



Elmos Product Quartets

Interim report Q1 2014

Overview

In focus

- > Record start to the year 2014
- > High operating cash flow
- > Sales and earnings show positive trend
- > Forecast confirmed

Key figures 1st quarter 2014

in million Euro or percent unless otherwise indicated	01/01 – 03/31/2014	01/01 – 03/31/2013 ¹	Change
Sales	49.4	43.1	14.4%
Semiconductor	45.6	39.1	16.5%
Micromechanics	3.8	4.0	-5.5%
Gross profit	20.5	16.8	22.0%
in percent of sales	41.6%	39.0%	
R&D expenses	8.7	8.8	-1.4%
in percent of sales	17.5%	20.4%	
Operating income before other operating expenses (-)/income	2.8	-0.7	n/a
in percent of sales	5.7%	-1.5%	
Exchange rate losses (-)/gains	-0.2	0.1	n/a
Other operating expenses/income	0.6	0.8	-21.2%
EBIT	3.2	0.2	>100.0%
in percent of sales	6.5%	0.6%	
Net income for the period after non-controlling interests	4.0	0.4	>100.0%
in percent of sales	8.2%	0.9%	
Basic earnings per share in Euro	0.21	0.02	>100.0%
Cash flow from operating activities	11.6	5.9	95.1%
Capital expenditures for intangible assets and property, plant and equipment	8.0	3.0	>100.0%
in percent of sales	16.2%	6.9%	
Free cash flow ²	3.4	-13.3	n/a
Adjusted free cash flow³	3.6	3.0	20.3%
in million Euro or percent unless otherwise indicated	03/31/2014	12/31/2013	Change
Equity	196.8	192.7	2.1%
in percent of total assets	70.6%	71.1%	
Employees (reporting date)	1,063	1,060	0.3%

¹ Adjustment of prior-year amounts; please also refer to note 1 in the condensed notes to consolidated financial statements

² Cash flow from operating activities less cash flow from investing activities

³ Cash flow from operating activities less capital expenditures for intangible assets and property, plant and equipment, less payments for investments, plus disposal of investments

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

Interim group management report

Course of business

Sales development and order situation

Elmos starts the year 2014 with the highest first-quarter sales in company history. Elmos has been performing in line with the positive trend for new car registrations in Europe, the U.S.A., and China. Compared to the previous year, sales went up 14.4% to reach 49.4 million Euro (Q1 2013: 43.1 million Euro).

The disproportionate growth of the Asian market (+2.0 million Euro or 20.4%), again, and the growing European market (+2.4 million Euro or 8.6%) both contributed to this result.

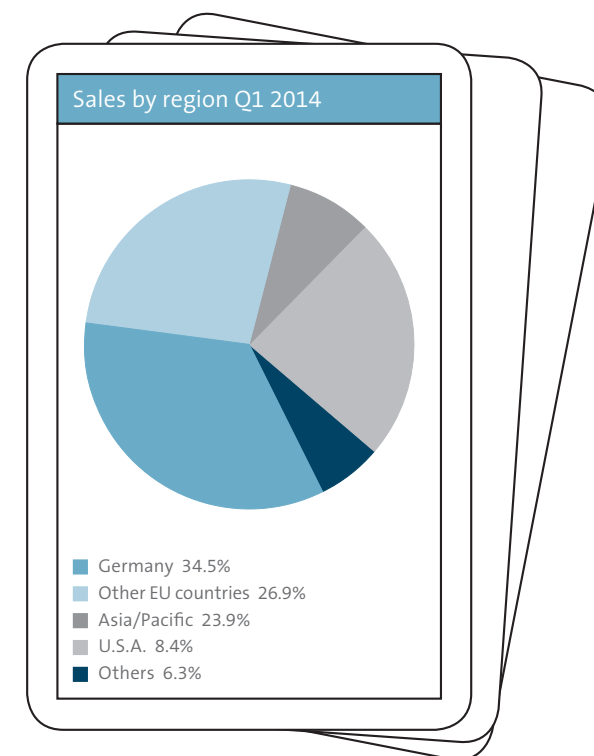
The semiconductor segment gained 16.5% on the prior-year period, reaching 45.6 million Euro. Sales of the micromechanics segment were on a slight decline in the first quarter of 2014, coming to 3.8 million Euro (Q1 2013: 4.0 million Euro), due in part to the weaker U.S. dollar compared to the prior-year

quarter. Supported by ramp-ups launched already, a higher sales level is expected for the micromechanics segment in the course of the year.

In comparison with the fourth quarter of 2013 (Q4 2013: 52.7 million Euro), sales were down by 6.3%. However, it must be taken into consideration that the fourth quarter of 2013 was positively affected by catch-up effects. Furthermore, price reductions, typically to be granted at the beginning of the year, materialized in the first quarter.

The receipt of orders currently justifies the expectations for yet another sales increase in 2014. The relation of orders received to sales, the so-called book-to-bill, was above one at the end of the first quarter of 2014.

Sales generated with third-party customers	01/01 – 03/31/2014 thousand Euro	in percent of sales	01/01 – 03/31/2013 thousand Euro	in percent of sales	Change
Germany	17,035	34.5%	14,901	34.5%	14.3%
Other EU countries	13,253	26.9%	12,980	30.1%	2.1%
U.S.A.	4,167	8.4%	2,683	6.2%	55.3%
Asia/Pacific	11,781	23.9%	9,788	22.7%	20.4%
Others	3,132	6.3%	2,790	6.5%	12.3%
Consolidated sales	49,368	100.0%	43,142	100.0%	14.4%



Profit situation, finances, and assets and liabilities

Compared to the prior-year quarter, the 9.6% increase in cost of sales was disproportionately low in relation to sales in the first quarter of 2014, coming to 28.8 million Euro (Q1 2013: 26.3 million Euro); thus the gross margin climbed from 39.0% to 41.6%. The gross profit reached 20.5 million Euro in the first quarter of 2014 (Q1 2013: 16.8 million Euro). As in the previous years, price reductions typically to be granted at the beginning of the year had a negative effect on gross profit and gross margin in the first quarter of 2014 as well.

Research and development expenses of 8.7 million Euro in the reporting period remained stable in comparison with the first quarter of 2013 (Q1 2013: 8.8 million Euro). Due to higher sales, the R&D ratio dropped drastically from 20.4% to 17.5%. Distribution expenses rose from 4.6 million Euro in the first quarter of 2013 to 4.8 million Euro in the quarter under review. However, expenses went down from 10.7% to 9.6% in relation to sales. Administrative expenses were also reduced in relation to sales, from 9.5% to 8.7%.

Owing to the relative reduction of the cost of sales and to the relatively lower operating expenses compared to the prior-year quarter as well, earnings before interest and taxes (EBIT) went up considerably to 3.2 million Euro or 6.5% of sales (Q1 2013: 0.2 million Euro or 0.6% of sales). Due to the recognition of deferred tax income in connection with tax-deductible losses in the quarter under review, the consolidated net income attributable

to owners of the parent amounts to 4.0 million Euro (Q1 2013: 0.4 million Euro). This equals basic earnings per share (EPS) of 0.21 Euro (Q1 2013: 0.02 Euro).

The cash flow from operating activities climbed from 5.9 million Euro in the prior-year period to 11.6 million Euro in the first quarter of 2014. Apart from the higher consolidated net income (+3.5 million Euro), another essential reason for the increase in operating cash flow is the reduction of trade receivables, leading to a cash inflow in the quarter under review (+1.6 million Euro) in contrast to the first quarter of 2013 when cash outflow was reported (-2.2 million Euro in Q1 2013).

Capital expenditures for intangible assets and property, plant and equipment amounted to 8.0 million Euro or 16.2% of sales in the first quarter of 2014 (Q1 2013: 3.0 million Euro or 6.9% of sales). The conversion from 6- to 8-inch production as well as the expansion of testing capacity accounted for a large portion of the relatively high capital expenditures. Despite their relatively large amount, the high operating cash flow allowed for an adjusted free cash flow (cash flow from operating activities less capital expenditures for intangible assets and property, plant and equipment, less payments for investments, plus disposal of investments) of 3.6 million Euro, turning out even slightly above the prior-year quarter's value (Q1 2013: 3.0 million Euro).

As of March 31, 2014, cash and cash equivalents plus fungible securities came to 82.1 million Euro, having thus increased from December 31, 2013 by the amount of 5.0 million Euro (December 31, 2013: 77.1 million Euro).

At 44.0 million Euro, net cash is also up compared to December 31, 2013 (39.3 million Euro). The equity ratio remained stable at 70.6% as of March 31, 2014 (December 31, 2013: 71.1%).

Economic environment

The major global car markets show positive developments for the most part. In the first three months of 2014, the **Western European passenger car market** as a whole grew by slightly more than 7% to 3.1 million units. All relevant European markets contributed to this growth. The increase in new car registrations registered for the first quarter of 2014 came to 2.9% in France, 5.6% in Germany, 5.8% in Italy, 11.8% in Spain, and 13.7% in Great Britain.

At 3.7 million units in the first three months, the market volume of light vehicles (passenger cars and light trucks) in the **U.S.A.** was more than 1% above the prior-year period. The harsh winter had resulted in declining sales figures back in January and February. However, sales gained 6% in March.

The **Chinese market for passenger cars** continued to show impressive speed in the 1st quarter of 2014: 14% more new cars were sold than in the prior-year period. This equals close to 4.5 million new vehicles.

New passenger car registrations in **Japan** gained almost 21% in the first quarter, coming to 1.6 million units. Yet it must be taken into consideration that a new sales tax rate has been introduced in Japan effective April 2014. Therefore many new car purchases were made early to meet that deadline.

Significant events

Dr. Anton Mindl, CEO, and Nicolaus Graf von Luckner, CFO, explained the annual results 2013 within the framework of the **annual press conference** and the **analysts' conference** held on March 20, 2014. The Management Board also presented the economic conditions and the outlook for 2014. The analysts' conference is available as a webcast recording at www.elmos.com.

Furthermore, Elmos has introduced its products at the world's leading trade shows. In the first quarter of 2014, Elmos presented its products at the **trade fairs** "embedded world 2014" in Nuremberg, "electronica China" in Shanghai, and "Light+Building" in Frankfurt/Main and received very positive customer feedback throughout.

Elmos subsidiary SMI (Silicon Microstructures, Inc.) has developed a new **MEMS low-pressure sensor** and brought it to series production. The sensor was designed especially for respirators and spirometers (lung capacity measurement device). The sensor has the world's highest measurement precision in

this industry. Elmos also stepped up the distribution of an **LED controller family** for application in rough environments. The semiconductor family is suited for broad application fields in the automotive industry and for applications in industrial and home lighting.

After the end of the quarter under review, Elmos has increased its investment in the Dresden-based company **DMOS** from previously 20% to 74.8% effective April 1, 2014 so that this entity has been fully consolidated as of that date. This transaction underlines the very good development work DMOS has done over the years and commits its know-how to the Elmos Group.

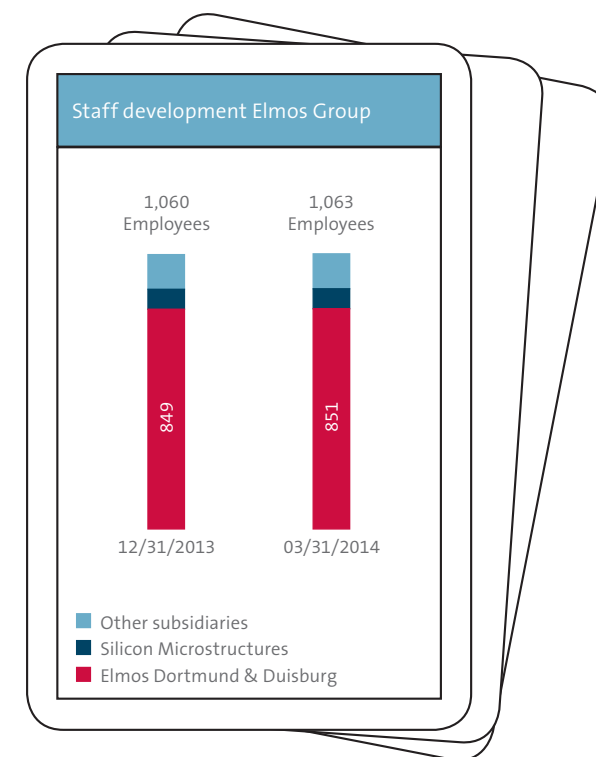
Other disclosures

Staff development

The Elmos Group's workforce came to 1,063 employees as of March 31, 2014. Compared with December 31, 2013 (1,060 employees), the staff has thus changed only insignificantly.

Elmos share

Despite the political and economic crises, the stock markets continued their positive performances in the first quarter of 2014 on the whole. While the DAX moved sideways over the first quarter of 2014, all technology-relevant, industry-specific indices recorded growth. Cases in point, TecDAX, DAX Sector Technology, and Technology All Share gained 7.3%, 11.4%, and 6.7% respectively.



The Elmos share gave a very good performance in the first quarter of 2014 by gaining 27.0%, thereby ahead of relevant competitors. It closed on March 31, 2014 at 13.59 Euro. Market capitalization at that time amounted to 267.4 million Euro (based on 19.7 million shares outstanding). The stock recorded its high on March 28, 2014 at 13.80 Euro and its low on January 2, 2014 at 10.65 Euro (Xetra closing prices). The average daily

trading volume of the first three months of 2014 was 40.9 thousand shares (Xetra and Frankfurt floor) and thus exceeded the 2013 average significantly (21.6 thousand shares).

By servicing stock options with treasury shares, the portfolio of treasury shares has been reduced. As of March 31, 2014, Elmos Semiconductor AG held 313,947 treasury shares (December 31, 2013: 327,697).

Company boards

Supervisory Board

Prof. Dr. Günter Zimmer, *chairman*
Graduate physicist | Duisburg

Dr. Burkhard Dreher, *deputy chairman*
Graduate economist | Dortmund

Dr. Klaus Egger
Graduate engineer | Steyr-Gleink, Austria

Thomas Lehner
Graduate engineer | Dortmund

Sven-Olaf Schellenberg
Graduate physicist | Dortmund

Dr. Klaus Weyer
Graduate physicist | Penzberg

Management Board

Dr. Anton Mindl, *chairman*
Graduate physicist | Lüdenscheid

Nicolaus Graf von Luckner
Graduate economist | Oberursel

Reinhard Senf
Graduate engineer | Iserlohn

Dr. Peter Geiselhart
Graduate physicist, Ettlingen

Outlook

Opportunities and risks

Risk management and individual corporate risks and opportunities are described in our Annual Report 2013. No material changes of the Company's risks and opportunities as detailed therein have occurred in the first three months of 2014. No risks are visible at present that could either separately or collectively jeopardize the Company's continued existence.

Economic framework

The **German economy** has been experiencing an upswing in spring 2014, according to the ifo Institute for Economic Research. The gross domestic product will probably grow by 1.9% this year. Domestic demand is identified as the main growth driver. Over the first months of the year 2014, the **global production output** has increased strongly. Stimulation originates especially from the industrialized nations where the economy gained momentum in the course of the past year. The U.S.A. and Great Britain are also booming and the economy in the euro area is recovering slowly from the recession, the ifo Institute continues.

One risk for the global economy is currently the further development of the emerging markets; growth has been slowing down there. In the first quarter of 2014, **China's** economic growth for instance has reached the lowest level in one and a half years. With a sales increase of 7.4% over the prior-year period, the growth of the second largest national economy was slightly below the self-imposed target of 7.5% for this year, according to China's Bureau of Statistics.

The greatest risk to the economy, particularly in Europe, is the Ukraine crisis. Marcel Fratzscher, President of the German Institute for Economic Research (DIW), thinks that economic setbacks in Europe are a possibility if economic sanctions are imposed on Russia. "Yet possible disturbances in the financial markets represent a greater risk factor – especially due to turbulences and losses regarding the still troubled banks in Europe," says Fratzscher. Such a scenario would jeopardize the fragile economic recovery in the eurozone.

For the **auto industry**, Matthias Wissmann, President of the German Association of the Automotive Industry (VDA), expects an increase of the global market for passenger cars by 3% to 74.7 million vehicles in 2014. Wissmann refers to expert forecasts according to which even 90 million cars will be newly registered annually by 2020.

Outlook for the Elmos Group

Based on the currently available information and the performance of the first quarter of 2014, the Management Board provides the following outlook for the full year 2014.

As described above, the market recovery in Europe increasingly reflects in the receipt of orders and in sales. All indicators show that Elmos will grow faster than the global automotive market. Due to the positive start of the year 2014 and based on internal and external market appraisals, Elmos anticipates a sales increase in the upper single-digit percentage range, as explained in the Annual Report 2013. Elmos predicts a value in the upper single-digit percentage range for the EBIT margin.

Capital expenditures for intangible assets and property, plant and equipment are budgeted to amount to no more than 15% of sales in 2014. We assume that Elmos will generate a positive adjusted free cash flow in 2014 once again.

This forecast is based on an exchange rate of 1.30 USD/EUR.

The outlook is based on the premise that a stable macro-economic performance is expected. Then Elmos will benefit from the positive development in the automotive and industrial semiconductor markets in 2014. The electrification of these markets will continue. At the same time it is true that such expectations can be affected by market turbulence. Particularly the developments in Ukraine cannot be foreseen with respect to their effects on the global economy and our core market.

Interim consolidated financial statements

Condensed consolidated statement of financial position

Assets	03/31/2014 thousand Euro	12/31/2013 thousand Euro
Non-current assets		
Intangible assets ¹	25,922	26,664
Property, plant and equipment ¹	74,501	72,388
Investments in associates	0	0
Securities ^{1,2}	50,002	48,987
Investments ^{1,2}	470	470
Other financial assets ¹	2,599	2,493
Deferred tax assets	4,201	2,671
Total non-current assets	157,694	153,674
Current assets		
Inventories ¹	41,219	40,480
Trade receivables ²	36,809	38,450
Securities ²	702	203
Other financial assets	3,415	2,905
Other receivables	7,111	7,007
Income tax assets	540	61
Cash and cash equivalents ²	31,392	27,949
	121,188	117,055
Non-current assets held for sale	5	121
Total current assets	121,193	117,176
Total assets	278,887	270,850

¹ Cf. note 3

² Cf. note 4

Equity and liabilities	03/31/2014 thousand Euro	12/31/2013 thousand Euro
Equity		
Equity attributable to owners of the parent		
Share capital ¹	19,675	19,675
Treasury stock ¹	-314	-328
Additional paid-in capital	88,305	88,161
Surplus reserve	102	102
Other equity components	-3,666	-3,920
Retained earnings	90,902	86,868
	195,004	190,559
Non-controlling interests	1,817	2,127
Total equity	196,821	192,686
Liabilities		
Non-current liabilities		
Provisions	468	492
Financial liabilities ²	37,491	37,491
Other liabilities	4,576	4,650
Deferred tax liabilities	3,586	3,049
Total non-current liabilities	46,121	45,682
Current liabilities		
Provisions	9,177	7,505
Income tax liabilities	1,159	1,613
Financial liabilities ²	581	303
Trade payables ²	21,754	19,492
Other liabilities	3,274	3,569
Total current liabilities	35,945	32,482
Total liabilities	82,066	78,164
Total equity and liabilities	278,887	270,850

¹ Cf. note 3

² Cf. note 4

Condensed consolidated income statement

For the period January 1 to March 31	01/01 – 03/31/2014 thousand Euro	in percent of sales	01/01 – 03/31/2013 thousand Euro ¹	in percent of sales	Change
Sales	49,368	100.0	43,142	100.0	14.4%
Cost of sales	-28,820	-58.4	-26,303	-61.0	9.6%
Gross profit	20,548	41.6	16,839	39.0	22.0%
Research and development expenses	-8,662	-17.5	-8,783	-20.4	-1.4%
Distribution expenses	-4,762	-9.6	-4,610	-10.7	3.3%
Administrative expenses	-4,308	-8.7	-4,104	-9.5	5.0%
Operating income before other operating expenses (-)/income	2,816	5.7	-659	-1.5	n/a
Finance income	642	1.3	462	1.1	38.8%
Finance costs	-451	-0.9	-565	-1.3	-20.2%
Exchange rate losses (-)/gains	-200	-0.4	125	0.3	n/a
Other operating income	872	1.8	1,030	2.4	-15.3%
Other operating expenses	-263	-0.5	-256	-0.6	2.6%
Earnings before taxes	3,417	6.9	137	0.3	>100.0%
Income tax					
Current income tax	-544	-1.1	-505	-1.2	7.8%
Deferred tax ²	1,129	2.3	861	2.0	31.1%
	585	1.2	356	0.8	64.2%
Consolidated net income	4,001	8.1	493	1.1	>100.0%
Consolidated net income attributable to					
Owners of the parent	4,034	8.2	407	0.9	>100.0%
Non-controlling interests	-32	-0.1	86	0.2	n/a
Earnings per share	Euro		Euro		
Basic earnings per share	0.21		0.02		
Fully diluted earnings per share	0.20		0.02		

¹ Adjustment of prior-year amounts; please also refer to note 1 in the condensed notes to consolidated financial statements

² Cf. note 3

Condensed consolidated statement of comprehensive income

For the period January 1 to March 31	01/01 – 03/31/2014 thousand Euro	01/01 – 03/31/2013 thousand Euro ¹
Consolidated net income	4,001	493
Other comprehensive income		
Items potentially to be reclassified to the income statement including respective tax effects		
Foreign currency adjustments without deferred tax effect	-32	-5
Foreign currency adjustments with deferred tax effect	-4	394
Deferred tax (on foreign currency adjustments with deferred tax effect)	1	-99
Value differences in hedges	-29	74
Deferred tax (on value differences in hedges)	9	-13
Changes in market value of available-for-sale financial assets	434	38
Deferred tax (on changes in market value of available-for-sale financial assets)	-142	-47
Items not to be reclassified to the income statement including respective tax effects		
Actuarial gains from pension plans	9	21
Deferred tax on actuarial gains from pension plans	-3	-6
Other comprehensive income after taxes	243	357
Total comprehensive income after taxes	4,244	850
Total comprehensive income attributable to		
Owners of the parent	4,287	782
Non-controlling interests	-43	68

¹ Adjustment of prior-year amounts; please also refer to note 1 in the condensed notes to consolidated financial statements

Condensed consolidated statement of cash flows

For the period January 1 to March 31	01/01 – 03/31/2014 thousand Euro	01/01 – 03/31/2013 thousand Euro ¹
Cash flow from operating activities		
Consolidated net income	4,001	493
Depreciation and amortization	5,835	5,697
Financial result	-191	103
Other non-cash income (-)/expense	-1,182	-909
Current income tax	544	505
Expenses for stock option and stock award plans	107	109
Changes in pension provisions	-15	-45
Changes in net working capital:		
Trade receivables	1,641	-2,250
Inventories	-739	-1,692
Other assets	-603	-220
Trade payables	2,262	2,477
Other provisions and other liabilities	1,328	2,226
Income tax refunds/payments	-1,476	-454
Interest paid	-451	-565
Interest received	525	462
Cash flow from operating activities	11,586	5,937

¹Adjustment of prior-year amounts; please also refer to note 1 in the condensed notes to consolidated financial statements

For the period January 1 to March 31	01/01 – 03/31/2014 thousand Euro	01/01 – 03/31/2013 thousand Euro ¹
Cash flow from investing activities		
Capital expenditures for intangible assets	-485	-376
Capital expenditures for property, plant and equipment	-7,535	-2,597
Capital expenditures for (-)/Disposal of non-current assets held for sale	2	-125
Disposal of non-current assets	927	474
Payments for securities	-1,080	-17,581
Disposal of securities	0	1,013
Payments for non-current financial assets (-)	0	-8
Cash flow from investing activities	-8,171	-19,200
Cash flow from financing activities		
Repayment of current liabilities to banks	0	-104
Borrowing of current liabilities to banks	277	0
Purchase of treasury shares	0	-1,525
Issue of treasury shares	51	183
Distribution to non-controlling shareholders	-267	-84
Increase of majority interest	0	-570
Other changes	0	-4
Cash flow from financing activities	61	-2,104
Increase/decrease (-) in cash and cash equivalents	3,476	-15,367
Effects of exchange rate changes on cash and cash equivalents	-33	124
Cash and cash equivalents at beginning of reporting period	27,949	55,576
Cash and cash equivalents at end of reporting period	31,392	40,333

¹Adjustment of prior-year amounts; please also refer to note 1 in the condensed notes to consolidated financial statements

Condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent										Non-controlling interests	Group	
	Other equity components												
	Shares thousand	Share capital thousand Euro	Treasury stock thousand Euro	Additional paid-in capital thousand Euro	Surplus reserve thousand Euro	Provision for available-for-sale financial assets thousand Euro	Hedges thousand Euro	Foreign currency translations thousand Euro	Unrealized actuarial gains/ losses thousand Euro	Retained earnings thousand Euro			Total thousand Euro
January 1, 2013 before adjustments	19,616	19,616	-240	88,599	102	71	-1,306	-1,634	0	82,255	187,463	2,587	190,050
Effects of first-time application of IAS 19R									-533	72	-461		-461
January 1, 2013 after adjustments	19,616	19,616	-240	88,599	102	71	-1,306	-1,634	-533	82,327	187,002	2,587	189,589
Consolidated net income										407	407	86	493
Other comprehensive income for the period						-9	61	308	15		375	-18	357
Total comprehensive income						-9	61	308	15	407	782	68	850
Transaction costs				-4							-4		-4
Purchase of treasury shares			-189	-1,336							-1,525		-1,525
Issue of treasury shares			50	133							183		183
Distribution to non-controlling shareholders												-84	-84
Expense for stock options and stock awards				109							109		109
Increase of majority interest										-85	-85	-485	-570
March 31, 2013	19,616	19,616	-379	87,501	102	62	-1,245	-1,326	-518	82,649	186,462	2,086	188,548
January 1, 2014	19,675	19,675	-328	88,161	102	78	-1,119	-2,191	-688	86,868	190,559	2,127	192,686
Consolidated net income										4,034	4,034	-32	4,001
Other comprehensive income for the period						292	-20	-24	6		254	-11	243
Total comprehensive income						292	-20	-24	6	4,034	4,287	-43	4,244
Issue of treasury shares			14	37							51		51
Distribution to non-controlling shareholders												-267	-267
Expense for stock options and stock awards				107							107		107
March 31, 2014	19,675	19,675	-314	88,305	102	370	-1,139	-2,215	-682	90,902	195,004	1,817	196,821

Condensed notes to the consolidated financial statements

The condensed interim consolidated financial statements for the 1st quarter of 2014 were released for publication in May 2014 pursuant to Management Board resolution.

1 – General information

Elmos Semiconductor Aktiengesellschaft (“the Company” or “Elmos”) has its registered office in Dortmund (Germany) and is entered in the register of companies maintained at Dortmund District Court (Amtsgericht), section B, no. 13698. The Articles of Incorporation are in effect in the version of March 26, 1999, last amended by resolution of the Annual General Meeting of May 24, 2013 and edited pursuant to Supervisory Board resolution of January 13, 2014.

The Company’s business is the development, manufacture and distribution of microelectronic components and system parts (application specific integrated circuits, or in short: ASICs) as well as technological devices with similar functions. The Company may conduct all transactions suitable for serving the object of business directly or indirectly. The Company may establish branches, acquire or lease businesses of the same or a similar kind or invest in them, and conduct all business transactions that are beneficial to the Articles of Association. The Company is authorized to conduct business in Germany as well as abroad.

In addition to its domestic branches, the Company has sales companies in Asia and the United States and cooperates with other German and international companies in the development and production of ASIC chips.

Basic principles of the preparation of financial statements

The condensed interim consolidated financial statements for the period January 1 through March 31, 2014 have been prepared in accordance with IAS 34: Interim Financial Reporting. These financial statements do therefore not contain all the information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2013.

Essential accounting policies and valuation methods

For the preparation of the condensed interim consolidated financial statements, the same accounting policies and valuation methods have been adopted as were applied for the preparation of the consolidated financial statements for the fiscal year ended December 31, 2013, with the exception of the following new or amended IFRS standards and interpretations listed below.

- > IFRS 10: Consolidated Financial Statements
- > IFRS 11: Joint Arrangements
- > IFRS 12: Disclosure of Interests in Other Entities
- > IAS 28: Investments in Associates and Joint Ventures
- > Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities
- > Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- > Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

First-time application of these standards did not result in material effects on the Group’s financial, profit and economic situation.

Adjustment of prior-year amounts

-> Amendment to IAS 19 Employee Benefits

In June 2011 the IASB released amendments to IAS 19: Employee Benefits that were adopted by the EU in June 2012. The amendments to IAS 19 generally had to be applied with retrospective effect for financial statements prepared for fiscal years beginning on or after January 1, 2013.

Elmos fully implemented the effects of the amended standard in the 6-month financial statements as of June 30, 2013 for the first time. In these 3-month financial statements, the reported prior-year amounts as of March 31, 2013 are still adjusted for the effects of the amendments to IAS 19 with respect to the first quarter. This resulted in the following effects:

Presentation of the consolidated income statement for the first quarter of 2013:

thousand Euro	01/01 – 03/31/2013 before adjustments	Effects of first-time application of IAS 19R	01/01 – 03/31/2013 after adjustments
Consolidated income statement			
Administrative expenses	-4,083	-21	-4,104
Operating income before other operating expenses (-)/income	-638	-21	-659
Earnings before taxes	158	-21	137
Deferred tax	855	6	861
Consolidated net income	508	-15	493

Presentation of the consolidated statement of comprehensive income for the first quarter of 2013:

thousand Euro	01/01 – 03/31/2013 before adjustments	Effects of first-time application of IAS 19R	01/01 – 03/31/2013 after adjustments
Consolidated statement of comprehensive income			
Actuarial gains from pension plans	0	21	21
Deferred tax on actuarial gains from pension plans	0	-6	-6
Other comprehensive income after taxes	342	15	357

-> Clarification of accounting treatment of spare parts according to IAS 16 by Annual Improvements 2009-2011 Cycle

Pursuant to IAS 16.8, items such as spare parts are recognized according to the standard applicable to property, plant and equipment if those parts meet the definition of an item of property, plant and equipment. Otherwise such items are treated as inventory. Within the framework of the Annual Improvements 2009-2011 Cycle, the IASB provided a clarification to the effect that spare parts and servicing equipment must generally be capitalized as property, plant and equipment regardless of whether or not they can only be used in connection with an item of property, plant and equipment if only they meet the respective definition (see IAS 16.6). In previous years Elmos reported all spare parts as part of the inventory. In order to comply with the IASB's clarification and the amended IAS 16, spare parts were reclassified to non-current assets. This reclassification was carried out effective December 31, 2013 for the first time. In the 3-month financial statements as of March 31, 2013 the clarification described above had not yet to be implemented mandatorily so that the prior-year amounts have been adjusted for this change in these 3-month financial statements.

The following effects resulted for the presentation of the consolidated statement of cash flows:

thousand Euro	01/01 – 03/31/2013 before corrections	Corrections pursuant to IAS 8	01/01 – 03/31/2013 after corrections
Consolidated statement of cash flows			
Depreciation and amortization	4,652	1,045	5,697
Changes in inventories	-1,434	-258	-1,692
Cash flow from operating activities	5,150	787	5,937
Capital expenditures for property, plant and equipment	-1,810	-787	-2,597
Cash flow from investing activities	-18,413	-787	-19,200

Estimates and assumptions

The Company recognizes provisions for pension and partial retirement obligations pursuant to IAS 19. An actuarial interest rate of 3.1% has been applied for 2014 for the pension retirement obligations and an actuarial interest rate of 1.41% for the partial retirement obligations, unchanged from December 31, 2013.

Exceptional business transactions

There were no exceptional business transactions in the first quarter of 2014.

Basis of consolidation

There were neither additions to nor disposals from the basis of consolidation in the first quarter of 2014.

Seasonal and economic impact on business operations

The German economy is experiencing an upswing in spring 2014, according to the ifo Institute for Economic Research. The gross domestic product will probably grow by 1.9% this year. Domestic demand is identified as the main growth driver. Over the first months of the year 2014, the global production output increased strongly. Stimulation originates especially from the industrialized nations where the economy gained momentum in the course of the past year. The business of Elmos Semiconductor AG is not subject to material seasonal fluctuations.

2 – Segment reporting

The business segments correspond to the Elmos Group's internal organizational and reporting structure. The definition of segments considers the different products and services supplied by the Group. The accounting principles of the individual segments correspond to those applied by the Group.

The Company divides its business activities into two segments. The semiconductor business is operated through the various national subsidiaries and branches in Germany, the Netherlands, South Africa, Asia, and the U.S.A. Sales in this segment are generated predominantly with electronics for the automotive industry. In addition to that, Elmos operates in the markets for industrial and consumer goods and provides semiconductors e.g. for applications in household appliances, photo cameras, installation and building technology, and machine control. Sales in the micromechanics segment are generated by the subsidiary SMI in the U.S.A. Its product portfolio includes micro-electro-mechanical systems (MEMS) which are primarily silicon-based high-precision pressure sensors. The following tables provide information on sales and earnings (for the period January 1 through March 31, 2014 and 2013, respectively) as well as on assets of the Group's business segments (as of March 31, 2014 and December 31, 2013, respectively).

Quarter ended 03/31/2014	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Third-party sales	45,551	3,817	0	49,368
Inter-segment sales	84	351	-435 ¹	0
Total sales	45,635	4,168	-435	49,368
Earnings				
Segment earnings	2,899	327	0	3,226
Finance income				642
Finance costs				-451
Earnings before taxes				3,417
Taxes on income				585
Consolidated net income including non-controlling interests				4,001
Assets				
Segment assets	226,522	15,762	36,133 ²	278,417
Investments	470	0	0	470
Total assets				278,887
Other segment information				
Capital expenditures for intangible assets and property, plant and equipment	8,090	44	0	8,134
Depreciation and amortization	5,647	188	0	5,835

¹ Sales from inter-segment transactions are eliminated for consolidation purposes.

² Non-attributable assets as of March 31, 2014 include cash and cash equivalents (31,392 thousand Euro), income tax assets (540 thousand Euro), and deferred tax (4,201 thousand Euro), as these assets are controlled at group level.

Quarter ended 03/31/2013	Semiconductor thousand Euro ³	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro ³
Sales				
Third-party sales	39,101	4,041	0	43,142
Inter-segment sales	91	227	-318 ¹	0
Total sales	39,192	4,268	-318	43,142
Earnings				
Segment earnings	-36	275	0	239
Finance income				462
Finance costs				-565
Earnings before taxes				137
Taxes on income				356
Consolidated net income including non-controlling interests				493
Assets and liabilities (as of 12/31/2013)				
Segment assets	223,533	16,166	30,681 ²	270,380
Investments	470	0	0	470
Total assets				270,850
Other segment information				
Capital expenditures for intangible assets and property, plant and equipment	2,947	26	0	2,973
Depreciation and amortization	5,529	168	0	5,697

¹ Sales from inter-segment transactions are eliminated for consolidation purposes.

² Non-attributable assets as of December 31, 2013 include cash and cash equivalents (27,949 thousand Euro), income tax assets (61 thousand Euro), and deferred tax (2,671 thousand Euro), as these assets are controlled at group level.

³ Adjustment of prior-year amounts; please also refer to note 1 in the condensed notes to consolidated financial statements.

3 – Notes on essential financial statement items

Geographical information

	Quarter ended 03/31/2014 thousand Euro	Quarter ended 03/31/2013 thousand Euro
Sales generated with third-party customers		
Germany	17,035	14,901
Other EU countries	13,253	12,980
U.S.A.	4,167	2,683
Asia/Pacific	11,781	9,788
Others	3,132	2,790
Consolidated sales	49,368	43,142
Geographical distribution of non-current assets	03/31/2014 thousand Euro	12/31/2013 thousand Euro
Germany	142,277	139,613
Other EU countries	4,179	4,297
U.S.A.	4,360	4,511
Others	79	89
Non-current assets	150,895	148,510

Selected non-current assets

Development of selected non-current assets from January 1 to March 31	Net book value 01/01/2014 thousand Euro	Reclassification thousand Euro	Additions thousand Euro	Disposals/Other movements thousand Euro	Depreciation and amortization thousand Euro	Net book value 03/31/2014 thousand Euro
Intangible assets	26,664	0	485	0	1,227	25,922
Property, plant and equipment	72,388	0	7,649	-928	4,608	74,501
Securities	48,987	0	1,080	-65	0	50,002
Investments	470	0	0	0	0	470
Other financial assets	2,493	0	106	0	0	2,599
	151,002	0	9,320	-993	5,835	153,494

The item “Disposals/Other movements” includes negative currency adjustments in the amount of 1 thousand Euro.

Inventories

	03/31/2014 thousand Euro	12/31/2013 thousand Euro
Raw materials	3,627	3,866
Work in process	30,751	28,731
Finished goods and merchandise	6,841	7,883
	41,219	40,480

Equity

As of March 31, 2014, the share capital of Elmos Semiconductor AG consists of 19,674,585 shares. The Company holds 313,947 treasury shares.

As of March 31, 2014, altogether 997,841 options from stock option plans are outstanding. The options are attributable to the separate tranches as follows:

	2009	2010	2011	2012	Total
Year of resolution and issue	2009	2010	2011	2012	
Exercise price in Euro	3.68	7.49	8.027	7.42	
Blocking period ex issue (years)	3	4	4	4	
Exercise period after blocking period (years)	3	3	3	3	
Options outstanding as of 12/31/2013 (number)	140,910	235,128	243,510	394,693	1,014,241
Exercised 01/01 – 03/31/2014 (number)	13,750	0	0	0	13,750
Forfeited 01/01 – 03/31/2014 (number)	0	1,855	300	495	2,650
Options outstanding as of 03/31/2014 (number)	127,160	233,273	243,210	394,198	997,841
Options exercisable as of 03/31/2014 (number)	127,160	0	0	0	127,160

Taxes on income

The first quarter of 2014 includes a one-off effect with respect to the reported deferred tax to the benefit of taxes on income as disclosed in the consolidated income statement in the amount of 1,847 thousand Euro. The corresponding reported deferred tax assets will be used in fiscal year 2014 to a large extent.

4 – Information on financial instruments

The following table lists the book values and fair values of the Group's financial instruments. The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability between market participants in a regular business transaction as of the measurement date. In view of varying factors of influence, the presented fair values can only be regarded as indicators of the amounts actually recoverable in the market. Detailed information on the methods and assumptions underlying the determination of the value of financial instruments can be found under note 29 to the 2013 consolidated financial statements. Their relevance to these 3-month financial statements is undiminished.

Book values and fair values of financial instruments

thousand Euro	03/31/2014		12/31/2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Investments	470	470	470	470
Long-term securities	50,002	50,002	48,989	48,989
Short-term securities	702	702	203	203
Trade receivables	36,809	36,809	38,450	38,450
Cash and cash equivalents	31,392	31,392	27,949	27,949
Other financial assets				
Other receivables and assets	2,804	2,804	2,639	2,639
Other loans	3,045	3,045	2,711	2,711
Call option	48	48	48	48
Embedded derivatives	117	117	0	0
Earn-out	0	0	0	0
Financial liabilities				
Trade payables	21,754	21,754	19,492	19,492
Liabilities to banks	38,072	39,180	37,795	38,811
Other financial liabilities				
Miscellaneous financial liabilities	142	142	429	429
Put option	2,392	2,392	2,392	2,392
Hedged derivatives (short-term)	573	573	522	522
Hedged derivatives (long-term)	1,121	1,121	1,144	1,144
Forward exchange contracts/Foreign exchange options	122	122	0	0
FX derivatives	42	42	0	0

At the end of the reporting period a review is conducted to find out whether reclassifications between valuation hierarchies must be made. The following presentation shows which valuation hierarchy levels (according to IFRS 13) financial assets and liabilities measured at fair value are classified to.

Hierarchy of fair values

The Group applies the following hierarchy for the determination and reporting of the fair values of financial instruments according to the respective valuation methods:

Level 1: quoted (unadjusted) prices in active markets for similar assets or liabilities

Level 2: methods where all input parameters with material effect on the determined fair value are observable either directly or indirectly

Level 3: methods using input parameters that have material effect on the determined fair values and are not based on observable market data

As of March 31, 2014, the Group held the following financial instruments measured at fair value:

Securities	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
January 1, 2014	42,691	0	0
Addition of securities (long-term)	1,080	0	0
Disposal/Reclassification of securities (long-term)	-499	0	0
Market valuation of securities (long-term)	434	0	0
Addition/Reclassification of securities (short-term)	499	0	0
Market valuation of securities (short-term)	-1	0	0
March 31, 2014	44,204	0	0
Investments			
January 1, 2014	0	0	470
March 31, 2014	0	0	470
Hedged derivatives			
January 1, 2014	0	-1,665	0
Correction of valuation of hedged derivatives outside profit or loss (short-term and long-term)	0	-29	0
March 31, 2014	0	-1,694	0
Call option			
January 1, 2014	0	0	48
March 31, 2014	0	0	48
Put option			
January 1, 2014	0	0	-2,392
March 31, 2014	0	0	-2,392
Forward exchange contracts/Foreign exchange options			
January 1, 2014	0	0	0
Addition of forward exchange contracts/Foreign exchange options	0	-122	0
March 31, 2014	0	-122	0
FX derivatives			
January 1, 2014	0	0	0
Addition of FX derivatives	0	-42	0
March 31, 2014	0	-42	0
Embedded derivatives			
January 1, 2014	0	0	0
Addition of embedded derivatives	0	117	0
March 31, 2014	0	117	0

The securities reported under *hierarchy level 1* are bonds classified by Elmos as available for sale. Plausible alternative assumptions would not result in material changes of the reported fair value.

The hedged derivatives allocated to *hierarchy level 2* comprise the Company's interest rate swaps. In addition to that, foreign currency transactions (USD) and embedded derivatives are also reported under this hierarchy level.

The available-for-sale financial assets reported under *hierarchy level 3* are investments in various companies, among other assets. With this respect, the book value essentially corresponds to the market value. The call and put options agreed on with a non-controlling shareholder are measured annually at fair value, most recently as of December 31, 2013, in application of the DCF method and in consideration of the terms and conditions of the contract. In the course of the measurement process, the required publicly available market data are collected and the input parameters that cannot be observed are reviewed on the basis of internally available current information and updated if necessary. Material changes of the input parameters and their respective effects on book values are subject to routine reporting to management.

5 – Related party disclosures

As reported in the consolidated financial statements for the fiscal year ended December 31, 2013, the Elmos Group maintains business relationships with related companies and individuals in the context of the ordinary course of business.

These supply and performance relationships continue to be transacted at market prices.

Directors' dealings according to Section 15a WpHG (Securities Trading Act)

No reportable securities transactions (directors' dealings) were made in the reporting period January 1 through March 31, 2014.

6 – Significant events after the first three months of 2014

Following the exercise of the purchase option for the acquisition of a majority interest in DMOS Dresden MOS Design GmbH, Dresden, this entity has been included in the consolidated financial statements as a fully consolidated subsidiary since April 1, 2014. This successive acquisition has no material effects on the Group's financial, profit and economic situation.

There have been no other reportable significant events or transactions after the end of the first quarter of 2014.


Dortmund, May 2014



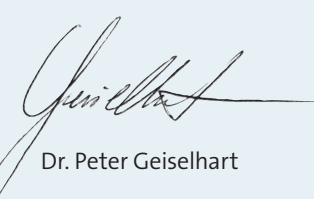
Dr. Anton Mindl



Nicolaus Graf von Luckner



Reinhard Senf



Dr. Peter Geiselhart

Financial calendar 2014

Quarterly results results Q1/2014 ¹	May 6, 2014
Annual General Meeting in Dortmund	May 13, 2014
Quarterly results Q2/2014 ¹	August 6, 2014
Quarterly results Q3/2014 ¹	November 5, 2014
Equity Forum in Frankfurt	November 24-26, 2014

¹ The German Securities Trading Act (WpHG) obliges issuers to announce immediately any information that may have a substantial price impact, irrespective of the communicated schedules. Therefore we cannot exclude that we will announce key figures of quarterly and annual results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking dates and news on the Company's website (www.elmos.com). Conference calls are usually held on the day after the announcement of quarterly results.

Contact | Imprint

Janina Rosenbaum | Investor Relations

Phone + 49 (0) 231-75 49-287

Fax + 49 (0) 231-75 49-548

invest@elmos.com

Elmos Semiconductor AG

Heinrich-Hertz-Straße 1

44227 Dortmund | Germany

Phone + 49 (0) 231-75 49-0

Fax + 49 (0) 231-75 49-149

info@elmos.com | www.elmos.com

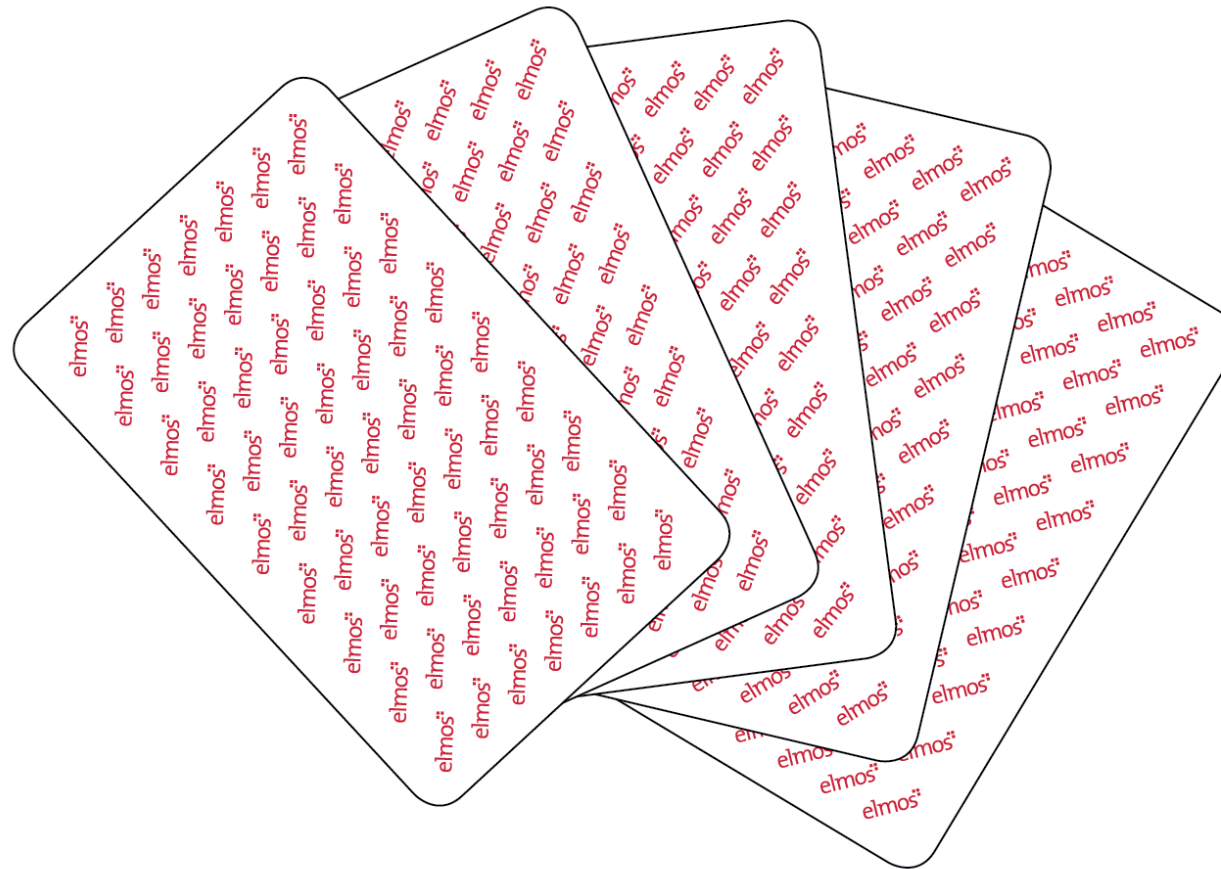
Further information

This interim report was released on May 6, 2014 in German and English. Both versions are available for download on the Internet at www.elmos.com.

We are happy to send you additional informative material free of charge on your request.

This report contains statements directed to the future that are based on assumptions and estimates made by the management of Elmos. Even though we assume the underlying expectations of our statements to be realistic, we cannot guarantee these expectations will prove right. The assumptions may carry risks and uncertainties, and as a result actual events may differ materially from the current statements made with respect to the future. Among the factors that could cause such differences are changes in economic and business conditions, fluctuations of exchange rates and interest rates, the introduction of competing products, lack of acceptance of new products, and changes in business strategy. Elmos neither intends nor assumes any obligation to update its statements with respect to future events.

This English translation is for convenience purposes only.



Elmos Semiconductor AG

Heinrich-Hertz-Straße 1

44227 Dortmund | Germany

Phone + 49 (0) 231 - 75 49 - 0

Fax + 49 (0) 231 - 75 49 - 149

invest@elmos.com | www.elmos.com