non-recourse and revolving basis. In the event of a change of control, the agreements give the factoring company a right of termination in line with usual business practice. According to supplementary agreements signed in the year under review, a change of control will also be deemed to have taken place if ams Offer GmbH and persons acting together with it within the meaning of section 2(5) of the WpÜG do not (or no longer) indirectly and/or directly hold at least 50% of the shares and voting rights in OSRAM Licht AG. The exercise of the right of termination at the factoring company's discretion would have no impact on the receivables sold by the date of termination but would prevent future sales of receivables.

A number of patent licensing agreements, joint development projects, subsidized projects, supply agreements, and joint venture agreements contain change-of-control clauses reflecting normal business practice that, in the event of a change of control over OSRAM Licht AG, grant the other contractual partner the right to terminate the contract or other special rights that may potentially be disadvantageous to OSRAM or that make continuation of the contract contingent on the contractual partner's approval.

Furthermore, OSRAM Opto Semiconductors GmbH has been granted a state subsidy of around €73 million by the Bundesministerium für Wirtschaft und Energie (BMWi—German Federal Ministry for Economic Affairs and Energy) as part of the Important Project of Common European Interest (IPCEI) on Microelectronics. The subsidy can be withdrawn in the event of a change of control if the acquiring company's registered office is outside the European Union and, in this case, would have to be repaid.

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 more 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—the members of the Managing Board whose employment contracts were entered into before 2020 have 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. These Managing Board members are entitled to a severance payment amounting to a maximum of two years' remuneration on termination of their employment contracts in this way. 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. In any case, shares will not be transferred in order to settle the stock awards until the applicable lock-up period has ended. 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. No severance payment in the event of a takeover bid has been agreed with the members of the Managing Board whose employment contracts were entered into in 2020 or subsequently.

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).

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 315a(2) of the HGB in conjunction with article 83(1) sentence 2 of the EGHGB are contained in › C.4.2 Remuneration Report. The remuneration report is part of the combined management report. S Page 157

A.5.3 Treasury Shares

The disclosures concerning the acquisition of treasury shares pursuant to section 160(1) no. 2 of the AktG can be found in › Note 26 I Equity in B.6 Notes to the Consolidated Financial Statements.

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A.5.4 Corporate Governance Declaration

The corporate governance declaration in accordance with section 289f 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 in accordance with sections 289f and 315d of the HGB can also be found in › C.4.1 Corporate Governance Declaration.

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A.5.5 Non-financial Group Report

The non-financial Group report is a component of part C Statements and Further Information › C.5 Non-financial Group Report in the annual report, which is published on our website » www.osram-group.com/en/investors.

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A.5.6 The Managing Board's Closing Statement on the Dependency Report

To protect the minority shareholders and the company's creditors, the managing board of a dependent stock corporation is required, if no control agreement has been entered into, to prepare a report on the company's relationships with affiliated companies in accordance with section 312 of the AktG. OSRAM Licht AG is a dependent company due to ams Offer GmbH's equity investment of 68.77%. There was no control agreement as of the reporting date. The Managing Board of OSRAM Licht AG therefore prepared a report on the relationships with affiliated companies (dependency report). The Managing Board's statement at the end of this report, pursuant to section 312(3) of the AktG, is part of the combined management report and can be found in › C.7 The Managing Board's Closing Statement on the Dependency Report.

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A . 6

OSRAM Licht AG

Disclosures in Accordance with the HGB

In contrast to the consolidated financial statements, OSRAM Licht AG's single-entity financial statements are prepared in accordance with the provisions of the HGB rather than IFRS.

A.6.1 Business and Operating Environment

OSRAM Licht AG is a management holding company and performs the governance function for the OSRAM Licht Group. OSRAM Licht AG employed 57 FTEs as of September 30, 2020 (previous year: 70 FTEs).

OSRAM Licht AG directly and indirectly holds shares in 113 companies, including minority interests. The economic environment of OSRAM Licht AG largely corresponded to that of the OSRAM Licht Group and is described in › A.2.2 Events and Developments Responsible for the Course of Business. In fiscal year 2020, ams AG reached—through its wholly owned subsidiary ams Offer GmbH, Ismaning (Germany)—the minimum acceptance threshold of 55% relating to a voluntary public takeover offer for OSRAM Licht AG. The takeover took place following approval from the antitrust authorities in July 2020 › A.2.2.3 Other Significant Events Responsible for the Course of Business.

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S Page 13

A.6.2 Results of Operations

Income Statement of OSRAM Licht AG in Accordance with the HGB

in € thousand

	Fiscal year	
	2020	2019
Revenue	3,000	3,000
Cost of services rendered	(3,000)	(3,000)
Gross profit	**0**	**0**
Research and development expenses	(198)	(584)
Distribution Costs	(700)	(661)
General administrative expenses	(36,012)	(43,160)
Other operating income	10	1,278
Other operating expenses	(438)	(235)
Operating profit (loss)	**(37,339)**	**(43,361)**
Income (loss) from investments, net	(451,905)	150,018
Interest income	35	-
Interest expenses	(314)	(1,348)
Other financial income (expenses), net	(367)	(793)
Taxes on income and earnings	(14,838)	0
Net income (loss)	**(504,729)**	**104,515**
Income carried forward	52,433	176
Allocation to other retained earnings	–	(52,258)
Accumulated loss/Unappropriated profit	**(452,296)**	**52,433**

Revenue relates to the charging on of administrative services that OSRAM Licht AG carried out for the affiliated companies in the OSRAM Licht Group.

The cost of services rendered arose from these administrative services.

The decrease in *Research and development expenses* was due to the elimination of the OSRAM Licht Group's complex cost allocation models, which meant that such allocations of costs to OSRAM Licht AG ceased. Moreover, the macroeconomic situation, including the impact of the COVID-19 pandemic, led to savings on operating costs and travel costs.

The management functions in marketing and communications are grouped together in OSRAM Licht AG. The related expenses are assigned to *Distribution costs*.

In fiscal year 2020, *General administrative expenses* mainly contained OSRAM Licht AG's costs for performing the governance function for the OSRAM Licht Group, including personnel expenses, expenses for the Annual General Meeting and the Supervisory Board, expenses for share programs for the employees of OSRAM Licht AG, expenses for consulting services, and fees for the auditors for auditing the single-entity financial statements and consolidated financial statements and reviewing the interim financial statements. The decrease in *General administrative expenses* was primarily due to reduced expenses for consultancy services. This decrease was partly offset as a result of switching to cash-settled awards in the OSRAM stock award programs.

Other operating income went down because no OSRAM Base Share Program for 2020 had been offered in fiscal year 2019, so no costs were charged on to affiliated companies. *Other operating expenses* included expenses from share-price-related increases in the obligation under bonus programs.

In fiscal year 2020, OSRAM Licht AG's *Loss from investments* totaled €451,905 thousand (previous year: income from investments of €150,018 thousand). This was due to the transfer of losses from OSRAM Beteiligungen GmbH (previous year: profit transfer of €90,468 thousand). In fiscal year 2019, OSRAM Licht AG had also generated income from investments totaling €59,550 thousand as a result of a dividend payment from OSRAM GmbH.

Taxes on income and earnings relate to trade tax as well as corporate income tax and the solidarity surcharge.

A.6.3 Net Assets and Financial Position

Statement of Financial Position of OSRAM Licht AG in Accordance with the HGB (Condensed Version)

in € thousand

	September 30, 2020	September 30, 2019
Assets		
Non-current assets		
Property, plant, and equipment	115	134
Financial assets	3,044,734	3,044,734
Current assets		
Receivables and other current assets	28,035	100,963
Cash and cash equivalents	8	10
Other prepaid expenses	0	186
Excess of plan assets over pension liability	70	–
Total assets	**3,072,962**	**3,146,027**
Liabilities and equity		
Equity	**1,941,870**	**2,441,702**
Accruals and provisions		
Pension plans and similar commitments	20,237	18,125
Tax provisions	14,838	–
Other provisions	10,141	7,683
Liabilities		
Trade payables	5,980	16,206
Liabilities to affiliated companies	1,073,209	658,431
Other liabilities and trade payables	6,688	3,881
Total liabilities and equity	**3,072,962**	**3,146,027**

The decrease in *Receivables and other current assets* of €72,928 thousand was largely attributable to lower receivables from affiliated companies, which amounted to €1,252 thousand (previous year: €90,467 thousand). Tax receivables stood at €26,601 thousand as of September 30, 2020 (previous year: €10,132 thousand).

Equity fell by €499,832 thousand. This was largely due to the net loss reported for the fiscal year, which came to €504,729 thousand. There was a mitigating effect from the addition to reserves as a result of issuing treasury shares in connection with share-based remuneration.

The *Accumulated loss* will be carried forward to the next accounting period.

The *Provisions for pension plans and similar commitments* include the pension commitments to the Managing Board and employees of OSRAM Licht AG. *Tax provisions* essentially consist of provisions for income taxes, whereas the *Other provisions* line item mainly contains obligations relating to share-based remuneration.

Liabilities to affiliated companies largely comprise liabilities in connection with cash pooling at OSRAM. Within this line item, liabilities of OSRAM Licht AG to OSRAM GmbH amounting to €525,000 thousand were converted into an interest-free loan with a term of ten years in fiscal year 2020. The €414,778 thousand increase in *Liabilities to affiliated companies* to €1,073,209 thousand as of September 30, 2020, was largely due to the transfer of losses from OSRAM Beteiligungen GmbH amounting to €451,905 thousand (previous year: profit transfer of €90,468 thousand).

The *Other liabilities and trade payables* line item was mainly made up of personnel-related liabilities for wages and salaries and social security liabilities amounting to €5,564 thousand (previous year: €2,754 thousand).

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 35

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(4) 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 45

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 › A.4.1 Report on Expected Developments. For fiscal year 2021, we expect a slight improvement in OSRAM Licht AG's net income (loss). S Page 33

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Consolidated Financial Statements

of OSRAM Licht AG
for Fiscal Year 2020 According to IFRS

B

B.1

Consolidated Statement of Income

OSRAM Licht Group Consolidated Statement of Income
For the fiscal years ending September 30, 2020, and 2019

in € million

	Note	2020	2019
Revenue		3,039	3,464
Cost of goods sold and services rendered		(2,389)	(2,578)
Gross profit		**650**	**886**
Research and development expenses		(362)	(403)
Marketing, selling and general administrative expenses		(608)	(626)
Other operating income	Note 6	66	33
Other operating expenses	Note 7	(4)	(234)
Income (loss) from investments accounted for using the equity method, net	Note 8	(7)	(10)
Interest income	Note 21, 28	3	2
Interest expenses	Note 21, 28	(31)	(14)
Other financial income (expenses), net		(5)	(10)
Income (loss) before income taxes OSRAM (continuing operations)		**(298)**	**(377)**
Income taxes	Note 9	31	33
Income (loss) OSRAM (continuing operations)		**(267)**	**(343)**
Income (loss) from discontinued operations, net of tax	Note 4	(4)	(123)
Net income (loss)		**(271)**	**(467)**
Attributable to:			
Non-controlling interests		(82)	(62)
Shareholders of OSRAM Licht AG		(189)	(405)
Basic earnings per share (in €)	Note 32	(2.01)	(4.23)
Diluted earnings per share (in €)	Note 32	(2.00)	(4.22)
Basic earnings per share (in €) OSRAM (continuing operations)	Note 32	(1.96)	(2.94)
Diluted earnings per share (in €) OSRAM (continuing operations)	Note 32	(1.96)	(2.93)

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, 2020, and 2019

in € million

	Note	2020	2019
Net income (loss)		**(271)**	**(467)**
Remeasurements of defined benefit plans	Note 21	21	(11)
thereof: income tax		*(2)*	*7*
fair value measurement of equity instruments		0	0
thereof: income tax		*0*	*0*
Items that will not be reclassified to profit or loss		**21**	**(11)**
Currency translation differences		(100)	77
Derivative financial instruments	Note 28	7	1
thereof: income tax		*(3)*	*0*
Items that may be reclassified subsequently to profit or loss		**(92)**	**78**
Other comprehensive income (loss), net of tax		**(72)**	**67**
Total comprehensive income (loss)		**(343)**	**(400)**
Attributable to:			
Non-controlling interests		(88)	(61)
Shareholders of OSRAM Licht AG		(255)	(339)

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, 2020, and 2019

in € million

	Note	September 30, 2020	September 30, 2019
ASSETS			
Current assets			
Cash and cash equivalents		321	310
Trade receivables	Note 10	440	558
Other current financial assets	Note 11	32	29
Contract assets		5	9
Inventories	Note 12	641	692
Income tax receivables		21	21
Other current assets	Note 13	93	113
Assets held for sale	Note 4	117	93
Total current assets		**1,669**	**1,824**
Goodwill	Note 14	176	186
Other intangible assets	Note 14	120	273
Property, plant, and equipment	Note 15	1,224	1,493
Right-of-Use Assets	Note 16	190	–
Investments accounted for using the equity method	Note 8	51	56
Other financial assets		29	25
Deferred tax assets	Note 9	486	410
Other assets	Note 17	43	70
Total assets		**3,987**	**4,335**

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, 2020, and 2019

in € million

	Note	September 30, 2020	September 30, 2019
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt and current maturities of long-term debt	Note 20	714	539
Trade payables		372	548
Other current financial liabilities	Note 18	109	113
Current contract liabilities		9	14
Current provisions	Note 22	56	69
Income tax payables		85	65
Other current liabilities	Note 19	352	347
Liabilities associated with assets held for sale	Note 4	111	90
Total current liabilities		**1,808**	**1,786**
Long-term debt	Note 20	148	120
Pension plans and similar commitments	Note 21	144	167
Deferred tax liabilities	Note 9	16	17
Provisions	Note 22	33	33
Other financial liabilities		0	27
Contract liabilities		1	1
Other liabilities	Note 23	100	102
Total liabilities		**2,250**	**2,252**
Equity			
Common stock, no par value		97	97
Additional paid-in capital		1,662	1,672
Retained earnings		89	255
Other components of equity		(7)	79
Treasury shares, at cost[1]		(94)	(99)
Total equity attributable to shareholders of OSRAM Licht AG		**1,747**	**2,004**
Non-controlling interests		(10)	79
Total equity	Note 26	**1,737**	**2,083**
Total liabilities and equity		**3,987**	**4,335**

1) The Company held 2,664,388 treasury shares as of September 30, 2020 (September 30, 2019: 2,796,275) › Note 26 I Equity in B.6 Notes to the Consolidated Financial Statements.

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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, 2020, and 2019

in € million

	Note	2020	2019
Cash flows from operating activities			
Net income (loss)		(271)	(467)
Adjustments to reconcile net income (loss) to cash provided/used			
Income (loss) from discontinued operations, net of tax	Note 4	4	123
Amortization, depreciation, and impairment		415	521
Income taxes		(31)	(33)
Interest (income) expenses, net		28	12
(Gains) losses on sales and disposals of businesses, intangible assets, and property, plant, and equipment, net	Note 6, 7	0	3
(Gains) losses on sales of investments, net	Note 8	0	0
(Income) loss from investments		9	12
Other non-cash (income) expenses		3	7
Change in current assets and liabilities			
(Increase) decrease in inventories		14	51
(Increase) decrease in trade receivables		93	112
(Increase) decrease in other current assets		23	23
Increase (decrease) in trade payables		(148)	(53)
Increase (decrease) in current provisions		(15)	(4)
Increase (decrease) in other current liabilities		21	(6)
Change in other assets and liabilities		(5)	(40)
Income taxes paid		(32)	(38)
Dividends received		0	0
Interest received		2	2
Net cash provided by (used in) operating activities – OSRAM (continuing operations)		**111**	**224**
Net cash provided by (used in) operating activities discontinued operations		(2)	(50)
Net cash provided by (used in) operating activities – OSRAM Licht Group (total)		**109**	**174**

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, 2020, and 2019

in € million

	Note	2020	2019
Cash flows from investing activities			
Additions to intangible assets and property, plant, and equipment	Note 14, 15	(98)	(208)
Acquisitions, net of cash and cash equivalents acquired	Note 4	(14)	(50)
Purchases of investments		(4)	(14)
Proceeds and payments from sales of investments, intangible assets, and property, plant, and equipment	Note 8	9	4
Proceeds and payments from sales of business activities, net of cash and cash equivalents disposed of	Note 4	(10)	22
Net cash provided by (used in) investing activities - OSRAM (continuing operations)		**(118)**	**(246)**
Net cash provided by (used in) investing activities discontinued operations		–	(10)
Net cash provided by (used in) investing activities - OSRAM Licht Group (total)		**(118)**	**(256)**
Cash flows from financing activities			
Purchase of treasury stocks		–	(92)
Payments from capital increases in subsidiaries with minority interests		–	3
Repayment of long-term debt	Note 20	(152)	(32)
Change in short-term debt and other financing activities	Note 20	(461)	306
Interest paid and preliminary fees for the shareholder loan from ams		(22)	(7)
Dividends paid to shareholders of OSRAM Licht AG	Note 26	–	(107)
Dividends paid to non-controlling interest shareholders		(5)	–
Financing with ams group	Note 20	675	–
Net cash provided by (used in) financing activities – OSRAM (continuing operations)		**35**	**71**
Net cash provided by (used in) financing activities discontinued operations		–	–
Net cash provided by (used in) financing activities – OSRAM Licht Group (total)		**35**	**71**
Effect of exchange rates on cash and cash equivalents		(23)	5
Net increase (decrease) in cash and cash equivalents		3	(6)
Cash and cash equivalents at the beginning of period		327	333
Cash and cash equivalents at the end of period		330	327
Less: Cash and cash equivalents of discontinued operation and assets held for sale at the end of reporting period		9	17
Cash and cash equivalents at the end of period (consolidated statement of financial position)		**321**	**310**

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, 2020, and 2019

in € million

	Common stock	Additional paid-in capital	Retained earnings	Currency translation differences	Measurement of equity instruments at fair value	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, 2018 (as reported)	**105**	**2,034**	**780**	**9**	**0**	**(6)**	**(386)**	**2,536**	**140**	**2,676**
Effects of the first-time application of IFRS 9 and IFRS 15	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**	**0**	**(1)**
Balance as of October 1, 2018	**105**	**2,034**	**779**	**9**	**0**	**(6)**	**(386)**	**2,535**	**140**	**2,675**
Net income (loss)	–	–	(405)	–	–	–	–	(405)	(62)	(467)
Other comprehensive income (loss), net of tax	–	–	(10)[1]	75	0	1	–	66	1	67
Total comprehensive income (loss), net of tax	**–**	**–**	**(415)**	**75**	**0**	**1**	**–**	**(339)**	**(61)**	**(400)**
Retirement of treasury shares	(8)	(363)	–	–	–	–	371	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	(92)	(92)	–	(92)
Re-issuance of treasury shares	–	–	–	–	–	–	8	8	–	8
Dividends	–	–	(107)	–	–	–	–	(107)	–	(107)
Other changes in equity	–	1	(2)	–	–	–	–	0	0	(1)
Balance as of September 30, 2019	**97**	**1,672**	**255**	**84**	**0**	**(5)**	**(99)**	**2,004**	**79**	**2,083**
Balance as of October 1, 2019 (as reported)	**97**	**1,672**	**255**	**84**	**0**	**(5)**	**(99)**	**2,004**	**79**	**2,083**
Net income (loss)	–	–	(189)	–	–	–	–	(189)	(82)	(271)
Other comprehensive income (loss), net of tax	–	–	21[1]	(94)	0	7	–	(66)	(6)	(72)
Total comprehensive income (loss), net of tax	**–**	**–**	**(168)**	**(94)**	**0**	**7**	**–**	**(255)**	**(88)**	**(343)**
Re-issuance of treasury shares	–	–	–	–	–	–	5	5	–	5
Dividends	–	–	–	–	–	–	–	–	(5)	(5)
Contribution to (withdrawal from) additional paid-in capital	–	–	–	–	–	–	–	–	4	4
Other changes in equity	–	(9)	2	–	–	–	–	(7)	0	(7)
Balance as of September 30, 2020	**97**	**1,662**	**89**	**(10)**	**0**	**3**	**(94)**	**1,747**	**(10)**	**1,737**

1) Other comprehensive income (loss), net of tax, attributable to shareholders of OSRAM Licht AG includes remeasurement gains on defined benefit plans for the twelve months ended September 30, 2020, of €21 million; for the twelve months ended September 30, 2019, it includes remeasurement losses of €10 million.

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 Reporting
For the fiscal years ending September 30, 2020, and 2019

in € million

	External revenue		Intersegment revenue		Total revenue		EBITDA[1]	
	2020	2019	2020	2019	2020	2019	2020	2019
SEGMENTS[6]								
Opto Semiconductors	689	712	649	752	1,338	1,464	268	201
Automotive	1,588	1,781	–	–	1,588	1,781	33	118
Digital	742	934	–	–	742	934	(56)	(39)
Total segments	**3,018**	**3,428**	**649**	**752**	**3,667**	**4,179**	**245**	**280**
Reconciliation to consolidated financial statements								
Corporate items and pensions	21	36	–	–	21	36	(87)	(103)
Eliminations, corporate treasury, and other reconciling items	–	–	(649)	(752)	(649)	(752)	(1)	(1)
OSRAM (continuing operations)	**3,039**	**3,464**	**–**	**–**	**3,039**	**3,464**	**157**	**176**

	Assets[2] September 30,		Free Cash Flow[3]		Capital expenditures[4]		Depreciation, Amortization, and Impairment[5]	
	2020	2019	2020	2019	2020	2019	2020	2019
SEGMENTS[6]								
Opto Semiconductors	1,163	1,227	190	160	53	139	221	195
Automotive	595	647	(36)	127	37	49	137	236
Digital	341	394	(39)	(73)	8	19	40	87
Total segments	**2,100**	**2,269**	**115**	**213**	**98**	**207**	**399**	**518**
Reconciliation to consolidated financial statements								
Corporate items and pensions	(94)	(149)	(106)	(166)	0	1	16	3
Eliminations, corporate treasury, and other reconciling items	1,981	2,215	3	(31)	–	–	–	–
OSRAM (continuing operations)	**3,987**	**4,335**	**12**	**17**	**98**	**208**	**415**	**521**

1) *EBITDA* is earnings before net financial income or expense (income (loss) from investments accounted for using the equity method, net; interest income; interest expenses; and other financial income (expenses), net), income taxes, and depreciation, amortization, and impairment as defined in 5).
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) *Capital expenditures* are defined as additions to intangible assets and property, plant, and equipment.
5) *Depreciation, amortization, and impairment* comprises impairment losses on goodwill and amortization of, and impairment losses on, other intangible assets, net of reversals of impairment losses as well as depreciation of, and impairment losses on, property, plant, and equipment, net of reversals of impairment losses. Due to IFRS 16 *Leases* being applied for the first time, depreciation, amortization, and impairment also includes depreciation of, and impairment losses on, right-of-use assets in fiscal year 2020; these are not included in the figures for the prior year.
6) On October 1, 2019, OSRAM made minor organizational changes involving reclassification between the reportable segments. The figures for the prior year have been restated accordingly › Note 33 I Segment Information.

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Minor differences may occur due to rounding.
Further disclosures can be found in › Note 33 I Segment Information.

B.6.2 Basis of Preparation

1 I General Principles

Consolidated Financial Statements

These consolidated financial statements ('consolidated financial statements') are for OSRAM Licht AG, Munich (Germany), and its subsidiaries ('OSRAM Licht Group' or 'OSRAM'). OSRAM is a global provider of lighting technology and operates worldwide via a number of legal entities › Note 38 I List of Equity Investments of the OSRAM Licht Group in Accordance with Section 313 of the HGB. OSRAM's main development, manufacturing, and sales activities are related to opto semiconductors for lighting, visualization, and sensors (OS Segment), automotive lighting (AM Segment), and lighting solutions and light management systems for a range of applications (DI Segment). S Page 126

The consolidated financial statements and the combined management report for the year ended September 30, 2020, have been prepared in accordance with section 315e(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 (IFRS), as adopted by the European Union.

On July 9, 2020, ams AG (ams), Premstätten (Austria), announced that it had completed the takeover of OSRAM. Since then, ams has indirectly held the majority of the shares in OSRAM Licht AG through its wholly owned subsidiary ams Offer GmbH (ams Offer), Ismaning (Germany). The OSRAM Group is thus part of the ams Group, whose parent company is ams AG.

When preparing the consolidated financial statements, the Managing Board was required to make judgments and assumptions that influenced the application of the accounting principles and the reported amounts of income, expenses, assets, and liabilities, in particular in connection with recognizing goodwill and other intangible assets › Note 14 I Goodwill and Other Intangible Assets and in connection with evaluating obligations relating to restructuring measures › Note 5 I Personnel-related Restructuring Expenses. Actual results may differ from these estimates. Estimates are also subject to increased uncertainty due to the COVID-19 pandemic. Additional information can be found in › A.4.2 Report on Risks and Opportunities. S Page 89
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There was a change in presentation affecting the consolidated statement of income at the start of fiscal year 2020, because the application engineering function in the OS Segment has been assigned to sales since that date, having previously been classified as research and development, because sales is a better reflection of this function. The corresponding functional costs in the consolidated statement of income have been restated for fiscal year 2019 to create comparability regarding the new organizational structure. The amount reclassified for the prior year was €14.3 million.

The consolidated financial statements have been prepared in millions of euros (€ million). 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 26, 2020.

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 net assets, financial position, and results of operations. Critical accounting estimates could also involve estimates or judgments where management reasonably could have used a different estimate or judgment in the same 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. In the absence of other restrictive contractual agreements, OSRAM generally has control if it holds the majority of the voting rights. OSRAM also exercises control over individual subsidiaries on the basis of specific contractual agreements that enable it to direct the relevant activities. Specific contractual agreements include, in particular, special voting rights that enable OSRAM to exert a long-term influence over the activities that are significant to the subsidiaries' earnings.

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. Cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed, as well as the fair value of 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. Important assumptions on which the calculation of fair values and the useful lives of assets is based contain best estimates at the acquisition date. The Group decides separately for each new business combination whether it will measure the non-controlling interests in the acquiree at fair value or on the basis of the share of the assets acquired and liabilities assumed (partial goodwill method). 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

Jointly controlled entities and companies over whose operating and financial policies OSRAM is able to exert significant influence are initially recognized in the consolidated financial statements at cost and subsequently accounted for using the equity method. Significant influence can be exercised by means of a direct voting share or by means of contractual rights that permit OSRAM to sit on relevant decision-making bodies. 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 equity 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	
		2020	2019	2020	2019
U.S. dollar	USD	1.172	1.089	1.121	1.130
Chinese renminbi	CNY	7.978	7.783	7.857	7.758
Hong Kong dollar	HKD	9.080	8.538	8.716	8.853
Malaysian ringgit	MYR	4.873	4.562	4.724	4.677
Mexican peso	MXN	26.138	21.483	23.768	21.935

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 measured using historical exchange rates.

Revenue Recognition

The recognition of revenue requires a binding contract to be in place and for the performance obligations therein to be analyzed with regard to the passing of control over goods and services.

OSRAM generates most of its revenue from the sale of products and a small proportion from licensing income. Its customers are distributors and end users (e.g., original equipment manufacturers (OEMs)). Another typical OSRAM business model is the distribution of products through consignment warehouses. Revenue is recognized when the control over goods is passed to a customer either over a period of time or at a point in time. The payment terms typically specify payment within 30 to 60 days, taking account of country-specific variances. As a rule, the invoiced transaction prices match the prices contractually agreed with the customer. OSRAM defines the nature of the performance obligations that it undertakes on the basis of whether it is acting as principal or agent.

In the case of deliveries of standard products, the transfer of risks and rewards in accordance with the delivery terms (Incoterms) is particularly significant. As a result, the revenue from standard products is recognized at the point in time when control passes to the customer. The point in time at which control passes may vary depending on the contractual arrangements and delivery terms and may be between the time when the products are made available at the warehouse and when the customer receives them.

OSRAM sells not only standard products but also customer-specific products, i.e., products that OSRAM can sell to only one customer because of their specifications and therefore have no other use for OSRAM. The revenue from these products is recognized after production has finished. Long-term framework agreements are particularly common in the automotive industry. However, if no delivery quantity or prices have been agreed, there is no binding contract pursuant to IFRS 15 and no revenue is recognized.

Royalties are recognized at a point in time or over a period of time in accordance with the substance of the underlying contract governing the transfer of the benefit.

Rebates, bonuses, cash discounts, credit notes and other variable price reductions that OSRAM grants to the customer are recognized as a reduction of revenue. If they do not reduce the invoice amount directly, they are recognized as refund liabilities until they are subsequently paid to the customer. Estimates of revenue reductions are primarily based on past experience, the contractual provisions, and expectations regarding future revenue, particularly in the case of tiered bonuses.

OSRAM exercises the option pursuant to IFRS 15.63, so it does not have to adjust the promised amount of consideration for the effects of a financing component if the payment terms are less than one year. As a rule, OSRAM fulfills its performance obligations over an originally expected period of up to one year, so it also exercises the option pursuant to IFRS 15.122. It therefore does not provide further disclosures about the remaining performance obligations at the end of a reporting period.

Warranties that OSRAM provides for products or services generally cover only the contractually agreed product specifications for the statutory periods or for the periods that are usual in the industry. OSRAM therefore recognizes warranty agreements as a provision in accordance with the rules of IAS 37 rather than as part of its performance obligations.

Functional Costs

In general, operating expenses are assigned to the individual functional 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 non-current 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 non-current 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—based on budgets—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 expenses. They are recognized pro rata as income over the periods in which the research and development expenses that are to be compensated are incurred. Government grants for future research and development expenses are recognized as deferred income.

Interest and Dividends

Interest income and expenses are recognized using the effective interest method. Dividends are recognized when the right to receive payment is established.

Earnings per Share

Basic earnings per share is calculated by dividing income (loss) from continuing operations, income (loss) from discontinued operations (if applicable), and net income (loss), 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.

In the case of subsidiaries with non-controlling interests, any notional impairment loss is proportionally attributed to the unrecognized goodwill (under the partial goodwill method); this is calculated for the non-controlling interests by extrapolation from the goodwill that is recognized. This portion of the impairment loss is therefore not recognized in the consolidated statement of income.

Other Intangible Assets

Other intangible assets are carried at cost and 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 were 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 on a straight-line basis. 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. Impairment losses on goodwill are not reversed.

OSRAM generally uses discounted cash flow methods to determine these values. As a rule, these discounted cash flow calculations use five-year projections—and extended detailed planning in justified exceptional cases—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. 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 (loss) in the period in which they are reassessed. We cannot rule out the possibility that the tax and customs authorities (for example, following current or future tax/customs 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 or customs duties. 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, important assumptions, such as estimates of future taxable profits and the period in which deferred tax assets will be recoverable, are based on best estimates. 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 income taxes 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; fixed-cost components are allocated on the basis of normal production facility capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Non-current 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 operating activities or from the disposal of 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 4 I Disposals, Disposal Groups, and Discontinued Operations) 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 4 I Disposals, Disposal Groups, and Discontinued Operations. Revenue and expenses arising from intragroup transactions between continuing operations and the discontinued operation 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.

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OSRAM classifies a non-current 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 non-current assets held for sale (or disposal groups) separately under › Note 4 I Disposals, Disposal Groups, and Discontinued Operations. Non-current 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 *Non-current Assets Held for Sale and Discontinued Operations.* Estimates and assumptions subject to some uncertainty are involved in determining the date on which a non-current 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.

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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 (plan assets), 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.

The measurements rely on financial and demographic assumptions, including the discount rate (for information on effects, see › Note 21 I 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 pension plans and similar commitments.

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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, obligations to customs and tax authorities) 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 5 I Personnel-related Restructuring Expenses. S Page 82

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 22 I Provisions, › Note 24 I Other Financial Commitments and Contingent Liabilities and › Note 25 I Legal Proceedings.

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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—on the basis of full costs in both cases—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 risk-adjusted market interest rates.

Leasing

IAS 17 (Until September 30, 2019)

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.

IFRS 16 (From October 1, 2019)
OSRAM generally recognizes a right-of-use asset and a lease liability for all leases in which it is the lessee. OSRAM mainly acts as a lessee of land and buildings, plant and equipment and vehicles.

OSRAM exercises the option to recognize payments for non-lease components as lease payments. This means that contracts containing both lease and non-lease components are not separated for the purpose of calculating the discounted lease liability and the right-of-use asset. The right-of-use asset is initially measured at cost on the basis of the present value of all future lease payments and non-lease payments plus any lease payments made before the start of the lease term, the costs of obtaining the lease and, if applicable, the estimated costs for dismantling and removing or restoring the underlying leased asset. Any lease incentives received are deducted. OSRAM generally uses the incremental borrowing rate of interest to discount lease payments. The incremental borrowing rates of interest used are based on the risk-free interest rates for the currency area in question and the term of the relevant lease, adjusted for an OSRAM-specific funding interest-rate premium.

Particularly in the case of contracts with extension options and cancellation options, assessments of whether these options will be exercised have to be made in order to determine the term of the lease. At the inception of the lease, a judgment has to be made on whether it is sufficiently certain that the individual options will be exercised. Adjustments are made over the course of the lease if new information about the exercise of options emerges that results in remeasurement of the right-of-use asset and lease liability.

The recognized right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

In accordance with the exemption, lease payments for short-term leases with a term of no more than twelve months and for leases in which the underlying asset is of low value continue to be recognized as an expense.

The accounting treatment of assets leased to other parties by OSRAM depends on whether the lease is classified as an operating lease or a finance lease. This is determined on the basis of whether substantially all the risks and rewards incidental to ownership of the leased asset are retained by the lessor or whether they are transferred to the lessee. Where substantially all these risks and opportunities are retained by OSRAM, the lease is an operating lease and all associated payments are recognized in the consolidated statement of income on a straight-line basis over the term of the lease. In the case of finance leases, in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred from OSRAM to the lessee, the OSRAM Group derecognizes the leased asset and, instead, recognizes a receivable in the amount of the net investment in the lease.

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.

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.

Financial assets and liabilities are subsequently measured according to the category to which they are assigned:
— Financial assets measured at amortized cost (FAaC),
— Financial assets measured at fair value through other comprehensive income without recycling to profit or loss (FVOCI),
— Financial assets measured at fair value through profit or loss (FVPL),
— Financial liabilities measured at amortized cost (FLaC), or
— Financial liabilities measured at fair value through profit or loss (FVPL).

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. They are derecognized due to being uncollectible if it is unlikely that a receivable can be recovered in the future. This is generally the case if a limitation period has ended, if a debtor has been legally released from the original obligation, or if insolvency proceedings are not opened due to insufficient assets. 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.

Financial Assets

The financial assets of OSRAM mainly include cash and cash equivalents, trade receivables and other financial assets, equity instruments, interests in investment entities, and derivative financial instruments with a positive fair value.

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 amortized cost.

Each financial asset is classified and measured on the basis of its business model and the characteristics of its cash flows. Trade receivables that are to be sold under factoring agreements are measured either at fair value through profit or loss or at fair value through other comprehensive income with recycling to profit or loss, depending on the arrangements in the individual agreement.

As a rule, OSRAM exercises the option to recognize changes in the fair value of equity instruments that it holds as a strategic investment in other comprehensive income (financial assets measured at fair value through other comprehensive income without recycling to profit or loss (FVOCI)). If the equity instruments are sold, fair value gains and losses are not reclassified from equity to the statement of income. This option can generally be exercised irrevocably for a specific equity instrument when it is acquired. Where this option is not exercised, equity instruments have to be recognized at fair value through profit or loss.

Because of their contractual arrangements, OSRAM’s interests in investment entities have to be classified as debt instruments and are measured at fair value through profit or loss. The change in the fair value of equity instruments and interests in investment entities measured at fair value through profit or loss is recognized under other financial income (expenses), net in the statement of income.

Financial assets measured at amortized cost comprise financial assets whose cash flows consist of payments of interest and principal and that are held as part of a business model in which the instruments are held in order to collect the contractual cash flows. Measurement at amortized cost covers loss allowances for expected credit losses and use of the effective interest method. Financial assets measured at amortized cost with a maturity of more than one year that are interest-free or have lower-than-market interest rates are discounted in line with the level of risk.

The simplified approach is used to calculate the loss allowances for trade receivables and contract assets. This involves calculating the lifetime expected credit losses. For the bulk of the financial instruments, the expected credit losses are calculated on the basis of the customers' individual credit ratings, which are then used to determine portfolio-specific default rates. Based on credit ratings provided by external agencies, the financial instruments are grouped in risk categories with low, moderate, and higher credit risk. There is a fourth and highest category to which insolvent counterparties are assigned. Each risk category is given a different expected default rate, on the basis of which the loss allowances are calculated. Expected credit losses for receivables for which the simplified approach cannot be used are calculated for a period of twelve months. If the credit risk for such receivables has increased significantly since initial recognition, the lifetime expected credit losses are calculated. External information from rating agencies is mainly drawn upon to assess whether this is the case, but other available information is also used.

The expected credit losses for some trade receivables are predominantly calculated using analysis of historical bad debts and the age structure. Receivables that are past due by more than 90 days, including receivables from debtors against whom insolvency or similar proceedings have been opened, are considered to be in default and are classified in stage 3 of the impairment model. These receivables are examined to assess whether additional individual loss allowances are required. The allowance for such receivables involves significant judgment and assessment based on the creditworthiness of each customer, current economic trends, and other factors. Loss allowances for trade receivables are recognized using separate allowance accounts.

Financial Liabilities

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).

With the exception of derivative financial instruments and contingent consideration obligations in the context of acquisitions, OSRAM measures financial liabilities at amortized cost using the effective interest method.

Contingent consideration obligations in the context of acquisitions are recognized as a liability at the expected amount. Subsequent adjustments to contingent consideration are recognized in profit or loss. The fair value of the liability is calculated on the basis of the current estimate of the affected entities' key performance indicators that are used to determine the contingent consideration.

Derivative Financial Instruments

Derivative financial instruments are measured at fair value through profit or loss unless they are designated as hedging instruments to which hedge accounting is applied. The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized in Other comprehensive income (loss), net of tax (i.e., net of applicable deferred income taxes). 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. Derivative financial instruments are recognized under other current financial assets and other current financial liabilities in the statement of financial position.

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, if applicable taking account of service conditions and non-market vesting conditions. 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 30 I Share-based Payment.

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31 Impact of First-time Adoption of New Accounting Pronouncements

The accounting pronouncements of significance to the consolidated financial statements are set out below.

IFRS 16 Leases

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

OSRAM adopted IFRS 16 at the start of fiscal year 2020. When applying the new rules for the first time, companies can choose between full retrospective adoption and modified retrospective adoption. OSRAM decided on modified retrospective adoption, which means that it did not restate the comparative figures for fiscal year 2019 when it applied the new rules for the first time in fiscal year 2020.

OSRAM mainly acts as a lessee of land and buildings, plant and equipment and vehicles. Upon first-time adoption of IFRS 16, payment obligations under existing operating leases were discounted at the relevant incremental borrowing rate of interest and recognized as a lease liability. The incremental borrowing rates of interest used are based on the risk-free interest rates for the currency area in question and the term of the relevant lease, adjusted for an OSRAM-specific funding interest-rate premium. The right-of-use assets are carried in the amount of the discounted lease liabilities, adjusted for the advance lease payments that had been made before October 1, 2019, and were previously deferred. Upon transition to IFRS 16, right-of-use assets amounting to €236 million were recognized for the rights to use the underlying leased assets, while lease liabilities were recognized in the same amount. Right-of-use assets and lease liabilities under new leases entered into after October 1, 2019, are recognized at the time of provision of the underlying assets. Right-of-use assets are shown separately in the statement of financial position. They amounted to €190 million as of September 30, 2020. Lease liabilities are recognized under short-term and long-term debt in the statement of financial position. As of September 30, 2020, lease liabilities amounted to €188 million.

The other financial obligations under non-cancelable operating leases as of September 30, 2019, resulted in the reconciliation, shown in the table below, to the opening balance for lease liabilities as of October 1, 2019:

Reconciliation to the lease liabilities in accordance with IFRS 16

in € million

Minimum lease payments IAS 17 (without non-lease-components) and including short term / low value leases	234
Service components (non-lease components during minimum lease term)	25
Short term leases	(2)
Low value leases	(4)
Payments for extension option periods (lease and non-lease components) which have been assessed to be reasonably certain exercised	30
Miscellaneous [1]	(13)
Non-discounted lease obligations	**270**
Discounting effect	(34)
Lease liabilities as of October 1, 2019	**236**

1) Primarily changes to the basis of consolidation as a result of the disposal of the European luminaires business.

The introduction of the new standard also changes the nature of the expenses associated with these leases, because IFRS 16 replaces the expenses recognized for operating leases on a straight-line basis with depreciation charges for the right-of-use asset and interest expenses for the lease liability. Lease payments are shown as net cash provided by (used in) financing activities in the statement of cash flows.

IFRIC 23 Uncertainty over Income Tax Treatments

OSRAM has applied IFRIC 23 *Uncertainty over Income Tax Treatments* since October 1, 2019. The interpretation addresses accounting for income taxes under IAS 12 where there is uncertainty regarding the tax treatment. It does not apply to taxes or levies outside the scope of IAS 12 and does not contain any provisions on interest or penalties in connection with uncertain tax treatments.

The interpretation specifically addresses the following topics:

- Decisions about whether an entity should consider uncertain tax treatments separately
- Assumptions that an entity makes about the examination of tax treatments by the tax authorities
- Determination of the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates
- Consideration of changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or in combination with one or more other uncertain tax treatments. It should select the approach that better predicts how the uncertainty will be resolved.

Application of the interpretation had no significant impact on the Group's tax positions.

B.6.3 Disposals, Disposal Groups, and Discontinued Operations

4 | Disposals, Disposal Groups, and Discontinued Operations

Disposal Groups

In view of the challenging conditions in the automotive market, OSRAM and Continental jointly decided in September 2020 to separate out their activities in OSRAM CONTINENTAL once again and take them back into their own organizations. The business remaining with OSRAM will continue to be managed as part of the Automotive Business Unit. The transaction is scheduled to be completed in autumn 2021.

OSRAM and Continental transferred their relevant business activities to OSRAM CONTINENTAL GmbH on July 2, 2018, with the transfer taking effect on July 1, 2018. They each have a 50% stake in the company. The company is included in full in the basis of consolidation of the OSRAM Group owing to special voting rights that permit OSRAM to direct material activities. From the perspective of the OSRAM Group, the effect of completing the separation of the business activities will be the loss of the business to be transferred to Continental and the derecognition of the non-controlling interests.

Consequently, the assets and liabilities to be transferred to Continental were recognized as held for sale as follows in accordance with IFRS 5 as of September 30, 2020:

OSRAM CONTINENTAL
Assets and Liabilities Held for Sale

in € million

	September 30, 2020
Cash and cash equivalents	9
Trade receivables and other current assets	5
Non-current assets	99
Assets held for sale	**114**
Current debt	96
Current liabilities	10
Pension plans and similar commitments	2
Long-term debt and liabilities	4
Liabilities associated with assets held for sale	**111**
Net assets and liabilities	**3**

For information on measurement of the Continental business at the lower of the carrying amount and fair value less costs to sell, see › Note 14 I Goodwill and Other Intangible Assets. Measurement in accordance with IFRS 5 produced the same result.

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A further amount of around €3 million was assigned to assets held for sale due to the planned sale of land and buildings in the Americas.

Discontinued Operation

As part of the strategic transformation into a high-tech photonics company, the strategy for the Lighting Solutions Business Unit (LS) was revised in fiscal year 2018. Consequently, OSRAM decided to dissolve the LS Business Unit and to dispose of both the luminaire service business in North America—predominantly operated by Sylvania Lighting Service Corp. (SLS), Wilmington (U.S.A.)—and the luminaires business, which, in Europe, is predominantly operated by Siteco Beleuchtungstechnik GmbH (Siteco), Traunreut (Germany). In fiscal year 2019, the business of SLS, that of Siteco, and the rest of the luminaires business were therefore presented as a discontinued operation in accordance with IFRS 5.

The sale of SLS was completed in fiscal year 2019.

On June 21, 2019, OSRAM signed an agreement with Stern Stewart Capital Sustainability GmbH, Munich (Germany), for the sale of the European luminaires business. The transaction was completed on October 1, 2019. As a result, all assets and liabilities of the European luminaires business were still classified as follows in accordance with IFRS 5 in the consolidated financial statements as of September 30, 2019:

Assets and Liabilities of Discontinued Operation

in € million

	September 30, 2019
Cash and cash equivalents	17
Trade receivables and other current assets	30
Inventories	30
Non-current assets	12
Assets held for sale	**90**
Current provisions	37
Current liabilities	40
Pension plans and similar commitments	5
Non-current liabilities	8
Liabilities associated with assets held for sale	**90**
Net assets and liabilities	**0**

When the transaction was completed on October 1, 2019, the assets and liabilities of the discontinued operation were derecognized. Because of the measurement at fair value less costs to sell in fiscal year 2019, the loss on the sale of the luminaires business had already largely been recognized as of October 1, 2019. As a result of the derecognition, a further loss of €4 million had to be recognized in fiscal year 2020. This was due in large part to the derecognition of further assets of €2 million and further expenses relating to the disposal of the business of €2 million.

Furthermore, the impact on income (loss), net of tax, resulting from the sale of discontinued operations included expected obligations in connection with the sale of SLS.

Net Cash Used

in € million

	Fiscal year 2020
Consideration received in cash	8
Cash and cash equivalents disposed of	(17)
Cash used for contractual obligations	(5)
Net cash used	**(14)**

The sale of another business in Asia during the first quarter of fiscal year 2020 resulted in an inflow of funds of €4 million.

B.6.4 Disclosures on the Statement of Income

5 | Personnel-related Restructuring Expenses

In fiscal years 2020 and 2019, OSRAM undertook measures throughout the Company to improve processes and make structural adjustments in the Automotive and Digital Business Units and in the central administrative functions so that it can react to the change in market conditions.

Personnel-related restructuring expenses related to these measures were incurred in the amount of €86 million net in the last fiscal year (previous year: €67 million). These expenses arose mainly in Germany and related, in particular, to personnel measures in connection with a new voluntary redundancy program and pre-retirement part-time employment agreements. To a lesser extent, further expenses arose from personnel measures relating primarily to specific individuals in countries other than Germany.

At some locations, the measures originally planned were not implemented in full, in particular because of employees transferring internally. The obligations recognized for the measures were reduced by €11 million (previous year: €11 million).

In fiscal years 2020 and 2019, personnel-related restructuring expenses primarily affected *Cost of goods sold and services rendered, Marketing, selling, and general administrative expenses,* and *Research and development expenses.*

6 | Other Operating Income

Other Operating Income

in € million

	Fiscal year	
	2020	2019
Compensation payments	22	24
Income from patent sales	11	-
Adjustment of fair value as a result of contingent consideration for acquisitions	9	-
Gains on sales and disposals of property, plant, and equipment, and intangibles	1	1
Gains on sales of business activities	0	–
Miscellaneous other income	22	8
Other operating income	**66**	**33**

The *Compensatory payments* line item relates to business transferred to OSRAM CONTINENTAL GmbH by Continental.

The *Adjustment of fair value as a result of contingent consideration for acquisitions* line item contains the change in fair value resulting from earn-out agreements. In fiscal year 2020, an adjustment of €5 million was recognized in profit or loss resulting from the existing earn-out agreement in connection with the acquisition of Fluence Bioengineering, Inc., Austin, Texas (U.S.A.), which was completed in fiscal year 2018. The agreed contingent consideration is dependent on the company's revenue and gross margin in the three years subsequent to the transaction. Furthermore, an adjustment of €4 million was recognized in profit or loss resulting from the existing earn-out agreement in connection with the acquisition of Vixar, Inc., Plymouth (U.S.A.), which was completed in fiscal year 2018. The agreed contingent consideration is dependent on the additional revenue generated in calendar years 2019 and 2020 as a result of the acquisition.

In fiscal year 2020, *Miscellaneous other income* included, among other things, income of €6 million arising in connection with an out-of-court settlement reached with a supplier. Income of €3 million from government grants was also included (previous year: €3 million).

7 | Other Operating Expenses

Other Operating Expenses

in € million

	Fiscal year	
	2020	2019
Losses on sales and disposals of property, plant, and equipment, and intangibles	(2)	(4)
Impairment losses on Goodwill	-	(210)
Adjustment of fair value as a result of contingent consideration for acquisitions	-	(16)
Miscellaneous other expenses	(2)	(4)
Other operating expenses	**(4)**	**(234)**

The *Impairment losses on goodwill* line item in fiscal year 2019 reflects the write-off of the goodwill of the two cash-generating units Digital Systems (within the DI Segment) and OSRAM CONTINENTAL (within the AM Segment).

The *Adjustment of fair value as a result of contingent consideration for acquisitions* line item in fiscal year 2019 contains the change in fair value of an existing earn-out agreement in connection with the acquisition of Fluence Bioengineering, Inc., Austin, Texas (U.S.A.), which was completed in fiscal year 2018.

8 | 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	
	2020	2019
Share of profit (loss), net	(7)	(6)
Reversals of impairments/impairments, net	–	(4)
Gains (losses) on sales, net	0	0
Income (loss) from investments accounted for using the equity method, net	**(7)**	**(10)**

OSRAM has an equity investment, which it acquired in fiscal year 2017, in the associate LeddarTech Inc., Quebec (Canada). Unless indicated otherwise, the financial information below relates to 100% of the company:

Financial Information for LeddarTech Inc.

in € million

	Fiscal year	
	2020[1]	2019[2]
Interest in income (loss)	25.1%	25.1%
Current assets	5	11
Non-current assets	27	27
Current liabilities	4	18
Non-current liabilities	36	6
Net assets (100%)	**(9)**	**13**
Group´s share of net assets	(2)	3
Goodwill	47	47
Carrying amount of interest in the entity	**44**	**50**
Revenue	4	5
Loss before income taxes	(24)	(16)
Other comprehensive income	–	0
Total comprehensive income	(24)	(16)
Dividends received	–	–

1) The data relating to assets and liabilities indicates their value as of August 31, 2020; the data presented from the statement of income covers the twelve-month period ended August 31, 2020.
2) The data relating to assets and liabilities indicates their value as of August 31, 2019; the data presented from the statement of income covers the twelve-month period ended August 31, 2019.

The Group also has shares in individually immaterial associates and joint ventures. The Group's stake in some of the associates is less than 20% but, because the Group is represented on the investee's managing or supervisory board, it considers its influence to be significant.

Financial Information for Individually Immaterial Joint Ventures and Associates

in € million

	Fiscal year	
	2020	2019
Carrying amount of interests in associates	7	4
Share of net income (loss), net of tax	0	(2)
Carrying amount of interests in joint ventures	–	1
Share of net income (loss), net of tax	–	0

9 | Income Taxes

Income Taxes

in € million

	Fiscal year	
	2020	2019
Current tax expense, net, fiscal year	(59)	(47)
Current tax benefit, net, prior fiscal years	0	12
Deferred tax benefit, net, from changes in temporary differences	90	70
Deferred tax expense, net, other	–	(2)
Income tax benefit, net	**31**	**33**

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% (Group tax rate).

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.

Reconciliation to Actual Income Tax Benefit

in € million

	Fiscal year	
	2020	2019
Income (loss) before income taxes OSRAM (continuing operations)	**(298)**	**(377)**
Group tax rate	30.1%	30.1%
Expected income tax benefit, net	**90**	**113**
Increase/decrease in income taxes resulting from:		
Non-deductible losses and expenses	(14)	(57)
Tax-free income	12	11
Taxes for prior years	8	12
Change in realizability of deferred tax assets and tax credits	(69)	(48)
Foreign tax rate differential	5	6
Change in tax rates	1	(1)
Other, net	(2)	(2)
Actual income tax benefit, net	**31**	**33**

The tax effect in connection with the *Change in realizability of deferred tax assets and tax credits* essentially reflects the non-recognition/the impairment of deferred tax assets on tax loss carryforwards and temporary differences of €63 million for OSRAM CONTINENTAL companies.

In fiscal years 2020 and 2019, the tax effect in the *Other, net* line item predominantly resulted from non-deductible 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

	Deferred tax assets		Deferred tax liabilities	
	September 30,		September 30,	
	2020	2019	2020	2019
Financial assets	1	1	0	0
Other intangible assets	108	94	45	37
Property, plant, and equipment	16	32	42	27
Inventories	29	25	1	0
Receivables	16	4	11	18
Pension plans and similar commitments	142	162	8	8
Provisions	33	27	3	3
Liabilities	206	67	2	2
Tax loss and credit carryforwards	38	81	–	–
Other	2	6	7	11
Deferred taxes	**590**	**499**	**120**	**106**
Netting	(104)	(89)	(104)	(89)
Item in the statement of financial position	**486**	**410**	**16**	**17**

The increase in deferred tax assets in the *Liabilities* line item was predominantly attributable to intra-group measures that avoided the elimination of tax losses and tax loss carryforwards at the time of the takeover by ams.

On September 22, 2020, a domination and profit and loss transfer agreement was signed in which ams Offer GmbH is the controlling company and OSRAM Licht AG is the controlled company. This agreement had not been entered in the commercial register by September 30, 2020. The domination and profit and loss transfer agreement is expected to take effect retrospectively from October 1, 2020. This will affect the balance of deferred taxes in the consolidated financial statements of OSRAM Licht AG.

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 critical 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 €393 million (previous year: €279 million) have been recognized for entities that generated a loss in the current period or in the prior period.

Tax loss carryforwards amounted to €509 million as of September 30, 2020 (previous year: €543 million). In fiscal year 2020, deferred tax assets of €28 million were recognized in Germany (previous year: €59 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,	
	2020	2019
Deductible temporary differences	233	111
Tax credits	70	72
Tax loss carryforwards	389	284

Of the tax loss carryforwards for which no deferred tax assets were recognized as of September 30, 2020, €48 million (previous year: €44 million) are time-limited. These loss carryforwards will begin to expire in 2023.

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, 2020, no deferred tax liabilities were recognized for subsidiaries' accumulated earnings of €1,157 million (previous year: €1,246 million) as these profits are to be reinvested for an indefinite period.

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

Income Tax Benefit

in € million

	Fiscal year	
	2020	2019
Income tax benefit, net	31	33
(Expense) benefit recognized directly in other comprehensive income (loss)	(5)	7

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

10 I Trade Receivables

The changes in loss allowances recognized in respect of trade receivables recognized at amortized cost were as follows:

Valuation Allowances

in € million

	Total	Expected valuation allowances	Actual valuation allowances for doubtful accounts
Balance as of October 1, 2018	**(15)**	**(8)**	**(7)**
Reclassification according to IFRS 5	0	0	0
Derecognition of receivables	3	0	3
Change in valuation allowances recorded in the income statement in the current period	0	2	(3)
Changes to the group of consolidated companies and other changes	0	0	0
Balance as of September 30, 2019	**(12)**	**(6)**	**(6)**
Balance as of October 1, 2019	**(12)**	**(6)**	**(6)**
Reclassification according to IFRS 5	0	0	–
Derecognition of receivables	3	–	3
Change in valuation allowances recorded in the income statement in the current period	(11)	(3)	(8)
Changes to the group of consolidated companies and other changes	1	0	1
Balance as of September 30, 2020	**(19)**	**(9)**	**(10)**

For some of the trade receivables recognized at amortized cost, the loss allowances for the expected credit losses are calculated on the basis of the customers' individual credit ratings, which are then used to determine portfolio-specific default rates. Based on credit ratings provided by external agencies, the customers are grouped in risk categories with low, moderate, and higher credit risk.

Gross Carrying Amount of Trade Receivables Measured Based on Ratings

in € million

	September 30,	
	2020	2019
Risk class 1: low risk	160	316
Risk class 2: moderate risk	137	150
Risk class 3: higher risk	45	19
Risk class 4: insolvent	5	5
Customers without individual rating	7	10
Total	**354**	**500**

The expected credit losses for trade receivables with a gross carrying amount of €29 million (previous year: €37 million) were predominantly calculated using analysis of historical bad debts and the age structure. Trade receivables included receivables with a carrying amount of €76 million (previous year: €34 million) that were measured at fair value through profit or loss. Some of these are receivables from customers that are regularly sold to a factoring company in connection with customers' supply-chain financing programs. In October 2019, OSRAM sold trade receivables under its own factoring program for the first time. Some of the risk of late payment by the customer (late payment risk) remains with OSRAM. The volume of receivables sold under this program stood at €35 million as of September 30, 2020.

11 I Other Current Financial Assets

Other Current Financial Assets

in € million

	September 30,	
	2020	2019
Derivative financial instruments	12	5
Debit balances of trade accounts payable	2	5
Other	18	19
Other current financial assets	**32**	**29**

Among other things, the *Other* line item includes financial receivables not resulting from the sale of goods or services and other financial assets such as finance bills.

Information on derivative financial instruments can be found in › Note 28 I Financial Instruments. S Page 109

12 I Inventories

Inventories

in € million

	September 30,	
	2020	2019
Raw materials and supplies	189	210
Work in progress	155	177
Finished goods and merchandise	294	303
Advances to suppliers	2	2
Inventories	**641**	**692**

For further information, see section › A.2.5.1 Statement of Financial Position Analysis. S Page 27

In fiscal year 2020, accumulated loss allowances increased by €6 million to €129 million (previous year: reduction of €18 million to €123 million).

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

13 I Other Current Assets

Other Current Assets

in € million

	September 30, 2020	September 30, 2019
Miscellaneous tax receivables	42	44
Prepaid expenses	17	24
Receivables from government grants	7	10
Other	27	35
Other current assets	**93**	**113**

In the previous year, *Prepaid expenses* included the current portion of the transaction costs related to the revolving credit facility amounting to €2 million. Following the repayment in full of the revolving credit facility, these were released to profit and loss. The line item also included, in particular, prepayments for IT services.

For information on government grants, see Note 15 I Property, Plant, and Equipment.

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The *Other* line item mainly consists of advances paid as well as payments to customers deferred over the term of the contract in respect of future sales.

14 I Goodwill and Other Intangible Assets

Goodwill and Other Intangible Assets [1]

in € million

	Gross carrying amount as of October 1, 2019	Translation differences	Additions through business combinations	Additions	Retirements	Reclassification according to IFRS 5	Gross carrying amount as of September 30, 2020	Accumulated amortization and impairment	Net book value as of September 30, 2020	Amortization and impairment during fiscal 2020
Goodwill	**498**	**(28)**	**–**	**–**	**–**	**(131)**	**339**	**(163)**	**176**	**–**
Capitalized software development costs	78	0	–	0	(1)	0	78	(76)	2	(1)
Other capitalized development costs	63	(1)	–	2	0	–	64	(48)	15	(6)
Patents, licenses, and other rights	655	(25)	0	2	(4)	(109)	520	(418)	102	(58)
Other intangible assets	**796**	**(26)**	**0**	**4**	**(5)**	**(109)**	**661**	**(542)**	**120**	**(65)**

	Gross carrying amount as of October 1, 2018	Translation differences	Additions through business combinations	Additions	Retirements	Reclassification according to IFRS 5	Gross carrying amount as of September 30, 2019	Accumulated amortization and impairment	Net book value as of September 30, 2019	Amortization and impairment during fiscal 2019
Goodwill	**569**	**20**	**11**	**–**	**–**	**(101)**	**498**	**(312)**	**186**	(210)
Capitalized software development costs	81	0	–	0	(2)	(1)	78	(75)	3	(1)
Other capitalized development costs	81	1	1	7	(2)	(25)	63	(43)	20	(7)
Patents, licenses, and other rights	662	21	26	6	(7)	(53)	655	(405)	250	(47)
Other intangible assets	**824**	**21**	**27**	**13**	**(11)**	**(79)**	**796**	**(523)**	**273**	**(54)**

1) Excluding goodwill and other intangible assets classified as Assets held for sale in accordance with IFRS 5.

There were no significant obligations to purchase other intangible assets as of September 30, 2020, or 2019.

The carrying amounts for goodwill are allocated to the cash-generating units as follows:

Goodwill

in € million

	September 30,	
	2020	2019
Opto Semiconductors		
Opto Semiconductors	57	61
Automotive		
Automotive excluding OSRAM CONTINENTAL	48	48
Digital		
Entertainment & Industry	46	49
Connected Building Applications	26	28
Goodwill	**176**	**186**

The impairment tests in fiscal year 2020 and fiscal year 2019 were based on the business planning that was current at the time the tests were carried out. 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 when impairment testing cash-generating units to which goodwill has been allocated were the expected unit sales and average EBITDA margins in the detailed planning phase that are used as the basis for the business planning, the terminal value growth rates, and the discount rates.

Ad hoc impairment tests as of March 31, 2020

On March 18, 2020, the Managing Board of OSRAM Licht AG withdrew the forecast for fiscal year 2020 included in the 2019 Annual Report ›› Annual Report, A.4.1 Report on Expected Developments because it became clear that the Company's targets for fiscal year 2020 would probably not be achieved due to the COVID-19 pandemic. The unprecedented operational and financial challenges posed by the outbreak of COVID-19 and the economic risks to the course of business in the remainder of fiscal year 2020 meant that it was impossible to adequately or reliably quantify the financial impact of the pandemic on OSRAM. There was also a possibility that the COVID-19 pandemic and the measures implemented in response worldwide—particularly the growing number of factories being closed by our customers and the disruptions to global supply chains—would lead to significant changes with an adverse impact on OSRAM that would continue beyond the end of the fiscal year. Consequently, OSRAM analyzed its cash-generating units for indications of potential impairment as of March 31, 2020. Each cash-generating unit was analyzed separately to determine whether the COVID-19 pandemic was having significant negative effects on current and future net cash flows or on operating profit. The analyses took account of sector-specific and macroeconomic studies on the potential impact of the COVID-19 pandemic, current business performance, and management assumptions about the impact of the pandemic. OSRAM came to the conclusion that there were indications of potential impairment for the majority of the cash-generating units.

The OSRAM Managing Board's fundamental assumption—based on analysis of external and internal market assessments—was that the negative effects of the COVID-19 pandemic did not impact on the medium-term and long-term business planning. Important indicators in this regard were the emerging recovery in Asia and the extensive support measures introduced by various governments. The assumption reached was based on judgment calls of the Managing Board.

An interim impairment test was conducted as of March 31, 2020, for cash-generating units with indications of potential impairment.

Because of the uncertainty surrounding the financial implications of the COVID-19 pandemic and the rapidly changing situation, it was not possible to produce up-to-date, reliable, and transparent business planning for all cash-generating units. Furthermore, no updated business planning had been signed off as of March 31, 2020.

Taking account of the aforementioned fundamental assumption, the cash-generating units were grouped according to importance and relevance on the basis of the impairment tests conducted at the end of fiscal year 2019. Those cash-generating units whose recoverable amount as of the end of fiscal year 2019 significantly exceeded the carrying amount, and thus had the largest buffers, were deemed unproblematic. The recoverability of these cash-generating units was confirmed using a simplified measurement method.

For another group of cash-generating units, whose recoverable amount as of the end of fiscal year 2019 did not significantly exceed the carrying amount, individual business planning was drawn up that took account of the potential effects of the COVID-19 pandemic and was used as the basis for the impairment test.

The recoverable amount of the affected cash-generating units was determined on the basis of their fair value less costs of disposal (hierarchy level 3). The key assumptions used for the impairment test were the expected unit sales and average EBITDA margins in the detailed planning phase that are used as the basis for the business planning, the terminal value growth rates, and the discount rates.

In line with the fundamental assumption described above, the long-term growth rate of 2.4% used as of September 30, 2019, was retained. The discount rates (after tax) were updated to between 7.8% and 8.5% (as of September 30, 2019: between 7.4% and 8.5%).

In the case of OSRAM CONTINENTAL, the Managing Board assumed that the recoverable amount of the cash-generating unit was essentially dependent on the medium-term and long-term business planning and that the negative effects of the COVID-19 pandemic would not impact on medium-term and long-term business performance. No significant negative effects on the recoverable amount were therefore expected. This assessment was based on the existing business planning and the main drivers of long-term profitability, particularly the strategy (under review) of OSRAM CONTINENTAL and the level of purchase prices.

The impairment tests carried out as of March 31, 2020, confirmed that the current carrying amounts were recoverable.

If the prediction for future business performance had not been achievable, there would have been a risk that non-current assets would be written down. Economic measures announced by central banks and governments would not have been sufficient to make up for the adverse economic effects of the pandemic.

There continued to be significant uncertainty, particularly for the OSRAM CONTINENTAL cash-generating unit within the Automotive Segment. The main influences on this assumption were the strategy (under review) of OSRAM CONTINENTAL, including the estimates of future purchase prices, and the outcome of the talks with Continental AG. If this assessment had not been achievable, there would have been the risk of impairment losses on non-current assets amounting to €190 million (of which other intangible assets: €115 million) as of March 31, 2020.

Regular annual impairment tests as of June 30, 2020

In the third quarter, the business plan was updated early in view of the intended merger of OSRAM and ams. Consequently, OSRAM decided to bring forward the annual impairment tests to the third quarter. One of the main assumptions in the updated business plan is that the COVID-19 pandemic will have no impact on business performance in the medium term and long term.

An unchanged long-term growth rate of 2.3% (previous year: 2.4%) and the following discount rates (after tax) were assumed:

Discount rates (after tax)

in %

	June 30, 2020
Opto Semiconductors	
Opto Semiconductors	8.4%
Automotive	
Automotive excluding OSRAM CONTINENTAL	8.1%
Digital	
Entertainment & Industry	8.6%
Connected Building Applications	7.9%
Digital Systems	7.9%

The discount rates had ranged from 7.4% to 8.5% in the previous year.

The impairment tests carried out did not identify any need for impairment in the cash-generating units with the exception of the OSRAM CONTINENTAL cash-generating unit within the Automotive Segment.

As had been the case in the previous year, the period for the detailed planning for the Digital Systems cash-generating unit within the Digital Segment was extended from the usual five years to eight years in order to fully reflect expected structural changes in the market and the necessary transformation activities.

For the first time, the detailed planning period for the Entertainment & Industry cash-generating unit was also extended to eight years, as the business is undergoing a phase of transformation due to an updated product strategy. An increase in the discount rates (after tax) of around 1.5 percentage points or a decrease in the EBITDA margin of around 1.5 percentage points would lead to impairment. At present, the recoverable amount still exceeds the carrying amount by around €40 million.

In the case of the Connected Building Applications cash-generating unit within the Digital Segment, an increase in the discount rates (after tax) of around 1 percentage point or a decrease in the EBITDA margin of around 1.5 percentage points would lead to impairment. The business planning assumes that the growth strategy for industrial IoT software applications will be implemented successfully. At present, the recoverable amount only exceeds the carrying amount by around €10 million.

There continued to be significant uncertainty surrounding the OSRAM CONTINENTAL cash-generating unit in the third quarter. The main influences on this assumption were the strategy (under review) of OSRAM CONTINENTAL, including the estimates of future purchase prices, and the outcome of the talks with Continental AG. OSRAM tested all assets for impairment on the basis of the talks on the future strategy with Continental AG and the resulting most likely scenario regarding the future strategy. This resulted in impairment losses on non-current assets amounting to €48 million. The assessment required OSRAM's management to make significant judgment calls.

Updates in the fourth quarter

In view of the challenging conditions in the automotive market, OSRAM and Continental jointly decided in September 2020 to separate out their activities in OSRAM CONTINENTAL once again and take them back into their own organizations. It was therefore necessary to update the impairment test for OSRAM CONTINENTAL. The impairment test for the business remaining with OSRAM was conducted on the basis of updated detailed planning that had been approved by OSRAM's management for this business. For the business transferring to Continental, the test was based on the premise that this business would move to Continental. A long-term growth rate of 0.5% and a discount rate (after tax) of 9.3% were used for the business remaining with OSRAM. The test revealed the need to recognize a further impairment loss. As of September 30, 2020, accumulated impairment losses of €65 million had been recognized on non-current assets in fiscal year 2020, including impairment losses of €22 million on patents, licenses, and similar rights and impairment losses of €43 million on property, plant, and equipment; see › Note 15 I Property, Plant, and Equipment. The goodwill had been written off as of September 30, 2019. S Page 93

OSRAM analyzed the other cash-generating units for indications of potential impairment again as of September 30, 2020. OSRAM's assessment was that there were no indications of potential impairment for the other cash-generating units. The fundamental assumption that the COVID-19 pandemic will have no impact on business performance in the medium term and long term continues to apply. Estimates are subject to increased uncertainty due to the COVID-19 pandemic, which is currently a very rapidly changing situation. However, no significant impact on the consolidated financial statements is currently discernible. OSRAM is keeping a close eye on the situation and will make further assessments if necessary. Additional information can be found in › A.4.2 Report on Risks and Opportunities.

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In view of the stronger recovery of OSRAM's business during the summer months, especially August, the new forecast for fiscal year 2020 that had been published in June 2020 was raised on September 16, 2020. See also › A.2.1 Overall Assessment by the Managing Board of the Current Economic Situation.

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15 | Property, Plant, and Equipment

Property, Plant, and Equipment 1)

in € million

	Gross carrying amount as of October 1, 2019	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Reclassification according to IFRS 5	Gross carrying amount as of September 30, 2020	Accumulated amortization and impairment	Net book value as of September 30, 2020	Amortization and impairment during fiscal 2020
Land and buildings	658	(18)	–	4	8	(7)	(8)	637	(291)	346	(38)
Technical machinery and equipment	2,686	(77)	0	17	64	(37)	(3)	2,651	(1,936)	715	(204)
Furniture and office equipment	597	(13)	–	9	21	(20)	(6)	588	(492)	97	(56)
Advances to suppliers and construction in progress	106	(2)	–	65	(93)	(3)	0	73	(7)	66	(6)
Property, plant, and equipment	**4,047**	**(110)**	**0**	**95**	**–**	**(66)**	**(18)**	**3,949**	**(2,725)**	**1,224**	**(303)**

	Gross carrying amount as of October 1, 2018	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Reclassification according to IFRS 5	Gross carrying amount as of September 30, 2019	Accumulated amortization and impairment	Net book value as of September 30, 2019	Amortization and impairment during fiscal 2019
Land and buildings	549	12	0	12	90	(4)	(1)	658	(271)	387	(26)
Technical machinery and equipment	2,530	57	0	34	205	(92)	(47)	2,686	(1,817)	870	(176)
Furniture and office equipment	621	11	3	15	42	(25)	(69)	597	(466)	132	(55)
Advances to suppliers and construction in progress	364	4	0	78	(337)	(2)	(2)	106	(1)	105	0
Property, plant, and equipment	**4,064**	**84**	**3**	**139**	**–**	**(123)**	**(119)**	**4,047**	**(2,555)**	**1,493**	**(257)**

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

As of September 30, 2020, contractual obligations to purchase property, plant, and equipment amounted to €39 million (previous year: €40 million).

Government grants received in fiscal year 2020 for the purchase or production of property, plant, and equipment amounted to €2 million (previous year: €17 million) and were offset against cost.

Impairment losses of €52 million were recognized in fiscal year 2020. Of this sum, €43 million relates to impairment losses on OSRAM CONTINENTAL—see also › Note 14 I Goodwill and Other Intangible Assets—and €9 million (previous year: €5 million) to impairment losses on property, plant, and equipment that will no longer be needed for production in the future.

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Due to a change of use with effect from October 1, 2019, OSRAM recognizes a plot of land and a building with a carrying amount in the low-double-digit millions of euros as investment property in accordance with IAS 40. This change of use came about because OSRAM stopped using the property itself and entered into an operating lease with another party.

Investment property is measured at cost less accumulated depreciation and impairment losses. The fair value is roughly the same as the carrying amount. The rental income and the direct operating costs were insignificant in the year under review and this will remain the case in subsequent fiscal years. There are no other material operating leases.

16 I Right-of-use Assets

Right-of-use Assets

in € million

	Gross carrying amount as of October 1, 2019	Translation differences	Additions	Reclassifications	Retirements	Reclassification according to IFRS 5	Gross carrying amount as of September 30, 2020	Accumulated amortization and impairment	Net book value as of September 30, 2020	Amortization and impairment during fiscal 2020
Land and buildings	195	(8)	11	–	(5)	(5)	188	(32)	156	(36)
Technical machinery and equipment	33	(2)	2	0	0	0	34	(6)	27	(6)
Furniture and office equipment	8	0	4	0	(1)	0	10	(4)	6	(5)
Right-of-use assets	**236**	**(9)**	**17**	**–**	**(6)**	**(5)**	**232**	**(43)**	**190**	**(47)**

Expenses Related to Lessee Accounting

in € million

	Fiscal year 2020
Interest expenses	(6)
Short-term leases	(3)
Low-value lease payments	(1)
Variable lease payments	(2)
Total	**(12)**

The total cash outflows in connection with leases amounted to €55 million in the reporting year. Income from the subleasing of right-of-use assets totaled €4 million in fiscal year 2020. Future income from the subleasing of right-of-use assets will amount to €13 million.

OSRAM may potentially see future cash outflows that were not factored into the measurement of the lease liabilities. These mainly result from options to extend material property leases amounting to €218 million, the exercise of which is regarded as unlikely. In Asia, there are also property leases where the amount of the lease payments depends on different scenarios for future capital expenditure volumes and future revenue. OSRAM's potential future cash outflows under these leases may be up to €47 million.

17 I Other Assets

Other Assets

in € million

	September 30, 2020	2019
Overfunding of pension plans	16	16
Deferred compensation assets	9	9
Prepaid expenses	3	17
Chinese land use rights	–	6
Other	14	22
Other assets	**43**	**70**

The *Overfunding of pension plans* line item predominantly results from pension plans in the U.S.A. in an amount of €10 million (previous year: €9 million) and in Canada in an amount of €5 million (previous year: €5 million).

In the previous year, *Prepaid expenses* included the non-current portion of the transaction costs related to the revolving credit facility amounting to €3 million. Following the repayment in full of the revolving credit facility, these were released to profit and loss.

The *Other* line item mainly consists of advances paid as well as payments to customers deferred over the term of the contract in respect of future sales. The latter will be recognized as a deduction from revenue over the term of the contract.

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

18 I Other Current Financial Liabilities

Other Current Financial Liabilities

in € million

	September 30, 2020	2019
Refund liabilities due to customers	41	55
Derivative financial instruments	12	23
Credit balances on trade accounts receivable	6	5
Other	49	31
Other current financial liabilities	**109**	**113**

Refund liabilities to customers predominantly result from rebate and bonus agreements. The *Other* line item includes contingent consideration obligations in the context of acquisitions amounting to €15 million (previous year: €9 million). Non-current contingent consideration obligations of €27 million had been included in the *Other financial liabilities* line item in the previous year. The reduction in the total sum of consideration obligations resulted from the adjustment of the obligation, recognized in profit or loss, affecting other operating income in an amount of €9 million and from payments of €11 million to the sellers.

Information on *Derivative financial instruments* can be found in › Note 28 I Financial Instruments. S Page 109

19 I Other Current Liabilities

Other Current Liabilities

in € million

	September 30, 2020	September 30, 2019
Payroll obligations and social security taxes	117	129
Employee-related accruals	117	98
Liabilities from precious metal lending transactions	47	47
Bonus obligations	23	17
Other taxes	18	17
Other	30	39
Other current liabilities	**352**	**347**

Employee-related accruals primarily include vacation pay, overtime, severance payment obligations in connection with personnel reduction or early retirement plans, and service anniversary awards. The personnel-related restructuring measures are mainly attributable to the ongoing projects throughout the Company aimed at improving processes and making structural adjustments. See also › Note 5 I Personnel-related Restructuring Expenses.

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OSRAM enters into precious metal lending transactions so that it can use the precious metals in the semiconductor manufacturing process. The precious metals are accounted for as raw materials and supplies within inventories.

20 I Debt

Composition of Debt

in € million

	September 30, 2020	September 30, 2019
Short-term (within 1 year)		
Shareholder loan from ams	671	–
Lease liabilities	39	–
Loan from the European Investment Bank	–	32
Loans from banks	3	465
Other debt	–	42
Short-term debt and current maturities of long-term debt	**714**	**539**
Long-term (over 1 year)		
Lease liabilities	148	–
Loan from the European Investment Bank	–	120
Long-term debt	**148**	**120**
Debt	**862**	**659**

Change in Debt

in € million

	Fiscal year	
	2020	2019
Debt as of beginning of fiscal year	**659**	**385**
Increase of debt due to the first time application of IFRS 16 as of October 1, 2019	236	–
Repayment of long-term debt	(152)	(32)
Net cash inflow/outflow from changes in loans from banks and other debt	(406)	306
Financing with ams group	671	–
Settlement of lease liabilities due to lease payments	(51)	–
Non-cash changes of lease liabilities	15	–
Foreign currency effects	(12)	0
Reclassification of OSRAM CONTINENTAL's debt to *Liabilities associated with assets held for sale*	(98)	–
Debt as of fiscal year end	**862**	**659**

1) Includes, in particular, the effects of unwinding the discount and the increase in lease liabilities as a result of new leases.

In connection with the change of control to ams in July 2020, the loans from the European Investment Bank, the amounts drawn down under the variable-rate revolving credit facility (including ancillary facilities), and a further bilateral credit facility arranged in April 2020 were repaid in full in September 2020.

On September 11, 2020, OSRAM GmbH entered into a loan agreement in which ams AG is the lender. Under this loan agreement, the lender ams AG is providing OSRAM GmbH with an unsecured credit facility with a term of twelve months (with a one-off option to extend it by a further six months) for a total of up to €1,050 million, comprising a bullet amortizing loan of €600 million and a revolving cash credit facility of up to €450 million with an interest rate based on EURIBOR plus a margin of between 2.0% p.a. and 4.5% p.a. depending on the Company's debt ratio.

On September 14, 2020, the bullet amortizing loan was drawn down in full in the amount of €600 million while an amount of €75 million was drawn down from the revolving cash credit facility. The amounts drawn down remained unchanged as of September 30, 2020. The interest to be paid on both tranches stood at 3.0% p.a. as of the reporting date.

The difference between the amounts drawn down and the carrying amount resulted from an upfront fee of 0.4% on the total amount of the loan (€4.2 million) that will be recognized as interest expenses over the expected term; the amount recognized in fiscal year was €0.6 million. The Company and material subsidiaries of the Company have become parties to this loan agreement and to certain funding agreements of ams AG as guarantors, whereby the guarantee liability is limited to the amount that the individual guarantor specifically draws down as funding when there would otherwise be a breach of applicable rules on maintaining capital.

Based on available market data, the conditions satisfy arm's-length requirements with regard to both the commercial and the documentary terms of the funding. The loan agreement sets out information obligations, general and financial obligations, and reasons for termination that are each comparable with typical market provisions for bank loans. Under certain conditions, the Company may make early repayments (plus any compensation due for early repayment) and terminate the loan agreement (in part or in full). It is obliged to do so if it has access to certain other sources of funding.

The loan agreement contains clauses relating to the financial position of the OSRAM Licht Group (financial covenants) that reflect normal business practice and according to which the ratio of net debt to adjusted EBITDA may not exceed 3.75:1. It also contains provisions that limit capital expenditure on property, plant, and equipment and on intangible assets. These provisions do not come into force until fiscal year 2021.

21 | 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.

Defined Benefit Plans

OSRAM's principal pension plans and similar commitments relate to Germany and the U.S.A.

Germany

In Germany, OSRAM provides pension benefits predominantly through the Beitragsorientierte OSRAM Altersversorgung ('BOA') defined benefit plan launched in fiscal year 2004, legacy defined benefit plans, and deferred compensation plans. The BOA is a defined benefit 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. Nevertheless, 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 up to 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, risk from salary and wage increases, investment risk, and longevity risk. Benefits for salaried participants are frozen and therefore a remuneration 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 2020, contributions to defined contribution plans amounted to €10 million (previous year: €12 million), and to government plans €83 million (previous year: €95 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 the present value of the 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 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.

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

Key Assumptions for the Calculations of the DBO

	September 30,	
	2020	2019
Discount rate	**1.43%**	**1.51%**
Germany	0.78%	0.68%
U.S.A.	2.75%	3.20%
Mortality tables		
Germany	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
U.S.A.	Pri–2012 Healthy Generational Projected from 2012 with MP–2019	RP2014 Generational Projected from 2006 with MP2018

According to initial estimates, the annual modification to the U.S. mortality tables, which were published in late October 2020, would have resulted in an insignificantly lower DBO.

Based on the persistently low rate of inflation in Germany, a pension progression rate of 1.60% (previous year: 1.60%) was defined for the measurement of defined benefit plans in Germany as of September 30, 2020. 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 plans and similar commitments.

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. Expense components reported for the previous year are adjusted for those portions relating to the discontinued operation.

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, 2020.

Sensitivity Analysis

in € million

	Effect on DBO as of September 30, 2020	
	50-basis-points increase	50-basis-points decrease
Discount rate	(84)	97
Rate of pension progression	40	(37)

A 10% decrease in mortality probability for each age would result in an increase in the DBO of €37 million.

Increases and decreases in the discount rate and the rate of pension progression do not have a symmetrical effect when measuring 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 15.2 years (previous year: 14.6 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.

Notes on the Items Presented in the Consolidated Financial Statements

The consolidated statement of financial position contains the following items related to pension plans and similar commitments as of September 30, 2020, and 2019. The funded status of these plans and the reconciliation of the funded status to the carrying amounts contained in the relevant statement of financial position items were as follows:

Commitments by Type and Financial Position

in € million

	September 30, 2020	September 30, 2019
DBO for funded plans	(1,096)	(1,117)
Fair value of plan assets	1,088	1,098
Funded status of funded plans (funding ratio 99%; previous year 98%)	(8)	(19)
DBO for unfunded plans	(122)	(132)
Funded status	**(130)**	**(151)**
Pension plans	(62)	(77)
Similar commitments	(68)	(74)
Reconciliation to the financial position		
Liabilities for pension plans and similar commitments	144	167
Liabilities associated with assets held for sale	2	–
Other assets	16	16

Before the end of fiscal year 2020, commitments in the U.S.A. for current pensions of €4 million from the funded pension plan were transferred to an insurer in return for the surrender of plan assets of €5 million. Based on a standardized Group-wide measurement, the resulting loss was €0 million. Even after this transfer, the remainder of the pension plan continues to report a surplus and, at €10 million (previous year: €9 million), represented the largest share of the overfunded plans as of September 30, 2020.

The pension plan surplus in Canada remained stable at €5 million (previous year: €5 million).

Unfunded commitments predominantly relate to a pension plan and similar commitments in the U.S.A. as well as to other similar commitments in a number of countries.

The following table shows the expenses recognized in connection with the pension plans and similar commitments presented in the consolidated statement of income and consolidated statement of comprehensive income:

Defined Benefit Cost

in € million

	Fiscal year 2020	Fiscal year 2019
Current service cost	27	24
Past service cost/(income)	0	(2)
Settlement loss/(gain)	0	–
Net interest income	0	(1)
Net interest cost	4	5
Liability administration cost	1	0
Defined benefit cost recognized in consolidated statement of income	**31**	**27**
Germany	*23*	*20*
U.S.A.	*5*	*5*
Other countries	*3*	*2*
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	(28)	(142)
Actuarial (gains) and losses arising from changes in demographic assumptions	(2)	6
Actuarial (gains) and losses arising from changes in financial assumptions	11	150
Actuarial (gains) and losses arising from experience adjustments	(4)	4
Remeasurements of the net defined benefit liability (asset) recognized in consolidated statement of other comprehensive income	**(23)**	**17**
Germany	*(20)*	*4*
U.S.A.	*(2)*	*10*
Other countries	*(2)*	*4*
Defined benefit cost	**8**	**44**

The current service cost, past service cost, settlement gains and losses, and liability administration cost are allocated to the functional 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.

Reconciliation for Defined Benefit Obligation (DBO) and Plan Assets

A detailed reconciliation for the changes in the defined benefit obligation for fiscal years 2020 and 2019 is provided in the following table:

Change in DBO

in € million

	Fiscal year	
	2020	2019
DBO at beginning of fiscal year	**1,249**	**1,063**
Current service cost	27	24
Past service cost/(income)	0	(2)
Settlements	(4)	–
Interest cost	18	27
Remeasurements:		
Actuarial (gains) and losses arising from changes in demographic assumptions	(2)	6
Actuarial (gains) and losses arising from changes in financial assumptions	11	150
Actuarial (gains) and losses arising from experience adjustments	(4)	4
Plan participants' contributions	5	5
Benefits paid	(50)	(55)
Transfer-in from the discontinued operation	0	3
Acquisitions	–	–
Divestments	–	0
Foreign currency translation effects	(31)	23
DBO at end of fiscal year	**1,218**	**1,249**
Germany	*788*	*803*
U.S.A.	*347*	*359*
Other countries	*83*	*87*
Active employees	395	429
Former employees with vested benefits	313	305
Retirees and surviving dependents	510	515

A detailed reconciliation of the changes in the fair value of plan assets for fiscal years 2020 and 2019 is provided in the following table:

Change in Plan Assets

in € million

	Fiscal year	
	2020	2019
Fair value of plan assets at beginning of fiscal year	**1,098**	**928**
Interest income	15	22
Remeasurement:		
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	28	142
Employer contributions	22	15
Plan participants' contributions	1	1
Benefits paid	(45)	(31)
Settlements	(5)	–
Liability administration cost	(1)	(1)
Foreign currency translation effects	(24)	18
Fair value of plan assets at end of fiscal year	**1,088**	**1,098**
Germany	*761*	*765*
U.S.A.	*262*	*265*
Other countries	*65*	*68*

The employer contributions to the funded pension plans amounted to €22 million in fiscal year 2020. Of this amount, €21 million was attributable to the German pension plans and €1 million to the pension plan in Canada.

Composition of Plan Assets

in € million

	September 30,	
	2020	2019
Equities	137	153
Global equities (ex emerging markets)	120	139
Emerging markets equities	17	15
Fixed income	873	844
Government bonds	258	285
Corporate bonds	615	559
Mixed funds	36	35
Commodities	–	5
Cash and other assets	2	5
Plan assets that do have a quoted market price in an active market	**1,048**	**1,043**
Cash and other assets	38	47
Derivatives	3	9
Plan assets that do not have a quoted market price in an active market	**40**	**55**
Fair value of plan assets at end of fiscal year	**1,088**	**1,098**

22 I Provisions

Provisions
in € million

	Warranties	Order-related losses and risks	Other legal proceedings	Other	Total
At the beginning of fiscal year	**34**	**6**	**12**	**50**	**102**
Additions	12	2	0	24	38
Usage	(17)	(5)	(4)	(11)	(36)
Reversals	(3)	(1)	–	(10)	(12)
Translation differences	(1)	0	0	(2)	(3)
Changes of the group of consolidated companies and other changes	0	0	–	3	3
At the end of fiscal year	**25**	**2**	**8**	**54**	**89**
therein non-current	7	–	0	25	33

Warranties relate 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, patent, and trademark litigation and other proceedings. For further information, see › Note 25 I Legal Proceedings. S Page 105

The *Other* item includes provisions amounting to €19 million for obligations arising from the sale of companies (previous year: €27 million). In fiscal year 2020, there was a reversal of €10 million in connection with the settlement agreements reached in respect of the obligations arising from the sale of LEDVANCE. The other provisions included in the *Other* item predominantly consisted of uncertain tax and tariff risks, environmental risks, and leasehold improvement reinstatement obligations.

23 I Other Liabilities

Other Liabilities
in € million

	September 30, 2020	2019
Employee-related liabilities	55	36
Deferred compensation plan	27	33
Other	18	33
Other liabilities	**100**	**102**

Employee-related liabilities contain, in particular, pre-retirement part-time employment agreement obligations, service anniversary award obligations, and termination benefit obligations.

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

24 I Other Financial Commitments and Contingent Liabilities

As of September 30, 2020, there were no contingent liabilities in connection with significant legal proceedings. In the case of product 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, there is insufficient clarity with regard to certain legal proceedings to determine the possible obligation and the amount of any such obligation. Information on litigation can be found in › Note 25 I Legal Proceedings.

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Further undiscounted contingent liabilities mainly comprised guarantees entailing maximum future payments of €25 million (previous year: €35 million) for which OSRAM was potentially liable as of the reporting date. The guarantees mainly relate to the protection of benefits for LEDVANCE employees under pre-retirement part-time employment arrangements (where such benefits arise from restructuring programs at OSRAM) and a contractual obligation for guarantees from the sale of shares in a joint venture in the U.S.A. in fiscal year 2014.

Moreover, capital commitments to investees for funding in the mid- to upper-single-digit millions of euros have not yet been utilized.

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

In addition, there is insufficient clarity to determine the possible obligation and the amount of any such obligation with regard to the non-fulfillment of country-specific tax-law-related documentation requirements and duties of disclosure.

Future payment obligations under non-cancelable operating leases are no longer presented in accordance with IAS 17. The standard has been superseded by IFRS 16, which OSRAM applied for the first time at the start of fiscal year 2020. Further information on the effects of applying the lease accounting rules (IFRS 16) for the first time as of October 1, 2019, can be found in › Note 3 I Impact of First-time Adoption of New Accounting Pronouncements.

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25 I Legal Proceedings

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 brought OS into the action in order to seek recourse from OS as the supplier of the allegedly defective products. Following the clarification of preliminary procedural issues, the commercial court in Nanterre was declared competent as the court of last instance. At the hearing on November 26, 2019, the date for pronouncement of the judgment/ruling was set for February 26, 2020. In its decision, the commercial court ordered that technical and financial expert proceedings take place. These proceedings have been ongoing since May 2020.

Lighting Science Group Corporation, Healthe, Inc., and Global Value Lighting, LLC

On April 30, 2019, Lighting Science Group Corporation, Healthe, Inc. (LSG) and Global Value Lighting, LLC brought a complaint against the OSRAM companies OSRAM GmbH, OSRAM Licht AG, OSRAM Opto Semiconductors GmbH, and OSRAM Opto Semiconductors, Inc. and against a number of other companies in the lighting industry before the United States International Trade Commission (ITC). Lighting Science Group Corporation has also brought a complaint against the same OSRAM companies before the United States District Court for the District of Delaware. In the proceedings, the plaintiffs are claiming infringement of three U.S. LED patents and demanding, among other things, the cessation of imports, a prohibitory injunction, and compensation for damages. The proceedings before the District Court have been suspended. OSRAM responded to the complaint at the ITC. Without holding a hearing, the ITC decided that the OSRAM products did not infringe two of the patents. LSG appealed against this decision. The hearing at the ITC for the third patent took place in February 2020. On October 1, 2020, the ITC decided that the claims asserted in respect of this patent are not infringed by the OSRAM products and that the claims asserted are void. LSG can appeal against this decision.

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 litigation in question.

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

26 I Equity

Common Stock and Treasury Shares

The common stock of OSRAM Licht AG amounted to €96,848,074 as of September 30, 2020 (previous year: €96,848,074). It is divided into 96,848,074 no-par-value ordinary registered shares (previous year: 96,848,074). 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 Shares and Shares Outstanding

in shares

	Treasury shares		Shares outstanding	
	Fiscal year		Fiscal year	
	2020	2019	2020	2019
As of the beginning of fiscal year	**2,796,275**	**8,145,509**	**94,051,799**	**96,543,891**
Retirement of treasury shares	–	(7,841,326)	–	–
Share buyback	–	2,663,125	–	(2,663,125)
Issue to beneficiaries of the OSRAM Stock Awards Program	(131,887)	(107,205)	131,887	107,205
Issue in connection with the employee share purchase program (Base Share Program)	–	(63,828)	–	63,828
As of the end of fiscal year	**2,664,388**	**2,796,275**	**94,183,686**	**94,051,799**

Authorized Capital

On February 20, 2018, the Annual General Meeting authorized the Managing Board, subject to the approval of the Supervisory Board, to increase the common stock of OSRAM Licht AG by up to €24,078,562 in total by issuing, in one or more tranches, a total of up to 24,078,562 new registered no-par value shares, each representing €1.00 of the capital stock, in return for cash and/or non-cash contributions in the period until February 19, 2023 (Authorized Capital 2018). In specific circumstances, the Managing Board may, subject to the approval of the Supervisory Board, disapply the preemptive rights of shareholders in full or in part.

Contingent Capital

On February 20, 2018, the Annual General Meeting authorized the Managing Board, subject to the approval of the Supervisory Board, to issue bearer or registered subordinated or non-subordinated convertible bonds and/or warrant-linked bonds, profit-sharing rights, and/or income bonds (or combinations of these instruments) (collectively referred to below as ‘bonds’) in an aggregate principal amount of up to €1,000,000,000 in the period until February 19, 2023, on one or more occasions, also simultaneously in different series, and to grant the holders or beneficiaries of the bonds (collectively referred to below as ‘holders’) conversion or option rights up to a maximum of 10,468,940 registered no-par-value shares in the Company representing a proportionate amount of the capital stock totaling up to €10,468,940 in accordance with the more detailed conditions attached to the bonds (‘terms and conditions of issue’). The bonds can be issued in return for cash and/or non-cash capital contributions. The terms and conditions of issue may provide for an option or conversion obligation at the end of the term or at an earlier date, or upon the occurrence of a specific event. The bonds may be issued in euros or—subject to a maximum limit equivalent to the value in euros—in the legal currency of an OECD country.

Additional Paid-in Capital

The change in additional paid-in capital was the result of share-based payment transactions › Note 30 I Share-based Payment. S Page 116

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

In compliance with section 71(1) no. 8 of the *Aktiengesetz* (AktG—German Stock Corporation Act) and in accordance with standard business practice, the Annual General Meeting held on February 14, 2017, passed a new resolution authorizing the Managing Board to acquire (including by using equity derivatives) in the period up to February 13, 2022, for any purpose to the extent permitted by law and in accordance with the provisions specified in the authorizing resolution, treasury shares equating to up to a total of 10% of the capital stock in existence at the time authorization comes into effect and the capital stock in existence each time that this authorization is exercised, whichever is lower.

The Managing Board did not exercise the authorization to purchase treasury shares under a share buyback program in fiscal year 2020.

Non-controlling Interests

The decrease in non-controlling interests in fiscal years 2019 and 2020 essentially arose in connection with OSRAM CONTINENTAL.

The following financial information for OSRAM CONTINENTAL GmbH, Munich (Germany), is presented in aggregate form in accordance with IFRS before intragroup consolidation:

Financial Information for OSRAM CONTINENTAL GmbH

in € million

	Fiscal year	
	2020	2019
Ownership interests held by non-controlling interests	50.0%	50.0%
Accumulated non-controlling interests	(16)	70
Current assets	148	145
Non-current assets	123	199
Current liabilities	279	211
Non-current liabilities	16	5
Revenue	263	275
Net income (loss)	(165)	(257)
Total comprehensive income (loss)	(157)	(256)
Net income (loss) attributable to non-controlling interests	**(84)**	**(64)**

In fiscal year 2020, impairment losses on non-current assets amounting to €65 million were recognized for OSRAM CONTINENTAL. For further information, see › Note 14 I Goodwill and Other Intangible Assets. S Page 89

OSRAM and Continental jointly decided in September 2020 to separate out their activities in OSRAM CONTINENTAL once again and take them back into their own organizations. For this reason, certain assets and liabilities in the OSRAM Group were recognized as assets and liabilities held for sale as of September 30, 2020. Further information is available in › Note 4 I Disposals, Disposal Groups, and Discontinued Operations. S Page 80

OSRAM controls OSRAM CONTINENTAL owing to special voting rights that permit OSRAM to direct material activities. At the same time, the holder of the non-controlling interests was granted intellectual property rights in proportion to its interest that may mean the assets presented cannot be used to meet the liabilities of the rest of the OSRAM Licht Group.

Appropriation of Profits

In accordance with the AktG, the appropriation of profits is based on the unappropriated profit reported in the single-entity financial statements of OSRAM Licht AG prepared in accordance with German GAAP.

In fiscal year 2020, the entire unappropriated profit of OSRAM Licht AG for fiscal year 2019 was carried forward to the next accounting period in accordance with the resolution adopted at the Annual General Meeting on February 18, 2020. No dividend was paid.

The Extraordinary General Meeting of OSRAM Licht AG on November 3, 2020, approved the domination and profit and loss transfer agreement signed by OSRAM Licht AG and ams Offer GmbH › A.2.2.3 Other Significant Events Responsible for the Course of Business. When this agreement takes effect, OSRAM Licht AG will no longer distribute a dividend. At the same time, an obligation will arise to grant appropriate compensation to the outside shareholders of OSRAM. In the domination and profit and loss transfer agreement, ams Offer has undertaken to fulfill this obligation by making an annual compensation payment of €2.57 gross per OSRAM share (less any corporate income tax and solidarity surcharge at the applicable rate for the fiscal year in question) for the duration of the agreement. If the agreement has taken effect by September 30, 2021, the compensation payment will be granted for the first time for the fiscal year beginning October 1, 2020. Further information is available on OSRAM's website at » https://www.osram-group.com/en/investors/annual-meeting.

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B.6.7 Other Disclosures

27 I 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.

The capital structure (ratio of equity to total assets) decreased from around 48% as of the end of fiscal year 2019 to approximately 44% as of the end of fiscal year 2020.

To assess our capital structure, we use net debt divided by EBITDA. In addition, the ratio of adjusted net debt to EBITDA is determined. The calculation of these indicators is described in section › A.2.6 Reconciliation of Key Performance Indicators in the combined management report.

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Capital Structure Data

in € million

	September 30, 2020	2019
EBITDA OSRAM (continuing operations)	157	176
Net debt	(541)	(350)
Net debt in relation to EBITDA	**(3.4)**	**(2.0)**
Adjusted net debt	(685)	(516)
Adjusted net debt in relation to EBITDA	**(4.4)**	**(2.9)**

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 26 I Equity. Existing credit facilities are described in › Note 20 I Debt.

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

28 I Financial Instruments

Carrying Amounts and Fair Values of Financial Assets and Liabilities

in € million

	Category according to IFRS 9	September 30, 2020 Fair value	September 30, 2020 Carrying amount	September 30, 2019 Fair value	September 30, 2019 Carrying amount
Financial assets					
Cash and cash equivalents[1]	FAaC	321	321	310	310
Trade receivables	FAaC	364	364	523	523
Trade receivables that are to be sold under a factoring agreement	FVPL	76	76	34	34
Other financial assets					
Derivatives not designated in a hedge accounting relationship	FVPL	8	8	4	4
Derivatives in connection with cash flow hedges	n.a.	4	4	–	–
Equity instruments[2]	FVOCI	3	3	5	5
Shares in investment funds	FVPL	5	5	4	4
Other financial assets	FAaC	41	41	39	39
Assets held for sale	FAaC	12	12	63	63
Financial liabilities					
Debt[3]					
Shareholder loan from ams	FLaC	671	671	–	–
Loans from banks	FLaC	3	3	617	619
Other debt	FLaC	–	–	42	42
Trade payables	FLaC	372	372	548	548
Other financial liabilities					
Derivatives not designated in a hedge accounting relationship	FVPL	12	12	16	16
Derivatives in connection with cash flow hedges	n.a.	1	1	7	7
Contingent consideration due from acquisitions	FVPL	15	15	36	36
Other financial liabilities	FLaC	81	81	82	82
Liabilities associated with assets held for sale	FLaC	101	101	15	15

1) Cash and cash equivalents consists primarily of deposits at banks with an investment grade rating and includes cash (predominantly denominated in euros or U.S. dollars) in checking accounts and fixed-term deposits with an original term of between one day (overnight deposits) and three months. To a small extent, it also includes checks and cash on hand.
2) Of which €3 million was attributable to the equity investment in Recogni, Inc., Cupertino, California (U.S.A.). All other equity instruments assigned to the FVOCI category are indicated in › Note 38 I List of Equity Investments of the OSRAM Licht Group in Accordance with Section 313 of the HGB.
3) As of September 30, 2020, the Debt line item included lease liabilities of €188 million accounted for in accordance with IFRS 16.

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The aggregated carrying amounts by IFRS 9 category are as follows:

Aggregated Carrying Amounts according to IFRS 9 categories

in € million

	Category according to IFRS 9	Carrying amount September 30, 2020	Carrying amount September 30, 2019
Financial assets measured at amortized cost	FAaC	738	935
Financial assets measured at fair value through other comprehensive income without recycling to profit or loss	FVOCI	3	5
Financial assets at fair value through profit or loss	FVPL	89	69
Financial liabilities measured at amortized cost	FLaC	1,229	1,304
Financial liabilities at fair value through profit or loss	FVPL	27	51

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.

The fair values of loans from banks and other non-current financial liabilities are determined by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities.

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

The financial instruments recognized at fair value in the statement of financial position include trade receivables that are to be sold under factoring programs, derivatives, equity instruments, interests in investment entities, and contingent consideration obligations in the context of acquisitions.

Trade receivables that are to be sold under factoring programs are measured on the basis of discounted cash flows using current market interest rates, corresponding to hierarchy level 2 of IFRS 13 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. This approach corresponds to hierarchy level 2 of IFRS 13 for determining fair value.

Equity instruments are measured on the basis of the best information available as of the reporting date, in particular information about transactions involving interests in the affected entities. If, after analyzing an entity's operating performance, OSRAM concludes that the previous carrying amount is close to the current fair value, the carrying amount is left unchanged. This measurement approach corresponds to hierarchy level 3 of IFRS 13 for determining fair value. The change in the carrying amount mainly resulted from the write-off of an equity investment that is included in other financial income (expenses), net, in the consolidated statement of income.

Interests in investment entities are measured using the annual, half-year, or quarterly reports of the asset management companies; the fair value is determined on the basis of the share of net assets attributable to OSRAM. The measurement of the equity investments held by the investment entities can be based on all three hierarchy levels of IFRS 13 for determining fair value. Overall, the interests in investment entities are assigned to the lowest hierarchy level, i.e., level 3.

Contingent consideration obligations in the context of acquisitions are recognized as a liability at the expected amount. Subsequent adjustments to contingent consideration are recognized in profit or loss. The fair value of the liability is calculated on the basis of the current estimate of the affected entities' key performance indicators that are used to determine the contingent consideration. This measurement approach corresponds to hierarchy level 3 of IFRS 13 for determining fair value.

In fiscal year 2020, an adjustment of the obligation, recognized in profit or loss and affecting other operating income, of €5 million was recognized that resulted from the existing earn-out agreement in connection with the acquisition of Fluence Bioengineering, Inc., Austin, Texas (U.S.A.), which was completed in fiscal year 2018. Furthermore, an amount of €2 million was paid to the seller. The agreed contingent consideration is dependent on the company's revenue and gross margin in the three years subsequent to the transaction.

An adjustment of the obligation, recognized in profit or loss and affecting other operating income, of €4 million was also recognized that resulted from the existing earn-out agreement in connection with the acquisition of Vixar, Inc., Plymouth (U.S.A.), which was completed in fiscal year 2018. Furthermore, an amount of €9 million was paid to the seller. The agreed contingent consideration is dependent on the additional revenue generated in calendar years 2019 and 2020 as a result of the acquisition.

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, 2020		September 30, 2019	
	Assets	Liabilities	Assets	Liabilities
Foreign currency exchange contracts	12	12	4	23
Commodity derivatives	0	0	0	–
Fair value	**12**	**12**	**5**	**23**

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	
	2020	2019
Financial assets measured at amortized cost	(9)	(2)
Financial instruments at fair value through profit or loss	8	(18)

Net gains/losses on financial assets measured at amortized cost contain changes in loss allowances, gains or losses on derecognition, and reversals of impairment losses.

Net gains/losses on financial assets and financial liabilities measured at fair value through profit or loss consist of changes in the fair values of contingent consideration obligations in the context of acquisitions, derivative financial instruments for which hedge accounting was not applied, trade receivables that are to be sold under factoring programs, and interests in investment entities.

Foreign currency gains and losses on the realization and measurement of monetary assets and liabilities led to a net loss of €7 million in the fiscal year under review (previous year: net gain of €5 million).

The interest income from financial assets measured at amortized cost included in the line items *Interest income* and *Income (loss) from discontinued operations, net of tax* in the consolidated statement of income amounted to €3 million (previous year: €2 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 *Income (loss) from discontinued operations, net of tax* in the consolidated statement of income amounted to €21 million (previous year: €10 million); these interest expenses largely related to debt.

29 | 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, Malaysian ringgits, 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.

In accordance with the revised policies for the foreign currency management system used throughout the Group, every OSRAM company is obliged to hedge 100% of its net foreign currency exposure for a planning horizon of at least three months. In addition, the net foreign currency exposures of the reporting segments are calculated and the currency risk is hedged over a longer period of up to twelve months. In line with the nature of the underlying risks, the further into the future the expected cash flows are, the lower the hedge ratios are. 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,	
	2020	2019
Gross exposure before hedging	53	153
Net exposure after hedging	6	**6**

Forward Exchange Contracts Designated as Hedging Instruments

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 (hedged items) and that meet the requirements for hedge accounting are accounted for as cash flow hedges.

An economic relationship exists between hedged items and the hedging instruments, because the conditions of the forward exchange contracts match those of the highly probably future transactions, in respect of both the notional amount and the likely payment date. The underlying risk of the forward exchange contracts is identical to that of the hedged risk components. A hedge ratio of 1:1 was therefore specified. To test hedge effectiveness, OSRAM uses the dollar offset method, which involves comparing the change in the fair value of the hedging instruments with the change in the fair value of the hedged items attributable to the hedged risks. As of September 30, 2020, the net balance of the cumulative change in the fair value of the hedging instruments stood at €–4 million (previous year: €–7 million), whereas the fair value of the hedged items changed by €4 million (previous year: €7 million).

The main potential reasons for hedge ineffectiveness include:
- differences in the timing of the cash flows from the hedged item and the hedging instrument,
- different effects of counterparty risk on the change in the fair value of the hedged item and the hedging instrument,
- changes in the expected level of the cash flows from the hedged item and the hedging instrument.

Forward Exchange Contracts Designated as Hedging Instruments

	Maturity				
	up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As of September 30, 2020					
Nominal amount in USD million	97	89	75	–	262
Average forward rate (EUR/USD)	1.151	1.159	1.159	–	
As of September 30, 2019					
Nominal amount in USD million	82	52	35	17	185
Average forward rate (EUR/USD)	1.148	1.144	1.144	1.145	

In connection with cash flow hedges, realized net hedging losses before tax amounting to €1 million (previous year: €18 million) were reclassified from *Other components of equity* in the consolidated statement of financial position to Cost of goods sold and services rendered in the consolidated statement of income due to the realization of the hedged item. The net hedging gains or losses recognized in other comprehensive income during the fiscal year amounted to a net gain of €9 million (previous year: net loss of €17 million).

Sensitivity Analysis

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, 2020, and 2019, would result in the following pre-tax effects:

Sensitivity Analysis USD/EUR

in € million

	Change of exchange rate as of September 30, 2020		Change of exchange rate as of September 30, 2019	
	by +10%	by –10%	by +10%	by –10%
Net income (loss) before income taxes OSRAM Licht Group (total)	4	(4)	0	1
Other income (loss) before income taxes	20	(25)	15	(19)
Total effect on equity	**24**	**(29)**	**15**	**(18)**

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,	
	2020	2019
Cash and cash equivalents	321	310
Debt [1]	(865)	(659)
Exposure	**(545)**	**(350)**
Annual effect of an interest increase by 100 basis points	(5)	(3)
Annual effect of an interest decrease by 25 basis points	1	1

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 IFRS 9, 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

Commodity price risks arise from fluctuation in the price of the commodities that OSRAM uses to manufacture products and that it hedges by means of derivative financial instruments. This is particularly the case for gold and copper.

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.

A large proportion of the requirement for precious metals, particularly gold, that can be recovered in the semiconductor manufacturing process is met using lending transactions. This mitigates price risk attaching to precious metals. The remaining 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 (loss) 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, 2020, would lead to an increase of €2 million in income before income taxes (previous year: €0 million). A 10% decrease in the forward price of gold would lead to a fall in income 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, 2020, the liquidity reserve in the form of cash and cash equivalents amounted to €321 million (previous year: €310 million). OSRAM also had at its disposal unused credit facilities totaling €375 million as of September 30, 2020 (previous year: €490 million).

The following table shows all contractually fixed payments for settlement, repayments, and interest resulting from recognized financial liabilities as of September 30, 2020, 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, 2020.

Settlement, Repayments, and Interest

in € million

	September 30,		
	2021	2022 to 2025	2026 and thereafter
Non-derivative financial liabilities			
Shareholder loan from ams	694	–	–
Lease liabilities	45	104	69
Trade payables	372	–	–
Loans from banks	3	–	–
Other financial liabilities	96	0	–
Derivative financial liabilities	12	–	–
Total financial liabilities	**1,223**	**104**	**69**

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, cash equivalents, 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. Receivables amounting to €11 million were collateralized as of September 30, 2020 (previous year: €26 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, 2020, and 2019, there were no significant concentrations of credit risk.

30 | 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

OSRAM grants stock awards as a form of long-term remuneration that is settled with OSRAM Licht AG shares (OSRAM Stock Awards). The beneficiaries include the members of the Managing Board of OSRAM Licht AG and senior managers in the OSRAM Licht Group.

Senior managers in the domestic and foreign subsidiaries receive stock awards under a program that links the volume of stock awards granted with company-related performance criteria. After the fiscal year has ended, the company granting the stock awards decides on the target amount (monetary value) that it will grant to its senior managers. This target amount is adjusted on the basis of achievement of the company-related targets set by the Managing Board for the past fiscal year. The targets for fiscal year 2020 and the previous year were predominantly based on the average earnings per share for the past three fiscal years. To measure the degree to which these targets are attained, a lower limit of 0% and an upper limit of 200% are applied. The number of shares awarded at the time of grant is calculated by dividing the actual monetary value by the closing price of the OSRAM Licht AG shares in XETRA trading on the grant date and subtracting the expected dividends over the four-year vesting period.

The remuneration expense related to the stock awards is recognized over a four-year vesting period. Only upon expiration of the four-year vesting period does the beneficiary receive 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 vesting period. During the vesting period, the beneficiaries are not entitled to dividends. Stock awards may not be sold, transferred, pledged, or otherwise encumbered during the vesting period.

In connection with equity-settled stock awards to senior managers, a pre-tax expense for share-based payments of €3 million was recognized in fiscal year 2020 (previous year: €4 million).

Following the adoption of a resolution by the Managing Board on May 29, 2020, the senior managers' stock awards are to be settled in cash in the event of the domination and profit and loss transfer agreement coming into effect. The cash settlement for stock awards where the domination and profit and loss transfer agreement takes effect before the end of the vesting period will be the cash settlement amount specified in the domination and profit and loss transfer agreement of €45.54 per stock award. The fair value at the time of award averaged €41.63. This cash settlement is to become due for payment at the time that the domination and profit and loss transfer agreement comes into effect. OSRAM and ams reached agreement on signing a domination and profit and loss transfer agreement on September 22, 2020. Due to this modification, OSRAM therefore recognized all stock awards to senior managers as cash-settled awards as of September 30, 2020. A pre-tax expense of €5 million arose in fiscal year 2020 owing to the change in fair value resulting from recognizing the stock awards as settled in cash. As of September 30, 2020, the liability for these awards amounted to €14 million.

When the stock awards for which the vesting period had expired were exercised, 98,248 shares were issued to senior managers in November 2019 at cost with an average share price of €35.31. The fair value at the time of award was €33.34.

OSRAM Stock Awards

	Fiscal year			
	2020		2019	
	Executive employees	Board	Executive employees	Board
Grant date	11/13/2019	11/13/2019	11/8/2018	11/8/2018
Fair value	€38.68	€0.00	€30.42	€28.91
Number of stock awards granted	59,686	0	159,651	59,157
Fair value of new awards at grant date	€2 million	€0 million	€5 million	€2 million

As in the previous year, an individual target amount was specified in the agreements on share-based remuneration entered into with the Managing Board of OSRAM Licht AG in the reporting period. The granting of awards for OSRAM Licht shares after the end of the fiscal year is dependent on achievement of the same company-based performance criteria as those for senior managers. The definition of target achievement is also identical. These stock awards confer an entitlement to OSRAM Licht shares, which the beneficiary will receive upon expiration of a vesting period of around four years. Starting with stock awards for fiscal year 2016, the value of the shares to be transferred is capped at 250% of the relevant target amount.

The fair value of one stock award at the time it is granted is calculated using an option model. This 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.

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 that begins when share-based remuneration is agreed in the first year and ends upon expiration of the subsequent four-year vesting 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 2020, an expense from share-based payments of €2 million was recognized in connection with stock awards to current and former members of the Managing Board of OSRAM Licht AG (previous year: €1 million).

When the stock awards for which the vesting period had expired were exercised, 25,825 shares were issued to current members of the Managing Board and 7,814 shares to former members of the Managing Board in November 2019 at cost with an average share price of €35.31. The fair value at the time of award was €28.96.

Base Share Program

In fiscal year 2019, employees of German OSRAM companies had been able to acquire Company shares with a value of up to €720 with a discount of €360. No Base Share Program was offered in fiscal year 2020, so no expenses arose in connection with the program (previous year: €1 million).

31 | Personnel Costs

Personnel Costs

in € million

	Fiscal year	
	2020	2019
Wages and salaries	(1,036)	(1,092)
Statutory social welfare contributions and expenses for optional support	(156)	(176)
Expenses relating to pension plans and employee benefits	(60)	(41)
Personnel costs	**(1,252)**	**(1,309)**

The number of employees is measured in terms of the average full-time equivalents (FTEs) for the year. The employees were assigned to the following functional areas:

Employees by Function

FTE

	Fiscal year	
	2020	2019
Production and service	16,376	18,610
Research and development	2,440	2,752
Selling	2,002	2,017
Administration and general services	1,224	1,307
Employees	**22,042**	**24,685**

32 I Earnings per Share

Earnings per Share

in € million, unless otherwise stated

		Fiscal year	
		2020	2019
Net income (loss)		(271)	(467)
Less: portion attributable to non-controlling interests		(82)	(62)
Net income (loss) attributable to shareholders of OSRAM Licht AG		**(189)**	**(405)**
Weighted average shares outstanding - basic	in thousands	94,167	95,636
Effect of dilutive potential equity instruments	in thousands	115	349
Weighted average shares outstanding - diluted	in thousands	**94,283**	**95,986**
Basic earnings per share	in €	(2.01)	(4.23)
Diluted earnings per share	in €	(2.00)	(4.22)
Basic earnings per share OSRAM (continuing operations)	in €	(1.96)	(2.94)
Diluted earnings per share OSRAM (continuing operations)	in €	(1.96)	(2.93)
Basic earnings per share OSRAM (discontinued operation)	in €	(0.05)	(1.29)
Diluted earnings per share OSRAM (discontinued operation)	in €	(0.05)	(1.28)

New tranches were issued under the existing programs for granting performance-based stock awards to senior managers in the OSRAM Licht Group (OSRAM Stock Awards) in fiscal year 2020.

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

In fiscal year 2020, the entire unappropriated profit of OSRAM Licht AG for fiscal year 2019 was carried forward to the next accounting period in accordance with the resolution adopted at the Annual General Meeting on February 18, 2020. No dividend was paid.

33 I 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.

The segment reporting of the OSRAM Licht Group is split into three reportable segments—Opto Semiconductors (OS), Automotive (AM), and Digital (DI)—plus *Reconciliation to consolidated financial statements.*

On October 1, 2019, OSRAM made minor organizational changes involving reclassification between the reportable segments. LedEngin, Inc., San Jose, California (U.S.A.), which was previously assigned to the Digital Business Unit, now belongs to the Opto Semiconductors Business Unit. The machinery organizational unit, which was previously assigned to *Corporate items*, has been moved to the Automotive Business Unit. The machinery unit is responsible for producing spare parts for existing machinery and for designing and constructing production equipment. Furthermore, business activities in Asia that were previously assigned to *Corporate items* have been integrated into the Digital Business Unit.

The figures in the segment information for the prior year have been restated to reflect the new structure.

Description of Reportable Segments

Opto Semiconductors

The Opto Semiconductors Segment manufactures opto semiconductors. Its product portfolio includes LEDs and laser, infrared, and optical sensors. The products are used in the automotive industry as well as in communication products and consumer goods, general and industrial lighting, horticultural lighting, and projection.

Automotive

The Automotive Segment develops and produces lamps, light modules, and sensors, which it sells to original equipment manufacturers and their suppliers in the automotive industry and to the spare parts market. The subsidiary OSRAM CONTINENTAL develops and markets automotive systems based on LED and laser technology as well as other customer-specific system solutions.

Digital

The Digital Segment handles all of OSRAM's business activities that will benefit the most from the growing use of digital technologies. It develops, produces, and markets LED light engines (a combination of an LED module and the related electronic control gear) and specialty lighting for the entertainment sector and for industrial use.

Independently of the reporting segments, the business is subdivided at Group level into two categories based on technologies: the LED-based business ('LED business') and the traditional business. LED business is defined as LED products and components, combinations of LEDs, lasers and sensors, and drivers, as well as light management systems for LED lighting solutions and associated services. OSRAM's revenue from LED-based products came to €2,222 million (previous year: €2,405 million).

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 2020, the EBITDA column of the *Corporate items and pensions* line item included €–78 million (previous year: €–97 million) relating to Corporate items and €–9 million (previous year: €–6 million) relating to Pensions. The most significant influence on *Corporate items* in fiscal year 2020 was general administrative expenses amounting to a total of €61 million. A notable component of these expenses was the cost of the governance function amounting to €51 million, including personnel costs and relevant materials. Special items of €–25 million (previous year: €–25 million), which largely comprised restructuring expense, were reported under *Corporate items.*

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 67

The costs of Group headquarters are generally allocated according to the source of the costs. The costs of the governance function, i.e., functions clearly associated with corporate governance, are not allocated to the operating segments. The segments only bear costs incurred centrally to the extent that they make use of the associated services provided by Group headquarters. The only exceptions from this principle are certain services (e.g., accounting services) where the effort required to determine a 'cost driver' would be unreasonable. These services continue to be allocated using an appropriate formula. The treatment of certain other regular business items remains unchanged.

Segment EBITDA

The Managing Board of OSRAM Licht AG is responsible for assessing the performance of the segments. Earnings before net financial income/expense, income taxes, and depreciation, amortization, and impairment has been specified as the performance measure for the segments. Depreciation, amortization, and impairment comprises impairment losses on goodwill and amortization of, and impairment losses on, other intangible assets, net of reversals of impairment losses as well as depreciation of, and impairment losses on, property, plant, and equipment, net of reversals of impairment losses. Due to IFRS 16 *Leases* being applied for the first time, depreciation, amortization, and impairment also includes depreciation of, and impairment losses on, right-of-use assets in fiscal year 2020; these are not included in the figures for the prior year.

Key decisions on pension-related issues are taken centrally. Therefore, EBITDA primarily includes current service cost only and no plan administration costs or financing effects arising from legacy plans that have been closed.

Moreover, income taxes are not a component of EBITDA. The legal entities typically do not correspond to the structure of the segments.

Reconciliation to the Consolidated Financial Statements

Reconciliation EBITDA to Income (Loss) before Income Taxes

in € million

	Fiscal year	
	2020	2019
EBITDA	**157**	**176**
Depreciation [1]	(350)	(257)
Amortization	(65)	(265)
Income (loss) from investments accounted for using the equity method, net	(7)	(10)
Interest income	3	2
Interest expenses	(31)	(14)
Other financial income (expenses), net	(5)	(10)
Income (loss) before income taxes OSRAM (continuing operations)	**(298)**	**(377)**

1) Due to IFRS 16 *Leases* being applied for the first time, depreciation, amortization, and impairment also includes depreciation of, and impairment losses on, right-of-use assets in fiscal year 2020; these are not included in the figures for the prior year.

Reconciliation Total Segment Net Capital Employed to Total Assets

in € million

	September 30,	
	2020	2019
Total segment net capital employed	**2,100**	**2,269**
Reconciliation to consolidated financial statements		
Net capital employed corporate items and pensions	(94)	(149)
Net capital employed Treasury [1]	187	280
Other reconciling items		
Tax related assets	507	432
Liabilities and provisions	1,287	1,504
Total assets	**3,987**	**4,335**

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

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

in € million

	Fiscal year	
	2020	2019
Segments		
Opto Semiconductors	–	–
Automotive	(7)	(5)
Digital	–	–
Reconciliation to consolidated financial statements		
Corporate items and pensions	0	(5)
Income (loss) from investments accounted for using the equity method, net	**(7)**	**(10)**

Revenue by Regions

in € million

	by location of customer	
	Fiscal year	
	2020	2019[1]
EMEA	1,016	1,194
APAC	1,127	1,237
Americas	896	1,032
OSRAM (continuing operations)	**3,039**	**3,464**
thereof Germany	365	447
thereof foreign countries	2,674	3,017
therein U.S.A.	759	849
therein China (including Hong Kong) and Taiwan	675	693

1) The figures for the previous year have been restated due to a changed method of calculation.

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,	
	2020	2019
EMEA	793	910
APAC	628	717
Americas	288	325
OSRAM (continuing operations)	**1,709**	**1,951**
thereof Germany	626	723
thereof foreign countries	1,083	1,228
therein Malaysia	497	544
therein U.S.A.	280	314
therein China (including Hong Kong) and Taiwan	127	169

Non-current assets consist of property, plant, and equipment, right-of-use assets, goodwill, and other intangible assets.

Due to IFRS 16 *Leases* being applied for the first time, non-current assets include depreciation of, and impairment losses on, right-of-use assets for the first time in fiscal year 2020; these are not included in the figures for the prior year.

34 I Related Party Disclosures

The OSRAM Licht Group has business relations with the ams Group (ams AG and its directly and indirectly owned companies, not including OSRAM), associates, and joint ventures.

On July 9, 2020, ams Offer GmbH, Ismaning (Germany), completed the acquisition of a majority stake in OSRAM Licht AG after the necessary approvals had been obtained from the antitrust authorities. Since this date, ams Offer GmbH as the parent company and ams AG as the highest-level parent company of the corporate group (and its directly and indirectly owned companies) have been related parties.

OSRAM and ams reached agreement on signing a domination and profit and loss transfer agreement on September 22, 2020. The Extraordinary General Meeting of OSRAM Licht AG on November 3, 2020, approved the domination and profit and loss transfer agreement signed by OSRAM Licht AG and ams Offer GmbH. However, as this agreement had not taken effect by the reporting date, the Managing Board of OSRAM Licht AG prepared a report on the relationships with affiliated companies. The Managing Board's statement pursuant to section 312(3) of the AktG can be found in › C.7 The Managing Board's Closing Statement on the Dependency Report. S Page 198

Transactions with the ams Group

Reimbursement of Costs by ams

OSRAM incurred certain costs in connection with the integration of the OSRAM Group that the ams Group will reimburse under cost reimbursement agreements. The costs reimbursed in fiscal year 2020 amounted to €1 million. The related receivables from the ams Group stood at €1 million as of September 30, 2020.

Funding

In September 2020, OSRAM Licht AG entered into a loan agreement with ams AG in which OSRAM Licht AG is the borrower and ams AG is the lender. Under the loan agreement, ams AG will make available an unsecured credit facility with a term of twelve months (with a one-off option to extend it by a further six months) for a total of up to €1,050 million. OSRAM and its material subsidiaries have become parties to this loan agreement as guarantors and have undertaken to be jointly and severally liable for the provision of collateral for the credit facilities. The funding arranged by OSRAM itself was replaced in September 2020 when it drew down the credit facility from the ams Group in an amount of €675 million in connection with the integration. In this context, OSRAM incurred costs in the form of an upfront fee to be paid to ams of €4.2 million, which will be recognized as interest expenses over the expected term; the amount recognized in fiscal year 2020 was €0.6 million. As of the reporting date, the amount of interest and commission to be paid stood at €1 million. For further information, see › Note 20 I Debt. S Page 96

Leasing

OSRAM and ams have entered into an operating lease for office space in which OSRAM is the lessor and ams is the lessee. This transaction was insignificant in the year under review.

Transactions with Associates and Joint Ventures

OSRAM's business activities include transactions with associates and joint ventures, in particular in respect of the operating business. These transactions were insignificant in the year under review.

The loans granted to joint ventures and associates amounted to €5 million as of September 30, 2020 (previous year: €6 million).

OSRAM regularly reviews, in the normal course of business, loans and receivables associated with joint ventures and associates. This review led to loss allowances being recognized in respect of equity investments in two German start-ups in fiscal year 2019. All other receivables from and payables to related parties are settled regularly.

As of September 30, 2020, accumulated loss allowances on loans and receivables amounted to €1 million (previous year: €2 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 2020, the members of the Managing Board received cash remuneration of €4 million (previous year: €3 million). In November 2019, they did not receive any share-based remuneration for the preceding fiscal year 2019. The fair value of such remuneration therefore amounted to €0 million (previous year: €2 million). Contributions to the BOA for the members of the Managing Board in fiscal year 2020 amounted to €1 million (previous year: €1 million).

The remuneration and benefits granted to the members of the Managing Board totaled €7 million in fiscal year 2020 (previous year: €4 million).

Equity-settled share-based payments under OSRAM programs gave rise to an expense of €2 million in fiscal year 2020 (previous year: €1 million). For additional information, see › Note 30 I Share-based Payment. S Page 116

Former members of the Managing Board of OSRAM Licht AG received aggregate remuneration within the meaning of section 314(1) no. 6 b of the HGB amounting to €2 million in fiscal year 2020 (previous year: €1 million). As of September 30, 2020, the present value of all defined benefit obligations for former members of the Managing Board of OSRAM Licht AG and former managing directors of OSRAM GmbH and their surviving dependents totaled €19 million (previous year: €18 million). For further information, see › Note 21 I Pension Plans and Similar Commitments. S Page 98

Remuneration granted to members of the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH in fiscal year 2020 comprised base 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. The members of the Managing Board are also 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. S Page 157

As in the previous year, no other major transactions took place between the Company and other members of the Managing Board or Supervisory Board.

Ms. Olga Redda joined the Supervisory Board as an employee representative on October 1, 2019. She is the elected replacement for Ms. Irene Schulz, who stepped down from the Supervisory Board at the end of September 30, 2019. Ms. Redda has also been a member of the Audit Committee since November 11, 2019.

Dr. Roland Busch, Mr. Frank (Franciscus) H. Lakerveld, and Mr. Arunjai Mittal resigned as shareholder representatives on the Supervisory Board with effect from the end of July 28, 2020. Dr. Busch was most recently Deputy Chairman of the Supervisory Board and a member of the Supervisory Board's Executive Committee, Audit Committee, Nomination Committee, and Mediation Committee. Mr. Lakerveld and Mr. Mittal were members of the Strategy and Technology Committee. By way of an order dated July 29, 2020, the Munich local court (registration court) appointed Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner to succeed Dr. Busch, Mr. Lakerveld, and Mr. Mittal as Supervisory Board members.

Dr. Stockmeier has been a member of the Supervisory Board's Strategy and Technology Committee since August 3, 2020. Mr. Metzler has been a member of the Supervisory Board's Executive Committee, Audit Committee, and Nomination Committee since August 3, 2020. Mr. Eitner has been a member of the Supervisory Board's Mediation Committee since August 3, 2020. Dr. Margarete Haase has been a member of the Strategy and Technology Committee since July 29, 2020.

Details of the Supervisory Board committees and their composition are published on OSRAM's website at
›› http://www.osram-group.com/en/our-company/our-management/supervisory-board.

Some members of the Supervisory Board of OSRAM Licht AG and of the Supervisory Board of OSRAM GmbH 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.

The Chief Financial Officer Mr. Ingo Bank resigned from his position as a member of the Managing Board with effect from the end of April 30, 2020, after the Supervisory Board approved his resignation on March 6, 2020. He has been Chief Financial Officer of ams AG since May 1, 2020.

At the Supervisory Board meeting on April 7, 2020, Ms. Kathrin Dahnke was appointed as a member of the Managing Board with effect from April 16, 2020, and was given responsibility for finance. On April 16, 2020, Ms. Dahnke took on the existing duties of the CFO with the exception of responsibility for information technology, which was assigned to the Chief Technology Officer Dr. Kampmann.

35 | Audit Fees and Services

The following table shows the fees for professional services provided by the Company's auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (Germany) (EY GmbH) and its network:

Auditor's Fees
in € million

	Fiscal year	
	2020	2019
Audit services	4	4
thereof EY GmbH	*2*	*2*
Audit-related services	0	0
thereof EY GmbH	*0*	*0*
Tax advisory services	0	0
thereof EY GmbH	*0*	*0*
Other services	0	0
thereof EY GmbH	*0*	*0*
Total auditor's fees	**4**	**4**
thereof EY GmbH	*2*	*2*

The total fees comprise the expenses incurred by OSRAM Licht AG and all fully consolidated subsidiaries.

36 | Corporate Governance

On April 7, 2020, the Managing Board and Supervisory Board of OSRAM Licht AG issued an update to the declaration of conformity with the recommendations in the German Corporate Governance Code in accordance with section 161 of the AktG; the declaration had originally been published on September 24, 2019.

On September 22, 2020, the Managing Board and Supervisory Board of OSRAM Licht AG issued the annual declaration of conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 of the AktG.

Both documents are publicly accessible on the Company's website at ›› https://www.osram-group.com/en/our-company/our-management/corporate-governance.

37 I Events After the Reporting Date

Amendment to the Domination and Profit and Loss Transfer Agreement between OSRAM Licht AG and ams Offer GmbH

On September 22, 2020, OSRAM Licht AG (controlled company) and ams Offer GmbH (controlling company) signed a domination and profit and loss transfer agreement. Under the domination and profit and loss transfer agreement, the outside shareholders of OSRAM will receive an annual compensation payment of €2.57 gross per OSRAM share (less any corporate income tax and solidarity surcharge at the applicable rate for the fiscal year in question) for the duration of the agreement. The outside shareholders of OSRAM are also to be made an offer for the purchase of their OSRAM shares in return for payment of a reasonable cash settlement of €44.65. The amount of the annual compensation payment and of the settlement offer were determined in accordance with the legal requirements and on the basis of an assessment of OSRAM's enterprise value.

On November 2, 2020, OSRAM Licht AG (controlled company) and ams Offer GmbH (controlling company) agreed to amend the domination and profit and loss transfer agreement dated September 22, 2020, owing to a change in the basic interest rate. The cash settlement to be offered to the shareholders of OSRAM in accordance with clause 5.1 of the domination and profit and loss transfer agreement dated September 22, 2020, was raised by €0.89, from €44.65 to €45.54 per OSRAM share. The compensation payment, and the other provisions of the agreement, remained unchanged.

At the Extraordinary General Meeting on November 3, 2020, the shareholders of OSRAM Licht AG approved the signing of the agreement dated September 22, 2020, as amended on November 2, 2020.

Influence of the Domination and Profit and Loss Transfer Agreement on the Deferred Tax Assets in the Consolidated Financial Statements

The domination and profit and loss transfer agreement is expected to take effect retrospectively from October 1, 2020. This will affect the balance of deferred taxes in the consolidated financial statements of OSRAM Licht AG, in part because the deferred taxes of a tax group formed for the purpose of income tax have to be measured and recognized at the level of the tax group's parent entity. Of the balance of deferred tax assets recognized in the consolidated financial statements of OSRAM Licht AG as of September 30, 2020, around €390 million was attributable to the tax group of OSRAM Licht AG formed for the purpose of income tax. Most of this amount will have to be released to profit and loss when the domination and profit and loss transfer agreement takes effect.

Changes on the Managing Board

On November 5, 2020, the Supervisory Board of OSRAM Licht AG resolved to reduce the Managing Board to two members and to enter into negotiations with Dr. Stefan Kampmann, Chief Technology Officer (CTO), about terminating his contract prematurely by mutual agreement. By means of a resolution circulated to its members in writing dated November 16, 2020, the Supervisory Board approved Dr. Kampmann's resignation from the Managing Board with effect from the end of November 30, 2020, and approved the signing of a severance agreement. The Supervisory Board reallocated the responsibilities among the Managing Board members with effect from December 1, 2020, assigning to the Chairman of the Managing Board all the previous responsibilities of the CTO with the exception of Procurement & Supply Chain (incl. Logistics) and Information Technology, which have been assigned to the Chief Financial Officer.

These developments had no impact on the consolidated financial statements as of September 30, 2020.

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, 2020.

38 I **List of Equity Investments of the OSRAM Licht Group in Accordance with Section 313 of the HGB**

List of Equity Investments

Status as of September 30, 2020

	Capital Share in %
Equity investments of OSRAM Licht AG, Munich / Germany	
OSRAM Beteiligungen GmbH, Munich	100.00 [5)]
OSRAM GmbH, Munich	100.00 [5)]
Subsidiaries of OSRAM GmbH, Munich / Germany	
Germany (as of September 30, 2020: 14 companies)	
BAG electronics GmbH, Arnsberg	100.00
Heramo Immobilien GmbH & Co. KG, Grünwald	100.00
OSRAM Beteiligungsverwaltung GmbH, Grünwald	100.00
Fluxunit GmbH, Munich	100.00
OSRAM CONTINENTAL GmbH, Munich	50.00 [2)]
OSRAM Innovation Hub GmbH, Munich	100.00
OSRAM Opto Semiconductors GmbH, Regensburg	100.00 [5)]
OSRAM OLED GmbH, Regensburg	100.00 [5)]
OSRAM SBT GmbH, Traunreut	100.00
OSRAM SL GmbH, Traunreut	100.00 [5)]
OSRAM Lighting Services GmbH, Wipperfürth	100.00
BENO 44 - Betreiber GmbH, Grünwald	100.00
BENO 44 Verwaltung GmbH, Grünwald	100.00
BENO 44 GmbH & Co. KG, Grünwald	100.00
EMEA (excluding Germany) (as of September 30, 2020: 33 companies)	
OSRAM Sales EOOD, Trud / Bulgaria	100.00
OSRAM EOOD, Trud / Bulgaria	100.00
OSRAM A/S, Taastrup / Denmark	100.00
OSRAM Oy, Vantaa / Finland	100.00
OSRAM Lighting S.A.S.U., Molsheim / France	100.00
OSRAM Continental France SAS, Toulouse / France	50.00 [2)]
RGI Light Limited, Leeds / Great Britain	100.00
RGI Light (Holdings) Limited, Leeds / Great Britain	100.00
Ring Automotive Limited, Leeds / Great Britain	100.00
LUX365 Limited, Manchester / Great Britain	100.00
OSRAM Ltd., Reading, Berkshire / Great Britain	100.00
Yekta Setareh Atllas Co. (P.J.S.), Tehran / Iran	100.00
OSRAM S.p.A. - Società Riunite OSRAM Edison Clerici, Milano / Italy	100.00
Clay Paky S.p.A., Seriate / Italy	100.00
OSRAM Continental Italia S.r.l., Treviso / Italy	50.00 [2)]
OSRAM d.o.o., Zagreb / Croatia	100.00
OSRAM Benelux B.V., Capelle aan den Ijssel / Netherlands	100.00
Fluence Bioengineering B.V., Schiphol / Netherlands	100.00
OSRAM AS, Lysaker / Norway	100.00
OSRAM Continental Austria GmbH, Vienna / Austria	50.00 [2)]
OSRAM Sp. z o.o., Warsaw / Poland	100.00
OSRAM, Lda, Carnaxide / Portugal	100.00
OSRAM Romania S.R.L., Bucharest / Romania	100.00
OSRAM Continental Romania S.R.L., Iasi / Romania	50.00 [2)]
OOO OSRAM, Moscow / Russia	100.00
OSRAM AB, Stockholm / Sweden	100.00
OSRAM Lighting AG, Winterthur / Switzerland	100.00
OSRAM, a.s., Nové Zámky / Slovakia	100.00

List of Equity Investments

Status as of September 30, 2020

	Capital Share in %
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
Americas (as of September 30, 2020: 17 companies)	
OSRAM S.A., Buenos Aires / Argentina	100.00
OSRAM Comercio de Solucoes de Iluminacao Ltda., Barueri / Brazil	100.00
OSRAM Ltd., Vancouver / Canada	100.00
OSRAM de Colombia Iluminaciones S.A.S., 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 Continental Guadalajara Intelligent Lighting S de RL de CV, Tlajomulco de Zuniga, Jalisco / Mexico	50.00 [2]
OSRAM Continental Mexico Services S de RL de CV, Tlajomulco de Zuniga, Jalisco / Mexico	50.00 [2]
Digital Lumens Inc., Wilmington, Delaware / USA	100.00
Fluence Bioengineering, Inc., Wilmington, Delaware / USA	100.00
OSRAM Opto Semiconductors, Inc., Wilmington, Delaware / USA	100.00
OSRAM SYLVANIA INC., Wilmington, Delaware / USA	100.00
Sylvania Lighting Services Corp., Wilmington, Delaware / USA	100.00
Traxon Technologies LLC, Wilmington, Delaware / USA	100.00
Vixar, Inc., Wilmington, Delaware / USA	100.00
OSRAM CONTINENTAL USA Inc., Wilmington, Delaware / USA	50.00 [2]
APAC (as of September 30, 2020: 27 companies)	
OSRAM Pty. Ltd., Sydney / Australia	100.00
OSRAM China Lighting Ltd., Foshan / China	90.00
OSRAM Asia Pacific Management Company Ltd., Foshan / China	100.00
OSRAM Guangzhou Lighting Technology Limited, Guangzhou / China	100.00
OSRAM Kunshan Display Optic Co., Ltd., Kunshan / China	100.00
OSRAM CONTINENTAL Kunshan Intelligent Lighting Co., Ltd., Kunshan / China	50.00 [2]
OSRAM Continental (Shanghai) Intelligent Lighting Co., Ltd., Shanghai / China	50.00 [2]
OSRAM Opto Semiconductors (China) Co., Ltd., Wuxi / China	100.00
OSRAM Opto Semiconductors Trading (Wuxi) Co., Ltd., Wuxi / China	100.00
Traxon Technologies Ltd., Shatin / Hong Kong	100.00
OSRAM Asia Pacific Ltd., Causeway Bay / Hong Kong	100.00
OSRAM Opto Semiconductors Asia Ltd., Wanchai / Hong Kong	100.00
OSRAM CONTINENTAL INDIA Private Limited, Bangalore / India	50.00 [2]
OSRAM Lighting Private Limited, Gurgaon / India	100.00
P.T. OSRAM Indonesia, Jakarta / Indonesia	100.00
OSRAM Ltd., Yokohama / Japan	100.00
OSRAM Opto Semiconductors (Japan) Ltd., Yokohama / Japan	100.00
OSRAM (Malaysia) Sdn. Bhd., Kuala Lumpur / Malaysia	100.00
Osram Opto Semiconductors (Malaysia) Sdn Bhd, Penang / Malaysia	100.00
BAG electronics, Inc., Binan, Laguna / Philippines	0.00 [2]
TRILUX Lighting Inc., Binan, Laguna / Philippines	0.00 [2]
OSRAM Lighting Pte. Ltd., Singapore / Singapore	100.00
OSRAM Co., Ltd., Seoul / South Korea	100.00
OSRAM Opto Semiconductors Korea Ltd., Seoul / South Korea	100.00
OSRAM Taiwan Company Ltd., Taipei / Taiwan	100.00
OSRAM Opto Semiconductors (Taiwan) Ltd., Taipei / Taiwan	100.00
OSRAM (Thailand) Co., Ltd., Bangkok / Thailand	100.00

List of Equity Investments

Status as of September 30, 2020

	Capital Share in %	
Associates and joint ventures of OSRAM GmbH, Munich / Germany		1)
Germany (as of September 30, 2020: 4 companies)		
agrilution GmbH, Munich	18.74	3
Blickfeld GmbH, Munich	12.55	3
GoodIP GmbH, Munich	10.00	3
iThera Medical GmbH, Munich	9.26	3
EMEA (excluding Germany) (as of September 30, 2020: 4 companies)		
LAMP NOOR (P.J.S.) Co., Tehran / Iran	20.00	1
Tvilight B.V., Groningen / Netherlands	47.50	
beaconsmind AG, Zurich / Switzerland	14.48	3
VividQ Ltd., London / Great Britain	10.65	3
Americas (as of September 30, 2020: 2 companies)		
LeddarTech Inc., Québec / Canada	28.21	
Motorleaf Inc., Montreal / Canada	12.94	4
Other equity investments of OSRAM GmbH, Munich / Germany		
Germany (as of September 30, 2020: 3 companies)		
Caruso GmbH, Ismaning	1.00	4
GSB - Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	0.07	4
Unternehmertum VC Fonds II GmbH & Co. KG, Garching b. München	6.06	
EMEA (excluding Germany) (as of September 30, 2020: 4 companies)		
KNX Association cvba, Brussels-Diegem / Belgium	2.96	4
Partech Partners S.A.S., Paris / France	8.50	
Design LED Products Limited, Edinburgh / Great Britain	6.03	4
Voltimum S.A., Vernier / Switzerland	8.35	4
Americas (as of September 30, 2020: 3 companies)		
Luminaerospace LLC, Denver, Colorado / USA	2.00	4
Recogni, Inc., Cupertino, California / USA	6.38	4
TetraVue, Inc., Wilmington, Delaware / USA	6.36	4

1) Not accounted for using the equity method due to immateriality.
2) Control on the basis of contractual agreements that enable material activities to be directed.
3) Significant influence on the basis of contractual provisions or legal arrangements.
4) These equity investments are measured in accordance with IFRS 9 *Financial Instruments* and are assigned to the FVOCI measurement category (financial assets measured at fair value through other comprehensive income without recycling to profit or loss).
5) Use of the exemption pursuant to section 264(3) HGB.

39 | Supervisory Board and Managing Board

Supervisory Board of OSRAM Licht AG

Members in Office as of September 30, 2020	Member since	Supervisory Board and Comparable Appointments[1]
Peter Bauer Chairman Born June 22, 1960 Independent management consultant	July 5, 2013	Intragroup: Chairman of the Supervisory Board of OSRAM GmbH, Munich
Klaus Abel Deputy Chairman Born February 11, 1958 Political Secretary, IG Metall Managing Board	May 7, 2019	Member of the Supervisory Board of Daimler Mobility AG, Stuttgart Member of the Supervisory Board of Otis Management GmbH, Berlin Intragroup: Deputy Chairman of the Supervisory Board of OSRAM GmbH, Munich
Dr. Christine Bortenlänger Born November 17, 1966 Executive Member of the Board Deutsches Aktieninstitut e.V.	August 27, 2013	Member of the Supervisory Board of Covestro AG, Leverkusen Member of the Supervisory Board of Covestro Deutschland AG (Covestro Group), Leverkusen Member of the Supervisory Board of MTU Aero Engines AG, Munich Member of the Supervisory Board of Siemens Energy AG, Munich Member of the Supervisory Board of Siemens Gas and Power Management GmbH (Siemens Energy Group), Munich Member of the Supervisory Board of TÜV Süd AG, Munich Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich
Johann Christian Eitner Born April 9, 1957 Member of the Works Council of ams AG	August 3, 2020	Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich
Dr. Margarete Haase Born April 16, 1953 Independent management consultant, Former member of the Board of Management of Deutz AG	February 20, 2018	Member of the Supervisory Board of Fraport AG, Frankfurt am Main Member of the Supervisory Board of Marquard & Bahls AG, Hamburg Member of the Supervisory Board of ING Groep N.V., Netherlands Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich
Johann Peter Metzler Deputy Chairman Born March 31, 1959 Independent management consultant	August 3, 2020	Member of the Supervisory Board of Aquin & Cie AG, Munich Member of the Supervisory Board of ecoRobotix AG, Switzerland Member of the Supervisory Board of Dornbirner Sparkasse Bank AG, Austria Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich
Alexander Müller Born November 26, 1969 Member of the Works Council of OSRAM GmbH, Herbrechtingen plant	March 31, 2017	
Olga Redda Born May 11, 1981 2nd Authorized Representative and Managing Director IG Metall	October 1, 2019	Member of the Supervisory Board of Maschinenfabrik Reinhausen GmbH, Regensburg Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich Intragroup: Member of the Supervisory Board of OSRAM Opto Semiconductors Gesellschaft mit beschränkter Haftung, Regensburg
Ulrike Salb Born July 6, 1967 Head of Procurement at OSRAM Licht AG	March 1, 2016	
Dr. Thomas Stockmeier Born July 14, 1958 Member of the Management Board and Chief Operating Officer of ams AG	August 3, 2020	Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich
Irene Weininger Born November 15, 1974 Chairwoman of the Works Council of OSRAM Opto Semiconductors Gesellschaft mit beschränkter Haftung	April 1, 2017	Intragroup: Member of the Supervisory Board of OSRAM Opto Semiconductors Gesellschaft mit beschränkter Haftung, Regensburg
Thomas Wetzel Born May 18, 1964 Member of the Works Council of OSRAM GmbH, Berlin plant	September 3, 2013	Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich

Former Members in Fiscal Year 2020	Member from/to	Supervisory Board and Comparable Appointments[2]
Dr. Roland Busch Deputy Chairman Born November 22, 1964 Deputy CEO of Siemens AG, Chief Technology Officer, Labor Relations Director, and member of the Managing Board	November 27, 2013 to July 28, 2020	Chairman of the Supervisory Board of Siemens Mobility GmbH, Munich Member of the Supervisory Board of Siemens Healthineers AG, Munich Member of the Supervisory Board of European School of Management and Technology GmbH (ESMT), Berlin Member of the Board of Siemens Ltd., Saudi Arabia Chairman of the Board of Supervisors of Siemens W.L.L., Qatar Intragroup: Deputy Chairman of the Supervisory Board of OSRAM GmbH, Munich
Frank (Franciscus) H. Lakerveld Born December 5, 1947 Member of the Supervisory Board of Sonepar S.A.	August 27, 2013 to July 28, 2020	Member of the Supervisory Board of Technische Unie, Netherlands Member of the Supervisory Board of Sonepar S.A., France Member of the Supervisory Board of OTRA N.V., Netherlands Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich
Arunjai Mittal Born February 8, 1971 Independent management consultant	August 28, 2018 to July 28, 2020	Member of the Supervisory Board of tesa SE, Hamburg Member of the Supervisory Board of ASTAR (company of the Agency for Science and Technology Research), Singapore Member of the Supervisory Board of Silicon Solutions Ventures Pte. Ltd., Singapore Member of the Supervisory Board of Renesas Electronics Corp., Japan Intragroup: Member of the Supervisory Board of OSRAM GmbH, Munich

1) As of September 30, 2020.
2) As of the date of the individual member's departure from the Supervisory Board of OSRAM Licht AG.

Committees of the Supervisory Board of OSRAM Licht AG

	Meetings in Fiscal Year 2020	Tasks	Members as of September 30, 2020
Executive Committee	November 11 and December 4, 2019; May 6 and July 28, 2020	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 members' 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 (Chairman) Klaus Abel Dr. Roland Busch (until July 28, 2020) Johann Peter Metzler (since August 3, 2020) Thomas Wetzel
Audit Committee	November 11 and December 4, 2019; February 5, May 6, July 28, and September 7, 2020	Oversees the accounting process. Prepares the Supervisory Board's proposal to the Annual 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. Resolves on the Company's transactions with related parties that require consent.	Dr. Margarete Haase (Chairwoman) Dr. Christine Bortenlänger Dr. Roland Busch (until July 28, 2020) Johann Peter Metzler (since August 3, 2020) Alexander Müller Olga Redda Ulrike Salb
Nomination Committee	July 20, 2020	Recommends candidates to the shareholder representatives on the Supervisory Board for proposal as shareholder representatives to be elected by the Annual General Meeting.	Peter Bauer (Chairman) Dr. Roland Busch (until July 28, 2020) Dr. Margarete Haase Johann Peter Metzler (since August 3, 2020)
Strategy and Technology Committee	December 3, 2019; February 5, May 5, and July 27, 2020	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 (Chairman) Klaus Abel Dr. Margarete Haase (since July 29, 2020) Frank H. Lakerveld (until July 28, 2020) Arunjai Mittal (until July 28, 2020) Dr. Thomas Stockmeier (since August 3, 2020) Irene Weininger 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 (Chairman) Klaus Abel Dr. Roland Busch (until July 28, 2020) Johann Christian Eitner (since August 3, 2020) Thomas Wetzel
Remuneration Committee	November 4, 2019	Primarily prepares for the resolution to be adopted by the full Supervisory Board concerning the remuneration system for the Managing Board, including implementation of this system in the Managing Board contracts; also prepares for the setting of targets for variable remuneration, the specification and review of the appropriateness of the total remuneration of the individual Managing Board members, and for the resolution on the annual remuneration report.	Peter Bauer (Chairman) Klaus Abel Dr. Margarete Haase Irene Weininger
Special Committee[1)]	October 29 and November 10, 2019	Performs the Supervisory Board's duties regarding bids pursuant to the Wertpapiererwerbs- und Übernahmegesetz (WpÜG—German Securities Acquisition and Takeover Act) and comparable provisions relating to the Company's securities; prepares any resolutions required to be adopted by the Supervisory Board. Decides on behalf of the Supervisory Board on the engagement of consultants to advise on performance of the above-mentioned duties; appoints these consultants on behalf of the Supervisory Board.	Peter Bauer (Chairman) Klaus Abel Dr. Margarete Haase

1) In accordance with the relevant provisions, this committee has been inactive since July 9, 2020, i.e., since completion of the public takeover offer from ams Offer GmbH dated November 7, 2019.

Managing Board of OSRAM Licht AG

Members in Office as of September 30, 2020	Date of Initial Appointment	End of Term of Appointment	Responsibilities	Supervisory Board and Comparable Appointments[1]
Dr. Olaf Berlien Chairman of the Managing Board (CEO) Born September 20, 1962	January 1, 2015	December 31, 2022	Opto Semiconductors (OS) Business Unit Automotive Lighting (AM) Business Unit Digital (DI) Business Unit Corporate Strategy Global Sales Excellence Corporate Communications & Brand Strategy Corporate Office (incl. Compliance) General Counsel Human Resources	Member of the Supervisory Board of Droege Group AG, Düsseldorf Intragroup: Chairman of the Supervisory Board of OSRAM Opto Semiconductors Gesellschaft mit beschränkter Haftung, Regensburg
Kathrin Dahnke Chief Financial Officer (CFO) Born October 13, 1960	April 16, 2020	April 15, 2022	Accounting & Controlling Corporate Finance & Treasury Taxes & Subsidiaries Investor Relations Corporate Audit Real Estate Mergers & Acquisitions, Post Closing Management Global Shared Services Financial organization of the business units and countries (functional responsibility)	Member of the Supervisory Board of B. Braun SE, Melsungen Member of the Supervisory Board of B. Braun Melsungen AG, Melsungen Member of the Supervisory Board of Knorr-Bremse Aktiengesellschaft, Munich
Dr. Stefan Kampmann[2] Chief Technology Officer (CTO) Born June 28, 1963	July 1, 2016	June 30, 2024	Corporate Innovation Innoventures (Fluxunit GmbH) Procurement & Supply Chain (incl. Logistics) Quality Management & Operations Environmental Protection, Health & Safety R&D organizations of the business units (functional responsibility) Manufacturing in the business units (functional responsibility) Information Technology	Intragroup: Member of the Supervisory Board of OSRAM Opto Semiconductors Gesellschaft mit beschränkter Haftung, Regensburg

1) As of September 30, 2020.
2) On November 5, 2020, the Supervisory Board of OSRAM Licht AG resolved to reduce the Managing Board to two members and to enter into negotiations with Dr. Stefan Kampmann about terminating his contract prematurely by mutual agreement. By means of a resolution circulated to its members in writing dated November 16, 2020, the Supervisory Board approved Dr. Kampmann's resignation from the Managing Board with effect from the end of November 30, 2020, and approved the signing of a severance agreement. The Supervisory Board reallocated the responsibilities among the Managing Board members with effect from December 1, 2020, assigning to the Chairman of the Managing Board all the previous responsibilities of the CTO with the exception of Procurement & Supply Chain (incl. Logistics) and Information Technology, which have been assigned to the Chief Financial Officer.

On April 7, 2020, the Supervisory Board appointed Ms. Dahnke as a member of the Managing Board and Chief Financial Officer with effect from April 16, 2020.

Former Members in Fiscal Year 2020	Date of Initial Appointment	End of Term of Appointment	Responsibilities
Ingo Bank Chief Financial Officer (CFO) Born June 9, 1968	September 1, 2016	April 30, 2020	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 countries (functional responsibility)

On April 9, 2020, Mr. Bank resigned from his position as a member of the Managing Board with effect from the end of April 30, 2020, with the approval of the Supervisory Board. He was not a member of any supervisory boards at that time. His term of appointment had been due to end on August 31, 2024. Ms. Dahnke took over from Mr. Bank as the Company's Chief Financial Officer on April 16, 2020.

Munich, November 26, 2020

OSRAM Licht AG
The Managing Board

Dr. Olaf Berlien	Kathrin Dahnke	Dr. Stefan Kampmann
Chairman of the Managing Board (CEO)	Chief Financial Officer (CFO)	Chief Technology Officer (CTO)

Statements and Further Information

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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 26, 2020

OSRAM Licht AG
The Managing Board

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

Kathrin Dahnke
Chief Financial Officer
(CFO)

Dr. Stefan Kampmann
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 combined management report prepared in German

To OSRAM Licht AG

Report on the audit of the consolidated financial statements and the group management report

Opinions

We have audited the consolidated financial statements of OSRAM Licht AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2019 to September 30, 2020, the consolidated statement of financial position as of September 30, 2020, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2019 to September 30, 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report, which is combined with the management report of OSRAM Licht AG, for the fiscal year from October 1, 2019 to September 30, 2020. In accordance with the German legal requirements we have not audited the content of the Corporate Governance Statement which is published on the website stated in the group management report and is part of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2020 and of its financial performance for the fiscal year from October 1, 2019 to September 30, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). In conducting the audit of the consolidated financial statements we also complied with International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2019 to September 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Impairment of goodwill and non-current assets

Reasons why the matter was determined to be a key audit matter: Goodwill and non-current assets represent a significant share of the assets of the OSRAM Licht Group. In our opinion, testing for impairment of goodwill and non-current assets involves a higher risk of material misstatement due to the significant judgment for the assessment of future cash inflows and capitalization rates applied, considering the impact of the COVID-19 pandemic. Consequently, the impairment of these assets was determined to be a key audit matter.

Auditor's response: During our audit, we examined the process implemented by management to determine whether it is suitable to provide indications of a lower recoverable amount and to correctly determine the recoverable amounts of cash-generating units. In addition, we discussed with management the demarcation of cash-generating units and the allocation of assets and liabilities to the respective cash-generating units and assessed their consistency with the internal reporting structure. We assessed the underlying valuation models for the determination of net realizable value in terms of methodology and reperformed the calculations based on the relevant valuation principles with the assistance of internal valuation specialists. We discussed the underlying assumptions on the development of sales markets, production costs, margins and the growth rates applied, considering the impact of the COVID-19 pandemic, with the employees responsible for planning and reconciled them with the business plans approved by the Supervisory Board and the Managing Board and with external market information, including market studies. We analyzed the accuracy of the forecasts by comparing the actual development of revenue and margins with information from prior periods. We assessed the derivation of the capitalization rates, in particular by evaluating the composition of the peer-group used for this purpose using the beta factor applied and comparing the parameters used by OSRAM on the current development of interest rates and market risks. We also performed our own analyses to test the plausibility of the sensitivity analyses prepared by the Company to assess the impairment risk in the event of a possible change in any of the key assumptions. In addition, we assessed the information provided in the notes to the consolidated financial statements on the significant judgments, estimates and assumptions for the testing of impairment of goodwill and non-current assets with regard to the requirements under IAS 1 and IAS 36.

Our audit procedures did not lead to any reservations relating to the impairment of goodwill and non-current assets.

Reference to related disclosures: The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of goodwill and non-current assets are contained in chapter B.6.2 "Basis of preparation", note 2 "Summary of significant accounting policies" of the notes to the consolidated financial statements. In addition, the Company provides further information on the composition of goodwill and non-current assets as well as to their impairment in chapter B.6.5 "Disclosures on the statement of financial position (assets)", note 14 "Goodwill and other intangible assets" and note 15 "Property, plant and equipment".

2) Impairment of deferred tax assets

Reasons why the matter was determined to be a key audit matter: Significant deferred tax assets on temporary differences and tax loss carryforwards were reported in the consolidated financial statements of OSRAM Licht AG as of September 30, 2020. The assessment of impairment of these deferred tax assets depends on planning assumptions of future taxable income of the respective taxable entity. The planning of future taxable income for each taxable entity is based on group planning (before income taxes) and is heavily subject to judgment, particularly with regard to the assessment of future business development, considering the impact of the COVID-19 pandemic.

Auditor's response: We examined the process implemented by management for the planning of future taxable income of the respective taxable entity and performed substantive audit procedures. In particular, we discussed the underlying business plans and the assumptions on the development of sales markets, production costs, margins and the growth rates applied, considering the impact of the COVID-19 pandemic, with the employees responsible for planning. We performed a reconciliation of the business plans approved by the Supervisory Board and the Managing Board and external information, including market studies. We consulted internal tax specialists to verify whether tax planning for each taxable entity had been derived correctly from group planning (before income taxes). For the assessment of the usability of tax loss carryforwards and deductible temporary differences, we evaluated the assumed planning horizon for compatibility with IAS 12. We also reviewed whether the applicable national tax regulations had been observed for the utilization of tax loss carryforwards and deductible temporary differences. Our audit procedures did not lead to any reservations regarding the impairment of deferred tax assets.

Reference to related disclosures: The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of deferred tax assets are contained in chapter B.6.2 "Basis of preparation", note 2 "Summary of significant accounting policies" of the notes to the consolidated financial statements. In addition, the Company provides further information on the composition of deferred tax assets and their impairment in chapter B.6.4 "Disclosures on the statement of income", note 9 "Income taxes".

3) Personnel-related restructuring measures

Reasons why the matter was determined to be a key audit matter: In fiscal year 2020, various personnel-related restructuring measures were taken at OSRAM Licht AG, which provide for employees to leave the company voluntarily as well as redundancies. In particular, a reconciliation of group interests was agreed with the group works council on 10 March 2020, which includes job cuts in Germany. During the audit, we determined this to be a key audit matter as the measurement of the obligations, especially those arising from the collective agreements, is influenced considerably by estimates and assumptions made by management, which could significantly affect various items in the consolidated financial statements (other current liabilities, other liabilities, provisions, cost of goods sold, selling, general and administrative expenses, research and development costs).

Auditor's response: As part of our audit procedures regarding the personnel-related restructuring measures in the consolidated financial statements (especially recognition criteria and the measurement of provisions and liabilities), we examined the underlying business processes and performed analytical procedures and substantive tests. The audit procedures regarding the amount of expenses recorded as well as the recognition, measurement, utilization and reversal of provisions and liabilities also included, but was not limited to, the review of restructuring plans and related written agreements and contracts and communication with employees. For the affected group companies, we reconciled the number of employees affected by these measures, the length of service and personnel expenses with the payroll accounts and personnel master data. We also compared the assumptions underlying the severance payment amounts with the reconciliation of group interests and reconciled these on a sample basis with termination agreements which had already been signed. Our audit procedures did not lead to any reservations regarding the accounting for personnel-related restructuring measures.

Reference to related disclosures: The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of personnel-related restructuring expenses are contained in chapter B.6.2 "Basis of preparation", note 2 "Summary of significant accounting policies" of the notes to the consolidated financial statements. In addition, the Company makes further disclosures on restructuring expenses in chapter B.6.4 "Notes to the statement of income", note 5 "Personnel-related restructuring expenses".

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in chapter C.3 of the Annual Report 2020. In all other respects, management is responsible for the other information. The other information, of which we received a version prior to issuing this auditor's report, includes:

- the above-mentioned Corporate Governance Statement and the Responsibility Statement in chapter C.1 of the Annual Report 2020,
- the Report of the Supervisory Board in chapter C.3 of the Annual Report 2020,
- Corporate Governance in chapter C.4 (except chapter C.4.2 "Remuneration report" included in the audit of content of the management report) of the Annual Report 2020,
- the non-financial report in chapter C.5 of the Annual Report 2020.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Supervisory Board for the consolidated financial statements and the group management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as management has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as management has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with the provisions of German law and suitably presents the opportunities and risks of future development, and to issue an independent auditor's report that includes our opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting material misstatements resulting from fraud is higher than for misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements that comply with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB give a true and fair view of the assets, liabilities, financial position and financial performance of the Group.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on February 18, 2020. We were engaged by the Supervisory Board on May 5, 2020. We have been the auditor of OSRAM Licht AG for an uninterrupted period since the audit of the consolidated financial statements for fiscal year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Responsible auditor

The German Public Auditor responsible for the engagement is Siegfried Keller.

Munich, November 26, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller	Tropschug
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

C.3

Report of the Supervisory Board

Dear Shareholders,

OSRAM can look back on a dramatic year that was primarily dominated by the effects of the COVID-19 pandemic but also by the successful takeover offer from ams and preparations for further integration with the ams Group. The coronavirus crisis had a huge impact on OSRAM's business. The Company responded to the challenges with disciplined liquidity management and other measures. Business began to stabilize in the final quarter of the fiscal year under review, which enabled OSRAM to start fiscal year 2021 optimistically. In September 2020, OSRAM signed a domination and profit and loss transfer agreement with ams. When the agreement takes effect, the strategic control of OSRAM will be transferred to the ams Group. The Company also continued with its transformation into a high-tech company during the reporting year.

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 performance, 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 regularly informed us about the Company's strategy and the implementation of the approved strategic action plans. Any deviations 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. It maintained close dialog with the Managing Board (and its own advisors) during the reporting year, especially with regard to the ongoing takeover and integration process.

Most of the Supervisory Board's activities in the past fiscal year were performed in the context of plenary meetings. From March 2020, these were mainly held as video or telephone conferences due to social distancing requirements. The Supervisory Board held a total of eleven plenary meetings in the fiscal year under review (six were ordinary meetings and five were extraordinary meetings). These took place in November and December 2019, and in February, March, April, May, June, July, and September 2020. One Supervisory Board resolution was circulated to the members for adoption in writing. The Supervisory Board also had a number of committees.

Attendance at the plenary meetings averaged 98% in the year under review. The committee meetings were fully attended, with the exception of one Executive Committee meeting and one Audit Committee meeting, where one member was absent in each case. During the reporting year, no Supervisory Board member attended half or fewer than half of the meetings of the Supervisory Board and committees to which he or she belonged.

The following table details the attendance of members of the Supervisory Board in its meetings and the meetings of the committees of which they are members:

Meetings of the Supervisory Board and its Committees

Members of the Supervisory Board of OSRAM Licht AG	Number of Meetings of the Supervisory Board and its Committees	Number of Meetings Attended	Attendance Ratio[3]
Peter Bauer (Chairman)	19	19	100%
Klaus Abel (Deputy Chairman)	19	19	100%
Dr. Roland Busch[1] (Deputy Chairman until July 28, 2020)	18	14	78%
Dr. Christine Bortenlänger	17	17	100%
Johann Christian Eitner[2]	2	2	100%
Dr. Margarete Haase	17	17	100%
Frank H. Lakerveld[1]	13	13	100%
Johann Peter Metzler[2] (Deputy Chairman from August 3, 2020)	3	3	100%
Arunjai Mittal[1]	13	13	100%
Alexander Müller	17	17	100%
Olga Redda	16	16	100%
Ulrike Salb	17	17	100%
Dr. Thomas Stockmeier[2]	2	2	100%
Irene Weininger	15	15	100%
Thomas Wetzel	19	19	100%

1) Dr. Busch, Mr. Lakerveld, and Mr. Mittal resigned with effect from the end of July 28, 2020.
2) Dr. Stockmeier, Mr. Metzler, and Mr. Eitner were appointed as members of the Supervisory Board by way of an order of the Munich local court dated July 29, 2020. The Extraordinary General Meeting on November 3, 2020, confirmed the appointment of Dr. Stockmeier, Mr. Metzler, and Mr. Eitner.
3) Rounded to the nearest whole number.

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. In summer 2020, the Supervisory Board assessed the effectiveness of its activities. The members of the Supervisory Board judged the work carried out in both the plenary sessions and the committees to be effective overall but also decided that some aspects needed improvement, namely the presentation and preliminary evaluation of information by the Managing Board and the handling of contentious issues by the Supervisory Board.

The members of the Supervisory Board are responsible for undertaking the training and continuing professional development activities needed to be able to carry out their remit.

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 measures to deal with the impact of the COVID-19 pandemic along with strategic matters relating to the Company and the individual business units, including 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.

During the past fiscal year, the Supervisory Board was also closely involved in the ongoing takeover process and preparations for integration with the ams Group. The main developments were the signing of the business combination agreement with ams on November 11, 2019, in respect of the public takeover offer from ams Offer GmbH dated November 7, 2019, and the preparation and signing of the Company's domination and profit and loss transfer agreement with ams Offer GmbH dated September 22, 2020. In the context of the domination and profit and loss transfer agreement, there were numerous meetings and telephone conferences during which the Supervisory Board particularly focused on the business planning. This is because the Company's valuation and thus the settlement and compensation payment for minority shareholders were based on the business planning. Independent legal and financial advisors supported the Supervisory Board during this process.

At the meeting on November 11, 2019, the Supervisory Board deliberated on the takeover offer from ams Offer GmbH dated November 7, 2019, and approved the signing of a business combination agreement with ams. The Supervisory Board also approved the joint reasoned statement of the Managing Board and Supervisory Board pursuant to section 27 of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG—German Securities Acquisition and Takeover Act). At this meeting, the Supervisory Board also discussed the business performance in the fourth quarter together with the preliminary figures for fiscal year 2019. It also approved the annual planning prepared by the Managing Board for fiscal year 2020. Moreover, the Supervisory Board decided on the variable remuneration components and the level of contributions to the pension plan for the Managing Board for fiscal year 2019 and set targets for the Managing Board's remuneration in fiscal year 2020.

At the Supervisory Board meeting held on December 4, 2019, to adopt the financial statements, the Managing Board reported on the status of the takeover process, the position of the Company, and the final figures for fiscal year 2019. Also at this meeting, following an in-depth examination of the financial statements documentation, the Supervisory Board approved the single-entity financial statements, the consolidated financial statements, and the combined management report for OSRAM Licht AG and the Group for the year ended September 30, 2019. The single-entity 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 Annual General Meeting for fiscal year 2019 was also approved. In addition, the Supervisory Board adopted its resolution proposals for the individual agenda items to be voted on by the 2020 Annual General Meeting. It also approved the Managing Board's proposal to not distribute a dividend for fiscal year 2019.

At its meeting on February 18, 2020, after the Annual General Meeting, the Supervisory Board addressed the results for the first quarter of the fiscal year and the current performance of the Company. The Managing Board also reported on the integration project with ams, which had started in January. The status of the subsidiary OSRAM CONTINENTAL was discussed too.

At the meeting on March 6, 2020, the Supervisory Board approved the resignation from the Managing Board of the Chief Financial Officer Ingo Bank and also the signing of the related severance agreement.

During the meeting on March 24, 2020, the Supervisory Board resolved to exercise the option to revoke, as of the end of April 2020, the targets for the Managing Board's short-term variable remuneration for fiscal year 2020 in view of the disruptive effect of the COVID-19 pandemic. The Supervisory Board also discussed the replacement of Mr. Bank as Chief Financial Officer.

At the meeting on April 7, 2020, the Managing Board reported on further steps to contain the fallout from the COVID-19 pandemic and to ensure the Company has adequate liquidity. The Supervisory Board also appointed Ms. Dahnke as a member of the Managing Board with effect from April 16, 2020, and approved the signing of an employment contract with her. Furthermore, the Supervisory Board approved an update to the declaration of conformity with the German Corporate Governance Code necessitated by the agreement with Ms. Dahnke of purely fixed remuneration without any variable components.

The main items addressed by the Supervisory Board at its meeting on May 6, 2020, were the results for the second quarter and first half of fiscal year 2020, together with the business performance of the Group. The Supervisory Board also examined the status of the countermeasures taken in response to coronavirus and the performance of the subsidiary OSRAM CONTINENTAL. The Managing Board reported on the progress of the integration project with ams. In addition, the Supervisory Board agreed to have the content of the separate non-financial report for the OSRAM Licht Group, which the Managing Board was required to prepare, externally reviewed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, in accordance with sections 289b(3) and 315b(3) of the *Handelsgesetzbuch* (HGB—German Commercial Code).

At the extraordinary meeting on June 17, 2020, the Supervisory Board studied the updated business planning that was drawn up for the purpose of valuing the Company in order to provide the basis for a possible domination and profit and loss transfer agreement with ams. The Supervisory Board noted this planning with approval.

At the meeting on July 28, 2020, the Managing Board reported on the position of the Company and the results for the third quarter, including the status of the integration project with ams. It also dealt with the three shareholder representative vacancies that arose with effect from July 29, 2020, following the resignation of Dr. Roland Busch, Mr. Arunjai Mittal, and Mr. Frank H. Lakerveld. The Supervisory Board discussed their intended successors, namely Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner. All three had been proposed by ams in order to ensure appropriate representation of its equity investment.

The Supervisory Board's Nomination Committee had judged the three candidates as suitable ahead of the meeting. Subject to the candidates' appointment by the court, as requested by the Managing Board, the Supervisory Board resolved to fill the posts within the Supervisory Board as follows: Mr. Johann Peter Metzler was appointed as Deputy Chairman of the Supervisory Board and as a member of the Executive Committee, Audit Committee, and Nomination Committee, Dr. Thomas Stockmeier was appointed as a member of the Strategy and Technology Committee, and Mr. Johann Christian Eitner was appointed as a member of the Mediation Committee. Furthermore, Dr. Haase was appointed as a member of the Strategy and Technology Committee with effect from July 29, 2020. During the meeting, the Supervisory Board also discussed holding an Extraordinary General Meeting as a virtual event without the physical presence of the shareholders or their proxies.

By means of a resolution dated August 14, 2020, that was circulated to its members for adoption in writing, the Supervisory Board delegated the decisions about transactions with related parties to the Audit Committee and resolved to bring in independent financial and legal advisors for the Supervisory Board in respect of specific, defined matters, particularly the refinancing of OSRAM's loans by ams.

At an extraordinary Supervisory Board meeting on September 7, 2020, the Managing Board reported on the procedural status regarding the domination and profit and loss transfer agreement with ams. The Supervisory Board took another look at developments at OSRAM CONTINENTAL. The Supervisory Board then noted with approval a further update of the business planning to be used to value the Company for the purpose of the domination and profit and loss transfer agreement; Dr. Stockmeier and Mr. Eitner voluntarily refrained from participating in the discussion and vote in order to avoid any conflicts of interest. Afterwards, the Supervisory Board agreed to the Extraordinary General Meeting planned for November 3, 2020, being held as a virtual event without the physical presence of the shareholders or their proxies.

At its meeting on September 22, 2020, the Supervisory Board adopted its resolution proposals for the individual agenda items to be voted on by the Extraordinary General Meeting on November 3, 2020. With regard to the resolution proposal on approving a possible domination and profit and loss transfer agreement with ams Offer GmbH, the Managing Board provided the Supervisory Board with a detailed explanation of the provisions of the draft agreement while the valuer from PricewaterhouseCoopers (PwC) and the contract auditor from Ebner Stolz provided a detailed explanation of the valuation of the Company and the appropriateness of the resulting settlement and compensation payment for the minority shareholders. The Supervisory Board reached its assessment with support from external financial and legal advisors. Again, Dr. Stockmeier and Mr. Eitner voluntarily refrained from participating in the discussions and vote on the resolution proposal in respect of the domination and profit and loss transfer agreement with ams. During the meeting, the Supervisory Board also discussed the strategy and approved the Managing Board's annual planning for fiscal year 2021. Following an in-depth discussion, the Supervisory Board approved the concept for transferring OSRAM CONTINENTAL's business activities back to its shareholders. Finally, it approved, together with the Managing Board, the annual 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 made use of seven committees (including the Special Committee, which has been inactive in accordance with the relevant provisions since completion of the public takeover offer from ams Offer GmbH) 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 four times in the fiscal year under review. It discussed in detail the working relationships on the Managing Board, succession planning, and the change of Chief Financial Officer. Also on the agenda were the results of the Supervisory Board's self-assessment carried out in summer 2020 and other general corporate governance matters. In addition, the Chairman of the Supervisory Board regularly discussed matters of particular importance to the Group, especially concerning the takeover process, corporate strategy and the performance of individual business units, with the members of the Executive Committee.

The **Strategy and Technology Committee** met on four occasions in the fiscal year under review to deliberate on strategic and technological issues affecting individual business units and the Group as a whole. Other matters addressed in detail included the Digital Systems (DS) business in the DI Business Unit and the business performance of the subsidiary OSRAM CONTINENTAL GmbH. The committee also studied the joint strategic planning of OSRAM and ams in view of the future merger.

The **Audit Committee** held six meetings in the past fiscal year, with the Chairman of the Supervisory Board attending as a guest on all occasions except one. In the presence of the auditors and the members of the Managing Board, 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. The Audit Committee issued a recommendation to the Supervisory Board relating to the Supervisory Board's proposal to the 2020 Annual 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 2020 (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 findings of the auditors' reviews of the condensed consolidated financial statements of OSRAM Licht AG for the first quarter, the half-year financial report, and the significant accounting matters in the third quarter. 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. It studied the reports by the Chief Compliance Officer on OSRAM's compliance program and on significant compliance events in the period under review. The committee also addressed the internal control system relating to tax. Moreover, it made preparations for the Supervisory Board's review of the separate combined non-financial Group report, including the selection and engagement of the external auditor by the Supervisory Board. On the basis of a corresponding resolution by the full Supervisory Board, the Chair of the Audit Committee engaged Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to review the content of the separate non-financial Group report. In addition, the committee's detailed discussions focused on selecting the auditors, engaging the auditors for fiscal year 2020 (including to audit the report on the relationships with affiliated companies (dependency report)), and specifying the key points for the audit. In the reporting year, the Audit Committee also approved the engagement of the auditors to prepare comfort letters concerning OSRAM's financial results in connection with the funding of the takeover by ams. In its capacity as the committee for transactions with related parties, the Audit Committee—in place of the Supervisory Board—approved the signing of the shareholder loan agreement with ams dated September 11, 2020, after an in-depth discussion. The Audit Committee had monitored the loan negotiations beforehand and its Chair remained in close contact with the Managing Board regarding the project's progress. The Audit Committee assessed the loan terms and conditions with external support from independent financial and legal advisors.

In the past fiscal year, the Supervisory Board's **Special Committee** held two meetings, on each occasion carefully examining progress in the takeover process and the next steps and milestones. One of its main tasks was to prepare for the Supervisory Board's discussions on the business combination agreement with ams dated November 11, 2019, and on the reasoned statement pursuant to section 27 of the WpÜG.

The **Nomination Committee** met once in fiscal year 2020 due to the resignation of shareholder representatives Dr. Roland Busch, Mr. Arunjai Mittal, and Mr. Frank H. Lakerveld. During this meeting, a requirements profile derived from the targets for the composition of the Supervisory Board was used to discuss the three successor candidates proposed by ams, namely Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner. Their suitability for the role was ascertained.

The **Remuneration Committee** met once in the past fiscal year and prepared the Supervisory Board's resolutions on the remuneration of the Managing Board for fiscal year 2019 and the targets for the Managing Board's remuneration in fiscal year 2020.

The **Mediation Committee** did not have to be convened in the reporting year.

C.3.3 Corporate Governance Code and Single-entity and Consolidated Financial Statements

On April 7, 2020, the Managing Board and Supervisory Board of OSRAM Licht AG resolved to issue an update to the declaration of conformity in accordance with section 161 of the *Aktiengesetz* (AktG—German Stock Corporation Act); the declaration had originally been published on September 24, 2019. The updated declaration explained that, because purely fixed remuneration had been agreed with Ms. Dahnke for her role as a member of the Managing Board, the Company did not follow the recommendation set out in section 4.2.3(2) sentence 2 of the German Corporate Governance Code in the version dated February 7, 2017. The update was made permanently accessible to shareholders on the Company's website.

On September 22, 2020, the Managing Board and Supervisory Board of OSRAM Licht AG agreed to issue a declaration of conformity in accordance with section 161 of the AktG. The declaration states that the Company has complied with—and will continue to comply with in the future—all recommendations of the German Corporate Governance Code in the versions dated February 7, 2017, and December 16, 2019, with the qualification set out in the updated declaration dated April 7, 2020, and with the exception of recommendations G.3, G.4, and G.11 sentence 1 of the German Corporate Governance Code in the version dated December 16, 2019. The declaration of conformity was made permanently accessible to shareholders on the Company's website.

To avoid possible conflicts of interest, Dr. Stockmeier and Mr. Eitner voluntarily refrained from taking part in the Supervisory Board's discussions and votes on matters pertaining to ams, in particular the Supervisory Board's resolution proposals for the Extraordinary General Meeting concerning the approval of the domination and profit and loss transfer agreement with ams Offer GmbH dated September 22, 2020 (including the amendment to the agreement dated November 2, 2020). No other conflicts of interest affecting Managing Board or Supervisory Board members arose that would have had to be disclosed to the Chairman of the Supervisory Board pursuant to recommendations E.1 and E.2 of the German Corporate Governance Code. 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 year 2019 in accordance with section 32 of the *Gesetz über die Mitbestimmung der Arbeitnehmer* (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, Dr. Margarete Haase, Mr. Peter Bauer, Dr. Roland Busch, Mr. Arunjai Mittal, and Mr. 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 Declaration (incl. Corporate Governance Report). S Page 148

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, (Ernst & Young) audited the single-entity 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, 2020, 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 single-entity financial statements have been Mr. Keller, as the responsible auditing partner, since fiscal year 2016 and Ms. Tropschug for the first time in fiscal year 2020. The Annual General Meeting on February 18, 2020, had elected Ernst & Young to audit the single-entity financial statements and consolidated financial statements on the basis of the Supervisory Board's proposal, which in turn was based on the Audit Committee's recommendation. Before the Supervisory Board made this proposal, Ernst & Young had confirmed to the Chairman of the Supervisory Board and to the Audit Committee that there were no circumstances that might interfere with their independence as auditors or give rise to doubts about their independence. At the same time, Ernst & Young declared the extent of the work that it had carried out for the Company other than auditing the financial statements or that had been contractually agreed for the next year. The single-entity 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 315e(1) of the HGB. 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 were circulated by the Managing Board to the members of the Supervisory Board in good time.

In a first step, the single-entity financial statements, the consolidated financial statements, and the combined management report, as well as the associated audit reports by Ernst & Young, were examined and discussed in detail at the Audit Committee meeting on December 1, 2020. As an accumulated loss was recognized in the single-entity financial statements, no proposal for the appropriation of profits was made. 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 their audit, in particular the key audit matters. For the audit of OSRAM Licht AG's single-entity financial statements, this was the impairment of financial assets. For the audit of the consolidated financial statements, these were the impairment of deferred tax assets, the impairment of goodwill and non-current assets, and personnel-related restructuring measures. The auditors also 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 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 single-entity financial statements and the consolidated financial statements; the single-entity financial statements were thus formally adopted. Finally, the Supervisory Board approved this report to the Annual General Meeting.

At its meeting on December 1, 2020, the Supervisory Board reviewed the separate non-financial report of the OSRAM Licht Group in accordance with sections 315b and 315c in conjunction with sections 289c to 289e of the HGB for fiscal year 2020 on the basis of a limited assurance engagement by Ernst & Young, whose report was submitted in due time to the members of the Supervisory Board. The Supervisory Board's review did not give rise to any objections.

C.3.4 Audit of the Report on the Relationships with Affiliated Companies

As of the end of the fiscal year, ams Offer GmbH directly held, and ams AG indirectly held, 68.77% of the capital stock of OSRAM Licht AG. OSRAM Licht AG is included in the consolidated financial statements of ams AG as a fully consolidated subsidiary. Since July 9, 2020, i.e., since the completion of the successful public takeover offer by ams Offer GmbH on November 7, 2019, OSRAM Licht AG has been a dependent company of ams Offer GmbH within the meaning of section 312 of the AktG.

The Managing Board of OSRAM Licht AG therefore prepared a report on the relationships with affiliated companies (dependency report) for fiscal year 2020 pursuant to section 312 of the AktG and presented this report to the Supervisory Board by the stipulated deadline. The dependency report was audited by the auditors. As there were no objections to be raised on the basis of the final outcome of their audit, the auditors issued the following audit opinion in accordance with section 313(3) of the AktG: "Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that (1.) the factual information presented in the report is accurate, (2.) the consideration given by the entity for the transactions specified in the report was not unreasonably high, and (3.) there are no circumstances in respect of the measures specified in the report that would justify an opinion materially different from the opinion of the Managing Board."

The dependency report and the auditors' audit report were made available to the Audit Committee and Supervisory Board and were reviewed by them. The review did not identify any deficiencies. Based on the Audit Committee's preliminary examination and our own examination, the Supervisory Board did not raise any objections to the Managing Board's statement about the relationships with affiliated companies. The findings of the audit of the dependency report by the auditors were approved.

C.3.5 Changes to the Supervisory Board and the Managing Board

Mr. Ingo Bank stepped down from the Managing Board of OSRAM Licht AG with effect from the end of April 30, 2020, in order to become Chief Financial Officer of ams AG. In a resolution dated April 7, 2020, the Supervisory Board appointed Ms. Kathrin Dahnke as a member of the Managing Board and as Chief Financial Officer with effect from April 16, 2020. The Supervisory Board would like to thank Mr. Bank for his achievements and hard work over the last few years.

In agreement with the Company, Dr. Stefan Kampmann resigned as a member of the Managing Board of OSRAM Licht AG on November 16, 2020, with his resignation taking effect from the end of November 30, 2020. The Supervisory Board had approved this resignation and the related severance agreement by means of a resolution circulated to its members in writing dated November 16, 2020. The Supervisory Board would like to thank Dr. Kampmann for his great dedication and his invaluable contributions to the technological transformation of OSRAM over the last few years.

Dr. Roland Busch, Mr. Arunjai Mittal, and Mr. Frank H. Lakerveld stepped down as members of the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH with effect from the end of July 28, 2020. To succeed them, Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner were appointed to the Supervisory Board of OSRAM Licht AG by the court and were elected to the Supervisory Board of OSRAM GmbH. The court's appointment to the Supervisory Board of OSRAM Licht AG of Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner was confirmed by a vote at the Extraordinary General Meeting held on November 3, 2020. The Supervisory Board wishes to take this opportunity to express its gratitude to Dr. Roland Busch, Mr. Arunjai Mittal, and Mr. Frank H. Lakerveld for their invaluable contributions and hard work as members of the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH.

In its meeting on December 1, 2020, the Supervisory Board resolved, in view of the imminent formation of a contractual group with ams Offer GmbH, to reorganize the management structure of the Company and to enter into discussions with the Chairman of the Managing Board, Dr. Olaf Berlien, regarding the early termination of his activities as of the end of February 2021. Mr. Ingo Bank has been proposed as his successor as Chairman of the Managing Board. The Supervisory Board is already paying tribute to Dr. Berlien's great services to the successful transformation of OSRAM into a photonics company.

At the same meeting, Mr. Peter Bauer declared that he would resign from his position as Chairman and member of the Supervisory Board as of December 15, 2020. The Supervisory Board therefore elected Dr. Thomas Stockmeier as its Chairman as of December 16, 2020. Furthermore, Dr. Christine Bortenlänger has announced that she will resign from her office as a member of the Supervisory Board with effect from the end of the Annual General Meeting on February 23, 2021. The Supervisory Board has decided to propose to the Annual General Meeting that Mr. Ulrich Hüwels and Ms. Christin Eisenschmid be proposed for election to the Supervisory Board as successors to the retiring members. The Supervisory Board sincerely thanks Peter Bauer and Dr. Christine Bortenlänger for their trustful cooperation and great commitment to the Company in challenging times.

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 outstanding work in what was a challenging fiscal year 2020.

Munich, December 1, 2020

On behalf of the Supervisory Board

Peter Bauer
Chairman

C.4

Corporate Governance

C.4.1 Corporate Governance Declaration (incl. Corporate Governance Report)

The corporate governance declaration for fiscal year 2020 is made in accordance with sections 289f and 315d of the HGB. According to section 317(2) sentence 6 of the HGB, the disclosures in accordance with section 289f(2) and (5) and 315d of the HGB should not be included in the audit. The corporate governance declaration also contains reports on the Company's corporate governance from the Managing Board and Supervisory Board.

C.4.1.1 Declaration of Conformity with the German Corporate Governance Code

Interim update to the 2019 declaration on April 7, 2020
On April 7, 2020, the Managing Board and Supervisory Board of OSRAM Licht AG updated the annual declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the AktG (which they had initially issued on September 24, 2019) by adding the following:

“By way of a resolution on April 7, 2020, the Supervisory Board of OSRAM Licht AG approved the entry into an employment contract with Ms Kathrin Dahnke as the new member of the Managing Board responsible for finance. The contract has no variable remuneration components, only fixed remuneration. This remuneration arrangement is intended to take account of the special situation of the company, which will be significantly affected in the near future by the ongoing implementation of the public takeover bid by ams Offer GmbH, a subsidiary of ams AG (“ams”), and by ams' intention to conclude a domination and profit transfer agreement with the company. The Supervisory Board therefore considers a fixed compensation to be appropriate. Nevertheless, it has contractually reserved the right, depending on further developments in the takeover process, to adjust the provisions on compensation in Ms Dahnke's employment contract and to include variable compensation components. The compensation arrangement for Ms Dahnke resolved during the year now and going forward deviates from section 4.2.3 paragraph 2 sentence 2 of the recommendations of the “Government Commission on the German Corporate Governance Code” published on February 7, 2017. According to this recommendation, the monetary remuneration components should comprise fixed and variable components.

In accordance with section 161 of the German Stock Corporation Act, the Managing Board and Supervisory Board will issue a declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code published in the official section of the Federal Gazette on February 7, 2017 within one year from the last declaration.

OSRAM Licht AG would like to draw attention to sections G.1 to G.15 of the German Corporate Governance Code published on March 20, 2020, which, insofar as they require variable remuneration components or deviate from the recommendations of the German Corporate Governance Code published on February 7, 2017, have not been taken into account in the remuneration arrangements for Ms Dahnke for the same reasons.

Munich, April 7, 2020

OSRAM Licht AG

The Managing Board The Supervisory Board”

Declaration of conformity for 2020 dated September 22, 2020

On September 22, 2020, 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 recommendations of the German Corporate Governance Code ("Code") in the version of December 16, 2019, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), with the following exceptions:

- The recommendations pursuant to G.3 and G.4 were not followed when determining the compensation of Ms. Dahnke in April 2020. The Supervisory Board has based the level of remuneration of Ms. Dahnke on the long-established level for the position of Chief Financial Officer of OSRAM Licht AG—taking into account an appropriate discount due to the lower risk profile of the fixed remuneration. The appropriateness of this remuneration level was only re-confirmed in 2018, taking into account horizontal and vertical comparative aspects.

- The recommendation pursuant to G.11 sentence 1 was not complied with in the determination of the remuneration arrangements by Ms. Dahnke in April 2020, as an influence of extraordinary developments on the appropriateness of a pure fixed remuneration is hardly conceivable.

OSRAM Licht AG will comply with the recommendations of the Code in the version of December 16, 2019 with the above-mentioned exceptions. It should be noted that ams Offer GmbH, as majority shareholder of the Company, is seeking to enter into a control and profit transfer agreement with OSRAM Licht AG. With a view to a future contractual group, further deviations from the Code recommendations are conceivable, especially with regard to the remuneration of the Company's Managing Board. OSRAM Licht AG will update this Declaration of Conformity in case of deviations during the year.

Since issuing the last Declaration of Conformity on September 24, 2019, OSRAM Licht AG has complied with all recommendations of the Code in the version of February 7, 2017, with the exception of the deviation published on April 7, 2020.

Munich, September 22, 2020

OSRAM Licht AG

The Managing Board The Supervisory Board"

C.4.1.2 Company Website

The remuneration system currently in place in accordance with section 87a(1) and (2) sentence 1 of the AktG has been made publicly accessible on our website » www.osram-group.com. A remuneration report covering the last fiscal year and the Independent Auditor's Report in accordance with section 162 of the AktG and a remuneration resolution in accordance with section 113(3) of the AktG are not yet available. This is consistent with the transitional provisions in accordance with section 26j(1) and (2) of the *Einführungsgesetz zum Aktiengesetz* (EGAktG—Introductory Act to the Stock Corporation Act). The remuneration of the members of the Managing Board is described in section › C.4.2 Remuneration Report in accordance with sections 289a(2), 285 no. 9 of the HGB in the version applicable in accordance with article 83(1) of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB—Introductory Act to the German Commercial Code). S Page 157

C.4.1.3 Disclosures on Corporate Governance Practices

Suggestions in the Code

In fiscal year 2020, OSRAM Licht AG also voluntarily complied with the non-mandatory suggestions in the German Corporate Governance Code in the version dated February 7, 2017 ('2017 Code') and in the version dated December 16, 2019 ('2019 Code') with only the following exceptions:

The suggestion in section 2.3.2 of the 2017 Code, according to which proxies should also be contactable during the General Meeting, was not followed with respect to the Annual General Meeting held on February 18, 2020. We do not believe that this suggestion is appropriate for shareholders who are not present or represented at a physical 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. For the virtual General Meeting, held in accordance with the *Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie* (C-19AuswBekG—Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic) passed on March 27, 2020, the aforementioned concerns appear to hold even less weight as the entire meeting is now supported by electronic media and the protection against technical problems is much better as a result. The suggestion was also omitted from the 2019 Code.

The suggestion in section 3.7(3) of the 2017 Code and the equivalent suggestion in section A.5 of the 2019 Code (In the event of a takeover offer, the Management Board should convene an Extraordinary General Meeting at which shareholders will discuss the takeover offer and may decide on corporate actions) was not followed in respect of ams Offer GmbH's voluntary public takeover offer for OSRAM Licht AG's shares that was published on November 7, 2019. The Managing Board held the view that there was no specific need in these particular cases to convene a general meeting as a forum for coordinating the shareholders' response or for obtaining additional legitimacy for the Managing Board's actions during the process. There was also no need for corporate actions that would fall under the competence of the general meeting.

Company Values, Business Conduct Guidelines, and Compliance Management System

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. We believe that sustainable business success can be achieved only through lawful and responsible practices.

Our Business Conduct Guidelines form the legal and ethical framework within which we do business. They contain corporate governance practices that are applied above and beyond the legal requirements, 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. They also express the values of our corporate culture: openness, risk-taking, empowerment, ability to change, and passion for performance.

The Business Conduct Guidelines also set out principles on how to manage employees. Specifically, managers are obliged to select employees carefully (duty of selection), give precise, complete, and binding instructions to employees (duty to give instructions), ensure the continuous monitoring of compliance with the law (duty of monitoring), and communicate to their employees the importance of integrity and compliance with the law in everyday business and make it clear to them that violations of the law are unacceptable and will result in disciplinary measures (duty of communication).

The Business Conduct Guidelines can be downloaded at » http://www.osram-group.de/en/sustainability/economic/compliance.

We have also defined four leadership principles (building talent, collaboration, entrepreneurship, and clarity), which are designed to be used as guiding principles when carrying out management duties within the Company.

The Business Conduct Guidelines are an integral element of the compliance management system in place at OSRAM. This system is aimed at fostering a corporate culture that prevents breaches of rules that would incur penalties and fines, thereby avoiding sanctions, financial loss, and reputational damage for both the Company and its employees. The compliance management system follows the methodology described in the assurance standard IDW AsS 980. Conduct rules in respect of anticorruption measures and antitrust law lie at the heart of the compliance management system due to their significance for the Group and for the fulfillment of supervisory obligations in the Company. The adequacy, implementation, and effectiveness of the OSRAM Licht Group's compliance management system was certified without qualification in accordance with the IDW AsS 980 assurance standard in October 2019.

From an organizational perspective, the compliance management system consists of employees at the headquarters and in the regions. Around 19 employees worldwide work in this area. The Chief Compliance Officer reports to the Chairman of the Managing Board. The compliance organization supports the Managing Board and Supervisory Board in meeting their statutory responsibilities and fulfilling their duties of care in terms of the appropriate and effective management of compliance risks in the Group and the related supervisory obligations. As part of its remit to supervise management functions, the Supervisory Board monitors the effectiveness and appropriateness of the compliance management system.

An important aspect of the compliance management system is training, both classroom-based and online, which is mandatory for employees with certain job descriptions. OSRAM also has a number of IT-based tools for dealing with compliance-related risks. For example, we classify our business partners according to particular criteria, such as the prevalence of corruption in the country in which the partner operates. We have also established a tools-based process that defines how to handle and approve hospitality events. Our code of conduct for suppliers obliges our suppliers to comply with internationally and nationally recognized standards, such as the UN's Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, and the OECD's Guidelines for Multinational Enterprises.

Regular communication activities are carried out to raise awareness among employees and to strengthen the compliance culture. They highlight the commitment of management to compliance and the relevance of compliance to OSRAM.

Compliance risk assessments are regularly carried out at unit level in order to identify compliance risks and make continuous improvements to the Group-wide compliance management system. Senior management conducts half-yearly controls and the compliance organization conducts yearly controls of the business as part of the internal control system.

Another element of OSRAM's compliance management system is the whistleblowing system 'Tell OSRAM', which employees and third parties can use to report breaches of compliance rules. All reports are followed up and, if there is specific evidence, internal compliance investigations are conducted. Once an investigation has been completed, we recommend measures to eliminate the deficiencies identified and we monitor their implementation. If we ascertain misconduct on the part of our employees, we take disciplinary measures under employment law if appropriate.

The compliance management system is reviewed for appropriateness, degree of implementation, and effectiveness on an ongoing basis; adjustments and refinements are made as necessary.

C.4.1.4 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

Managing Board

Composition

Section 5 of the Articles of Association specifies that the Managing Board must consist of several persons. As of September 30, 2020, the Supervisory Board had appointed three members of the Managing Board and Dr. Berlien as Chairman of the Managing Board. In a resolution dated November 5, 2020, the Supervisory Board decided to reduce the Managing Board to two members.

The Supervisory Board appoints members of the Managing Board, concludes employment contracts with them and also revokes their appointment. It is also responsible for amending and terminating the contracts of employment. It assigns responsibility for different parts of the Company's business among the members of the Managing Board and has issued rules of procedure for the Managing Board that can be accessed online at » www.osram-group.com. The terms of appointment of the members of the Managing Board should end no later than on their 65th birthday. Diversity must also be taken into account in the appointment of members of the Managing Board and, in particular, appropriate consideration given to female candidates › C.4.1.5 Targets for the Proportion of Women on the Managing Board, Supervisory Board, and in Senior Management. S Page 155

The members of the Managing Board are disclosed in the Notes to the Consolidated Financial › Note 39 I Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. S Page 129

Working Practices

As the management body of OSRAM Licht AG, the Managing Board is obliged to act in the Company's interests and increase shareholder value on a sustainable basis. The members of the Managing Board 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. It also produces a separate non-financial Group report in accordance with the requirements of the *CSR-Richtlinie-Umsetzungsgesetz* (CSR-RUG—German CSR Directive Implementation Act). As a result of the takeover of the Company by ams Offer GmbH, the Managing Board also prepared a report on the relationships with affiliated companies in accordance with section 312 of the AktG (dependency report). In addition, the Managing Board must ensure that all legal requirements, regulatory requirements, and internal policies are complied with, and must work to ensure that all Group companies also comply with them. This includes making sure that an adequate compliance management system that is geared to the Company's risk position is in place. The fundamental principles of this system are described above in › C.4.1.3 Disclosures on Corporate Governance Practices, Business Conduct Guidelines and Compliance Management System and are published on our website » www.osram-group.com.

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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 performance, financial position, results of operations, and compliance, as well as of material business risks. In the interests of long-term succession planning, the chairman of the Supervisory Board regularly discusses potential candidates for the Company's Managing Board with the Chairman of the Managing Board. 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 remuneration of the members of the Managing Board is described in › C.4.2 Remuneration Report.

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Supervisory Board

Composition

Pursuant to section 7(1) sentence 1 no. 1 of the MitbestG, the Supervisory Board consists of equal numbers of shareholder and employee representatives, i.e., six of each.

Mr. Arunjai Mittal, Dr. Roland Busch, and Mr. Frank H. Lakerveld stepped down as members of the Supervisory Board with effect from the end of July 28, 2020. The Nomination Committee and the Supervisory Board decided, following a thorough evaluation process and after liaising closely, that Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner would succeed Mr. Arunjai Mittal, Dr. Roland Busch, and Mr. Frank H. Lakerveld respectively as members of the Supervisory Board. By way of an order dated July 29, 2020, and at the request of the Managing Board, the Munich local court (registration court) thus appointed Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner as members of the Supervisory Board. The appointments of Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner were confirmed by a vote at the Extraordinary General Meeting held on November 3, 2020.

The term of appointment of all members of the Supervisory Board, including Dr. Thomas Stockmeier, Mr. Johann Peter Metzler and Mr. Johann Christian Eitner, ends at the close of the Annual General Meeting in fiscal year 2023. 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, which are published on our website » www.osram-group.com.

The Supervisory Board last specified targets for its composition (plus a skills profile for the Supervisory Board as a whole) at its meeting on September 24, 2019. The current targets for the composition of the Supervisory Board meet the recommendations of the 2019 Code and are published on our website » www.osram-group.com.

We can report as follows on progress with achieving these targets: The Supervisory Board believes that, overall, it has the skills considered important in light of the activities of the OSRAM Group. These specifically include in-depth experience and knowledge of managing a large or medium-sized company with international operations, of industrial business and of value creation along a variety of value chains, in the field of research and development (particularly relating to the technologies relevant to the Company and adjacent or related areas), in the fields of manufacturing, marketing, sales, and digitalization, in the main markets in which OSRAM operates, in accounting and financial reporting, in financial control/risk management, and in the area of governance/compliance. Furthermore, one member of the Supervisory Board, the Chair of the Audit Committee Dr. Margarete Haase, certainly has proven expert knowledge of accounting or the auditing of financial statements. Together, the members of the Supervisory Board are familiar with the lighting industry. At least two shareholder representatives also have long-standing international experience. All members are within the upper limit of twelve years set by the Supervisory Board for length of service on the Supervisory Board. They are also all under the standard retirement age of 70.

The Supervisory Board believes that all shareholder representatives are independent within the meaning of recommendation C.6 of the 2019 Code, with the exception of Dr. Thomas Stockmeier, and considers that the current number of independent shareholder representatives is appropriate. Overall, the Supervisory Board believes that recommendations C.6 to C.12 of the 2019 Code on the independence of shareholder representatives on the Supervisory Board are complied with, including in particular the Code's recommendation for the minimum proportion of independent shareholder representatives. The names of the independent members can be found in the list of Supervisory Board members, which is presented in › Note 39 I Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. Furthermore, the Supervisory Board assumes that the employee representatives are also independent because it believes that the circumstance of being an employee representative or having an employment contract with the OSRAM Group in itself does not call into doubt the independence of the employee representatives. No former members of the Managing Board are members of the Supervisory Board. S Page 129

At least four 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. The Supervisory Board does not believe that these transactions compromise the independence of its relevant members. Special circumstances apply in the case of the Company's relationships with ams AG and its affiliated companies ('ams Group'). Since July 9, 2020, i.e., since the completion of the successful public takeover offer by ams Offer GmbH on November 7, 2019, these relationships have been subject to the limitations set out in section 311 of the AktG. With regard to its relationships with the ams Group, the Managing Board declared at the end of the dependency report prepared for fiscal year 2020 in accordance to section 312 of the AktG, that the Company, based on the circumstances known to it at the point in time when the transactions took place, or when the relevant measures were taken or not taken, received appropriate consideration for each legal transaction entered into, and was not disadvantaged by the measures that were taken or not taken › C.7 I The Managing Board's Closing Statement on the Dependency Report. At the end of its report for fiscal year 2020, the Supervisory Board declared that its examination did not result in any objections to the Managing Board's Closing Statement on the Dependency Report › C.3 Report of the Supervisory Board. The Supervisory Board also made sure that none of its members had any potential conflicts of interest in connection with the ongoing takeover of OSRAM Licht AG by ams Offer GmbH during the reporting year or that any such conflicts were addressed by appropriate measures (e.g. voluntary abstention from discussions or votes). As a particular mitigation measure, the Supervisory Board has delegated decisions pertaining to the Company's transactions with related parties, which in accordance with section 111b of the AktG and section 6 of the rules of procedure for the Managing Board require the approval of the Supervisory Board, to the Supervisory Board's Audit Committee. In the view of the Supervisory Board, all members of its Audit Committee are independent with no potential conflicts of interest. S Page 198 S Page 140

The members of the Supervisory Board are responsible for undertaking the training and continuing professional development activities needed to be able to carry out their remit. The Company provides them with appropriate support for this. All Supervisory Board members are within the recommended limit on the number of supervisory board posts pursuant to section C.4 and C.5 of the 2019 Code.

For details on fulfillment of the quota defined in section 96(2) sentence 1 of the AktG, according to which at least 30% of Supervisory Board members must be female and at least 30% male, see › C.4.1.5 Targets for the Proportion of Women on the Managing Board, Supervisory Board, and in Senior Management. S Page 155

When preparing the nominations for the election of Supervisory Board members by the Annual General Meeting, the Supervisory Board takes account of the targets for its composition and, specifically, that the membership reflects the skills profile drawn up for the Supervisory Board as a whole.

The members of the Supervisory Board and its committees (including which members chair the Supervisory Board's committees) are disclosed in the Notes to the Consolidated Financial Statements › Note 39 I Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. S Page 129

Working Practices

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. In addition, it reviews the report on the relationships with affiliated companies (dependency report) and reports on the results of its review in its report to the Annual General Meeting. 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; see section 6 of the rules of procedure for the Managing Board of OSRAM Licht AG, which are published on our website » www.osram-group.com. Supervisory Board approval is a condition of some resolutions adopted at the Annual General Meeting, such as authorizations for the Managing Board to increase the Company's capital stock (authorized capital), to disapply preemptive 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 also reviews the separate non-financial Group report. It has the option of engaging an external auditor to review the content of the non-financial reporting. The Supervisory Board exercised this option in fiscal year 2020. The Supervisory Board meets regularly, in some cases without the Managing Board being present. The rules of procedure adopted by the Supervisory Board are available on our website » www.osram-group.com.

Every year, the Supervisory Board evaluates the effectiveness of its own work and that of its committees, and fiscal year 2020 was no exception. This self-assessment is carried out by means of a questionnaire distributed to the members of the Supervisory Board. The results of the survey are subsequently presented and discussed at a Supervisory Board meeting. If necessary, measures are adopted to improve the effectiveness of the work of the Supervisory Board and its committees. On an ad hoc basis, the Supervisory Board also draws on external assistance for its self-assessment, most recently doing so for its efficiency review for fiscal year 2016.

Supervisory Board Committees

The Supervisory Board currently has six committees, namely the Executive Committee, the Audit Committee, the Nomination Committee, the Mediation Committee, the Strategy and Technology Committee, and the Remuneration Committee. The Supervisory Board's Special Committee, which was set up to carry out duties in connection with the public takeover offer pursuant to the Wertpapiererwerbs- und Übernahmegesetz (WpÜG—German Securities Acquisition and Takeover Act), has, in accordance with the provisions of this act, ceased to be active since the completion of the takeover offer by ams Offer GmbH on November 7, 2019. The tasks, responsibilities, and work processes of the committees 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 employee representative from the Supervisory Board who is elected by the Supervisory Board. It performs the duties of a nomination committee, provided that these duties are not performed by the Nomination Committee or that 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 and deals with Managing Board contracts, provided that the Remuneration Committee is not responsible for this. 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 member of the Supervisory Board who has expert knowledge of accounting or the auditing of financial statements. Dr. Margarete Haase, who is Chair of the Audit Committee, satisfies these legal requirements and also the requirement of independence pursuant to recommendation C.10 of the 2019 Code. The Audit Committee oversees the financial reporting process. 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 of the Managing Board's proposal for the appropriation of profits. It deals with the audit of the accounting and financial reporting process and monitors the effectiveness of the Company's internal control system and of its risk management system and internal audit system. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting for the election of the auditors and makes a corresponding reasoned recommendation to the Supervisory Board. Following the adoption of a resolution by the Annual General Meeting, it issues the audit engagement to the independent auditors, deals with specifying the focus of the audit and agreeing the fee, and monitors the audit of the financial statements, particularly the independence of the auditors and the additional services they provide (including the dependency report). The committee can make recommendations and suggestions aimed at ensuring the integrity of the financial reporting process. Furthermore, it monitors the Company's compliance with legislation, official regulations, and company policies and also examines sustainability matters. The Audit Committee makes preparations for the Supervisory Board's review of the separate non-financial Group report, including the selection and engagement of the external auditor, and it regularly assesses the quality of the audit of financial statements. Since August 2020, the Audit Committee has also functioned as the committee for transactions with related parties. The Supervisory Board delegated to the committee the specific duty to make decisions pertaining to the Company's transactions with related parties, which in accordance with section 111b of the AktG and section 6 of the rules of procedure for the Managing Board require the approval of the Supervisory Board.

The **Nomination Committee** consists of the Chairman of the Supervisory Board, his deputy, 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 Annual 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, including with regard to reflecting the skills profile drawn up for the Supervisory Board as a whole.

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 **Remuneration Committee** consists of the Chairman of the Supervisory Board, his deputy, who is elected in accordance with the MitbestG, one employee representative from the Supervisory Board, and one shareholder representative from the Supervisory Board. The committee primarily prepares for the resolution by the full Supervisory Board concerning the remuneration system for the Managing Board, including the implementation of this system in the Managing Board contracts; it also prepares for the setting of targets for variable remuneration, the specification and review of the appropriateness of the total remuneration of the individual Managing Board members, and for the resolution on the annual remuneration report. The Remuneration Committee also makes preparations for the full Supervisory Board's regular review of the remuneration system for the Managing Board.

The **Special Committee,** which consists of the Chairman of the Supervisory Board, his deputy, who is elected in accordance with the MitbestG, and the Chair of the Audit Committee, performs the Supervisory Board's duties regarding bids pursuant to the WpÜG and comparable provisions relating to the Company's securities. Any resolutions required to be adopted by the Supervisory Board are prepared by the Special Committee. Another key task of the Special Committee is to decide, on behalf of the Supervisory Board, on the engagement of consultants to advise on performance of the above-mentioned duties and to appoint these consultants on behalf of the Supervisory Board.

Detailed information on the Supervisory Board's work in fiscal year 2020 can be found in › C.3 Report of the Supervisory Board. Ⓢ Page 140

The remuneration of the members of the Supervisory Board is described in › C.4.2 Remuneration Report. Ⓢ Page 157

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. Ⓢ Page 140

The members of the Supervisory Board committees (currently the Executive Committee, Audit Committee, Nomination Committee, Strategy and Technology Committee, Mediation Committee, and Remuneration Committee) are disclosed in › Note 39 | Supervisory Board and Managing Board in B.6 Notes to the Consolidated Financial Statements. The members of the Managing Board and Supervisory Board are also disclosed in this Note. The members of both boards can also be found online at » www.osram-group.com. Ⓢ Page 129

C.4.1.5 Targets for the Proportion of Women on the Managing Board, Supervisory Board, and in Senior Management

On July 26, 2017, the Supervisory Board set the target for the proportion of women on the Managing Board to be achieved by June 30, 2022, at 25%. Since the appointment of Ms. Dahnke as a member of the Managing Board and Chief Financial Officer in April 2020, the proportion of women on the Managing Board has been

33.3%, meaning that the target was exceeded as of the reporting date of September 30, 2020. Nevertheless, the Supervisory Board's Executive Committee will continue to give particular consideration to female candidates for future Managing Board positions in its long-term succession planning. Following the departure of Dr. Kampmann, the proportion of women on the Managing Board stood at 50% as of December 1, 2020.

On July 13, 2017, the Managing Board set the target for OSRAM Licht AG for the proportion of women in the first and second levels of management in Germany at 34% and 30% respectively. Both targets are to be reached by June 30, 2022. For the Group as a whole, the target for both levels in Germany to be achieved by June 30, 2022, was set at 17.5%. As of September 30, 2020, the proportion of women at OSRAM Licht AG was 25.0% in the first level of management and 35.3% in the second level. It should be noted that, because OSRAM Licht AG is the Group's holding company, it only has a small number of managerial positions, which means even just a small number of changes leads to significant percentage changes. As of September 30, 2020, the proportion of women across the Group in the first and second levels of management in Germany stood at 31.9% and 17.3% respectively. OSRAM CONTINENTAL GmbH is excluded from the calculation of the target figures for the Group as a whole due to the different governance structures.

On September 24, 2019, the Supervisory Board reaffirmed its decision with regard to its composition targets › C.4.1.4 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 that it would aim for its members to have experience in a variety of professions, as well as international experience, and, in particular, for both genders to be adequately represented in order to ensure the diversity of its membership. In order to implement this diversity plan, the Supervisory Board's Nomination Committee considers a range of diversity criteria in its search for suitable candidates, such as age, gender, and educational and professional background, and factors these in to its recommendations to the Supervisory Board. The Supervisory Board takes account of the diversity criteria in its nominations to the Annual General Meeting. In accordance with the requirements of section 96(2) sentence 1 of the AktG, at least 30% of Supervisory Board members must be women and at least 30% must be men. The fulfillment of these quotas is regarded as a separate responsibility for the shareholder representatives and the employee representatives pursuant to section 96(2) sentence 3 of the AktG. As of September 30, 2020, five of the Company's Supervisory Board members were female, of whom three were employee representatives. The minimum quota of 30% pursuant to section 96(2) sentence 1 of the AktG is thus met by both the employee and shareholder representatives. The changes to its composition therefore not did prevent the Supervisory Board from meeting this minimum quota overall in the fiscal year under review, as it did in 2019.

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In its appointment decisions for Managing Board positions, the Supervisory Board takes account of diversity by considering criteria such as age, gender, and educational and professional background. It endeavors to give appropriate consideration to female candidates in particular. The Supervisory Board's Executive Committee prepares the Supervisory Board's deliberations on personnel matters relating to the Managing Board (with the exception of remuneration matters, which are the responsibility of the Remuneration Committee). In the interests of long-term succession planning, the chairman of the Supervisory Board, who is also the chairman of the Executive Committee, regularly talks to the Managing Board about suitable internal candidates for the Managing Board. As and when required, the Executive Committee will also evaluate external candidates for Managing Board positions. In the selection and decision-making process for the appointment of members of the Managing Board, the Executive Committee and Supervisory Board are partly guided by the aforementioned diversity criteria. The Supervisory Board believes that these diversity criteria are adequately reflected in the current composition of the Managing Board. In particular, the target for the proportion of women on the Managing Board is currently exceeded. This constitutes an improvement on the result achieved in the prior year.

C.4.1.6 Further Corporate Governance Disclosures

Purchase and Sale of Company Shares by Members of the Managing Board and Supervisory Board

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 thereof, or other financial instruments relating to them if the value of the transactions conducted by the relevant member of the Managing Board or Supervisory Board in a calendar year exceeds a total volume of €5,000 (up to and including calendar year 2019) or €20,000 (from calendar year 2020 pursuant to the General Administrative Act issued by the Federal Financial Supervisory Authority on October 24, 2019). Related parties associated with members of Managing Board or Supervisory Board are subject to the same requirement. 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.

Annual General Meeting and Shareholder Communications

OSRAM Licht AG routinely reports to its shareholders four times a year on the Group's business performance and net assets, financial position, and results of operations. The Annual 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 Annual 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 at a physical Annual General Meeting, the Managing Board has not yet made the option of electronic participation available. However, the option of (written and electronic) absentee voting was taken up for the Company's Extraordinary General Meeting on November 3, 2020, which, in accordance with the C-19AuswBekG, was held as a purely virtual event without the physical presence of the shareholders or their proxies. This was due to the ongoing COVID-19 pandemic and to the rules put in place by the Free State of Bavaria, particularly those banning events and gatherings, and in order to avoid risking the health of shareholders, employees, external service providers, and the members of the Supervisory Board and Managing Board.

The reports, documents, and information legally required for the Annual General Meeting, including the annual report, are available online, as are the agenda for the Annual General Meeting, and any shareholder countermotions or nominations that are required to be made available.

The Annual 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 profits, 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 Annual 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 Annual General Meeting. Shareholders who collectively hold at least 1% or 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. The information published at » www.osram-group.com includes quarterly financial information, half-year and annual reports, earnings releases, ad hoc announcements, presentations, press releases, and the financial calendar containing the key publication dates for financial communications and the date of the Annual General Meeting.

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 » 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 for fiscal year 2020 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 2020 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, German accounting standards (GAS), and International Financial Reporting Standards (IFRS). The remuneration report is part of the combined management report.

In its meeting on November 5, 2020, the Supervisory Board agreed that adjustments would need to be made to the remuneration system for the Managing Board. This was because it is expected that the domination and profit and loss transfer agreement concluded with ams Offer GmbH will take effect during the course of fiscal year 2021 and will mean that the OSRAM Group will no longer be managed independently by the

OSRAM Managing Board but controlled in the interests of the ams Group. The Supervisory Board therefore decided that the members of the Managing Board should be paid a fixed salary only for fiscal year 2021.

This remuneration system established temporarily for the Managing Board (transitional system) is also intended to apply to employment contracts that are newly concluded or extended in fiscal year 2021 and will be submitted for approval to the Annual General Meeting in February 2021 in accordance with section 120a of the AktG.

C.4.2.1 Remuneration System for the Members of the Managing Board in Fiscal Year 2020 (legacy system)

Scope of Application

The remuneration system described below (legacy system) represents the arrangements in the current employment contract of Dr. Berlien and in the employment contract of Dr. Kampmann, which was terminated with effect from November 30, 2020. It also represents the remuneration arrangements for fiscal year 2020 for Mr. Bank, who stepped down as Chief Financial Officer with effect from the end of April 30, 2020. In light of the transitional situation outlined above, it had already been agreed with Ms. Dahnke that on her appointment to the Managing Board in April 2020 she would be paid a fixed salary only instead of the variable remuneration components; the other remuneration arrangements described below also apply to the employment relationship with Ms. Dahnke. Any differences between the legacy system and the arrangements for Ms. Dahnke will be made clear.

Principles and Objectives

The Supervisory Board decides on the remuneration system for the Managing Board. It regularly evaluates the appropriateness of the remuneration paid to members of the Managing Board and of the remuneration system, taking account of statutory requirements and the recommendations in the German Corporate Governance Code, and adjusts them if necessary.

The Supervisory Board is guided, in particular, by the following principles when designing the remuneration system and setting the remuneration:

- **The Company's situation:** The Supervisory Board takes the economic situation as well as the Company's success and future prospects into consideration when deciding on the structure and measurement of remuneration.
- **OSRAM Group strategy:** The performance targets set for the Managing Board's remuneration should be in harmony with the business strategy.
- **Customary level of remuneration:** When reviewing whether the remuneration is at a customary level, the Supervisory Board looks at the level of remuneration in comparable companies and at the Managing Board's remuneration relative to the remuneration of senior managers and of the workforce as a whole in the OSRAM Group. Remuneration should be attractive in comparison to what is offered by competitors and thus be an incentive for suitably qualified executives to join and remain with the Company in the long term.
- **Sustainable growth of the Company:** The remuneration system is designed to encourage the Managing Board to run the Company sustainably and thus to avoid taking on unreasonable risks. The remuneration is structured with an appropriate balance of non-performance-based and performance-based components. The multi-year basis of calculation takes account of both positive and negative developments, encouraging the Managing Board to take a long-term approach.
- **Remuneration linked to performance:** The performance-based remuneration is measured according to the achievement of demanding targets that are agreed in advance. Performance targets and parameters for comparison cannot be amended subsequently. Moreover, the performance-based remuneration component makes up a significant proportion of the total remuneration.
- **External remuneration experts:** If needed, advice is obtained from independent external remuneration experts.
- **Stakeholder interests:** Because the remuneration system is focused on sustainably increasing the Company's value, the interests of the Managing Board are brought into line with the interests of the Company's most important stakeholders: its shareholders, who are its owners, and its employees.

The remuneration system used for the Managing Board of OSRAM Licht AG in fiscal year 2020 was established on July 5, 2013, and was most recently approved by the Company's Annual General Meeting on February 26, 2015.

It is made up of the following components:

Remuneration

32% [1]	32% [1]	36% [1]	
Non-performance-based components	Performance-based components		
Base remuneration incl. ancillary benefits	Short-term variable remuneration (bonus)	Long-term share-based remuneration (stock awards)	Pension commitments
Paid annually		Vesting period of 4 years	Credited annually

1) Percentage split in the event of 100% target achievement based on the remuneration of the Chairman of the Managing Board. The percentages for the non-performance-based and performance-based components may vary according to target achievement.

Non-performance-based Component (Including Ancillary Benefits)

The Managing Board members receive fixed base remuneration, which is paid in the form of a monthly salary. Base remuneration is €900,000 per year for the Chairman of the Managing Board and €600,000 each per year for the remaining members of the Managing Board. In departure from the above, it was agreed with Ms. Dahnke that she would be paid a fixed salary only, amounting to €1,550,000 per year.

The Managing Board members are also awarded non-monetary 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 short-term variable remuneration (bonus) and long-term share-based remuneration. The employment contract concluded with Ms. Dahnke does not include any performance-based components, and so the target and cap amounts described below do not apply to her.

Short-term Variable Remuneration (Bonus)

The short-term variable remuneration (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. The target amount of the bonus (100%) is equivalent to the amount of the base remuneration, i.e., €900,000 for the Chairman of the Managing Board and €600,000 each for the remaining members of the Managing Board. The bonus is not payable if target achievement is 0%, and is capped at 200% of the base remuneration. Target achievement is measured after the end of the fiscal year. The Supervisory Board may, at its professional discretion, increase or decrease the amount of the bonus determined in accordance with the degree of target achievement by up to 20%; the adjusted bonus payment may therefore amount to a maximum of 240% of the target amount, i.e., a maximum of €2.16 million for the Chairman of the Managing Board and a maximum of €1.44 million each for the remaining members of the Managing Board. 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. The bonus conditions permit the Supervisory Board to revoke the (target) values with effect from the end of the following month if there are extraordinary changes to the economic situation that render the original targets set by the Company obsolete. In this event, a pro rata bonus based on the target monetary value (i.e. with an assumed target achievement of 100%) is paid for the period from the date on which the revocation became effective.

Long-term Share-based Remuneration (Stock Awards)

The long-term share-based remuneration is awarded in the form of unvested commitments to transfer OSRAM Licht AG shares (stock awards), which are subject to a vesting period (lock-up period). This vesting 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 vesting 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 the awards granted at the start of the vesting period 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 is €1 million for the Chairman of the Managing Board and €660,000 each 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, i.e., a maximum of €2 million for the Chairman of the Managing Board and a maximum of €1.32 million each for the remaining members of the Managing Board. Target achievement is measured after the end of the fiscal year. 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 Frankfurt Stock Exchange on the date of the award and subtracting the discounted estimated dividends over the four-year vesting period.

Upon expiration of the vesting 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 each for the remaining members of the Managing Board. If the cap is exceeded, the applicable number of stock awards lapse without compensation and the number of shares to be transferred is rounded down.

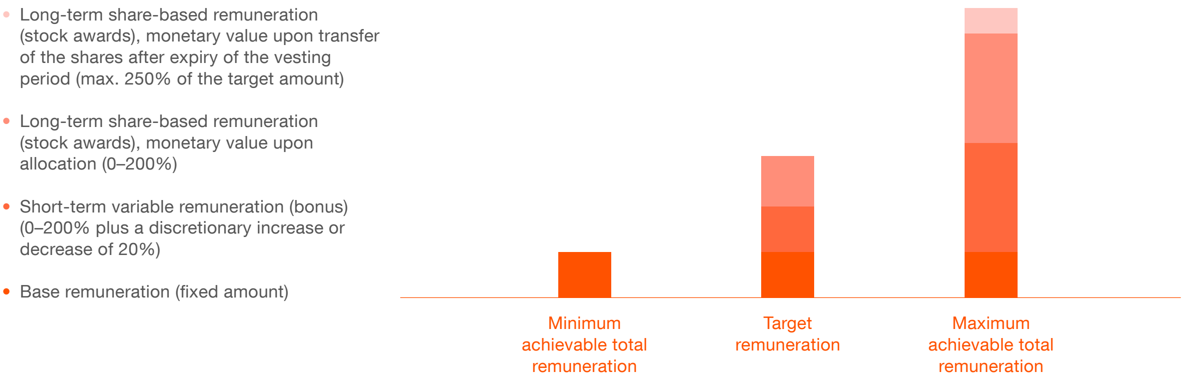
In the event of extraordinary unforeseen developments impacting the relevant share price, the Supervisory Board may decide to reduce the number of granted stock awards retroactively, or to only pay a cash settlement in a defined and limited amount in lieu of transferring the OSRAM Licht shares, or to suspend the transfer of shares due under the stock awards until the developments have ceased to have an impact on the share price. The stock award conditions also permit the Supervisory Board, in individual cases, to adjust the earnings per share figure in the event of extraordinary and unexpected events or developments. If a Managing Board member is guilty of breaching an obligation, the Supervisory Board has discretion to allow the stock awards to lapse without compensation, depending on the severity of the breach (‘claw back’).

Maximum Amount of Total Remuneration

The maximum total remuneration is €6 million for the Chairman of the Managing Board and €4 million each for the remaining members of the Managing Board. The total remuneration represents the sum of the remuneration awarded for the fiscal year in question (including ancillary benefits and pension commitments but excluding the monetary value of long-term share-based remuneration) plus amounts accruing in the fiscal year concerned from share-based payment instruments whose vesting period has expired. 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. For Ms. Dahnke, whose remuneration does not include any variable components, the maximum total amount was set at €2.2 million.

If the maximum amount is 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 remuneration payable down to below the limit, the Supervisory Board may at its professional discretion reduce other remuneration components or require the repayment of remuneration already awarded.

Range of total remuneration [1)]



1) Based on the remuneration of the Chairman of the Managing Board. Excluding ancillary benefits and pension commitments.

Pension Commitments

Like most OSRAM Licht Group employees in Germany, the members of the Managing Board are included in the Beitragsorientierte OSRAM Altersversorgung ('BOA') defined benefit plan. 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 remuneration 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.

Other Remuneration System Rules

Share Ownership Guidelines

During their term of office on the Managing Board, the members of the Managing Board are obliged—in accordance with the provisions of their contracts—to hold OSRAM Licht shares of a value that is equivalent to a significant portion of their annual base remuneration; the value of the shares held by the Chairman of the Managing Board must routinely exceed his current annual base remuneration by a significant degree. In the case of the Chairman of the Managing Board, this means 200% of the average annual base remuneration paid in the last four years and for each of the remaining members of the Managing Board, 100%. 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. The share ownership guidelines do not form part of the contract with Ms. Dahnke as the OSRAM share price at the time that Ms. Dahnke took up her post had already been substantially influenced by the takeover transaction and so adhering to the obligation to hold shares was not deemed appropriate.

Rules 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' remuneration (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 remuneration plus the variable remuneration (bonus and monetary value of the stock awards granted) actually received for the last fiscal year before termination. The compensatory payment for Ms. Dahnke is calculated on the basis of the remaining term of the contract and the base remuneration. These amounts are payable in the month the Managing Board member leaves the Managing Board. In addition, a one-off contribution is made to the 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.

If a Managing Board member's contract ends during the course of his or her term of office, the short-term variable remuneration (bonus) for the current fiscal year is only granted on a pro rata basis and no long-term share-based remuneration (stock awards) is awarded. Stock awards already granted in connection with long-term share-based remuneration 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, the Supervisory Board may decide at its professional discretion, in exceptional cases, that stock awards already granted can be settled in cash on a pro rata basis (according to the portion of the vesting period that has already elapsed) at their value as of the date of departure. In any case, the severance payment will not be made before the applicable vesting period has expired. 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.

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' remuneration (cap). The calculation of the annual remuneration includes the base remuneration and the performance-based remuneration (bonus and the monetary value of the stock awards granted) in the last completed fiscal year prior to termination of the contract. Any stock awards not yet due remain unaffected. In any case, shares will not be transferred in order to settle the stock awards until the applicable vesting period has ended. 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. A change of control clause was not agreed with Ms. Dahnke as per suggestion G.14 of the German Corporate Governance Code. This suggestion did not exist at the time that the agreement was concluded with the other members of the Managing Board.

Compensatory or severance payments are increased by a flat rate of 5% of the total remuneration or severance amount to cover non-monetary 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.

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 2020 on the Basis of the Legacy System

Setting of Targets

After assessing the achievement of the targets that it had set before the beginning of fiscal year 2020, the Supervisory Board of OSRAM Licht AG established the amounts of short-term variable remuneration (bonus) and the stock awards to be granted as long-term share-based remuneration for Dr. Berlien, Mr. Bank (pro rata), and Dr. Kampmann and the contributions to the pension plan (BOA) for Dr. Berlien, Mr. Bank (pro rata), Dr. Kampmann and Ms. Dahnke at its meeting on November 5, 2020, as follows:

Short-term Variable Remuneration (Bonus)

For the short-term variable remuneration (bonus) payable to the members of the Managing Board for fiscal year 2020, the Supervisory Board defined concrete targets at Group level for organic revenue growth, the EBITDA margin, and free cash flow. The targets are equally weighted. Organic revenue growth is defined as the change in the Company's revenue, adjusted for portfolio and currency effects. EBITDA is defined as earnings before net financial income or expense, net income (loss) from investments accounted for using the equity method, taxes, depreciation, and amortization of intangible assets. The EBITDA margin is defined as EBITDA divided by revenue. 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 has also specified that the EBITDA and free cash flow financial indicators should be adjusted for significant transformation costs arising from the changes to operational structures under ongoing programs and for significant M&A activities when determining the level of target achievement. No other adjustments were made. Finally, before the start of the fiscal year, the Supervisory Board decided to take particular account of progress on the Company's strategic realignment, the development of a digitalization strategy, and the successful implementation of the transformation projects in its decision to increase or decrease the variable remuneration paid by up to 20%. The Supervisory Board decided to primarily base this decision on the attainment of defined interim targets in specific strategic areas.

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.

The measurement of target achievement was hampered by the disruptive impact of the COVID 19 pandemic. When setting the targets for variable remuneration components at the beginning of fiscal year 2020, it was not possible to take into account the profound effects that this pandemic would have. For the bonus, the Supervisory Board therefore took up the option provided for in the bonus conditions for such unforeseeable developments to revoke the targets as an exceptional measure, doing so on the basis of a resolution adopted on March 24, 2020. This revocation took effect on April 30, 2020; in accordance with the bonus conditions, the calculation for the months May to September 2020 was based on 100% target achievement. For the months October 2019 to March 2020, the target achievement based on the specified parameters (organic revenue growth, EBITDA margin, and free cash flow, each adjusted for special items relevant to remuneration) was 134%. Target achievement was 0% for April 2020. This resulted in an overall target achievement of 108.7% for fiscal year 2020.

Based on the results for fiscal year 2020, the Supervisory Board also decided at its professional discretion not to adjust the amounts to be paid out on the basis of this target achievement. When making this decision, the Supervisory Board also took into account the degree of target achievement for previously defined multi-year strategic targets.

Long-term Share-based Remuneration

As in previous years, the Supervisory Board of OSRAM Licht AG decided for fiscal year 2020 to adjust the amount of the long-term share-based remuneration in line with the average earnings per share (EPS) of the OSRAM Licht Group over the past three fiscal years. In accordance with the conditions pertaining to OSRAM stock awards for the Managing Board of OSRAM Licht AG in fiscal year 2020, the Supervisory Board took into account the extraordinary impact of the COVID 19 pandemic and—consistent with the protocol described above for short-term variable remuneration (bonus)—quantified it. Consequently, a target achievement of 100% was assumed for the months May 2020 to September 2020. For the months October 2019 to March 2020, the target achievement based on the specified parameters (average earnings per share over the past three fiscal years) was 111%. Target achievement was 0% for April 2020. This resulted in an overall target achievement of 97.2% for fiscal year 2020.

Departure of Mr. Ingo Bank from the Managing Board

The termination of the mandate of Mr. Ingo Bank as a member of the Managing Board by mutual agreement with effect from the end of April 30, 2020, saw his contract of employment end on the same date. For services rendered in fiscal year 2020, Mr. Bank—in accordance with the severance agreement dated March 6, 2020—was paid his contractually agreed remuneration pro rata and it was agreed that his variable remuneration components would be calculated on the basis of the target achievement rate for fiscal year 2020. The stock awards that had been granted to Mr. Bank during his term of appointment as a member of the Managing Board but for which the vesting period had not expired at the time of his departure were made non-forfeitable. A commitment was also made to contribute €336 thousand to Mr. Bank's BOA pension account.

Total Remuneration

Based on the above amounts determined by the Supervisory Board, the total remuneration (excluding pension commitments) of the members of the OSRAM Licht AG Managing Board who were in office during fiscal year 2020 amounted to €6.7 million (previous year: €2.7 million). Of this total remuneration, €4.9 million (previous year: €2.7 million) was attributable to the cash component and €1.8 million (previous year: €0) to the share-based remuneration granted on November 5, 2020.

Remuneration of the Members of the Managing Board for Fiscal Year 2020 Pursuant to Section 314 of the HGB and GAS 17

The total remuneration set for the members of the Managing Board in office during fiscal year 2020 in accordance with section 314 of the HGB and GAS 17 is as follows:

Remuneration of the Members of the Managing Board Pursuant to Section 314 of the HGB and GAS 17

in €

	Managing Board members in office as of September 30, 2020						Former members of the Managing Board	
	Dr. Olaf Berlien Chairman of the Managing Board		**Kathrin Dahnke** Chief Financial Officer		**Dr. Stefan Kampmann** Chief Technology Officer		**Ingo Bank**[5] Chief Financial Officer	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Non-performance-based components								
Fixed remuneration (base remuneration)[1]	892,500	900,000	697,500	–	595,000	600,000	350,000	600,000
Other benefits[2]	197,719	182,336	13,217	–	24,204	45,971	91,399	40,240
Total	**1,090,219**	**1,082,336**	**710,717**	**–**	**619,204**	**645,971**	**441,399**	**640,240**
Performance-based components								
Excluding long-term incentive effect, not share-based Short-term variable remuneration (bonus)	978,300	154,080	–	–	652,200	102,720	380,450	102,720
Including long-term incentive effect, share-based Long-term variable remuneration: OSRAM stock awards (vesting period of 4 year)[3] [4]	869,390	–	–	–	573,806	–	334,727	–
Total remuneration	**2,937,909**	**1,236,416**	**710,717**	**–**	**1,845,210**	**748,691**	**1,156,575**	**742,960**

1) The members of the Managing Board declared that they would voluntarily waive 10% of their base salary for May 2020 as a solidarity contribution to the Company in the coronavirus crisis.
2) 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.
3) The expense arising from the stock awards for members of the Managing Board of OSRAM Licht AG recognized in fiscal years 2020 and 2019 in accordance with IFRS amounted to €1.8 million for fiscal year 2020 and €1.2 million for fiscal year 2019. The expense attributable to each member of the Managing Board in fiscal year 2020 was therefore as follows: Dr. Olaf Berlien €0.8 million (previous year: €0.7 million), Kathrin Dahnke €0 (previous year: €0), Dr. Stefan Kampmann €0.4 million (previous year: €0.2 million), and Ingo Bank (until April 30, 2020) €0.6 million (previous year: €0.3 million).
4) The fair value of one stock award as of the grant date on November 9, 2020, based on the data in the table, was €39.82 (previous year: not calculated as no stock awards were granted to members of the Managing Board). Based on target achievement of 100%, the monetary values for the members of the Managing Board who were in office in the past fiscal year were as follows: Dr. Olaf Berlien €1.0 million (previous year: €1.0 million), Kathrin Dahnke €0 (previous year: €0), and Dr. Stefan Kampmann €0.66 million (previous year: €0.66 million). Based on target achievement of 100%, the monetary values for former members of the Managing Board were as follows: Ingo Bank €0.39 million (calculated pro rata) (previous year: €0.66 million).
5) Mr. Ingo Bank stepped down from the Managing Board with effect from April 30, 2020. As part of the severance agreement dated March 6, 2020, in connection with his departure from the Managing Board, agreement was reached with Mr. Bank that the stock-based remuneration instruments granted to him during his time as a member of the Managing Board will not be forfeited and that the respective vesting periods pursuant to the conditions of the scheme remain unaffected. A contribution of €0.3 million was also made to Mr. Bank's pension.

Benefits Granted

in €

	Managing Board members in office as of September 30, 2020			
	Fiscal 2020	Fiscal 2019	Fiscal 2020 (Min.)	Fiscal 2020 (Max.)
Dr. Olaf Berlien Chairman of the Managing Board				
Non-performance-based components				
Fixed remuneration (base remuneration)[1]	892,500	900,000	892,500	892,500
Service costs	519,204	498,338	519,204	519,204
Ancillary benefits[2]	197,719	182,336	197,719	197,719
Total	**1,609,423**	**1,580,674**	**1,609,423**	**1,609,423**
Performance-based components				
Excluding long-term incentive effect, not share-based Short-term variable remuneration (bonus)	978,300	154,080	–	2,160,000
Including long-term incentive effect, share-based Long-term variable remuneration: OSRAM stock awards (vesting period of 4 year)[3] [4]	869,390	–	–	2,500,000
Total remuneration	**3,457,113**	**1,734,754**	**1,609,423**	**6,269,423**

Benefits Granted (Continued)

in €

	Managing Board members in office as of September 30, 2020			
	Fiscal 2020	Fiscal 2019	Fiscal 2020 (Min.)	Fiscal 2020 (Max.)
Kathrin Dahnke Chief Financial Officer				
Non-performance-based components				
Fixed remuneration (base remuneration)[1]	697,500	–	697,500	697,500
Service costs	219,209	–	219,209	219,209
Ancillary benefits[2]	13,217	–	13,217	13,217
Total	**929,926**	**–**	**929,926**	**929,926**
Performance-based components				
Excluding long-term incentive effect, not share-based Short-term variable remuneration (bonus)	–	–	–	–
Including long-term incentive effect, share-based Long-term variable remuneration: OSRAM stock awards (vesting period of 4 year)[3][4]	–	–	–	–
Total remuneration	**929,926**	**–**	**929,926**	**929,926**
Dr. Stefan Kampmann Chief Technology Officer				
Non-performance-based components				
Fixed remuneration (base remuneration)[1]	595,000	600,000	595,000	595,000
Service costs	342,668	332,098	342,668	342,668
Ancillary benefits[2]	24,204	45,971	24,204	24,204
Total	**961,872**	**978,069**	**961,872**	**961,872**
Performance-based components				
Excluding long-term incentive effect, not share-based Short-term variable remuneration (bonus)	652,200	102,720	–	1,440,000
Including long-term incentive effect, share-based Long-term variable remuneration: OSRAM stock awards (vesting period of 4 year)[3][4]	573,806	–	–	1,650,000
Total remuneration	**2,187,878**	**1,080,789**	**961,872**	**4,051,872**

	Former members of the Managing Board			
	Fiscal 2020	Fiscal 2019	Fiscal 2020 (Min.)	Fiscal 2020 (Max.)
Ingo Bank Chief Financial Officer[5]				
Non-performance-based components				
Fixed remuneration (base remuneration)[1]	350,000	600,000	350,000	350,000
Service costs	201,664	332,627	201,664	201,664
Ancillary benefits[2]	91,399	40,240	91,399	91,399
Total	**643,063**	**972,867**	**643,063**	**643,063**
Performance-based components				
Excluding long-term incentive effect, not share-based Short-term variable remuneration (bonus)	380,450	102,720	–	840,000
Including long-term incentive effect, share-based Long-term variable remuneration: OSRAM stock awards (vesting period of 4 year)[3][4]	334,727	–	–	962,500
Total remuneration	**1,358,239**	**1,075,587**	**643,063**	**2,445,563**

1) The members of the Managing Board declared that they would voluntarily waive 10% of their base salary for May 2020 as a solidarity contribution to the Company in the coronavirus crisis.
2) 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.
3) The expense arising from the stock awards for members of the Managing Board of OSRAM Licht AG recognized in fiscal years 2020 and 2019 in accordance with IFRS amounted to €1.8 million for fiscal year 2020 and €1.2 million for fiscal year 2019. The expense attributable to each member of the Managing Board in fiscal year 2020 was therefore as follows: Dr. Olaf Berlien €0.8 million (previous year: €0.7 million), Kathrin Dahnke €0 (previous year: €0), Dr. Stefan Kampmann €0.4 million (previous year: €0.2 million), Ingo Bank €0.6 million (previous year: €0.3 million).
4) The fair value of one stock award as of the grant date on November 9, 2020, based on the data in the table, was €39.82 (previous year: not calculated as no stock awards were granted to members of the Managing Board). Based on target achievement of 100%, the monetary values for the members of the Managing Board who were in office in the past fiscal year were as follows: Dr. Olaf Berlien €1.0 million (previous year: €1.0 million), Kathrin Dahnke €0 (previous year: €0), Dr. Stefan Kampmann €0.66 million (previous year: €0.66 million), and Ingo Bank €0.39 million (calculated pro rata) (previous year: €0.66 million).
5) Mr. Ingo Bank stepped down from the Managing Board with effect from April 30, 2020. As part of the severance agreement dated March 6, 2020, in connection with his departure from the Managing Board, agreement was reached with Mr. Bank that the stock-based remuneration instruments granted to him during his time as a member of the Managing Board will not be forfeited and that the respective vesting periods pursuant to the conditions of the scheme remain unaffected. A contribution of €0.3 million was also made to Mr. Bank's pension.

Additional Disclosures on Share-based Payment Instruments in Fiscal Year 2020

The stock awards held by members of the Managing Board who were in office during fiscal year 2020 changed as follows in fiscal year 2020:

Stock Awards Held by Current Members of the Managing Board

Quantity

	Beginning of fiscal year 2020	Granted in fiscal year 2020[1]	Transferred in fiscal year 2020 after expiry of lock-up period	Lapsed in fiscal year 2020	End of fiscal year 2020
	Unvested stock awards	Stock awards	Stock awards	Stock awards	OSRAM Stock awards
Managing Board members in office as of September 30, 2020					
Dr. Olaf Berlien	96,314	–	25,825	–	70,489
Kathrin Dahnke[2]	–	–	–	–	–
Dr. Stefan Kampmann	32,415	–	–	–	32,415
Total	**128,729**	**–**	**25,825**	**–**	**102,904**
Former members of the Managing Board					
Ingo Bank	35,501	–	–	–	**35,501**
Total	**164,230**	**–**	**25,825**	**–**	**138,405**

1) No stock awards were granted in November 2019 for fiscal year 2019. The fair value at the grant date of the stock awards granted for the previous fiscal year was €28.91 per share awarded.
2) A fixed salary only was agreed with Ms. Dahnke. This is why she holds no stock awards.

Cash Settlement of the Stock Awards held by the Members of the Managing Board

The Supervisory Board resolved that the stock awards of the Managing Board members in office in fiscal year 2020 (including Mr. Bank) would be settled in cash at a price of €45.54 per OSRAM stock award in the event of the domination and profit and loss transfer agreement entered into between OSRAM Licht AG and ams Offer GmbH on September 22, 2020, coming into effect, provided that the stock awards' lock-up period in autumn 2020 had not yet expired. The amount of €45.54 corresponds to the settlement pursuant to section 305 of the AktG that was agreed in the domination and profit and loss transfer agreement.

In respect of the stock awards of the Managing Board members (including Mr. Bank) whose lock-up period expired in autumn 2020, the Supervisory Board resolved, in accordance with the plan terms and conditions, to settle them in cash in lieu of transferring shares.

Pension Commitments

The amount of the contributions to the Beitragsorientierte OSRAM Altersversorgung ('BOA') defined benefit plan 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. For the work performed by the members of the Managing Board during fiscal year 2020, contributions of €1.4 million (previous year: €1.2 million) were made to the BOA and credited to the individual pension accounts based on a Supervisory Board resolution dated November 5, 2020.

The following overview shows, among other things, the contributions (additions) made to the BOA for fiscal year 2020 for the Managing Board members who were in office during fiscal year 2020:

Overview of Pension Commitments to Members of the Managing Board

in €

	Total contribution for		Present value of all pension commitments excluding deferred compensation[1]	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Managing Board members in office as of September 30, 2020				
Dr. Olaf Berlien	501,900	504,000	2,993,791	2,492,981
Kathrin Dahnke	195,300	–	219,209	–
Dr. Stefan Kampmann	334,600	336,000	1,465,794	1,131,310
Former members of the Managing Board				
Ingo Bank[2]	336,000	336,000	1,415,040	1,083,340

1) As of September 30, 2020/2019.
2) A commitment was made to contribute €336 thousand for fiscal year 2020 to Mr. Bank's pension in connection with his departure from the Managing Board in April 2020.

As of September 30, 2020, the present value of all defined benefit obligations for former members of the Managing Board of OSRAM Licht AG and their dependents totaled €7.1 million (previous year: €5.4 million).

Other Information

In fiscal year 2020, 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 remuneration: €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 remuneration 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 remuneration 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, his or her total remuneration is reduced. The reduction is applied to one-third of the total remuneration. This third is reduced by a percentage equal to the proportion of meetings not attended by the Supervisory Board member in question (number of Supervisory Board meetings not attended by the Supervisory Board member relative to the total number of Supervisory Board meetings in that fiscal year). 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 remuneration on a pro rata basis, with parts of months being rounded up to full months. Each member receives an attendance fee of €500 for attending meetings of the full Supervisory Board or the committees.

Based on these provisions, the remuneration in fiscal year 2020 is as follows:

Remuneration of Members of the Supervisory Board

in €

	Fiscal year 2020				Fiscal year 2019			
	Base remuneration	Additional remuneration for activities on committees[2]	Attendence fees	Total remuneration	Base remuneration	Additional remuneration for activities on committees[2]	Attendence fees	Total remuneration
Supervisory Board members of OSRAM Licht AG in office as of September 30, 2020[1]								
Peter Bauer	120,000	22,500	9,500	152,000	116,364	21,818	9,000	147,182
Klaus Abel[3]	100,000	15,000	9,500	124,500	41,667	8,333	4,500	54,500
Dr. Christine Bortenlänger	65,000	15,000	8,500	88,500	63,030	14,545	7,500	85,076
Johann Christian Eitner	10,833	–	1,000	11,833	–	–	–	–
Dr. Margarete Haase	65,000	50,000	8,500	123,500	65,000	50,000	8,000	123,000
Johann Peter Metzler	16,667	2,500	1,500	20,667	–	–	–	–
Alexander Müller[3]	65,000	15,000	8,500	88,500	65,000	15,000	8,000	88,000
Olga Redda[3]	65,000	15,000	8,000	88,000	–	–	–	–
Ulrike Salb	65,000	15,000	8,500	88,500	65,000	15,000	8,000	88,000
Dr. Thomas Stockmeier[4]	–	–	–	–	–	–	–	–
Irene Weininger[3]	65,000	10,000	7,500	82,500	65,000	10,000	7,500	82,500
Thomas Wetzel[3]	65,000	15,000	9,500	89,500	65,000	15,000	9,500	89,500
Former Supervisory Board members of OSRAM Licht AG								
Dr. Roland Busch[5]	77,160	11,574	7,000	95,735	93,939	14,091	7,000	115,030
Frank H. Lakerveld[5]	54,167	8,333	6,500	69,000	65,000	10,000	7,500	82,500
Arunjai Mittal[5]	54,167	8,333	6,500	69,000	65,000	10,000	7,500	82,500
Michael Knuth	–	–	–	–	66,667	13,333	4,500	84,500
Irene Schulz	–	–	–	–	65,000	15,000	8,000	88,000
Total	**887,994**	**203,241**	**100,500**	**1,191,735**	**901,667**	**212,120**	**96,500**	**1,210,288**

1) Peter Bauer, Klaus Abel, Dr. Roland Busch (until July 28, 2020), Dr. Christine Bortenlänger, Johann Christian Eitner (from August 3, 2020), Dr. Margarete Haase, Frank H. Lakerveld (until July 28, 2020), Johann Peter Metzler (from August 3, 2020), Arunjai Mittal (until July 28, 2020), Olga Redda, Dr. Thomas Stockmeier (from August 3, 2020), and Thomas Wetzel were also members of the Supervisory Board of OSRAM GmbH in fiscal year 2020. The Chairman of the Supervisory Board of OSRAM GmbH receives annual remuneration of €7,500 and all other members receive €5,000. No additional remuneration is paid for activities on the committees of the OSRAM GmbH Supervisory Board. The members of the Supervisory Board are paid an attendance fee of €500 for each Supervisory Board meeting in which they participate. However, there is no entitlement if the member of the Company's Supervisory Board is also a member of the Supervisory Board of OSRAM Licht AG and, on the day of the meeting in question, is already entitled to an attendance fee for participating in a meeting of the OSRAM Licht AG Supervisory Board or Supervisory Board committee. In the event of changes in the Supervisory Board of OSRAM GmbH, the remuneration 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 remuneration 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 remuneration for their activities on the OSRAM GmbH Supervisory Board in the past fiscal year: Peter Bauer as Chairman of the Supervisory Board of OSRAM GmbH €7,500, Klaus Abel €5,000, Dr. Roland Busch €3,241, Dr. Christine Bortenlänger and Dr. Margarete Haase each €4,583, Frank H. Lakerveld and Arunjai Mittal each €4,167, Johann Christian Eitner and Johann Peter Metzler each €833, and all other members of the Supervisory Board €5,000.
2) The following people each received additional remuneration for their activities on committees in fiscal years 2019 and 2020: Peter Bauer as Chairman of the Supervisory Board of OSRAM Licht AG, of the Executive Committee, and of the Strategy and Technology Committee, Klaus Abel as Deputy Chairman of the Supervisory Board and a member of the Executive Committee and the Strategy and Technology Committee (from May 7, 2019), Dr. Christine Bortenlänger as a member 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 (until July 28, 2020), Dr. Margarete Haase as Chair of the Audit Committee (since February 20, 2018) and a member of the Strategy and Technology Committee (from July 28, 2020), Michael Knuth as Deputy Chairman of the Supervisory Board and a member of the Executive Committee and the Strategy and Technology Committee (until May 7, 2019), Frank H. Lakerveld as a member of the Strategy and Technology Committee (until July 28, 2020), Johann Peter Metzler as a member of the Executive Committee and the Audit Committee (from August 3, 2020), Arunjai Mittal as a member of the Strategy and Technology Committee (until July 28, 2020), Alexander Müller, Olga Redda (from October 1, 2019), Ulrike Salb, and Irene Schulz (until September 30, 2019) as members of the Audit Committee, Irene Weininger as a member of the Strategy and Technology Committee, and Thomas Wetzel as a member of the Executive Committee and the Strategy and Technology Committee. This remuneration was paid on a pro rata basis where they assumed or ended their activities on the committees during the fiscal year in question. No remuneration is paid in respect of the other Supervisory Board committees.
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) Dr. Thomas Stockmeier waived his remuneration as a member of the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH and of their committees, including the attendance fees.
5) Dr. Roland Busch, Mr. Arunjai Mittal, and Mr. Frank H. Lakerveld stepped down as members of the Supervisory Boards of OSRAM Licht AG and OSRAM GmbH with effect from the end of July 28, 2020. By way of an order dated July 29, 2020, the Munich local court (registration court) appointed Dr. Thomas Stockmeier, Mr. Johann Peter Metzler, and Mr. Johann Christian Eitner as members of the Supervisory Board.

Members of the Supervisory Board did not receive any loans or advances from the Company in fiscal year 2020.

C.5

Non-financial Group Report

C.5.1 About this Report

This report is the non-financial report for the OSRAM Licht Group for fiscal year 2020, produced in accordance with sections 315b and 315c in conjunction with sections 289c to 289e of the HGB.

Unless otherwise indicated, all figures refer to the continuing operations of the OSRAM Licht Group[1]. At the end of fiscal year 2020, it was announced that the business of OSRAM CONTINENTAL was to be restructured. The plan is for the areas of business originally brought into the joint venture by the respective shareholder companies to be separated and transferred back to them again.

On November 5, 2020, the Supervisory Board of OSRAM Licht AG resolved to reduce the Managing Board to two members and to enter into negotiations with Dr. Stefan Kampmann, Chief Technology Officer (CTO), about terminating his contract prematurely by mutual agreement. By means of a resolution circulated to its members in writing dated November 16, 2020, the Supervisory Board approved Dr. Kampmann's resignation from the Managing Board with effect from the end of November 30, 2020, and approved the signing of a severance agreement. The Supervisory Board reallocated the responsibilities among the Managing Board members with effect from December 1, 2020, assigning to the Chairman of the Managing Board (CEO) the previous responsibilities of the CTO—including Quality Management & Operations and Environmental Protection, Health & Safety—with the exception of Procurement & Supply Chain (incl. Logistics) and Information Technology, which have been assigned to the Chief Financial Officer (CFO).

Whereas the annual sustainability report for the OSRAM Licht Group follows the standards of the Global Reporting Initiative (GRI), no framework is used for this non-financial Group report. This is due to the different definitions of materiality presented in the *CSR-Richtlinie-Umsetzungsgesetz* (CSR-RUG—German CSR Directive Implementation Act) and the GRI. However, we are guided by the definitions offered by the GRI framework for this report, for example for the definitions of key performance indicators.

The non-financial Group report covers key topics that are required to understand the course of business, business performance, and the position of the Company as well as the impact of its operational activities on non-financial aspects. A materiality analysis is used to help define the topics. Internal experts from all business units and relevant corporate functions evaluate the possible topics with regard to their business relevance and potential impacts, particularly when these impacts would be negative. The results are then consolidated in a workshop, validated, and approved by the Managing Board. The following key topics have been identified: energy efficiency, greenhouse gases and climate change, raw materials and substances, human rights, fair working conditions, occupational health and safety, people development, employee satisfaction and employer attractiveness, product safety, protection and security of personal data, customer relationships, and combating corruption and bribery.

The analysis described above was last carried out in fiscal year 2018. In fiscal year 2020, another review was conducted to determine whether the materiality analysis needed to be updated or modified due to any significant changes to key influencing factors both inside and outside the Company. The review showed that no significant changes had occurred that would be relevant to the business or have any significant negative impacts.

The non-financial report for the OSRAM Licht Group for fiscal year 2020 is subject to review by the Supervisory Board of OSRAM Licht AG. It has also been reviewed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft on behalf of the Supervisory Board in order to obtain limited assurance in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (revised).

1) OSRAM Licht AG and its subsidiaries; associates are not included.

Fiscal year 2020 for the OSRAM Licht Group was dominated by the COVID-19 pandemic. The economic ramifications are described in section › A.2.2 Events and Developments Responsible for the Course of Business in the combined management report. Non-financial aspects, for example employee health and safety, were also impacted. The pandemic caused demand in some areas to fall significantly, and production was scaled back accordingly. This affected levels of energy consumption and emissions. Information regarding the impact on the individual aspects can be found in the relevant subchapters. Page 12

C.5.2 Business Model

The OSRAM Licht Group and its business model are described in sections › A.1.1.1 Business Model and › A.1.1.3 Organization and Reporting Structure in the combined management report. Page 3 Page 6

The section › A.2.2 Events and Developments Responsible for the Course of Business also examines the economic impact of the COVID-19 pandemic. General information on the impact on the non-financial aspects can be found in › C.5.1 About this Report. Page 12 Page 169

C.5.3 Non-financial Risks

Our business activities and the relationships connected to those activities have the potential to impact negatively on the environment, employees, and society. Since fiscal year 2019, potential non-financial risks have formed part of the Company-wide survey, analysis, and follow-up of risks and opportunities by risk management and have been integrated into risk reporting › A.4.2 Report on Risks and Opportunities. No risk was identified in fiscal year 2020 that is very likely to have a serious negative impact on non-financial aspects. This includes potential risks for non-financial aspects as a result of the COVID-19 pandemic. We are closely monitoring global developments, including any possible further spread. Page 35

C.5.4 Environmental Aspects

As a global manufacturer, we are aware of our responsibility toward the environment and climate protection.

With regard to environmental aspects, the following topics were identified as key to the OSRAM Licht Group in the materiality analysis described in › C.5.1 About this Report and in consultation with the Managing Board: Page 169
- Energy efficiency,
- Greenhouse gases and climate change, and
- Raw materials and substances.

As an industrial company, we consume natural resources and emit greenhouse gases during production. In order to fulfill our responsibility, we are committed to environmental management practices that conserve resources and to developing innovative, energy-efficient products.

For example, all production facilities and the Group headquarters maintain environmental and energy management systems that are certified to the international standard ISO 14001, while all European locations are also certified to ISO 50001. As part of its environmental reporting, OSRAM collects data on indicators such as energy consumption and CO_2 emissions. The data covers 99% of our environmental impacts[2)] and the locations at which a total of 86% of all our employees are based.

Overall responsibility for environmental protection and occupational health and safety within the OSRAM Group lies with the Chief Technology Officer (CTO), who delegates tasks and managerial authority to the head of the corporate Environmental Protection, Health, and Safety department (EHS). At regular intervals, the EHS department reports directly to the Managing Board on significant developments.

The management team of OSRAM CONTINENTAL does not formally delegate responsibility for environmental protection and occupational health and safety to a department. The operational implementation is the responsibility of EHS management at OSRAM CONTINENTAL.

2) Estimates are made on the basis of energy consumption, which in the context of OSRAM's environmental impact is seen as the most relevant metric.

EHS coordinates environmental rules and guidelines, monitors performance, and continuously improves the environmental management system. In addition to the Group's overarching EHS policy, the department issues guidelines that apply across the Company and cover industrial and product-related environmental protection, occupational health and safety, the transportation of hazardous goods, and fire safety. These guidelines clearly state that compliance with environmental laws and regulations at local, regional, and global level is mandatory. As set out in our EHS policy, which is published online, this obligation also applies to mergers and acquisitions and to related reviews.

During the reporting period, a fine of over €10,000 was imposed on OSRAM for a breach of waste water law at the Wuxi (China) facility.

C.5.4.1 Energy Efficiency

Relevance

In the face of climate change, a key aspect of OSRAM's corporate responsibility is to optimize the energy efficiency of its business. As an industrial company, OSRAM uses both primary and secondary energy, with electricity and natural gas being the most important sources of energy. Of particular relevance are the production facilities, followed by the Group headquarters and larger development centers. Increasing the energy efficiency of our business also helps to reduce costs.

In addition to these optimization efforts in our manufacturing operations, OSRAM products and solutions can also help to reduce our customers' energy consumption, the resulting emissions, and energy costs. At the same time, they can make a contribution to protecting the climate. Improving the energy efficiency of our products is therefore a key criterion in our customers' purchasing decisions and satisfaction.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's Environmental Protection, Health, and Safety (EHS) department has the power to issue environmental protection guidelines, formulates policies that apply across the Group, and regularly checks that these are adhered to ❯ C.5.4 Environmental Aspects. Our business model dictates that responsibility for implementation of these central EHS guidelines lies with the business units themselves. Each business unit is also responsible for ensuring that its products are designed in an environmentally sustainable way and that energy is used efficiently both in production and when products are being used. S Page 170

Group headquarters as well as all production and development locations that consume more than 1,400 megawatt-hours (MWh) per year are pursuing energy efficiency programs in order to not only reduce their impact on the environment but also keep production costs competitive. The worldwide EHS management system controls energy use in our production processes. An energy management system is mandatory for the aforementioned OSRAM locations. This includes assessment of regulatory requirements and of potential improvement measures.

To operate our production facilities, we generally utilize an energy mix that is both economical and environmentally friendly. OSRAM does not yet distinguish between renewable and non-renewable energy for measurement and reporting purposes. In Germany, however, we can report the amount of electricity that we obtain from renewable energy sources. Relative consumption targets are set annually at location level and aggregated into a specific global target (MWh electricity used per €1 million in revenue) for energy consumption using the budgeted figures for production and revenue. At Group level, OSRAM monitors and reviews progress toward the targets as part of the quarterly reporting cycle and the energy efficiency reviews conducted with the operational heads of the business units.

We do not report on absolute targets due to our ambitions for long-term growth and the potential expansion of manufacturing capacity connected to this and due to our portfolio's shift toward products with greater vertical integration. Instead, we set our targets according to the ratio of total energy used in MWh to revenue earned. The specific metric used—MWh electricity used per €1 million in revenue—is therefore comparable over time.

We want to offer our customers transparency when it comes to improvements to the energy efficiency of OSRAM products. OSRAM conducts lifecycle assessments (LCAs) on selected products that are representative of product families and makes the results of these assessments, which are based on the ISO 14040 and 14044 environmental management standards, available to our customers and the public on the Company's website. These activities cover the majority of OSRAM's product portfolio. Across all product families, it is evident that the phase of the lifecycle in which the product is being used by the customer has the greatest impact on the environment.

Objectives

Through its energy efficiency initiatives in production, OSRAM is striving for continual improvement at its locations.

The OSRAM Licht Group's target for fiscal year 2020 was 199 MWh per €1 million in revenue, slightly lower than the previous year's level of 203 MWh per €1 million in revenue. At the time the target was set, our assumption was that market conditions would stabilize compared with 2019. The plan for fiscal year 2020 also envisaged stable capacity utilization driven by high volumes.

In the medium term, our aim remains to continually reduce the aforementioned energy consumption per €1 million in revenue across the Group ›C.5.4.2 Greenhouse Gases and Climate Change—Objectives. Ⓢ Page 173

Action Taken, Results, and Key Performance Indicators

At 663,100 MWh, OSRAM's energy consumption in fiscal year 2020 was significantly lower than the prior year (703,600 MWh).

Consumption in the first two quarters was still fairly similar to the level of the prior year, but we registered a sharp fall in the third quarter in particular. The impact of the COVID-19 pandemic is clear to see here: We were affected not only by measures imposed by the authorities such as temporary factory closures in China (extension of the public holiday for the Chinese New Year) and Italy (nationwide lockdown) but also by restrictions on the numbers of employees permitted to work in Malaysia. This affected the operations in Wuxi, Kunshan, Foshan (all China), Treviso, Bergamo (both Italy), Kulim and, to some extent, Penang (both Malaysia). Moreover, the pandemic led to a significant fall in demand, particularly in lines of business such as automotive and entertainment. As a result, OSRAM was forced to scale back production at a number of locations and introduce supplementary measures such as short-time working and periods of compulsory leave ›C.5.6.2 Fair Working Conditions. Factories closed for a number of weeks, including those in Berlin, Herbrechtingen, and Schwabmünchen (all Germany), and in the U.S.A. in Hillsboro, Warren, and Exeter. Ⓢ Page 184

A further measurable reduction in energy consumption—albeit one that had little impact on the overall assessment—resulted from the shift to remote working where this was possible. Of course, this measure was primarily aimed at reducing the risk of infection.

Energy savings were again achieved in the fiscal year under review by means of a large number of efficiency measures at our locations in all three regions. For example, we optimized ventilation, cooling water, and compressed air systems and continued to replace conventional lighting systems with LEDs. Quantitative information will be provided in our sustainability report, which is scheduled to be published in January 2021.

While absolute consumption fell slightly, as described above, a figure of 218 MWh per €1 million in revenue in fiscal year 2020 means we missed our target for energy usage in relation to revenue by nearly 10%. The impact of the COVID-19 pandemic is also evident in this indicator. Capacity utilization at our production sites decreased once again from the third quarter or even earlier, as had also been the case in the previous year. This underutilization of capacity does not correlate linearly with either the reduction in energy consumption or the decline in revenue. This is particularly the case at our semiconductor locations with high infrastructure requirements (air conditioning), which have to be maintained irrespective of the production volume.

Indicators — Energy Efficiency

in MWh

	Fiscal year	
	2020	2019
Primary energy	**156,900**	**163,600**
Natural gas	131,800	133,500
Liquefied petroleum gas, diesel for on-site use, heating oil, hydrogen	25,100	30,100
Secondary energy	**506,200**	**540,000**
Electricity	476,800	508,900
thereof share of renewable energy in %	*27*	*25*
District heating and steam	29,100	30,800
Renewable energy generated inhouse	300	300
Total (primary and secondary energy)	**663,100**	**703,600**
Target for specific energy consumption in MWh per €1 million revenue	199	194
Specific energy consumption in MWh per €1 million revenue	**218**	**203**

C.5.4.2 Greenhouse Gases and Climate Change

Relevance

Climate change is a global challenge that also affects OSRAM. The direct and indirect greenhouse gas emissions that result from our use of energy contribute to climate change and mainly take the form of CO_2. Greenhouse gas emissions also occur in our upstream and downstream value chain. OSRAM accepts this responsibility and has set itself the target of ensuring that its own operations (Scope 1 and 2) are climate neutral by 2030.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's Environmental Protection, Health, and Safety (EHS) department has the power to issue environmental protection guidelines, formulates policies that apply across the Group, and regularly checks that these are adhered to › C.5.4 Environmental Aspects. OSRAM bases its documentation and reporting on the recognized standard of the Greenhouse Gas Protocol (GHG) and the Task Force on Climate-related Financial Disclosures (TCFD) when recording CO_2 emissions under S Page 170

- **Scope 1** direct emissions from the use of energy sources,
- **Scope 2** indirect emissions resulting from the use of secondary energy sources such as electricity or district heating, and
- **Scope 3** emissions that occur further up or down the value chain that are attributable to the Company, as well as upstream and downstream in our products' lifecycle, for example emissions resulting from the use of our products.[3)]

That is why we adopt both market-based accounting ('market-based'), using the vendor-specific emission factor, and location-based accounting ('location-based'), using the regional and national grid average, when reporting our Scope 2 emissions.

Measurements of energy consumption are used to determine the Scope 1 and Scope 2 emissions. Absolute figures are documented at location level and, using the corresponding conversion factors, scaled in relation to revenue at global level.

Objectives

In November 2019, OSRAM announced a Company-wide climate objective of reducing the carbon footprint (Scope 1 and 2) of its own operations to zero by 2030. This is to be achieved through energy efficiency measures, the use of renewable energies, and, as a last resort, by compensating for any remaining emissions with certificates and associated climate protection projects. In the medium term, the plan is also to cover emissions from the upstream and downstream supply chain. OSRAM will continue to set itself annual targets for reducing its Scope 1 and Scope 2 (market-based) emissions. Consistent with our energy efficiency targets › C.5.4.1 Energy Efficiency — Objectives we have also defined a relative target for reducing CO_2 emissions in relation to revenue. This reflects the Scope 1 and Scope 2 (market-based) emissions that are attributable to OSRAM in relation to revenue. S Page 172

3) Further information regarding Scope 3 and the TCFD's recommendations will be provided in the OSRAM Licht Group's 2020 Sustainability Report, which is scheduled to be published in January 2021.

As our targets for CO_2 emissions and energy efficiency are linked, the changes mirror each other. The OSRAM Licht Group's target for fiscal year 2020 for combined Scope 1 and Scope 2 emissions was 76 metric tons per €1 million in revenue.

To implement our climate strategy, we will introduce a climate roadmap featuring specific emission values not to be exceeded. This roadmap has not yet been definitively adopted. However, we have already introduced a new KPI entitled 'Deviation from the roadmap'. For fiscal year 2020, we set ourselves the target of not emitting, in absolute terms, more greenhouses gases than we did in the previous year (265,500 metric tons of CO_2). When calculating this figure, we excluded the Chennai (India), Manila (Philippines), Augsburg, and Regensburg-West (both Germany) locations, which are no longer included in our reporting. These facilities were either sold or closed or fell below the threshold of our criteria with regard to their environmental relevance.

Action Taken, Results, and Key Performance Indicators

At 236,300 metric tons, CO_2 emissions (Scope 1 and 2, market-based) in fiscal year 2020 were significantly below the level of the previous year in absolute terms (268,900 metric tons) and also 11% below our first targeted step toward being climate-neutral (265,500 metric tons).

In order to achieve the new objective, we decided in Germany that we will now only purchase electricity obtained from renewable sources (where it is possible for us to purchase this directly). Since the start of calendar year 2020, the Regensburg, Berlin, Herbrechtingen, and Schwabmünchen locations and the Group headquarters in Munich (all Germany) have been supplied with carbon-neutral electricity.

In fiscal year 2020, around 130,100 MWh (previous year: 127,900 MWh) of all the electricity used at OSRAM in Germany came from renewable energy sources. This avoided 52,400 metric tons of CO_2 emissions (previous year: 54,300 metric tons). The share of renewable energies within overall electricity consumption rose to 27% (previous year: 25%) › C.5.4.1 Energy Efficiency, Table of Key Performance Indicators — Energy Efficiency. S Page 173

The year-on-year reduction described above, adjusted for the former locations that are no longer reported on, is the net result of several contributions: Approximately 50%, or 14,600 metric tons of CO_2, is attributable to the purchasing of electricity obtained from renewable sources in Germany. The impact of the COVID-19 pandemic and the associated decline in energy consumption also had a substantial impact, which is described in › C.5.4.1 Energy Efficiency. S Page 171 The aforementioned efficiency measures at the locations also helped to lower emissions, by 2,900 metric tons of CO_2 › C.5.4.1 Energy Efficiency, S Page 171 as did local decarbonization of the electricity grids, for example in the East China region.

Due to the issues relating to energy consumption and the achievement of the specific energy KPI outlined in › C.5.4.1 Energy Efficiency, S Page 171 the specific CO_2 target was missed by 3%, with the final figure reaching 78 metric tons per €1 million in revenue. However, this shortfall was smaller than in the previous year, primarily because of the purchase of electricity obtained from renewable sources in Germany.

Indicators — Greenhouse Gases and Climate Change

CO_2 emissions in metric tons

	Fiscal year 2020	Fiscal year 2019
GHG Scope 1 emissions	**29,200**	**30,200**
Natural gas	26,500	26,800
Liquefied petroleum gas, diesel for on-site use, heating oil	2,700	3,400
GHG Scope 2 emissions (market-based)	**207,100**	**238,700**
Electricity	200,000	231,000
District heating and steam	7,100	7,700
GHG Scope 2 emissions (location-based)	**260,500**	**279,600**
Total GHG Scope 1 and 2 emissions (market-based)	**236,300**	**268,900**
Target for metric tons of specific CO_2 emissions from own activities (Scope 1 and 2) per €1 million revenue	76	72
Metric tons of specific CO_2 emissions from own activities (Scope 1 and 2) per €1 million revenue	**78**	**78**

In fiscal year 2020, OSRAM was assessed by CDP, the world's largest climate protection ranking platform, for the second time. It improved its score from C ('awareness') to B- ('management'). OSRAM took part in the CDP survey again in fiscal year 2020. The results are expected during the course of fiscal year 2021.

C.5.4.3 Raw Materials and Substances

Relevance

A wide range of raw materials and substances are used in the manufacture of our products, some of which remain in the products. Furthermore, the OSRAM portfolio of products requires the use of materials that could be classified as conflict minerals due to their origin, for example from the Democratic Republic of Congo and neighboring countries › C.5.7 Respect for Human Rights. S Page 189

OSRAM focuses on monitoring and reducing the use of hazardous and critical substances, and generally we believe that resource-efficient use of materials is important, as this has a positive impact on the environment, reduces the cost of our products, and makes them more acceptable to customers.

We work on the basis that it should be possible to market our products anywhere in the world. The raw materials and substances used in the manufacture of our products—and remaining in them—are subject to ever-increasing regulation, which is an important factor for OSRAM in its various areas of business.

Guidelines, Responsibilities & Structures, and Processes

In order to fulfill our ambition of selling our products globally, OSRAM applies the world's strictest regulations as a global standard when it comes to the substances used in its products and the associated declarations. We deviate from this approach in local markets only to a very limited extent but always comply with local law.

In line with the OSRAM Environmental Protection, Health, and Safety policy and our Group guideline on product-related environmental protection, we are committed to responsible environmental management and the efficient use of resources, and to the development of eco-friendly processes and advanced products. The relevant rules and guidelines are issued by EHS; our business model dictates that responsibility for operational implementation lies with the business units themselves. Each business unit is responsible for ensuring that its products are designed in an environmentally compatible way and that resources are used efficiently both in production and when products are being used. At the product development stage, mechanisms are built into the processes to improve products continuously and meet legal requirements and customer specifications. EHS advises the units on legal requirements and monitors compliance.

Against a backdrop of ever stricter requirements, we use a special IT application that allows us to monitor the use of critical substances at component level and to ensure that our electrical and electronic devices are legally compliant. We refine the application continually.

The OSRAM Index List Environment (ILE) contains information on prohibited, restricted, and declarable substances. Our own developers and the suppliers of materials employed in our products use this information to help avoid, reduce, and declare the use of hazardous substances.

In order to fulfill our responsibility along the entire supply chain, we also involve our suppliers. They are required to promptly provide the necessary declarations and information for the qualification of new parts as well as for changes in relevant laws.

Responsibility for the aforementioned conflict minerals lies with Procurement, which at Managing Board level falls under the remit of the Chief Technology Officer (CTO). Because of the close association with risks of human rights abuses, this area is explained in detail in › C.5.7 Respect for Human Rights. S Page 189

Objectives

We have made it our goal to monitor the use of critical substances at component level to ensure that, in the face of increasingly strict regulatory requirements, we can sell our electrical and electronic devices around the world without further development.

We also aim to continually reduce the amount of critical raw materials and substances we use, particularly conflict minerals, and replace them with alternative materials where technically possible and commercially feasible. OSRAM strives for full transparency with regard to classic conflict minerals (and since fiscal year 2020 also cobalt) for its entire purchasing volume and is committed to dealing with the issue in accordance with OECD guidelines › C.5.7 Respect for Human Rights. S Page 189

Action Taken, Results, and Key Performance Indicators

In fiscal year 2020, we refined and improved our special IT application that allows us to continually monitor the use of critical substances and components in accordance with our global requirements. These improvements mainly concern the simplification of communications from the supply chain, in particular.

A key development was the introduction of new evaluation functions used for preparing the reports that are required by the amended European Waste Framework Directive and its implementation in the respective national laws from January 2021. In this context, the European Chemicals Agency (ECHA) developed a database called SCIP in which every product containing substances of very high concern (SVHC) must be entered. This rule puts a considerable and challenging burden on the electrical engineering industry because of the requirement to report lead, which is contained in almost all electronic equipment, and to do so as early as component level. With the exception of the retailers that actually sell the products to consumers, all companies along a supply chain that manufacture, import, or trade products are legally required to make declarations in the SCIP database.

At OSRAM, the Digital Business Unit is the most significantly affected as almost all its products are subject to the disclosure requirements. In the Automotive Business Unit, products are disclosable if they contain electronics. Traditional lamps are therefore excluded.

We were again able to significantly reduce the gaps in the information, data, and declarations provided electronically by our suppliers. This enables us to assess risks and product conformity more quickly and to react promptly and appropriately. Changes in the regulatory environment were incorporated.

In accordance with our business model, responsibility for initiatives aimed at improving the use of materials lies mainly with the individual business units. The Digital Business Unit, for example, has since 2017 gradually transitioned away from printed circuit boards (PCBs) with coatings containing heavy metal (such as silver and nickel) and now mainly uses more eco-friendly alternatives, despite the constraints that these present such as limited storage ability.

Our suppliers are required to comply and keep up to date with the regulations that are relevant to our markets. We carry out regular supplier audits to ensure that they meet this obligation, among other things. Due to the close association with human rights, all measures and results relating to conflict minerals are described in › C.5.7 Respect for Human Rights. S Page 189

C.5.5 Social Aspects

As a global brand manufacturer, we see ourselves as part of society and aim to positively influence society through our products and solutions. OSRAM has always been driven by a desire to improve people's quality of life, whether by putting the first electric lights in towns and cities over 100 years ago or by making roads safer in the mid-1920s with the first dipping headlights for cars. Today, the technological shift toward LED-based lighting systems and digitalization is opening up countless new possibilities that go far beyond the simple binary of 'light on, light off.' Our objective is to take full advantage of these possibilities. We look to maintain strong relationships with our customers and offer them quality across the board, including when it comes to product safety and data security.

With regard to social aspects, the following topics were identified as key to the OSRAM Licht Group in the materiality analysis described in › C.5.1 About this Report: S Page 169

- Product safety,
- Protection and security of personal data, and
- Customer relationships.

These topics that have been identified as key for OSRAM from a societal perspective are extremely disparate and are subject to a variety of different external factors. For this reason, they are handled separately from one another in different parts of the OSRAM organization. The growth of digitalization, and the resulting focus on data privacy, give these three topics particular relevance for OSRAM, as do the ongoing changes in the lighting market. Each topic is examined in more detail in the following sections.

C.5.5.1 Product Safety

Relevance

OSRAM strives to offer a high level of quality, safety, and reliability in its products and solutions. To ensure that we keep this promise to our customers, these principles are firmly anchored within the Company and make an important contribution to the long-term success of the business. Our customers in the automotive industry set particularly high standards that must be upheld in order to retain their business.

The lighting market is undergoing constant technological change and is not globally homogeneous. Regulations regarding product safety are often specific to individual countries. In order to bring our products to market quickly while also complying with all rules and regulations, we need to coordinate these requirements at global level and take them into account at an early stage.

Guidelines, Responsibilities & Structures, and Processes

We are committed to complying with all legal requirements, standards, and norms relating to products and their safety, including labeling, that apply in the individual regions and countries in which we operate, and to implementing changes in good time. We endeavor to identify new legal requirements, standards, and norms that are relevant to our business in a timely and routine manner and apply them to our internal product safety specifications.

Product safety at OSRAM starts with product development; it plays a role in the procurement and production process, and is a key aspect for our customers during the product lifecycle.

At Managing Board level, responsibility for product safety and quality lies with the Chief Technology Officer (CTO), who has assigned the relevant tasks and managerial authority to the head of the corporate Quality Management department. The corporate Quality Management department is responsible for setting up and maintaining a quality management system, for issuing rules that apply across the Group, and for routinely monitoring compliance with these rules. Our core practices are described in the quality policy, which is publicly available. The guidelines and processes cover, for example, product safety and how this is taken into account in product development, and how we deal with defective products and any necessary escalation measures. Operational responsibility for implementing legislation and internal rules regarding product safety and quality lies with the CEOs of the individual business units. At regular intervals, the Quality Management department reports directly to the CTO on significant developments. The CTO is also informed immediately of any incident that has been classified as a critical quality issue by the responsible business unit.

Significant developments and critical issues at OSRAM CONTINENTAL are reported to the CEO, who reports to the shareholders via the Advisory Board.

When a matter relevant to product safety is reported, we immediately check and assess risks using a risk assessment matrix. The EU General Product Safety Directive (GPSD, 2001/95/EC), which sets out a structured framework for risk assessment, provides the global basis for our evaluation of potential product safety violations and of action plans to remedy such violations. As soon as any product safety risks are identified, appropriate processes are triggered to contain and eliminate these risks as quickly as possible. Relevant internal and customer-oriented measures have been specified and may result in information being provided to customers or even a product recall.

Our processes and management systems are regularly certified to ISO 9001 and, for automotive customers, also to IATF 16949. In addition, OSRAM conducts regular internal audits of its factories, processes, and suppliers so that deficiencies can be identified and corrected at an early stage, before customers are affected. Most new suppliers from whom products are purchased directly are audited as part of the preparations for entering into a business relationship as prescribed by VDA 6.3.

Objectives

OSRAM markets its products worldwide. One of our most important objectives is to ensure that our products do not cause anyone harm.

Action Taken, Results, and Key Performance Indicators

We had our processes and management systems recertified to ISO 9001 in fiscal year 2020. All locations supplying automotive customers were additionally certified to IATF 16949. Due to travel restrictions imposed by governments and local authorities to contain COVID-19, some audits were postponed to a later date. This was done in consultation with our certification body TÜV Süd.

In fiscal year 2020, the Quality Management department received no indications of potential violations concerning the impact of our products on the health or safety of our customers and therefore achieved the aforementioned objective of delivering safe products to our customers.

C.5.5.2 Protection and Security of Personal Data

Relevance

The shift in the lighting market toward semiconductor-based technologies and photonics solutions is opening up new business opportunities that OSRAM would like to take full advantage of › A.1.1.1 Business Model. This changing market is also characterized by ever greater digitalization, which presents opportunities, but also risks. The scope of personal data being processed is growing all the time as more and more web-based apps and products become available. At the same time, more and more regulatory requirements have been introduced concerning the protection, integrity, and availability of this data and information. We aim to protect any personal information that we collect and to ensure that the way it is used is in compliance with the law.

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Guidelines, Responsibilities & Structures, and Processes

OSRAM has embedded data privacy in its business principles and internal policies. The data privacy management system (DPMS) forms part of the compliance management system.

At OSRAM, the head of Group Data Privacy has the power to issue Group-wide data privacy guidelines, formulates guidelines that apply across the Group, and regularly checks that these are adhered to in the OSRAM Group companies where data privacy coordinators have been named or, if necessary, data privacy officers have been appointed. As part of the compliance organization, data privacy is a global function. The head of Group Data Privacy reports to the Managing Board on all developments. Data privacy is also routinely covered in the Chief Compliance Officer's reports to the Managing Board and the Audit Committee of the Supervisory Board.

Data protection encompasses the privacy of personal data pertaining to employees and customers, but also to our business partners and their customers. Our actions in this regard are guided by the requirements of national and international data privacy laws. Our data privacy guideline reflects these legal requirements and covers the entire Group. Applicable to all employees, it contains mandatory core principles and practical guidance for the handling of personal data and defines in more detail the general principles of data privacy set out in our Business Conduct Guidelines.

We require our employees to treat personal data and information confidentially. We also provide classroom-based and online data privacy training. The training is mandatory for employees with specific job descriptions. The global HR system is used to determine who these people are (essentially 'white collar' employees). All our business partners that handle sensitive data are required to train their employees accordingly. This applies in particular to our service providers and suppliers.

Despite the high technical and organizational security standards that we have in place, data breaches cannot be completely ruled out. OSRAM is required by law to promptly notify the relevant regulatory authorities if it is believed that a personal data breach has occurred. Suspected data breaches can be reported using the whistleblowing system 'Tell OSRAM' › C.5.8 Combating Corruption and Bribery. Reports can also be made through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager.

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Objectives

Our objective is to protect the personal data of our employees and customers, as well as that of business partners and their customers, in all our products and processes and to avoid breaches of data privacy. Numerous technical and organizational mechanisms are in place to help us achieve this.

To help us meet this challenging objective in an international and heavily regulated environment, we have defined supporting objectives. As well as looking to ensure that our policies and training materials comply with the applicable laws and regulations, we want to reach a point where any OSRAM employee who comes into contact with personal data in the course of their work undergoes regular basic training.

Action Taken, Results, and Key Performance Indicators

In fiscal year 2020, the existing DPMS was updated and integrated into the compliance management system. Existing compliance system processes were supplemented with relevant data privacy modules. For example, data privacy is now an integral component of the compliance risk assessments and the classroom-based compliance training › C.5.8 Combating Corruption and Bribery. Data privacy management, meanwhile, has become more effective and more efficient through the use of the established structures of the compliance management system.

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In fiscal year 2020, the Group-wide binding corporate rules (BCRs) were updated and their language was brought into line with the General Data Protection Regulation. Since 2013, the BCRs have provided the legal basis for the transfer of personal data between all OSRAM Group companies and are to be agreed by all Group companies with OSRAM GmbH.

The online training on data privacy, which was most recently provided in fiscal year 2018, was updated in line with the current regulatory environment in fiscal year 2020 with a view to it being carried out again worldwide at the beginning of fiscal year 2021. This is consistent with the new three-year cycle for compliance training.

At OSRAM CONTINENTAL, data privacy training was provided to 208 employees online and 19 employees face to face in fiscal year 2020.

Various means of communication were used at OSRAM to raise awareness of data privacy. The COVID-19 pandemic and associated restrictions meant it was not possible to implement all the planned measures. For example, the compliance and data privacy day in September 2020 featuring external and internal guests did not take place. Web-based internal and external communication activities such as web chats and data privacy advisory sessions were provided instead.

During fiscal year 2020, we did not receive any inquiries related to data privacy from the competent supervisory authorities. No complaints were made by customers either. We received five requests for information/erasure, which were responded to adequately and within the period of time prescribed by law. During the fiscal year under review, we did not need to report any data breaches to the competent supervisory authorities.

Indicators — Protection and Security of Personal Data

	Fiscal year	
	2020	2019
Employees (FTE)	21,400	23,500
Number of employees trained (in-person and online)	304	11,304
Data privacy-related inquiries from authorities	–	–
Customer complaints	–	–
Requests for information		
in time	5	5
not in time	–	–
Privacy incidents		
without sanctions	–	2
with sanctions	–	–

C.5.5.3 Customer Relationships

Relevance

Our customers’ requirements are changing significantly as technology shifts toward LED-based lighting systems. This transition is also resulting in a shift from a purely product-driven business to a modular and project-based business that is very different in character.

Digitalization is also becoming increasingly important within the sales and procurement channels, although we still have to contend with large differences in the degree of digitalization in specific industries and with specific customers.

Particularly in light of current changes in the industry, OSRAM strongly focuses on managing customer relationships in an efficient and targeted manner and in a way that takes advantage of the structures of the Group.

Guidelines, Responsibilities & Structures, and Processes

The operating activities covered by our business model are essentially organized into three business units: Opto Semiconductors (OS), Automotive (AM), and Digital (DI) › A.1.1.1 Business Model. Each business unit's sales function is specifically geared to the requirements of its customers and markets and, as the direct interface to our customers, has operational responsibility for sales. This business model enables us to operate in the relevant markets in a targeted and market-oriented manner.

S Page 3

The Global Sales Excellence function organizes measures aimed at further improving the efficiency of sales processes and structures across all business units. It also coordinates and implements Company-wide initiatives and projects. The head of Global Sales Excellence reports directly to the Chairman of the Managing Board (CEO).

OSRAM attaches great importance to obtaining regular and structured customer feedback on matters such as the satisfaction and loyalty of the customers involved. We continuously incorporate this feedback into the improvement of our processes and structures. Approximately every two years, a worldwide customer survey on the relevant customer touchpoints with OSRAM is carried out for all business units. Once the results of the survey have been analyzed, the business units define and implement appropriate measures.

Because of its customer and production structure, OSRAM CONTINENTAL does not participate in the OSRAM customer survey. The customers of OSRAM CONTINENTAL are individually served by a dedicated key account management system.

Objectives

One of our primary sales goals, in addition to winning new customers by breaking into new markets, is to further expand business with existing customers and to strengthen existing customer relationships so that together we can develop new business opportunities. We measure quality in this area using the Customer Loyalty Index (CLI). The CLI is calculated on the basis of responses to questions posed in the biannual customer survey regarding overall satisfaction and likelihood of recommendation and can lie within a range of 0 to 100.

Once the customer survey in fiscal year 2019 had been completed and the results analyzed, the business units defined measures specific both to particular customers and customers generally, and are now monitoring their implementation. The objective for fiscal year 2020 was to implement improvement measures derived from the 2019 customer survey.

The Next Generation Sales corporate program was initiated in fiscal year 2019 so that we can continue to serve our customers in ever-changing sales channels while at the same time reaping efficiencies in the sales process. The objective is to expand on the level of digital interaction with customers. In part through the introduction of the new B2B sales portal (online ordering system for corporate customers), we would like to further increase the proportion of revenue that is generated online beyond that achieved in fiscal year 2020; the target is 80%.

The modules that had already been launched to set up a new online ordering system for corporate customers and a customer relationship management (CRM) system were supplemented with further modules in fiscal year 2020—with the aim of being able to offer customers the full range of digital services.

Action Taken, Results, and Key Performance Indicators

The improvement measures derived from the 2019 customer survey will continue to be implemented within the business units until the next survey begins in fiscal year 2021.

In fiscal year 2020, the activities of the Global Sales Excellence function focused on optimizing existing structures and establishing sales management criteria and KPIs to be applied across the Company.

The customer segments and service catalogs defined in the previous fiscal year are in the process of being introduced in the Automotive and Digital Business Units.

We made particularly good progress with the projects related to the introduction of the B2B sales portal and CRM, with roll-out of the new sales support software having already commenced at the end of September 2019. This was implemented for the relevant business units in Europe in fiscal year 2020. A further roll-out for APAC, NAFTA, and LATAM is planned for fiscal year 2021. Various functionalities are also being worked on during this period. Additional modules (digital services management and digital marketing) were added to the scope of the project in order to provide customers with the full range of digital services and interaction options. This will also help with the COVID-19-related restrictions on direct customer contact.

Implementation was delayed on the whole, partly because of COVID-19 and partly because of the aforementioned expansion of the project scope. The approximate timeframe for implementation was therefore extended by approximately six to eight months. The overall implementation and refining of the system—as well as of the related processes—is scheduled to last around three years and is being carried out on a flexible basis.

In fiscal year 2020, we fell just short of the target defined in the Next Generation Sales program of increasing the proportion of revenue generated from orders made using digital media to 80%.

C.5.6 Employee Aspects

Our Human Resources (HR) work plays a key role in our efforts to drive sustainability. We believe that employees who are satisfied, successful, and also healthy provide the necessary foundation for achieving long-term commercial success.

With regard to employee aspects, the following topics were identified as key to the OSRAM Licht Group in the materiality analysis described in › C.5.1 About this Report and in consultation with the Managing Board: S Page 169

- Occupational health and safety,
- Fair working conditions,
- People development and, as a result of this,
- Employee satisfaction and employer attractiveness.

HR work at OSRAM is currently facing two major challenges. Firstly, the lighting industry has been in transition for a number of years now and OSRAM is becoming a high-tech player in the photonics sector › A.1.1.1 Business Model. Secondly, we are faced with an increasing shortage of skilled workers in many S Page 3 of the regions in which we operate. OSRAM's HR work is therefore hugely important to the continued success of the business, which is why the Chairman of the Managing Board (CEO) also serves as the Company's Labor Relations Director.

Human Resources is responsible for the key topics identified above, with the exception of occupational health and safety. HR at OSRAM is organized on a global basis, and overall responsibility for HR matters and HR organization lies with the Chief Human Resources Officer, who reports directly to the Chairman of the Managing Board. Occupational health and safety at OSRAM falls under the remit of the Chief Technology Officer (CTO), who has delegated this area of responsibility to the head of Environmental Protection, Health, and Safety (EHS) › C.5.6.1 Occupational Health and Safety. S Page 181

OSRAM's global HR guideline aims to establish worldwide standards in the area of HR. It contains firm rules for employees and managers on the hiring process, diversity, talent acquisition, people development, training, remuneration, and benefits.

C.5.6.1 Occupational Health and Safety

Relevance

OSRAM is committed to offering its employees a safe and healthy working environment. Minimizing the risk of occupational illnesses and accidents at work forms part of this. In this way, we not only fulfill our responsibility to society as a whole but also reduce economic losses.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's Environmental Protection, Health, and Safety (EHS) department has the power to issue guidelines related to occupational health and safety and formulates relevant policies that apply across the Group. The occupational health and safety guideline applies across the Company, and appropriate training and monitoring processes have been implemented for its compliance. As set out in our EHS policy, which is published online, this obligation to comply with relevant laws and regulations concerning occupational health and safety also applies to mergers and acquisitions and to related reviews.

Overall responsibility for occupational health and safety lies with the Chief Technology Officer (CTO), who has delegated tasks and managerial authority to the head of the corporate EHS department › C.5.4 4 Environmental Aspects. S Page 170

The Wuxi, Kunshan DO, Kunshan OSRAM CONTINENTAL, and Foshan locations (all China) as well as the locations in Penang and Kulim (both Malaysia) and Bergamo (Italy) and the headquarters in Munich (Germany) are externally certified according to the ISO 45001 standard for occupational health and safety management. Our internal guidelines require the other production facilities to also maintain a management system for occupational health and safety in accordance with the ISO 45001 standard. The plant in Foshan was additionally certified to BSCI, an internationally recognized standard for social accountability, for the first time. Compliance is monitored by internal audits. Development and sales locations with more than 50 employees operate a reduced management system and contribute data to the health and safety indicators. The EHS department includes in its reporting a selection of locations that do not quite reach this threshold but might do so in the future, and our reporting therefore covers 96% of our employees. Our responsibility for occupational health and safety also encompasses employees of external companies who are working at our locations. However, because we do not specifically record how many of them there are or how many hours they work, the aforementioned figure only covers our own permanent employees.

At the abovementioned locations, the responsible managers must carry out a risk assessment for each area of activity in accordance with internal guidelines and with the support of trained safety officers and the company doctors. Managers are also provided with regular training on these matters. The quality and completeness of the risk assessments are audited internally and externally as described above. Risks at OSRAM can be of an ergonomic, mechanical, radiation-related, or chemical nature, for example.

In addition, we have formed occupational health and safety committees in line with local legal requirements or on a voluntary basis and these committees meet regularly and in accordance with local requirements. The committees consist of representatives of local management, employee representatives, and members of the medical team. Their resolutions are recorded in corresponding minutes and adopted measures are followed up.

Furthermore, all OSRAM employees have an obligation and responsibility to be mindful of safety, at their place of work. Because we have an occupational health and safety management system certified to ISO 45001, our employees are instructed to report hazardous situations (and can do so without fear of reprisals) and know they can put themselves out of harm's way without needing to ask permission. The employees are also included in the process of creating and updating the risk assessments and of conducting a review into the incidents using 5 Whys Analysis.

OSRAM employees are informed of hazards in their workplace when they join the Company and then regularly thereafter. If they change jobs internally, they can only commence their new activities once they have been retrained.

OSRAM also attaches importance to the health and medical care of its employees outside of work. We therefore offer health insurance in countries where such insurance is not legally mandated. Comprehensive insurance is in place for business trips. The locations also offer various local programs aimed at promoting good health in general.

Our suppliers are required to adopt and sign our Code of Conduct. New suppliers must also fill out an online questionnaire on aspects of sustainability, including occupational health and safety, that is evaluated by Procurement, if necessary with the involvement of EHS. In addition, randomly selected suppliers are requested to undergo external corporate responsibility audits › C.5.7 Respect for Human Rights. We have placed greater focus on outsourced processes and their impact on environmental protection and occupational health and safety since the introduction of the corresponding ISO 14001 and ISO 45001 standards. To this end, the central EHS department worked with Procurement to develop and distribute a specific annex to the procurement policy.

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Objectives

Our goal is to offer our employees a safe and healthy workplace. In order to meet this goal, we aim to continually improve the parameters that impact on health and safety.

OSRAM records work-related injury data at its locations as a basis for calculating the internationally recognized key metrics Lost Time Injury Frequency Rate (LTIFR) and Severity Rate (SR).

Targets are set for each individual location. For LTIFR, the target is based on achieving a reduction relative to the average figure for the past three years. The SR target factors in the regional average duration of absence per injury. The regional and global targets are then aggregated from the individual values.

For fiscal year 2020, we set ourselves a global LTIFR target of 0.28 (LTIFR reported in previous year: 0.29). The SR target for fiscal year 2020 was 6.82 (SR reported in previous year: 6.04). We already expect a zero-injury rate at non-production locations.

Action Taken, Results, and Key Performance Indicators

Occupational health and safety measures were again carried out at local and global level in fiscal year 2020. They included special work safety days and newsletters that were distributed centrally and locally with the aim of improving the sharing of best practice on raising safety awareness and optimizing personal safety equipment. Unfortunately, these activities had to be heavily curtailed due to the COVID-19 pandemic. This was mainly because the pandemic led to an increase in the workload of EHS employees at the locations.

OSRAM faced up to the challenges of the COVID-19 pandemic with a war room team at Group headquarters and local crisis management teams at the locations. The team at headquarters comprised the operational heads of the business units and representatives of the Communications, HR, EHS, Travel Safety, and Procurement functions. This team reported regularly to the team leader (who reports directly to the CEO) on all matters pertaining to the crisis.

In the context of health and safety in the workplace, the focus was on preventing clusters of infection at OSRAM. Local rules and regulations were observed and implemented to this end. There were general rules for the Company as a whole. However, location-specific instructions were also issued that took into account local conditions. These measures included rules on social distancing and hygiene as well as steps to restrict contact by implementing special shift patterns and reconfiguring workstations in production areas, prohibiting travel to other OSRAM locations, requesting essential external visitors to complete a self-declaration, and asking office workers to work from home. The implementation of the measures was supported by regular communications to keep employees informed.

The success of these efforts is reflected in the fact that although there were cases of positive tests among OSRAM employees, these did not result in any clusters of infection within the workforce. This also meant that no facilities had to close for long periods for quarantine reasons or due to a public order specific to that location, but only had to close in individual cases for commercial reasons or because of a national lockdown.

For reasons of consistency, we did not adjust our KPIs for occupational health and safety, the LTIFR, or the SR, because of the pandemic. They are instead scaled in line with the contractually agreed working hours. These hours were not adjusted despite the imposition of short-time working, compulsory leave, and factory shutdowns, making it more likely that the figures would be on the low side.

However, we still failed to achieve the targets set for fiscal year 2020. The LTIFR of 0.37, for example, was clearly higher than the target figure. At 84, the number of occupational accidents significantly exceeded the 75 recorded in the previous year. The biggest factor here was an incident involving an ammonia leak in Kulim (Malaysia) that led to 28 employees having to be admitted to a local hospital for monitoring. Of the accidents reported, one was so serious that the employee in question has not recovered, or is not expected to recover, within six months.

The SR of 6.62, however, was below the target. Although we registered unusually high numbers of lost days in the Americas region, this KPI improved in the EMEA and APAC regions despite the incident in Kulim.

No fatal workplace accidents occurred in the fiscal year under review.

During the reporting period, there were no recognized cases of occupational illness (previous year: two cases).

In the reporting period, no relevant penalties or fines amounting to more than €10,000 were imposed on OSRAM for breaches of occupational safety regulations.

Indicators—Occupational Health and Safety

	Fiscal year		
	2020	2019	Target 2020
Rate of occupational accidents with days of absence LTIFR[1]	0.37	0.29	0.28
Severity rate (SR)[1]	6.62	6.04	6.82
Number of accidents resulting in absence from work	84	75	
Number of high-consequence accidents[2]	1	–	
Number of cases of recognized occupational illness[3]	–	2	

1) The LTIFR represents the number of accidents at work resulting in at least one day lost in relation to the total number of working hours during the fiscal year. The SR represents the total number of days lost in relation to the total number of working hours during the fiscal year. Both KPIs are scaled to 200,000 working hours, excluding commuting accidents.
2) Accidents that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.
3) Occupational diseases are illnesses suffered by employees as a result of their professional activity and which are recognized as such by authorities or insurance carriers. OSRAM thereby adheres to local legislation with regard to the responsible authorities and procedures to follow.

C.5.6.2 Fair Working Conditions

Relevance

Fair working conditions are a cornerstone of how we conduct our business and the basis of good and fair collaboration. We aim to offer every employee a working environment that is free from violence and discrimination, and in which each person is respected as an individual. Priorities in our efforts to create fair working conditions include, in particular, promoting diversity, fair pay and company benefits, and open and fair collaboration between employers and employees.

Having a diverse workforce is of great importance to us as a global company. We firmly believe that diversity has a positive effect on our business. Not only do relationships with international customers and suppliers require cultural awareness but diverse teams also have a strong ability to innovate. Moreover, in times where skilled workers are increasingly scarce, being able to offer an open working environment and fair pay with suitable company benefits is very important. We conduct an open and fair dialog and find an appropriate balance between the interests of employees and employers, particularly during OSRAM's current transformation phase, which involves restructuring of the workforce › C.5.6 Employee Aspects. S Page 181

Guidelines, Responsibilities & Structures, and Processes

In order to offer fair working conditions to our employees around the world, we make use of, and commit ourselves to, international frameworks such as those provided by the International Labour Organization (ILO) and the UN Global Compact. We are committed to giving our employees the right to freedom of association and the possibility of concluding collective agreements.

These and other principles, such as respect for the personal dignity, privacy, and personal rights of each individual and a zero-tolerance approach to discrimination, sexual harassment, and other personal attacks are set out in our Business Conduct Guidelines (BCG) and apply to all employees and board members. The guidelines govern our dealings with each other and with our customers, shareholders, business partners, and the public. Potential violations of the behavioral requirements set out in the BCG can be reported via the whistleblowing system 'Tell OSRAM'. All reports are followed up › C.5.8 Combating Corruption and Bribery. S Page 192 Possible breaches can also be reported through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager.

OSRAM's cultural values have been in place since 2018 and focus on how employees work together and how leadership should be organized at OSRAM.

In order to fulfill our responsibilities along the entire supply chain, we require our suppliers to comply with the rules and obligations enshrined in the OSRAM Code of Conduct for Suppliers, and in doing so to provide their employees with fair working conditions › C.5.7 Respect for Human Rights. S Page 189

Our corporate diversity activities are embedded in the HR organization. We place great value on developing our culture of diversity and on meeting the needs of the local workforce. Increasing the number of women in managerial roles is a key aspect of this.

We value our employees and treat them with respect, and part of this includes offering them fair pay. Our remuneration system is designed so that pay is commensurate with performance and does not discriminate on the basis of gender or other characteristics. It is our responsibility to comply with local legal requirements in relation to pay. In Germany, the collectively agreed remuneration system forms the basis for equal pay among workers covered by this scheme. Roles that are above the pay scale are also treated equally, with non-discriminatory criteria used to determine the level of remuneration. In addition, OSRAM uses a clearly defined incentive system to boost employee performance. Depending on the national rules and regulations, OSRAM offers discretionary benefits over and above the legal requirements in areas such as health and accident insurance, occupational pension provision, and forms of deferred compensation.

Collective agreements are in place at our largest European companies in terms of number of employees [4]. We work closely with these companies' employee representatives (whether works councils or trade unions). In Germany, for example, this has resulted in a large number of works agreements.

At OSRAM CONTINENTAL, the Code of Ethics provides guidance on how to interact responsibly with one another in the workplace. It also sets out what is expected of suppliers with regard to fair working conditions and respect for human rights.

Objectives

Our objective is to avoid incidents that represent a breach of fair working conditions. Since fiscal year 2019, it has been possible to report breaches of our principles of fair working conditions via the existing whistleblowing system 'Tell OSRAM'. The reported incidents are then analyzed so that appropriate preventive measures can be put in place.

On July 13, 2017, the Managing Board set the target for OSRAM Licht AG for the proportion of women in the first level (senior managers) and second level (employees above the pay scale) of management in Germany at 34% and 30% respectively. Both targets are to be reached by June 30, 2022. For the Group as a whole, the Managing Board set the target for both levels in Germany to be achieved by June 30, 2022, at 17.5%. Twice a year, we record the gender ratio in countries where the Group has more than 400 employees in order to increase the proportion of women in managerial roles internationally as well. Our objective is to further increase the number of women in managerial roles while taking regional circumstances into account. To achieve this objective, OSRAM exploits its cachet as a technology company in Germany to initiate and participate in activities—such as dedicated job fairs and events—that aim to make technology careers more attractive to women and girls.

Restructuring remains an essential step in OSRAM's transformation outlined above. Where job cuts are unavoidable, OSRAM strives to minimize the social impact and to consult its employees at the earliest stage possible.

In consultation with employee representatives and works councils, we responded swiftly to developments related to the global COVID-19 pandemic and endeavor to take appropriate account of employees' interests as well. Our objective is to protect the health of our employees in the workplace while also factoring in the economic climate for the Company. We are therefore looking to secure the financial situation of the Company and safeguard jobs.

Action Taken, Results, and Key Performance Indicators

A total of two indications of possible violations of the principle of fair working conditions were reported via 'Tell OSRAM' in fiscal year 2020. They were recorded and analyzed systematically, and no violations of the principle of fair working conditions were identified. We are currently continuing to work on specific prevention measures, including training and flyers, to ensure that fair working conditions can be achieved in all sectors and regions.

4) These are Germany, Italy, Slovakia, and the Czech Republic; Bulgaria is excluded.

In the past fiscal year, there were numerous activities to make technical roles at OSRAM more attractive, particularly to women and girls. The Company participated in the herCAREER job fair in Germany, for example. Events and job fairs had to be cancelled in the second half of fiscal year 2020 due to the global COVID-19 pandemic.

Globally, the share of women in first level management roles was 17% as of September 30, 2020, while the figure for the second management level was 21%. As of September 30, 2020, the proportion of women across the Group in the first and second levels of management in Germany stood at 13.9% and 17.3% respectively.

OSRAM CONTINENTAL is excluded from the calculation of the target figures for the Group as a whole.

Indicators—Share of Female and Male Employees at OSRAM

	First management level[1]		Second management level[2]		Total workforce	
	Fiscal year		Fiscal year		Fiscal year	
	2020	2019	2020	2019	2020	2019
Female	17%	15%	21%	22%	47%	46%
Male	83%	85%	79%	78%	53%	54%

1) Senior managers who belong to the executive level of the organization.
2) Managers above pay scale.

With regard to the transformation of the Company, an agreement on a socially responsible restructuring program was reached with the employee representatives in Germany in March 2020 and again in July 2020. The agreement covered the Group-wide program Fit for the Future 2 and also the consolidation of locations by moving cinema lamp production from Eichstätt to Berlin (both Germany). The talks were held not only in the committees required by the Betriebsverfassungsgesetz (BetrVG—German Works Constitution Act), such as the Economic Committee and the General Works Council, but also in a steering committee set up for this purpose. As well as members of the Managing Board, the head of Strategy, and the head of HR, the steering committee comprises representatives of the Group Works Council and of the labor union. The committee discusses developments resulting from the transformation at a very early stage and highlights the consequences for employment.

The bulk of the measures were implemented in fiscal year 2020 in line with the plan, which runs until the end of fiscal year 2021. The implementation of the program involves not only job cuts but also employee training. As such, it provides employees with the training they need to meet the new job requirements and so to be assigned to other tasks. OSRAM has made a central training budget available for this purpose. Compulsory redundancies were not required where job cuts were necessary. It was possible to implement the measures on a voluntary basis and with the minimum possible social impact. Early retirement played a particularly important role alongside termination agreements and the creation of interim employment companies.

Although OSRAM CONTINENTAL is not part of the transformation processes at OSRAM that are described in this chapter, the changes to the market conditions did prompt it to implement its own restructuring programs in fiscal year 2020.

As early as March, OSRAM reached a Group-wide agreement relating to the COVID-19 pandemic with the employee representatives in Germany. Agreements with local works councils on provisions for remote working, short-time working, factory shutdowns, and the using up of working hours credits and vacation entitlement were reached in parallel to this. Representatives on both the employee and employer side are engaged in constant dialog so that they are able to respond to new developments in the global pandemic while also taking appropriate account of employees' interests.

Short-time working was imposed at all locations in Germany. Furthermore, employees whose pay has been collectively agreed and who are contracted to work 40 hours a week had their weekly hours reduced to 35.

At many international locations, steps were taken that successfully safeguarded jobs in spite of the collapse in revenue caused by the COVID-19 pandemic. Short-time working was also imposed at our international production facilities and particularly in the factories that supply the automotive industry. A handful of sales units also imposed short-time working. These units did, however, put in place special measures such as reduced working hours, allowances in lieu of leave, reductions in working time accounts, compulsory leave, and cost savings (e.g. on operating costs). In the context of health and safety, special mention should also be made of the efforts to avoid a negative financial impact on employees as a result of potential site closures due to public orders › C.5.6.1 Occupational Health and Safety.

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C.5.6.3 People Development

Relevance

Employee training and continuing professional development are key factors in the future success of our business. OSRAM and the labor market are undergoing a transition › C.5.6 Employee Aspects. We want to keep our employees' skills up to speed with ongoing changes in industry and the workplace by providing opportunities for professional development, and thus improve their long-term engagement.

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We also believe it is part of our role as a corporate citizen to provide training for young people in many of the countries in which we operate and in doing so give them access to the world of work at an international company.

Guidelines, Responsibilities & Structures, and Processes

People development at OSRAM is an essential strategic approach to maintaining and improving our competitiveness over the long term. Our objective, based on the business-specific requirements, is to fill positions with the right people and make the best use of each employee's individual talents and skills.

People development at OSRAM includes educational and training opportunities, a range of career paths, and programs for high-potential employees.

Employees have many opportunities for professional and personal development throughout their career at OSRAM, from vocational training and the management trainee program to subject-specific training and management and specialist programs.

Human Resources (HR) is responsible for people development at OSRAM.

Our apprenticeships play a major role in securing the next generation of employees. We currently provide training in nine recognized technical trades, one commercial occupation, and six degree apprenticeships. In fiscal year 2020, 136 (previous year: 134) young people were employed at OSRAM as part of their training or degree apprenticeship, 125 (previous year: 128) of them in Germany.

In addition to providing training, OSRAM continually and systematically works on employee development. This involves a regular and structured dialog between employee and line manager. For non-pay-scale employees and selected employee groups, this forms part of the established GROW process. The process encourages close dialog between line manager and employee, and also involves senior management.

We offer our entire workforce a comprehensive general training program with numerous opportunities for professional development and skills upgrading.

A range of development opportunities are available to our employees to match their individual skills profile under the Leadership, Key Expert, and Project Management global career paths.

Employees are nominated for our high-potential programs, the aforementioned career paths, and the accompanying development programs as part of the established GROW process. The high-potential programs are used to develop our most talented individuals at global and local level.

Objectives

To remain competitive in a changing industry and employment landscape, we need to identify at an early stage the skills that the Company will need in the future so that wherever possible we are able to fill vacancies, including senior roles, internally.

Action Taken, Results, and Key Performance Indicators

We established structures and processes in fiscal year 2019 to ensure that we can adequately fill our management positions, and we regularly review and adapt these as required. The global talent management strategy that was developed as a result was successfully introduced throughout the Company in fiscal year 2020. A new recruitment tool was also launched and extensively implemented in fiscal year 2020.

In fiscal year 2020, OSRAM invested €3.51 million (previous year: €7.53 million) in its employees' continuing professional development. The expenditure for fiscal year 2020 was below the level of the previous year because the COVID-19 pandemic prevented many of the activities from being carried out.

The COVID-19 pandemic also meant that some of the planned classroom-based seminars had to be switched to virtual sessions at short notice, while others had to be cancelled or postponed to the new calendar year. The existing program of virtual training courses was expanded. Particularly in light of our Company's current transformation, it is important to provide our employees with the opportunity to learn new skills in areas such as digitalization and agile working.

The COVID-19 pandemic also had an impact on the career paths, with the related development programs having to be postponed to fiscal year 2021 because of the restrictions. This affected all dates in the respective programs from March 2020.

Development review meetings encompassing different levels of management were affected too. They were suspended in fiscal year 2020. The nominations were made as a result of individual discussions or meetings between management and HR involving only a small number of people.

The local program for high-potential employees, GoFurther!, the global program for high-potential employees, and the recently launched Executives program were all successfully implemented in fiscal year 2020.

The general deterioration of the markets, driven in part by the COVID-19 pandemic, was also reflected in the number of appointments to management positions. The number of new appointments fell from a total of 291 in fiscal year 2019 to 264 in fiscal year 2020. The proportion of these appointments that were made from within the Company edged up from 75.6% in fiscal year 2019 to 78.0% in fiscal year 2020.

Indicators — Recruitments to Management Positions

	Fiscal year	
	2020	2019
Number of recruitments — senior management positions[1]	22	37
thereof internal recruitments	16	31
Number of recruitments — management positions[2]	242	254
thereof internal recruitments	190	189
Number of recruitments — total management positions	**264**	**291**
thereof total internal recruitments	**206**	**220**

1) Senior managers who belong to the executive level of the organization.
2) Managers above pay scale.

C.5.6.4 Employee Satisfaction and Employer Attractiveness

Relevance

Our employer attractiveness, i.e., how we are perceived internally and externally as an employer, is a key determinant of the long-term success of the organization, particularly in light of our transformation and the increasing shortage of skilled workers › C.5.6 Employee Aspects. We believe that employee satisfaction and our attractiveness as an employer are indicators of how we treat our employees, and is heavily influenced by › C.5.6.1 Occupational Health and Safety, › C.5.6.2 Fair Working Conditions and › C.5.6.3 People Development.

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Guidelines, Responsibilities & Structures, and Processes

We have defined an employer positioning that is aligned with our corporate goals and that provides a strategic framework for our HR work. This is set out and described in an employer branding guide[5)] in order to provide uniform standards across the Group.

The main way in which we gauge employee satisfaction and engagement is by carrying out a global survey. To obtain further feedback from employees, we hold regular events such as town hall meetings with OSRAM's management and run webcasts with the Managing Board and other members of management. We incorporate the feedback received into our HR work, which we strive to continually improve based on what our employees tell us.

OSRAM also regularly takes part in or supports training days, graduate fairs at universities, and other relevant events in order to communicate our employer positioning and present OSRAM as an employer of choice.

Objectives

During the Company's current transformation, our objective is to match the employee satisfaction levels of other companies that are undergoing change, with a view to maintaining our already strong appeal as an employer in the labor market.

In terms of employer attractiveness, our objective for fiscal year 2020 was to continue to hold Top Employer certification from external institutes and to remain highly popular with the target group of potential employees. We also set ourselves the goal of revising our global careers website in order to maintain our appeal and target prospective applicants even more effectively. Although our recruitment activities were scaled back due to the significant decline in demand and the economic consequences, we continue to compete for talent in the STEM disciplines[6)].

Action Taken, Results, and Key Performance Indicators

The employee survey originally planned for fiscal year 2019, and delayed to fiscal year 2020, was not carried out due to various developments. The COVID-19 pandemic, in particular, had a significant impact on the day-to-day work of our employees. A regular survey would therefore not have provided any comparable results. The takeover by ams was, and still is, a prominent topic. To provide optimum support for the necessary changes, global 'pulse checks' are carried out with a random selection of employees instead of a worldwide survey of the entire workforce. Every six weeks or so, these are used to gauge the current mood and identify employees' information requirements.

The pandemic-related restrictions meant that the physical dialog formats that had previously been used, such as town hall meetings, became much more digital in nature and were carried out virtually.

The target of retaining our Top Employer certification was achieved in fiscal year 2020, with certificates awarded in Germany, China, Malaysia, and the U.S.A. In addition, we received an award for our new careers website from market research company Potentialpark, which named it the third-best careers website in Germany. This ranking represented an improvement of 45 places compared with the previous year. The mobile version of the site was ranked sixth. In the overall rankings for global recruitment communications, we came in 13th place worldwide.

The COVID-19 pandemic led to a number of job fairs either being cancelled or postponed to 2021.

C.5.7 Respect for Human Rights

Relevance

As an international company with diverse products and complex global value chains, we know that our business relationships present the risk of human rights violations, especially for potentially more vulnerable groups such as migrant and temporary workers. Furthermore, the OSRAM portfolio of products requires the use of materials that could potentially be classified as conflict minerals due to their origin, for example from the Democratic Republic of Congo and neighboring countries. To a very small extent, for example in a traditional automotive product line, cobalt is used in OSRAM products › C.5.4.3 Raw Materials and Substances. S Page 175

5) The guide is not applicable to OSRAM CONTINENTAL.
6) STEM stands for science, technology, engineering, and mathematics.

We do not tolerate any form of modern slavery, child labor, forced labor, or human trafficking, whether within our own business or at our suppliers and business partners. We have also put processes and policies in place to ensure that standards for environmental and social accountability are met by our own locations and by our suppliers.

Guidelines, Responsibilities, Structures, and Processes

We outline our approach to respecting human rights in the OSRAM human rights policy. We respect and support internationally recognized human rights at all of our locations and are committed to the principles of the United Nations Human Rights Charter, which we actively support as a member of the UN Global Compact.

The human rights of OSRAM employees are enshrined in the Business Conduct Guidelines and the human rights guideline. The latter is based on the Universal Declaration of Human Rights, the United Nations' Guiding Principles for Business and Human Rights, the fundamental conventions of the International Labour Organization, and the principles of the UN Global Compact. We place an obligation on all OSRAM employees to implement the guideline in an appropriate way in their area of responsibility.

HR coordinates our due duty of care with regard to human rights and our employees. The head of HR (Chief Human Resources Officer) reports directly to the Chairman of the Managing Board (CEO), who also serves as the Labor Relations Director. The HR department has the power to issue human rights policies and coordinates how compliance with these policies is monitored.

In the past fiscal year, a process for continually monitoring human rights risks and appropriate management processes was implemented in order to produce an annual risk assessment. It incorporates not only macroeconomic factors but also internal risk factors. The process is also integrated with enterprise risk management, meaning that human rights risks can be reported within the enterprise risk management process. Questions regarding human rights risks are also included in the company level control questionnaire, which is used in the annual evaluation of the local control system of all consolidated entities by the relevant CEOs and CFOs.

Once a year, an internal stakeholder workshop usually takes place at which various functions analyze the results of the risk assessment together with HR in order to identify measures and initiatives for the organization and workforce. The specified risk areas are also reviewed to check they are up to date. Unfortunately, the COVID-19 pandemic prevented the workshop from being held in fiscal year 2020.

If violations occur, they can be reported using the whistleblowing system 'Tell OSRAM' › C.5.8 Combating Corruption and Bribery. Reports can also be made through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager. All indications are systematically analyzed and any necessary measures are initiated. S Page 192

In order to fulfill our responsibility along the entire supply chain, we also involve our suppliers in the process. We place a duty on them to comply with the rules and obligations of the OSRAM Code of Conduct for Suppliers, which includes respect for human rights and ensuring that compliant working conditions are in place. We use various instruments and processes to help our suppliers implement our Code of Conduct for Suppliers and to monitor compliance with it. Based on the analysis of our procurement volume with regard to social risks, each year a selection of suppliers are requested either to submit an up-to-date corporate responsibility audit or to have it carried out, or to prove compliance with corporate responsibility requirements by means of equivalent certifications (ISO 14001 in combination with ISO 45001). In summer 2020, we joined the Responsible Business Alliance (RBA), an industry coalition of leading electronics companies that have committed to abiding by a code of conduct focused on sustainability and to improving aspects of corporate social responsibility. Since becoming a member, we have been using the RBA's online platform to track audits and are gradually updating our existing process. As a first step, we linked up with the suppliers that are already registered on the RBA's online platform and in doing so were given access to their RBA audits, which all apply the RBA VAR (validated audit report) standard. Measures derived from the RBA audits that have been carried out are sent directly to the supplier via RBA Online. The supplier can make updates on the platform and customers such as OSRAM can monitor progress in implementing the measures.

The OSRAM portfolio of products also requires the use of materials that are classified as conflict minerals due to their potential origin › C.5.4.3 Raw Materials and Substances. In order to fulfill our human rights responsibilities in this area too, we have put in place appropriate due diligence processes for procurement. Since fiscal year 2020, we have also been reviewing our supply chains according to the status of cobalt smelters used and have been asking relevant suppliers of ours for this information. S Page 175

Responsibility for the issue of conflict minerals lies with the Procurement department, which is assigned to the Chief Technology Officer (CTO) and reports directly to him. OSRAM has been a member of the Responsible Minerals Initiative (RMI) since 2017. The sharing of information and insights within the RMI is helping us to continuously improve our due diligence on conflict minerals. RMI training materials are available to our suppliers via an online training portal. When purchasing raw materials, OSRAM makes sure that it uses qualified sources. For example, all our directly commissioned smelters for conflict minerals are RMI certified.

Objectives

Our aim is to regularly review the Group-wide guideline regarding respect for human rights against developments in the regulatory environment and adapt it as required.

The avoidance of human rights abuses is a key objective for us. As well as investigating each notification of a potential breach of human rights, for example those that are submitted to OSRAM via the whistleblower system ‘Tell OSRAM’ or any of the other aforementioned channels, our goal is to systematically analyze notifications of suspected cases and derive appropriate measures from them. This is how we aim to raise awareness of this important topic within the organization and prevent human rights violations.

Our work with suppliers was significantly affected by the COVID-19 pandemic. Together with our suppliers, we sought to minimize the economic and the resulting social impact of the pandemic on all stakeholders. During the pandemic, we largely dispensed with external audits in order to protect the health of all concerned, to take account of travel restrictions, and to avoid burdening suppliers with the additional workload required by the audits. This is why fewer corporate responsibility audits than normal were carried out in fiscal year 2020.

We strive for full transparency with regard to conflict minerals, including cobalt, for our entire purchasing volume and are committed to dealing with the issue in accordance with the OECD Due Diligence Guidance for Responsible Mineral Supply Chains. For a number of years, we have been working on investigations into country of origin and on due diligence checks of the smelters in our supply chains. Our long-term objective is to establish the conflict-free status of all products within the portfolio. We have already achieved this status for the product portfolio of the Opto Semiconductors Business Unit, and strive to maintain it in the future.

Action Taken, Results, and Key Performance Indicators

Our departments continued to monitor the relevant national and international legal frameworks on human rights in fiscal year 2020. This resulted in us reformulating our statement on the Modern Slavery Act so that it also covers the future requirements of other countries.

In fiscal year 2020, human rights were the subject of an internal audit for the first time. The audit focused on the degree of awareness of the human rights guideline among the workforce.

A global human rights training program was also developed. Implementation of the program is scheduled to commence in fiscal year 2021.

As part of our activities to promote respect for human rights, we also pursue region-specific topics that are identified by our risk analysis. For example, we hosted a virtual event for our HR colleagues in China in order to provide information on the subject of human rights. We also organized a session aimed at sharing best practice between Germany and China. Other activities were cancelled due to the COVID-19 pandemic.

Employees of OSRAM CONTINENTAL worldwide are trained on their duty of care with regard to human rights on the basis of the Code of Ethics.

In fiscal year 2020, we did not receive any indications of human rights breaches via the whistleblowing system ‘Tell OSRAM’.

The COVID-19 pandemic prompted us to focus on the resilience of our global supplier network in fiscal year 2020. An intensive consultation process took place with the aim of minimizing the economic fallout in our supply chain and working with our suppliers to come up with sustainable solutions. With only a few exceptions, we managed to keep the supply chain running and therefore ensured the continuation of the business relationships, albeit with lower volumes.

We largely dispensed with external corporate responsibility audits because of the COVID-19 pandemic. The geographical focus of the audits and self-assessments that were carried out in spite of this remained on China and Malaysia in fiscal year 2020.

The vast majority of our products do not contain cobalt. In fiscal year 2020, as a further step toward having a conflict-free supply chain for this substance, a cobalt reporting template was drawn up for the few products of ours that do contain cobalt (see due diligence description above). The template creates transparency in the supply chain by facilitating the sharing of information on the country from where the minerals originate and the smelters that are used. As a result of adopting the template, we have now achieved transparency in the majority of our products with regard to the use of cobalt.

Overall, we have not yet been able to fully establish, together with our suppliers, the secured conflict-free status of our entire portfolio.

C.5.8 Combating Corruption and Bribery

Relevance

OSRAM is committed to preventing corruption and bribery as well as to fair competition. We believe that sustainable business success can be achieved only through lawful and responsible practices. Bribery and corruption are an impediment to functioning markets and hold back economic growth and the development of the affected society. Our open corporate culture and the established and effective compliance management system are of key importance in our efforts to combat corruption and bribery.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's compliance management system is designed to prevent possible violations of the applicable anti-corruption and antitrust laws. The Business Conduct Guidelines set out mandatory rules for employees that are aimed at tackling corruption and ensuring appropriate competitive behavior. They are supplemented, and defined in more detail, by the compliance guideline. The compliance management system follows the management system methodology described in the IDW AsS 980 assurance standard.

From an organizational perspective, the compliance management system consists of employees at the headquarters and in the regions. The Compliance department has the power to issue guidelines, specifies content and processes, and regularly monitors compliance. The Chief Compliance Officer reports directly to the Chairman of the Managing Board (CEO), who is the member of the Managing Board responsible for compliance. As part of its remit to supervise management functions, the Supervisory Board monitors the effectiveness and appropriateness of the compliance management system. At OSRAM, this task is assigned to the Supervisory Board's Audit Committee, to which the Chief Compliance Officer reports on current developments and potential risks on a quarterly and ad hoc basis.

Compliance risk assessments focused on anticorruption and antitrust law are regularly carried out in selected entities and areas of the business in order to identify compliance risks at an early stage and make continuous improvements to the Group-wide compliance management system. An in-depth compliance check also forms part of the decision-making process for mergers and acquisitions. In addition, the management teams of each entity and the compliance organization conduct regular controls, for example of tool-based processes for dealing with business partners and hospitality. These controls form part of our internal control system.

OSRAM has several tools at its disposal for dealing with corruption-related risks. For example, we use the Corruption Perceptions Index to review and classify our business partners according to the prevalence of corruption in the country in which they operate. We use an external provider's database to check whether there are any indications that the partner is involved in corruption, fraud, or other criminal acts. We also require our partners to adhere to rules aimed at preventing corruption. Our suppliers must sign the Code of Conduct for Suppliers, which prohibits corruption and bribery.

Another element of OSRAM's compliance management system is the whistleblowing system 'Tell OSRAM', which employees and third parties can use to report breaches of compliance rules, anonymously if they so wish. Reports can also be made through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager. All reports are followed up. Retaliation against whistleblowers will not be tolerated. If there is specific evidence, internal compliance investigations are conducted. Once the investigation is complete, the Compliance department recommends measures to address any identified deficiencies and monitors their implementation. In the event of misconduct on the part of our employees, OSRAM may take disciplinary action in accordance with labor law.

A further key component of our compliance management system is our employee training program, as part of which we conduct classroom-based and online training sessions focused on anticorruption and antitrust law. The training is mandatory for employees with specific job descriptions. The global HR system is used to determine who these people are (essentially 'white collar' employees).

Regular communication activities are carried out to raise awareness among employees and to strengthen the compliance culture. They highlight the commitment of management to compliance and the relevance of compliance to OSRAM.

Objectives

Our overarching objective is to systematically combat corruption and bribery, to follow up on all suspected breaches, and to enforce consequences if a breach is confirmed.

In order to meet this objective, we need an effective compliance management system that reflects the organizational structure and business model of the OSRAM Licht Group as well as the relevant regulatory environment.

A modern training program is a key component of our compliance management system. That is why we want to reflect the current regulatory environment in our classroom-based and online training sessions, and provide our employees with the most comprehensive training possible. However, our compliance organization always ensures the focus is on the organizational structure and business model of our Group.

Action Taken, Results, and Key Performance Indicators

The adequacy, implementation, and effectiveness of the OSRAM Licht Group's compliance management system (anticorruption and antitrust modules) was certified without qualification in accordance with the IDW AsS 980 assurance standard in October 2019.

We reconfigured our compliance organization in April 2020, incorporating insights from the successful review of the compliance management system. This organizational change also allowed the Compliance Officer to focus more on the business units and their business models.

To strengthen our compliance responsibility on the supplier side too, we joined the Responsible Business Alliance (RBA), an industry organization that is committed to driving social responsibility among companies that are involved in global supply chains › C.5.7 Respect for Human Rights. S Page 189

Targeted communication measures were taken in fiscal year 2020 to raise awareness among our employees. For example, a newsletter featuring relevant compliance content was published on the intranet and sent to all managing directors of Group companies as well as other management personnel. However, the COVID-19 pandemic and associated restrictions meant it was not possible to implement all the planned measures. For example, the compliance and data privacy day in September 2020 featuring external and internal guests could not take place.

To improve the documentation and traceability of our classroom-based and online courses, all mandatory compliance training courses were made available worldwide via our learning management system (LMS) in the middle of fiscal year 2020 › C.5.6.3 People Development. The process for running the training was also automated. A three-year cycle was set for all training courses and the target group was extended to all 'white collar' employees. S Page 187

The following table provides information on our anticorruption training activities.

Indicators — Compliance Training focusing on Anti-Corruption

	Fiscal year	
	2020	2019
Employees (FTE)	21,400	23,500
Number of employees trained (in-person and online)	4,426	6,686
thereof in EMEA	1,729	2,722
thereof in APAC	2,377	2,588
thereof in Americas	320	1,376

There were 26 reports of possible compliance violations in fiscal year 2020 (previous year: 27). In total, two cases had disciplinary consequences in fiscal year 2020 (previous year: six).

Indicators — Compliance Incidents [1)]

	Fiscal year	
	2020	2019
Employees (FTE)	21,400	23,500
Reports on possible compliance violations	26	27
Compliance investigations (substantial)	17	14
Cases with disciplinary consequences	2	6
Closed incidents from previous reportings	23	31

1) Compliance incidents encompass especially all plausible allegations of a violation of criminal or administrative law related to OSRAM's business activities.

C.6

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the non-financial group report 2020 of OSRAM Licht AG. The following text is a translation of the original German Independent Assurance Report.

To OSRAM Licht AG, Munich

We have performed a limited assurance engagement on the separate non-financial group report of OSRAM Licht AG according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), consisting of the disclosures in chapter C.5 "Non-financial Group Report" as well as the sections A.1.1.1 "Business Model", A.1.1.3 "Organization and Reporting Structure", A.2.2 „Events and Developments Responsible for the Course of Business" and A.4.2 "Report on Risk and Opportunities" in the group management report being incorporated by reference (hereafter non-financial group report), for the reporting period from 1 October 2019 to 30 September 2020. Our engagement did not include any disclosures for prior years.

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial group report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial group report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial group report that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial group report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on As-surance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial group report of the Company has been prepared, in all material respects, in accordance with §§315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between September and November 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial group report, the risk assessment and the concepts of OSRAM for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial group report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial group report,
- Identification of likely risks of material misstatement in the non-financial group report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas, e.g. Environmental Protection, Health and Safety, in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial group report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial group report.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group report of OSRAM Licht AG for the period from 1 October 2019 to 30 September 2020 has not been prepared, in all material respects, in accordance with §§315c in conjunction with 289c to 289e HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with OSRAM Licht AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, November 26, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Hans-Georg Welz
Wirtschaftsprüferin (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

C.7

The Managing Board's Closing Statement on the Dependency Report

To protect the minority shareholders and the company's creditors, the managing board of a dependent stock corporation is required, if no control agreement has been entered into, to prepare a report on the company's relationships with affiliated companies in accordance with section 312 of the AktG. OSRAM Licht AG is a dependent company due to ams Offer GmbH's equity investment of approximately 68.77%. There was no control agreement as of the reporting date. The Managing Board of OSRAM Licht AG therefore prepared a report on the relationships with affiliated companies containing the following closing statement:

> "With regard to the legal transactions and measures in the reporting period from July 9, 2020, to September 30, 2020, which are detailed in the report on the relationships with affiliated companies, we declare that OSRAM Licht AG received appropriate consideration for each legal transaction entered into and was not disadvantaged by the measures that were taken or not taken, based on the circumstances known to us at the point in time when the transactions took place or when the relevant measures were taken or not taken."

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This annual report is also available in German. Additionally, it 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.

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