



# Elmos Product Quartets

Half-year report HY1 2014

# Overview

## In focus

- > Sales grow 12.3% to 101.3 million Euro
- > Significantly improved quality of earnings
- > Forecast raised slightly

## Key figures

	3 months			6 months		
	year-over-year comparison			year-over-year comparison		
in million Euro or percent unless otherwise indicated	04/01 – 06/30/2014	04/01 – 06/30/2013 <sup>1</sup>	Change	01/01 – 06/30/2014	01/01 – 06/30/2013 <sup>3</sup>	Change
<b>Sales</b>	<b>51.9</b>	<b>47.1</b>	<b>10.3%</b>	<b>101.3</b>	<b>90.2</b>	<b>12.3%</b>
Semiconductor	47.1	43.3	8.9%	92.7	82.4	12.5%
Micromechanics	4.8	3.8	26.1%	8.6	7.8	9.8%
<b>Gross profit</b>	<b>21.5</b>	<b>18.3</b>	<b>17.4%</b>	<b>42.1</b>	<b>35.2</b>	<b>19.6%</b>
in percent of sales	41.5%	39.0%		41.6%	39.0%	
R&D expenses	-8.1	-9.0	-10.4%	-16.8	-17.8	-5.9%
in percent of sales	15.6%	19.2%		16.5%	19.7%	
Operating income before other operating expenses (-)/income	4.4	0.5	>100.0%	7.2	-0.1	n/a
in percent of sales	8.4%	1.2%		7.1%	-0.1%	
Exchange rate losses (-)/gains	0.1	-0.1	n/a	-0.1	0.1	n/a
Other operating expenses (-)/income	0.7	1.1	-38.6%	1.3	1.9	-31.4%
<b>EBIT</b>	<b>5.1</b>	<b>1.6</b>	<b>&gt;100.0%</b>	<b>8.3</b>	<b>1.8</b>	<b>&gt;100.0%</b>
in percent of sales	9.8%	3.3%		8.2%	2.0%	
Consolidated net income after non-controlling interests	4.0	1.1	>100.0%	8.1	1.5	>100.0%
in percent of sales	7.8%	2.2%		8.0%	1.6%	
<b>Basic earnings per share (in Euro)</b>	<b>0.21</b>	<b>0.05</b>	<b>&gt;100.0%</b>	<b>0.42</b>	<b>0.08</b>	<b>&gt;100.0%</b>
Cash flow from operating activities	7.7	0.8	>100.0%	19.3	6.7	>100.0%
Capital expenditures for intangible assets and property, plant and equipment	9.7	5.7	69.9%	17.7	8.7	>100.0%
in percent of sales	18.6%	12.1%		17.4%	9.6%	
Free cash flow <sup>2</sup>	-3.4	-13.7	75.4%	0.0	-27.0	n/a
<b>Adjusted free cash flow<sup>3</sup></b>	<b>-1.9</b>	<b>-3.2</b>	<b>38.5%</b>	<b>1.6</b>	<b>-0.2</b>	<b>n/a</b>
in million Euro or percent unless otherwise indicated	<b>06/30/2014</b>	<b>12/31/2013</b>	<b>Change</b>			
Equity	197.7	192.7	2.6%			
in percent of total assets	70.5%	71.1%				
Employees (reporting date)	1,118	1,060	5.5%			

<sup>1</sup> Adjustment of prior-year amounts; please refer to note 1 in the condensed notes to the consolidated financial statements

<sup>2</sup> Cash flow from operating activities less cash flow from investing activities

<sup>3</sup> 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

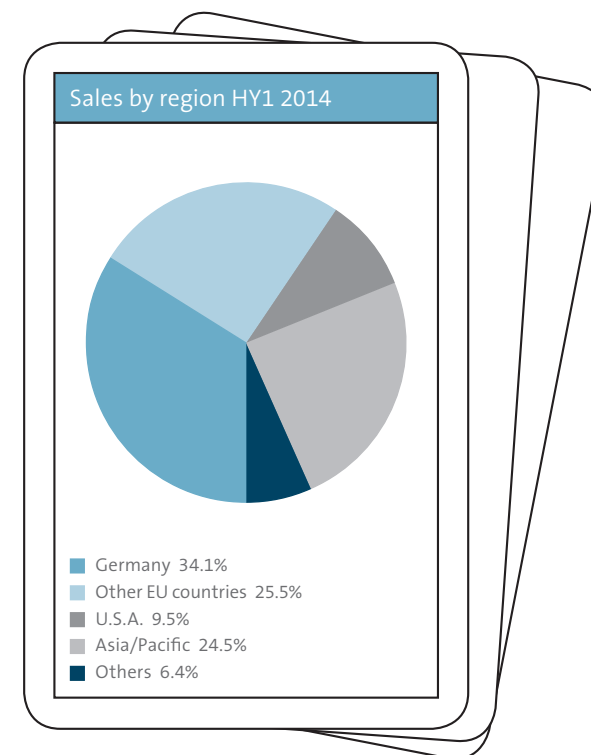
### Sales development and order situation

In the 1<sup>st</sup> half-year 2014 sales went up 12.3% compared to the prior-year period to reach 101.3 million Euro. Comparing quarters year-over-year, sales of the second quarter gained 10.3% on the prior-year quarter (Q2 2013: 47.1 million Euro) and 5.2% on the previous quarter (Q1 2014: 49.4 million Euro), coming to 51.9 million Euro in the reporting quarter. Elmos continues to benefit from the positive trend in new car registrations in Europe, the U.S., and China.

The sales increase is driven by the disproportionate growth of the Asian market (+3.7 million Euro or 17.3%) and ramp-ups of new products. Yet the entire European market – Germany in particular – showed a considerable repeat rebound in the

1<sup>st</sup> half-year 2014 (+3.7 million Euro or 6.6%). Compared to the prior-year period, the semiconductor segment climbed 12.5% to 92.7 million Euro (HY1 2013: 82.4 million Euro). Sales of the micromechanics segment were up 9.8% to 8.6 million Euro, comparing six months year-over-year (HY1 2013: 7.8 million Euro). Expressed in U.S. dollars, half-year growth would have even been much higher (+14.7%). The ramp-ups of the micromechanics segment in the second quarter of 2014 made a substantial contribution to this sales improvement (Q2 2014: 4.8 million Euro vs. Q2 2013: 3.8 million Euro).

The ratio of order backlog to sales, the so-called book-to-bill, was above one at the end of the first half-year 2014.



Third-party sales	01/01 – 06/30/2014 thousand Euro	in percent of sales	01/01 – 06/30/2013 thousand Euro	in percent of sales	Change
Germany	34,496	34.1%	30,689	34.0%	12.4%
Other EU countries	25,802	25.5%	25,889	28.7%	-0.3%
U.S.A.	9,661	9.5%	6,172	6.9%	56.5%
Asia/Pacific	24,798	24.5%	21,135	23.4%	17.3%
Others	6,539	6.4%	6,328	7.0%	3.3%
<b>Consolidated sales</b>	<b>101,296</b>	<b>100.0%</b>	<b>90,213</b>	<b>100.0%</b>	<b>12.3%</b>

### Profit situation, finances, and assets and liabilities

The cost of sales rose by 7.6% to 59.2 million Euro in the first six months of 2014 compared to the prior-year period, a disproportionately low increase in relation to sales (HY1 2013: 55.0 million Euro). The gross margin went up accordingly to 41.6% (HY1 2013: 39.0%). The gross profit was increased by 19.6% to 42.1 million Euro in comparison with the prior-year period (HY1 2013: 35.2 million Euro), thus growing much faster than sales did. This is a positive effect of the successively improved efficiency in production.

Research and development expenses went down from 17.8 million Euro in the prior-year period to 16.8 million Euro. In relation to sales, R&D expenses declined from 19.7% in the prior-year period to 16.5% in the reporting period. Responsible for this are among other things several grants realized in the second quarter 2014.

Distribution expenses as expressed in absolute numbers are stable in the reporting period (HY1 2014: 9.3 million Euro vs. HY1 2013: 9.2 million Euro). In relation to sales, however, expenses dropped from 10.3% to 9.2%. Administrative expenses were also reduced in relation to sales, from 9.1% to 8.7%.

As a result of the sales increase and the gains in efficiency regarding manufacturing cost and operating expenses, earnings before interest and taxes (EBIT) for the first six months reached

8.3 million Euro or 8.2% of sales (HY1 2013: 1.8 million Euro or 2.0%). Apart from that, consolidated net income attributable to owners of the parent of 8.1 million Euro for the first six months was satisfying (HY1 2013: 1.5 million Euro), accounted for by the positive contribution due to the accounting treatment of deferred tax income in connection with tax-deductible losses in the first quarter of 2014. Basic earnings per share (EPS) amount to 0.42 Euro (HY1 2013: 0.08 Euro).

The operating cash flow was increased considerably and amounted to 19.3 million Euro in the reporting period as compared to 6.7 million Euro in the prior-year period. Apart from the higher consolidated net income (+6.4 million Euro), another essential reason for the increase in cash flow from operating activities is the reduction of trade receivables. The cutback by 2.6 million Euro in the reporting period corresponds with an increase in trade receivables by 3.1 million in the prior-year period. Capital expenditures for intangible assets and property, plant and equipment were significantly higher in the first half-year due to the continued conversion of 6 to 8-inch production and the expansion of test capacity, reaching 17.7 million Euro (HY1 2013: 8.7 million Euro). Despite high capital expenditure, the 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) was increased. In the reporting period Elmos generated a positive adjusted free cash flow of 1.6 million Euro, above the prior-year period's amount (HY1 2013: -0.2 million Euro).

As of June 30, 2014 cash and cash equivalents as well as fungible securities amounted to 76.2 million Euro, down from December 31, 2013 by 1.0 million Euro (December 31, 2013: 77.1 million Euro).

Net cash at 38.4 million Euro was down slightly compared to December 31, 2013 (39.3 million Euro), among other factors accounted for by the payment of a dividend in the amount of 4.8 million Euro. The equity ratio remained stable at 70.5% as of June 30, 2014 (December 31, 2013: 71.1%).

### Economic environment

The major car markets reported growth in the 1<sup>st</sup> half-year 2014 worldwide. In **Western Europe** roughly 6.4 million vehicles were sold. This equals a 5.5% gain on the prior-year period. The largest growth was achieved by Spain (+18%) and Great Britain (+11%) while Italy, France (+3% each), and Germany (+2%) only showed below-average increases in new registrations.

The market volume of light vehicles (passenger cars and light trucks) in the **U.S.A.** amounted to 8,1 million units in the first half-year. In relative terms the market grew by about 4%. Especially light truck sales performed positively while the passenger car segment did not record any growth.

The passenger car market in **China** remains the global auto industry's growth driver. With the market reaching a volume

of close to 8.9 million units in the first half-year 2014, the prior-year benchmark was exceeded by 14%. Thus the Chinese market is now roughly 40% larger than the Western European one.

**Japan** also showed a highly satisfactory development. In the first half-year 2014, demand for passenger cars was up 11% to about 2.6 million units. Particularly strong was the demand in the year's first few months as a higher sales tax rate was introduced effective April 2014.

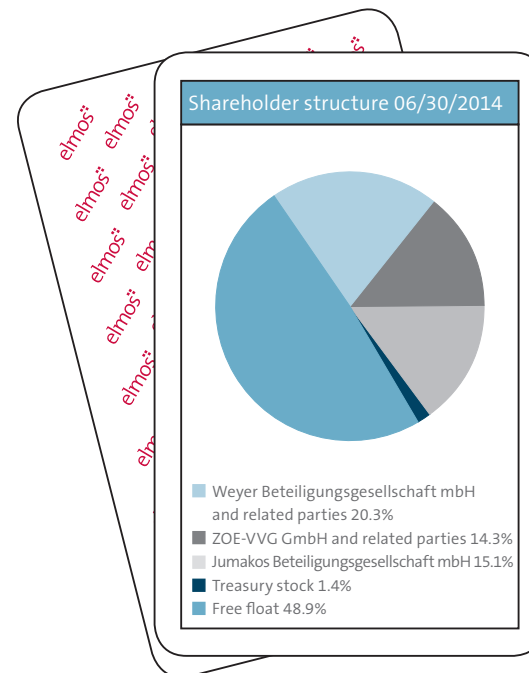
#### Significant events

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 presented the **financial results for the first quarter of 2014** on May 6, 2014. The CEO also informed about the Company's positive performance by addressing the **Annual General Meeting** on May 13, 2014. The shareholders passed the proposal for a dividend of 0.25 Euro per share with a large majority. Apart from the dividend payment, the other resolutions on the agenda were also respectively decided on with a significant majority of the votes.

**1,135,789 Elmos shares were placed with institutional investors**, thus settling pre-IPO claims of former Elmos shareholders entirely. Weyer Beteiligungsgesellschaft mbH and ZOE

VVG GmbH, companies owned by the founders of Elmos and today's Supervisory Board members, Dr. Klaus Weyer and Prof. Dr. Günter Zimmer, placed the Elmos shares with institutional investors off-market by way of accelerated bookbuilding on June 26, 2014, acting as trustees for former Elmos shareholder BMW INTEC Beteiligungs GmbH.

Weyer Beteiligungsgesellschaft mbH compensated a further part of the claims with own funds, thus economically increasing the share in Elmos Semiconductor AG.

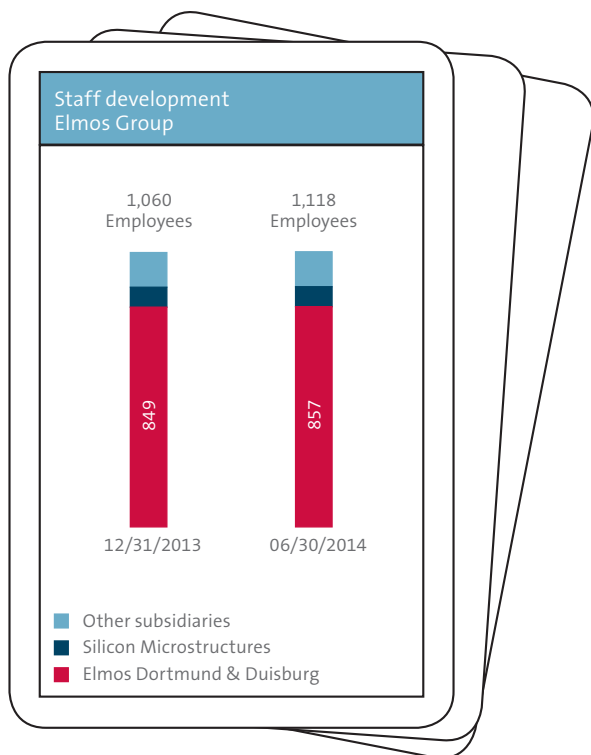


Elmos presented its products at the **world's leading trade shows**. In the first half-year 2014, Elmos showcased the product lines at "embedded world 2014" in Nuremberg, "electronica China" in Shanghai, and "Light+Building" in Frankfurt/Main, receiving highly positive customer feedback.

Elmos subsidiary SMI (Silicon Microstructures, Inc.) has developed a new **MEMS low-pressure sensor** and transferred it to series production. The sensor has the world's highest measurement precision of its segment. Elmos also pushed the marketing of an **LED controller family** for use in rough environments. Furthermore, Elmos introduced a number of products for "**smart home solutions**". These include motion and smoke detectors, among others. Finally, in closing the first six months, **stepper, DC and BLDC drivers** were presented.

Effective April 1, 2014 Elmos increased its shares in the company **DMOS** in Dresden from previously 20% to 74.8%, resulting in the subsidiary's full consolidation as of that date.

Based on successes in winning new projects, Elmos founded a **subsidiary in Tokyo/Japan** for distribution and application support in May 2014.



## 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

Dr. Arne Schneider, *since July 1, 2014*  
Graduate economist | Hamburg

Nicolaus Graf von Luckner, *until June 30, 2014*  
Graduate economist | Oberursel

Reinhard Senf  
Graduate engineer | Iserlohn

Dr. Peter Geiselhart  
Graduate physicist | Ettlingen

## Other disclosures

### Staff development

The Elmos Group's workforce came to 1,118 employees as of June 30, 2014. Compared with December 31, 2013 (1,060 employees), the staff is thus increased by 5.5%. This is accounted for essentially by the full consolidation of DMOS.

### Elmos share

Considering the half-year period, the stock markets showed a pleasant development despite the political and economic crises.

After a sideways movement in the first quarter of 2014, the DAX had a positive performance in the second quarter of 2014

so that a 2.9% gain was ultimately achieved over the first half-year 2014 as a whole. The technology relevant industry-specific indices managed to score higher increases, however. TecDAX, DAX Sector Technology, and Technology All Share were up 12.2%, 18.8%, and 10.9% respectively in the first half-year 2014.

The Elmos share presented a very good performance in the first half-year 2014 with a 37.1% gain. It closed at 14.67 Euro on June 30, 2014. Market capitalization was 289.8 million Euro as of that date (based on 19.8 million issued shares). The share reached its high on June 6, 2014 at 15.80 Euro and its low on January 2, 2014 at 10.65 Euro (Xetra closing prices).

The average daily trading volume of the first six months of 2014 came to 39.9 thousand shares (Xetra and Frankfurt floor) and was thus clearly above the 2013 average (21.6 thousand shares). Partly by servicing stock options with treasury shares, the treasury stock was reduced. As of June 30, 2014 Elmos Semiconductor AG held 280,825 treasury shares (December 31, 2013: 327,697).

Moreover, some 1.1 million shares were reallocated in June 2014 to institutional investors. More information about this can be found in the chapter "Significant events" in this half-year report.

## Outlook

### Opportunities and risks

Risk management and the 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 six months of 2014. No risks are visible at present that could either separately or collectively jeopardize the Company's continued existence.

### Economic framework

The upswing in **Germany** lost its momentum noticeably in the spring, according to the Bundesbank. In April and May the industry shifted to a lower gear, Germany's central bank explained. However, from the vantage of the Federal Ministry of Finance, the factors at hand still indicate "a continuation of the dynamic economic performance especially of the domestic economy."

In the **euro area**, the moderate economic recovery sped up insignificantly, according to the Ifo Institute, with an increase of the real gross domestic product of 0.3% in the second quarter of 2014 (after +0.2% the previous quarter). In the third and fourth quarters, the expansion rate is expected to stabilize at that level. The rebound will probably involve a large number of segments and member states.

The U.S. central bank, the Federal Reserve, has an optimistic view of the economic development in the **United States**, as is indicated in the Fed's economic report from July 2014. The Fed reports that the economy kept growing over the past weeks. Most regions are quoted with positive assessments of their respective growth prospects.

As the Bureau of Statistics recently announced in Beijing (**China**), the country's economic performance of the second quarter gained 7.5% on the previous year's quarter of comparison. For the full year, the Chinese government has set a target of 7.5% as well.

The major risks for the economic recovery are, according to the Ifo Institute, a possible increase of the savings ratio of private households in the euro area toward the reduction of the partly substantial debt levels, diminishing demand from Asia and Latin America, and an escalation of the international conflicts in Eastern Europe and the Middle East which might lead to a strong increase in energy prices.

For the **auto industry**, the President of Germany's Association of the Automotive Industry (VDA), Matthias Wissmann, expects the global market for passenger cars to grow about 4% to 75.9 million vehicles in 2014.

### Outlook for the Elmos Group

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

The market recovery reflects in orders received and sales as described above. All indicators suggest that Elmos will grow faster than the global auto market.

Elmos slightly raises its forecast for 2014. Management is now expecting sales growth and EBIT margin to range between 9 and 12% respectively (previously: upper single-digit percentage range). Capital expenditures for intangible assets and property, plant and equipment are budgeted to amount to no more than 15% of sales in 2014. Management further assumes that Elmos will generate a positive adjusted free cash flow once again. This forecast is based on an exchange rate of 1.35 USD/EUR (previously: 1.30 USD/EUR).

The outlook is based on the premise that the overall economic situation will materialize as described. In that case Elmos will participate in 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 and the Middle East 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	06/30/2014 thousand Euro	12/31/2013 thousand Euro
<b>Non-current assets</b>		
Intangible assets <sup>1</sup>	24,806	26,664
Property, plant and equipment <sup>1</sup>	80,196	72,388
Investments in associates	0	0
Securities <sup>1,2</sup>	50,406	48,987
Investments <sup>1,2</sup>	20	470
Other financial assets <sup>1</sup>	4,042	2,493
Deferred tax assets	3,634	2,671
<b>Total non-current assets</b>	<b>163,104</b>	<b>153,674</b>
<b>Current assets</b>		
Inventories <sup>1</sup>	44,448	40,480
Trade receivables <sup>2</sup>	36,282	38,450
Securities <sup>2</sup>	2,200	203
Other financial assets	2,046	2,905
Other receivables	8,172	7,007
Income tax assets	478	61
Cash and cash equivalents <sup>2</sup>	23,571	27,949
	<b>117,197</b>	<b>117,055</b>
Non-current assets held for sale	0	121
<b>Total current assets</b>	<b>117,197</b>	<b>117,176</b>
<b>Total assets</b>	<b>280,301</b>	<b>270,850</b>

<sup>1</sup> Cf. note 3

<sup>2</sup> Cf. note 4

Equity and liabilities	06/30/2014 thousand Euro	12/31/2013 thousand Euro
<b>Equity</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital <sup>1</sup>	19,762	19,675
Treasury stock <sup>1</sup>	-281	-328
Additional paid-in capital	89,082	88,161
Surplus reserve	102	102
Other equity components	-3,457	-3,920
Retained earnings	90,133	86,868
	<b>195,342</b>	<b>190,559</b>
Non-controlling interests	2,345	2,127
<b>Total equity</b>	<b>197,687</b>	<b>192,686</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions	400	492
Financial liabilities <sup>2</sup>	37,642	37,491
Other liabilities	4,551	4,650
Deferred tax liabilities	3,778	3,049
<b>Total non-current liabilities</b>	<b>46,371</b>	<b>45,682</b>
<b>Current liabilities</b>		
Provisions	10,116	7,505
Income tax liabilities	1,367	1,613
Financial liabilities <sup>2</sup>	154	303
Trade payables <sup>2</sup>	20,602	19,492
Other liabilities	4,004	3,569
<b>Total current liabilities</b>	<b>36,243</b>	<b>32,482</b>
<b>Total liabilities</b>	<b>82,614</b>	<b>78,164</b>
<b>Total equity and liabilities</b>	<b>280,301</b>	<b>270,850</b>

<sup>1</sup> Cf. note 3

<sup>2</sup> Cf. note 4



## Condensed consolidated income statement

For the period April 1 through June 30	04/01 – 06/30/2014 thousand Euro	in percent of sales	04/01 – 06/30/2013 thousand Euro	in percent of sales	Change
<b>Sales</b>	<b>51,928</b>	<b>100.0</b>	<b>47,071</b>	<b>100.0</b>	<b>10.3%</b>
Cost of sales	-30,385	-58.5	-28,727	-61.0	5.8%
<b>Gross profit</b>	<b>21,543</b>	<b>41.5</b>	<b>18,343</b>	<b>39.0</b>	<b>17.4%</b>
Research and development expenses	-8,094	-15.6	-9,031	-19.2	-10.4%
Distribution expenses	-4,525	-8.7	-4,638	-9.9	-2.4%
Administrative expenses	-4,548	-8.8	-4,130	-8.8	10.1%
<b>Operating income before other operating expenses (-)/income</b>	<b>4,376</b>	<b>8.4</b>	<b>544</b>	<b>1.2</b>	<b>&gt;100.0%</b>
Exchange rate losses (-)/gains	52	0.1	-58	-0.1	n/a
Other operating income	1,358	2.6	1,425	3.0	-4.7%
Other operating expenses	-689	-1.3	-335	-0.7	>100.0%
<b>Earnings before interest and taxes (EBIT)</b>	<b>5,097</b>	<b>9.8</b>	<b>1,576</b>	<b>3.3</b>	<b>&gt;100.0%</b>
Finance income	583	1.1	582	1.2	0.3%
Finance cost	-441	-0.8	-567	-1.2	-22.2%
<b>Earnings before taxes</b>	<b>5,239</b>	<b>10.1</b>	<b>1,590</b>	<b>3.4</b>	<b>&gt;100.0%</b>
<b>Taxes on income</b>					
Current income tax expense	-404	-0.8	-514	-1.1	-21.4%
Deferred taxes	-670	-1.3	153	0.3	n/a
	<b>-1,073</b>	<b>-2.1</b>	<b>-361</b>	<b>-0.8</b>	<b>&gt;100.0%</b>
<b>Consolidated net income</b>	<b>4,166</b>	<b>8.0</b>	<b>1,229</b>	<b>2.6</b>	<b>&gt;100.0%</b>
<b>Consolidated net income attributable to</b>					
Owners of the parent	<b>4,034</b>	<b>7.8</b>	<b>1,056</b>	<b>2.2</b>	<b>&gt;100.0%</b>
Non-controlling interests	131	0.2	173	0.4	-24.2%
<b>Earnings per share</b>	<b>Euro</b>		<b>Euro</b>		
Basic earnings per share	0.21		0.05		>100.0%
Fully diluted earnings per share	0.20		0.05		>100.0%

## Condensed consolidated statement of comprehensive income

For the period April 1 through June 30	04/01 – 06/30/2014 thousand Euro	04/01 – 06/30/2013 thousand Euro
<b>Consolidated net income</b>	<b>4,166</b>	<b>1,229</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to the income statement in future periods including respective tax effects</b>		
Foreign currency adjustments not affecting deferred taxes	39	-61
Foreign currency adjustments affecting deferred taxes	139	-289
Deferred tax (on foreign currency adjustments affecting deferred taxes)	-35	73
Value differences relating to hedges	-43	178
Deferred tax (on value differences relating to hedges)	14	-58
Changes in market value of available-for-sale financial assets	132	-677
Deferred tax (on changes in market value of available-for-sale financial assets)	-43	280
<b>Items that will not be reclassified to the income statement in future periods including respective tax effects</b>		
Actuarial gains from pension plans	9	42
Deferred tax on actuarial gains from pension plans	-3	-13
<b>Other comprehensive income after taxes</b>	<b>209</b>	<b>-525</b>
<b>Total comprehensive income after taxes</b>	<b>4,375</b>	<b>704</b>
<b>Total comprehensive income attributable to</b>		
Owners of the parent	4,243	543
Non-controlling interests	132	161

## Condensed consolidated income statement

For the period January 1 through June 30	01/01 – 06/30/2014 thousand Euro	in percent of sales	01/01 – 06/30/2013 thousand Euro	in percent of sales	Change
<b>Sales</b>	<b>101,296</b>	<b>100.0</b>	<b>90,213</b>	<b>100.0</b>	<b>12.3%</b>
Cost of sales	-59,205	-58.4	-55,030	-61.0	7.6%
<b>Gross profit</b>	<b>42,091</b>	<b>41.6</b>	<b>35,182</b>	<b>39.0</b>	<b>19.6%</b>
Research and development expenses	-16,756	-16.5	-17,814	-19.7	-5.9%
Distribution expenses	-9,287	-9.2	-9,249	-10.3	0.4%
Administrative expenses	-8,856	-8.7	-8,213	-9.1	7.8%
<b>Operating income before other operating expenses (-)/income</b>	<b>7,192</b>	<b>7.1</b>	<b>-94</b>	<b>-0.1</b>	<b>n/a</b>
Exchange rate losses (-)/gains	-148	-0.1	66	0.1	n/a
Other operating income	2,231	2.2	2,455	2.7	-9.1%
Other operating expenses	-952	-0.9	-592	-0.7	60.9%
<b>Earnings before interest and taxes (EBIT)</b>	<b>8,323</b>	<b>8.2</b>	<b>1,836</b>	<b>2.0</b>	<b>&gt;100.0%</b>
Finance income	1,225	1.2	1,044	1.2	17.4%
Finance expenses	-892	-0.9	-1,132	-1.3	-21.2%
<b>Earnings before taxes</b>	<b>8,656</b>	<b>8.5</b>	<b>1,748</b>	<b>1.9</b>	<b>&gt;100.0%</b>
<b>Taxes on income</b>					
Current income tax expense	-948	-0.9	-1,018	-1.1	-7.0%
Deferred taxes <sup>1</sup>	459	0.5	1,007	1.1	-54.5%
	<b>-489</b>	<b>-0.5</b>	<b>-11</b>	<b>0.0</b>	<b>&gt;100.0%</b>
<b>Consolidated net income</b>	<b>8,167</b>	<b>8.1</b>	<b>1,737</b>	<b>1.9</b>	<b>&gt;100.0%</b>
<b>Consolidated net income attributable to</b>					
<b>Owners of the parent</b>	<b>8,068</b>	<b>8.0</b>	<b>1,478</b>	<b>1.6</b>	<b>&gt;100.0%</b>
Non-controlling interests	99	0.1	259	0.3	-61.8%
<b>Earnings per share</b>	<b>Euro</b>		<b>Euro</b>		
Basic earnings per share	0.42		0.08		>100.0%
Fully diluted earnings per share	0.41		0.08		>100.0%

<sup>1</sup> Cf. note 3

## Condensed consolidated statement of comprehensive income

For the period January 1 through June 30	01/01 – 06/30/2014 thousand Euro	01/01 – 06/30/2013 thousand Euro
<b>Consolidated net income</b>	<b>8,167</b>	<b>1,737</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to the income statement in future periods including respective tax effects</b>		
Foreign currency adjustments not affecting deferred taxes	7	-65
Foreign currency adjustments affecting deferred taxes	135	104
Deferred tax (on foreign currency adjustments affecting deferred taxes)	-34	-26
Value differences relating to hedges	-72	252
Deferred tax (on value differences relating to hedges)	24	-71
Changes in market value of available-for-sale financial assets	566	-639
Deferred tax (on changes in market value of available-for-sale financial assets)	-186	233
<b>Items that will not be reclassified to the income statement in future periods including respective tax effects</b>		
Actuarial gains from pension plans	18	42
Deferred tax on actuarial gains from pension plans	-6	-13
<b>Other comprehensive income after taxes</b>	<b>452</b>	<b>-183</b>
<b>Total comprehensive income after taxes</b>	<b>8,619</b>	<b>1,554</b>
<b>Total comprehensive income attributable to</b>		
Owners of the parent	8,530	1,325
Non-controlling interests	89	229

## Condensed consolidated statement of cash flows

	01/01– 06/30/2014 thousand Euro	01/01– 06/30/2013 thousand Euro <sup>1</sup>	04/01– 06/30/2014 thousand Euro	04/01– 06/30/2013 thousand Euro <sup>1</sup>
<b>Cash flow from operating activities</b>				
Consolidated net income	8,167	1,737	4,166	1,229
Depreciation and amortization	11,816	11,399	5,981	5,702
Financial result	-333	88	-142	-15
Other non-cash income (-)/expense	-953	-1,109	229	-185
Current income tax	948	1,018	404	513
Expenses for stock option plans/stock award plans/share matching plans	195	210	88	101
Changes in pension provisions	-74	-199	-59	-154
Changes in net working capital:				
Trade receivables	2,622	-3,076	981	-826
Inventories	-3,968	-2,319	-3,229	-627
Other assets	-214	-1,941	389	-1,721
Trade payables	468	113	-1,794	-2,364
Other provisions and other liabilities	2,264	1,601	936	-625
Income tax payments	-1,932	-676	-456	-222
Interest paid	-892	-1,132	-441	-567
Interest received	1,182	1,034	657	572
<b>Cash flow from operating activities</b>	<b>19,296</b>	<b>6,748</b>	<b>7,710</b>	<b>811</b>

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

	01/01– 06/30/2014 thousand Euro	01/01– 06/30/2013 thousand Euro <sup>1</sup>	04/01– 06/30/2014 thousand Euro	04/01– 06/30/2013 thousand Euro <sup>1</sup>
<b>Cash flow from investing activities</b>				
Capital expenditures for intangible assets	-982	-794	-497	-418
Capital expenditures for property, plant and equipment	-16,691	-7,860	-9,156	-5,263
Payments for (-)/Disposal of non-current assets held for sale	2	-878	0	-753
Disposal of non-current assets	964	530	37	56
Payments for the acquisition of shares in subsidiaries plus acquired cash and cash equivalents	546	0	546	0
Payments for (-)/Disposal of securities	-2,850	-26,446	-1,770	-9,878
Disposal of investments	0	1,709	0	1,709
Payments for (-)/Payments from other non-current financial assets	-255	-17	-255	-9
<b>Cash flow from investing activities</b>	<b>-19,266</b>	<b>-33,755</b>	<b>-11,095</b>	<b>-14,555</b>
<b>Cash flow from financing activities</b>				
Repayment of non-current liabilities	-40	-40	-40	-40
Repayment of current liabilities to banks	-150	-141	-427	-37
Purchase of treasury shares	0	-1,525	0	0
Share-based remuneration/Issue of treasury shares	336	457	285	274
Capital increase from conditional capital	535	41	535	41
Dividend payment	-4,844	-4,814	-4,844	-4,814
Dividend payment to non-controlling shareholders	-367	-400	-100	-316
Increase of majority stake	0	-570	0	0
Other changes	43	-4	43	0
<b>Cash flow from financing activities</b>	<b>-4,487</b>	<b>-6,996</b>	<b>-4,548</b>	<b>-4,892</b>
<b>Decrease in cash and cash equivalents</b>	<b>-4,457</b>	<b>-34,003</b>	<b>-7,933</b>	<b>-18,636</b>
Effect of exchange rate changes on cash and cash equivalents	79	-30	112	-154
Cash and cash equivalents at beginning of reporting period	27,949	55,576	31,392	40,333
<b>Cash and cash equivalents at end of reporting period</b>	<b>23,571</b>	<b>21,543</b>	<b>23,571</b>	<b>21,543</b>

<sup>1</sup> Adjustment 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			
	Shares thousand	Share capital thousand Euro	Treasury stock thousand Euro	Additional paid-in capital thousand Euro	Surplus reserve thousand Euro	Other equity components					Retained earnings thousand Euro			Total thousand Euro	Total thousand Euro	Total thousand Euro
						Reserve for available-for-sale financial assets thousand Euro	Hedges thousand Euro	Foreign currency translation thousand Euro	Unrealized actuarial gains/losses thousand Euro	thousand Euro						
<b>January 1, 2013 before adjustments</b>	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			
<b>January 1, 2013 after adjustments</b>	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										1,478	1,478	259	1,737			
Other comprehensive income for the period						-406	181	43	29		-153	-30	-183			
Total comprehensive income						-406	181	43	29	1,478	1,325	229	1,554			
Share-based remuneration			101	356							457		457			
Capital increase from conditional capital	11	11		30							41		41			
Transaction costs				-4							-4		-4			
Purchase of treasury shares			-189	-1,336							-1,525		-1,525			
Dividend payment										-4,814	-4,814		-4,814			
Dividend payment to non-controlling shareholders											0	-400	-400			
Stock option and stock award expenses				210							210		210			
Increase of majority stake										-85	-85	-485	-570			
<b>June 30, 2013</b>	19,627	19,627	-328	87,855	102	-335	-1,125	-1,591	-504	78,905	182,607	1,931	184,538			
<b>January 1, 2014</b>	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										8,068	8,068	99	8,167			
Other comprehensive income for the period						380	-48	118	12		462	-10	452			
Total comprehensive income						380	-48	118	12	8,068	8,530	89	8,619			
Share-based remuneration/Issue of treasury shares			47	289							336		336			
Capital increase from conditional capital	88	88		447							535		535			
Transaction costs				-10							-10		-10			
Changes in basis of consolidation											0	483	483			
Dividend payment										-4,844	-4,844		-4,844			
Dividend payment to non-controlling shareholders											0	-367	-367			
Expenses for stock option plans/stock award plans/share matching plans				195							195		195			
Other changes										41	41	13	54			
<b>June 30, 2014</b>	19,762	19,762	-281	89,082	102	458	-1,167	-2,073	-676	90,133	195,342	2,345	197,687			

# Condensed notes to the consolidated financial statements

The condensed interim consolidated financial statements for the 1<sup>st</sup> half-year 2014 were released for publication pursuant to Management Board resolution in August 2014.

## 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 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 and business locations in Europe, Asia, South Africa 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 June 30, 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
- > Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- > Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- > IFRIC 21: Levies

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

## Adjustment of prior-year amounts

### -> 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 have been reclassified to non-current assets. This reclassification was carried out effective December 31, 2013 for the first time. For the 6-month financial statements as of June 30, 2013, the clarification described above did not have to be implemented yet so that the prior-year amounts have been adjusted for this change in these 6-month financial statements.

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

thousand Euro	04/01 – 06/30/2013 before adjustments	Corrections pursuant to IAS 8	04/01 – 06/30/2013 after adjustments
<b>Consolidated statement of cash flows</b>			
Depreciation and amortization	4,657	1,045	5,702
Changes in inventories	-369	-258	-627
Cash flow from operating activities	24	787	811
Capital expenditures for property, plant and equipment	-4,476	-787	-5,263
Cash flow from investing activities	-13,768	-787	-14,555

thousand Euro	01/01 – 06/30/2013 before adjustments	Corrections pursuant to IAS 8	01/01 – 06/30/2013 after adjustments
<b>Consolidated statement of cash flows</b>			
Depreciation and amortization	9,309	2,090	11,399
Changes in inventories	-1,803	-516	-2,319
Cash flow from operating activities	5,174	1,574	6,748
Capital expenditures for property, plant and equipment	-6,286	-1,574	-7,860
Cash flow from investing activities	-32,181	-1,574	-33,755

## Estimates and assumptions

The Company recognizes provisions for pension and partial retirement obligations pursuant to IAS 19. For 2014 actuarial interest rates of 3.1% have been applied for pension obligations and of 1.41% for partial retirement obligations respectively, unchanged from December 31, 2013.

## Exceptional business transactions

There were no exceptional business transactions in the first half-year 2014.

## Basis of consolidation

The Elmos Group's basis of consolidation was expanded by two companies in the first half-year 2014.

A Japanese subsidiary for sales and application support was established in May 2014, included in the consolidated financial statements in the second quarter for the first time.

Furthermore, Elmos AG acquired 54.8% of the shares in DMOS Dresden MOS Design GmbH, Dresden ("DMOS GmbH") for a purchase price of 21 thousand Euro, which had been fixed in the past, with economic effect as of April 1, 2014 by exercising an option to this effect. Up to and including March 31, 2014, Elmos AG accounted for its 20% stake in DMOS GmbH at amortized cost in accordance with IAS 39. Upon the acquisition of the additional stake of 54.8%, Elmos AG is now in a position to exercise control over DMOS GmbH within the meaning of IFRS 3. Therefore DMOS GmbH has been included as a subsidiary in the consolidated financial statements of Elmos AG as of April 1, 2014. The company, established in 2002, operates in the semiconductor industry and primarily acts as supplier of development services in the field of analog and digital circuits as well as program developments for testing production circuits. The services and software solutions offered by the company find use especially in the realm of automotive applications.

The preliminary fair values of the identifiable assets and liabilities of DMOS GmbH at the time of obtaining control are as follows:

	<b>Fair value at the time of obtaining control (in thousand Euro)</b>
<b>Assets</b>	
	148 (thereof 143 from the disclosure of hidden reserves)
Intangible assets	
Property, plant and equipment	1,128
Cash	567
Trade receivables	1
Receivables from affiliated companies	453
Tenant loans	772
Prepaid expenses and accrued income	617
Other assets	250
	<b>3,936</b>
<b>Liabilities</b>	
Provisions	-744
Deferred tax liabilities	-45
Trade payables	-44
Liabilities to affiliated companies	-898
Other equity and liabilities	-291
	<b>-2,022</b>
<b>= total identifiable net assets at fair value</b>	<b>1,914</b>
Non-controlling interests at fair value	-540
Non-controlling interests as of the acquisition date	-483
Overpayment of intangible assets	-454
Badwill from business acquisition	-416
<b>= transferred consideration</b>	<b>21</b>
<b>Breakdown of cash inflow due to obtaining control:</b>	
Cash obtained upon the transition from investment to subsidiary	567
Cash outflow	-21
Actual cash inflow due to business acquisition	546

The fair value of trade receivables equals the gross amount of trade receivables and comes to 1 thousand Euro. These receivables were not impaired and the entire contractually determined amount is probably recoverable.

The business transaction resulted in goodwill in the amount of 416 thousand Euro recognized in other operating income in the consolidated income statement. This income from an acquisition at a price below market value is accountable for by the fact that the purchase price for the most recently acquired 54.8% stake in DMOS GmbH was fixed at a much earlier point in time.

Transaction costs in the amount of 30 thousand Euro were recognized as expense and are reported in the consolidated income statement under administrative expenses.

The revaluation of the previously held 20% interest at fair value resulted in a positive contribution to earnings in the amount of 91 thousand Euro, reported in the consolidated income statement under other operating income.

The disclosure pursuant to IAS 34 16A (i) read in conjunction with IFRS 3 B64 q is passed on. DMOS GmbH almost exclusively performs group-internal services so that the effects of the entity's first-time inclusion in the consolidated financial statements can be qualified as immaterial with regard to sales and earnings.

Altogether it can be declared that comparability with the prior-year consolidated financial statements with respect to financial, profit and economic situation has not been materially affected by the first-time inclusion of the two new subsidiaries.

### Seasonal and economic impact on business operations

The economic framework for 2014 is subject to uncertainty in many respects. The further development of the global and regional crises, for example the crises of certain euro member states or the political situation in the Middle East and in Eastern Europe as well as the future market situation in China cannot be predicted so far. The associated effects on the capital and raw materials markets are equally hard to assess. The business of Elmos Semiconductor AG shows only minor 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 June 30, 2014 and 2013, respectively) as well as on assets of the Group's business segments (as of June 30, 2014 and December 31, 2013).



1 <sup>st</sup> half-year as of June 30, 2014	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
<b>Sales</b>				
Third-party sales	92,686	8,610	0	101,296
Inter-segment sales	195	673	-868 <sup>1</sup>	0
<b>Total sales</b>	<b>92,881</b>	<b>9,283</b>	<b>-868</b>	<b>101,296</b>
<b>Earnings</b>				
Segment earnings	7,086	1,237	0	8,323
Finance income				1,225
Finance costs				-892
<b>Earnings before taxes</b>				<b>8,656</b>
Taxes on income				-489
<b>Consolidated net income including non-controlling interests</b>				<b>8,167</b>
<b>Assets</b>				
Segment assets	235,952	16,646	27,683 <sup>2</sup>	280,281
Investments	20	0	0	20
<b>Total assets</b>				<b>280,301</b>
<b>Other segment information</b>				
Additions of intangible assets and property, plant and equipment	21,318	160	0	21,478
Depreciation and amortization	13,652	387	0	14,039

<sup>1</sup> Sales from inter-segment transactions are eliminated for consolidation purposes.

<sup>2</sup> Non-attributable assets as of June 30, 2014 include cash and cash equivalents (23,571 thousand Euro), income tax assets (478 thousand Euro), and deferred tax assets (3,634 thousand Euro), as these assets are controlled at group level.

1 <sup>st</sup> half-year as of June 30, 2013	Semiconductor thousand Euro <sup>3</sup>	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro <sup>3</sup>
<b>Sales</b>				
Third-party sales	82,371	7,842	0	90,213
Inter-segment sales	220	409	-629 <sup>1</sup>	0
<b>Total sales</b>	<b>82,591</b>	<b>8,251</b>	<b>-629</b>	<b>90,213</b>
<b>Earnings</b>				
Segment earnings	1,122	714	0	1,836
Finance income				1,044
Finance costs				-1,132
<b>Earnings before taxes</b>				<b>1,748</b>
Taxes on income				-11
<b>Consolidated net income including non-controlling interests</b>				<b>1,737</b>
<b>Assets (as of December 31, 2013)</b>				
Segment assets	223,533	16,166	30,681 <sup>2</sup>	270,380
Investments	470	0	0	470
<b>Total assets</b>				<b>270,850</b>
<b>Other segment information</b>				
Additions of intangible assets and property, plant and equipment	8,564	90	0	8,654
Depreciation and amortization	11,063	336	0	11,399

<sup>1</sup> Sales from inter-segment transactions are eliminated for consolidation purposes.

<sup>2</sup> 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 assets (2,671 thousand Euro), as these assets are controlled at group level.

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

## Geographical information

	Half-year ended 06/30/2014 thousand Euro	Half-year ended 06/30/2013 thousand Euro
<b>Third-party sales</b>		
Germany	34,496	30,689
Other EU countries	25,802	25,889
U.S.A.	9,661	6,172
Asia/Pacific	24,798	21,135
Others	6,539	6,328
<b>Consolidated sales</b>	<b>101,296</b>	<b>90,213</b>

	06/30/2014 thousand Euro	12/31/2013 thousand Euro
<b>Geographical distribution of non-current assets</b>		
Germany	146,984	139,613
Other EU countries	4,060	4,297
U.S.A.	4,310	4,511
Others	74	89
<b>Non-current assets</b>	<b>155,428</b>	<b>148,510</b>

## 3 – Notes on essential financial statement items

### Selected non-current assets

Development of selected non-current assets January 1 through June 30	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 6/30/2014 thousand Euro
Intangible assets	26,664	25	1,591	558	2,916	24,806
Property, plant and equipment	72,388	-25	19,887	931	11,123	80,196
Securities	48,987	0	5,350	3,931	0	50,406
Investments	470	0	0	450	0	20
Other financial assets	2,493	0	1,632	83	0	4,042
	<b>151,002</b>	<b>0</b>	<b>28,460</b>	<b>5,953</b>	<b>14,039</b>	<b>159,470</b>

The item "Disposals/Other movements" includes negative currency adjustments in the amount of 42 thousand Euro.

## Inventories

	06/30/2014 thousand Euro	12/31/2013 thousand Euro
Raw materials	3,804	3,866
Work in process	34,507	28,731
Finished goods and merchandise	6,137	7,883
	<b>44,448</b>	<b>40,480</b>

## Equity

As of June 30, 2014, the share capital of Elmos Semiconductor AG consists of 19,762,458 shares. The Company holds 280,825 treasury shares.

As of June 30, 2014, altogether 894,519 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 1/1 – 6/30/2014 (number)	52,900	55,173	0	0	108,073
Forfeited 1/1 – 6/30/2014 (number)	1,550	5,315	3,025	1,759	11,649
<b>Options outstanding as of 6/30/2014 (number)</b>	<b>86,460</b>	<b>174,640</b>	<b>240,485</b>	<b>392,934</b>	<b>894,519</b>
Options exercisable as of 6/30/2014 (number)	86,460	174,640	0	0	261,100

## Taxes on income

The first half-year 2014 includes a one-off effect with respect to recognized deferred taxes, favoring the taxes on income reported in the consolidated financial statements in the amount of 1,847 thousand Euro. The corresponding recognized deferred tax assets will probably be consumed entirely in fiscal year 2014.

## 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 half-year financial statements is undiminished.

### Book values and fair values of financial instruments

thousand Euro	06/30/2014		12/31/2013	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Investments	20	20	470	470
Long-term securities	50,406	50,406	48,987	48,987
Short-term securities	2,200	2,200	203	203
Trade receivables	36,282	36,282	38,450	38,450
Cash and cash equivalents	23,571	23,571	27,949	27,949
Other financial assets				
Other receivables and assets	2,260	2,260	2,639	2,639
Other loans	3,748	3,748	2,711	2,711
Call option	48	48	48	48
Embedded derivatives	32	32	0	0
Earn-out	0	0	0	0
<b>Financial liabilities</b>				
Trade payables	20,602	20,602	19,492	19,492
Liabilities to banks	37,605	38,806	37,795	38,811
Other financial liabilities				
Miscellaneous financial liabilities	338	338	429	429
Put option	2,392	2,392	2,392	2,392
Hedged derivatives (short-term)	591	591	522	522
Hedged derivatives (long-term)	1,146	1,146	1,144	1,144
Forward exchange contracts/Foreign exchange options	20	20	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 June 30, 2014, the Group held the following financial instruments measured at fair value:

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
<b>Securities</b>			
<b>January 1, 2014</b>	<b>42,691</b>	<b>0</b>	<b>0</b>
Addition of securities (long-term)	5,350	0	0
Market valuation of securities (long-term)	567	0	0
Market valuation of securities (short-term)	-2	0	0
<b>June 30, 2014</b>	<b>48,606</b>	<b>0</b>	<b>0</b>
<b>Investments</b>			
<b>January 1, 2014</b>	<b>0</b>	<b>0</b>	<b>470</b>
Disposal of investments	0	0	-450
<b>June 30, 2014</b>	<b>0</b>	<b>0</b>	<b>20</b>
<b>Hedged derivatives</b>			
<b>January 1, 2014</b>	<b>0</b>	<b>-1,665</b>	<b>0</b>
Correction of valuation of hedged derivatives outside profit or loss (short-term and long-term)	0	-72	0
<b>June 30, 2014</b>	<b>0</b>	<b>-1,737</b>	<b>0</b>
<b>Call option</b>			
<b>January 1, 2014</b>	<b>0</b>	<b>0</b>	<b>48</b>
<b>June 30, 2014</b>	<b>0</b>	<b>0</b>	<b>48</b>
<b>Put option</b>			
<b>January 1, 2014</b>	<b>0</b>	<b>0</b>	<b>-2,392</b>
<b>June 30, 2014</b>	<b>0</b>	<b>0</b>	<b>-2,392</b>
<b>Forward exchange contracts/Foreign exchange options</b>			
<b>January 1, 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>
Addition of forward exchange contracts/Foreign exchange options	0	-20	0
<b>June 30, 2014</b>	<b>0</b>	<b>-20</b>	<b>0</b>
<b>Embedded derivatives</b>			
<b>January 1, 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>
Addition of embedded derivatives	0	32	0
<b>June 30, 2014</b>	<b>0</b>	<b>32</b>	<b>0</b>

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 credit linked notes (embedded derivatives) of various issuers 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)

The following reportable securities transactions (directors' dealings) were made in the reporting period January 1 through June 30, 2014:

Date Place	Name	Function	Transaction	Number	Price/Basic price (Euro)	Total volume (Euro)
06/2/2014 off-market	Thomas Lehner	Supervisory Board member	Sale of Elmos shares from exercise of stock options	2,500	15.63	39,081
06/11/2014 off-market	Dr. Peter Geiselhart	Management Board member	Purchase of Elmos shares	654	15.27	9,989
06/11/2014 off-market	Reinhard Senf	Management Board member	Purchase of Elmos shares	654	15.27	9,989
06/18/2014 off-market	Reinhard Senf	Management Board member	Sale of Elmos shares from exercise of stock options	5,000	15.07	73,333
06/24/2014 off-market	ZOE-VVG GmbH	Legal entity closely related to the Supervisory Board chairman	Disposal <sup>1</sup>	742,894	not quantifiable	
06/24/2014 off-market	Weyer Beteiligungsgesellschaft mbH	Legal entity closely related to a Supervisory Board member	Disposal <sup>1</sup>	392,895	not quantifiable	
06/27/2014 off-market	Dr. Anton Mindl	CEO	Purchase of Elmos shares	654	15.27	9,989
06/27/2014 off-market	Nicolaus Graf von Luckner	Management Board member	Purchase of Elmos shares	654	15.27	9,989

<sup>1</sup>The transfer of the shares took place without valuation for the settlement of the right to recover possession owned by previous shareholder BMW INTEC Beteiligungsgesellschaft mbH resulting from the time of the IPO of Elmos Semiconductor AG (please also refer to the press release of Elmos Semiconductor AG of June 26, 2014).

## 6 – Significant events after the end of the first half-year 2014

There have been no reportable significant events or transactions after the end of the first half-year 2014.

### Responsibility statement

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

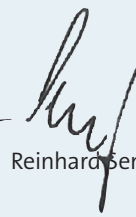
Dortmund, August 6, 2014



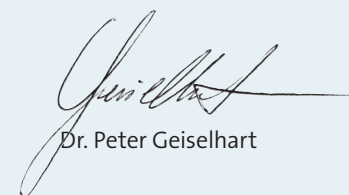
Dr. Anton Mindl



Dr. Arne Schneider



Reinhard Senf



Dr. Peter Geiselhart

## Review report

### To Elmos Semiconductor AG, Dortmund

We have reviewed the condensed interim consolidated financial statements – comprising condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity, and selected explanatory notes – and the interim group management report of Elmos Semiconductor AG for the period from January 1 to June 30, 2014 that are required components of a half-year financial report pursuant to Section 37w WpHG (Securities Trading Act).

The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union and of the interim group management report in accordance with the regulations of the WpHG applicable to interim group management reports is the responsibility of the company's management. It is our responsibility to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We have performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements as defined by the Institut der Wirtschaftsprüfer (IDW). Those standards require the review to be planned and conducted in such a way that allows us to rule out the possibility with reasonable assurance that the condensed interim consolidated financial statements have not been prepared in material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union and that the interim group management report has not been prepared in

material respects in accordance with the regulations of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the degree of assurance attainable in a financial statement audit. As we have not performed a financial statement audit in accordance with our engagement, we cannot issue an audit opinion.

No matters have come to our attention on the basis of our review that lead us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union or that the interim group management report has not been prepared in all material respects in accordance with the regulations of the WpHG applicable to interim group management reports.

Düsseldorf, August 6, 2014

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger	Ulrich Diersch
Wirtschaftsprüfer	Wirtschaftsprüfer

## Financial calendar 2014

Quarterly results Q2/2014 <sup>1</sup>	August 6, 2014
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Quarterly results Q3/2014 <sup>1</sup>	November 5, 2014
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Equity Forum in Frankfurt	November 24-26, 2014
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<sup>1</sup> 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](http://www.elmos.com)). Conference calls are usually held on the day after the announcement of quarterly results.

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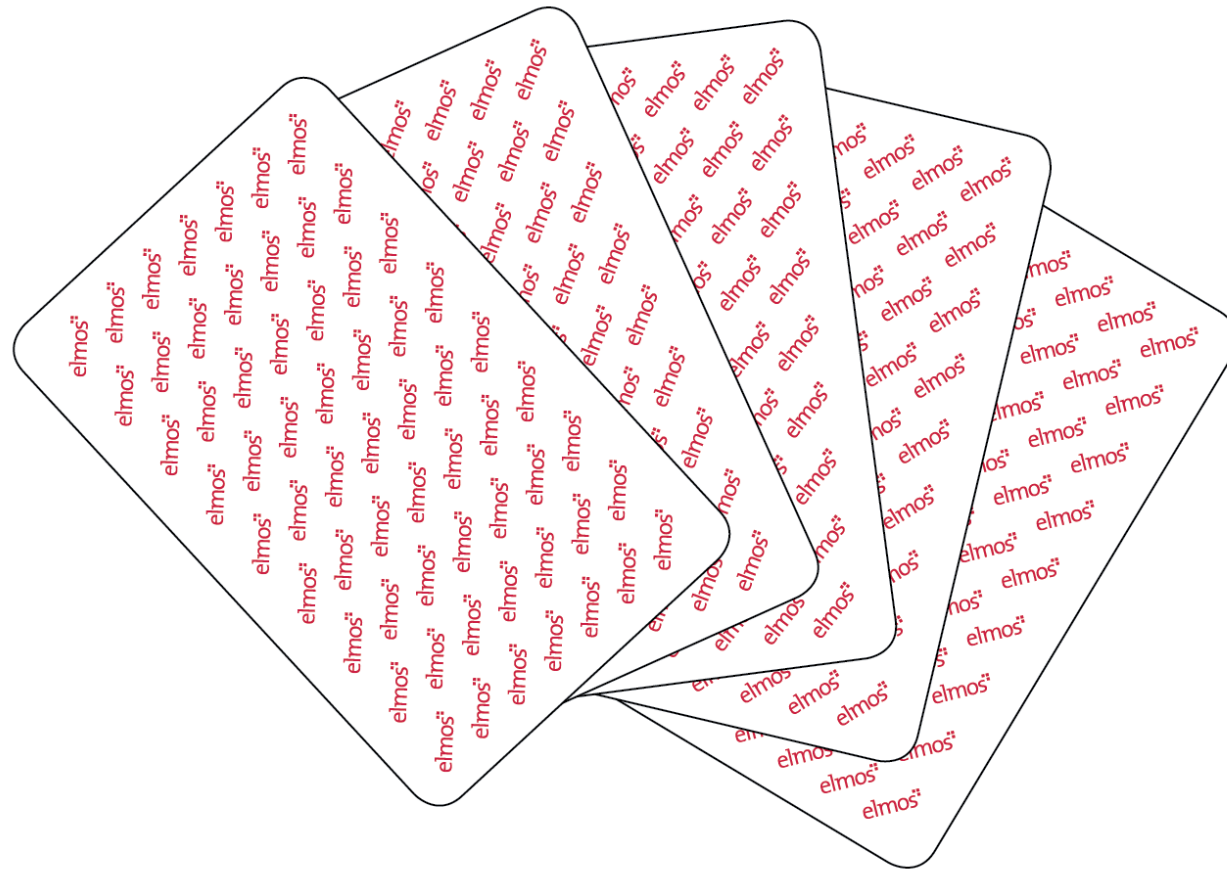
## Further information

This interim report was released on August 6, 2014 in German and English. Both versions are available for download on the Internet at [www.elmos.com](http://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.



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