

Search Result

Name	Area	Information	V.-Date
OSRAM Opto Semiconductors limited liability company Regensburg	Accounting / financial reports	Annual financial statements for the financial year from October 1st, 2018 to September 30th, 2019	09/16/2020

OSRAM Opto Semiconductors limited liability company

Regensburg

Annual financial statements for the financial year from October 1st, 2018 to September 30th, 2019

Independent auditor's report

To OSRAM Opto Semiconductors Limited Liability Company

Audit opinions

We have the annual financial statements of OSRAM Opto Semiconductors Limited Liability Company, Regensburg, - consisting of the balance sheet as of September 30, 2019 and the profit and loss statement for the financial year from October 1, 2018 to September 30, 2019, as well as the notes, including the presentation of the accounting and valuation methods - examined. In addition, we examined the management report of OSRAM Opto Semiconductors GmbH for the financial year from October 1, 2018 to September 30, 2019. In accordance with German legal regulations, we have not examined the content of the declaration on corporate governance in accordance with Section 289f Paragraph 4 of the German Commercial Code (HGB) contained in Section 4.2 of the management report (information on the quota of women).

According to our assessment based on the findings gained during the audit

- The attached annual financial statements comply in all material respects with the German commercial law regulations applicable to corporations and, taking into account the German principles of proper accounting, provide a true and fair view of the assets and financial position of the company as of September 30, 2019 and its earnings situation for the financial year from October 1, 2018 to September 30, 2019 and
- The attached management report provides an accurate picture of the company's situation overall. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the above-mentioned declaration on corporate governance in accordance with Section 289f Paragraph 4 HGB (information on the quota of women).

In accordance with Section 322, Paragraph 3, Sentence 1 of the German Commercial Code (HGB), we declare that our audit did not lead to any objections to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the German principles of proper auditing established by the Institute of Public Accountants (IDW). Our responsibilities under these regulations and principles are further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report" section of our auditor's report. We are independent of the company in accordance with German commercial and professional law and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our opinions on the annual financial statements and the management report.

Other Information

The legal representatives are responsible for the other information. The other information includes the declaration on corporate governance contained in Section 4.2 of the management report in accordance with Section 289f Paragraph 4 of the German Commercial Code (information on the quota of women).

Our opinions on the annual financial statements and management report do not cover the other information and accordingly we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and to assess whether the other information

- have material discrepancies with the annual financial statements, management report or our knowledge obtained during the audit or
- otherwise appear to be materially misrepresented.

If, based on the work we have carried out, 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 context.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law regulations applicable to corporations in all material respects, and for ensuring that the annual financial statements present a true and fair view of the assets and finances, taking into account the German principles of proper accounting - and earnings situation of the company. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German accounting principles in order to enable the preparation of annual financial statements that are free from material misstatements, whether intentional or unintentional.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility to disclose matters relating to the continuation of the company's operations, where relevant. In addition, they are responsible for accounting based on the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for preparing the management report, which as a whole provides an accurate picture of the company's situation and is consistent with the annual financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development .

Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to be able to provide sufficient appropriate evidence for the statements in the management report .

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the annual financial statements and the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements - intentional or unintentional - and whether the management report as a whole provides a fair view of the company's situation and is consistent with the annual financial statements in all material respects is consistent with the findings obtained during the audit, complies with German legal requirements and accurately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Adequate certainty is a high level of certainty, but is not a guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the German principles of proper auditing established by the Institute of Public Accountants (IDW) will always uncover a material misstatement. Misstatements may result from fraud or inaccuracy and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these annual financial statements and management report.

During the audit, we exercise due discretion and maintain a critical attitude. Over and beyond

- We identify and assess the risks of material - intentional or unintentional - misstatements in the annual financial statements and the management report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk that material misstatements will not be detected is higher for fraud than for error, as violations may involve fraudulent collusion, forgery, intentional omissions, misleading statements or the override of internal controls;
- We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of expressing an audit opinion on the effectiveness of these to hand over systems to society;
- we assess the appropriateness of the accounting methods used by the legal representatives and the reasonableness of the estimated values and related information presented by the legal representatives;
- We draw conclusions about the appropriateness of the going concern basis of accounting applied by the legal representatives and, based on the audit evidence obtained, whether there is a material uncertainty related to events or circumstances that cast significant doubt on the Company's ability to continue as a going concern can raise. If we come to the conclusion that a material uncertainty exists, we are obliged to draw attention to the relevant information in the annual financial statements and the management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit report. However, future events or circumstances may result in the Company no longer being able to continue as a going concern;
- We assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements represent a true and fair view of the assets, financial and financial situation, taking into account the German principles of proper accounting, and earnings situation of the company;
- we assess the consistency of the management report with the annual financial statements, its legal compliance and the picture it conveys of the company's situation;
- We carry out audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient, appropriate audit evidence, we particularly evaluate the significant assumptions on which the legal representatives base the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the forward-looking information or the underlying assumptions. There is a significant, unavoidable risk that future events may differ materially from those contained in the forward-looking statements.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Munich, November 20, 2019

Ernst & Young GmbH
auditing company

Keller, auditor

Ehrnböck, auditor

Balance sheet as of September 30, 2019

Active

	30.09.2019	30.09.2018
	TEUR	TOR
A. Fixed assets		
I. Intangible assets		
1. Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	7.850	10.820
2. Goodwill	2.421	2.717
3. Deposits paid	7.025	6.683
	17.296	20.220
II. Tangible assets		
1. Land, property rights and buildings including buildings on third-party land	154.027	80.880
2. Technical systems and machines	220.456	201.384
3. Other facilities, operating and office equipment	53.397	47.607
4. Advance payments made and assets under construction	53.443	203.295
	481.323	533.166
III. Financial investments		
Shares in affiliated companies	60.939	60.939
	559.558	614.325
B. Current assets		
I. Supplies		
1. Raw materials, auxiliary materials and operating materials	23.168	19.095

	30.09.2019	30.09.2018
	TEUR	TOR
2. Work in progress	16.084	24.383
3. Finished products and goods	6.389	8.455
	45.641	51.933
II. Receivables and other assets		
1. Trade receivables	74.381	88.861
- of which with a remaining term of more than one year EUR 0 thousand (previous year: EUR 21 thousand)		
2. Claims against affiliated companies	8.738	9.313
3. Other assets	11.338	8.712
	94.457	106.886
III. Bank balances	134	661
	140.232	159.480
C. Prepaid expenses	2.788	2.788
	702.578	776.593
Passive		
	30.09.2019	30.09.2018
	TEUR	TOR
A. Equity		
I. Drawn capital	5.000	5.000
II. Capital reserves	57.605	57.605
III. retained earnings		
Other retained earnings	26.954	26.954
	89.559	89.559
B. Provisions		
1. Provisions for pensions and similar obligations	80.522	69.936
2. Other provisions	61.687	52.930
	142.209	122.866
C. Liabilities		
1. Trade payables	60.402	119.859
2. Liabilities to affiliated companies	363.888	417.138
3. Other liabilities	41.579	19.768
- of which from taxes TEUR 3,788 (previous year: TEUR 3,588)		
- of which within the framework of social security TEUR 816 (previous year: TEUR 812)		
	465.869	556.765
D. Prepaid expenses	4.941	7.403
	702.578	776.593

Profit and loss statement for the financial year from October 1, 2018 to September 30, 2019

	2018/19	2017/18
	TOR	TOR
1. Sales revenue	1.699.344	1.985.538
2. Manufacturing costs of the services provided to generate sales revenue	-1.457.433	-1.490.376
3. Gross profit from sales	241.911	495.162
4. Research and development costs	-204.760	-216.458
5. Distribution costs	-51.960	-53.771
6. General administrative costs	-22.487	-21.732
7. Other operating income	10.613	24.749
8. Other operating expenses	-18.172	-31.283
	-286.766	-298.495
9. Participation results	-13.861	-26.718
- of which from affiliated companies EUR -13,861 thousand (previous year: EUR -26,718 thousand)		
10. Other interest and similar income	0	3
- of which from affiliated companies EUR 0 thousand (previous year: EUR 3 thousand)		
11. Interest and similar expenses	-9.197	-6.448
- of which to affiliated companies EUR 2,213 thousand (previous year: EUR 1,187 thousand)		
	-23.058	-33.163
12. Taxes on income and profits	-352	-651
13. Earnings after taxes	-68.265	162.853
14. Profits (-) and losses (+) transferred based on a profit and loss transfer agreement *	68.265	-162.853
15. Annual net income	0	0

* Profit transfer amount to OSRAM GmbH, Munich, for 2018/19 is EUR 68,265,475.53 (previous year: EUR -162,853,493.42)

Appendix as of September 30, 2019

I. Basis of the financial statements of OSRAM Opto Semiconductors Limited Liability Company, Regensburg

General Information

OSRAM Opto Semiconductors Limited Liability Company (hereinafter: "OSR" or "the Company"), Regensburg, meets the size criteria of a large corporation in accordance with Section 267 Paragraph 3 Sentence 1 HGB. The company is registered in the commercial register of the Regensburg District Court under HRB 8522 and has its registered office at Leibnizstrasse 4 in Regensburg, Germany.

The annual financial statements as of September 30, 2019 were prepared in accordance with the accounting regulations for corporations of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG) taking into account the law regarding limited liability companies (GmbHG) and are in thousands of euros (TEUR). specified. The amounts are rounded commercially.

The items summarized in the balance sheet and the profit and loss statement are shown separately in the notes and explained where necessary.

II. Accounting and valuation principles

Balance sheet

Capital assets

Intangible assets, if acquired for a consideration, are capitalized at acquisition cost and amortized on a straight-line basis over a maximum of five years or the contractually agreed longer useful life. In the year of acquisition, depreciation occurs pro rata temporis. Unscheduled depreciation is carried out if the impairment is expected to be permanent.

The capitalization option in accordance with Section 248 Paragraph 2 Sentence 1 of the German Commercial Code (HGB) is not used for self-created intangible fixed assets. Development costs are therefore immediately recognized in full as expenses for the period.

Derivative goodwill is capitalized in accordance with Section 246 Paragraph 1 Sentence 4 of the German Commercial Code (HGB) on the basis of the difference by which the consideration paid for the takeover of a company exceeds the value of the individual assets less liabilities and is calculated on a straight-line basis over 10 years (according to (§ 253 Para. 3 Sentence 4 HGB). In the year of acquisition, depreciation is carried out pro rata temporis. Unscheduled depreciation is carried out if the impairment is expected to be permanent.

Tangible assets are valued at acquisition or production cost less scheduled depreciation and any unscheduled depreciation. Investment grants received are deducted from the acquisition costs. The scheduled depreciation of property, plant and equipment is generally carried out using the straight-line depreciation method over the normal useful life. In certain cases, the declining balance depreciation method applies to asset additions made before October 1, 2010. In these cases, the straight-line depreciation method is used as soon as it leads to higher depreciation. In the year of acquisition, depreciation occurs pro rata temporis. Unscheduled depreciation is carried out if there is likely to be a permanent reduction in value. Write-ups based on the requirement to recover value are made up to the amortized cost if the reasons for a permanent impairment no longer exist.

Movable fixed assets that can be used independently in 2019 and are subject to wear and tear will be fully depreciated in the year of acquisition at acquisition or production costs of up to EUR 250 (previously EUR 150). For additions whose acquisition or production costs are more than EUR 250 (formerly EUR 150), but not more than EUR 1,000, a collective item (depreciation pool) is created, which is broken down on a straight-line basis over a depreciation period of five years. The full depreciation rate is always used in the year of acquisition.

Useful lives of property, plant and equipment

Factory and commercial buildings	20 to 50 years
Technical equipment and machinery	Mostly 10 years
Other equipment, factory and office equipment	3 to 8 years

Financial assets are valued at acquisition cost. Depreciation on investments is made if the impairment is expected to be permanent. Write-ups based on the requirement to recover value are made up to the original acquisition cost if the reasons for a permanent reduction in value no longer exist.

Current assets

Raw materials, supplies and supplies as well as merchandise are stated at acquisition cost or at the lower fair value. Products are valued at manufacturing costs. In accordance with Section 255 Paragraph 2 of the German Commercial Code (HGB), the production costs include, in addition to the individual material and production costs as well as the special costs of production, appropriate parts of the necessary material and production overhead costs as well as appropriate parts of the depreciation of the fixed assets. General administrative costs as well as expenses for company social facilities, voluntary social benefits and company pension schemes are not capitalized. Interest on borrowed capital is also not capitalized. Writedowns for inventory risks are made to an appropriate and sufficient extent.

Receivables and other assets are stated at nominal value. Identifiable risks are taken into account by creating individual value adjustments; The general credit risk is taken into account by a general value adjustment.

Prepaid expenses

Active and passive deferred items are valued at their nominal value.

Asset and income and expense accounting

Assets that serve exclusively to fulfill certain obligations from pension commitments and arrears from part-time retirement obligations and are not accessible to all other creditors (plan assets within the meaning of Section 246 Para. 2 HGB) are valued at OSR at fair value (market value). rated. Income and expenses from these assets are offset against the expenses from compounding the corresponding obligations and shown in interest income. Furthermore, these assets are offset against the underlying obligation. If an excess obligation arises, this is recorded under provisions. If the value of the assets exceeds the obligations, it is shown as an active difference from the asset offset.

Within the framework of part-time retirement contracts in the form of the block model (Section 2 Paragraph 2 AltTZG) (Partial Retirement Act) in accordance with Section 8a AltTZG, the employer is obliged to appropriately protect the accumulated credit balance against the risk of insolvency (insolvency protection of the arrears). Since October 1, 2010, OSR has joined the Mercer trust model to secure assets. These earmarked assets meet the requirements for assets subject to netting in accordance with Section 246 Para. 2 HGB (cover assets). Offsetting the backlog with assets that serve exclusively to fulfill it resulted in an excess obligation in the 2018/2019 financial year.

Provisions for pensions and similar obligations

The company evaluates the benefit obligations from pension commitments based on biometric probabilities with the settlement amount determined using the actuarial projected unit credit method. The pension provisions and similar obligations are in accordance with Section 253 of the German Commercial Code (HGB) assuming a pension trend of 1.60% (previous year: 1.75%) pa and a salary trend of 2.25% (previous year: 2.25%) pa educated. The biometric probability of death is based on the 2018 G mortality tables from Prof. Dr. Klaus Heubeck perishes. The ten-year discount rate of 2.82% (previous year: 3.34%) pa was used as of September 30, 2019.

The provisions for pensions and similar obligations include the full pension entitlements from pension benefits as well as the entitlements to transitional grants of the various employee groups. The company's provisions include the OSRAM defined contribution pension scheme (BOA), the old pension commitment programs closed in 2004, the transition grants and deferred compensation. As part of the deferred compensation programs, the additional pension option was replaced in 2002 by a new deferred compensation program.

As part of the deferred compensation option, employees can acquire a supplementary pension claim against the company. As part of this program, employees' salaries are converted into fund shares. These deferred compensation fund assets meet the requirements for offsetting with the underlying obligation in accordance with Section 246 Paragraph 2 of the German Commercial Code (HGB).

The pension provisions that relate to deferred compensation are calculated from the sum of the employees' claims discounted using the discount rate.

For information on offsetting obligations against assets and on offsetting income and expenses, see "II. Accounting and valuation principles" under the section "Offsetting assets and income and expenses".

Other provisions

The other provisions take into account all uncertain liabilities and impending losses from pending transactions. They are set at the amount necessary for fulfillment based on reasonable commercial judgment (ie including future cost and price increases). Provisions with a remaining term of more than one year are discounted using the average market interest rate for the past seven financial years, as determined and announced by the Deutsche Bundesbank.

For warranty cases, individual provisions are created for known customer-specific individual risks and a flat-rate provision based on the average value of warranty expenses incurred in the last 36 months.

In addition, according to the Employee Invention Act (ArbnErfG), employees have a legal right to appropriate remuneration as soon as the employer has made use of the service invention. For this purpose, a provision is created at the OSR. When assessing the provision, the sales of the product, the relevance of the invention to the product and the employee's share in the invention are taken into account.

liabilities

Liabilities are stated at their settlement amount on the balance sheet date.

Currency conversion

Assets and liabilities denominated in foreign currencies are generally converted using the average spot exchange rate on the balance sheet date. If their remaining term is one year or less, the conversion differences are recognized in profit or loss. Foreign currency receivables and liabilities with a remaining term of more than one year are recognized at amortized cost, taking into account the imparity principle. The conversion of fixed assets and inventories acquired in foreign currency is generally carried out at the average spot exchange rate at the time of the transaction.

Derivative financial instruments

To protect the company against currency risks, forward exchange transactions are concluded if risks arise from business transactions in foreign currencies. Balance sheet items in foreign currency, pending transactions and planned sales are secured within the specified risk limit. Risks from raw material price fluctuations are also hedged through precious metal futures. Derivative financial instruments that are concluded for planned sales of the next financial year, precious metal transactions and other pending transactions are valued in accordance with the imparity principle, i.e. a provision for impending losses from pending transactions is created for negative market values; positive market values are not recognized. The valuation of the derivative financial instruments and the determination of the fair values are dependent on the market values available on the balance sheet date.

Profit and loss statement

The OSR prepares the profit and loss statement in accordance with Section 275 Paragraph 3 of the German Commercial Code (HGB) using the cost of sales method.

Sales revenue

Sales revenue includes revenue from the sale of products and from the provision of services by the corporation less sales deductions and sales tax as well as other taxes directly related to sales. Sales revenue is recognized in accordance with the realization principle when risk is transferred or when the service is provided. In addition, revenue is generated from the granting of licenses.

Taxes on income and earnings

In the 2018/2019 financial year, there was an income tax group with OSRAM GmbH, Munich, Germany (hereinafter OSRAM GmbH). Furthermore, OSR was the income tax controlling entity of OSRAM OLED in the 2018/2019 financial year. Tax levies were not levied. Deferred taxes on differences between commercial law and tax law valuations of assets, liabilities and prepaid expenses are taken into account in the controlling company's financial statements.

Taxes on income are essentially creditable foreign withholding taxes.

Explanations to the balance sheet and the profit and loss statement

Explanations to the balance sheet

1. Fixed assets

The development of the individual items of fixed assets, including the depreciation for the financial year, is shown in the statement of fixed assets as of September 30, 2019 in the appendix to the notes.

The additions to intangible assets amounting to EUR 1,043 thousand are mainly due to licenses acquired for a fee.

The additions to property, plant and equipment in this financial year amount to EUR 54,767 thousand (previous year: EUR 189,372 thousand). Due to the IPCEI funding received in the amount of EUR 48,096 thousand, the additions to property, plant and equipment were recorded proportionately reduced by the grants received. This led to negative additions to advance payments made and assets under construction in the fixed assets statement. In this financial year, depreciation on property, plant and equipment amounted to EUR 57,629 thousand (previous year: EUR 48,493 thousand).

In addition to the scheduled depreciation of EUR 61,596 thousand (previous year: EUR 52,220 thousand), there were no unscheduled depreciation of fixed assets in the financial year or the previous year.

The shares in affiliated companies as of September 30, 2019 include significant investments in the following companies with corresponding information on equity, annual results and share of capital:

	Equity ¹	Annual result ¹	Shareholding
OSRAM Opto Semiconductors Inc., Sunnyvale, USA	TOR 49,956 (i. Vj. TEUR 44.144)	TOR 2.921 (i. Vj. TEUR 7.132)	100 %
OSRAM Opto Semiconductors Sdn. Bdh. Penang, Malaysia	TOR 322,963 (i. Vj. TEUR 266.519)	TOR 42,652 (i. Vj. TEUR 30.536)	100 %
OSRAM Opto Semiconductors Asia Ltd., Hong Kong, China	TOR 151,149 (i. Vj. TEUR 115,700)	TOR 16,708 (i. Vj. TEUR 10.496)	100 %
OSRAM OLED GmbH, Regensburg, Deutschland	TOR 1,375 (i. Vj. TEUR 1.375)	TOR 0 ² (i. Vj. TOR 0) ²	100 %
OSRAM Opto Semiconductors (China) Co., Ltd., Wuxi, China ³	TOR 188,380 (i. Vj. TEUR 148.649)	TOR 16,477 (i. Vj. TEUR 20.492)	100 %
OSRAM Opto Semiconductors Trading (Wuxi) Co., Ltd., China	TOR 1,059 (i. Vj. TEUR 242)	TOR 811 (i. Vj. TEUR 95)	100 %
OSRAM Opto Semiconductors Ltd., Yokohama, Japan	TOR 2,769 (i. Vj. TEUR 1.231)	TOR 1,327 (i. Vj. TEUR 1.207)	100 %
OSRAM Opto Semiconductors Ltd., Seoul, Korea	TOR 3.132 (i. Vj. TEUR 1.230)	TOR 1,937 (i. Vj. TEUR 1.139)	100 %
OSRAM Opto Semiconductors Ltd., Taipei, Taiwan	TOR 1,710 (i. Vj. TEUR 826)	TOR 1.407 (i. Vj. TEUR 662)	100 %
Vixar Inc., Plymouth, USA ⁴	TOR 71.431 (i. Vj. TEUR 68.011)	TOR -881 (i. Vj. TEUR -2.154)	100 %

¹ The values of the foreign subsidiaries correspond to the values from the IFRS group reporting in local currency. The equity was converted at the average spot exchange rate on the reporting date, and the annual result was converted at the average exchange rate for the 2018/2019 financial year.

² After loss absorption. ³ Held indirectly. ⁴ Held indirectly.

2. Supplies

The finished products amounted to EUR 2,205 thousand as of September 30, 2019 (previous year: EUR 3,969 thousand). The inventory of merchandise amounts to EUR 4,184 thousand (previous year: EUR 4,486 thousand), which essentially consists of LED merchandise from affiliated companies. The value adjustments on inventories amounted to EUR 9,541 thousand in the 2018/2019 financial year (previous year: EUR 11,612 thousand).

3. Receivables and other assets

The receivables from affiliated companies essentially include sales tax receivables from OSRAM Licht AG due to the existing sales tax group (EUR 6,516 thousand, previous year: EUR 6,474 thousand). Other assets mainly include tax refund claims and claims for grants from research and development projects.

4. Equity

The company's subscribed capital of EUR 5,000 thousand (previous year EUR 5,000 thousand) is held 100% by OSRAM GmbH, Munich.

The reserves, unchanged from the previous year, relate to the capital reserves of EUR 57,605 thousand and other retained earnings of EUR 26,954 thousand.

The annual result as of September 30, 2019 will be transferred in full to the sole shareholder OSRAM GmbH, Munich, in accordance with the control and profit transfer agreement.

The amount of the amounts blocked from distribution within the meaning of Section 268 Paragraph 8 Sentence 3 HGB before offsetting against the freely available reserves as of September 30, 2019 is EUR 757 thousand (previous year: EUR 604 thousand) and refers to the fair value of the fund shares exceeds the acquisition costs.

5. Provisions for pensions and similar obligations

OSR employees have the opportunity to take part in a voluntary deferred compensation plan (deferred compensation - regulations for company pension schemes through deferred compensation for employees in the OSRAM Licht Group). It is possible to exchange future variable remuneration for a supplementary company pension scheme, whereby the employee receives a pension promise of the same value for the retained part of the remuneration. The salary components converted as part of this plan are invested in fund shares that serve only to cover the resulting pension obligations and are not accessible to other creditors. Due to the separation and earmarking of these fund assets, the requirements pursuant to Section 246 Para. 2 HGB are met. The fund assets are valued at fair value in accordance with Section 253, Paragraph 1, Sentence 4 of the German Commercial Code (HGB). The acquisition costs of the fund shares in the portfolio amount to EUR 2,608 thousand as of September 30, 2019 (previous year: EUR 2,568 thousand). The fair value of the fund shares as of September 30, 2019 is EUR 3,365 thousand (previous year: EUR 3,172 thousand) and the offset bank balances are EUR 301 thousand (previous year: EUR 274 thousand). The interest expense amounts to EUR 147 thousand (previous year: EUR 12 thousand), the income from the fund assets amounts to EUR 150 thousand (previous year: income from the fund assets: EUR 448 thousand). The settlement amounts as of September 30, 2019 of the corresponding pension provisions amount to EUR 3,671 thousand before netting (previous year: EUR 3,455 thousand). The difference in accordance with Section 253 Paragraph 6 of the German Commercial Code (HGB) between the recognition of provisions for pension obligations based on the corresponding average market interest rate from the past ten financial years and from the past seven financial years amounts to EUR 8,563 thousand in the financial year (previous year: EUR 8,760 thousand).

6. Other provisions

The other provisions essentially include provisions for legal disputes amounting to EUR 11,130 thousand (previous year: EUR 529 thousand), for warranties amounting to EUR 10,377 thousand (previous year: EUR 12,406 thousand), and for inventor compensation amounting to EUR 10,193 thousand (previous year: EUR 10,193 thousand). Previous year EUR 9,141 thousand), for vacation in the amount of EUR 4,942 thousand (previous year EUR 5,065 thousand), for partial retirement in the amount of EUR 4,927 thousand (previous year EUR 4,220 thousand), for time credits in the amount of EUR 4,834 thousand (previous year EUR 4,590 thousand), for an anniversary in the amount of EUR 4,514 thousand (previous year: EUR 4,114 thousand) and for impending losses in the amount of EUR 3,695 thousand (previous year: EUR 3,351 thousand). The increase in provisions for legal disputes is due to three new legal disputes that originated in the past financial year.

The provision for the backlog in the context of partial retirement in the amount of EUR 4,006 thousand (previous year: EUR 2,929 thousand) was offset against the assets. This has a fair value of EUR 3,383 thousand as of September 30, 2019 (previous year: EUR 1,773 thousand). The acquisition costs of the assets to be offset as of September 30, 2019 amount to EUR 3,397 thousand (previous year: EUR 1,803 thousand).

As of September 30, 2019, this resulted in a provision after the asset offset of EUR 623 thousand (previous year: EUR 1,155 thousand).

7. Liabilities

As in the previous year, the reported trade payables to third parties have a remaining term of less than one year. This also applies to liabilities to affiliated companies, with the exception of a liability for stock awards in the amount of EUR 774 thousand (previous year: EUR 0 thousand), the remaining term of which is over 5 years.

Trade payables to third parties decreased by EUR 59,457 thousand to EUR 60,402 thousand (previous year: EUR 119,859 thousand). This decline is due in particular to the decline in investments.

Liabilities to affiliated companies essentially include liabilities to the shareholder from OSRAM cash management of EUR 382,520 thousand (previous year: EUR 196,543 thousand). These have increased compared to the previous year, primarily due to the decline in sales and the negative business development. There are also liabilities to the shareholder from precious metal leasing amounting to EUR 23,551 thousand (previous year: EUR 9,596 thousand). Receivables against the shareholder in the amount of EUR 68,265 thousand from the assumption of losses for the financial year are offset against the liabilities. In addition, there are liabilities from the assumption of losses amounting to EUR 14,477 thousand (previous year: EUR 26,718 thousand) to OSRAM OLED GmbH.

The increase in other liabilities of EUR 21,811 thousand to EUR 41,579 thousand is primarily due to severance payments still to be made due to strategic restructuring in the amount of EUR 20,605 thousand (previous year: EUR 0 thousand).

8. Deferred income

The deferred income item includes an advance payment received for future license grants in the 2018/2019 financial year.

Explanations to the profit and loss statement

9. Sales revenue

Sales and their development by region can be seen in the overview below:

TOR	2018/2019	2017/2018
APAC	1.009.772	1.178.020
EMEA	521.805	613.006
Americas	167.767	194.512
	1.699.344	1.985.538

The APAC region includes Asia, Australia and the Pacific. The EMEA region includes Europe, Russia, the Middle East and Africa and the Americas region includes the USA, Canada, Mexico and South America.

An analysis of sales revenue by product segment is only carried out at the level of the OSRAM OS Group. This represents the Opto Semiconductors reporting segment of the OSRAM Licht Group.

The OSR product range, which is part of the OSRAM OS Group manufacturing network, ranges from high-performance light-emitting diodes (LED), infrared diodes (IRED), semiconductor lasers and VCSELs as well as optical sensors to detectors.

10. Material costs and personnel costs

Material costs

TOR	2018/2019	2017/2018
Expenses for raw materials and supplies and for purchased goods	1.171.596	1.204.680
Expenses for purchased services	106.207	132.191
	1.277.803	1.336.871

Personnel expenses

TOR	2018/2019	2017/2018
Wages and salaries	237.318	198.827
Social security contributions and expenses for pensions and support of that for pensions	38.976	37.541
	5.401	4.850
	276.294	236.368

The cost of materials fell in connection with the reduced business volume in the financial year.

Personnel expenses do not include the expenses from the compounding of pension provisions shown in the interest result. The increase in personnel expenses is primarily due to expenses for severance payments due to strategic restructuring in the amount of EUR 31,251 thousand (previous year: EUR 162 thousand).

11. Research and development costs

Research and development (R&D) expenses fell to EUR 204,760 thousand in the financial year (previous year: EUR 216,458 thousand). This is mainly due to the restructuring and the reduction in the contractually agreed weekly working hours. Public grants amounting to EUR 10,800 thousand (previous year: EUR 2,683 thousand) were deducted from R&D expenses. For further information on research and development activities for the 2018/2019 financial year, see the management report under chapter "2.3. Research and development".

12. Selling and general administrative expenses

Selling costs essentially include expenses for marketing and sales promotion amounting to EUR 52,163 thousand (previous year: EUR 54,848 thousand). The decline is essentially due to cost reductions. Due to the offsetting of opposing items within sales costs, this information is higher in monetary terms than the corresponding item in the income statement.

The administrative costs essentially include expenses from OSRAM GmbH's cost allocations for centrally provided services amounting to EUR 13,513 thousand (previous year: EUR 14,414 thousand).

13. Other operating income and expenses

Other operating income essentially includes income from currency translation in the amount of EUR 10,531 thousand (previous year: EUR 24,342 thousand). This is offset by the expenses from currency translation in the amount of EUR 17,537 thousand (previous year: EUR 30,449 thousand) shown under other operating expenses.

14. Participation results

In the 2018/2019 financial year, there were expenses from loss transfer of EUR 14,477 thousand (previous year: EUR 26,718 thousand), which are attributable to OSRAM OLED GmbH, Regensburg, Germany.

15. Interest result

Interest expenses include expenses from the compounding of provisions amounting to EUR 7,145 thousand (previous year: EUR 5,275 thousand), mainly for pension provisions amounting to EUR 6,809 thousand (previous year: EUR 4,894 thousand).

16. Losses transferred based on a profit and loss transfer agreement

The income from profit transfer in the amount of EUR 68,265 thousand (previous year EUR -162,853 thousand) results from the control and profit transfer agreement concluded with the sole shareholder OSRAM GmbH, Munich, Germany on March 22, 2002 and valid with effect from October 1, 2001.

17. Extraordinary expenses

Due to strategic restructuring, expenses for severance payments amounting to EUR 31,251 thousand (previous year: EUR 162 thousand) were incurred in the last financial year. An amount of EUR 10,601 thousand had to be added to the provisions for legal disputes.

Other Information

18. Income and expenses relating to other periods

Income from other periods resulted primarily from the reversal of provisions for flat-rate guarantees in the amount of EUR 934 thousand (previous year: EUR 25 thousand). Expenses relating to other periods resulted primarily from value adjustments on receivables amounting to EUR 201 thousand (previous year: EUR 257 thousand).

19. Other Financial Obligations

As of the balance sheet date (September 30, 2019), there were other non-recognized financial obligations from rental or leasing relationships amounting to EUR 33,971 thousand (previous year: EUR 35,464 thousand).

The obligations from rental and leasing contracts are expected to fall due in the following financial years:

TOR	GJ 2019/ 2020	GJ 2020/ 2021	GJ 2021/ 2022	GJ 2022/ 2023	GJ 2023/ 2024	Thereafter
Expenses for rent and leasing	4.937	4.736	4.612	4.038	3.661	11.986

In addition, as of September 30, 2019, there is an order commitment for the purchase of fixed assets in the amount of EUR 56,393 thousand (previous year: EUR 69,141 thousand) as well as other non-recognized financial obligations from other purchasing contracts in the amount of EUR 74,487 thousand (previous year: EUR 70,469 thousand). These are due within one year.

From the management's point of view, the other financial obligations do not represent any significant risks for the following financial years and arise in the normal course of business. The obligations from rental and leasing transactions serve to improve the company's liquidity compared to purchases.

As of the balance sheet date, the company is a contractual partner for derivative financial instruments with a fair value as of September 30, 2019 of a total of EUR 1,189 thousand (previous year: EUR 2,593 thousand) to hedge the currency risk and with a fair value as of September 30, 2019 of a total of EUR 83 thousand (previous year EUR -327 thousand) to

hedge purchase price risks. Unexpected exchange rate changes as part of hedging the currency risk resulted in negative effects. For these transactions, a provision for pending transactions amounting to EUR 1,189 thousand (previous year: EUR 2,920 thousand) was created if the individual contracts have a negative fair value. The 18 (previous year: 5) forward exchange contracts have a term of up to 6 months (previous year: up to 8) and a volume of TUSD 35,277 (previous year: TUSD 50,000), TEUR 10,000 (previous year: TEUR 0) and TJPY 25,000 (previous year: TJPY 732,000). To hedge purchase price risks for gold, a total of 5 (previous year: 10) contracts were concluded for a total of 1,043 (previous year: 3,820) ounces of gold, which have a remaining term of up to 5 (previous year: 5) months as of the balance sheet date. The hedging instruments are not combined into valuation units. For further information on the use of derivative financial instruments, see management report, Chapter 4.1.3 "Risk reporting in relation to the use of financial instruments".

20. Auditor's fees

The auditor's fee calculated for the financial year is not stated in accordance with Section 285 No. 17 HGB, as it is included in the information in the consolidated financial statements of OSRAM Licht AG, Munich, Germany.

21. Personnel structure

The annual average number of employees was 2,746 (previous year: 2,704). The total number is divided into 1,601 (previous year: 1,582) salaried employees and 1,145 (previous year: 1,122) commercial employees.

22. Composition of the management and the supervisory board

In the 2018/2019 financial year, management was carried out by Mr. Dieter May (Chief Executive Officer) and Mr. Robert Baumann (Chief Financial Officer). Mr. Dieter May joined the management on May 2, 2019. Mr. Robert Baumann joined the management on July 31, 2019. Ms. Ingrid Jägering left the management on July 31, 2019. Dr. Stefan Kampmann left the management on May 15, 2019.

In accordance with Section 286 Paragraph 4 of the German Commercial Code (HGB), the remuneration of the management is not disclosed.

The company's Supervisory Board is composed as follows in the 2018/2019 financial year:

Dr. Olaf Berlien, Chairman of the Executive Board of OSRAM Licht AG (Chairman of the Supervisory Board)

Mr. Ingo Bank, CFO, OSRAM Licht AG, left on May 12, 2019

Dr. Stefan Kampmann, member of the board of OSRAM Licht AG, joined on May 12, 2019

Ms. Babette Fröhlich, Head of Human Resources, OSRAM Licht AG

Mr. Francois-Xavier Gerard, Head of Accounting and Controlling, OSRAM Licht AG

Ms. Birgit Kerscher-Preis, Chief Financial Officer Business Unit Automotive, OSRAM Licht AG

Dr. Ulrich Müller, General Counsel, OSRAM Licht AG

Mr. Stephan Deichsel, works council at the Regensburg location

Herr Gerhard Maihöfner, Leiter Frontend Production, OSRAM Opto Semiconductors GmbH

Mr. Gerhard Pirner, 2nd authorized representative of the IG Metall administration office in Regensburg

Ms. Olga Redda, cashier and managing director of IG Metall Regensburg

Mr. Andreas Scheithauer, works council at the Regensburg location

Ms. Irene Weininger, chairwoman of the works council at the Regensburg location

The remuneration for the Supervisory Board in the financial year amounts to EUR 42,571 (previous year: EUR 29,083).

23. Group affiliation and exempting consolidated financial statements of the parent company

According to Section 291 Paragraphs 1 and 2 of the German Commercial Code (HGB), OSR is not obliged to prepare its own consolidated financial statements and its own group management report. OSR's annual financial statements are included in the consolidated financial statements of OSRAM Licht AG, based in Munich. The consolidated financial statements and group management report of OSRAM Licht AG, based in Munich, which meet the requirements of Section 291 Paragraph 2 HGB are prepared in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) and the supplementary ones pursuant to Section 315a Paragraph 1 HGB and filed and disclosed in the Federal Gazette, including the auditor's report, in German and deposited in the commercial register of the Munich District Court. OSRAM Licht AG therefore prepares the consolidated financial statements for the largest and the smallest group of companies.

24. Supplementary report

There were no events of particular significance after the reporting date of September 30, 2019.

Regensburg, 15. November 2019

OSRAM Opto Semiconductors GmbH, Regensburg

The Board

May

Baumann

Development of fixed assets 2018/2019

	01.10.2018 TOR	Additions TEUR	Acquisition and production costs		Rebookings TEUR	30.09.2019 TEUR
			Disposals EUR thousand			
I. Intangible assets						
1. Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	20.964	701	162		0	21.503
2. Goodwill	2.964	0	0		0	2.964
3. advance payments made	6.683	342	0		0	7.025
	30.611	1.043	162		0	31.492
II. Tangible assets						
1. Land, property rights and buildings including buildings on third-party land	127.377	6.329	50		74.201	207.857
2. Technical systems and machines	506.512	308	9.234		56.694	554.280
3. Other facilities, operating and office equipment	141.028	4.058	4.210		14.513	155.389
4. Advance payments made and assets under construction	203.295	-4.024	419		-145.408	53.444
	978.212	6.671	13.913		0	970.970

	Acquisition and production costs				
	01.10.2018 TOR	Additions TEUR	Disposals EUR thousand	Rebookings TEUR	30.09.2019 TEUR
III. Financial investments					
Shares in affiliated companies	60.939	0	0	0	60.939
	1.069.762	7.714	14.075	0	1.063.401
	Accumulated write-ups and depreciations				
	01.10.2018 TOR	Additions TEUR	Disposals EUR thousand	Rebookings TEUR	30.09.2019 TEUR
I. Intangible assets					
1. Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	10.144	3.671	162	0	13.653
2. Goodwill	247	296	0	0	543
3. advance payments made	0	0	0	0	0
	10.391	3.967	162	0	14.196
II. Tangible assets					
1. Land, property rights and buildings including buildings on third-party land	46.497	7.342	9	0	53.830
2. Technical systems and machines	305.128	37.625	8.928	0	333.825
3. Other facilities, operating and office equipment	93.421	12.662	4.091	0	101.992
4. Advance payments made and assets under construction	0	0	0	0	0
	445.046	57.629	13.028	0	489.647
III. Financial investments					
Shares in affiliated companies	0	0	0	0	0
	455.437	61.596	13.190	0	503.843
	Book values				
				30.09.2019 TEUR	30.09.2018 TOR
I. Intangible assets					
1. Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values				7.850	10.820
2. Goodwill				2.421	2.717
3. advance payments made				7.025	6.683
				17.296	20.220
II. Tangible assets					
1. Land, property rights and buildings including buildings on third-party land				154.027	80.880
2. Technical systems and machines				220.455	201.384
3. Other facilities, operating and office equipment				53.397	47.607
4. Advance payments made and assets under construction				53.444	203.295
				481.323	533.166
III. Financial investments					
Shares in affiliated companies				60.939	60.939
				559.558	614.325

MANAGEMENT REPORT for the 2018/2019 financial year

DER OSRAM Opto Semiconductors limited liability company, Regensburg

1. Business operations and structure

1.1. Business activities of OSRAM Opto Semiconductors GmbH

OSRAM Opto Semiconductors Limited Liability Company (hereinafter: "OSR", "the company" or "the company"), based in Regensburg, Germany, is one of the world's leading manufacturers of optoelectronic semiconductors and is considered one of the competencies for innovative Lighting technologies. The company has been investing in technology and quality for several decades, continuously expanding its competencies and resources and thus setting the highest international standards in the areas of illumination, visualization and sensor technology. The product range extends from high-performance light-emitting diodes (LED), infrared diodes (IRED), semiconductor lasers and VCSELs as well as optical sensors to detectors. The company is also increasingly developing and selling components with IC (Integrated Circuit) and VCSEL (Vertical Cavity Surface Emitting Laser).

At the company headquarters in Regensburg, highly complex semiconductor chips are developed and produced and products are designed for new applications. In addition to the innovation and manufacturing location in Regensburg, there are factory locations in Penang and Kulim, Malaysia, and Wuxi, China.

OSR has a broad portfolio of copyright and patent rights to protect the business and customers. The production facilities produce high-quality products using equipment and techniques developed and protected by OSR. Equipped with many patented technologies, extensive knowledge of manufacturing processes as well as a deep understanding of customer requirements, close customer relationships and highly qualified employees, the company is actively shaping these developments. Close collaboration with customers and partners constantly creates new ideas for products and lighting solutions. Not least from these collaborations, an extensive product portfolio has developed around a wide range of consumer, industrial and automotive applications as well as communication devices (mobile phones). Semiconductor light can now be found, for example, in cars (interior and exterior lighting), televisions, monitors and tablet PCs with brilliant colors, in bright projectors with razor-sharp and color-intensive images, in the form of powerful flashlights in cameras and smartphones, as well as infrared light applications, for example for biometric person recognition Smartphones. In addition, there are reciprocal license agreements with well-known LED manufacturers, under which the mutual use of patents is agreed.

The annual average number of employees was 2,746 (previous year: 2,704). Sales revenues amounted to TEUR 1,699,344 (previous year TEUR 1,985,538) and an EBIT before profit transfer (earnings after taxes adjusted for taxes on income and earnings, interest expenses and income as well as the result from investments) of TEUR -44,855 (EUR 196,667 thousand in the previous year.

1.2. Organizational and legal structure

Since July 8, 2013, OSRAM Licht AG, Munich, Germany, has been listed on the Frankfurt and Munich Stock Exchanges as the ultimate parent company of the OSRAM Licht Group and thus also OSR. The direct parent company of OSR is OSRAM GmbH, Munich, Germany, which holds a large number of subsidiaries and affiliated companies. OSR also holds eight (previous year: eight) direct 100% investments and two (previous year: one) indirect 100% participations, with which OSR together forms the subgroup referred to below as the OSRAM OS Group acts as the parent company.

In addition to OSRAM Opto Semiconductors Sdn. Bdh. Penang, Malaysia, which acts as a production facility, the OSRAM OS Group consists of the subsidiaries OSRAM Opto Semiconductors Inc., Sunnyvale, USA, OSRAM Opto Semiconductors Trading (Wuxi) Co., Ltd., China and OSRAM Opto Semiconductors Asia Ltd., Hong Kong, China (hereinafter: "OSAHK"), which act as sales companies. Since November 2012, OSAHK has held a 100% stake in OSRAM Opto Semiconductors (China) Co. Ltd., Wuxi, China. At this location, the LED chips produced in Regensburg and Penang are refined into LED packages (so-called "backend production"). In the 2016/2017 financial year, the sales companies OSRAM Opto Semiconductors Ltd., Yokohama, Japan, OSRAM Opto Semiconductors Ltd., Seoul, Korea and OSRAM Opto Semiconductors Ltd., Taipei, Taiwan were founded as 100% subsidiaries of OSR. Corresponding synergies are exploited between the companies and transactions are carried out. OSR's business activities are therefore also based on interactions with these subsidiaries. OSR also holds an indirect 100% stake in Vixar Inc., Plymouth, USA, which is seen as a strategic partner in the area of VCSEL technology.

In addition, OSRAM OLED GmbH, Regensburg, Germany (hereinafter: "OSRAM OLED") is a direct subsidiary of OSR and has been assigned to the Osram OS subgroup again since October 1, 2017. There is a control and profit transfer agreement between OSR and OSRAM OLED, which came into effect on June 10, 2014 upon entry in the commercial register, retroactively from October 1, 2013.

The OSR is organized in the legal form of a GmbH. The OSRAM OS Group is structured according to regions and business segments. The management of the subsidiaries reports to the OSR. The company has divided its global sales activities into three reporting regions: EMEA (Europe, Russia, the Middle East and Africa), the Americas (USA, Canada, Mexico and South America) and APAC (Asia, Australia and the Pacific).

1.3. Corporate strategy and management

Corporate strategy

The company's strategy is to further expand its position as one of the leading suppliers of opto-semiconductors/photonics components. In addition to the current main field of application of illumination, this also applies in particular to the new growth areas of visualization, sensing and treatment. The OSR is determined to respond successfully to the global environment in the market for opto-semiconductor components and to help shape the changes in the industry as a technology driver.

OSR's corporate strategy is divided into two core areas.

1) Driving the profitable core Illumination business through a focus on operational excellence

- Significant reduction in product portfolio, technology and production complexity
- Achieving an optimized cost position to defend the core business

2) Generate growth with new applications in the areas of visualization, sensing, treatment and higher integration through a focus on innovation and targeted investments

- Tackling technological building blocks and areas of high added value
- Expansion of required capabilities through internal development and targeted M&A

The further development of the operating model forms the basis for the strategy.

Corporate management

The financial performance indicators include, in particular, key figures that focus on sales growth, profitability, capital efficiency and cash generation. Since these are group-wide performance indicators, OSR, as the parent company of the OSRAM OS Group, is also subject to these group management instruments, which are based on the International Financial Reporting Standards (IFRS). Given the dynamic optoelectronic business environment, appropriate and rapid budget tracking through monthly forecasts is a prerequisite for success. Consistent monitoring of numerous key figures and business area developments, e.g. within the framework of a balanced score card and monthly reporting to the parent company, ensures a continuous review of the financial targets. As part of a rolling, monthly forecast, the most important key figures for each business area are forecast until the end of the year. However, separate determination and thus control of these performance indicators is only pursued at the level of the OSRAM OS Group for each business area. At the company level, the primary indicators are sales revenue and EBIT before profit transfer.

In addition to the financial key figures described, non-financial key figures are also analyzed. These include, for example, key figures relating to continuous compliance with contractually agreed delivery conditions to ensure customer satisfaction, development of inventories and monitoring the decline in product prices. Furthermore, various quality-relevant key figures are examined monthly, with the aim, among other things, of reducing incorrect PPM (parts per million) and improving the complaint rate.

In addition, numerous measures to increase productivity in purchasing and production were planned and tracked. This initiative is intended to compensate for price declines and as a basis for sustainable performance and the fulfillment of our commitment to our shareholders and our other stakeholders in terms of growth, profits and capital efficiency.

2. Business development and general conditions

2.1. Economic and regulatory framework

2.1.1. Overall Economic Development

The development of the global economy leveled off in the past financial year. In the current calendar year 2019, the OECD forecasts an increase in global GDP of 3.2%. This value is below the previous year's growth of 3.7%. The International Monetary Fund sees growth rates at a comparable level. The OECD sees global growth reaching a plateau at 3.4% in 2019 and 2020. According to the OECD, the ongoing trade conflicts and the resulting clouded mood in industry and among consumers are the main reasons for this assumption. The general uncertainty caused by unforeseen punitive tariffs and protectionist subsidies is having a negative impact on production and investment in industry. The lack of investment carries the risk of slowing down global economic growth in the future. Compared to the second half of 2018, global growth lost momentum in the first half of 2019. In particular, the economic output of some industrialized countries did not grow as strongly as expected after a moderate year in 2018. In contrast, emerging and developing countries expanded similarly to the previous year. Among the industrialized countries, economic growth in the Eurozone and Great Britain was particularly disappointing, mainly due to the ailing automotive industry. Investment in industry has also declined significantly, a result of ongoing political uncertainty (e.g. Brexit). Unlike the previous year, economic development in the USA also deteriorated, especially in the third quarter of 2019, and further fiscal stimulus is expected.

Overall growth was relatively stable in emerging and developing countries. The emerging and developing countries of Asia continued to record strong growth and benefited, among other things, from the trade conflict between the USA and China. At the same time, economic output in China fell in 2019. The Chinese government is trying to use political measures to dampen the effects of the trade conflict with the USA. In the oil-exporting countries of Africa and the Middle East, regional conflicts are causing political uncertainty and influencing the price of oil; economic growth was similar to the previous year. Growth in Latin America is recovering after a weak second half of 2018, driven by new pension reforms in Brazil, increased export activity in Argentina and positive exchange rate developments.

The exchange rate of the euro against the US dollar fell slightly and was quoted at USD 1.16 per euro on October 1, 2018 and USD 1.09 on September 30, 2019. The exchange rate of the Malaysian ringgit was MYR 4.62 at the end of the financial year (i.e. prev. MYR 4.79) per euro.

The business development of OSRAM Opto Semiconductors GmbH in the last financial year was negative and was well below original expectations. On the one hand, this is due to the global market weakening caused by the American-Chinese trade conflict, and on the other hand, the negative development can be attributed to negative trends in the automobile market and the smartphone industry. Together with a weak end market for general lighting, this means that the LED market is shrinking significantly.

2.1.2. Market for optoelectronic semiconductors & developments in the LED lighting industry

Market research institutes predict a shrinkage of the global LED market of -9.5% compared to the previous year. The negative development affects general lighting, the automotive business, screens and mobile devices. One reason for this is reduced demand in the Chinese market, fueled by the ongoing trade conflict with the USA. Mobile phone sales worldwide

have been significantly lower than generally expected, with an expected decline of 2% in 2019. The declining automotive market has also had a negative impact on the semiconductor industry. Market research institutes estimate that global production will decline by 5.8% in 2019. The current market environment is characterized by high overcapacity, driven by the decline in demand in 2019 and the massive capacity expansion in previous years, which in turn was mainly driven by Chinese competitors. Market research institutes expect an overproduction of 21% for 2019. However, the industry is reacting to the current situation and the forecast additions of MOCVD reactors in the next few years will be lower. In summary, the optoelectronic semiconductor industry experienced negative market development in 2019, driven by rapid price declines and excess production capacity.

2.1.3. Changes to regulatory requirements in the lighting industry

The last few years have been marked by extensive regulatory changes worldwide, such as the gradual phasing out of incandescent lamps and new regulations for halogen, fluorescent, high-pressure discharge and LED lamps. This development continues. In Europe, the new and planned new regulations regarding halogen lamps that have been adopted in recent years are still relevant: on the one hand, the European Commission's ban on halogen reflector lamps, which was confirmed in 2016, and on the other hand, the ban on halogen incandescent lamps that has been enforced since 2018. The latter states that, as of September 1, 2018, remaining stocks of halogen lamps may be sold, but no new incandescent lamps of this type may be imported or manufactured.

The OSR is also affected by the EU directive on waste electrical and electronic equipment ("WEEE"). The aim of the directive is to avoid waste and to reuse or recycle electrical and electronic equipment, to reduce the amount of hazardous substances in waste and to promote safe disposal. Another legal regulation (Restriction of Hazardous Substances "RoHS") in Europe restricts the use of certain hazardous substances in the manufacture of electrical and electronic devices. This regulation, which also specifies mercury limits for lamps, is a model for comparable regulations in other countries and regions. In June 2015, four additional substances from the group of phthalates (plasticizers in plastics) were included in the scope of the EU RoHS, whose non-use in electronic components and cables had to be ensured by mid-2019 at the latest. In addition, two new EU RoHS regulations will apply from July 22, 2019, which, on the one hand, stipulate that no electrical and electronic equipment in category 11 (other electrical and electronic equipment) may be brought onto the market that does not meet the requirements comply with Directive 2011/65/EU. On the other hand, the list of banned substances was expanded again to include four additional substances.

The advancing digitalization of light, Industry 4.0 and IoT (Internet of Things) bring completely new challenges in the regulatory environment. Digitalization increases the demands placed on providers in the lighting market, particularly due to the regulatory framework, e.g. B. with regard to technical standards and with regard to consumer protection or data security.

2.2. Investments in the business areas

In the 2018/2019 financial year, for strategic reasons, the priorities were not set on new buildings and investments to expand capacity, as in the previous year. This focus led to a significant reduction in investments in property, plant and equipment compared to the previous year by 96.5% from EUR 189,372 thousand to EUR 6,671 thousand. This comparison was made without taking into account the IPCEI funding received totaling EUR 48,096 thousand, which was recorded in property, plant and equipment with a reduction in acquisition costs.

2.3. Research and Development

OSR and its subsidiaries combine the entire development and manufacturing expertise for optoelectronic semiconductors as well as converter and housing materials along the entire value chain. With light-emitting diodes in the visible range, infrared LEDs and semiconductor lasers in all performance classes as well as high-quality optoelectronic detectors and sensors, OSR has the broadest product portfolio in the entire opto-semiconductor industry. A key success factor is the research and development activities focused on the following areas:

1. Ensuring competitiveness through technological leadership in a technologically changing environment,
2. Sustainable and responsible use of resources,
3. Early identification of trends,
4. New and further developments of products and
5. Continuous optimization of manufacturing processes.

Continuous investments in research and development create stable framework conditions for consistently high performance in product development and production. The company has produced groundbreaking technologies in recent years. Around 300 patent applications were filed to protect these technologies in the last financial year alone.

A particular strength of OSR is the continuous transfer of successful research and development results into production. In the 2018/2019 financial year, OSR also made significant progress in key technologies and important innovations were brought to market maturity. For example, significant efficiency improvements were achieved in LED chips and the OSLO design - in addition to luminance and reliability, efficiency is the most important factor in these technologies. An example of this is the development of quantum dot converters and their use in products for general lighting, which enabled a significant increase in efficiency without loss of light quality (CRI). Following technology megatrends, topics of heterointegration of electronic and opto-electronic components (e.g. "on-wafer" integration, "Component +", smart RGBi LEDs, etc.) as well as the implementation of highly integrated and miniaturized products (CSP, "chip-scale packages") come into focus. The development of the next generation of EVIYOS (headlight-compatible LED with more than 1,000 pixels and active control) led to the first samples with more than 25,000 pixels. There were a number of developments for the red and near-infrared spectral range that resulted in products or will be made possible in the coming financial year. The main fields of application here are horticulture, LiDAR for automotive, and VCSEL for AR/VR. In addition, new materials and processes were researched along the entire value chain (front and back end), not least to reduce the complexity of products and increase their production yield. As part of the research and development activities, there is also close cooperation with suppliers, key customers, universities and research institutions worldwide. Collaboration takes place both in joint projects or technology days (such as Supplier Enabled Innovation) and through the promotion and financial support of study, diploma and doctoral theses. A joint research laboratory (ec² - Epi Competence Center) for front-end technologies and materials exists at the Institute for Semiconductor Technology at the TU Braunschweig. These activities, which are closely coordinated with our academic network, make it possible to expand the time horizon of preliminary research (research projects, active scouting) and to inspire and recruit highly qualified employees and talents for the OSR at an early stage.

In addition to deepening and expanding know-how in the R&D area in Regensburg, the development of expertise was also continued in the foreign locations.

2.4. Supply Chain Management (control of the supply chain)

Supply chain management (SCM) includes the control of the processes of demand planning, warehousing including binning (the optimized clustering of the manufactured LEDs in terms of brightness, color location and quality), procurement, order processing and logistics. From the ongoing, rolling sales planning, the SCM determines the production planning, taking into account the existing capacities and inventories and thus makes a lasting contribution to the success of the business. In general, the main goal of SCM is to ensure the availability and quality of required materials, products and services in line with needs and costs. The central task is therefore to expand a sustainable, future-oriented and competitive supplier network and to continually improve it. Processing and procurement processes are continuously optimized and sustainably digitized and automated in order to continually increase customer satisfaction. Risks in the supply chain are largely minimized through consistent risk management. All activities are measured against compliance principles, which anchor all actions in the company in accordance with applicable regulations. They are the benchmark for action and form the basis on which the processes are designed. Furthermore, the OSR supports the positive developments of the SCM through sustainability programs. All suppliers are required to adhere to the principles of the Code of Conduct implemented throughout the OSRAM Licht Group and to promote its implementation in their own supply chain.

2.5. Production and quality management

Our own production is another important pillar of OSR's business activities. The production skills are based on long experience and the constant development of processes. The production and manufacturing facilities (factories) are located in Regensburg (Germany), Penang (Malaysia), Kulim (Malaysia) and Wuxi (China).

Sustainability plays a particularly important role with regard to the products that the company sells to its customers. In accordance with the brand promise "Innovation & Quality", the company wants to ensure that the products meet the highest quality standards of the target markets and work reliably in use. Under the name "Quality First", the OSRAM Licht Group and therefore also at OSR bundle measures that improve the products over their entire life cycle in accordance with market requirements. And this regardless of whether the value-adding steps take place in the company's own production facilities or at the suppliers' premises. Using internationally recognized quality management methods, all steps are monitored efficiently and adjusted consistently and transparently if necessary. This is regularly checked and confirmed through internal and external audits as well as certifications. By consistently implementing customer requirements, for example in the form of quality initiatives such as "OsQar" (Os Quality Automotive Reference), which are now also being used in non-automotive product lines and chip production, the company is able to maintain the high quality level of products and production processes to steadily increase.

2.6. distribution

OSR has a customer portfolio of international original equipment manufacturers (OEMs), contract manufacturers (EMS) and distributors. Not only in the sales organization, but in all units, the market and customer requirements and therefore the customer themselves are the focus of all decisions and actions. This customer orientation is continuously intensified, which was and will continue to be expanded through the customer proximity at all levels in the last financial year.

The basis for process-controlled, global sales is a high level of transparency of customer-specific business and development plans, which is achieved through a professional "key account management" approach. With an even stronger focus on continuity in structure and processes, OSR will live up to its reputation for being close to customers in the future and expand the sales organization even further. The company is expanding its internationalization strategy in sales and is focusing on the approach of operating close to the customer. In this respect, it is perceived by customers as a strong partner and can make multiple use of company-specific skills and competencies and use them even more effectively to meet market and customer requirements.

2.7. Employees

The number of employees decreased compared to the previous year from 2,809 to 2,621 as of September 30, 2019. An average of 2,746 (previous year: 2,704) employees were employed in the financial year. The company continually strives to recruit and retain the best employees.

2.8. Environment and sustainability

OSR's understanding of sustainability is based on the holistic approach of the three pillars of sustainability - economy, environment, society. Environmental management at OSR includes the sustainable use of energy, water, waste and chemicals as well as the monitoring of emissions. In addition, environmentally conscious design and recycling of products play an important role. These goals are set out in the EHS guidelines (EHS - Environmental Protection, Health Management and Safety) that are binding for society.

OSR contributes to overcoming global challenges with sustainable products and processes. In this way, we protect the environment for future generations and make both our customers' and our own businesses economically sustainable. The commitment to contribute to protecting the environment and natural resources worldwide is anchored in the OSRAM Licht Group's corporate mission statement. Energy efficient products are at the heart of global product development and business strategy. The OSRAM Licht Group issued binding environmental guidelines back in 1998 and has continually developed them further. A group-wide, process-integrated management system that is controlled centrally records environmentally relevant data from all production sites and thus makes it possible to uncover and implement potential for improvement as part of environmental controlling. The OSR has a certified management system according to ISO 14001 and ISO 50001 (energy). Sustainability is of great importance in OSR along the entire value chain, including suppliers, which also means that we can react more strongly to customer requirements.

OSR sees the opportunity to make a significant contribution to increasing energy efficiency in all lighting applications and thus to global climate protection, especially with innovative and high-quality products. Energy-efficient light sources and systems therefore represent an important pillar in climate protection.

3. Explanation of the earnings, financial and asset situation

3.1. Earnings situation

At EUR 1,699,344 thousand, sales revenue (including intra-group sales) fell by EUR 286,194 thousand or 14.4% compared to the previous year (EUR 1,985,538 thousand). The decline in sales revenue is due to a significant decline in business volume. A sharp decline in sales was recorded with the subsidiary in Hong Kong from EUR 664,373 thousand to EUR 374,255 thousand in the 2018/2019 financial year, and sales with third parties also fell by EUR 109,589 thousand.

Compared to the previous year, the order backlog as of September 30, 2019 fell. Due to the interdependencies and interactions between the companies, the development is not analyzed on the individual legal units. The OSRAM OS Group's order situation is therefore also relevant for OSR.

The significant decrease in sales revenues is only offset by a slight decrease in the costs of manufacturing the products. The manufacturing costs decreased slightly by EUR 32,943 thousand or 2.2% from EUR 1,490,376 thousand to EUR 1,457,433 thousand.

Due to the lower sales revenue in relation to the only slightly lower production costs, the gross profit from sales fell sharply by 51.1% by EUR 253,251 thousand to EUR 241,911 thousand (previous year: EUR 495,162 thousand).

The corporate strategy for the 2018/2019 financial year and the resulting cost-cutting measures led to a moderate decrease in expenses for research and development activities at EUR 204,760 thousand (previous year: EUR 216,458 thousand). As a percentage of sales, 12.0% (previous year: 10.9%) was spent on this. The expenses for research and development activities in the 2018/2019 financial year include reductions from grants amounting to EUR 10,800 thousand (previous year: EUR 2,683 thousand) from the Federal Ministry of Education and Research. The share of selling and administrative costs in sales increased to 4.4% (previous year: 3.8%) due to the reduced sales revenue compared to the previous year.

The company's result was additionally burdened by expenses for severance payments amounting to EUR 31,251 thousand and provisions for three legal disputes amounting to EUR 10,602 thousand in the financial year.

Due in particular to these developments, EBIT fell from EUR 196,667 thousand in the previous year to EUR -44,855 thousand.

The investment result improved by EUR 12,857 thousand to EUR -13,861 thousand in the 2018/2019 financial year (previous year: EUR -26,718 thousand), due to the lower loss absorption from OSRAM OLED of EUR 14,477 thousand (previous year: EUR 26,718 thousand).

Interest expenses increased by EUR 2,749 thousand to EUR 9,197 thousand, mainly due to the interest effect from the compounding of provisions for pensions and similar obligations in the amount of EUR 6,809 thousand (previous year: EUR 4,894 thousand).

Overall, in the 2018/2019 financial year, earnings before taxes (earnings after taxes adjusted for income taxes) fell by EUR 231,418 thousand from EUR 163,504 thousand in the previous year to EUR -67,914 thousand, which resulted in income from loss absorption by the parent company OSRAM GmbH EUR 68,265 thousand (previous year: expenses from profit transfer to OSRAM GmbH amounting to EUR 162,853 thousand).

3.2. Financial position

The main goal of financial management is to ensure the company's solvency, meet payment obligations and reduce financial risks. Within the OSRAM cash management system, OSR invests short-term cash surpluses and receives current account credits as part of the OSRAM Cash Management of the OSRAM Licht Group to finance its business activities. Due dates and interest agreements are standard market terms. Overall, liabilities from OSRAM cash management of OSR amounted to EUR 382,520 thousand as of the reporting date (previous year: EUR 196,543 thousand). The company does not use any external financing outside the OSRAM Licht Group.

As of the balance sheet date of September 30, 2019, equity amounts to EUR 89,559 thousand (previous year: EUR 89,559 thousand) or 12.7% (previous year: 11.5%) of the balance sheet total. While equity remained unchanged due to profit transfer, the reduced business volume in the 2018/2019 financial year had a significant impact on total assets. Both receivables and liabilities have decreased compared to the previous year.

The liquidity situation is continuously analyzed as part of the updating of liquidity planning. With regard to the scope, categories and maturities of other financial obligations, please refer to the explanations in the notes to the annual financial statements under point 18 "Other financial obligations".

For strategic reasons, no focus was placed on investments in the 2018/2019 financial year, so that the level of investment fell sharply compared to the previous year. Overall, the investments made in the reporting year amounted to EUR 7,714 thousand, excluding the IPCEI funding received totaling EUR 48,096 thousand, which was recorded in property, plant and equipment with a reduction in acquisition costs.

3.3. Asset situation

As of the balance sheet date of September 30, 2019, the balance sheet total was EUR 702,578 thousand, significantly below the previous year's level (previous year: EUR 776,593 thousand).

Fixed assets amounting to EUR 559,558 thousand (previous year: EUR 614,325 thousand) represent 79.6% (previous year: 79.1%) of the balance sheet total. Significant changes in fixed assets result from increased depreciation in the financial year amounting to EUR 61,596 thousand (previous year EUR 52,220 thousand) and comparatively minor investments made (EUR 7,714 thousand, previous year EUR 202,774 thousand) without taking into account the total IPCEI funding received EUR 48,096 thousand, which was recorded in property, plant and equipment with a reduction in acquisition costs. The investments are essentially attributable to the addition of a property acquired in the financial year in the amount of EUR 6,329 thousand after deducting a proportionate amount of IPCEI funding as well as additions to intangible assets (licenses) in the amount of EUR 1,043 thousand. Patents and similar rights, as well as process advantages and other intellectual property, are an important part of OSR's business. The technology portfolio is based primarily on our own developments.

Current assets fell by EUR 19,248 thousand or around 12% to EUR 140,232 thousand compared to the previous year. There was a significant decline in unfinished products, whose inventory fell by 34.0% to EUR 16,084 thousand (previous year: EUR 24,383 thousand). Finished products and goods also fell by 24.4% to EUR 6,389 thousand (previous year: EUR 8,455 thousand). These developments result from the significant decline in product and sales business in the 2018/2019 financial year. Raw materials, auxiliary materials and supplies, on the other hand, increased by EUR 4,073 thousand to EUR 23,168 thousand, due, among other things, to the increase of EUR 2,542 thousand in precious metals in the inventory. Compared to the previous year, trade receivables fell by EUR 14,480 thousand to EUR 74,381 thousand (previous year EUR 88,861 thousand), which corresponds to a share of current assets of around 53% (previous year around 56%). Receivables from affiliated companies also fell significantly by around 6%. As of September 30, 2019, these amount to EUR 8,738 thousand (previous year: EUR 9,313 thousand) and consist of the balance of OSRAM cash management. Other assets increased to EUR 11,338 thousand (previous year: EUR 8,712 thousand) as of the reporting date. The increase results in particular from increased demands for grants from research and development projects.

On the liabilities side, equity is unchanged from the previous year at EUR 89,559 thousand. Due to the existing profit transfer agreement with the sole shareholder, the entire annual result will be transferred to OSRAM GmbH, Munich. The increase in provisions for pensions and similar obligations by EUR 10,586 thousand to EUR 80,522 thousand (previous year: EUR 69,936 thousand) essentially results from EUR 6,809 thousand (previous year: EUR 4,894 thousand) from the compounding of the provisions. Other provisions increased by EUR 8,757 thousand to EUR 61,687 thousand (previous year: EUR 52,930 thousand) in the financial year. The provisions for legal disputes and proceedings, which fell in the previous year, increased again in the 2018/2019 financial year due to three legal disputes that occurred and amount to EUR 11,130 thousand (previous year: EUR 529 thousand). However, the provisions for warranties and risks from derivatives decreased by EUR 2,028 thousand and EUR 1,731 thousand, respectively, compared to the previous year.

Liabilities decreased by EUR 90,896 thousand from EUR 556,765 thousand to EUR 465,869 thousand. On the one hand, this results from the decline in trade payables, which fell by 49.6% to EUR 60,402 thousand (previous year: EUR 119,859 thousand) in the financial year. Liabilities from OSRAM cash management rose sharply in the financial year. An opposing effect results from a claim by OSR from the assumption of losses by OSRAM GmbH and from a lower assumption of losses by the subsidiary OLED by OSR, so that the liabilities to affiliated companies total EUR 363,888 thousand, which is around 13% below the previous year's value (previous year: EUR 417,138 thousand).

Other liabilities rose sharply by EUR 21,811 thousand to EUR 41,579 thousand (previous year: EUR 19,768 thousand); This change essentially results from severance payments due to restructuring measures in the 2018/2019 financial year amounting to EUR 20,605 thousand. In the 2018/2019 financial year, the deferred income item continues to include an advance payment received for future license grants.

The company's earnings, financial and asset situation developed as expected in the past financial year and up to the time the management report was prepared, in line with the declining business volume.

4. Report on the expected development with its main opportunities and risks

4.1. Risk management, opportunities and risks of future development

4.1.1. Risk management

OSR, as a subsidiary of OSRAM-Licht AG, Munich, Germany, is involved in group-wide risk management. As one of the world's leading manufacturers of optoelectronic semiconductors, OSR's business activities involve risks as well as opportunities. For this reason, the systematic risk management developed for the entire OSRAM Licht Group was also implemented in the OSR and is subject to constant further development against the backdrop of increasingly complex corporate structures and increasing internationality. Risk management includes a set of processes and systems that allow management to identify and assess certain risks that may jeopardize the achievement of the company's goals and opportunities and, if necessary, take appropriate action. Our risk management is designed to protect company resources from loss and identify new opportunities.

Our risk management system uses standardized methods and is designed to identify opportunities and risks, determine the impact and probabilities of a specific risk/chance, and define the responsibilities and processes for dealing with these opportunities and risks. The overarching purpose of our risk management is not to completely avoid or eliminate risks, but rather to support an entrepreneurial attitude that enables a healthy balance between risk management and exploitation of opportunities. One of the prerequisites for anticipatory risk management is the creation of transparency regarding the general risk situation, for example by providing relevant information in a timely manner at the right administrative level. We have identified a number of strategic, operational, financial, legal and compliance-related risks and grouped them into overarching topic areas. The risk management system is a continuous cycle with the aim of proactively controlling opportunities and risks. Basically, the following process stages are distinguished: "Identification", "Assessment", "Reaction", "Monitoring", "Reporting" and "Continuous Improvement".

In order to obtain a comprehensive picture of the general risk/opportunity situation, top-down and bottom-up approaches are combined. The top-down perspective involves senior management who have a broad overview of OSR business activities and are therefore addressed at multiple stages of the risk management process. The bottom-up perspective addresses individual employees who work close to day-to-day business and identify risks/opportunities from the perspective of achieving their goals. As part of risk management, various categories are defined in order to determine a systematic and standardized evaluation of the likelihood of a risk being met and its likely impact on business activities. Each risk is assigned to a risk owner. For higher risks, a catalog of measures must be created in which the desired risk level is also specified. A date is also agreed upon when a reduction in risk can be expected. The same applies to the opportunities. The opportunities and risks are updated quarterly, with the regular reporting process being carried out through internal ad hoc reporting and deposited in the corresponding OSR register.

Risks are described below which, from OSR's perspective, can have significant adverse effects on the assets, financial and earnings situation as well as the reputation. Additional risks that are not currently known or risks that are currently assessed as immaterial could also have a negative impact on business activities.

4.1.2. Risks of future development

The risks are largely unchanged from the previous year and are listed in descending order of weighting.

Macroeconomic risks - The business environment is influenced by the general conditions in the national and global economies. Various global and local factors impact sustainable overall economic development. The US-China trade dispute, as well as the crisis in the automotive industry, which is a focus of our business area, are currently having a significant impact on our business risks.

Strategic investments - The OSR aims to ensure sustainable growth in the future with the OSRAM Licht Group's growth and innovation course. To this end, OSR will invest 9%-13% of sales in capacity expansion in the medium term.

The investments are associated with risks if we do not succeed in generating sales to the extent we planned with the help of these investments. This could be the case if there is not enough demand for our future products on the market or if we are unable to win new orders. This applies, for example, to the expansion of the new semiconductor production in Kulim, Malaysia, but also if it is not possible to convert investments in research and development into new, profitable products.

In particular, the development of capacities in the area of semiconductor production depends to a large extent on the capacity utilization of production in terms of the quality of the profit margin. The current market weakness and parallel activities of our competitors are already leading to overcapacity in the market, which on the one hand is associated with underutilization of our own production, but also leads to increased price pressure in the market.

If we fail to make our strategic investments a success, this could have a significant negative impact on our business activities and our net assets, financial position and results of operations.

Strategic product planning - The technological shift towards semiconductor-based lighting brings with it shorter life cycles for our products. This leads to increased demands on the quality of strategic product planning and the speed of operational product development processes. In particular, we see the risk that processes for product planning and development are not yet sufficiently optimized to meet increased requirements. If we are unable to replace discontinued products with new product launches at the required speed, this may lead to gaps in the product portfolio and, as a result, to a lack of sales. This can also have an impact on the competitiveness of our products in terms of cost position and technical performance if our competitors succeed in developing their products and alternative technologies more quickly or selling them in larger quantities than we do.

Furthermore, due to the fierce competition for the introduction of new technologies, there is a risk that market changes and changing customer requirements will not have an early and adequate influence on strategic product planning and operational product development. This is also the case if alternative products or technologies are brought to market that are less expensive, higher quality, more functional or otherwise more competitive than our own.

We counter this risk through specific measures, including by intensifying market analyses, focusing more strongly on research and development projects and further optimizing our process and system landscape.

Industry risks - OSR operates in very competitive markets. There is high excess capacity on the market across all providers. The industry's capacity utilization situation has deteriorated compared to the previous year, which means that there is a risk of overcapacity for OSR and the other competitors. This excess capacity continues to result in high price pressure in the LED market. It cannot be ruled out that there will be further distortions of competition through subsidies to competitors who will use their improved cost position to gain further market

share through price advantages. We see this risk in particular for our extensive investment in semiconductor production in Kulim, Malaysia. The company is also confronted with strong competitors who sometimes have more extensive resources in certain areas, as well as (new) competitors from emerging markets that may have a more favorable cost structure than OSR. There is also the risk of consolidation in the market, which can have a negative impact on the current competitive position.

In order to counteract the circumstances, capacities will continue to be optimized depending on market needs and targeted and cautious investments will be made to increase productivity. To this end, the company is realigning itself organizationally and implementing, among other things, new product and manufacturing platforms in order to achieve significant cost reductions through more efficient use of materials and resources and automation in order to counteract the price decline. Priorities are set and processes are aligned to customer expectations.

IP portfolio - OSR has registered thousands of patents over the last decades and therefore has a broad and competitive portfolio. There is a risk that it will not be possible to keep this portfolio at this level and that additional costs will arise for the use of patents in the future and reputational risks will arise. Furthermore, there is a fundamental risk that isolated patent disputes may arise if the existing know-how and patent portfolio is not specifically developed and maintained. To counteract this, the OSR invests in various research and development projects as well as in measures to increase competitiveness.

Quality defects - Our products must meet the highest quality requirements. Quality defects can lead to property damage and personal injury. As a result, OSR could be exposed to significant product liability or warranty claims or be forced to carry out recalls, which could be associated with high costs and a negative public image due to large quantities. OSR has comprehensive quality management from product qualification to processes, locations and business procedures. Ongoing certification and customer audits as well as our own internal quality programs support our quality standards.

Litigation Risks - OSR has been named as a defendant in litigation and proceedings in connection with its business activities. In these legal disputes, (punitive) claims for damages may arise against the OSR. For further information regarding legal disputes, please refer to the explanation in the notes to the annual financial statements under point 6 "other provisions". OSR generally provides insurance cover for liability cases, the type and scope of which is determined by the respective insurance conditions. The sum insured and the scope of coverage are appropriate to the risk and are customary in the industry. Whether and to what extent insurance coverage exists in individual cases depends on the specific case. In addition, there can be no guarantee that OSR will continue to be able to obtain adequate insurance coverage on economically reasonable terms in the future. In view of the legal disputes and other proceedings in which OSR is involved, it cannot be ruled out that in some of these proceedings decisions will be made against OSR and that this may have a material impact on the assets, financial position and results of operations.

Environmental Protection Laws and Regulations and Other Government Regulations - The OSR is subject to numerous environmental protection laws and regulations. Current or future environmental or other governmental regulation could require changes to operations and result in a significant increase in operating costs. For example, ingredients used by OSR could be included on hazardous substance lists. This could trigger a loss of sales. Although the OSR has procedures in place to ensure that applicable government regulations are complied with in the execution of business activities, it cannot be ruled out that both the company and third parties with whom a contractual relationship exists and whose actions are attributed to the company (e.g. suppliers and service providers), violations of applicable government regulations may occur. OSR has taken out liability insurance with coverage for certain environmental risks. The OSR is also involved in working groups with other industry representatives.

There are also threats on the capital markets, economic crises triggered by national debt and the associated budget consolidation measures, restrained investment spending, declining consumer and company confidence, rising unemployment in certain countries, highly fluctuating raw material prices and exchange rates or even political crises. OSR could be affected by reduced margins in the individual business areas.

These risks mentioned above, alone or in combination with other factors, could have a negative impact on the net assets, financial position and results of operations.

At present, the management's analysis has not revealed any risks that, independently or in combination with other risks, could endanger the continued existence of the company.

4.1.3. Risk reporting relating to the use of financial instruments

Due to its international operational business activities, OSR is exposed to various financial risks that can influence sales and earnings. This particularly includes market risks that arise due to exchange rate fluctuations and changes in raw material prices. Market risk management aims to monitor and minimize existing risks. In order to counteract market risks, derivative financial instruments are used throughout the group, which are concluded with OSRAM GmbH, Munich, in accordance with the applicable guidelines for financial instruments. In principle, no derivatives are entered into for trading or speculative purposes. The hedging instruments are not combined into valuation units for accounting purposes and can have an impact on the result depending on the development of market prices.

The OSR is subject to exchange rate fluctuations, particularly between the US dollar and the euro, but value added in Malaysian ringgit and Chinese CNY also play a role. In addition, smaller amounts of cash flows are also generated in other national currencies. As part of transaction hedging, significant net positions per currency (taking into account all plannable positions in the respective foreign currency) are secured using forward exchange contracts. The net currency positions from the underlying transactions and the hedging transactions are monitored on a quarterly rolling basis in order to ensure the best possible effectiveness. In addition to the risk from exchange rate fluctuations, we are subject to the risk of price fluctuations from the purchase of raw materials. Hedging transactions were concluded in the financial year to protect against price fluctuations from the purchase of gold.

With reference to the effects as of September 30, 2019, please refer to the notes to the annual financial statements under point 18 "Other financial obligations". When assessing the overall risk, management considers the market risks to be effectively hedged.

4.1.4. Opportunities for future development

Opportunities for OSR exist primarily in the current development of the lighting market towards more efficient, sustainable, innovative and energy-saving LED components. To this end, the OSR intends to accelerate the introduction of new products and technologies. Last but not least, the effects already described regarding demographic change, technological change, individualization and population growth accompanied by increasing electrification rates and urbanization are significant opportunities for the OSR.

In order to strengthen our market position and target the new growth areas in the areas of sensing and visualization, a new product line structure was established on October 1, 2019, with the four new product lines Automotive, Illumination, Sensing and Visualization.

Further opportunities exist in market growth in emerging countries, where OSR is already well positioned and continues to invest in expansion, as well as technical progress and a combination of these opportunities. The opportunities are largely unchanged from the previous year and are listed in descending order of weighting.

Corporate strategic opportunities - The signs of a technological change are visible. Governments and consumers around the world are committed to reducing energy consumption. Since artificial lighting currently accounts for approximately 15% of global energy consumption and traditional light sources such as halogen and incandescent lamps consume high amounts of energy, many countries have or will replace these lamps with more efficient and sustainable lamps. The OSR assumes that LED products will benefit from this trend. LEDs in particular have a variety of characteristic advantages, such as a longer life expectancy, reduced energy consumption, higher efficiency, brilliant colors, dimmability and increasing flexibility when planning lighting systems. In addition, they emit significantly less heat and impress with their very fast response times. IHS (October 2019) expects LED market share to increase to 91% in 2026. Technological innovation from RGB LEDs to mini/and microLEDs is opening up new markets for display or projection applications. Optoelectronic components and sensors continue to find their way into many new applications in smartphones, mobile devices such as smart watches or autonomous driving in the automotive industry. Infrared LEDs, VCSELs or lasers combined with appropriate detector components enable versatile sensor technology such as 3D detection in rooms or improved light measurement in order to better control the LED lighting available today.

There are also new business opportunities for visible LEDs in the automotive industry. In addition to their use in car interiors, such as replacing analog instruments with displays in the dashboard, LEDs are increasingly being used as standard daytime running lights and tail lights as well as low and high beams and as intelligent cornering lights. In addition, the LED also ensures more safety on the roads: semiconductor lasers and high-power infrared diodes are used in pedestrian protection systems or driver assistance systems. Furthermore, general lighting (lighting for public and private spaces) is one of the most promising areas for light-emitting diodes. In addition to their long service life and the quality of light, the focus here is on the energy efficiency of the new lighting technology. Where a light bulb only converts three to five percent of the energy used into light, white LED components achieve efficiencies of over 40.0%, and an LED lamp around 25.0%. Due to the high efficiency of the LED, a high efficiency of the lamp can be achieved. In addition, an LED can be used to better direct the light onto the area to be illuminated, which significantly reduces light smog and increases system efficiency. Public clients in particular are increasingly opting for long-lasting and environmentally friendly LED lighting systems when equipping street and architectural lighting, not least because of the significantly lower maintenance costs compared to traditional lighting. From Asia to North America to Europe, more and more squares, tunnels and streets are being illuminated by LEDs.

Market positioning - OSR makes targeted investments to achieve additional market potential in existing markets, to open up new markets and to expand the product portfolio. The current and future market environment is continuously monitored in order to be able to react immediately to any opportunities that arise. We invested in the construction of a new LED chip factory in Kulim, Malaysia and in the expansion of chip production at the Regensburg site as well as in new production areas for the assembly site in Wuxi, Malaysia, in order to tap additional growth potential. Strategic investments can help to consolidate the market position in existing markets, open up new markets or supplement the technology portfolio in selected areas. Innovation partnerships are also available for this purpose. To strengthen sales channels, the company is also in ongoing discussions with existing sales partners and is

constantly optimizing its current structures. Last but not least, this also includes the selection of "Preferred Global and Regional Partners". As part of the activities, long-term synergies are achieved in the various sales regions and market penetration is expanded.

Product developments - OSR works specifically on the development of new products and manufacturing processes. Considerable potential is seen in the following financial years, for example in the area of mini and micro LEDs for displays, infrared VCSELs, LEDs and lasers for optoelectronic sensors, high-power LED applications in general lighting or laser applications in material processing for projecting information in augmented reality glasses. Collaborations with other well-known companies are also being planned. In addition, targeted spending on research and development is intended to further strengthen OSR's claim to technological leadership.

The opportunities presented could have a positive impact on our business activities and the net assets, financial position and results of operations.

4.2. Corporate governance statement

As a result of the law for the equal participation of women and men in management positions in the private sector and in the public service of April 24, 2015, certain companies in Germany are obliged to set and determine targets for the proportion of women on the supervisory board, board of directors and the subsequent two management levels, by when the respective target size should be achieved.

In the 2016/2017 financial year, the Supervisory Board decided on the target figures for the composition of the Supervisory Board, the management and the first two management levels. It was decided to have 30% women on the supervisory board and management. Taking into account the size of the company, the object of the company and the composition of the workforce, a proportion of women of 16% was set for the upper management level, while a proportion of women of 13% is targeted for the second management level. The goals apply until June 2022.

4.3. Forecast report

We expect that the global market for optoelectronic semiconductors will continue to grow significantly faster than the overall economy in the coming years. If one ignores the declining backlighting market (market for LCD backlighting), which OSR hardly serves, the market will grow in the mid-single-digit range until 2024. We continue to expect announced capacity expansions compared to last year's forecast, particularly from China, to increase supply.

In addition to the progressive growth in automotive, especially in headlights, and sensors, a key factor in the development of the market remains the transition towards energy-efficient and sustainable products in the area of professional general lighting. Despite the weaker overall economic situation, especially the weaker automotive industry, moderate sales growth of 3% compared to the 2018/2019 financial year and an increasing EBIT are planned for the 2019/2020 financial year.

The previous year's forecast assumed a significant increase in sales revenue for the 2018/2019 financial year. The sales expectations and, as a result, the EBIT targets could not be met in the 2018/2019 financial year. This is essentially due to a significant drop in growth in all segments. In response to this development, management launched the OS Performance Program in order to raise cost potential as quickly as possible, increase efficiencies and secure profitable sales growth in the future. In addition, with effect from October 1, 2019, a new operating model was implemented with OS 2.0, which defines clear responsibilities and enables a stronger focus on the growth areas mentioned.

The cash inflow for the 2018/2019 financial year was below the previous year's forecast, although the lower inflows from operating profit were largely offset by the reduction in investments in property, plant and equipment. In addition to the estimates regarding the development of the earnings situation, the cash inflow in the following financial years will continue to be burdened by the moderate growth strategy. The focus is primarily on profitable sales growth. However, these assessments are based on the premise that economic development will not be negatively influenced by a further deterioration of the overall market situation, in particular by the US-China trade dispute and the global automotive crisis.

To secure the growth strategy, the company invests significantly in the further development of products, in the development of functional and industry-specific know-how, and in employees. The strategic goal of realizing additional growth potential by developing new markets and market segments in addition to expanding existing activities will continue to be pursued in the 2019/2020 financial year. As part of its investment planning, the company intends to invest in the established and emerging markets with commercial caution for the following financial year, in particular to secure and expand market shares, to leverage cost advantages and to increase competitive advantages based on technical innovations.

Overall, management sees the company's corporate development for the coming year as cautiously positive. However, the management also points out that the forecasts and expectations made are based on assumptions, the occurrence of which can be significantly influenced by the actual development of the environment and the industry.

Regensburg, 15. November 2019

OSRAM Opto Semiconductors GmbH, Regensburg

The Board

May

Baumann

Supervisory Board Report

the OSRAM Opto Semiconductors limited liability company

In the financial year from October 1, 2018 to September 30, 2019, the Supervisory Board of OSRAM Opto Semiconductors Limited Liability Company performed the tasks assigned to it by law and the articles of association in relation to the company.

The Supervisory Board regularly advised the management on the management of the company and monitored its activities. The Supervisory Board was involved in all decisions of fundamental importance for the company.

The Supervisory Board held three meetings in the financial year, namely on December 10 and 18, 2018 and on May 20, 2019. Two resolutions were also passed by circular.

The Supervisory Board has formed a total of two committees, namely the Presidium and the Mediation Committee. The Presidium held two meetings during the financial year, namely on December 18, 2018 and May 20, 2019. The mediation committee did not have to be convened.

The management informed the Supervisory Board regularly, promptly and comprehensively about the intended business policy, fundamental questions of corporate planning, the profitability of the company, the course of business, the compliance processes, the accounting process, the effectiveness of the internal control systems and about significant business events. The management explained deviations from the plans in detail to the supervisory board. The Chairman of the Supervisory Board was in regular contact with the management beyond the Supervisory Board meetings and, together with the company management, discussed the company's strategy, business development and risk management. The management promptly informed the Chairman of the Supervisory Board about important events that were essential for assessing the situation and development as well as for the management of the company. The chairman informed the other members of the Supervisory Board appropriately about significant developments.

In addition to ongoing reporting, the Supervisory Board also addressed individual topics in the individual plenary meetings.

At the extraordinary meeting on December 10, 2018, the Supervisory Board discussed the efficiency and performance program "Fit for the Future OS". The savings needs and necessary measures were discussed at the meeting.

At the balance sheet meeting on December 18, 2018, the Supervisory Board set the remuneration of the members of the management for the 2018 financial year, adjusted the target cash remuneration of the members of the management and defined the targets for the variable remuneration of the members of the management for the 2019 financial year. The management also reported to the Supervisory Board on the company's current situation at the beginning of the new financial year. The Supervisory Board also examined and approved the company's annual financial statements for the 2018 financial year. The auditor took part in the discussions and reported on the key results of his audit before the resolution was passed. The Supervisory Board then approved the report of the Supervisory Board for the 2018 financial year and the budget for the 2019 financial year, including investment and personnel planning. In addition, Mr. Bank was appointed as the successor to Dr. Kampmann was elected as a member of the mediation committee.

By circular resolution dated March 5, 2019, the Supervisory Board appointed Mr. Dieter May as member and CEO of the company with effect from May 1, 2019. By circular resolution dated May 9, 2019, the Supervisory Board decided to adjust the managing director service contract with Mr. May.

At the meeting on May 20, 2019, the management reported to the Supervisory Board on the current situation of the company and the business development in the second quarter and first half of the 2019 financial year and presented the further strategy. In addition, Mr. Robert Baumann was appointed member of the company's management and Chief Financial Officer (CFO) with effect from July 1, 2019. The CEO, Mr. May, was appointed labor director of the company with effect from July 1, 2019. The Supervisory Board also dealt with the

audit of the financial statements, awarded the audit mandate for the annual financial statements for the 2019 financial year to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, in accordance with the election by the shareholders' meeting, and determined the focus of the audit.

The auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, examined the annual financial statements of OSRAM Opto Semiconductors Limited Liability Company prepared by the management for the 2019 financial year and gave them an unqualified audit opinion. The annual financial statements and management report, which must be prepared in accordance with commercial law principles, as well as the auditor's report were presented to all members of the Supervisory Board in a timely manner and were discussed in detail in the presence of the auditor at the meeting on December 17, 2019.

The auditor took part in these discussions, reported on the main results of his audits and was available to provide additional information. The Supervisory Board agrees with the results of the final audit. Based on the final results of its own audit, the Supervisory Board raises no objections and approves the annual financial statements prepared by the management.

At the meeting on December 18, 2018, the Presidium dealt with the remuneration of the management for the 2018 financial year. The subject of the Presidium's deliberations on May 20, 2019 was personnel matters for the management.

The following changes occurred in the composition of the Supervisory Board and management during the reporting period:

Mr. Bank resigned from his position as a member of the Supervisory Board with effect from the end of May 12, 2019. The shareholders' meeting appointed Dr. Kampmann was elected as a member of the Supervisory Board for the remainder of Mr. Bank's term of office with effect from May 13, 2019.

Ms. Ingrid Jägering resigned from her positions as member of the management with effect from the end of July 31, 2019 and as labor director with effect from the end of June 30, 2019. The Supervisory Board appointed Mr. Robert Baumann as a member of the management and CFO with effect from July 1, 2019.

Mr. Pirner resigned from his position as a member of the Supervisory Board with effect from September 30, 2019. By order of October 14, 2019, the Regensburg District Court appointed Mr. Rico Irmischer as Mr. Pirner's successor. The Supervisory Board would like to thank Mr. Pirner for his great commitment and trusting cooperation.

Regensburg, December 17, 2019

OSRAM Opto Semiconductors limited liability company

For the supervisory board

dr. Olaf Berlin

chairman of the supervisory board

Shareholders' resolution

der OSRAM Opto Semiconductors GmbH, Regensburg

OSRAM GmbH, based in Munich, registered in the commercial register of the Munich District Court under HRB 201526, is the sole shareholder and represents the entire share capital of OSRAM Opto Semiconductors GmbH, based in Regensburg, registered in the commercial register of the Regensburg District Court under HRB 8522. With waiver With regard to compliance with all deadline and formal requirements for convening and holding a shareholders' meeting and for passing resolutions at it, the shareholders' meeting of OSRAM Opto Semiconductors GmbH hereby decides unanimously with all votes and without abstentions as follows:

1. The annual financial statements of the company as of September 30, 2019, prepared by the management on November 15, 2019 and approved by the Supervisory Board on December 17, 2019, are adopted.

The balance sheet total of the established balance sheet is EUR 702,578 thousand

The financial year ended September 30, 2019 ended with an annual result before profit transfer of EUR -68,265 thousand.

2. The annual result will be offset by OSRAM GmbH in the amount of EUR 68,265 thousand as part of the control and profit transfer agreement with the sole shareholder from March 22/25, 2002.

3. The members of the management board in office in the 2018/2019 financial year will be granted discharge for this period.

4. The members of the Supervisory Board in office in the 2018/2019 financial year will be discharged for this period.

5. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, is elected as auditor for the financial year from October 1st, 2019 to September 30th, 2020.

No further decisions will be made.

Munich, September 3rd, 2020

OSRAM GmbH

represented by

ppa. Dr. Nicolaus Ehinger

ppa. Dr. Kai Rossig