Elmos Product Quartets

Interim report Q3 2014

Overview

In focus

- Sales up 18.5% in the third quarter 2014
- Asian business continues course for growth
- Positive adjusted free cash flow strengthens net cash position
- Forecast confirmed

Key figures

	3rd quarter			9 months		
in million Euro or percent unless otherwise indicated	7/1 – 9/30/2014	7/1 – 9/30/2013 [1]	Change	1/1 – 9/30/2014	1/1 – 9/30/2013 [1]	Change
Sales	**54.7**	**46.2**	**18.5%**	**156.0**	**136.4**	**14.4%**
Semiconductor	49.8	42.5	17.0%	142.5	124.9	14.0%
Micromechanics	5.0	3.6	36.3%	13.6	11.5	18.2%
Gross profit	**25.0**	**19.9**	**25.9%**	**67.1**	**55.1**	**21.9%**
in percent of sales	45.7%	43.1%		43.0%	40.4%	
R&D expenses	– 10.2	–7.8	31.8%	–27.0	–25.6	5.5%
in percent of sales	–18.7%	–16.8%		–17.3%	–18.7%	
Operating income before other operating expenses (–)/income	5.8	3.7	56.1%	13.0	3.6	>100.0%
in percent of sales	10.6%	8.0%		8.3%	2.7%	
Exchange rate gains/losses (–)	1.7	–0.2	n/a	1.5	–0.2	n/a
Other operating expenses (–)/income	–1.4	0.2	n/a	–0.1	2.1	n/a
EBIT	**6.1**	**3.7**	**63.7%**	**14.4**	**5.5**	**>100.0%**
in percent of sales	11.1%	8.0%		9.2%	4.1%	
Consolidated net income after non-controlling interests	3.9	3.1	28.8%	12.0	4.5	>100.0%
in percent of sales	7.2%	6.6%		7.7%	3.3%	
Basic earnings per share in Euro	**0.20**	**0.16**	**28.2%**	**0.62**	**0.23**	**>100.0%**
Cash flow from operating activities	14.1	7.4	90.7%	33.4	14.2	>100.0%
Capital expenditures for intangible assets and property, plant and equipment	7.4	4.5	64.5%	25.0	13.1	90.7%
in percent of sales	13.4%	9.7%		16.0%	9.6%	
Free cash flow [2]	6.6	2.8	>100.0%	6.7	–24.2	n/a
Adjusted free cash flow [3]	**6.8**	**2.9**	**>100.0%**	**8.4**	**2.7**	**>100.0%**

in million Euro or percent unless otherwise indicated	9/30/2014	12/31/2013	Change
Equity	203.4	192.7	5.5%
in percent of total assets	70.0%	71.1%	
Employees (reporting date)	1,119	1,060	5.6%

[1] Adjustment of prior-year amounts; please refer to note 1 in the condensed notes to the 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

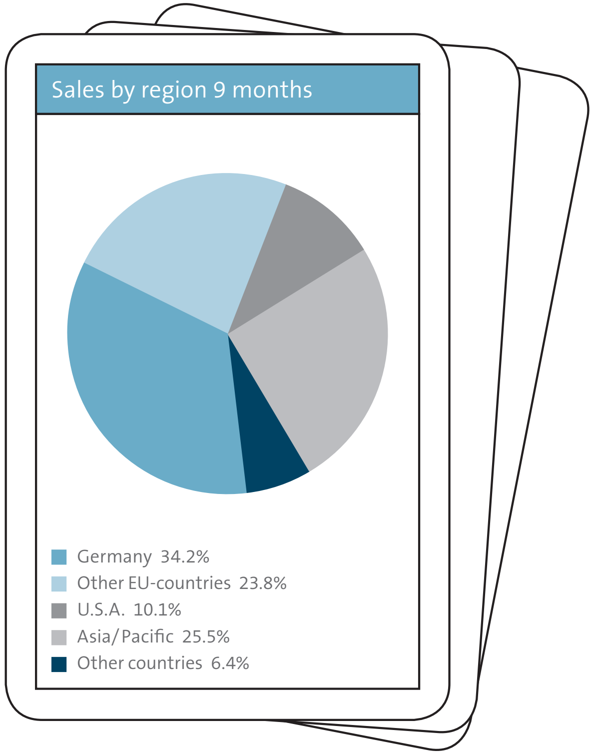
Sales development and order situation

Elmos Semiconductor AG generated sales of 156.0 million Euro in the first nine months of 2014 (9M 2013: 136.4 million Euro). Sales thus increased significantly compared to the prior-year period (+14.4%). With respect to the third quarter, sales grew even by 18.5% to 54.7 million Euro (Q3 2013: 46.2 million Euro). This positive performance is driven by the increase in new car registrations in Europe, China and the U.S.A. as well as by product ramp-ups and a deeper market penetration with existing products.

The sales performance in Asia continues to be highly disproportionate. With a gain of 28.2% in the first nine months of 2014, sales generated in the Asian market reached 39.8 million Euro (9M 2013: 31.0 million Euro). While Germany shows a continuation of the positive trend (+5.4 million Euro or 11.3%), sales in the other EU countries went down by 0.7 million Euro or 2.0%. Sales generated in the U.S.A. was up 54.6% to 15.7 million Euro (9M 2013: 10.2 million Euro). Changes in the logistics management implemented by individual customers are the main reason for this growth.

The semiconductor segment gained 14.0% on the prior-year period and came to 142.5 million Euro (9M 2013: 124.9 million Euro). The ramp-ups of the micromechanics segment reflect in the strong growth in sales of 18.2% to 13.6 million Euro (9M 2013: 11.5 million Euro). In the third quarter of 2014, sales in this segment grew even by 36.3% compared to the prior-year period, reaching 5.0 million Euro (Q3 2013: 3.6 million Euro).

The ratio of order backlog to sales generated in the semiconductor segment, the so-called book-to-bill, was above one at the end of the first nine months of 2014.



Third-party sales	1/1 – 9/30/2014 thousand Euro	in percent of sales	1/1 – 9/30/2013 thousand Euro	in percent of sales	Change
Germany	53,374	34.2%	47,960	35.2%	11.3%
Other EU countries	37,102	23.8%	37,848	27.7%	–2.0%
U.S.A.	15,729	10.1%	10,177	7.5%	54.6%
Asia/Pacific	39,759	25.5%	31,013	22.7%	28.2%
Other countries	10,063	6.4%	9,390	6.9%	7.2%
Consolidated sales	**156,027**	**100.0%**	**136,388**	**100.0%**	**14.4%**

Profit situation, finances, and assets and liabilities

Compared to the prior-year period, the cost of sales rose by 9.3% to 88.9 million Euro in the nine months of 2014, a disproportionately low increase in relation to sales (9M 2013: 81.3 million Euro). Also as a consequence of the successively improved production efficiency due to the ongoing conversion of production from 6-inch to 8-inch, the gross profit went up. The gross margin grew accordingly to 43.0% (9M 2013: 40.4%).

Research and development expenses of the first nine months went up from 25.6 million Euro in the prior-year period to 27.0 million Euro in the reporting period. R&D expenses of the third quarter 2014 were affected by special depreciation of intangible assets in the amount of 1.8 million Euro. Due to increased sales, R&D expenses went down in relation to sales from 18.7% in the first nine months of 2013 to 17.3% in the reporting period. Distribution expenses went up 4.8% to 14.3 million Euro in the first nine months of 2014 (9M 2013: 13.6 million Euro). Administrative expenses also went up disproportionately to sales by 5.1% to 12.9 million Euro (9M 2013: 12.2 million Euro). On the whole, operating expenses went down considerably in comparison with the prior-year period from 37.7% to 34.7% of sales.

As a result of the sales increase and the gain in effectiveness regarding cost of sales and operating expenses, the operating income before other operating expenses/income went up significantly from 3.6 million Euro in the first nine months of 2013 to 13.0 million Euro in the reporting period. The margin increased accordingly from 2.7% to 8.3%.

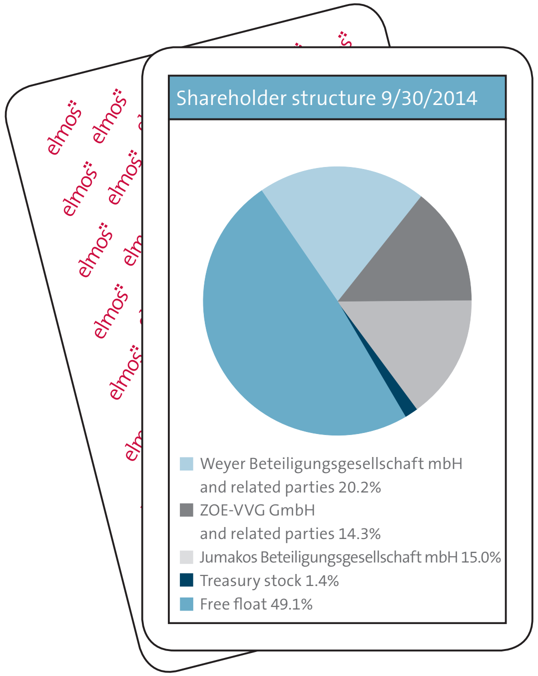
While exchange rate gains in the amount of 1.5 million Euro turned out much higher than in the corresponding prior-year period (9M 2013: exchange rate losses in the amount of 0.2 million Euro), essentially due to income from exchange rate hedges recognized in profit or loss, the item of other operating income/expenses, with a net expense of 0.1 million Euro, was much lower than over the first nine months of 2013 (net income of 2.1 million Euro). Earnings before interest and taxes (EBIT) thus went up to a similar extent as the operating income before other operating expenses/income did, reaching 14.4 million Euro in the first nine months of 2014 (9M 2013: 5.5 million Euro). The EBIT margin was 9.2% as compared to 4.1% in the corresponding prior-year period.

Due to the positive contribution of the accounting treatment of deferred tax income in connection with tax-deductible losses in the first quarter of 2014, the tax rate was relatively low for the first nine months of 2014 and the consolidated net income attributable to owners of the parent amounted to 12.0 million Euro (9M 2013: 4.5 million Euro). This equals basic earnings per share (EPS) of 0.62 Euro (9M 2013: 0.23 Euro).

The operating cash flow was increased substantially, coming to 33.4 million Euro in the reporting period as compared to 14.2 million Euro in the prior-year period. Apart from the higher consolidated net income (+7.6 million Euro), another main reason for the rising cash flow from operating activities is the reduction of trade receivables. The cutback by 2.9 million Euro in the reporting period is contrasted by an increase in trade receivables in the prior-year period by 4.0 million Euro.

Capital expenditures for intangible assets and property, plant and equipment were significantly higher in the first nine months of 2014 due to the continued conversion from 6-inch to 8-inch production and the expansion of testing capacity, reaching 25.0 million Euro (9M 2013: 13.1 million Euro). Despite the high amount of capital expenditures, 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 8.4 million Euro (9M 2013: 2.7 million Euro).

Cash and cash equivalents plus fungible securities amounted to 84.2 million Euro as of September 30, 2014 (December 31, 2013: 77.1 million Euro). Net cash was up due to the positive free cash flow – despite the payment of a dividend totaling 4.8 million Euro – and reached 46.3 million Euro as of September 30, 2014 (December 31, 2013: 39.3 million Euro). The equity ratio remained stable at 70.0% as of September 30, 2014 (December 31, 2013: 71.1%).



Economic environment

The three largest car markets Western Europe, U.S.A. and China continued their course for growth over the first nine months of 2014. **Western Europe's new registrations** gained close to 6% to about 9.6 million automobiles, according to the VDA, Germany's Association of the Automotive Industry. The highest growth rates were recorded by Spain (+17%) and Great Britain (+9%). Increases achieved in the other relevant markets turned out much lower: Italy (+4%), Germany (+3%), and France (+2%).

The **U.S. market** for light vehicles (passenger cars and light trucks) gained more than 5% in the reporting period to altogether 12.4 million vehicles. This growth is driven primarily by the category of light trucks (+17%); the passenger car market grew merely by 1%.

The **Chinese passenger car market** reached a volume of close to 13.1 million cars in the first nine months of 2014, thus recording growth of almost 13% over the corresponding 2013 period of comparison.

In **Japan** the demand for passenger cars went up 6% to 3.7 million vehicles. However, the sales tax increase of April this year has negatively affected the current passenger car market. In September 2014 new registrations were down by more than 3%.

Significant events

The Elmos management explained the annual results 2013 within the framework of the **annual press conference** and the **analysts' conference** held on March 20, 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 decided on with significant majorities of the votes.

Nicolaus Graf von Luckner, CFO of Elmos, retired as of June 30, 2014. His successor **Dr. Arne Schneider** assumed his responsibilities effective July 1, 2014. Dr. Schneider has been with Elmos Semiconductor AG since 2011 and used to be in charge of Corporate Development.

1,135,789 **Elmos shares were reallocated among institutional investors,** thus compensating previous rights held by former Elmos partners 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, reallocated the Elmos stock to institutional investors off-market by way of accelerated bookbuilding on June 26, 2014, acting as trustees for former Elmos partner BMW INTEC Beteiligungs GmbH. Weyer Beteiligungsgesellschaft mbH compensated another portion of those rights out of the company's own pocket, thus increasing its economic share in Elmos Semiconductor AG.

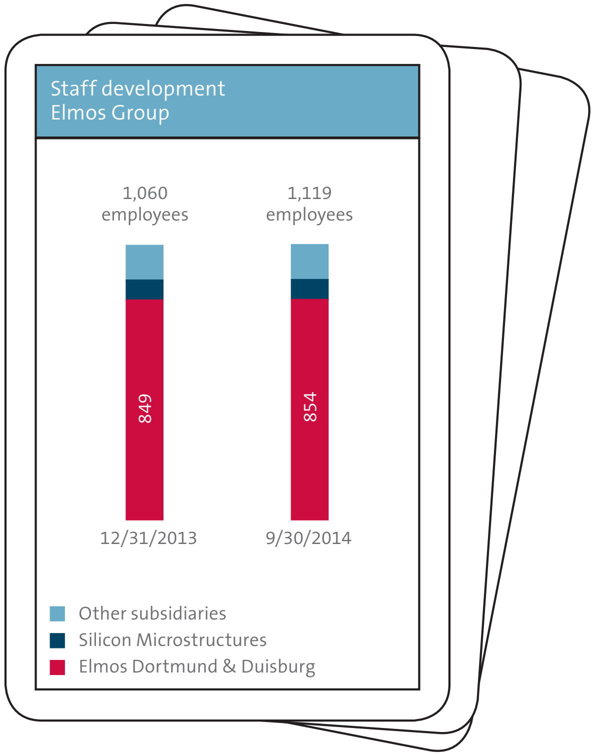
Elmos presented its products at the **world's leading trade shows.** In the first nine months of 2014, Elmos showcased the product lines at "embedded world 2014" in Nuremberg, "electronica China" in Shanghai, and "Light+Building" in Frankfurt/Main, receiving highly positive customer feedback.

Elmos subsidiary SMI (Silicon Microstructures, Inc.) has developed a new **MEMS low-pressure sensor** and transferred it to series production. The sensor is characterized by high precision and stability. Elmos also pushed the marketing of an **LED controller family** and a **USB power supply** for use in automobiles. Furthermore, Elmos introduced a number of products for **"smart home solutions",** including motion and smoke detectors. **Stepper, DC and BLDC drivers** were presented as well. As a new distributor of Elmos products we managed to enlist **Silica,** a subsidiary of Avnet, Inc.

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 mid-2014.

In early September Elmos presented the new corporate video **"Magic Moments"** to the public. The video is available at www.elmos.com.



Other disclosures

Staff development

The Elmos Group's workforce came to 1,119 employees as of September 30, 2014. Compared with December 31, 2013 (1,060 employees), the staff is thus increased by 5.6%. This is accounted for essentially by the full consolidation of DMOS.

Elmos share

While the Elmos share showed a clearly positive performance over the first half-year 2014, it took to a sideways movement in the third quarter of 2014; still it performed ahead of the market indices, all of which suffered losses in value over the third quarter.

Over the first nine months of 2014, the DAX even recorded a slight loss of 0.8%. Due to its highly positive performance in the first half-year 2014, the TecDAX managed to show a 7.1% gain for the nine-month period. The technology relevant industry-specific indices DAX Sector Technology and Technology All Share came up with gains of 8.2% and 5.8% respectively on the nine-month basis.

Based on the first nine months, the Elmos share gained altogether 39.5% in value. It closed at 14.93 Euro on September 30, 2014. Market capitalization was 296.1 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 recorded its low on January 2, 2014 at 10.65 Euro (Xetra closing prices all).

The average daily trading volume of the first nine months of 2014 came to 36.3 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 September 30, 2014 Elmos Semiconductor AG held 280,825 treasury shares (December 31, 2013: 327,697).

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 quarterly report.

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

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

Economic framework

In October 2014 the Federal Government has lowered its economic forecast for **Germany** significantly because of numerous international crises. The gross domestic product is now supposed to gain only 1.2% this year instead of the previously expected 1.8%. For the next year 2015 the government also no longer assumes a 2.0% growth but only 1.3%. "The German economy is navigating rough waters in foreign trade," said Sigmar Gabriel, Federal Minister for Economic Affairs. The Ifo Institute's business climate indicator of the end of October has turned for the worse again. For the sixth time in a row, the mood among German companies has deteriorated.

The European Central Bank (ECB) sees difficult times for the **euro area,** too. Risks of a downward trend for the economic outlook in the eurozone continue, according to the ECB's most recent monthly report released in October 2014. For 2015 the central bank still expects a "modest recovery" of the economy in the euro area.

On the **global scale,** the International Monetary Fund (IMF) cautions against the threat of a new global economic crisis. According to the organization, the risks for the world economy have become larger again over the past few months. In its global economic outlook, the IMF reduced the forecast for this year's global growth to 3.3%. In April expectations had still been higher by 0.4 percentage points. The IMF has also slightly lowered its forecast for 2015, now expecting 3.8% growth. Thus the Fund has repeatedly felt compelled to reduce its expectations. According to the IMF, a stagnation of the economic recovery in the euro area represents the single largest risk. The Fund also identifies major difficulties for the Russian economy due to the sanctions imposed because of the Ukraine crisis. Erstwhile growth driver Brazil is struggling with an even weaker economy than recently expected, too. The IMF does not see major problems for China, however, whose growth is supposed to exceed 7% over the next two years.

For the **auto industry,** the President of Germany's Association of the Automotive Industry (VDA), Matthias Wissmann, expects an increase in the global passenger car market of approx. 4% to 75.9 million vehicles in 2014; however, indicators of a slowdown were accumulating in October 2014. Ford, Opel and Fiat announced plans to reduce their production output in several countries. The VDA also recently noticed that "the mood among consumers and in the industry has been deteriorating to some degree due to geopolitical uncertainty."

Outlook for the Elmos Group

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

Elmos notices the current rather cautious economic indications in its orders received only to a limited extent. Elmos raised its forecast for the full year in August 2014 and confirms it now. Management expects sales growth and EBIT margin to range between 9 and 12% respectively. 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 on a yearly average.

The outlook is based on the premise that the economy will not slow down further. At the same time it is true that such expectations can be affected by market turbulence. Particularly the consequences of the political and economic developments and crises in the international markets 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	9/30/2014 thousand Euro	12/31/2013 thousand Euro
Non-current assets		
Intangible assets [1]	22,229	26,664
Property, plant and equipment [1]	82,081	72,388
Investments in associates	0	0
Securities [1, 2]	46,874	48,987
Investments [1, 2]	20	470
Other financial assets [1]	4,182	2,493
Deferred tax assets	2,506	2,671
Total non-current assets	**157,893**	**153,674**
Current assets		
Inventories [1]	48,175	40,480
Trade receivables [2]	36,040	38,450
Securities [2]	5,727	203
Other financial assets	3,336	2,905
Other receivables	7,332	7,007
Income tax assets	541	61
Cash and cash equivalents [2]	31,576	27,949
	132,728	**117,055**
Non-current assets held for sale	0	121
Total current assets	**132,728**	**117,176**
Total assets	**290,620**	**270,850**

[1] Cf. note 3
[2] Cf. note 4

Equity and liabilities	9/30/2014 thousand Euro	12/31/2013 thousand Euro
Equity		
Equity attributable to owners of the parent		
Share capital [1]	19,829	19,675
Treasury stock [1]	–281	–328
Additional paid-in capital	89,411	88,161
Surplus reserve	102	102
Other equity components	–2,381	–3,920
Retained earnings	94,066	86,868
	200,746	**190,559**
Non-controlling interests	2,626	2,127
Total equity	**203,372**	**192,686**
Liabilities		
Non-current liabilities		
Provisions	353	492
Financial liabilities [2]	37,185	37,491
Other liabilities	4,443	4,650
Deferred tax liabilities	3,949	3,049
Total non-current liabilities	**45,931**	**45,682**
Current liabilities		
Provisions	12,914	7,505
Income tax liabilities	2,330	1,613
Financial liabilities [2]	659	303
Trade payables [2]	21,716	19,492
Other liabilities	3,699	3,569
Total current liabilities	**41,318**	**32,482**
Total liabilities	**87,248**	**78,164**
Total equity and liabilities	**290,620**	**270,850**

[1] Cf. note 3
[2] Cf. note 4

Condensed consolidated income statement

For the period July 1 through September 30	7/1 – 9/30/2014 thousand Euro	in percent of sales	7/1 – 9/30/2013 thousand Euro	in percent of sales	Change
Sales	**54,731**	**100.0%**	**46,176**	**100.0%**	**18.5%**
Cost of sales	–29,699	–54.3%	–26,295	–56.9%	12.9%
Gross profit	**25,032**	**45.7%**	**19,881**	**43.1%**	**25.9%**
Research and development expenses [1]	–10,223	–18.7%	–7,758	–16.8%	31.8%
Distribution expenses	–5,011	–9.2%	–4,389	–9.5%	14.2%
Administrative expenses	–4,008	–7.3%	–4,023	–8.7%	–0.4%
Operating income before other operating expenses (–)/income	**5,790**	**10.6%**	**3,710**	**8.0%**	**56.1%**
Exchange rate gains/losses (–)	1,679	3.1%	–243	–0.5%	n/a
Other operating income	342	0.6%	579	1.3%	–41.0%
Other operating expenses	–1,746	–3.2%	–339	–0.7%	>100.0%
Earnings before interest and taxes (EBIT)	**6,065**	**11.1%**	**3,706**	**8.0%**	**63.7%**
Finance income	520	1.0%	576	1.2%	–9.7%
Finance cost	–445	–0.8%	–476	–1.0%	–6.5%
Earnings before taxes	**6,141**	**11.2%**	**3,806**	**8.2%**	**61.3%**
Taxes on income					
Current income tax expense	–744	–1.4%	–365	–0.8%	>100.0%
Deferred taxes	–1,186	–2.2%	–376	–0.8%	>100.0%
	–1,930	**–3.5%**	**–741**	**–1.6%**	**>100.0%**
Consolidated net income	**4,210**	**7.7%**	**3,065**	**6.6%**	**37.4%**
Consolidated net income attributable to					
Owners of the parent	**3,933**	**7.2%**	**3,053**	**6.6%**	**28.8%**
Non-controlling interests	277	0.5%	12	0.0%	>100.0%
Earnings per share					
Basic earnings per share	0.20		0.16		
Fully diluted earnings per share	0.20		0.16		

[1] Cf. note 3

Condensed consolidated statement of comprehensive income

For the period July 1 through September 30	7/1 – 9/30/2014 thousand Euro	7/1 – 9/30/2013 thousand Euro
Consolidated net income	**4,210**	**3,065**
Other comprehensive income		
Items that may be reclassified to the income statement in future periods including respective tax effects		
Foreign currency adjustments not affecting deferred taxes	227	–39
Foreign currency adjustments affecting deferred taxes	1,104	–423
Deferred tax (on foreign currency adjustments affecting deferred taxes)	–278	106
Value differences relating to hedges	36	–46
Deferred tax (on value differences relating to hedges)	–12	15
Changes in market value of available-for-sale financial assets	–4	210
Deferred tax (on changes in market value of available-for-sale financial assets)	1	–69
Items that will not be reclassified to the income statement in future periods 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	**1,080**	**–231**
Total comprehensive income after taxes	**5,290**	**2,834**
Total comprehensive income attributable to		
Owners of the parent	5,009	2,828
Non-controlling interests	281	6

Condensed consolidated income statement

For the period January 1 through September 30	1/1 – 9/30/2014 thousand Euro	in percent of sales	1/1 – 9/30/2013 thousand Euro	in percent of sales	Change
Sales	**156,027**	**100.0%**	**136,388**	**100.0%**	**14.4%**
Cost of sales	–88,904	–57.0%	–81,326	–59.6%	9.3%
Gross profit	**67,123**	**43.0%**	**55,063**	**40.4%**	**21.9%**
Research and development expenses [1]	–26,979	–17.3%	–25,572	–18.7%	5.5%
Distribution expenses	–14,298	–9.2%	–13,638	–10.0%	4.8%
Administrative expenses	–12,864	–8.2%	–12,236	–9.0%	5.1%
Operating income before other operating expenses (–)/income	**12,982**	**8.3%**	**3,616**	**2.7%**	**>100.0%**
Exchange rate gains/losses (–)	1,531	1.0%	–177	–0.1%	n/a
Other operating income	2,573	1.6%	3,034	2.2%	–15.2%
Other operating expenses	–2,698	–1.7%	–931	–0.7%	>100.0%
Earnings before interest and taxes (EBIT)	**14,388**	**9.2%**	**5,542**	**4.1%**	**>100.0%**
Finance income	1,745	1.1%	1,620	1.2%	7.7%
Finance cost	–1,337	–0.9%	–1,608	–1.2%	–16.8%
Earnings before taxes	**14,796**	**9.5%**	**5,554**	**4.1%**	**>100.0%**
Taxes on income					
Current income tax expense	–1,692	–1.1%	–1,383	–1.0%	22.3%
Deferred taxes [1]	–727	–0.5%	631	0.5%	n/a
	–2,419	**–1.6%**	**–752**	**–0.6%**	**>100.0%**
Consolidated net income	**12,377**	**7.9%**	**4,802**	**3.5%**	**>100.0%**
Consolidated net income attributable to					
Owners of the parent	**12,001**	**7.7%**	**4,531**	**3.3%**	**>100.0%**
Non-controlling interests	376	0.2%	270	0.2%	39.2%
Earnings per share					
Basic earnings per share	0.62		0.23		
Fully diluted earnings per share	0.61		0.23		

[1] Cf. note 3

Condensed consolidated statement of comprehensive income

For the period January 1 through September 30	1/1 – 9/30/2014 thousand Euro	1/1 – 9/30/2013 thousand Euro
Consolidated net income	**12,377**	**4,802**
Other comprehensive income		
Items that may be reclassified to the income statement in future periods including respective tax effects		
Foreign currency adjustments not affecting deferred taxes	233	–104
Foreign currency adjustments affecting deferred taxes	1,239	–318
Deferred tax (on foreign currency adjustments affecting deferred taxes)	–312	79
Value differences relating to hedges	–36	206
Deferred tax (on value differences relating to hedges)	12	–56
Changes in market value of available-for-sale financial assets	561	–429
Deferred tax (on changes in market value of available-for-sale financial assets)	–184	164
Items that will not be reclassified to the income statement in future periods including respective tax effects		
Actuarial gains from pension plans	28	63
Deferred tax on actuarial gains from pension plans	–9	–19
Other comprehensive income after taxes	**1,532**	**–414**
Total comprehensive income after taxes	**13,909**	**4,388**
Total comprehensive income attributable to		
Owners of the parent	13,539	4,153
Non-controlling interests	370	234

Condensed consolidated statement of cash flows

	1/1–9/30/2014 thousand Euro	1/1–9/30/2013 thousand Euro[1]	7/1–9/302014 thousand Euro	7/1–9/30/2013 thousand Euro[1]
Cash flow from operating activities				
Consolidated net income	12,377	4,802	4,210	3,065
Depreciation and amortization	20,103	16,974	8,287	5,575
Financial result	–408	–12	–75	–100
Other non-cash income (–)/expenses	182	–783	1,135	326
Current income tax expense	1,692	1,383	744	365
Expenses for stock options/stock awards/share matching	262	308	67	98
Changes in pension provisions	–111	–299	–37	–100
Changes in net working capital:				
Trade receivables	2,864	–4,044	242	–968
Inventories	–7,695	–4,335	–3,727	–2,016
Other assets	–629	–1,047	– 415	894
Trade payables	1,582	2,100	1,114	1,987
Other provisions and other liabilities	4,602	1,043	2,338	–558
Income tax payments	–1,776	–1,942	156	–1,266
Interest paid	–1,337	–1,608	–445	–476
Interest received	1,707	1,611	525	577
Cash flow from operating activities	**33,415**	**14,151**	**14,119**	**7,403**

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

	1/1–9/30/2014 thousand Euro	1/1–9/30/2013 thousand Euro[1]	7/1–9/302014 thousand Euro	7/1–9/30/2013 thousand Euro[1]
Cash flow from investing activities				
Capital expenditures for intangible assets	–1,354	–1,387	–372	–593
Capital expenditures for property, plant and equipment	–23,676	–11,738	–6,985	–3,878
Payments for (–)/Disposal of non-current assets held for sale	2	–975	0	–97
Disposal of non-current assets	997	531	33	1
Payments for the acquisition of shares in subsidiaries plus acquired cash and cash equivalents	546	0	0	0
Payments for (–)/Disposal of securities	–2,850	–26,445	0	1
Disposal of investments	0	1,709	0	0
Payments for (–)/Payments from other non-current financial assets	–402	–10	–147	7
Cash flow from investing activities	**–26,737**	**–38,315**	**–7,471**	**–4,559**
Cash flow from financing activities				
Repayment of non-current liabilities	–306	–40	–266	0
Repayment (–)/Borrowing of current liabilities to banks	355	–5,165	505	–5,024
Purchase of treasury shares	0	–1,525	0	0
Share-based remuneration/Issue of treasury shares	336	457	0	0
Capital increase from conditional capital	865	157	330	116
Dividend payment	–4,844	–4,814	0	0
Dividend payment to non-controlling shareholders	–367	–400	0	0
Increase of majority stake	0	–570	0	0
Other changes	41	–3	–2	1
Cash flow from financing activities	**–3,920**	**–11,903**	**567**	**–4,907**
Increase/Decrease (–) in cash and cash equivalents	**2,758**	**–36,067**	**7,215**	**–2,064**
Effect of exchange rate changes on cash and cash equivalents	869	–280	790	–250
Cash and cash equivalents at beginning of reporting period	27,949	55,576	23,571	21,543
Cash and cash equivalents at end of reporting period	**31,576**	**19,229**	**31,576**	**19,229**

[1] 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
						Other equity components							
	Shares thousand	Share capital thousand Euro	Treasury stock thousand Euro	Additional paid-in capital thousand Euro	Surplus reserve 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	Retained earnings thousand Euro	Total thousand Euro	Total 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										4,531	4,531	270	4,802
Other comprehensive income for the period						–265	150	–307	44		–378	–36	–414
Total comprehensive income						–265	150	–307	44	4,531	4,153	234	4,388
Share-based remuneration/Issue of treasury shares			101	356							457		457
Capital increase from conditional capital	42	42		115							157		157
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
Expenses for stock options and stock awards				308							308		308
Increase of majority stake										–85	–85	–485	–570
Other changes										11	11	–11	0
September 30, 2013	**19,658**	**19,658**	**–328**	**88,038**	**102**	**–194**	**–1,156**	**–1,941**	**–489**	**81,970**	**185,660**	**1,925**	**187,585**
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										12,001	12,001	376	12,377
Other comprehensive income for the period						377	–24	1,167	19		1,538	–6	1,532
Total comprehensive income						377	–24	1,167	19	12,001	13,539	370	13,909
Share-based remuneration/Issue of treasury shares			47	289							336		336
Capital increase from conditional capital	154	154		711							865		865
Transaction costs				–12							–12		–12
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 options/stock awards/share matching				262							262		262
Other changes										41	41	13	54
September 30, 2014	**19,829**	**19,829**	**–281**	**89,411**	**102**	**455**	**–1,143**	**–1,024**	**–669**	**94,066**	**200,746**	**2,626**	**203,372**

Condensed notes to the consolidated financial statements

The condensed interim consolidated financial statements for the 3rd quarter of 2014 were released for publication pursuant to Management Board resolution in November 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 (**a**pplication **s**pecific **i**ntegrated **c**ircuits, 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 September 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 9-month financial statements as of September 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 9-month financial statements.

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

thousand Euro	7/1–9/30/2013 before adjustments	Corrections pursuant to IAS 8	7/1–9/30/2013 after adjustments
Consolidated statement of cash flows			
Depreciation and amortization	4,530	1,045	5,575
Changes in inventories	–1,758	–258	–2,016
Cash flow from operating activities	6,616	787	7,403
Capital expenditures for property, plant and equipment	–3,091	–787	–3,878
Cash flow from investing activities	–3,772	–787	–4,559

thousand Euro	1/1–9/30/2013 before adjustments	Corrections pursuant to IAS 8	1/1–9/30/2013 after adjustments
Consolidated statement of cash flows			
Depreciation and amortization	13,839	3,135	16,974
Changes in inventories	–3,561	–774	–4,335
Cash flow from operating activities	11,790	2,361	14,151
Capital expenditures for property, plant and equipment	–9,377	–2,361	–11,738
Cash flow from investing activities	–35,954	–2,361	–38,315

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 nine months of 2014.

Basis of consolidation

The Elmos Group's basis of consolidation was expanded by two companies in the first nine months of 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. 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:

	Fair value at the time of obtaining control (in thousand Euro)
Assets	
Intangible assets	148 (thereof 143 from the disclosure of hidden reserves)
Property, plant and equipment	1,128
Cash and cash equivalents	567
Trade receivables	1
Receivables from affiliated companies	453
Tenant loans	772
Prepaid expenses and accrued income	617
Other assets	250
	3,936
Liabilities	
Provisions	–744
Deferred tax liabilities	–45
Trade payables	–44
Liabilities to affiliated companies	–898
Other equity and liabilities	–291
	–2,022
= total identifiable net assets at fair value	**1,914**
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
= transferred consideration	**21**
Breakdown of cash inflow due to obtaining control:	
Cash and cash equivalents 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 badwill 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 50 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

Some economic indicators have been reduced considerably in part over the past few weeks. In October 2014 the Federal Government has lowered its economic forecast for Germany significantly because of numerous international crises. The European Central Bank (ECB) sees difficult times for the euro area, too. On the global scale, the International Monetary Fund (IMF) cautions against the threat of a new global economic crisis. According to the IMF, a stagnation of the economic recovery in the euro area represents the single largest risk. 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 September 30, 2014 and 2013, respectively) as well as on assets of the Group's business segments (as of September 30, 2014 and December 31, 2013).

9 months as of September 30, 2014	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Third-party sales	142,450	13,577	0	156,027
Inter-segment sales	393	1,183	–1,576 [1]	0
Total sales	**142,843**	**14,760**	**–1,576**	**156,027**
Earnings				
Segment earnings	12,196	2,192	0	14,388
Finance income				1,745
Finance cost				–1,337
Earnings before taxes				**14,796**
Taxes on income				–2,419
Consolidated net income including non-controlling interests				**12,377**
Assets				
Segment assets	238,163	17,814	34,623 [2]	290,600
Investments	20	0	0	20
Total assets				290,620
Other segment information				
Additions of intangible assets and property, plant and equipment	28,099	679	0	28,778
Depreciation and amortization	21,724	603	0	22,327

[1] Sales from inter-segment transactions have been eliminated for consolidation purposes.
[2] Non-attributable assets as of September 30, 2014 include cash and cash equivalents (31,576 thousand Euro), income tax assets (541 thousand Euro), and deferred tax (2,506 thousand Euro), as these assets are controlled at group level.

9 months as of September 30, 2013	Semiconductor thousand Euro [3]	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro [3]
Sales				
Third-party sales	124,902	11,486	0	136,388
Inter-segment sales	303	586	–889 [1]	0
Total sales	**125,205**	**12,072**	**–889**	**136,388**
Earnings				
Segment earnings	4,705	837	0	5,542
Finance income				1,620
Finance cost				–1,608
Earnings before taxes				**5,554**
Taxes on income				–752
Consolidated net income including non-controlling interests				**4,802**
Assets (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				
Additions of intangible assets and property, plant and equipment	12,121	1,004	0	13,125
Depreciation and amortization	16,450	524	0	16,974

[1] Sales from inter-segment transactions have been 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

Geographical information

Third-party sales	9 months as of 9/30/2014 thousand Euro	9 months as of 9/30/2013 thousand Euro
Germany	53,374	47,960
Other EU countries	37,102	37,848
U.S.A.	15,729	10,177
Asia/Pacific	39,759	31,013
Other countries	10,063	9,390
Consolidated sales	**156,027**	**136,388**

Geographical distribution of non-current assets	9/30/2014 thousand Euro	12/31/2013 thousand Euro
Germany	142,192	139,613
Other EU countries	3,946	4,297
U.S.A.	4,939	4,511
Other countries	128	89
Non-current assets	**151,205**	**148,510**

3 – Notes on essential financial statement items

Selected non-current assets

Development of selected non-current assets January 1 through September 30	Net book value 1/1/2014 thousand Euro	Reclassification thousand Euro	Additions thousand Euro	Disposals/Other movements thousand Euro	Depreciation and amortization thousand Euro	Net book value 9/30/2014 thousand Euro
Intangible assets	26,664	25	1,963	505	5,918	22,229
Property, plant and equipment	72,388	–25	26,815	688	16,409	82,081
Securities	48,987	0	5,350	7,463	0	46,874
Investments	470	0	0	450	0	20
Other financial assets	2,493	0	1,957	267	0	4,182
	151,002	**0**	**36,085**	**9,373**	**22,327**	**155,387**

The item “Disposals/Other movements” includes negative currency adjustments in the amount of 399 thousand Euro.

Inventories

	9/30/2014 thousand Euro	12/31/2013 thousand Euro
Raw materials	4,180	3,866
Work in process	36,644	28,731
Finished goods and merchandise	7,351	7,883
	48,175	**40,480**

Equity

As of September 30, 2014, the share capital of Elmos Semiconductor AG consists of 19,828,883 shares. The Company currently holds 280,825 treasury shares.

As of September 30, 2014, altogether 814,619 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 – 9/30/2014 (number)	96,770	77,728	0	0	174,498
Forfeited 1/1 – 9/30/2014 (number)	1,650	5,915	8,980	8,579	25,124
Options outstanding as of 9/30/2014 (number)	**42,490**	**151,485**	**234,530**	**386,114**	**814,619**
Options exercisable as of 9/30/2014 (number)	42,490	151,485	0	0	193,975

Intangible assets/Research and development expenses

In a regular review of the intangible assets a reassessment of the purchased technology licenses with related know how has been undertaken. As a consequence, license costs capitalized in this context under intangible assets have been written down by 1,759 thousand Euro. This additional expense has been reported in the consolidated income statement under research and development expenses.

Taxes on income

The first nine months of 2014 include 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 have already been consumed almost 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 nine-month financial statements is undiminished.

Book values and fair values of financial instruments

	9/30/2014		12/31/2013	
thousand Euro	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Investments	20	20	470	470
Long-term securities	46,874	46,874	48,987	48,987
Short-term securities	5,727	5,727	203	203
Trade receivables	36,040	36,040	38,450	38,450
Cash and cash equivalents	31,576	31,576	27,949	27,949
Other financial assets				
Other receivables and assets	1,932	1,932	2,639	2,639
Other loans	3,857	3,857	2,711	2,711
Forward exchange contracts/foreign exchange options	1,654	1,654	0	0
Call option	48	48	48	48
Embedded derivatives	27	27	0	0
Earn-out	0	0	0	0
Financial liabilities				
Trade payables	21,716	21,716	19,492	19,492
Liabilities to banks	37,844	39,081	37,795	38,811
Other financial liabilities				
Miscellaneous financial liabilities	328	328	429	429
Put option	2,392	2,392	2,392	2,392
Hedged derivatives (short-term)	612	612	522	522
Hedged derivatives (long-term)	1,089	1,089	1,144	1,144

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 September 30, 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)	5,350	0	0
Disposal of securities (long-term)	–2,620	0	0
Market valuation of securities (long-term)	656	0	0
Addition of securities (short-term)	2,620	0	0
Market valuation of securities (short-term)	–95	0	0
September 30, 2014	**48,602**	**0**	**0**
Investments			
January 1, 2014	**0**	**0**	**470**
Disposal of investments	0	0	–450
September 30, 2014	**0**	**0**	**20**
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	–36	0
September 30, 2014	**0**	**–1,701**	**0**
Call option			
January 1, 2014	**0**	**0**	**48**
September 30, 2014	**0**	**0**	**48**
Put option			
January 1, 2014	**0**	**0**	**–2,392**
September 30, 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	1,654	0
September 30, 2014	**0**	**1,654**	**0**
Embedded derivatives			
January 1, 2014	**0**	**0**	**0**
Addition of embedded derivatives	0	27	0
September 30, 2014	**0**	**27**	**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 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 September 30, 2014:

Date Place	Name	Function	Transaction	Number	Price/Basic price (Euro)	Total volume (Euro)
6/2/2014 off-market	Thomas Lehner	Supervisory Board member	Sale of Elmos shares from exercise of stock options	2,500	15.63	39,081
6/11/2014 off-market	Dr. Peter Geiselhart	Management Board member	Purchase of Elmos shares	654	15.27	9,989
6/11/2014 off-market	Reinhard Senf	Management Board member	Purchase of Elmos shares	654	15.27	9,989
6/18/2014 off-market	Reinhard Senf	Management Board member	Sale of Elmos shares from exercise of stock options	5,000	15.07	73,333
6/24/2014 off-market	ZOE-VVG GmbH	Legal entity closely related to the chairman of the Supervisory Board	Disposal [1]	742,894	not quantifiable	
6/24/2014 off-market	Weyer Beteiligungs-gesellschaft mbH	Legal entity closely related to a Supervisory Board member	Disposal [1]	392,895	not quantifiable	
6/27/2014 off-market	Dr. Anton Mindl	CEO	Purchase of Elmos shares	654	15.27	9,989
6/27/2014 off-market	Nicolaus Graf von Luckner	Management Board member	Purchase of Elmos shares	654	15.27	9,989
9/19/2014 off-market	Reinhard Senf	Management Board member	Sale of Elmos shares from exercise of stock options	5,000	15.27	76,364

[1] The transfer of the shares took place without valuation for the settlement of the right to recover possession owned by previous partner BMW INTEC Beteiligungs GmbH 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 nine months of 2014

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

Dortmund, November 5, 2014

Dr. Anton Mindl   Dr. Arne Schneider   Reinhard Senf   Dr. Peter Geiselhart

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Further information

This interim report was released on November 5, 2014 in English and German. Both versions are available for download on the Internet at www.elmos.com.

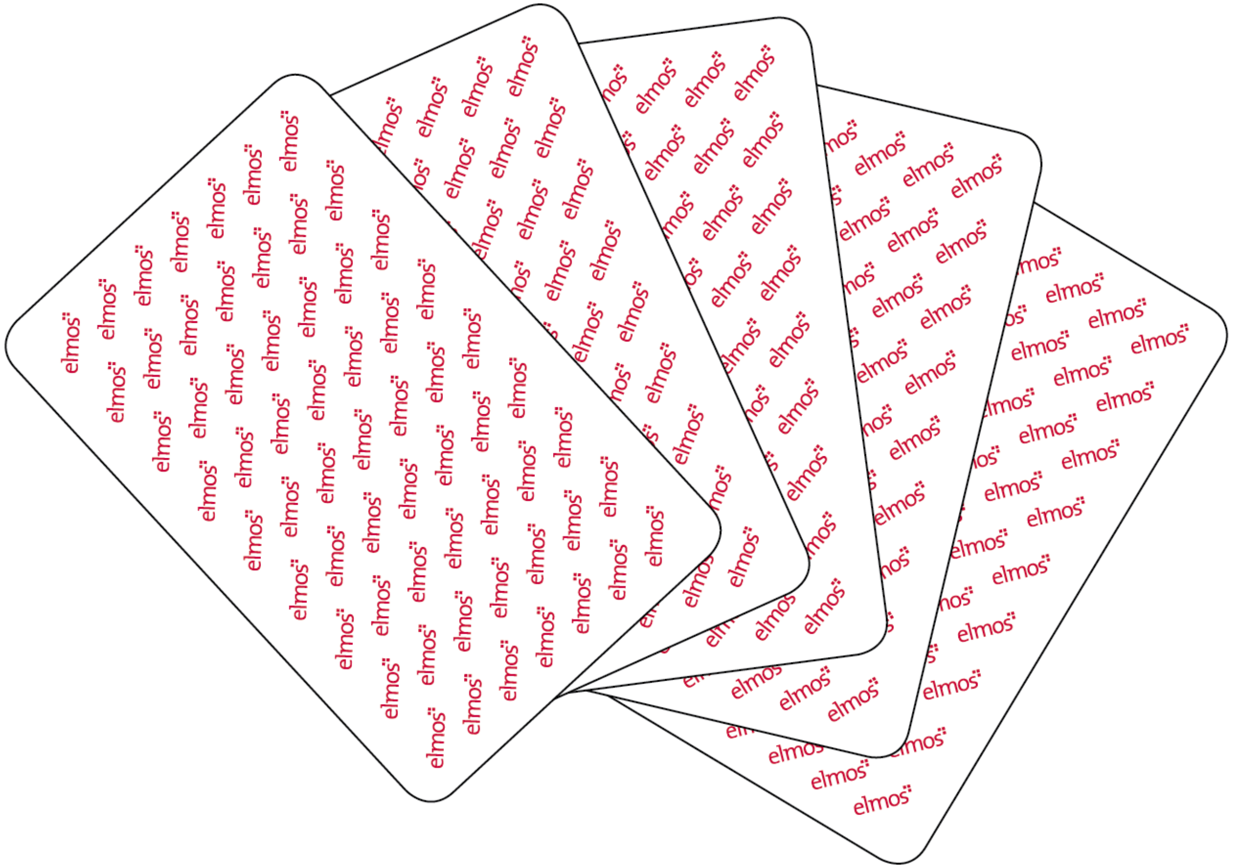
We are happy to send you additional informative material free of charge on your request.

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.

Financial calendar 2014/2015

9-month results Q3/2014[1]	November 5, 2014
Equity Forum in Frankfurt/Main	November 25-26, 2014
Preliminary results 2014[1, 2]	February 18, 2015
Results 2014, annual press and analysts' conference	March 18, 2015
3-month results Q1/2015[1, 2]	May 5, 2015
Annual General Meeting in Dortmund	May 8, 2015
6-month results Q2/2015[1, 2]	August 5, 2015
9-month-results Q3/2015[1, 2]	November 4, 2015

[1] The German Securities Trading Act (Wertpapierhandelsgesetz) 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 have to 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 them on the Company's website (www.elmos.com).
[2] Starting with the calendar year 2015 the results will usually be published before the markets open.



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