

Products on the cutting edge

Interim report Q1 2016

elmos[®]



Overview

IN FOCUS

- > Weak start into the year
- > Shortfalls in efficiency and dynamic ramp-ups weigh on production output
- > Positive performance in sales and earnings expected in the course of the year
- > Forecast for 2016 confirmed

Key figures 1st quarter 2016

in million Euro or percent unless otherwise indicated	1/1 – 3/31/2016	1/1 – 3/31/2015	Change
Sales	53.7	55.3	-2.9%
Semiconductor	49.6	49.4	0.6%
Micromechanics	4.1	6.0	-31.6%
Gross profit	19.7	22.4	-12.1%
in percent of sales	36.7%	40.5%	
R&D expenses	9.0	9.8	-7.7%
in percent of sales	16.8%	17.6%	
Operating income before other operating expenses (-)/income	0.7	3.2	-77.1%
in percent of sales	1.4%	5.7%	
Exchange rate losses (-)/gains	-0.5	2.9	n/a
Other operating expenses (-)/income	0.6	0.3	86.2%
EBIT	0.8	6.3	-87.2%
in percent of sales	1.5%	11.5%	
Net income for the period after non-controlling interests	0.3	4.3	-92.3%
in percent of sales	0.6%	7.8%	
Basic earnings per share in Euro	0.02	0.22	-92.3%
Cash flow from operating activities	8.0	12.6	-36.3%
Capital expenditures for intangible assets and property, plant and equipment	8.6	6.1	40.6%
in percent of sales	16.0%	11.1%	
Adjusted free cash flow¹	-0.6	7.4²	n/a
in million Euro or percent unless otherwise indicated	3/31/2016	12/31/2015	Change
Equity	219.1	219.4	-0.1%
in percent of total assets	72.2%	71.5%	
Employees (reporting date)	1,120	1,109	

¹ Cash flow from operating activities less capital expenditures for /plus disposal of intangible assets and property, plant and equipment

² Prior-year amount adjusted according to new definition

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

BUSINESS PERFORMANCE

Sales performance and order situation

Elmos started the new year modestly with sales of 53.7 million Euro in the first quarter of 2016 (Q1 2015: 55.3 million Euro). This equals a slight decrease in sales compared to the prior-year-period which was favored by positive cut-off date effects and it also reflects price discounts usually granted at the turn of the year.

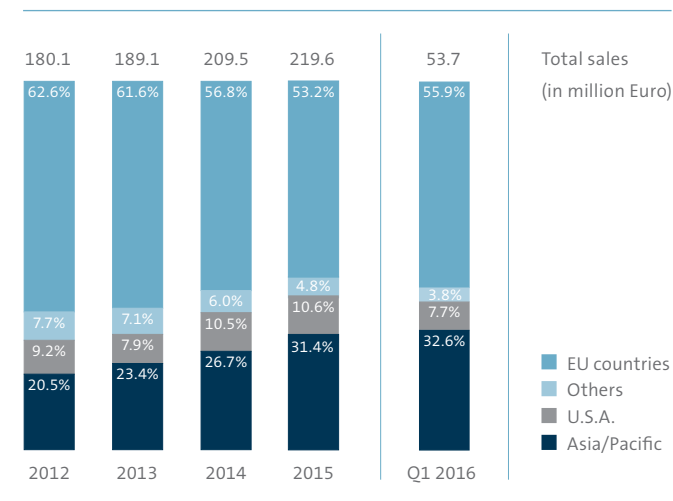
Looking at the regions, sales in the EU countries increased from 28.7 million Euro to 30.1 million Euro (+4.8%), among other reasons due to shifts in shipping addresses from the United States to Europe. This also explains part of the decline in the share of sales generated with customers in the U.S.A. from 6.3 million Euro in Q1 2015 to 4.1 million Euro in the reporting quarter. Sales with customers in Asia/Pacific have

remained virtually constant at 17.5 million Euro (+1.3%). On the whole, Asia continues to contribute more than 30% to total sales (Q1 2015: 31.2% vs. Q1 2016: 32.6%); the shares in total sales attributed to Europe and the U.S.A. have moved up or down respectively according to the shifts in shipping addresses.

Sales of the Semiconductor segment remained constant compared to the prior-year period at 49.6 million Euro (Q1 2015: 49.4 million Euro). Because of a very weak start into the year, sales of the Micromechanics segment dropped from 6.0 million Euro in Q1 2015 to 4.1 million Euro in the reporting quarter.

The Semiconductor segment's ratio of orders received to sales, the so-called book-to-bill, was roughly one at the end of the first quarter of 2016.

SALES BY REGION



Third-party sales	1/1 – 3/31/2016 thousand Euro	in percent of sales	1/1 – 3/31/2015 thousand Euro	in percent of sales	Change
EU countries	30,059	55.9%	28,686	51.8%	4.8%
U.S.A.	4,119	7.7%	6,283	11.4%	-34.4%
Asia/Pacific	17,502	32.6%	17,272	31.2%	1.3%
Others	2,057	3.8%	3,107	5.6%	-33.8%
Consolidated sales	53,737	100.0%	55,348	100.0%	-2.9%

Profit, financial position as well as assets and liabilities

The gross profit amounted to 19.7 million Euro in the first quarter of 2016 (Q1 2015: 22.4 million Euro). In addition to the lower sales compared to the prior-year period and the price discounts usually granted at the beginning of the year, this result particularly reflects temporary shortfalls in production efficiency especially at the end of the quarter. The gross margin dropped accordingly from 40.5% in the prior-year quarter to 36.7% in the reporting quarter. Apart from technical problems, the production throughput was also affected by dynamic project ramp-ups. Measures for efficiency increase have been launched.

Research and development expenses went slightly down both in absolute terms and in relation to sales and came to 9.0 million Euro or 16.8% in the first quarter of 2016 (Q1 2015: 9.8 million Euro or 17.6%). Distribution expenses remained almost constant and amounted to 4.9 million Euro in the reporting period (Q1 2015: 4.8 million Euro). Administrative expenses were slightly up from 4.7 million Euro in the prior-year period to 5.0 million Euro in the first three months of 2016. In absolute terms, operating expenses of 19.0 million Euro for the reporting period were slightly down, yet slightly increased in relation to sales to 35.3% due to the lower sales volume (Q1 2015: 19.2 million Euro or 34.8%).

Thus the operating income before other operating expenses/income dropped from 3.2 million Euro in the prior-year period to 0.7 million Euro in the first quarter of 2016. Earnings before

interest and taxes (EBIT) were also affected by exchange rate losses in the amount of 0.5 million Euro, reaching 0.8 million Euro as compared to 6.3 million Euro in the prior-year period; however, the latter profited from exchange rate gains in the amount of 2.9 million Euro. Accordingly the EBIT margin was 1.5% for the first quarter of 2016 (Q1 2015: 11.5%).

After taxes and non-controlling interests, Elmos achieved a consolidated net income of 0.3 million Euro in the first quarter of 2016 (Q1 2015: 4.3 million Euro). This equals basic earnings per share (EPS) of 0.02 Euro compared to 0.22 Euro in the first quarter of 2015.

The cash flow from operating activities reached 8.0 million Euro in the first quarter of 2016 despite the lower consolidated net income (Q1 2015: 12.6 million Euro). Particularly the reduction in inventories in the amount of 3.2 million Euro and the reduction in trade receivables in the amount of 2.0 million Euro contributed to this, effectively counteracting the reduction in trade payables (4.8 million Euro). The cash flow from investing activities came to -20.2 million Euro in the reporting period and is accounted for especially by payments for securities (9.4 million Euro) in addition to capital expenditures for intangible assets and property, plant and equipment in the amount of 8.6 million Euro. The adjusted free cash flow (cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment) was slightly negative accordingly and reached -0.6 million Euro in the first three months of 2016 (Q1 2015: 7.4 million Euro¹).

¹ Prior-year amount adjusted according to the new definition

Cash and cash equivalents as well as marketable securities amounted to 86.8 million Euro as of March 31, 2016 and were thus slightly down compared to the amount as of December 31, 2015 (90.5 million Euro). Accordingly net cash went down slightly as well, coming to 50.2 million Euro as of the end of the quarter (December 31, 2015: 53.7 million Euro). The equity ratio of 72.2% at the end of the first quarter of 2016 has slightly increased (December 31, 2015: 71.5%).

Economic environment

The **global** car markets continued their growth in the first quarter of 2016, if at a somewhat slower pace. This is accounted for by catch-up effects and federal tax relief programs in individual markets, among other factors.

In comparison with the prior-year period, **Western Europe's** auto market grew by 8.2% in the first three months of 2016 to 3.8 million new cars, according to the European Automobile Manufacturers' Association (ACEA). High growth rates were recorded in Italy (+20.8%) and France (+8.2%) while Spain (+6.9%), Great Britain (+5.1%) and Germany (+4.5%) grew slower than the market average. "The continuing economic recovery, the low interest rate level, and high demand for replacements – particularly in the Southern European countries – are the reasons for the strong growth in Western Europe in the first quarter," says Matthias Wissmann, President of the German Association of the Automotive Industry (VDA).

The number of newly registered light vehicles (passenger cars and light trucks) in the **U.S.A.** was up about 3% to 4.1 million units. Despite the diminishing growth dynamics, the first quarter of 2016 shows the strongest U.S. sales in a first quarter since the year 2001, according to the VDA.

China's automotive economy continues to benefit from the sales tax relief for cars with smaller engines in effect since fall 2015. Passenger car sales of 5.5 million vehicles in the first quarter of 2016 were roughly 9% above the prior-year level.

Car demand in **Japan** remains low. Sales of 1.2 million units in the first quarter of 2016 were roughly 7% below the prior-year level.

Significant events

Dr. Anton Mindl, CEO, and Dr. Arne Schneider, CFO, explained the past fiscal year within the framework of the **annual press conference** and **analysts' conference** on March 16, 2016. Apart from going into the factors for the proposed dividend of 0.33 Euro per share, the Management Board presented the general economic conditions and the forecast for 2016.

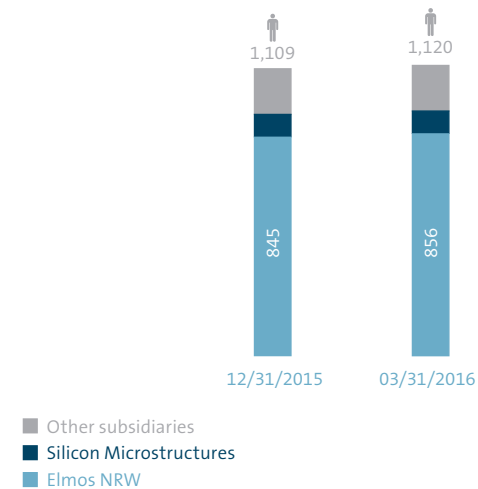
The Supervisory Board has appointed Guido Meyer (49) **new member of the Management Board** effective January 1, 2017. He will be responsible for Production and Logistics. Acting Management Board member for Production Reinhard Senf (64) will retire as of December 31, 2016 and will therefore leave the Management Board.

In January 2016 Elmos acquired **shares in a company** concerned with sensor technology. This company is included in the consolidated financial statements as an associated company.

In the first quarter of 2016 Elmos presented its products at the **trade shows** "embedded world 2016" in Nuremberg and "electronica China" in Shanghai and received highly positive customer feedback.

Furthermore, the **Elmos product catalog** has been released. Some 140 application specific semiconductors (ASSPs) are presented on 92 pages. Among them is a new component for temperature analysis in compact-sized ear thermometers. And Elmos subsidiary SMI introduces a high-precision pressure sensor for medical applications and other fields of use.

STAFF DEVELOPMENT ELMOS GROUP



OTHER DISCLOSURES

Staff development

The Elmos Group's workforce came to 1,120 employees as of March 31, 2016. Compared with December 31, 2015 (1,109 employees), the number of employees has thus changed only insignificantly.

Elmos share

In the first quarter of 2016, a continuing difficult political and economic framework led to uncertainty in the capital markets, resulting in high volatility. The DAX started in January at more than 10,000 points, fell below the 9,000 point mark in February, and closed at 9,965 points on March 31, 2016 (-7.2% from December 31, 2015). The market indices of relevance to Elmos showed similar performances. TecDAX, DAXsector Technology, and Technology All Share for instance dropped by 11.2%, 3.9%, and 11.3% respectively in the first quarter of 2016.

The Elmos share did not manage to keep up its positive performance of the previous year in the reporting period and closed on March 31, 2016 at 12.00 Euro (December 31, 2015: 16.00 Euro). Based on 19.9 million shares issued, this equals a market capitalization of 239.3 million Euro at the end of the quarter. The share price reached its high on January 4, 2016 at 15.04 Euro and its low on February 25, 2016 at 10.20 Euro (Xetra closing prices).

The daily trading volume of the first three months of 2016 was 24.5 thousand shares on average (Xetra and Frankfurt floor) and was thus slightly above the 2015 average (22.9 thousand shares). The treasury stock was reduced by servicing stock options with treasury shares. As of March 31, 2016 Elmos Semiconductor AG held 213,887 treasury shares (December 31, 2015: 214,587).

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
Graduate economist | Munich

Reinhard Senf
Graduate engineer | Iserlohn

Dr. Peter Geiselhart
Graduate physicist | Ettlingen

OUTLOOK

Opportunities and risks

The risk management as well as the individual corporate risks and opportunities are described in our Annual Report 2015. No material changes of the Company's risks and opportunities as detailed therein have occurred in the first three months of 2016.

Economic framework

The **German** economic researchers of the Ifo Institute see a stable demand **domestically** and a modest upswing (as of April 2016). Prospects for the export business are negative, however. According to the Ifo Institute, the Chinese economy is growing slower, the U.S. economy has become slightly weaker, Brazil and Russia are facing a crisis, and Great Britain's possible EU exit is increasing uncertainty.

The market researchers of the IW Institute have a similar view of the situation in Germany (as of April 2016). They keep expecting an increase in the 2016 gross domestic product of about 1.5%. However, the export business is weakening, according to the IW Institute – among other factors particularly due to the uncertain situation in many emerging markets.

The International Monetary Fund (IMF) judges the **global economic situation** to be difficult (as of April 2016). "Global growth is too slow and it has been too slow for far too long. The increasingly disappointing growth makes the global economy vulnerable and susceptible to dangerous developments," according to the IMF. Prospects for worldwide growth have therefore been revised downward. Accordingly the global economy is supposed to gain 3.2% this year. In January 2016 the IMF experts had still anticipated 3.4%.

The VDA is confident with respect to the **automotive industry**. The U.S. market is expected to remain strong and prospects for China remain positive if somewhat less dynamic than in previous years. The situation in Western Europe is satisfying owing to the low interest rate level, increasing real income, and low gasoline prices.

Outlook for the Elmos Group

Based on the currently available information and the performance of the first three months of 2016, the Management Board presents the following outlook for the full year 2016.

Elmos continues to expect a sales increase of 2% to 6% for 2016 compared to the previous year. The EBIT margin is anticipated to come to about 10%. For 2016, capital expenditures for intangible assets and property, plant and equipment are scheduled not to exceed a maximum amount of 12% of sales. We expect that Elmos will generate a positive adjusted free cash flow in 2016 once more. The forecast is based on an exchange rate of 1.10 USD/EUR.

The underlying premise of this forecast is the assumption of a stable macroeconomic situation. In that case Elmos will participate in the positive development of the automotive semiconductor market in 2016. The electrification of these markets will continue. At the same time it holds 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	3/31/2016 thousand Euro	12/31/2015 thousand Euro
Non-current assets		
Intangible assets ¹	20,705	20,822
Property, plant and equipment ¹	92,185	90,991
Investments in associates ¹	2,041	0
Securities ^{1,2}	41,173	30,944
Investments ^{1,2}	20	20
Other financial assets ¹	3,707	3,627
Deferred tax assets	2,301	2,068
Total non-current assets	162,132	148,472
Current assets		
Inventories ¹	53,989	57,168
Trade receivables ²	30,848	32,811
Securities ²	8,832	9,584
Other financial assets	1,801	1,796
Other receivables	9,023	6,875
Income tax assets	86	86
Cash and cash equivalents ²	36,835	50,000
	141,414	158,320
Non-current assets held for sale	93	93
Total current assets	141,506	158,413
Total assets	303,638	306,886

¹ Cf. note 3² Cf. note 4

Equity and liabilities	3/31/2016 thousand Euro	12/31/2015 thousand Euro
Equity		
Equity attributable to owners of the parent		
Share capital ¹	19,942	19,942
Treasury stock ¹	-214	-215
Additional paid-in capital	91,023	90,956
Surplus reserve	102	102
Other equity components	-1,431	-1,032
Retained earnings	109,111	108,778
	218,534	218,531
Non-controlling interests	556	860
Total equity	219,090	219,391
Liabilities		
Non-current liabilities		
Provisions for pensions	467	496
Financial liabilities ²	36,530	36,639
Other liabilities	2,324	2,458
Deferred tax liabilities	1,020	1,684
Total non-current liabilities	40,340	41,277
Current liabilities		
Provisions	16,506	14,705
Income tax liabilities	7,471	6,889
Financial liabilities ²	100	185
Trade payables ²	17,057	21,810
Other liabilities	3,074	2,629
Total current liabilities	44,208	46,217
Total liabilities	84,548	87,495
Total equity and liabilities	303,638	306,886

¹ Cf. note 3² Cf. note 4

Condensed consolidated income statement

for the period January 1 through March 31	1/1 – 3/31/2016 thousand Euro	in percent of sales	1/1 – 3/31/2015 thousand Euro	in percent of sales	Change
Sales	53,737	100.0	55,348	100.0	-2.9%
Cost of sales	-34,036	-63.3	-32,937	-59.5	3.3%
Gross profit	19,701	36.7	22,411	40.5	-12.1%
Research and development expenses	-9,018	-16.8	-9,767	-17.6	-7.7%
Distribution expenses	-4,944	-9.2	-4,820	-8.7	2.6%
Administrative expenses	-5,013	-9.3	-4,654	-8.4	7.7%
Operating income before other operating expenses (-)/income	726	1.4	3,170	5.7	-77.1%
Exchange rate losses (-)/gains	-490	-0.9	2,862	5.2	n/a
Other operating income	828	1.5	680	1.2	21.6%
Other operating expenses	-250	-0.5	-370	-0.7	-32.6%
Earnings before interest and taxes (EBIT)	814	1.5	6,342	11.5	-87.2%
Interest in earnings of associates	-80	-0.1	0	0.0	n/a
Finance income	543	1.0	530	1.0	2.4%
Finance cost	-617	-1.1	-436	-0.8	41.7%
Earnings before taxes	659	1.2	6,437	11.6	-89.8%
Taxes on income					
Current income tax	-1,151	-2.1	-1,516	-2.7	-24.1%
Deferred tax	953	1.8	-478	-0.9	n/a
	-198	-0.4	-1,994	-3.6	-90.1%
Consolidated net income	461	0.9	4,443	8.0	-89.6%
Consolidated net income attributable to					
Owners of the parent	333	0.6	4,310	7.8	-92.3%
Non-controlling interests	128	0.2	133	0.2	-3.2%
Earnings per share	Euro		Euro		
Basic earnings per share	0.02		0.22		
Fully diluted earnings per share	0.02		0.22		

Condensed consolidated statement of comprehensive income

for the period January 1 through March 31	1/1 – 3/31/2016 thousand Euro	1/1 – 3/31/2015 thousand Euro
Consolidated net income	461	4,443
Other comprehensive income		
Items to be reclassified to the income statement in future periods including respective tax effects		
Foreign currency adjustments not affecting deferred taxes	-170	605
Foreign currency adjustments affecting deferred taxes	-528	1,725
Deferred tax (on foreign currency adjustments affecting deferred taxes)	132	-432
Value differences relating to hedges	116	97
Deferred tax (on value differences relating to hedges)	-38	-32
Changes in fair value of available-for-sale financial assets	166	-27
Deferred tax (on changes in fair value of available-for-sale financial assets)	-54	9
Items not to be reclassified to the income statement in future periods including respective tax effects		
Actuarial gains from pension plans	7	7
Deferred tax on actuarial gains from pension plans	-12	-2
Other comprehensive income after taxes	-381	1,950
Total comprehensive income after taxes	80	6,393
Total comprehensive income attributable to		
Owners of the parent	-65	6,230
Non-controlling interests	145	163

Condensed consolidated statement of cash flows

for the period January 1 through March 31	1/1 – 3/31/2016 thousand Euro	1/1 – 3/31/2015 thousand Euro
Cash flow from operating activities		
Consolidated net income	461	4,443
Depreciation and amortization	7,248	7,079
Losses from asset disposal	15	0
Financial result	74	-94
Other non-cash income (-)/expense	-977	427
Current income tax expense	1,151	1,516
Expenses for stock options/stock awards/share matching	62	78
Changes in pension provisions	-22	-21
Changes in net working capital:		
Trade receivables	1,963	-1,344
Inventories	3,179	-2,036
Other assets	-2,151	-2,068
Trade payables	-4,781	2,355
Other provisions and other liabilities	2,312	3,173
Income tax payments	-569	-985
Interest paid	-354	-436
Interest received	426	537
Cash flow from operating activities	8,036	12,624

Condensed consolidated statement of cash flows

for the period January 1 through March 31	1/1 – 3/31/2016 thousand Euro	1/1 – 3/31/2015 thousand Euro
Cash flow from investing activities		
Capital expenditures for intangible assets	-1,261	-589
Capital expenditures for property, plant and equipment	-7,348	-5,533
Payments for interests in associates	-2,121	0
Disposal of non-current assets	15	865
Payments for (-)/Disposal of securities	-9,391	1,535
Payments for other non-current financial assets	-94	-151
Cash flow from investing activities	-20,200	-3,873
Cash flow from financing activities		
Repayment of current liabilities to banks	-85	-105
Repayment of non-current liabilities	-109	-109
Issue of treasury shares	5	147
Distribution/Other payments to non-controlling shareholders	-449	-3,000
Other changes	9	0
Cash flow from financing activities	-628	-3,067
Decrease (-)/Increase in cash and cash equivalents	-12,792	5,684
Effect of exchange rate changes on cash and cash equivalents	-373	1,374
Cash and cash equivalents at beginning of reporting period	50,000	32,520
Cash and cash equivalents at end of reporting period	36,835	39,578

Condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent											Non-controlling interests	Group Total			
	Shares	Share capital	Treasury stock	Additional paid-in capital	Surplus reserve	Other equity components					Retained earnings			Total	Total	Total
						Reserve for available-for-sale financial assets	Hedges	Foreign currency translation	Unrealized actuarial gains/losses	thousand Euro						
thousand	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro			
January 1, 2015	19,860	19,860	-281	89,657	102	89	-1,063	-547	-845	99,083	206,055	844	206,898			
Consolidated net income										4,310	4,310	133	4,443			
Other comprehensive income for the period						-18	65	1,868	5		1,920	30	1,950			
Total comprehensive income						-18	65	1,868	5	4,310	6,230	163	6,393			
Issue of treasury shares			23	124							147		147			
Expenses for stock options/stock awards/share matching				78							78		78			
March 31, 2015	19,860	19,860	-258	89,859	102	71	-999	1,321	-840	103,393	212,510	1,007	213,517			
January 1, 2016	19,942	19,942	-215	90,956	102	-452	-752	988	-816	108,778	218,531	860	219,391			
Consolidated net income										333	333	128	461			
Other comprehensive income for the period						111	78	-582	-5		-398	17	-381			
Total comprehensive income						111	78	-582	-5	333	-65	145	80			
Issue of treasury shares			1	5							5		5			
Distribution to non-controlling shareholders												-449	-449			
Expenses for stock options/stock awards/share matching				62							62		62			
March 31, 2016	19,942	19,942	-214	91,023	102	-341	-674	406	-821	109,111	218,534	556	219,090			

Condensed notes to consolidated financial statements

The condensed interim consolidated financial statements for the 1st quarter of 2016 were released for publication in May 2016 pursuant to Management Board resolution.

1 – GENERAL INFORMATION

Elmos Semiconductor Aktiengesellschaft (“the Group”, “the Company”, or “Elmos”) has its registered office in Dortmund (Germany) and is entered in the register of companies maintained at Dortmund District Court (Amtsgericht), section B, no. 13698. The Articles of Incorporation are in effect in the version of March 26, 1999, last amended by resolution of the Annual General Meeting of May 8, 2015 and edited by resolution of the Supervisory Board of December 18, 2015.

The Company’s business is the development, manufacture and distribution of microelectronic components and system parts (application specific integrated circuits, or in short: ASICs, and application specific standard products, or in short: ASSPs) 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 semiconductor chips.

The Company is a listed stock corporation and its shares are traded in the Prime Standard segment in Frankfurt/Main.

The address of the Company’s registered office is:
44227 Dortmund/Germany, Heinrich-Hertz-Straße 1

Basic principles of the preparation of financial statements

The condensed interim consolidated financial statements for the period January 1 through March 31, 2016 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, 2015.

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, 2015, with the exception of the following amended IFRS standards and improvements listed below.

- > Amendments to IAS 1 – Disclosure Initiative
- > Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization
- > Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture: Bearer Plants
- > Amendments to IAS 19 – Employee Benefits: Employee Contributions
- > Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements
- > Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- > Improvements to IFRS 2010-2012
- > Improvements to IFRS 2012-2014

First-time application of these amended standards or improvements had no effect on the Group’s profit and financial position and assets and liabilities.

Estimates and assumptions

The Company recognizes provisions for pension obligations pursuant to IAS 19. For 2016 an actuarial interest rate of 1.95% has been applied, unchanged from December 31, 2015.

Recycling of equity components outside profit or loss

The Company sold bonds in the first quarter. For the bonds sold, adjustments to equity have been made outside profit or loss up to the date of sale. Pursuant to IAS 1.92 such amounts recognized outside profit or loss must be reported as reclassification adjustment (“recycling”) as of the date of realization. The following table contains the effects of the sale transactions on the consolidated income statement and the consolidated statement of comprehensive income:

	Before recycling (thousand Euro)	Recycling (thousand Euro)	After recycling (thousand Euro)
Consolidated net income relating to the bonds sold in the consolidated income statement for the period 1/1 – 3/31/2016	47	-102	-55
Other comprehensive income relating to the bonds sold in the consolidated statement of comprehensive income for the period 1/1 – 3/31/2016	0	102	102
Total comprehensive income relating to the bonds sold for the period 1/1 – 3/31/2016	47	0	47

Altogether 102 thousand Euro were reclassified from “Other comprehensive income” to the consolidated income statement through profit or loss in the first three months of 2016.

Exceptional business transactions

There were no exceptional business transactions in the first quarter of 2016.

Basis of consolidation/Interests in associates

In January 2016 Elmos Semiconductor AG acquired shares in a company concerned with sensor technology. The company is included as an associate in the consolidated financial statements of Elmos. Apart from that, there were neither additions to nor disposals from the basis of consolidation in the first quarter of 2016.

Seasonal and economic effects on business operations

The International Monetary Fund (IMF) judges the situation of the worldwide economy to be difficult (as of April 2016). Prospects for global growth have therefore been revised downward. Accordingly the global economy is expected to gain 3.2% this year. In January 2016 the IMF experts had still assumed a growth rate of 3.4%. The business of Elmos Semiconductor AG shows rather insignificant seasonal fluctuation.

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 supplies semiconductors e.g. for applications in household appliances, installation and building technology, and machine control.

Sales in the Micromechanics segment are generated by the subsidiary SMI located in Milpitas/ U.S.A. The product portfolio includes micro-electro-mechanical systems (MEMS) which are primarily silicon-based high-precision pressure sensors.

Business operations are organized and managed separately from each other with respect to the type of products, with each segment representing one strategic business unit that provides different products and supplies different markets. Inter-segment sales are based on cost-plus pricing or on settlement prices that correspond to prices paid in transactions with third parties.

The following tables provide information on expenses, income, and earnings (for the period January 1 through March 31, 2016 and 2015, respectively) as well as on assets of the Group's business segments (as of March 31, 2016 and December 31, 2015).

3 months as of March 31, 2016	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Third-party sales	49,637	4,100	0	53,737
Inter-segment sales	60	271	-331 ¹	0
Total sales	49,697	4,371	-331	53,737
Earnings				
Segment earnings	1,290	-476	0	814
Interest in earnings of associates				-80
Finance income				543
Finance cost				-617
Earnings before taxes				659
Taxes on income	-499	301	0	-198
Consolidated net income including non-controlling interests				461
Assets				
Segment assets	243,610	18,746	39,221 ²	301,577
Interests in associates	2,041	0	0	2,041
Investments	20	0	0	20
Total assets				303,638
Other segment information				
Additions to intangible assets and property, plant and equipment	8,354	203	0	8,557
Depreciation and amortization	6,928	320	0	7,248

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

² Non-attributable assets as of March 31, 2016 include cash and cash equivalents (36,835 thousand Euro), income tax assets (86 thousand Euro) and deferred tax (2,301 thousand Euro) as these assets are controlled at group level.

3 months as of March 31, 2015	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Third-party sales	49,351	5,997	0	55,348
Inter-segment sales	256	254	-510 ¹	0
Total sales	49,607	6,251	-510	55,348
Earnings				
Segment earnings	5,572	770	0	6,342
Finance income				530
Finance cost				-436
Earnings before taxes				6,437
Taxes on income	-1,815	-179	0	-1,994
Consolidated net income including non-controlling interests				4,443
Assets (as of December 31, 2015)				
Segment assets	233,575	21,137	52,154 ²	306,866
Investments	20	0	0	20
Total assets				306,886
Other segment information				
Additions to intangible assets and property, plant and equipment	5,573	5	0	5,578
Depreciation and amortization	6,778	301	0	7,079

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

² Non-attributable assets as of December 31, 2015 include cash and cash equivalents (50,000 thousand Euro), income tax assets (86 thousand Euro) and deferred tax (2,068 thousand Euro) as these assets are controlled at group level.

Geographical information

Third-party sales	3 months as of 3/31/2016 thousand Euro	3 months as of 3/31/2015 thousand Euro
EU countries	30,059	28,686
U.S.A.	4,119	6,283
Asia/Pacific	17,502	17,272
Others	2,057	3,107
	53,737	55,348
Geographical distribution of non-current assets	3/31/2016 thousand Euro	12/31/2015 thousand Euro
Germany	150,020	136,387
Other EU countries	816	804
U.S.A.	5,192	5,499
Others	96	87
	156,124	142,777

3 – NOTES ON ESSENTIAL FINANCIAL STATEMENT ITEMS

Selected non-current assets

Development of selected non-current assets from January 1 through March 31	Net book value 1/1/2016 thousand Euro	Reclassification thousand Euro	Additions thousand Euro	Disposals/ Other movements thousand Euro	Depreciation/ Amortization thousand Euro	Net book value 3/31/2016 thousand Euro
Intangible assets	20,822	0	1,309	-23	1,403	20,705
Property, plant and equipment	90,991	0	7,248	-210	5,844	92,185
Interests in associates	0	0	2,121	-80	0	2,041
Securities	30,944	0	12,003	-1,774	0	41,173
Investments	20	0	0	0	0	20
Other financial assets	3,627	0	123	-43	0	3,707
	146,404	0	22,804	-2,130	7,248	159,831

The item “Disposals/Other movements” includes negative foreign currency adjustments in the amount of 216 thousand Euro.

Inventories

	3/31/2016 thousand Euro	12/31/2015 thousand Euro
Raw materials	5,220	5,494
Work in process	40,144	41,190
Finished goods and merchandise	8,613	10,472
Advance payments	12	12
	53,989	57,168

Equity

The share capital of 19,942 thousand Euro entered in the statement of financial position as of March 31, 2016 (December 31, 2015: 19,942 thousand Euro) and consisting of 19,941,864 (December 31, 2015: 19,941,864) no-par value bearer shares is fully paid up. As of March 31, 2016 the Company holds 213,887 (December 31, 2015: 214,587) of the Company’s no-par shares, adding up to a theoretical share in the share capital of 214 thousand Euro (December 31, 2015: 215 thousand Euro).

As of March 31, 2016 altogether 619,483 options from stock option plans are outstanding. These options are attributable to the separate tranches as follows:

Tranche	2010	2011	2012	Total
Year of resolution and issue	2010	2011	2012	
Exercise price in Euro	7.49	8.027	7.42	
Average share price of options exercised in Euro	12.02	11.91	n/a	
Blocking period ex issue (years)	4	4	4	
Exercise period after blocking period (years)	3	3	3	
Options outstanding as of 12/31/2015 (number)	70,867	177,902	372,629	621,398
Granted 1/1 – 3/31/2016 (number)	0	0	0	0
Exercised 1/1 – 3/31/2016 (number)	500	200	0	700
Forfeited 1/1 – 3/31/2016 (number)	50	75	1,090	1,215
Options outstanding as of 3/31/2016 (number)	70,317	177,627	371,539	619,483
Options exercisable as of 3/31/2016 (number)	70,317	177,627	0	247,944

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 2015 consolidated financial statements. Its relevance to these quarterly financial statements is undiminished.

Book values and fair values of financial instruments

thousand Euro	3/31/2016		12/31/2015	
	Book value	Fair value	Book value	Fair value
Financial assets				
Investments	20	20	20	20
Long-term securities	41,173	41,173	30,944	30,944
Short-term securities	8,832	8,832	9,584	9,584
Trade receivables	30,848	30,848	32,811	32,811
Cash and cash equivalents	36,835	36,835	50,000	50,000
Other financial assets				
Other receivables and assets	1,933	1,933	1,646	1,646
Other loans	3,407	3,407	3,314	3,314
Forward exchange contracts/Currency option transactions	148	148	453	453
Call options	3	3	3	3
Embedded derivatives	17	17	7	7
Financial liabilities				
Trade payables	17,057	17,057	21,810	21,810
Liabilities to banks	36,630	37,586	36,824	37,852
Other financial liabilities				
Miscellaneous financial liabilities	233	233	301	301
Forward exchange contracts/Currency option transactions	321	321	107	107
Embedded derivatives	0	0	4	4
Put options	2,000	2,000	2,000	2,000
Hedged derivatives (short-term)	680	680	661	661
Hedged derivatives (long-term)	324	324	459	459

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 a material effect on the determined fair value are observable either directly or indirectly

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

As of March 31, 2016 the Group held the following financial instruments measured at fair value:

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
Securities			
January 1, 2016	39,528		
Addition of securities (long-term)	10,003		
Disposal of securities (long-term)	-416		
Reclassification of securities (long-term)	-1,710		
Market valuation of securities (long-term)	352		
Addition of securities (short-term)	0		
Disposal of securities (short-term)	-2,383		
Reclassification of securities (short-term)	1,710		
Market valuation of securities (short-term)	-80		
March 31, 2016	47,004		

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
Investments			
January 1, 2016			20
March 31, 2016			20
Call options			
January 1, 2016			3
Addition of call options			0
March 31, 2016			3
Hedged derivatives			
January 1, 2016		-1,120	
Revision of measurement of hedged derivatives outside profit or loss (short-term and long-term)		116	
March 31, 2016		-1,004	
Put options			
January 1, 2016			-2,000
Addition of put option			0
March 31, 2016			-2,000
Forward exchange contracts/Currency option transactions			
January 1, 2016		346	
Market valuation of forward exchange contracts/currency option transactions		-519	
March 31, 2016		-173	
Embedded derivatives			
January 1, 2016		3	
Market valuation of embedded derivatives		14	
March 31, 2016		17	

The securities reported under *hierarchy level 1* are bonds classified by Elmos as available for sale.

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. In this regard, 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, 2015, in application of the DCF method and in consideration of the terms and conditions of the respective 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, 2015, the Elmos Group maintains business relationships with related companies and individuals in the context of the ordinary course of business.

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

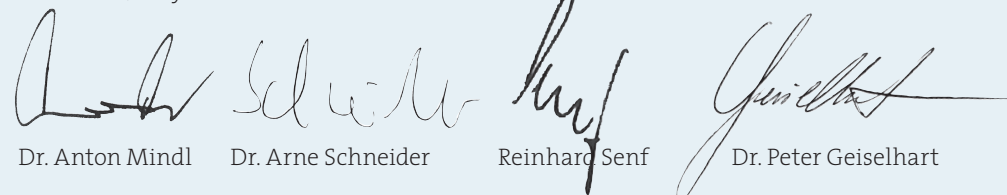
Directors' dealings according to Section 15a WpHG (Securities Trading Act)

No reportable securities transactions (directors' dealings) were made in the reporting period from January 1 through March 31, 2016.

6 – SIGNIFICANT EVENTS AFTER THE END OF THE FIRST THREE MONTHS OF 2016

There have been no reportable significant events or transactions after the end of the first three months of 2016.

Dortmund, May 2016



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

Financial calendar 2016

3-month results Q1/2016 ¹	May 3, 2016
Annual General Meeting in Dortmund	May 11, 2016
6-month results Q2/2016 ¹	August 3, 2016
9-month results Q3/2016 ¹	November 8, 2016
Equity Forum in Frankfurt	November 21-22, 2016

¹ The German Securities Trading Act (Wertpapierhandelsgesetz) obliges issuers to immediately announce 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 listed above. As we can never rule out changes of dates, we recommend checking them on the Company's website (www.elmos.com).

Contact

Janina Rosenbaum | Investor Relations

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

Fax: + 49 (0) 231-75 49-111

invest@elmos.com

Elmos Semiconductor AG

Heinrich-Hertz-Straße 1

44227 Dortmund | Germany

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

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

info@elmos.com | www.elmos.com

Elmos Semiconductor AG

Heinrich-Hertz-Straße 1

44227 Dortmund | Germany

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

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

invest@elmos.com | www.elmos.com

Forward-looking statements

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 forward-looking statements. Among the factors that could cause such differences are changes in general 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.