

# Products on the cutting edge

Half-year report HY1 2016

elmos<sup>®</sup>



# Overview

## IN FOCUS

- > Solid sales performance
- > Earnings improved significantly in Q2
- > Cash flow affected by tax payments
- > Increase in sales and earnings expected for 2<sup>nd</sup> half-year 2016
- > Guidance 2016 confirmed

## Key figures

in million Euro or percent unless otherwise indicated	3-month comparison			6-month comparison		
	4/1 – 6/30/2016	4/1 – 6/30/2015	Change	1/1 – 6/30/2016	1/1 – 6/30/2015	Change
<b>Sales</b>	<b>55.0</b>	<b>54.3</b>	<b>1.2%</b>	<b>108.7</b>	<b>109.7</b>	<b>-0.9%</b>
Semiconductor	50.6	48.9	3.4%	100.2	98.2	2.0%
Micromechanics	4.4	5.5	-18.8%	8.5	11.5	-25.5%
<b>Gross profit</b>	<b>23.3</b>	<b>23.4</b>	<b>-0.6%</b>	<b>43.0</b>	<b>45.8</b>	<b>-6.2%</b>
in percent of sales	42.3%	43.1%		39.5%	41.8%	
R&D expenses	9.3	9.6	-2.7%	18.3	19.4	-5.2%
in percent of sales	17.0%	17.6%		16.9%	17.6%	
Operating income before other operating expenses (-)/income	4.2	4.6	-8.0%	5.0	7.8	-36.2%
in percent of sales	7.7%	8.5%		4.6%	7.1%	
Exchange rate gains/losses (-)	0.3	-1.2	n/a	-0.2	1.7	n/a
Other operating expenses (-)/income	0.2	0.7	-68.1%	0.8	1.0	-21.1%
<b>EBIT</b>	<b>4.8</b>	<b>4.1</b>	<b>15.2%</b>	<b>5.6</b>	<b>10.5</b>	<b>-46.8%</b>
in percent of sales	8.7%	7.6%		5.1%	9.5%	
Consolidated net income for the period after non-controlling interests	3.3	2.8	20.4%	3.7	7.1	-48.2%
in percent of sales	6.1%	5.1%		3.4%	6.5%	
<b>Basic earnings per share in Euro</b>	<b>0.17</b>	<b>0.14</b>	<b>19.8%</b>	<b>0.19</b>	<b>0.36</b>	<b>-48.6%</b>
Cash flow from operating activities	0.1	3.7	-98.0%	8.1	16.4	-50.4%
Capital expenditures for intangible assets and property, plant and equipment	8.6	8.1	6.1%	17.2	14.2	21.0%
in percent of sales	15.6%	14.9%		15.8%	13.0%	
<b>Adjusted free cash flow <sup>1</sup></b>	<b>-8.5</b>	<b>-4.4<sup>2</sup></b>	<b>-95.7%</b>	<b>-9.1</b>	<b>3.0<sup>2</sup></b>	<b>n/a</b>
<b>in million Euro or percent unless otherwise indicated</b>	<b>6/30/2016</b>	<b>12/31/2015</b>	<b>Change</b>			
Equity	217.1	219.4	-1.1%			
in percent of total assets	74.3%	71.5%				
Employees (reporting date)	1,132	1,109				

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

<sup>2</sup>Prior-year amount adjusted according to new definition

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

# Interim group management report

## BUSINESS PERFORMANCE

### Sales performance and order situation

In the first half-year 2016 Elmos showed a solid performance compared to the prior-year period with sales of 108.7 million Euro (HY1 2015: 109.7 million Euro).

Sales generated with Asia based customers continued to increase and contributed 36.1 million Euro or 33.2% to total sales in the first half-year 2016. This equals 8.5% growth over the first half-year 2015. Sales achieved in the EU countries picked up as well (+3.0%), coming to 60.7 million Euro now. This development is partly due to shifts in shipping addresses from the United States to Europe. This is among the reasons

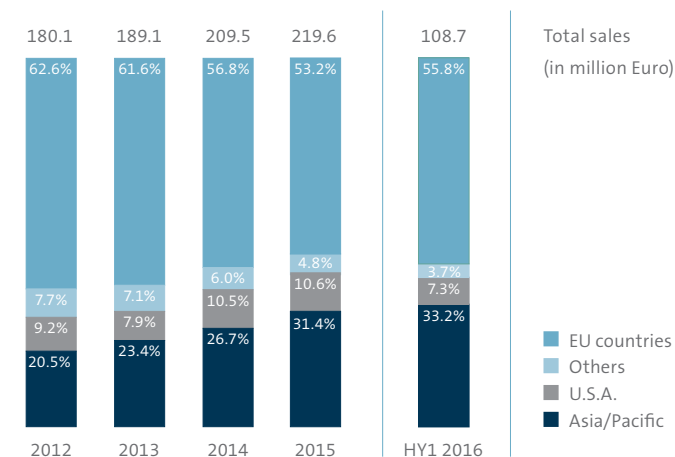
why sales generated with U.S. based customers went down from 11.8 million Euro in the first half-year 2015 to 7.9 million Euro in the reporting period.

The Semiconductor segment gained 2.0% to 100.2 million Euro for the first six months of 2016 (HY1 2015: 98.2 million Euro). Partly due to the renewal of the product portfolio, the business of the Micromechanics segment went down to 8,5 million Euro (HY1 2015: 11.5 million Euro).

The ratio of orders received to sales, the so-called book-to-bill, was about one at the end of the first half-year 2016.

Third-party sales	1/1 – 6/30/2016 thousand Euro	in percent of sales	1/1 – 6/30/2015 thousand Euro	in percent of sales	Change
EU countries	60,717	55.8%	58,932	53.7%	3.0%
U.S.A.	7,897	7.3%	11,800	10.8%	-33.1%
Asia/Pacific	36,095	33.2%	33,269	30.3%	8.5%
Others	4,014	3.7%	5,679	5.2%	-29.3%
<b>Consolidated sales</b>	<b>108,723</b>	<b>100.0%</b>	<b>109,680</b>	<b>100.0%</b>	<b>-0.9%</b>

## SALES BY REGION



### Profit and financial position as well as assets and liabilities

The gross profit dropped by 6.2% in the first half-year 2016 to 43.0 million Euro (HY1 2015: 45.8 million Euro) due to temporary shortfalls in production efficiency as well as dynamic project ramp-ups in the first quarter of 2016. The gross margin thus came to 39.5% of sales in the first six months of 2016 (HY1 2015: 41.8%).

Research and development expenses went down in the half-year under review from 19.4 million Euro to 18.3 million Euro or rather from 17.6% to 16.9% of sales. Distribution expenses in the first half-year 2016 remained almost constant at 9.9 million Euro or 9.1% of sales (HY1 2015: 9.8 million Euro or 8.9%). Administrative expenses went up to 9.7 million Euro and thus came to 9.0% in relation to sales (HY1 2015: 8.9 million Euro or 8.1%). Accordingly the operating income before other operating expenses and income amounted to 5.0 million Euro for the first half-year 2016 compared to 7.8 million Euro for the prior-year period.

Earnings before interest and taxes (EBIT) went down from 10.5 million Euro to 5.6 million Euro in the reporting period. This reflects an EBIT margin of 5.1% (HY1 2015: 9.5%). It has to be considered here that the prior-year period's EBIT benefited from exchange rate gains in the amount of 1.7 million Euro as compared to exchange rate losses of 0.2 million Euro incurred in the first half-year 2016.

After taxes, Elmos achieved a consolidated net income attributable to owners of the parent in the amount of 3.7 million Euro in the first six months of 2016 (HY1 2015: 7.1 million Euro). The consolidated net income equals basic earnings per share (EPS) of 0.19 Euro for the first half-year 2016 (HY1 2015: 0.36 Euro).

The cash flow from operating activities came to 8.1 million Euro in the first six months of 2016 and thus fell short of the prior-year amount (HY1 2015: 16.4 million Euro). This development is caused by tax payments in the amount of 8.0 million Euro on the one hand (HY1 2015: 2.0 million Euro) and a decrease in trade payables in the amount of 5.8 million Euro on the other hand (HY1 2015: increase by 0.3 million Euro).

Capital expenditures for intangible assets and property, plant and equipment came to 17.2 million Euro or 15.8% of sales in the first half-year 2016 (HY1 2015: 14.2 million Euro or 13.0% of sales). Due to these cash-effective payments, the adjusted free cash flow (cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment) for the reporting period was -9.1 million Euro as compared to 3.0 million Euro<sup>1</sup> for the prior-year period.

Cash, cash equivalents and marketable securities went down from 90.5 million Euro as of December 31, 2015 to 72.1 million Euro as of June 30, 2016. This is due primarily to the dividend payment in the amount of 6.5 million Euro, tax payments, and the decrease in trade payables. Accordingly net cash dropped from 53.7 million Euro as of December 31, 2015 to 35.7 million Euro as of June 30, 2016. The equity ratio was 74.3% as of June 30, 2016 (December 31, 2015: 71.5%).

### Economic environment

The **global** car markets did not indicate a consistent trend in the first half-year 2016. While Western Europe and China recorded growth, the number of new vehicles stagnates in the U.S.A., and in Japan the number of new registrations dropped once more, according to the German Association of the Automotive Industry (VDA).

Compared to the prior-year period, the automotive market in **Western Europe** gained 8.5% in the first six months of 2016 to 7.5 million new vehicles, according to the European Automobile Manufacturers' Association (ACEA). Above-average growth rates were achieved by Italy (+19.2%) and Spain (+12.2%), among others. France (+8.3%) and Germany (+7.1%) reported pleasant growth figures as well while Great Britain registered below-average growth at +3.2%. "The course of this year so far indicates that 2016 will become another year of growth," says Matthias Wissmann, President of the German Association of the Automotive Industry (VDA) with respect to Western Europe.

<sup>1</sup> Prior-year amount adjusted according to new definition

The **U.S.A.** market for light vehicles (passenger cars and light trucks) stagnates at a high level with a 1% gain to 8.6 million new vehicles, according to the VDA.

China's automotive economy continues to be the global growth driver. In the first half-year 2016 passenger car sales of 10.6 million vehicles were about 12% above the mark of the prior-year period.

Car demand in Japan continues to be weak. Sales of 2.1 million units in the first six months of 2016 fell short of the prior-year level by more than 5%.

#### Significant events

Dr. Anton Mindl, CEO, and Dr. Arne Schneider, CFO, explained the past fiscal year and the forecast for 2016 within the framework of **annual press conference and analysts' conference** held in March 2016. At the Annual General Meeting in May, the Management Board also explained the business situation to the shareholders in attendance. Furthermore, the shareholders agreed to the proposed dividend of 0.33 Euro per share.

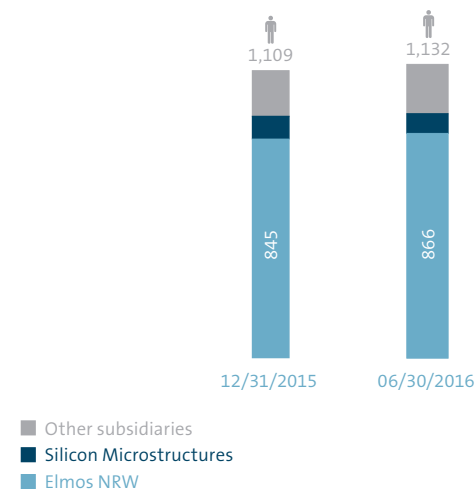
The Elmos Supervisory Board has appointed Guido Meyer (49) **new member of the Management Board** effective January 1, 2017. He will be responsible for Production and Logistics. Acting Management Board member for Production Reinhard Senf (64) will retire as of December 31, 2016 and will therefore leave 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 half-year 2016 Elmos presented its products at the **trade shows** "embedded world 2016" in Nuremberg, "electronica China" in Shanghai, and "Sensor+Test" in Nuremberg and received highly positive customer feedback.

Furthermore, Elmos has presented its new product catalog, added a new distributor for subsidiary SMI and provided the option, together with distributor MEV, for direct orders of Elmos ASSPs. Moreover, SMI introduced 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 1,132 employees as of June 30, 2016, thus increased slightly compared to the number of employees as of December 31, 2015 (1,109 employees).

##### Elmos share

The stock markets showed high volatility in the first half-year 2016. Contributing factors were the geopolitical crises, the weak raw materials markets, and the ECB's expansive monetary policy. This is reflected in the performance of the DAX, closing at -9.9% at the end of the reporting period. The market indices of relevance to Elmos suffered similar losses:

TecDAX, DAXsector Technology and Technology All Share dropped 12.5%, 4.4% and 12.9% respectively in the first half-year 2016.

The Elmos share did not manage to disconnect from this negative environment. The share price reached its high on January 4, 2016 at 15.035 Euro and its low on February 25, 2016 at 10.20 Euro. The share price dropped altogether by 30.8% over the first half-year 2016. Market capitalization amounted to 221.0 million Euro as of June 30, 2016, based on 19.9 million shares issued and a closing price of 11.08 Euro (Xetra closing prices).

The daily trading volume of the first half-year 2016 was 23.4 thousand shares on average (Xetra and Frankfurt floor) and thus at the level of the 2015 average of 22.9 thousand shares. The treasury stock was reduced by servicing stock options with treasury shares, among other factors, to 180,880 shares as of June 30, 2016 (December 31, 2015: 214,587 treasury shares).

On June 6, 2016, Internationale Kapitalanlagegesellschaft mbH (Germany) exceeded the voting rights threshold of 3% and held 3.01% or 599,826 voting rights as of that date.

## COMPANY BOARDS

### Supervisory Board

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

Dr. Burkhard Dreher, *deputy chairman*  
Graduate economist | Dortmund  
*Member and deputy chairman of the Supervisory Board until May 11, 2016*

Dr. Klaus Weyer, *deputy chairman*  
Graduate physicist | Penzberg  
*Deputy chairman as of May 11, 2016*

Dr. Gottfried Dutiné  
Graduate engineer | Kleve  
*Member of the Supervisory Board as of May 11, 2016*

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

Thomas Lehner<sup>1</sup>  
Graduate engineer | Dortmund

Sven-Olaf Schellenberg<sup>1</sup>  
Graduate physicist | Dortmund

### 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

<sup>1</sup> Employee representatives

## OUTLOOK

### Opportunities and risks

Risk management and 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 six months of 2016.

### Economic framework

The Bundesbank sees the German economy continue on a growth path. The basic economic trend remains rather strong in spite of the Brexit, according to the Bundesbank in its recent monthly report of July 2016. A significant increase in the macroeconomic performance can be expected for the summer quarter. As reasons for their optimism, the experts cited the good situation in the job market, rising real income, and the monetary policy of the European Central Bank. However, the effects of the Brexit vote on the German economy are hardly assessable at the moment. Germany's central bank anticipates a 1.7% increase for the gross domestic product in the current year.

The International Monetary Fund (IMF) anticipates a slightly weaker global economic performance compared to the forecast of April 2016 (3.2% growth) due to the Brexit. The fund now expects global economic growth of 3.1% for 2016 (as of July 2016). The effects of the Brexit will be felt primarily in Great Britain but also in the rest of Europe, according to the IMF, yet only to a smaller extent in other countries. However, there were encouraging signals in the first half-year, the IMF reports. The EU member states and Japan showed stronger growth than expected by the fund.

The VDA is optimistic for the remainder of the year 2016. "If the economy is in a rather good state, the auto industry will be okay, too." If among other favorable factors the interest rates are low as we are experiencing in Germany and Europe right now, the momentum is high. The VDA offered this view when presenting the 6-month figures in July 2016. The VDA expects that more than 80 million vehicles will be sold worldwide in 2016.

### Outlook for the Elmos Group

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

Elmos continues to expect a sales increase from 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 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	6/30/2016 thousand Euro	12/31/2015 thousand Euro
<b>Non-current assets</b>		
Intangible assets <sup>1</sup>	20,056	20,822
Property, plant and equipment <sup>1</sup>	93,289	90,991
Investments in associates <sup>1</sup>	2,097	0
Securities <sup>1,2</sup>	40,296	30,944
Investments <sup>1,2</sup>	20	20
Other financial assets <sup>1</sup>	3,527	3,627
Deferred tax assets	2,338	2,068
<b>Total non-current assets</b>	<b>161,623</b>	<b>148,472</b>
<b>Current assets</b>		
Inventories <sup>1</sup>	55,441	57,168
Trade receivables <sup>2</sup>	31,983	32,811
Securities <sup>2</sup>	8,575	9,584
Other financial assets	1,996	1,796
Other receivables	9,057	6,875
Income tax assets	60	86
Cash and cash equivalents <sup>2</sup>	23,263	50,000
	<b>130,376</b>	<b>158,320</b>
Non-current assets held for sale	93	93
<b>Total current assets</b>	<b>130,469</b>	<b>158,413</b>
<b>Total assets</b>	<b>292,092</b>	<b>306,886</b>

<sup>1</sup> Cf. note 3<sup>2</sup> Cf. note 4

Equity and liabilities	6/30/2016 thousand Euro	12/31/2015 thousand Euro
<b>Equity</b>		
<b>Equity attributable to owners of the parent</b>		
Equity attributable to owners of the parent <sup>1</sup>	19,943	19,942
Treasury stock <sup>1</sup>	-181	-215
Additional paid-in capital	91,412	90,956
Surplus reserve	102	102
Other equity components	-817	-1,032
Retained earnings	105,903	108,778
	<b>216,363</b>	<b>218,531</b>
Non-controlling interests	698	860
<b>Total equity</b>	<b>217,060</b>	<b>219,391</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions for pensions	438	496
Financial liabilities <sup>2</sup>	36,420	36,639
Other liabilities	2,172	2,458
Deferred tax liabilities	1,239	1,684
<b>Total non-current liabilities</b>	<b>40,269</b>	<b>41,277</b>
<b>Current liabilities</b>		
Provisions	14,268	14,705
Income tax liabilities	1,030	6,889
Financial liabilities <sup>2</sup>	15	185
Trade payables <sup>2</sup>	15,161	21,810
Other liabilities	4,289	2,629
<b>Total current liabilities</b>	<b>34,762</b>	<b>46,217</b>
<b>Total liabilities</b>	<b>75,032</b>	<b>87,495</b>
<b>Total equity and liabilities</b>	<b>292,092</b>	<b>306,886</b>

<sup>1</sup> Cf. note 3<sup>2</sup> Cf. note 4



## Condensed consolidated income statement

for the period April 1 through June 30	4/1 – 6/30/2016 thousand Euro	in percent of sales	4/1 – 6/30/2015 thousand Euro	in percent of sales	Change
<b>Sales</b>	<b>54,986</b>	<b>100.0%</b>	<b>54,332</b>	<b>100.0%</b>	<b>1.2%</b>
Cost of sales	-31,726	-57.7%	-30,934	-56.9%	2.6%
<b>Gross profit</b>	<b>23,260</b>	<b>42.3%</b>	<b>23,399</b>	<b>43.1%</b>	<b>-0.6%</b>
Research and development expenses	-9,328	-17.0%	-9,585	-17.6%	-2.7%
Distribution expenses	-4,966	-9.0%	-4,956	-9.1%	0.2%
Administrative expenses	-4,735	-8.6%	-4,256	-7.8%	11.2%
<b>Operating income before other operating expenses (-)/income</b>	<b>4,231</b>	<b>7.7%</b>	<b>4,601</b>	<b>8.5%</b>	<b>-8.0%</b>
Exchange rate gains/losses (-)	301	0.5%	-1,178	-2.2%	n/a
Other operating income	658	1.2%	1,184	2.2%	-44.4%
Other operating expenses	-432	-0.8%	-476	-0.9%	-9.2%
<b>Earnings before interest and taxes (EBIT)</b>	<b>4,758</b>	<b>8.7%</b>	<b>4,132</b>	<b>7.6%</b>	<b>15.2%</b>
Interest in earnings of associates	-33	-0.1%	0	0.0%	n/a
Finance income	460	0.8%	674	1.2%	-31.8%
Finance expense	-661	-1.2%	-598	-1.1%	10.6%
<b>Earnings before taxes</b>	<b>4,524</b>	<b>8.2%</b>	<b>4,208</b>	<b>7.7%</b>	<b>7.5%</b>
<b>Taxes on income</b>					
Current income tax	-991	-1.8%	-2,223	-4.1%	-55.4%
Deferred tax	-66	-0.1%	894	1.6%	n/a
	<b>-1,057</b>	<b>-1.9%</b>	<b>-1,329</b>	<b>-2.4%</b>	<b>-20.4%</b>
<b>Consolidated net income</b>	<b>3,467</b>	<b>6.3%</b>	<b>2,879</b>	<b>5.3%</b>	<b>20.4%</b>
<b>Consolidated net income attributable to</b>					
Owners of the parent	<b>3,330</b>	<b>6.1%</b>	<b>2,765</b>	<b>5.1%</b>	<b>20.4%</b>
Non-controlling interests	137	0.2%	113	0.2%	20.5%
<b>Earnings per share</b>	<b>Euro</b>		<b>Euro</b>		
Basic earnings per share	0.17		0.14		
Fully diluted earnings per share	0.17		0.14		

## Condensed consolidated statement of comprehensive income

for the period April 1 through June 30	4/1 – 6/30/2016 thousand Euro	4/1 – 6/30/2015 thousand Euro
<b>Consolidated net income</b>	<b>3,467</b>	<b>2,879</b>
<b>Other comprehensive income</b>		
<b>Items to be reclassified to the income statement in future periods including respective tax effects</b>		
Foreign currency adjustments not affecting deferred taxes	169	-217
Foreign currency adjustments affecting deferred taxes	322	-489
Deferred tax (on foreign currency adjustments affecting deferred taxes)	-81	118
Value differences relating to hedges	141	158
Deferred tax (on value differences relating to hedges)	-46	-52
Changes in fair value of available-for-sale financial assets	151	-321
Deferred tax (on changes in fair value of available-for-sale financial assets)	-50	105
<b>Items not to be reclassified to the income statement in future periods including respective tax effects</b>		
Actuarial gains from pension plans	7	8
Deferred tax on actuarial gains from pension plans	5	-2
<b>Other comprehensive income after taxes</b>	<b>618</b>	<b>-692</b>
<b>Total comprehensive income after taxes</b>	<b>4,085</b>	<b>2,187</b>
<b>Total comprehensive income attributable to</b>		
Owners of the parent	3,944	2,079
Non-controlling interests	141	108

## Condensed consolidated income statement

for the period January 1 through June 30	1/1 – 6/30/2016 thousand Euro	in percent of sales	1/1 – 6/30/2015 thousand Euro	in percent of sales	Change
<b>Sales</b>	<b>108,723</b>	<b>100.0%</b>	<b>109,680</b>	<b>100.0%</b>	<b>-0.9%</b>
Cost of sales	-65,762	-60.5%	-63,871	-58.2%	3.0%
<b>Gross profit</b>	<b>42,961</b>	<b>39.5%</b>	<b>45,809</b>	<b>41.8%</b>	<b>-6.2%</b>
Research and development expenses	-18,346	-16.9%	-19,352	-17.6%	-5.2%
Distribution expenses	-9,910	-9.1%	-9,776	-8.9%	1.4%
Administrative expenses	-9,747	-9.0%	-8,910	-8.1%	9.4%
<b>Operating income before other operating expenses (-)/income</b>	<b>4,957</b>	<b>4.6%</b>	<b>7,771</b>	<b>7.1%</b>	<b>-36.2%</b>
Exchange rate losses (-)/ gains	-190	-0.2%	1,684	1.5%	n/a
Other operating income	1,485	1.4%	1,865	1.7%	-20.3%
Other operating expenses	-681	-0.6%	-846	-0.8%	-19.4%
<b>Earnings before interest and taxes (EBIT)</b>	<b>5,572</b>	<b>5.1%</b>	<b>10,474</b>	<b>9.5%</b>	<b>-46.8%</b>
Interest in earnings of associates	-113	-0.1%	0	0.0%	n/a
Finance income	1,003	0.9%	1,204	1.1%	-16.7%
Finance expense	-1,279	-1.2%	-1,034	-0.9%	23.7%
<b>Earnings before taxes</b>	<b>5,183</b>	<b>4.8%</b>	<b>10,644</b>	<b>9.7%</b>	<b>-51.3%</b>
<b>Taxes on income</b>					
Current income tax	-2,141	-2.0%	-3,739	-3.4%	-42.7%
Deferred tax	887	0.8%	416	0.4%	>100.0%
	<b>-1,255</b>	<b>-1.2%</b>	<b>-3,323</b>	<b>-3.0%</b>	<b>-62.2%</b>
<b>Consolidated net income</b>	<b>3,928</b>	<b>3.6%</b>	<b>7,322</b>	<b>6.7%</b>	<b>-46.3%</b>
<b>Consolidated net income attributable to</b>					
<b>Owners of the parent</b>	<b>3,663</b>	<b>3.4%</b>	<b>7,076</b>	<b>6.5%</b>	<b>-48.2%</b>
Non-controlling interests	265	0.2%	246	0.2%	7.7%
<b>Earnings per share</b>	<b>Euro</b>		<b>Euro</b>		
Basic earnings per share	0.19		0.36		
Fully diluted earnings per share	0.18		0.35		

## Condensed consolidated statement of comprehensive income

for the period January 1 through June 30	1/1 – 6/30/2016 thousand Euro	1/1 – 6/30/2015 thousand Euro
<b>Consolidated net income</b>	<b>3,928</b>	<b>7,322</b>
<b>Other comprehensive income</b>		
<b>Items to be reclassified to the income statement in future periods including respective tax effects</b>		
Foreign currency adjustments not affecting deferred taxes	-1	387
Foreign currency adjustments affecting deferred taxes	-206	1,237
Deferred tax (on foreign currency adjustments affecting deferred taxes)	51	-314
Value differences relating to hedges	256	255
Deferred tax (on value differences relating to hedges)	-84	-84
Changes in fair value of available-for-sale financial assets	317	-348
Deferred tax (on changes in fair value of available-for-sale financial assets)	-104	114
<b>Items not to be reclassified to the income statement in future periods including respective tax effects</b>		
Actuarial gains from pension plans	14	15
Deferred tax on actuarial gains from pension plans	-7	-5
<b>Other comprehensive income after taxes</b>	<b>237</b>	<b>1,258</b>
<b>Total comprehensive income after taxes</b>	<b>4,165</b>	<b>8,580</b>
<b>Total comprehensive income attributable to</b>		
Owners of the parent	3,879	8,309
Non-controlling interests	286	271

## Condensed consolidated statement of cash flows

	1/1 – 6/30/2016 thousand Euro	1/1 – 6/30/2015 thousand Euro	4/1 – 6/30/2016 thousand Euro	4/1 – 6/30/2015 thousand Euro
<b>Cash flow from operating activities</b>				
Consolidated net income	3,928	7,322	3,467	2,879
Depreciation and amortization	14,561	14,066	7,313	6,986
Losses from asset disposal	94	0	79	0
Financial result	389	-170	315	-76
Other non-cash income (-)/expense	-887	-518	90	-945
Current income tax expense	2,141	3,739	990	2,223
Expenses for stock options/stock awards/share matching	151	152	89	74
Changes in pension provisions	-44	-43	-22	-22
Changes in net working capital:				
Trade receivables	828	-3,753	-1,135	-2,409
Inventories	1,727	-2,957	-1,452	-921
Other assets	-2,061	-551	90	1,517
Trade payables	-5,774	347	-993	-2,008
Other provisions and other liabilities	1,237	554	-1,075	-2,619
Income tax payments	-7,974	-2,010	-7,405	-1,025
Interest paid	-1,008	-1,034	-654	-598
Interest received	805	1,211	379	674
<b>Cash flow from operating activities</b>	<b>8,113</b>	<b>16,354</b>	<b>76</b>	<b>3,730</b>

## Condensed consolidated statement of cash flows

	1/1 – 6/30/2016 thousand Euro	1/1 – 6/30/2015 thousand Euro	4/1 – 6/30/2016 thousand Euro	4/1 – 6/30/2015 thousand Euro
<b>Cash flow from investing activities</b>				
Capital expenditures for intangible assets	-1,996	-1,464	-735	-875
Capital expenditures for property, plant and equipment	-15,205	-12,753	-7,857	-7,220
Payments for interests in associates	-2,210	0	-89	0
Disposal of non-current assets	17	879	2	14
Payments for (-)/Disposal of securities	-8,109	3,669	1,282	2,134
Payments for other non-current financial assets	-214	-303	-120	-152
<b>Cash flow from investing activities</b>	<b>-27,717</b>	<b>-9,972</b>	<b>-7,517</b>	<b>-6,099</b>
<b>Cash flow from financing activities</b>				
Repayment of non-current liabilities to banks	-219	-219	-110	-110
Repayment (-)/Borrowing of current liabilities to banks	-170	802	-85	907
Share-based remuneration/Issue of treasury shares	328	587	324	440
Capital increase from conditional capital	12	216	12	216
Dividend payment	-6,510	-6,475	-6,510	-6,475
Distribution/Other payments to non-controlling shareholders	-477	-3,408	-28	-408
Other changes	-3	-10	-12	-10
<b>Cash flow from financing activities</b>	<b>-7,038</b>	<b>-8,507</b>	<b>-6,409</b>	<b>-5,440</b>
<b>Decrease in cash and cash equivalents</b>	<b>-26,642</b>	<b>-2,125</b>	<b>-13,850</b>	<b>-7,809</b>
Effect of exchange rate changes on cash and cash equivalents	-96	980	277	-394
Cash and cash equivalents at beginning of reporting period	50,000	32,520	36,835	39,578
<b>Cash and cash equivalents at end of reporting period</b>	<b>23,262</b>	<b>31,375</b>	<b>23,262</b>	<b>31,375</b>

## Condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent											Non-controlling interests	Group			
	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	thousand Euro		
<b>January 1, 2015</b>	<b>19,860</b>	<b>19,860</b>	<b>-281</b>	<b>89,657</b>	<b>102</b>	<b>89</b>	<b>-1,063</b>	<b>-547</b>	<b>-845</b>	<b>99,083</b>	<b>206,055</b>	<b>844</b>	<b>206,898</b>			
Consolidated net income										7,076	7,076	246	7,322			
Other comprehensive income for the period						-234	171	1,285	11		1,233	25	1,258			
Total comprehensive income						-234	171	1,285	11	7,076	8,309	271	8,580			
Share-based remuneration/Issue of treasury shares			65	522							587		587			
Capital increase from conditional capital	31	31		185							215		215			
Transaction costs				-8							-8		-8			
Dividend distribution										-6,475	-6,475		-6,475			
Distribution to non-controlling shareholders											0	-408	-408			
Expenses for stock options/stock awards/share matching				152							152		152			
Other changes										-9	-9		-9			
<b>June 30, 2015</b>	<b>19,890</b>	<b>19,890</b>	<b>-215</b>	<b>90,508</b>	<b>102</b>	<b>-145</b>	<b>-892</b>	<b>738</b>	<b>-834</b>	<b>99,674</b>	<b>208,826</b>	<b>707</b>	<b>209,533</b>			
<b>January 1, 2016</b>	<b>19,942</b>	<b>19,942</b>	<b>-215</b>	<b>90,956</b>	<b>102</b>	<b>-452</b>	<b>-752</b>	<b>988</b>	<b>-816</b>	<b>108,778</b>	<b>218,531</b>	<b>860</b>	<b>219,391</b>			
Consolidated net income										3,663	3,663	265	3,928			
Other comprehensive income for the period						213	172	-177	7		216	21	237			
Total comprehensive income						213	172	-177	7	3,663	3,879	286	4,165			
Share-based remuneration/Issue of treasury shares			34	295							328		328			
Capital increase from conditional capital	2	2		10							12		12			
Dividend distribution										-6,510	-6,510		-6,510			
Distribution to non-controlling shareholders										-28	-28	-449	-477			
Expenses for stock options/stock awards/share matching				151							151		151			
<b>June 30, 2016</b>	<b>19,943</b>	<b>19,943</b>	<b>-181</b>	<b>91,412</b>	<b>102</b>	<b>-239</b>	<b>-580</b>	<b>811</b>	<b>-809</b>	<b>105,903</b>	<b>216,363</b>	<b>698</b>	<b>217,060</b>			

# Condensed notes to consolidated financial statements

The condensed interim consolidated financial statements for the 1<sup>st</sup> half-year 2016 were released for publication pursuant to Management Board resolution in August 2016.

## 1 – GENERAL INFORMATION

Elmos Semiconductor Aktiengesellschaft (“the Company” or “Elmos”) has its registered office in Dortmund (Germany) and is entered in the register of companies maintained at Dortmund District Court (Amtsgericht), section B, no. 13698. The Articles of Incorporation are in effect in the version of March 26, 1999, last amended by resolution of the Annual General Meeting of May 11, 2016.

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 (Germany).

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 June 30, 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 half-year 2016. 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)
<b>Consolidated net income</b> based on the bonds sold in the consolidated income statement for the 6-month period 1/1–6/30/2016 (or rather for the period 4/1–6/30/2016)	96 (49)	–179 (–77)	–83 (–28)
<b>Other comprehensive income</b> based on the bonds sold in the consolidated statement of comprehensive income for the 6-month period 1/1–6/30/2016 (or rather for the period 4/1–6/30/2016)	0 (0)	179 (77)	179 (77)
<b>Total comprehensive income</b> based on the bonds sold for the 6-month period 1/1–6/30/2016 (or rather for the period 4/1–6/30/2016)	96 (49)	0 (0)	96 (49)

Altogether 179 thousand Euro in the first half-year 2016 and 77 thousand Euro in the second quarter of 2016 were reclassified from “Other comprehensive income” to the consolidated income statement.

### Exceptional business transactions

There were no exceptional business transactions in the first half-year 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 half-year 2016.

### Seasonal and economic effects on business operations

The International Monetary Fund (IMF) anticipates a slightly weaker global economic performance compared to the forecast of April 2016 (3.2% growth) due to the Brexit. The fund now expects global economic growth of 3.1% for 2016 (as of July 2016). 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 subsidiary SMI in the 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 June 30, 2016 and 2015, respectively) as well as on assets of the Group's business segments (as of June 30, 2016 and December 31, 2015).

6 months as of 6/30/2016	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
<b>Sales</b>				
Third-party sales	100,191	8,532	0	108,723
Inter-segment sales	105	505	- 610 <sup>1</sup>	0
<b>Total sales</b>	<b>100,296</b>	<b>9,037</b>	<b>-610</b>	<b>108,723</b>
<b>Earnings</b>				
Segment earnings	5,603	-31	0	5,572
Interest in earnings of associates				-113
Finance income				1,003
Finance expense				-1,279
<b>Earnings before taxes</b>				<b>5,183</b>
Taxes on income	-1,517	262	0	-1,255
<b>Consolidated net income including non-controlling interests</b>				<b>3,928</b>
<b>Assets</b>				
Segment assets	245,012	19,302	25,661 <sup>2</sup>	289,975
Interests in associates	2,097	0	0	2,097
Investments	20	0	0	20
<b>Total assets</b>				<b>292,092</b>
<b>Other segment information</b>				
Additions to intangible assets and property, plant and equipment	15,927	359	0	16,286
Depreciation and amortization	13,936	625	0	14,561

<sup>1</sup> Sales from inter-segment transactions have been eliminated for consolidation purposes

<sup>2</sup> Non-attributable assets as of June 30, 2016 include cash and cash equivalents (23,263 thousand Euro), income tax assets (60 thousand Euro) and deferred tax (2,338 thousand Euro) as these assets are controlled at group level.

6 months as of 6/30/2015	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
<b>Sales</b>				
Third-party sales	98,224	11,456	0	109,680
Inter-segment sales	299	879	-1,178 <sup>1</sup>	0
<b>Total sales</b>	<b>98,523</b>	<b>12,335</b>	<b>-1,178</b>	<b>109,680</b>
<b>Earnings</b>				
Segment earnings	8,713	1,761	0	10,474
Finance income				1,204
Finance expense				-1,034
<b>Earnings before taxes</b>				<b>10,644</b>
Taxes on income	-2,773	-450	0	-3,323
<b>Consolidated net income including non-controlling interests</b>				<b>7,322</b>
<b>Assets (as of 12/31/2015)</b>				
Segment assets	233,575	21,137	52,154 <sup>2</sup>	306,866
Investments	20	0	0	20
<b>Total assets</b>				<b>306,886</b>
<b>Other segment information</b>				
Additions to intangible assets and property, plant and equipment	13,297	200	0	13,497
Depreciation and amortization	13,457	609	0	14,066

<sup>1</sup> Sales from inter-segment transactions have been eliminated for consolidation purposes

<sup>2</sup> 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	6 months as of 6/30/2016 thousand Euro	6 months as of 6/30/2015 thousand Euro
EU countries	60,717	58,932
U.S.A.	7,897	11,800
Asia/Pacific	36,095	33,269
Others	4,014	5,679
	<b>108,723</b>	<b>109,680</b>
<b>Geographical distribution of non-current assets</b>		
	6/30/2016 thousand Euro	12/31/2015 thousand Euro
Germany	149,575	136,387
Other EU countries	929	804
U.S.A.	5,157	5,499
Others	97	87
	<b>155,758</b>	<b>142,777</b>



### 3 – NOTES ON ESSENTIAL FINANCIAL STATEMENT ITEMS

#### Selected non-current assets

Development of selected non-current assets from January 1 through June 30	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 6/30/2016 thousand Euro
Intangible assets	20,822	0	1,970	-9	2,727	20,056
Property, plant and equipment	90,991	0	14,316	-184	11,834	93,289
Interests in associates	0	0	2,210	-113	0	2,097
Securities	30,944	0	14,003	-4,651	0	40,296
Investments	20	0	0	0	0	20
Other financial assets	3,627	0	274	-374	0	3,527
	<b>146,404</b>	<b>0</b>	<b>32,773</b>	<b>-5,331</b>	<b>14,561</b>	<b>159,285</b>

The item “Disposals/Other movements” includes negative foreign currency adjustments in the amount of 193 thousand Euro.

#### Inventories

	6/30/2016 thousand Euro	12/31/2015 thousand Euro
Raw materials	5,023	5,494
Work in process	40,943	41,190
Finished goods and merchandise	9,463	10,472
Advance payments	12	12
	<b>55,441</b>	<b>57,168</b>

#### Equity

The share capital of 19,943 thousand Euro entered in the statement of financial position as of June 30, 2016 (December 31, 2015: 19,942 thousand Euro) and consisting of 19,943,389 (December 31, 2015: 19,941,864) no-par value bearer shares is fully paid up. As of June 30, 2016 the Company holds 180,880 (December 31, 2015: 214,587) of the Company’s no-par shares, adding up to a theoretical share in the share capital of 181 thousand Euro (December 31, 2015: 215 thousand Euro).

As of June 30, 2016 altogether 603,823 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	11.60	11.85	n/a	
Blocking period ex issue (years)	4	4	4	
Exercise period after blocking period (years)	3	3	3	
<b>Options outstanding as of 12/31/2015 (number)</b>	<b>70,867</b>	<b>177,902</b>	<b>372,629</b>	<b>621,398</b>
Granted 1/1 – 6/30/2016 (number)	0	0	0	0
Exercised 1/1 – 6/30/2016 (number)	1,775	2,200	0	3,975
Forfeited 1/1 – 6/30/2016 (number)	50	550	13,000	13,600
<b>Options outstanding as of 6/30/2016 (number)</b>	<b>69,042</b>	<b>175,152</b>	<b>359,629</b>	<b>603,823</b>
Options exercisable as of 6/30/2016 (number)	69,042	175,152	0	244,194

#### 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 half-year financial statements is undiminished.

#### Book values and fair values of financial instruments

	June 30, 2016		December 31, 2015	
	Book value thousand Euro	Fair value thousand Euro	Book value thousand Euro	Fair value thousand Euro
<b>Financial assets</b>				
Investments	20	20	20	20
Long-term securities	40,296	40,296	30,944	30,944
Short-term securities	8,575	8,575	9,584	9,584
Trade receivables	31,983	31,983	32,811	32,811
Cash and cash equivalents	23,263	23,263	50,000	50,000
Other financial assets				
Other receivables and assets	1,715	1,715	1,646	1,646
Other loans	3,527	3,527	3,314	3,314
Forward exchange contracts/Currency options	271	271	453	453
Call options	4	4	3	3
Embedded derivatives	6	6	7	7
<b>Financial liabilities</b>				
Trade payables	15,161	15,161	21,810	21,810
Liabilities to banks	36,435	37,276	36,824	37,852
Other financial liabilities				
Miscellaneous financial liabilities	316	316	301	301
Forward exchange contracts/Currency options	176	176	107	107
Embedded derivatives	0	0	4	4
Put options	2,000	2,000	2,000	2,000
Hedged derivatives (short-term)	691	691	661	661
Hedged derivatives (long-term)	172	172	459	459

At the end of each 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 June 30, 2016 the Group held the following financial instruments measured at fair value:

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
<b>Securities</b>			
<b>January 1, 2016</b>	<b>39,528</b>		
Addition of securities (long-term)	10,003		
Disposal of securities (long-term)	-728		
Reclassification of securities (long-term)	-4,545		
Market valuation of securities (long-term)	623		
Addition of securities (short-term)	0		
Disposal of securities (short-term)	-5,440		
Reclassification of securities (short-term)	4,545		
Market valuation of securities (short-term)	-114		
<b>June 30, 2016</b>	<b>43,872</b>		

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
<b>Investments</b>			
<b>January 1, 2016</b>			<b>20</b>
<b>June 30, 2016</b>			<b>20</b>
<b>Call options</b>			
<b>January 1, 2016</b>			<b>3</b>
Addition of call options			1
<b>June 30, 2016</b>			<b>4</b>
<b>Hedged derivatives</b>			
<b>January 1, 2016</b>		<b>-1,120</b>	
Revision of measurement of hedged derivatives outside profit or loss (short-term and long-term)		257	
<b>June 30, 2016</b>		<b>-863</b>	
<b>Put options</b>			
<b>January 1, 2016</b>			<b>-2,000</b>
Addition of put option			0
<b>June 30, 2016</b>			<b>-2,000</b>
<b>Forward exchange contracts/Currency option transactions</b>			
<b>January 1, 2016</b>		<b>346</b>	
Addition of forward exchange contracts/currency option transactions		123	
Disposal of forward exchange contracts/currency option transactions		-264	
Market valuation of forward exchange contracts/currency option transactions		-110	
<b>June 30, 2016</b>		<b>95</b>	
<b>Embedded derivatives</b>			
<b>January 1, 2016</b>		<b>3</b>	
Addition of embedded derivatives		10	
Market valuation of embedded derivatives		-7	
<b>June 30, 2016</b>		<b>6</b>	

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 effect on the book value 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)

The following securities transactions (directors' dealings) were made in the reporting period January 1 through June 30, 2016:

Date Place	Name	Function	Transaction	Number	Price/Basic price (Euro)	Total volume (Euro)
6/15/2016 Xetra	Dr. Klaus Egger	Supervisory Board member	Purchase of Elmos shares	2,487	11.26	28,015

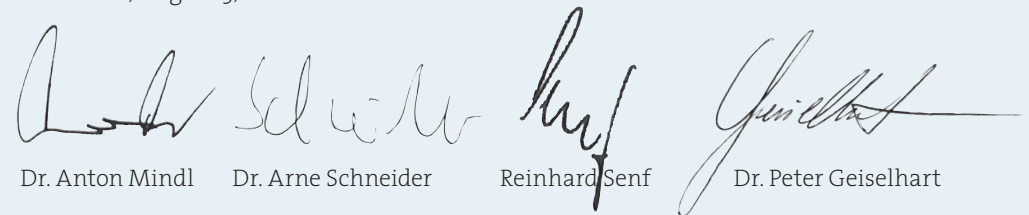
## 6 – SIGNIFICANT EVENTS AFTER THE END OF THE FIRST SIX MONTHS OF 2016

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

## RESPONSIBILITY STATEMENT

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

Dortmund, August 3, 2016



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

## REVIEW REPORT

### To Elmos Semiconductor AG, Dortmund

We have reviewed the condensed interim consolidated financial statements – comprising condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity, and selected explanatory notes – and the interim group management report of Elmos Semiconductor AG that are required components of a half-year financial report pursuant to Section 37w WpHG (Securities Trading Act) for the period from January 1 to June 30, 2016.

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

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

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

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

Düsseldorf, August 3, 2016

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger	Ulrich Diersch
Wirtschaftsprüfer	Wirtschaftsprüfer

# Financial calendar 2016

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6-month results Q2/2016 <sup>1</sup>	August 3, 2016
9-month results Q3/2016 <sup>1</sup>	November 8, 2016
Equity Forum in Frankfurt	November 21-22, 2016

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<sup>1</sup> The German Securities Trading Act (Wertpapierhandelsgesetz) obliges issuers to announce any information that may have a substantial price impact immediately, irrespective of the financial calendar. It is therefore possible that we will announce key figures of quarterly and annual results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking dates and news ahead of schedule on the Company's website ([www.elmos.com](http://www.elmos.com)).

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### Forward-looking statements

This report contains forward-looking statements that are based on assumptions and estimates made by the Elmos management. 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.