Strong Together
Annual Report 2022

elmos

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FIVE-YEAR OVERVIEW ELMOS GROUP (IFRS)

in million Euro unless otherwise indicated	FY 2018	FY 2019		FY 2020	FY 2021	FY 2022
		continuing & discontinued operations	*continuing operations*			
Sales	277.6	294.8	273.4	232.6	322.1	447.2
Growth in %	10.8%	6.2%	7.7%	-14.9%	38.5%	38.9%
thereof continuing operations	*253.9*	*273.4*	*273.4*	*232.6*	*322.1*	*447.2*
thereof discontinued operations	*23.7*	*21.4*	*n/a*	*n/a*	*n/a*	*n/a*
Gross profit	125.5	136.8	125.6	92.6	144.7	207.5
in % of sales	45.2%	46.4%	45.9%	39.8%	44.9%	46.4%
Research & development expenses	36.0	44.6	40.7	47.7	48.7	55.5
in % of sales	13.0%	15.1%	14.9%	20.5%	15.1%	12.4%
Operating income	49.3	45.8	41.4	8.5	59.9	110.0
in % of sales	17.8%	15.5%	15.1%	3.7%	18.6%	24.6%
EBIT	51.0	97.3 | 45.3[1]	29.8 | 40.9[2]	8.7	60.0	110.1
in % of sales	18.4%	33.0% | 15.4%[1]	10.9% | 15.0%[2]	3.7%	18.6%	24.6%
Earnings before taxes	49.5	96.0	28.7	8.2	59.4	108.5
in % of sales	17.8%	32.6%	10.5%	3.5%	18.4%	24.3%
Consolidated net income attributable to owners of the parent	35.4	85.7	18.5	6.4	39.8	71.4
in % of sales	12.8%	29.1%	6.8%	2.8%	12.4%	16.0%
Earnings per share (basic) in Euro	1.79	4.36	0.94	0.35	2.24	4.17
	12/31/2018	**12/31/2019**		**12/31/2020**	**12/31/2021**	**12/31/2022**
Total assets	369.1	439.5		395.5	418.0	542.4
Shareholders' equity	266.6	339.7		310.2	300.2	360.4
in % of total assets	72.2%	77.3%		78.4%	71.8%	66.4%
Financial liabilities	43.8	49.1		45.6	76.1	81.0
Liquid assets and securities	60.7	123.3		85.8	66.1	72.1
Net cash/Net debt (-)	16.9	74.3		40.2	-10.0	-8.9
	FY 2018	FY 2019		FY 2020	FY 2021	FY 2022
Cash flow from operating activities	48.4	45.6		27.3	79.6	98.6
Capital expenditures[3]	41.4	43.6		18.8	60.0	73.0
in % of sales[3]	14.9%	14.8%		8.1%	18.6%	16.3%
Cash flow from investing activities	-34.3	37.2		-42.4	-73.6	-72.6
Adjusted free cash flow[4]	-3.3	76.9		3.6	11.1	14.9
Dividend per share in Euro	0.52	0.52		0.52	0.65	0.75[5]
Employees on annual average	1,250	1,317		1,208	1,151	1,176

[1] Without consideration of the result from the sale of the subsidiary SMI and without consideration of the restructuring expenses for the termination of the cooperation with the Fraunhofer Institute IMS.
[2] Without consideration of the restructuring expenses for the termination of the cooperation with the Fraunhofer Institute IMS.
[3] Capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses.
[4] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment (including payments for additions to shares/proceeds from changes in the scope of consolidation).
[5] Proposal to the Annual General Meeting in May 2023.

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

LETTER FROM THE CEO

Dear shareholders,

With the title of this year's Annual Report, **“Strong Together,”** we want to pay tribute to all those who have made this exceptionally successful development of Elmos possible: our employees all over the world! With great commitment, team spirit and tireless effort we were able to exceed last year's already strong performance significantly with new record numbers in sales, profitability and new business wins in fiscal year 2022. Together we managed to cope outstandingly with the major geopolitical uncertainties and the ongoing semiconductor allocation and together we continue working to make our world a more sustainable, safer and better place to live in thanks to our innovative semiconductor solutions.

SEMICONDUCTOR SHORTAGE AND GEOPOLITICAL CONDITIONS

The past fiscal year was characterized by a challenging environment with geopolitical and economic uncertainty, regional effects of the coronavirus pandemic and continued allocation of automotive semiconductors. The war in Ukraine led to supply bottlenecks and prices for energy and raw materials increased sharply. The Covid-19 pandemic still resulted in noticeable constraints, particularly in China. Geopolitical events and the associated economic slowdown resulted in weaker demand for semiconductors especially for consumer and office electronics as well as for smartphones. In contrast to that, order volumes for automotive semiconductors remained unabatedly high and the demand for Elmos semiconductors throughout all product segments continues to be very strong. From the beginning of semiconductor allocation, our focus has been on fulfilling our customers' real demands. And we have so far done better than our key competitors. With joint commitment of all of our employees, and the cooperation with customers and suppliers, we managed to strengthen our standing as a reliable supplier. This excellent performance opened up additional growth potential for us.

RECORD YEAR 2022

We performed very well in all segments of the Company and closed the 2022 fiscal year with new records. We increased consolidated sales in fiscal year 2022 by more than 125 million Euro or close to 39% over the previous year to a record level of 447.2 million Euro. Elmos has thus almost doubled sales in only two years since the coronavirus crisis.

We also exceeded the previous year's high level of earnings before interest and taxes (EBIT) considerably. In fiscal year 2022 we generated an EBIT of 110.1 million Euro – an increase of almost 84% compared to the prior year. The EBIT margin as a percentage of sales rose to 24.6% and thus reached the upper limit of our full-year guidance.

The successful development of Elmos is also reflected in our share price. In a turbulent year for the stock exchange, the Elmos share has outperformed both the competition and the relevant indices. Thanks to this strong share price performance, the Elmos share made it back into the SDAX again in December 2022. At the beginning of this year, the share price even reached a new all-time high. In addition to that, we want to have our shareholders benefit adequately from the success of fiscal year 2022 with our dividend proposal of 0.75 Euro per share while maintaining the financial flexibility that is necessary for the Company's further strategic development.

PRODUCT HIGHLIGHTS

Elmos has been developing semiconductor solutions for improving people’s lives for almost 40 years. As one of the most experienced mixed-signal semiconductor companies in the world, we have gained a leading role in various application fields and keep working hard at developing the next innovations that offer added value for our customers and the end consumers. Our ICs provide outstanding solutions for the global automotive megatrends: Elmos ICs support not only driver assistance systems up to autonomous driving but also electric drive systems and they enable more safety, comfort and well-being for all types of cars.

I would like to take the opportunity here to introduce you to just three examples from our extensive innovation portfolio:

Today's cars are equipped with a variety of sensors for detecting the environment reliably and thereby assist the driver in the best possible way or take over certain situations completely autonomously. Elmos ultrasonic ICs guarantee precise 360 degree close-range monitoring and help at stress-free or automatic parking in the tightest parking spots. Ultrasonic sensors detect moving or stationary obstacles around the car extremely fast and very precisely regardless of light and weather conditions and support the emergency brake assistance system to prevent collisions. The latest generation of Elmos ultrasonic semiconductors convince with even higher precision and considerably faster data transfer. Obstacles can thus be identified even sooner and more precisely than before.

Engine, electric drive and battery must be controlled effectively and precisely particularly for thermal management of electric and hybrid vehicles. Elmos motor control and sensor ICs ensure the optimal operating temperature of all components, increasing efficiency and reducing energy consumption. This results in significantly better ranges for electric vehicles.

For LED rear lights, a fast growing segment for years, Elmos semiconductors for car taillights set new standards for very bright and constant intensity of light at low energy consumption. The new Elmos multi-channel LED drivers facilitate customized design options for uniquely dynamic rear light animation paired with maximum safety and highest energy efficiency.

In the sustainability report below (non-financial Group report), the chapter “Elmos product contribution” provides comprehensive information about our products and give valuable insight how our semiconductor applications increase the consumer's benefit in terms of environmental protection and efficiency, safety and health as well as comfort and well-being.

In the transformation of automotive mobility, Elmos is a reliable and innovative partner to our customers all over the world. As one of the leading suppliers of mixed-signal semiconductors, we will benefit in the long-term from the structural growth due to the increasing digitization and electrification of all vehicle systems and functions.

KEY STRATEGIC ACTIVITIES

Elmos increasingly counts on advanced foundry technologies for manufacturing our innovative semiconductors. The permission to sell our in-house wafer fab to Silex Microsystems AB (Silex) was unfortunately and surprisingly declined by the Federal Government in early November 2022. Thus a possible perceptive for the long-term utilization of the Dortmund wafer production and the technological strengthening of Germany as a high-tech locations was prevented. The wafer fab will continue to be fully loaded for several more years. Meanwhile, the task is to find a new long-term future perspective for the wafer production at the Dortmund location.

Setting up additional testing capacity with our partners in East Asia remains a key element of our corporate strategy. The important testing of ICs will continue to be part of the core expertise of Elmos in the future. In addition to the fully utilized Dortmund location, to accommodate our future growth we need sufficient testing capacity to be realized in Asia. In Dortmund we keep focusing on product launches and ramp-ups, new machine generations and test development.

Another key aspect is strengthening software expertise and expanding software organization at Elmos. Advancing automotive digitization, networked cars receiving updates from the internet and gradually more autonomous driving require an even tighter integration of hardware and software for a large number of car systems and components. At Elmos we recognized this trend for an increasing relevance of software some time ago and we provide our customers with high-performance software as part of our semiconductors already today. We will keep enhancing our innovative ICs increasingly with additional software functionality that convinces our customers and offer real added value.

MANAGEMENT BOARD

DR. ARNE SCHNEIDER

CEO – Chief Executive Officer

Graduate economist | Hamburg, Germany

- -> Management Board member since 2014, appointed until 2025
- -> Strategy, Coordination of Board Responsibilities, Executive Personnel, Quality, Finance, Management Accounting, Investor Relations, Human Resources, Purchasing, IT

GUIDO MEYER

COO – Chief Operating Officer

Graduate engineer (FH) | Schwerte, Germany

- -> Management Board member since 2017, appointed until 2024
- -> Production, Foundry, Assembly, Logistics, Product Engineering

DR. JAN DIENSTUHL

CSO – Chief Sales Officer

Graduate electrical engineer | Hagen, Germany

- -> Management Board member since 2019, appointed until 2026
- -> Sales, Development, Business Lines, Technology

SUSTAINABILITY

Sustainability is a core element of our corporate strategy. Our commitment to social, environmental and economic sustainability has been deeply rooted in our Company for many years. We develop innovative microelectronics that make a substantial contribution to the improvement of people's lives and the protection of our environment. We want to combine profitable growth with sustainable and responsible actions and thus make a positive contribution to the environment and society.

Over the past two years, we have made our commitment and the status of our efforts even more transparent for all stakeholders. A large number of ESG related documents and key figures on environmental, social and corporate governance are available on our website now. Our strategy for sustainability considers the entire value chain and is based on a materiality analysis of relevant topics which we as a company can influence or which have a material impact on our economic, ecological and social activities. We work constantly at expanding our positive impact on key sustainability issues and anchor sustainability even more firmly in our own organization and within the entire value chain.

OUTLOOK

This year will continue to be characterized by challenging conditions. Demand for our innovative semiconductors remains to be high and exceeds our available capacity. Therefore our focus continues to be on safeguarding our delivery capability over the current year. For fiscal year 2023, we are expecting sales of more than 560 million Euro (equals at least +25% year on year) and an EBIT margin of 25% of sales ± 2 percentage points. The expansion of testing capacity as well as the increasing cooperation with external partners for semiconductor testing will be continued in 2023 and we are therefore anticipating capital expenditures of about 17% of sales ± 2 percentage points. Despite continued high investments and development expenses for future growth, we are expecting adjusted free cash flow at prior-year level (14.9 million Euro) ± 10 million Euro for the full year 2023.

Strong together – this applies to the achievement of new record results in the past year as well as to the realization of our ambitious plans for the future. The outstanding commitment and tremendous willingness to help one another make Elmos a unique company. For this, I would like to express my sincere gratitude to all Elmos employees.

I would also like to thank my two colleagues on the Management Board, Dr. Jan Dienstuhl and Guido Meyer, for the trusting and loyal teamwork. The same is true for the constructive and mutual exchange with our anchor shareholders and the entire Supervisory Board of Elmos Semiconductor SE.

And of course, I would also like to thank you, our shareholders, very much for your commitment and support.

Together we are making Elmos an even stronger company. I am looking forward to continuing our successful journey together with you.

Thank you very much!

Please keep in touch with us.

Kind regards from Dortmund.

Arne Schneider

Sincerely yours,
Dr. Arne Schneider
CEO of Elmos Semiconductor SE

SUPERVISORY BOARD REPORT

Dear Shareholders,

In the past fiscal year, despite a challenging geopolitical and economic environment, Elmos performed successfully and once again posted excellent results. The Supervisory Board diligently attended to its duties and responsibilities imposed by law and the Articles of Incorporation in fiscal year 2022. The Supervisory Board advised the Management Board in running the Company and supervised management activity. Verbally and in writing, the Supervisory Board was supplied in a regular and timely manner with comprehensive information on the Company's situation by the Management Board. It was directly involved in all decisions of substantial importance. The Supervisory Board members consulted closely on the global crises and the related supply bottlenecks, in particular those affecting semiconductors, as well as on the increase of energy and material costs.

The Management Board consulted the Supervisory Board on the Company's strategic orientation. The Management Board's reports on all business transactions of relevance to the Company were examined and discussed at length in the Supervisory Board meetings. Insofar as stipulated by law or the Articles of Incorporation, the Supervisory Board gave its opinion on the Management Board's reports and resolutions following diligent examination and in-depth discussion. Outside the framework of Supervisory Board meetings, the Chairman and other members of the Supervisory Board were also informed about material business transactions by the CEO.

Audit committee

The audit committee set up by the Supervisory Board is primarily tasked with monitoring the accounting process and the effectiveness of the internal control system, the risk management system, and the internal audit system. The audit committee is also tasked with selecting and monitoring the auditor, which includes the review of the separate financial statements and consolidated financial statements, the independence of the auditor, the additional services provided by the auditor, and the quality of the audit. Together with the auditor, the audit committee discusses its assessment of the audit risk, audit strategy and audit planning, as well as the audit findings. In addition, the audit committee monitors and investigates compliance within the Company and addresses sustainability reporting and the activities relating to sustainability. The audit committee is made up two members, who are the Supervisory Board's two financial experts, Dr. Klaus Weyer (Chairman) and Dr. Dirk Hoheisel. Both members of the audit committee are independent of the Company and the Management Board (as are all other shareholder representatives on the Supervisory Board) and have comprehensive expertise in the fields of accounting, auditing, and internal control and risk management systems. The CEO, the Company's head of Finance and Administration, and the auditor also attended meetings on some occasions.

The audit committee convened five times in fiscal year 2022: February 17, June 14, July 19, August 31, and December 8, 2022. It has met once so far in 2023, on February 14. In most cases, the meetings of the audit committee were held via video conference. In fiscal year 2022, all of the meetings were attended by all of the committee members and invited guests. At its meetings, the audit committee discussed risk management, compliance, the internal control system, and the internal audit. The audit committee also discussed the selection of an auditor for the years from 2023 onwards and prepared a recommendation for the Supervisory Board regarding an auditor to be proposed for election. The auditor presented the findings of the review at the end of the first half of the year and of the separate financial statements and consolidated financial statements to the audit committee, which discussed the quality of the audit, the audit engagement, additional services, and the independence of the auditor. Subsequently, it defined the key audit matters for the annual audit. The auditor was present for a part of these discussions. Other items addressed at the meetings included current accounting topics, new developments in accounting, and other current issues.

Meetings of the Supervisory Board

Altogether, there were four regular meetings of the entire Supervisory Board in fiscal year 2022: March 8, May 11, September 8, and December 9. In the meeting held on March 1, 2023, the Supervisory Board focused on the discussion and the adoption of the 2022 financial statements and consolidated financial statements; the Company's auditor was present for a part of this session.

During the sessions in the year under review, the Supervisory Board informed itself in detail about the current developments, the Company's situation, and recent business policy decisions on the basis of written and oral reports given by the Management Board. Based on these comprehensive explanations, the Supervisory Board adopted the required resolutions. If necessary, resolutions were jointly adopted by the Supervisory Board and Management Board. There was close consultation between the Supervisory Board and the Management Board on global developments concerning the supply chain, energy supply, and the COVID-19 pandemic. The Company's sustainability activities were another focal point in the year under review. During its sessions, the Supervisory Board regularly discussed the current performance of the Company with respect to sales, earnings, liquidity, and future prospects. The situation of the subsidiaries, as well as the Group's strategic development beyond the year under review, was dealt with in detail. The budget for the next fiscal year and planned capital expenditures were discussed in depth.

The main topics of the consultations on the Supervisory Board and discussions with the Management Board were the sale of the wafer fab to Silex Microsystems AB, which was prohibited by the German government, and the search for a viable alternative for wafer production at the Dortmund site. In addition, the Supervisory Bord talked about the present state of design wins of the past years, as well as new ones, combined with updated sales planning and current developments in various product segments. Other topics discussed included the growth strategy and sustainability. In its meetings and resolutions, the Supervisory Board also addressed changes to the remuneration system for the Management Board, target agreements for the members of the Management Board, additional remuneration for members of the audit committee, and the determination of the proportion of women on the Supervisory Board and Management Board, and in other management positions. Further topics for the Supervisory Board included the Supervisory Board's efficiency review and the holding of the Annual General Meeting on May 11, 2022, once again as a virtual event, the 2022 half-year financial statements, and the adoption of the financial calendar for 2023. The amendments to the German Corporate Governance Code (GCGC) and the resulting requirements, as well as the qualification matrix for the Supervisory Board of Elmos Semiconductor SE, were also discussed in the year under review. In some cases, the consultations took place without the Management Board being present.

The Supervisory Board consulted the reports of the audit committee to inform itself about the key audit matters and discussed the financial reports. The Supervisory Board performed its audit duties pursuant to the German Audit Reform Act (AReG) by monitoring the quality of the auditor during the annual audit, compliance with provisions for non-audit services, and the independence of the auditor. As in the previous fiscal years, the Supervisory Board informed itself about the risk management system and its main issues. The Supervisory Board also dealt with the audit committee's report on the internal control system, the accounting process, and compliance. In addition, it discussed the agenda and format of the next Annual General Meeting on May 10, 2023, based on the new German Act on the Introduction of Virtual General Meetings of Stock Corporations. Subject to any subsequent resolutions to the contrary by the Supervisory Board, and in view of the continuing uncertainty with regard to the pandemic, particularly in the case of large-scale events, it was decided to make preparations for a virtual Annual General Meeting once again in 2023 in order to be able to plan the event with a high degree of certainty and without incurring unreasonably high costs for parallel planning activities.

The meetings of the Supervisory Board were held as in-person events. All of the meetings were attended by all members of the Supervisory Board. In one case, attendance was via video conference.

AUDIT OF SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Consulting Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Germany, and the report of the audit committee, the Supervisory Board concerned itself in its meeting of March 1, 2023, with the audit of the separate financial statements and consolidated financial statements for the fiscal year ended December 31, 2022. According to the resolution of the Annual General Meeting of May 11, 2022, and the ensuing commission given by the Supervisory Board to the auditor, the separate financial statements prepared in accordance with HGB provisions (Commercial Code) for the fiscal year from January 1 to December 31, 2022, and the management report of Elmos Semiconductor SE, which is combined with the group management report of the Company ("combined management report"), were audited by Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Germany. The auditor issued an unqualified audit opinion. The consolidated financial statements of Elmos Semiconductor SE were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and completed with the statements required under Section 315e (1) HGB. The consolidated financial statements according to IFRS and the combined management report also received an unqualified audit opinion. The financial statement documents, the Annual Report, and the audit reports were submitted to all Supervisory Board members in due time. In the Supervisory Board meeting held on March 1, 2023, the statements and reports were also explained verbally by the Management Board. The auditor also reported on the results of their audit in this session, including key audit matters. The Supervisory Board and the auditor communicated with each other at various points in time while the key audit matters were being defined and while the audit was being carried out. After its own examination of the financial statements of Elmos Semiconductor SE, the consolidated financial statements, and the combined management report, as well as the Management Board's proposal for the appropriation of retained earnings, the Supervisory Board approved the auditor's findings based on the audit and approved the financial statements of Elmos Semiconductor SE and the consolidated financial statements of the Elmos Group. The financial statements are thus adopted. The auditor also conducted a formal audit of the remuneration report with a focus on the disclosures stipulated by stock corporation law and prepared a separate audit opinion, which is included in the remuneration report. The audited remuneration report will be submitted for approval to the next Annual General Meeting on May 10, 2023, in accordance with Section 120a (4) AktG (Stock Corporation Act).

The Supervisory Board and Management Board will propose to the Annual General Meeting a resolution to pay a dividend of 0.75 Euro per share for fiscal year 2022 out of the retained earnings of 218.5 million Euro (according to HGB) and to carry forward the remaining amount to new accounts.

The Supervisory Board also reviewed the Company's sustainability report during its meeting on March 1, 2023.

Remuneration systems for the Supervisory and Management Boards

The Annual General Meeting on May 11, 2022, approved the remuneration system for the Management Board by a large majority. Changes to the remuneration system for the Management Board and to the remuneration of the Supervisory Board will be submitted to the next Annual General Meeting on May 10, 2023, for approval and adoption.

CORPORATE GOVERNANCE

The Supervisory Board and Management Board work closely together for the Company's benefit and are committed to the sustained increase of shareholder value. The Supervisory Board concerned itself once more with the recommendations and suggestions of the German Corporate Governance Code (GCGC) in fiscal year 2022. In May 2022, the Supervisory Board and Management Board jointly released an updated declaration pursuant to Section 161 AktG on compliance with the recommendations of the GCGC in the version of December 16, 2019. This declaration of compliance and all previous ones have been made permanently available at www.elmos.com. The revised version of the GCGC dated April 28, 2022, and the resulting amendments to the declaration of compliance were submitted to the Supervisory Board. The Supervisory Board and the Management Board will issue a new declaration of compliance based on the principles, recommendations, and suggestions of the new GCGC in May 2023 at the latest.

Conflicts of interest among members of the Management Board or Supervisory Board subject to disclosure to the Supervisory Board or the Annual General Meeting did not arise. The Company regularly informed and supported the members of the Supervisory Board with regard to new laws and recent court rulings pertaining to relevant topics, such as the amendments to the German Corporate Governance Code, the enhanced sustainability reporting requirements, and the German Act on Corporate Due Diligence Obligations in Supply Chains (LKSG).

Further information on corporate governance can be found in this Annual Report.

COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

There were no changes in the composition of the Supervisory Board and Management Board of Elmos Semiconductor SE in fiscal year 2022.

As the Supervisory Board's financial experts, Dr. Klaus Weyer and Dr. Dirk Hoheisel meet the legal requirements in terms of expertise in the fields of accounting and auditing. All four shareholder representatives on the Supervisory Board, Dr. Klaus Weyer, Prof. Dr. Günter Zimmer, Dr. Dirk Hoheisel and Dr. Volkmar Tanneberger, are independent of the Company and the Management Board. No member of the Supervisory Board serves on the Management Board of another company or holds other supervisory board or comparable positions. The composition of the Supervisory Board ensures the proper performance of its duties imposed by law and the Articles of Incorporation with the requisite expertise, competence, and professional and managerial experience for the benefit of the Company.

The Supervisory Board thanks all employees and all members of the Management Board for their excellent work and outstanding dedication in a very challenging and once again extremely successful fiscal year 2022.

Dortmund, March 1, 2023

On behalf of the Supervisory Board
Dr. Klaus Weyer
Chairman of the Supervisory Board

SUPERVISORY BOARD

DR. KLAUS WEYER
-> Chairman
-> Independent member of the Supervisory Board
-> Chairman of the audit committee, financial expert pursuant to Section 100 (5) AktG
-> Graduate physicist | Penzberg, Germany

PROF. DR. GÜNTER ZIMMER
-> Vice Chairman and Honorary Chairman for life
-> Independent member of the Supervisory Board
-> Graduate physicist | Duisburg, Germany

DR. DIRK HOHEISEL
-> Independent member of the Supervisory Board
-> Member of the audit committee, financial expert pursuant to Section 100 (5) AktG
-> Graduate engineer | Berlin, Germany

DR. VOLKMAR TANNEBERGER
-> Independent member of the Supervisory Board
-> Graduate engineer | Meine, Germany

THOMAS LEHNER
-> Employee representative
-> Graduate engineer | Dortmund, Germany

SVEN-OLAF SCHELLENBERG
-> Employee representative
-> Graduate physicist | Dortmund, Germany

STATEMENT ON CORPORATE GOVERNANCE

IN ACCORDANCE WITH SECTIONS 289f AND 315d HGB, INCLUDING CORPORATE GOVERNANCE REPORT

In the following chapter, the Management Board – also on behalf of the Supervisory Board – reports on corporate governance at Elmos pursuant to Principle 22 of the German Corporate Governance Code (GCGC). Previous statements on corporate governance can be accessed at www.elmos.com.

Implementation of the German Corporate Governance Code (GCGC)

For the Supervisory Board and Management Board of Elmos, corporate governance means the implementation of responsible and sustainable business management with the appropriate transparency across all areas of the Group. The Supervisory Board and Management Board again concerned themselves with the provisions of the GCGC in fiscal year 2022. In May 2022, they released a joint declaration of compliance in accordance with Section 161 AktG with reference to the GCGC in the version dated December 16, 2019, which was applicable at that time. Therefore, all disclosures and explanations relating to the GCGC in this report are based on the version of the GCGC dated December 16, 2019. Apart from the deviations reported therein, all recommendations of the GCGC have been complied with. All previously released declarations of compliance have been made available at www.elmos.com.

Compliance

One of the essential tasks of the Management Board as a whole, and of the members of the Management Board within their individual areas of responsibility, is the control and monitoring of compliance within the Group. Elmos has a compliance management system (CMS) in place to ensure compliance with applicable laws and statutes as well as all internal rules and guidelines.

In fiscal year 2022, Elmos had the adequacy and implementation of its compliance management system (CMS) audited by an external, independent auditor in accordance with the "IDW Assurance Standard: Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW AsS 980)." The findings of the audit were that the implemented CMS rules in the description of the CMS are appropriate, suitable, and implemented in all material respects in accordance with the CMS principles applied. Despite this favorable assessment, Elmos still aims to further enhance its compliance efforts within the Group and to further expand compliance as an integral part of the Elmos culture. The internal audit department began its work in 2021 and performed non-ad hoc audits in fiscal year 2022. Evaluating the audit reports also helps to improve and develop the CMS. The Elmos Code of Conduct provides orientation for employees with regard to their actions and conduct. All of the rules and principles applying at the Company are defined in the Code of Conduct, which is updated regularly and enforced through Group-wide training. In order to ensure adherence to the strict compliance principles not only within our own Company, but also throughout the supply chain, we require our suppliers and business partners to meet their social responsibilities in all their business activities, dealings, and decisions in accordance with the Elmos Supplier Code of Conduct and to rigorously comply with the respective applicable laws and all other relevant provisions in the countries in which they operate.

The Supervisory Board and audit committee are informed at least once a year about the CMS, the findings of internal audits, and the measures taken. As part of the efforts to continuously improve the CMS, annual key issues are defined.

Working methods of the Management Board and the Supervisory Board

The Supervisory Board and Management Board share the commitment to the Group's responsible corporate governance. Their highest goal is to safeguard the Company's existence and to increase the shareholder value. The Management Board has three members. The individual members of the Management Board are responsible for their respective key areas; together, they assume responsibility for the entire management in accordance with the applicable law, the Articles of Incorporation, the Board's rules of procedure, and the resolutions of the Annual General Meeting.

The Management Board represents the Company externally. The Management Board is responsible for the management of the Group, the definition and monitoring of the Group's strategic orientation and corporate targets, and the Group's financing. The Management Board usually meets in full once a week. The Management Board gives regular, extensive, and timely reports to the Supervisory Board on developments and events of relevance to the Company. The Supervisory Board supervises the Management Board, appoints its members, and advises them with respect to the Company's management. The Supervisory Board works with the Management Board to ensure timely and long-term succession planning for the Management Board. Regular discussions on this topic are held at the meetings of the Supervisory Board. The respective contractual relationships are addressed with regard to the remaining term of the appointments and the possibility of extending them, and decisions are made on new appointments.

The Supervisory Board and the Management Board work closely together based on mutual trust. The Management Board involves the Supervisory Board in essential decisions. The rules of procedure of the two Boards define this cooperation, among other issues. A detailed summary of the Supervisory Board's work in fiscal year 2022 can be found in the Supervisory Board report. The Chairman gives a report to the shareholders on the Supervisory Board's work over the past fiscal year at each Annual General Meeting.

The Supervisory Board of Elmos Semiconductor SE has six members. Pursuant to the SE's Participation Agreement, it consists of four shareholder representatives and two employee representatives. The representatives of the shareholders are elected by the Annual General Meeting; the employee representatives are elected by the staff. The current Supervisory Board of the SE was elected by the Annual General Meeting on May 20, 2021, or appointed by way of the SE's Participation Agreement. The Supervisory Board has formed an audit committee. The formation of an audit committee was mandatory for Elmos Semiconductor SE starting January 1, 2022. The auditor regularly participates in the audit committee's meetings. More information about the activities and composition of the audit committee can be found in the Supervisory Board report.

The Supervisory Board has defined the goals and principles with respect to its composition and drafted a competence profile for the entire Board. It includes international experience, technical and entrepreneurial expertise, strategic vision, knowledge of the Company, industry-specific know-how and diversity, as well as experience in accounting, auditing, and internal control procedures. Any conflicts of interest must be avoided.

The aforementioned objectives have been fully met in the current composition of the Supervisory Board and of the audit committee. They will also be taken into consideration in future nominations. The Supervisory Board members Dr. Klaus Weyer and Prof. Dr. Günter Zimmer can be seen as independent despite their many years of service. Their work on the Supervisory Board is characterized by extensive knowledge of the Company's business. Thanks to their long-standing experience and their impartial, objective powers of judgment, they make a significant contribution to the Supervisory Board's successful work. Their many years of service to the Supervisory Board is merely an indicator of a potential lack of independence. An overall assessment required by the formal, typical indicators is necessary to judge the independence of Board members.

Both members of the audit committee, Dr. Klaus Weyer and Dr. Dirk Hoheisel, have special expertise and experience in the application of accounting principles and internal control and risk management systems, as well as special expertise and experience in the auditing of financial statements. This also includes sustainability reporting and its auditing. Dr. Klaus Weyer has expertise in the aforementioned areas due to factors such as his many years working as a management consultant, managing director, and member of the Management Board and Supervisory Board of Elmos. Dr. Dirk Hoheisel has expertise in the aforementioned areas due to factors such as his many years as a former division president and managing director at Robert Bosch GmbH.

The qualification matrix for the Supervisory Board of Elmos Semiconductor SE:

Qualification matrix for the members of the Supervisory Board of Elmos Semiconductor SE

Competencies **Entire Supervisory Board**	Dr. Klaus Weyer Chairman Chairman of audit committee Appointed until 2027	Prof. Dr. Günter Zimmer Vice Chairman Appointed until 2027	Dr. Dirk Hoheisel Supervisory Board member Audit committee member Appointed until 2027	Dr. Volkmar Tanneberger Supervisory Board member Appointed until 2027	Thomas Lehner Supervisory Board member Employee representative Appointed until 2027	Sven-Olaf Schellenberg Supervisory Board member Employee representative Appointed until 2027
Industry-specific expertise	x	x	x	x	x	x
Technical expertise	x	x	x	x	x	x
Long-standing knowledge of the Company	x	x			x	x
Business expertise	x	x	x	x		
International experience	x	x	x	x		
Strategic vision	x	x	x	x	x	x
Independence	x	x	x	x		

Competencies **Audit committee**	Dr. Klaus Weyer Chairman	Dr. Dirk Hoheisel Vice Chairman
Expertise in accounting and internal control and risk management systems	x	x
Expertise in auditing	x	x
Expertise in sustainability topics and sustainability reporting	x	x

Pursuant to D.13 of the GCGC, the Supervisory Board regularly performs a self-assessment. With the help of questionnaires, it evaluates its efficiency once a year. In accordance with No. B.2 of the GCGC, the Supervisory Board and the Management Board jointly address the issue of long-term succession planning for the Management Board. To this end, discussions are conducted within the Supervisory Board as needed. No external consultancy is involved in the succession planning process.

Implementation of equal participation and diversity

In accordance with applicable statutory provisions, the Supervisory Board and Management Board defined minimum quotas as of June 30, 2022, for the representation of women on the Supervisory Board and Management Board, as well as for the first and second senior executive levels. The targets must be met by June 30, 2027. The previously defined targets of 4% for the first senior executive level and 5% for the second senior executive level were recently exceeded. The new quotas for the first and second senior executive levels are as follows: a minimum of 7.14% for the first senior executive level and a minimum of 6.67% for the second senior executive level.

The new quotas for the Supervisory Board and the Management Board are as follows: 0% for the Supervisory Board and 0% for the Management Board. When filling positions on the Management Board or nominating candidates for the Supervisory Board, Elmos Semiconductor SE always makes decisions on the basis of the best qualifications, experience, and suitability for the benefit of the Company. The current composition of the Supervisory Board and Management Board puts Elmos in a very good position. Given the Company's strong technical orientation, especially its focus on electrical engineering, semiconductors, and microtechnology, executives at Elmos have, for the most part, completed highly specialized technical degree courses. There continues to be a general shortage of junior talent in the engineering disciplines. Moreover, women are less likely to choose careers in engineering and, in particular, the relevant degree courses. As a result, there are significantly fewer highly qualified and experienced female candidates available to fill positions on the Management Board and Supervisory Board than there are male candidates.

There are no women on either the Supervisory Board or Management Board at present. The previous year's figure of around 7% in the first senior executive level was maintained in fiscal year 2022. At 7.5%, the proportion of women in the second senior executive level exceeded the target. All data refers to the employees of Elmos Semiconductor SE in Germany as of December 31, 2022. Elmos therefore fulfills all determined quotas for the share of women at Elmos and complies with the provisions of the German Second Management Positions Act (FüPoG II).

Irrespective of the fulfillment of all statutory requirements, Elmos attaches great importance to equal opportunities and employee diversity, and promotes a corporate culture based on appreciation, equality, and mutual respect. Employees of all genders are treated equally at our company as a matter of principle. All of our employees are hired and supported on the basis of their qualifications and abilities and irrespective of their gender. We have a policy of advancing employees company-wide regardless of gender and focus on suitability, motivation, and expertise when it comes to selecting job applicants.

Elmos pursues a diversity concept based on non-discrimination to determine the composition of the Management Board and the Supervisory Board – as it does throughout the entire Company. The objective of this concept is to achieve appropriate diversity in terms of professional experience and backgrounds particularly with respect to industries, regions, and company affiliation, educational backgrounds, and personal character traits. These aspects were taken into account to determine the current composition of these bodies. As a matter of principle, a person's suitability for a task is the deciding factor for employment with the Company, irrespective of their gender, cultural background, nationality, religious affiliation, worldview, disability, age, or sexual orientation.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders make use of their rights at the Annual General Meeting. They receive the agenda, information regarding participation, and, upon request, the Annual Report in good time. The relevant documents relating to the upcoming and past Annual General Meetings, as well as further information on participation in and voting at the Annual General Meeting, are available on our website – also in English – and can also be requested from the Company. Shareholders who are unable to attend the Annual General Meeting in person have the option to have their voting rights exercised in accordance with their instructions by proxies appointed by Elmos. Due to the COVID-19 pandemic, shareholders have only been able to attend the Annual General Meeting virtually (i.e., without being physically present) since 2020. Subject to any subsequent resolutions to the contrary by the Management Board, with the approval of the Supervisory Board, the Annual General Meeting 2023 will be held as a virtual Annual General Meeting in accordance with the new statutory provisions.

Dates of importance to the shareholders are published annually in a financial calendar. All quarterly statements, interim reports, and Annual Reports can be found at www.elmos.com. The Management Board regularly provides information on the current development of the Company to analysts and investors within the framework of road shows, conferences, and other events. The investor relations team is also available for any questions the shareholders may have.

RISKS

Responsible risk management contributes to the success of sound corporate governance. The Management Board regularly provides the Supervisory Board with information about risks. Information about the risk management system and internal control system can be found in the combined management report under "Opportunities and risks."

AUDIT

Before submitting a proposal for the appointment of the auditor, the audit committee of the Supervisory Board again obtained a declaration of independence from the auditor for fiscal year 2022. This declaration furnished no doubts about auditor independence. Compliant with No. D.9 GCGC, the Supervisory Board arranged for the auditor to give account without delay of material findings and incidents to occur during the performance of the audit. Compliant with No. D.10 GCGC, the Supervisory Board also required that the auditor inform the Supervisory Board or make note in the audit report if the auditor detects deviations from the declaration of compliance as issued by the Management Board and the Supervisory Board. No inconsistencies of this kind were established. In addition, the audit committee discusses the assessment of the audit risk, the audit strategy, and the audit planning, as well as the audit findings together with the auditor. The Chairman of the audit committee regularly discussed the progress of the audit with the auditor and reported back to the committee.

SHARE-BASED PAYMENT PROGRAMS

Elmos has created share-based payment programs for executives and Management Board members. The share price is a central criterion for our shareholders when it comes to investing in the Company. The linking of certain remuneration components to the stock price is therefore an incentive for beneficiaries. More information on this topic can be found in the notes to the consolidated financial statements.

REMUNERATION SYSTEM/REMUNERATION REPORT

The current remuneration system for the members of the Management Board pursuant to Section 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on May 11, 2022, and the remuneration system for the members of the Supervisory Board, which was adopted by the Annual General Meeting by resolution on May 20, 2021, pursuant to Section 113 (3) AktG, can be found on the Company's website at https://www.elmos.com/english/about-elmos/investor/corporate-governance.html and in the invitations to the 2021 and 2022 Annual General Meetings. The remuneration report pursuant to Section 162 AktG, including the auditor's opinion, will be made public on the website of Elmos Semiconductor SE (https://www.elmos.com/english/about-elmos/investor/corporate-governance.html) upon adoption of the corresponding resolution by the 2023 Annual General Meeting.

MANAGERS' TRANSACTIONS

Persons who hold executive positions with an issuer of stock (for Elmos, the members of the Management Board and Supervisory Board and other senior executives) and persons associated with them are obligated by law to disclose transactions involving the Company's stock or debt instruments or financial instruments linked to the Company's stock or debt instruments pursuant to Art. 19 (1) MAR (Market Abuse Regulation). Reportable securities transactions, known as "managers' transactions," are announced immediately upon notification Europe-wide and released at www.elmos.com.

Declaration of compliance with the German Corporate Governance Code 2022

Superseding the declaration of compliance of September 2021, Management Board and Supervisory Board of Elmos Semiconductor SE declare in accordance with Section 161 AktG (German Stock Corporation Act):

I. Statements with respect to the future

Elmos Semiconductor SE will comply with the recommendations of the "Government Commission German Corporate Governance Code" (in short: GCGC) in its latest version of December 16, 2019 (released in the official section of the Federal Gazette on March 20, 2020) as of now, subject to the following exceptions:

-> No age limits will be defined for members of the Management Board or for members of the Supervisory Board (GCGC Recommendations B.5 and C.2). The Supervisory Board decides on the suitability of the members of the Management Board. Appointing the members of the Supervisory Board is the responsibility of the Annual General Meeting; thus the Annual General Meeting also decides on the Supervisory Board's age structure.

-> The rules of procedure of the Supervisory Board are not made public on the Company's website (GCGC Recommendation D.1) as the procedural arrangement determined therein is considered irrelevant to an assessment of the Company.

-> The Chairman of the Supervisory Board is also the Chairman of the Audit Committee (GCGC Recommendation D.4 sentence 2). The Supervisory Board is convinced that the workload of committee chairmanship is not too high and can be managed by the Chairman of the Supervisory Board. The Supervisory Board does also not see the risk of a too close relationship with the Management Board and of the Supervisory Board Chairman's lack of attention on these grounds in seeing to his additional obligations as Chairman of the Audit Committee. The Chairman of the Supervisory Board is perfectly suited to chairing the Audit Committee as well. It is in the Company's interest not to follow this recommendation (GCGC Recommendation D.4 sentence 2).

-> The determination of the remuneration of each member of the Management Board complies with current statutory requirements, most notably those under the Shareholders' Rights Directive (ARUG II). Any stricter requirements or more specific definitions are not considered expedient at present (GCGC Recommendations G.1 and G.2).

-> The Supervisory Board determines the remuneration of the members of the Management Board at its reasonable discretion. No benchmarking surveys to be prepared especially for Elmos Semiconductor SE will be commissioned (GCGC Recommendation G.3). Employee remuneration will not be analyzed specifically for the sole purpose of determining Management Board remuneration (GCGC Recommendation G.4). The Supervisory Board utilizes remuneration surveys and benchmarks of other companies instead as well as taking into consideration the existing employee remuneration level and typical changes in remuneration over time. With respect to analyses going beyond that scope, the Supervisory Board does not recognize a corresponding benefit of the increased effort.

-> Management Board employment contracts do not provide for caps on severance payments in case of premature termination of Management Board membership (GCGC Recommendation G.13). The Supervisory Board holds the view that the appropriate amount of a severance payment in case of an early termination of the employment contract can only be determined by agreement in the individual case.

-> According to GCGC Recommendation G.17, the greater time commitment of the Chairman and the Vice Chairman of the Supervisory Board as well as the chairman and the members of Supervisory Board committees are supposed to be adequately considered for the remuneration of Supervisory Board members. The remuneration of the Supervisory Board of Elmos Semiconductor SE resolved by the Annual General Meeting on May 20, 2021 considers the greater time commitment of the Chairman and the Vice Chairman of the Supervisory Board as well as the greater time commitment due to all additional functions or rather typical committee functions the Supervisory Board usually performs in full session or in the individual case in its own committees. For their positions on the Audit Committee, the Chairman and its other members therefore receive no higher remuneration in deviation from GCGC Recommendation G.17. Apart from the Audit Committee established in fiscal year 2021, the Supervisory Board does not set up any further committees. The Supervisory Board as a whole had performed the audit and control tasks assigned to the Audit Committee in full session up to the Audit Committee's formation in fiscal year 2021. A differentiation with respect to the special function and the different time commitments was therefore not indicated in the opinion shared by Management Board and Supervisory Board as the existing remuneration already adequately rewards the commitment of the Audit Committee's Chairman and its members in particular as well as all other additional tasks. In its session on May 11, 2022, the Supervisory Board has decided to propose to the Annual General Meeting held in the year 2023 a revised remuneration policy for adoption, including a separate remuneration for the chairman and the members of committees in full compliance with GCGC Recommendation G.17.

II. Statements with respect to the past

The recommendations of the GCGC in its current version of December 16, 2019 (announcement in the official section of the Federal Gazette on March 20, 2020) have been complied with since the release of the declaration of compliance in September 2021 with the exceptions mentioned above under I.

Dortmund, May 2022

On behalf of the
Supervisory Board
Dr. Klaus Weyer
Chairman of the Supervisory Board

On behalf of the
Management Board
Dr. Arne Schneider
Chief Executive Officer

SUSTAINABILITY

AND NON-FINANCIAL GROUP REPORT (COMBINED NON-FINANCIAL REPORT OF ELMOS SEMICONDUCTOR SE AND THE GROUP)

Sustainability is a fundamental part of our corporate strategy, and our commitment to social, ecological, and economic sustainability is firmly anchored within our Company. We perceive sustained added value in a comprehensive way and regard it as an integral part of our strategy, management processes and goals, as well as our business model. We orient the success of our business activities not only towards financial key figures, but also want to connect that success with social acceptance, a high level of ecological awareness, and correct ethical conduct. The following explains our sustainability topics as required by Section 289c HGB and Section 315c HGB.

Elmos develops, produces, and markets semiconductors, primarily for automotive use. You will find more information about the Company's business model in the section entitled "Elmos product contribution" below and in the chapter "Combined management report" in this Annual Report.

The innovative microelectronics developed by Elmos make a significant contribution to improving the lives of people and to protecting our environment. We shape future mobility, and our products make the world more sustainable, safer, and a better place to live – that is our vision and the basis for our daily actions. That is why growth and sustainability go hand in hand at Elmos to help us achieve long-term profitable growth and make a positive contribution to the environment and society. We are aware of our social and environmental responsibilities, which are reflected in numerous activities and projects throughout the Company.

The basis for developing the Elmos sustainability strategy, which takes the entire value chain into account – starting with our suppliers and our own activities all the way through to our product portfolio and added value for our customers – is a materiality assessment. This is how we identify the key sustainability issues for Elmos. We take the double materiality approach when carrying out this assessment. This includes issues that we can influence as a company, such as our consumption of energy and resources, as well as issues that have an impact on us, such as those that are considered to be material by our stakeholders and within our industry. To identify these key issues, the 17 United Nations (UN) Sustainable Development Goals (SDGs) are used, which take into account all three dimensions of sustainability: social, environment and economic. Since social issues in particular are reflected and promoted in part through the Elmos Foundation, the main sustainability targets have been analyzed for both the Elmos Group and the Elmos Foundation.

Within the scope of the materiality assessment for the Elmos Group, the goals of good health and well-being (SDG 3), gender equality (SDG 5), decent work and economic growth (SDG 8), industry, innovation, and infrastructure (SDG 9), responsible consumption and production (SDG 12), and climate action (SDG 13) were identified in particular as areas where Elmos, as a business, has the greatest influence. The purpose of the Elmos Foundation includes the advancement of research, science, and education, regional advancement at the Elmos Group's locations worldwide, and combating poverty around the world. With these objectives, the Elmos Foundation makes significant contributions to the UN goals of no poverty (SDG 1), zero hunger (SDG 2), quality education (SDG 4), affordable and clean energy (SDG 7), reduced inequalities (SDG 10), and peace, justice, and strong institutions (SDG 16).

We are working continuously to expand the positive influence we can have on key sustainability issues. At Elmos, ESG-relevant issues as well as the publication and communication of ESG activities, key figures, and policies are coordinated by the Investor Relations department, which regularly exchanges information on sustainability issues and stakeholder requirements with specialists from all relevant departments, in particular Human Resources, Facility Management, Purchasing, and Sales as well as the Environmental Protection and Occupational Safety Officer. In future, all ESG-related issues will be managed at Elmos by a dedicated ESG working group chaired by Dr. Arne Schneider, CEO of Elmos Semiconductor SE, thus anchoring sustainability even more strongly within the Company's organization.

Our commitment to increased sustainability is presented transparently to our stakeholders as part of our regular ESG reporting. There is a large number of ESG-related documents and key figures from the areas of environment, social, and governance together with more in-depth information on the ESG strategy adopted by Elmos and the materiality assessments of the Elmos Group and the Elmos Foundation available on our website at www.elmos.com in the Sustainability section, which demonstrate the high standards of Elmos regarding sustainability. Moreover, Elmos also participated in the Carbon Disclosure Project (CDP), the world's largest database for environmental and emissions data, for the first time in fiscal year 2022.

Elmos pays attention to **environmental concerns** and has received certification in line with both the demanding environmental management standard ISO 14001 and the energy management standard ISO 50001. This certification is reviewed every year and is confirmed in repeat audits.

Elmos collects a wide range of consumption data for operational assessments and other purposes that can be used as a basis for measures to optimize consumption metrics within the Company and for ESG activities and objectives, including emissions, energy consumption, and water consumption, as well as waste volumes. These figures and more are available in the "Sustainability" section of our website at www.elmos.com. Elmos analyzes internal processes to further increase energy and resource efficiency and to generate benefits for both the environment and the Company's economic base. Elmos has also joined the national campaign "Initiative Energieeffizienz-Netzwerke" (engl. "Energy Efficiency Networks Initiative"), which has developed into one of the most successful tools of the National Action Plan on Energy Efficiency (NAPE). Through its involvement, Elmos actively supports the German government's energy efficiency targets. Activities include constantly analyzing production processes to identify potential efficiency increases.

Effective resource management is important for both the environment and the economy. One example of this is our efficient gas-driven CHP (combined heat and power plant), which allows us to generate a substantial share of our power requirements ourselves while utilizing the heat produced for heating our buildings at our Dortmund headquarters and for air conditioning at the front-end and back-end areas of our wafer fab. To enable the recycling of valuable materials, substandard components from Elmos are sent to a recycling company that extracts and processes the valuable contained in the parts to the greatest extent possible. Deionized (DI) water for wafer processing is generated by Elmos itself, thus significantly reducing the consumption of drinking water required to clean wafers. In general, all wastewater is treated to a level where it can be returned to the municipal wastewater system.

Internal and external audits regularly review whether we are treating potentially harmful substances in a way that complies with the law. Moreover, we have issued statements on the following topics (available at www.elmos.com):

-> conflict minerals
-> the EU chemical regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)
-> the EU regulation RoHS (Restriction of Hazardous Substances)

Employee matters are a central topic for us. We would like to create a working environment where our employees are able to apply their skills and develop accordingly. Elmos is proud to be able to offer its employees attractive workplaces at all of its locations. We set the highest standards in terms of occupational safety, which is why the Elmos occupational health and safety management system has been certified according to the strict requirements of ISO 45001 since 2019. Elmos places tremendous importance on equal opportunities and expects a respectful approach to dealing with one another. We have a policy of advancing employees Company-wide regardless of gender. When selecting applicants, we pay attention to their suitability, motivation, and expertise and do not privilege or disadvantage anybody based on factors such as gender, skin color, ethnic or cultural background, nationality, religion, worldview, disability, age, marital status, or sexual identity and orientation. As an innovative company in the semiconductor industry, specialists with excellent training are of particular importance to Elmos, which is why we regularly participate in career and trade fairs. In order to ensure the continuous professional development of all its staff, Elmos offers employees a wide range of training courses. Important training on key topics (e.g., compliance, Code of Conduct, cyber-security, occupational health and safety, environmental protection, and energy management) must be repeated and successfully completed by all employees at regular intervals. Employees also receive specialist training depending on their area of responsibility. In the past fiscal year, employees of Elmos Semiconductor SE received a total of over 10,700 hours of training. That corresponds to around 13 hours of training per employee on an annual average. Employees in leadership positions also complete executive training. In addition, Elmos is highly committed to vocational training, which it sees as an important investment in the future. As of the reporting date (December 31, 2022), a total of 40 apprentices were employed at German Elmos locations. Elmos also works extremely successfully with renowned universities and colleges in Germany and abroad, awards a variety of scholarships through the Elmos Foundation, and gives students the opportunity to combine their studies with practical experience at the Company. Thanks to this strategy, Elmos is successful at attracting talented young people at an early stage and broadening their career prospects.

NUMBER OF EMPLOYEES

	12/31/2022	12/31/2021
Elmos North Rhine-Westphalia	989	927
Other subsidiaries	211	218
Total	**1,200**	**1,145**

Our working conditions and respect for employee rights meet and in some cases exceed the demanding legal requirements. We place a particular focus on occupational safety in the production areas. In this sense, we also fully comply with the legal requirements for operating production facilities. Regular safety training workshops and inspections are a fixed component of prevention.

Elmos would like to offer all employees around the world a working environment that is free from any form of discrimination and disadvantage. The principles of proper conduct towards and among employees, as well as towards external persons and institutions, are defined in our Code of Conduct. The Code addresses issues such as law-abiding behavior, respect for human rights, anti-discrimination, conflicts of interest, anti-corruption, data privacy and data security, dealing with information and Company assets, and many other important topics. The Code of Conduct is binding for all employees, and they receive regular training on the topic. Potential violations of the Code of Conduct or other misconduct can be reported using the (anonymous) whistleblower system, which is not only available Company-wide, but also for the entire value chain, i.e., also for the employees of our business partners (such as suppliers and customers). The current version of the Code can be found online at www.elmos.com.

In addition to the listed rights and duties, we also offer a large number of voluntary services to boost and promote the health of our employees. Occupational health management is an essential social standard implemented by Elmos. Along with general health programs, it includes special offers for employees doing shift work. Among other benefits that go beyond the usual are the in-house cafeteria, an employee parking garage with separate spaces for bicycles, e-charging stations for e-bikes and company cars, our free in-house gym with an extensive course program, and massage offerings at our headquarters in Dortmund. In addition, an in-house health team provides certain medical examinations and vaccinations for employees. Moreover, the health team organizes the participation in local sporting events, such as company runs.

With regard to the COVID-19 pandemic, Elmos recognized the seriousness of the situation at an early stage at the beginning of 2020 and initiated extensive measures to protect staff, including protection and hygiene concepts for all areas of the Company, providing masks and disinfectants, suspending business travel, increased remote working, free rapid tests, and vaccination offerings for all employees and their families also in 2022. With the help of these preventive measures, Elmos succeeded in reducing the risk of infection within the Group and maintaining production and business activities without major disruption. Due to the pandemic developments, most of the COVID-19 protection measures at Elmos could be lifted towards the end of the year under review. However, we remain vigilant and are prepared to quickly step up our protection and hygiene measures again should this become necessary because of higher infection rates or new variants of the virus.

Where necessary, the Company coordinates measures with the Elmos works council. Management and the works council engage in a lively exchange of ideas in several committees for an ongoing positive collaboration. Regular works meetings provide management and employees with the opportunity to engage in an active dialog with each other. Initially due to the COVID-19 pandemic, in-person works meetings were not held last year in the interests of protecting the staff. However, at the end of the year, works meetings were held for the first time in a hybrid format, i.e., with both in-person and virtual attendance, based on the pandemic situation and with appropriate protective measures in place. Given the positive feedback, the concept of a hybrid event will be continued in the future in order to further promote dialog between management and staff. In addition, both the Management Board and the works council ensure regular and up-to-date communication with all employees by addressing them in frequent video messages and announcements. To provide an opportunity to discuss topics with the Management Board on a smaller scale, “Meet & Greet” events were also held last year at various locations around the world, at which the Management Board informed employees about the current situation and ongoing development of the Company, and employees could ask questions.

Our Code of Conduct for employees and the Supplier Code of Conduct for our suppliers set out how **human rights** are to be upheld. Our suppliers and business partners are obligated to comply with the rules defined in our Supplier Code of Conduct and must ensure compliance by their sub-suppliers as well. Examples of what is required by the Supplier Code of Conduct include upholding international human rights, observing employee rights in line with national and international standards, and rejecting child labor, forced labor, and discrimination of all kinds. The current version of the Code can be found online at www.elmos.com.

We actively strive to **combat corruption and bribery** at our Company. Elmos has a Group-wide compliance management system (CMS). In fiscal year 2022, Elmos had the adequacy and implementation of its compliance management system (CMS) audited by an external, independent auditor in accordance with the “IDW Assurance Standard: Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW AsS 980).” The findings of the audit were that the implemented CMS rules in the description of the CMS are appropriate, suitable, and implemented in all material respects in accordance with the CMS principles applied. The system includes, for example, the following regulations: Prohibitions against bribery and corruption, commitment to correct accounting, compliance with all relevant legal and regulatory requirements, non-disclosure obligations with respect to confidential information, and prohibitions against anti-competitive conduct. The compliance officer monitors compliance with rules and laws and provides clear guidance to employees with compliance questions. Selected employees must take part in special compliance training that addresses different aspects of compliance and provides instruction for the areas in which they work. Another tool that helps prevent corruption is our anti-corruption policy, which governs the handling of gifts and invitations and is binding for all employees worldwide.

We promote **social causes** through our diverse collaborations with external partners and via the Elmos Foundation. For this reason, engaging in dialogue at a local-government and regional level with authorities, organizations, institutions, and working groups is part of our corporate culture. Moreover, the charitable work of the Elmos Foundation, which was founded in 2016, supports projects for the promotion of education and science as well as local activities at the locations of the Elmos Group and campaigns fighting worldwide poverty. To promote education, the Elmos Foundation participates every year in the Deutschlandstipendium, a scholarship program that provides support to high-achieving and talented students. Every year, the Elmos Foundation also supports RuhrTalente by providing scholarships to school students. One of many events supported by the Foundation was the World Robot Olympiad finals for children and young people, which took place in Dortmund in November 2022 and attracted a large number of international participants. The Elmos Foundation’s regional projects in 2022 included contributing to cultural initiatives and to the provision of school bags and other assistance for children from underprivileged families, as well as to emergency aid for people from Ukraine. To help fight global poverty, the Elmos Foundation supports the Eruisaku foundation for orphans and education in Nigeria, along with Sambhava, an organization that operates a home for children in need in Nepal and makes it possible for other children to go to school or participate in sporting activities. The Elmos Foundation also regularly supports initiatives by Ingenieure ohne Grenzen e. V. as well as projects promoting the further education of children in Peru, Argentina, and Kenya. Further information and a detailed look at the work carried out by the Foundation can be found on its website at www.elmos-stiftung.de.

Material risks that could occur in connection with the listed topics are addressed in the chapter “Opportunities and risks.”

Sustainability reporting has been prepared in accordance with external frameworks, in particular the German Sustainability Code (DNK). The sustainability topics that are important to the Company have been explained, which is why there is no need for a separate DNK statement of compliance.


eMobility


Ultrasonic sensors for environment detection


Ambient lighting

ELMOS PRODUCT CONTRIBUTION: ENVIRONMENTAL PROTECTION, SAFETY, COMFORT

Elmos has been developing semiconductor solutions that improve people's lives for almost 40 years. As one of the world's most experienced mixed-signal semiconductor companies, we have gained a leading role in many application fields and continuously develop smart innovations that deliver added value to our customers and end consumers.

With our innovative products we are shaping the mobility of the future and make the world safer, more comfortable, and more sustainable.

Automotive applications (percentage of sales in FY 2022: 88%)

As a specialist for forward-looking vehicle appilcations, our ICs (integrated circuits) offer outstanding solutions to the challenges arising from the global automotive megatrends: autonomous driving, driver assistance systems, environmental protection via low-consumption or zero-emission drive concepts, safety, comfort, and well-being.

Ultrasonic sensors for environment detection

For maximum comfort and safety in advanced driver assistance systems (ADAS) and in autonomous or semi-autonomous driving, Elmos ICs for ultrasonic sensors are indispensable because they enable the precise and optimal detection of the vehicle's environment.

Measuring distances and detecting the environment using ultrasonic sensor ICs is a long-time proven, reliable and highly efficient technology. As a market leader, Elmos has already delivered more than 1.4 billion ultrasonic ICs worldwide.

Elmos ultrasonic ICs support advanced driver assistance systems through precise detection of the environment at close range of up to six meters and at low speeds, for example in urban areas or in slow-moving traffic on the highway. Ultrasonic systems are exceptionally reliable and work in any light or weather conditions. They are also highly versatile thanks to their compact design, as well as cost-effective. Sensors using Elmos ultrasonic ICs can detect obstacles, pedestrians, cyclists, or animals. In emergency situations, automated systems often react far more rapidly than humans and can therefore prevent accidents or at least reduce the impact, for example with emergency brake assistants.

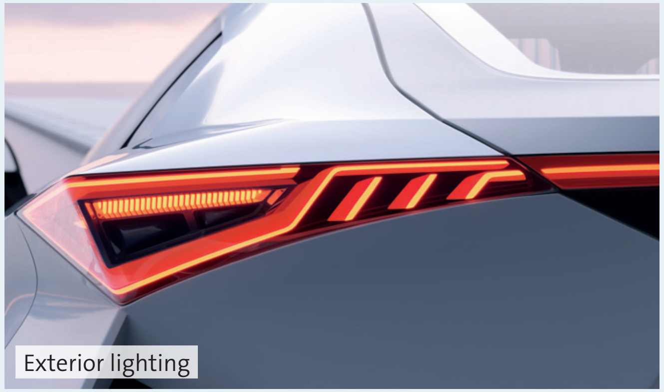
Parking systems equipped with Elmos ICs allow drivers to park without stress or additional assistance in almost any parking space, thus helping to prevent damage to vehicles and infrastructure. Advanced systems featuring ultrasonic technology detect parking spaces and take over parking and exiting operations fully automatically, even in the smallest of parking spaces, regardless of whether the space is perpendicular or parallel. This allows parking spaces to be used efficiently and significantly reduces urban parking traffic.

Ambient lighting

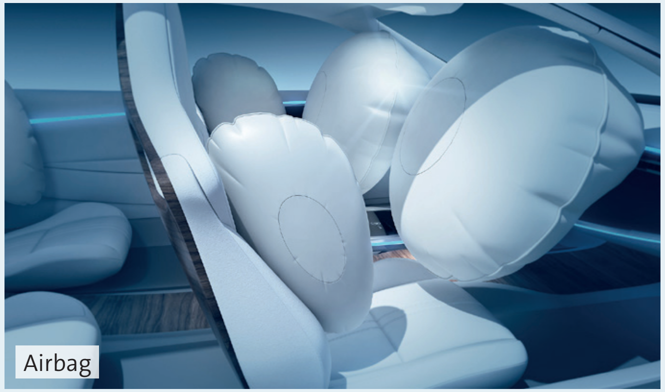
Up to now, interior lighting has only served to illuminate the interior of a car in a functional way. New dynamic ambient lighting concepts with the help of Elmos ICs develop the lighting experience further, create emotions, increase the comfort and well-being of the occupants, and warn in time of potential dangerous situations.

Ambient lighting concepts with Elmos LED controllers make it possible to illuminate the interior, dashboard, center console, doors, or headliner in almost any shape, color, and color temperature completely individually. With only a small number of LEDs, energy and cost efficiency can be significantly increased.

LEDs save up to 80% in energy compared to traditional light bulbs and have a significantly longer life. LEDs also contain no toxic chemicals, can be recycled and are therefore considered very environmentally friendly.



Exterior lighting



Airbag

Motor control

Exterior lighting

Elmos semiconductors for vehicle rear lights set new standards for very bright and consistent light intensity combined with simultaneous low energy consumption.

Compared to conventional light bulbs, LED rear lights reach maximum brightness far more quickly, which can significantly reduce the reaction time for the following traffic, especially when braking, which can, in turn, reduce the braking distance. This can help to prevent rear-end collisions.

In addition to higher safety standards, Elmos LED rear light drivers also open up a wide range of possibilities for vehicle makers to design a striking and dynamic vehicle rear section. Advanced LED rear light concepts combine extensive design freedom with high levels of functionality and energy efficiency. Elmos LED rear light controllers therefore increase traffic safety and reduce greenhouse gas emissions.

Airbag

In addition to active assistance and safety systems, passive safety systems such as airbags also significantly increase the safety of vehicle occupants. Elmos airbag ICs enable the airbag control unit to inflate airbags in a fraction of a second in the event of a front, rear, or side-impact collision, or to activate restraint systems such as the seatbelt tensioner.

Vehicles have been fitted with airbags since the 1980s and since then they have prevented serious injuries and saved the lives of countless people. Some modern vehicles are fitted with up to 30 different airbags to provide occupants with the best possible protection in the event of an accident.

In fully autonomous driving, the possible applications and number of airbags will continue to grow in the future because the different postures and adjustable seat angles in a self-driving car would mean that conventional restraint systems such as the three-point safety belt would only provide insufficient occupant protection in the event of an accident.

Elmos ICs do more than provide better protection for vehicle occupants. Special pedestrian airbags soften the impact that a pedestrian or cyclist has on a vehicle and significantly reduce the effects of an accident.

And from an environmental point of view, airbags also contribute positively in a way that should not be overlooked. Installing airbag systems means that lightweight materials can be used, thus considerably reducing the weight of the vehicle chassis without compromising the safety of its occupants.

Motor control

The range of applications for small motors in vehicles is growing steadily. In modern vehicles especially, several dozen of these little helpers make it possible to adjust a wide range of systems electrically and automatically, ranging from interior and exterior comfort features to safety and assistance systems to ensuring optimum control of drive management.

Elmos is a leading global specialist in reliable IC solutions for DC, BLDC, and stepper motors. Elmos motor control ICs stand out thanks to their high performance combined with low power consumption, a long service life, and precise and virtually noiseless operation.

Thermal management

In the field of electromobility, thermal management plays a crucial role in optimizing the efficiency, charging times, and ranges of hybrid and electric vehicles. The Elmos product portfolio in the field of thermal management comprises the three core elements engine, battery, and interior, and enables intelligent cooling and thermal management in modern vehicles.

To ensure perfect interaction between the coolant and refrigerant circuits, Elmos motor control ICs regulate a large number of pumps, valves, and flaps throughout the vehicle, thus maintaining an optimal operating temperature for all mechanical and electronic components. This increases the efficiency of the drive system and reduces energy and fuel consumption.

Thermal management

Optical ICs (including gesture control)

Smart home

Smart air-conditioning shutters and vents allow the airflow in the interior to be regulated with great precision. Individual climate zones allow each occupant to select their own personal temperature preferences without having to air-condition the entire interior of the vehicle cabin and thereby consume energy unnecessarily.

Elmos' innovative applications in the area of thermal management support the expansion of electromobility, enable a reduction in vehicle emissions, and thus make a significant contribution to protecting the environment.

Sensor ICs (including battery management)

Elmos sensor ICs act as an interface between the digital and analog worlds. Elmos sensor ICs have been setting standards for the measurement of pressure and temperature in vehicles for more than 25 years. In electric vehicles, Elmos semiconductors for battery management systems (BMS) monitor the operating and charging status of the battery system, regulate the charging and discharging cycle as well as power output to the various loads, and maintain the voltage and operating temperature of the battery within an optimal range. This increases the safety, performance, and service life of the battery.

Power management (including eFuses)

Modern vehicle designs require a high and reliable supply of energy, especially in the case of electric and hybrid vehicles. Nowadays, conventional fuses are still mainly used for protection reasons, despite the expanding electrification of vehicle functions. This type of fuse can already be replaced thanks to the new eFuse product family from Elmos. Unlike conventional fuses, electronic fuses respond extremely quickly and reliably. In addition, eFuses are also more sustainable because, unlike conventional fuses, they do not need to be replaced after actuation. Electronic fuse systems also facilitate the construction of flexible vehicle architectures and therefore help to cut down on weight by reducing the number of cable harnesses inside the vehicle.

Optical ICs (including gesture control)

As one of the pioneers in gesture recognition in vehicles, Elmos gesture control ICs facilitate intuitive, contactless, and precise cockpit operation. This means that the driver is less distracted when operating the display or other functions and can therefore concentrate better on the traffic, which significantly increases road safety. Gesture control ICs by Elmos have been used by well-known car manufacturers worldwide for more than ten years now, thus providing enhanced safety, comfort, and user experience in millions of cars.

Non-automotive applications (percentage of sales in FY 2022: 12%)

Elmos ICs contribute to greater environmental protection, safety, and comfort beyond the automotive sector, too.

Smart home

With its semiconductor applications for smart installation and building technology, Elmos makes homes safer and more energy-efficient. Advanced semiconductor technology makes it possible to connect a wide variety of functions in homes or buildings and control them centrally and easily using a smartphone or tablet.

Advanced motion and presence detection using the Elmos PIR (passive infra red) smart sensor helps reduce electricity consumption in buildings or sends alerts about unwelcome intruders. Elmos semiconductors are used in HVAC systems in buildings in order to regulate room temperatures in the most efficient and energy-saving way possible, for example.

Industrial automation

Elmos semiconductors facilitate the transformation of industrial automation into Industry 4.0. Digital solutions and the connectivity of machines have made industrial processes increasingly efficient and flexible, while also enhancing productivity and quality. Costs, energy consumption, and emissions can be reduced simultaneously. Elmos semiconductors are used in a number of different areas of application, such as in temperature and pressure monitoring, power supply, or the connection of machinery with industrial processes.

Elmos ESG product matrix

		Contribution to increased		
		environmental protection and efficiency	safety and health	comfort and well-being
Application	**Automotive**			
	Airbag	low	high	low
	Ambient lighting	medium	low	high
	Exterior lighting	medium	high	low
	Motor control and thermal management	high	medium	medium
	Optical ICs (including gesture control)	-	medium	high
	Power management (including eFuses)	medium	low	low
	Sensor ICs (including battery management)	medium	medium	low
	Ultrasonic sensors for environment detection	low	high	high
	Non-automotive			
	Industrial automation	medium	medium	-
	Smart home	high	medium	high

Elmos products make a major contribution to greater environmental protection and efficiency, health and safety, as well as comfort and well-being. As the Elmos ESG product matrix shows, the majority of Elmos products can be used for multiple purposes simultaneously. An analysis of our product applications shows that more than 65% of Group sales make a substantial contribution to increased environmental protection and higher efficiency. More than 75% enhance health and safety in road traffic, at home, or in industrial processes. In addition, around 54% of sales increase the comfort and well-being of end consumers. For the purposes of this sales analysis, all applications with a high or medium impact are considered to make a significant contribution, while applications with a low or no impact are not considered.

In other words, Elmos semiconductor solutions are already making our world greener, safer, and more comfortable. In future, we plan to align our product portfolio and the development of new semiconductor applications even more closely with sustainability and climate protection so that we can provide additional innovative solutions that substantially reduce greenhouse gas emissions – up to climate neutrality – in our product segments.

REPORTING IN ACCORDANCE WITH THE EU TAXONOMY REGULATION

As part of the action plan known as the European Green Deal, whose overarching objective is for the EU to become climate-neutral by 2050, EU Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment ("EU Taxonomy") was adopted in June 2020. On the basis of defined Taxonomy requirements, the economic activities of EU companies are to be classified and assessed in terms of their contribution to the EU's six environmental objectives, with the aim of encouraging greater investment in environmentally sustainable activities within the EU. Pursuant to Article 8 of the EU Taxonomy, starting from January 1, 2022, companies subject to reporting requirements are obliged to disclose information on whether and to what extent their economic activities are environmentally sustainable as defined by the EU Taxonomy. As a result, non-financial companies subject to reporting requirements must include information on "green" turnover, capital expenditure (CapEx), and operating expenditure (OpEx) in their (consolidated) non-financial statement or (consolidated) non-financial report and prove whether their activities are actually environmentally sustainable according to the criteria of the EU Taxonomy and therefore substantially contribute to the fulfillment of the EU's environmental objectives.

The environmental objectives specified in Article 9 of the EU Regulation are:

(1) climate change mitigation
(2) climate change adaptation
(3) sustainable use of water
(4) transition to a circular economy
(5) pollution prevention and control
(6) protection of biodiversity and ecosystems

The EU Taxonomy distinguishes between Taxonomy-eligible and Taxonomy-aligned economic activities. Economic activities are Taxonomy-eligible if they are consistent with one of the activities listed in Annexes I (Climate Change Mitigation) and II (Climate Change Adaptation) to the Delegated Act of June 4, 2021 and March 9, 2022. According to the definitions of the EU Taxonomy, Taxonomy-eligible economic activities only qualify as Taxonomy-aligned if those activities meet the respective "technical screening criteria," i.e.,

(1) contribute substantially in a verifiable manner to at least one of the six environmental objectives,
(2) do not significantly harm any of the EU's other environmental objectives (principle of "do no significant harm" – DNSH),

and additionally, above and beyond the technical screening criteria,

(3) are carried out in compliance with the minimum safeguards.

Due to the complexity of the legal framework and the significant effort involved for the companies affected, Article 10 of the Delegated Act of July 6, 2021, concerning Article 8 of the EU Taxonomy Regulation provides for simplifications for the companies' first year of reporting. In 2022, companies therefore only needed to disclose the proportion of "Taxonomy-eligible economic activities" and "Taxonomy non-eligible economic activities" in their total turnover, capital expenditure (CapEx), and operating expenditure (OpEx) relating to the first two environmental objectives (climate change mitigation, climate change adaptation) as well as provide additional explanatory information, irrespective of whether the technical screening criteria for the respective economic activities were met or not. Consequently, a detailed and extensive audit and assessment of the economic activities with regard to fulfillment of the technical screening criteria, as well as verification by an independent third party as required by the EU Taxonomy or the technical screening criteria for economic activities at Elmos, were not required in the first year of reporting.

A specific analysis of economic activities and proof of alignment with the Taxonomy on the basis of the technical screening criteria must be performed for the reporting starting from January 1, 2023. Elmos addressed the requirements and reporting duties under the EU Taxonomy in detail at an early stage and complied with the initial reporting obligations in full in fiscal year 2022. To prepare for the additional, significantly more complex reporting requirements as of January 1, 2023, the Elmos ESG team has had in-depth discussions with various internal specialists, expert committees, ESG consultancies and audit firms, statutory auditors, professors working in departments at well-known universities, and companies operating in the semiconductor industry over the course of the year under review. In addition, we have attempted to continue refining our internal processes and the required data transparency.

Determination of the relevant environmental objectives and economic activity of Elmos Semiconductor SE for the purposes of the EU Taxonomy

According to Annex 1 (environmental objective 1 – climate change mitigation) and 2 (environmental objective 2 – climate change adaptation) of the Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, there are a total of 17 different activities that are deemed Taxonomy-eligible for companies in the manufacturing sector (production of goods).

The benefits of Elmos products for the environment and people are explained in detail in the preceding section of this report entitled "Elmos product contribution: environmental protection, safety, comfort." Elmos is a leading global supplier of mixed-signal semiconductors, primarily for use in automotive vehicles. Elmos semiconductors make mobility around the world safer, more comfortable, and more energy-efficient and therefore contribute substantially to climate change mitigation, as well as to reducing greenhouse gas emissions.

In the automotive industry, semiconductor solutions help significantly lower global CO2 emissions from vehicles. Elmos contributes to these efforts through a wide range of automotive components, such as ICs specifically for hybrid and electric vehicles, efficient LED lighting, high-efficiency control systems for HVAC, aerodynamics optimization, and for temperature and thermal management, sensors for automatic lights, and high-efficiency heating systems.

Elmos operates exclusively in the field of semiconductors. The production of semiconductors as an electronic component is covered by code C.26 of the statistical classification of economic activities in the European Community (NACE). There are no other Taxonomy-related activities or business segments in the Elmos Group.

In the Annex setting out the technical screening criteria in the Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, the NACE code relevant for Elmos (C.26) falls within section 3.6 (Manufacture of other low carbon technologies). According to the description in section 3.6, the manufacture of other low carbon technologies is aimed at substantial greenhouse gas emission reductions in other sectors of the economy. It enables other sectors of the economy to contribute substantially to fulfilling environmental objectives or to significantly reduce greenhouse gas emissions (enabling activity). The relevant economic activities defined by the EU Taxonomy, for which Elmos technologies enable a substantial contribution to the fulfillment of environmental objectives, are in particular the manufacture of low carbon technologies for transport (section 3.3) and, to a lesser extent, the manufacture of energy-efficient equipment for buildings (section 3.5).

The analysis of our economic activities on the basis of the requirements of the EU Taxonomy has also shown that Elmos products make a substantial contribution to environmental objective 1 (climate change mitigation). The activities of Elmos do not make a substantial contribution to environmental objective 2 (climate change adaptation).

Determination of Elmos Semiconductor SE's Taxonomy-eligible turnover for the purposes of the EU Taxonomy

Similar to the approach taken in the previous year, Elmos again adopted a conservative approach to identifying Taxonomy-eligible turnover in the year under review. In the Elmos Group, this turnover includes sales attributable to semiconductors that could enable a substantial contribution to the fulfillment of environmental objectives by increasing efficiency, directly reducing consumption, or reducing a vehicle's or building's CO2 emissions (such as ICs for LED control of front and rear lighting, ICs for efficient motor control, home automation, heat optimization, and for efficient energy use). According to the screening criteria of the EU Taxonomy, all other sales from products for applications that have no direct effect on environmental objectives do not qualify as Taxonomy-eligible, although the use of parking assistance systems, for example, considerably reduces urban parking and thus indirectly contributes to reducing CO2. Sales as defined by IAS 1 and sales accounted for pursuant to IFRS 15 in the consolidated financial statements were used as a basis for turnover.

Determination of Elmos Semiconductor SE's Taxonomy-eligible capital expenditure (CapEx) for the purposes of the EU Taxonomy

The Company is not able to prepare a clear breakdown of capital expenditure (CapEx) based on environmentally sustainable criteria. Among other things, this is because all types of semiconductors, including those that may not be Taxonomy-eligible, are tested on a testing machine. We therefore determine Taxonomy-eligible and Taxonomy non-eligible capital expenditure in an approximate manner, either on the basis of Taxonomy-eligible turnover or the number of units sold of all Taxonomy-eligible products, depending on the type of capital expenditure. For example, capital expenditure on land and buildings was broken down on the basis of the number of units sold of the Taxonomy-eligible products, as this capital expenditure is apportioned using a more value-neutral approach based on cost allocation, and the value or complexity of a product has no effect on the use of that type of investment. By contrast, with regards to capital expenditure on property, plant and equipment that are deployed directly in the production process (such as technical equipment for the testing process or testing machines), we used turnover to determine Taxonomy-eligible capital expenditure so as to take into account the varying degrees of utilization of production machinery by our different types of semiconductors, depending on their complexity, while applying a value-based method. Higher-value ("more expensive") semiconductors tend to spend longer on testing machines or undergo more complex testing programs than simple ("cheaper") semiconductors. Higher-value products therefore use testing machines longer and place a greater strain on technical equipment than simple products. In these cases, a value-based calculation according to turnover is preferable compared to a value-neutral breakdown by number of units. The same applies to product-related or project-related capitalized development expenses, and thus materially to intangible assets, because higher-value or more complex projects generally require more development resources, meaning that a higher proportion of development expenses can be capitalized than in the case of semiconductors that were less complex and more simple to develop. Additions to property, plant and equipment and intangible assets according to the consolidated financial statements were used as a basis for total capital expenditure (Taxonomy-eligible and Taxonomy non-eligible).

Determination of Elmos Semiconductor SE's Taxonomy-eligible operating expenditure (OpEx) for the purposes of the EU Taxonomy

A clear and specific breakdown of Taxonomy-eligible and Taxonomy non-eligible expenditure is also not possible in the case of operating expenditure (OpEx) and would, in our view, be of very little informative value in any case. Depending on the cost type, we again used either turnover or number of units sold to approximately determine the OpEx KPI. For all relevant, EU Taxonomy-based expenses that are directly linked to product development, we used the proportion of turnover accounted for by our defined Taxonomy-eligible activities, because higher-value products tend to require higher research and development expenses, and in particular more human resources. We treated other expenditure not related to product development, such as expenditure for maintenance and repair of buildings, as typical cost allocations and broke this expenditure down based on the number of units sold of the Taxonomy-eligible products. In accordance with the EU Taxonomy, the basis used to determine total operating expenditure (both Taxonomy-eligible and Taxonomy non-eligible) comprised direct, non-capitalized costs relating to research and development, building renovation measures, short-term leases, and maintenance and repair, as well as all other direct expenditure in connection with the daily maintenance of items of property, plant and equipment by the Company or by third parties to which activities are outsourced that are necessary to ensure the continuous and effective functioning of these assets.

Explanatory notes on the EU Taxonomy disclosures

-> All disclosures relate to the reporting period from January 1, 2022 to December 31, 2022 (prior year: January 1, 2021 to December 31, 2021).

-> In line with the consolidated financial statements of Elmos Semiconductor SE, the key financial indicators were determined in accordance with IFRS and stated in million Euro.

-> The key financial indicators required to be reported under the EU Taxonomy (turnover, CapEx, OpEx) are based on data from the consolidated financial statements of Elmos Semiconductor SE as of December 31, 2022, and were determined in accordance with the provisions and definitions contained in Annex 1 (KPIs of non-financial undertakings) of the Delegated Regulation of July 6, 2021.

ELMOS GROUP: TAXONOMY-ELIGIBLE TURNOVER, CAPEX, AND OPEX IN ACCORDANCE WITH THE EU TAXONOMY IN REPORTING YEAR 2022

	FY 2022		FY 2021	
	in million Euro	in %	in million Euro	in %
Turnover				
Group	447.2	100.0%	322.1	100.0%
thereof Taxonomy-eligible	137.7	30.8%	103.8	32.2%
thereof Taxonomy non-eligible	309.5	69.2%	218.3	67.8%
Capital expenditure (CapEx)				
Group	90.8	100.0%	80.3	100.0%
thereof Taxonomy-eligible	28.3	31.1%	27.6	34.4%
thereof Taxonomy non-eligible	62.5	68.9%	52.7	65.6%
Operating expenditure (OpEx)				
Group	47.5	100.0%	43.5	100.0%
thereof Taxonomy-eligible	14.9	31.4%	14.2	32.7%
thereof Taxonomy non-eligible	32.6	68.6%	29.3	67.3%

Determination of Elmos Semiconductor SE's Taxonomy-aligned economic activities for the purposes of the EU Taxonomy

As stated in the general disclosures on the EU Taxonomy, we at Elmos have intensively dealt with the preparation of the additional reporting requirements starting on January 1, 2023. We have attempted to apply the complex requirements of the technical screening criteria to our economic activities, but have had to acknowledge that to even begin demonstrating the alignment of our products with the Taxonomy would only be possible with a very considerable and disproportionately high effort. A major obstacle to fulfillment of the technical screening criteria is that the economic

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNHS criteria (“does not significant harm”)										
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, 2022	Taxonomy-aligned proportion of turnover, 2021	Category (enabling activity)	Category (transitional activity)
		million Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-								0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	C.26	137.7	30.8%																E	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		137.7	30.8%																30.8%	
Total (A.1 + A.2)		137.7	30.8%																30.8%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		309.5	69.2%																	
Total (A + B)		447.2	100.0%																	

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNHS criteria (“does not significant harm”)										
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Taxonomy-aligned proportion of CapEx, 2021	Category (enabling activity)	Category (transitional activity)
		million Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-								0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	C.26	28.3	31.1%																E	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		28.3	31.1%																31.1%	
Total (A.1 + A.2)		28.3	31.1%																31.1%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		62.5	68.9%																	
Total (A + B)		90.8	100.0%																	

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNHS criteria (“does not significant harm”)										
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity)	Category (transitional activity)
		million Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-								0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	C.26	14.9	31.4%																E	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14.9	31.4%																31.4%	
Total (A.1 + A.2)		14.9	31.4%																31.4%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		32.6	68.6%																	
Total (A + B)		47.5	100.0%																	

activity of Elmos as a supplier is categorized as an "enabling activity." As important components, the semiconductors produced by Elmos therefore only make a substantial contribution to protecting the environment "indirectly" and only as part of a downstream system in the final product, such as in an electric vehicle. In a comparison of the technical screening criteria for the different activities, it can be seen that the requirements and complexity for demonstrating alignment with the Taxonomy, differ significantly in some cases. While an automobile manufacturer, for example, can categorize its various models relatively easily on the basis of the CO2 limits in the technical screening criteria for the activity "3.3 Manufacture of low-carbon technologies for transport," the products manufactured by suppliers that are installed in electric vehicles, for instance, are not automatically categorized as sustainable as defined by the Taxonomy. For suppliers or enablers in the category "3.6 Manufacture of other low-carbon technologies," the technical screening criterion for fulfilling environmental objective 1 – substantial contribution to climate change mitigation is as follows: "The economic activity manufactures technologies that are aimed at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU (96) or, alternatively, ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emission savings are verified by an independent third party." The "substantial life-cycle GHG emission savings" would therefore have to be calculated in a first step based on a full carbon life-cycle analysis for all products. This step alone would entail a disproportionately large amount of time and expense for the Company. Moreover, an analysis of this nature would have to be based on unverified assumptions because, as a rule, Elmos has no information of the specific models or platforms where its ICs are used, or of the quantities in which they are used. It would then be necessary to verify for all products or applications whether the respective product actually is the best performing technology available on the market. This means that a supplier would have to demonstrate that its products or solutions are better in terms of carbon savings than any competitor products available on the market. It is not difficult to see that demonstrating this is not feasible in practice because the detailed information on all relevant competitor products required for this purpose is not available.

Conclusion: Elmos reports 0% for Taxonomy-aligned turnover, CapEx, and OpEx in the fiscal year due to the extremely complex rules set out in the technical screening criteria regarding its economic activity, which could either not be met at all or only by investing a disproportionately large amount of effort. In addition, the decision was made not to demonstrate the other requirements ("do no significant harm" and "minimum safeguards"), as all three criteria must be fulfilled cumulatively in order to be aligned with the Taxonomy. Elmos expects that only very few suppliers will be able to report Taxonomy-aligned key figures in the reporting year 2023 because of the high level of complexity. We will monitor any further developments in the EU Taxonomy reporting requirements very closely and hope that the technical screening criteria will soon be simplified or harmonized for the respective economic activities in terms of their varying degrees of complexity.

While we are unable to categorize our products as Taxonomy-aligned on the basis of the EU Taxonomy criteria, there is no doubt that Elmos semiconductor solutions make a substantial contribution to greater protection of the environment and help to reduce global GHG emissions. We have provided a detailed analysis of the contribution of Elmos semiconductors for the environment and society in the section entitled "Elmos product contribution: environmental protection, safety, comfort." Based on this assessment, we conclude that more than 65% of Group sales make a substantial contribution to protecting the environment. It would therefore be incorrect to assume that Elmos products make little or no contribution to protecting the environment simply because demonstrating this based on the EU Taxonomy is virtually impossible for suppliers, or would entail a disproportionately large amount of effort on their part, due to the requirements of the EU Taxonomy.

EQUALITY AND EQUAL PAY REPORT

Elmos attaches great importance to equal opportunities and employee diversity, and promotes a culture of appreciation, equality, and mutual respect. Employees of all genders are treated equally at our company as a matter of principle. All of our employees are hired on the basis of their qualifications and abilities. In addition, we have a policy of advancing employees Company-wide regardless of gender. We do not prefer or disadvantage anyone on the basis of their gender, skin color, ethnic or social background, nationality, religion, worldview, disability, age, marital status, or sexual identity or orientation. There are no known differences between employees' wages or salaries that could be attributed to gender alone. This is why there are no measures in place at the Company to end any kind of unequal treatment. Inquiries about equal pay are dealt with in accordance with legal provisions while taking into account the rights of the employees and the employer.

AVERAGE NUMBER OF EMPLOYEES PER YEAR | ELMOS SEMICONDUCTOR SE

	Women			Men		
	2022[1]	2021	2020	2022[1]	2021	2020
Full time	137	151	171	603	666	725
Part time	76	86	84	23	22	17
Total	**213**	**237**	**255**	**626**	**688**	**742**

[1] The change in 2022 is mainly due to the spin-off of Dortmund Semiconductor GmbH (wafer fab) in the second quarter of 2022.

COMBINED MANAGEMENT REPORT

In this combined management report, we analyze the course of business and the situation of the Elmos Group and Elmos Semiconductor SE in the year under review. Further information about Elmos Semiconductor SE is included in the business report in a separate section providing HGB disclosures.

THE GROUP'S BUSINESS MODEL

Elmos is a leading global supplier of mixed-signal semiconductors, primarily for customers from the automotive industry. As a system solutions specialist, our goal is to improve the customer's electronic system. The use of Elmos semiconductors can reduce system complexity, resulting in advantages for the customer with respect to production, costs, performance, or reliability, among other aspects. Elmos products deliver innovative solutions for the challenges arising from global automotive megatrends such as autonomous driving, advanced driver assistance systems (ADAS), electromobility, digitalization, safety, and comfort.

Specialized high-quality product portfolio

Elmos has a leading position as a semiconductor manufacturer in the market for automotive electronics and currently supplies several hundred customers, including all major automotive suppliers. Sales to automotive customers accounted for 88% of the Group's sales in the year under review. For industrial and consumer goods, Elmos supplies products for applications in household appliances, installation and facility technology, and machine control systems, among other things. These products accounted for 12% of sales in the year under review.

Our product range is divided into three business lines. The structure of the business lines is oriented toward the products of the target applications. The business lines market customer-specific semiconductors (ASICs = application-specific integrated circuits) and application-specific standard chips (ASSPs = application-specific standard products). ASICs are developed and produced according to customer specifications. Elmos defines the specifications for ASSPs. ASSP product developments are aligned with market demands. Elmos prioritizes different product ideas and takes into account expected volumes, information on the competition, and feasibility, among other factors. Only those projects are realized that meet the Company's targets for market expectations, margin potential, and strategic positioning. ASSPs accounted for around 74% of the Group's sales in the year under review. The other roughly 26% was generated with ASICs. A majority of the products in development, and a majority of the design wins, are ASSPs.

The business lines work closely with the research and development department. The focus of the research and development activities is on a competitive and timely design of the products. If necessary, external development services can also be used.

Elmos achieves a very high quality level with its products, as well as in its business, manufacturing, and support processes. For example, the Elmos quality management system was audited and certified at the relevant locations in accordance with the automotive industry standard IATF 16949 in 2018. The monitoring audit in 2022 confirmed the high level of the quality management system. What is more, Elmos has been certified in accordance with ISO 26262 (functional safety) since 2015.

Organizational structure

The organization of Elmos is oriented toward the target markets, customer needs, and internal requirements. Elmos has its headquarters in Dortmund, Germany. Various branches, subsidiaries, and partner companies at a number of locations – mainly in Germany (Berlin, Bruchsal, Dresden, Dusseldorf, and Frankfurt/Oder), the U.S. (Detroit), and Asia (including Seoul, Singapore, Shanghai, Shenzhen, and Tokyo) – provide sales and application support as well as product development.

In the year under review, Elmos operated its own wafer manufacturing facilities at its main location in Dortmund. Such capacities are enhanced and optimized by cooperation agreements with contract manufacturers (foundries). On December 14, 2021, Elmos Semiconductor SE and Silex Microsystems AB, Järfälla, Sweden, (Silex) signed a sale and purchase agreement to transfer the Elmos wafer fab at the Dortmund location to Silex. The completion of the transaction was subject to the customary closing conditions and regulatory approvals, in particular clearance under foreign trade law by the German Federal Ministry of Economic Affairs and Climate Action. In its meeting on November 9, 2022, the German federal cabinet prohibited the sale of the Elmos wafer fab to Silex Microsystems AB, which meant that the sale could not be completed. Elmos is currently looking for viable alternatives for the wafer fab in Dortmund. In addition to cooperation with frontend wafer processing partners, cooperation with backend partners in the area of testing, especially in Asia, will undergo further successive expansion in the years ahead. The goal is to achieve a high level of capacity utilization of the Group's own in-house testing facilities and to cover any additional needs for testing capacity by working with partners.

CONTROL SYSTEM

Control parameters

The Elmos control system is based on four essential elements: sales, EBIT or EBIT margin, capital expenditures, and free cash flow (adjusted).

Each indicator is considered and analyzed, both individually and in connection to the other ones. As a growth-oriented and innovative company, Elmos attaches great importance to the profitable growth of sales. As the result before interest and income tax, EBIT (earnings before interest and taxes) or EBIT margin reflects the quality of earnings.

The demand for capital expenditures is derived from medium-term sales planning and the resulting demands on manufacturing and test capacity, as well as economic considerations. Non-budgeted capital expenditures are made only after an additional check has been conducted. The adjusted free cash flow is defined as the cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment.

Reporting of the control system

The Management Board is informed in detail at least once per month about the performance of business operations in the form of standardized reports. This reporting system is enhanced by ad hoc analyses in writing or oral reports, if necessary. The actual data generated by the Group-wide reporting system is compared with the budget data each month. Deviations from the budget figures are analyzed and annotated, and adequate countermeasures are defined.

BUSINESS REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

In 2022, automotive markets around the world were affected in particular by the war in Ukraine, the energy crisis, and ongoing supply chain bottlenecks. According to the German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), these factors led to a sideways movement in the global passenger car market, which recorded a 0% change. Consequently, the moderate increase anticipated at the beginning of 2022 was not achieved. Although China (+10%) performed better than anticipated, the USA (-8%) and Europe (-4%) in particular fell short of expectations.

New car registrations[1]	Change
Worldwide	0%
Europe	-4%
Germany	+1%
China	+10%
U.S.	-8%
Semiconductor market	
Overall semiconductor market (worldwide)[2]	+4.4%
Automotive semiconductor market (worldwide)[3]	+24.7%

Sources: [1] VDA (as of January 2023), [2] WSTS (as of November 2022), [3] IHS Markit/S&P (as of November 2022)

In 2022, the semiconductor market was unable to maintain the strong growth rates of the previous year, especially in the second half of the reporting year, as a result of the economic downturn, inflation, and the resulting weak demand in end markets, particularly in consumer and office electronics. According to World Semiconductor Trade Statistics (WSTS), total semiconductor sales grew by 4.4% worldwide to 580.1 billion USD in 2022. IHS Markit/S&P anticipates much stronger growth of 24.7% for the automotive semiconductor market in 2022.

GUIDANCE-ACTUAL COMPARISON

Elmos issued guidance for the past fiscal year initially in February 2022 and adjusted it several times during the year, especially with regard to expected sales and the forecasted EBIT margin, on the basis of business performance, the order situation, and available wafer capacities. With sales of 447.2 million Euro, an EBIT margin of 24.6%, capital expenditures of 16.3% of sales, and adjusted free cash flow of 14.9 million Euro, Elmos fully achieved the targets in its guidance from November 2022.

	02/2022	05/2022	08/2022	11/2022	Actual 2022
Sales in million Euro	>370	>400	>430	>440	447.2 ✔
Operating EBIT margin	20% ± 2 percentage points	21% ± 2 percentage points	21% ± 2 percentage points	23% ± 2 percentage points	24.6% ✔
Capital expenditures[1] in % of sales	16% ± 2 percentage points	17% ± 2 percentage points	17% ± 2 percentage points	17% ± 2 percentage points	16.3% ✔
Operating adjusted FCF[2] in million Euro	Positive, higher than in prior year (11.1)	Positive, higher than in prior year (11.1)	Positive, higher than in prior year (11.1)	Positive, higher than in prior year (11.1)	14.9 ✔
Average exchange rate EUR/USD	*1.15*	*1.10*	*1.00*	*1.00*	*1.05*

[1] Capital expenditures for intangible assets and property, plant and equipment, less capitalized development expenses.
[2] Free cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment.

BUSINESS PERFORMANCE AND ECONOMIC SITUATION

Financial statements according to IFRS

The consolidated financial statements of Elmos Semiconductor SE for fiscal year 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. The semiconductor business is the Elmos Group's only business segment.

Sales performance

Ongoing high demand for semiconductors for automotive applications and the related positive effects on volumes and prices, as well as exchange rate effects, led to another sharp increase in sales in fiscal year 2022 by 125.2 million Euro, or 38.9%, year on year to 447.2 million Euro (2021: 322.1 million Euro).

CONDENSED INCOME STATEMENT

in million Euro or %	FY 2022	FY 2021	Change
Sales	447.2	322.1	38.9%
Gross profit	207.5	144.7	43.5%
in % of sales	46.4%	44.9%	
Research and development expenses	55.5	48.7	14.1%
in % of sales	12.4%	15.1%	
Distribution expenses	17.9	16.1	10.6%
in % of sales	4.0%	5.0%	
Administrative expenses	24.2	20.0	21.0%
in % of sales	5.4%	6.2%	
Operating result before other operating expenses/income	110.0	59.9	83.7%
in % of sales	24.6%	18.6%	
Foreign exchange gains	3.0	0.6	4.8x
Other operating result	-2.9	-0.6	5.3x
EBIT	110.1	60.0	83.6%
in % of sales	24.6%	18.6%	
Finance income	0.8	0.5	78.3%
Finance expenses	-2.4	-1.1	2.2x
Earnings before taxes	108.5	59.4	82.9%
in % of sales	24.3%	18.4%	
Consolidated net income attributable to owners of the parent	71.4	39.8	79.3%
in % of sales	16.0%	12.4%	
Earnings per share (basic) in Euro	4.17	2.24	86.6%
Dividend per share in Euro	0.75[1]	0.65	15.4%

[1] Proposal to the Annual General Meeting on May 10, 2023.

Sales by region: In fiscal year 2022, all regions recorded significantly higher sales than in the prior year. In particular, the APAC region once again further increased its share of sales in the reporting year and now accounts for the highest proportion of sales out of all the Elmos Group's regions, at 57.1%. The APAC region continues to display a very fast pace of growth. The high level of growth recorded in recent years underlines the strategic significance of this region both for the Company and for the entire semiconductor industry, and confirms Elmos' successful performance in this region. To present the regional breakdown and the significance of the Americas more transparently, the Americas region (North, Central, and South America) was reported as a separate region for the first time in fiscal year 2022, including the prior-year figures.

Share of sales | in %	FY 2022	FY 2021
EU countries	32.0%	41.0%
Asia/Pacific	57.1%	48.4%
Americas	7.1%	7.5%
Other countries	3.8%	3.1%

Sales by customer and product group: In 2022, the ten largest customers accounted for approximately 55% of sales (2021: 58%); the share of sales accounted for by the ten best-selling product groups in the reporting year remained unchanged at approximately 39%. A single customer generally purchases several products in different phases of their life cycles and often uses them in various models, brands, and markets. The large number of customer relationships results in a high level of diversity.

Order backlog: Orders received and the order situation typically reflect current business performance, mirroring sales performance for the year. The book-to-bill figure – the ratio of orders received for the next three months to sales over the past three months – can be a useful indicator in this regard. At the end of fiscal year 2022, the book-to-bill ratio was significantly higher than 1. Due to the ongoing capacity constraints (allocation) in the semiconductor sector, especially for automotive applications, as well as relatively untypical ordering behavior of our customers and orders being prioritized based on the real demands, the present order backlog and the book-to-bill ratio are only of limited informative value during the allocation phase. Order backlog is usually entered upon receiving the customer's order, but may vary between the time when the order is placed and delivery due to a number of factors. There is no guarantee that order backlog will always be converted into sales.

New projects (design wins): All business lines had a very successful 2022 in respect of design wins. Once again, the record number of design wins achieved in the prior year was surpassed by a substantial margin in fiscal year 2022. As in prior years, the number of ASSPs among the design wins far exceeded the number of ASICs in the reporting year. Design wins generally take two to five years before they go into serial production and make a contribution to sales. This excellent performance in design wins strengthens the foundations for our future growth.

Profit situation

Gross profit: Despite inflation-related cost burdens, gross profit rose considerably to 207.5 million Euro (2021: 144.7 million Euro) as a result of the increase in sales and continued high capacity utilization. The gross margin improved accordingly to 46.4% (2021: 44.9%).

Research and development expenses: Although research and development expenses climbed by 6.8 million year on year to 55.5 million Euro (2021: 48.7 million Euro), or 12.4% of sales (2021: 15.1%), the increase was lower than the very high sales growth. Research and development expenses remained at a high level overall, enabling us to develop innovative solutions for our customers in all our application areas.

Distribution expenses: Distribution expenses rose slightly by 1.7 million Euro year on year to 17.9 million Euro in the reporting year (2021: 16.1 million Euro).

Administrative expenses: At 24.2 million Euro, administrative expenses in 2022 were 4.2 million Euro higher than in the prior year (2021: 20.0 million Euro). In this case, too, the percentage increase in administrative expenses was significantly lower than the rate of growth in sales.

Earnings before interest and taxes (EBIT): EBIT climbed by 50.2 million Euro or 83.6% year on year to 110.1 million Euro in fiscal year 2022 (2021: 60.0 million Euro). Accordingly, the EBIT margin rose sharply to 24.6% (2021: 18.6%).

Consolidated net income, earnings per share: After deduction of taxes and non-controlling interests, Elmos generated consolidated net income attributable to owners of the parent of 71.4 million Euro in fiscal year 2022 (2021: 39.8 million Euro). Consolidated net income was equivalent to basic earnings per share of 4.17 Euro (2021: 2.24 Euro).

Proposal for the appropriation of retained earnings: Elmos' net income according to the German Commercial Code (HGB) amounted to 70.6 million Euro (2021: 43.3 million Euro) (for further details, see the financial statements according to HGB). Profit carried forward from 2021 amounts to 148.0 million Euro. At the Annual General Meeting on May 10, 2023, the Management Board and the Supervisory Board will propose a dividend of 0.75 Euro per share, up 15.4% year on year, from the retained earnings of Elmos Semiconductor SE of 218.5 million Euro for 2022 (2021: 0.65 Euro per share). The total dividend payout would thus amount to 12.8 million Euro based on 17,118,636 shares entitled to dividend as of December 31, 2022.

Financial position

CONDENSED STATEMENT OF CASH FLOWS

in million Euro or %	FY 2022	FY 2021	Change
Consolidated net income	71.3	39.9	78.7%
Depreciation and amortization	43.5	31.4	38.5%
Change in net working capital[1]	-38.1	5.4	n/a
Other items	22.0	2.9	7.6x
Cash flow from operating activities	**98.6**	**79.6**	**23.9%**
Capital expenditures for intangible assets and property, plant and equipment	-83.9	-68.7	22.1%
Disposal of/capital expenditures for (-) securities	11.2	-3.2	n/a
Payments related to additions to the group of consolidated companies	0.0	0.1	n/a
Other items	0.0	-1.7	n/a
Cash flow from investing activities	**-72.6**	**-73.6**	**-1.3%**
Cash flow from financing activities	**-7.5**	**-28.7**	**-74.1%**
Change in liquid assets	18.6	-22.7	n/a
Adjusted free cash flow[2]	**14.9**	**11.1**	**33.7%**

[1] Trade receivables, inventories, trade payables.
[2] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment (including proceeds related to additions to the group of consolidated companies).

Cash flow from operating activities: At 98.6 million Euro, cash flow from operating activities in fiscal year 2022 exceeded the prior-year figure (2021: 79.6 million Euro), mainly as a result of higher consolidated net income.

Cash flow from investing activities: Capital expenditures for the expansion of testing were further accelerated in the reporting year in order to provide adequate testing capacities for future sales development. At -83.9 million Euro, capital expenditures for intangible assets and property, plant and equipment increased considerably overall versus the prior year (2021: -68.7 million Euro). The Company sold securities (bonds and borrowers' notes) amounting to 11.2 million Euro in the reporting year (2021: -3.2 million Euro). Cash flow from investing activities totaled -72.6 million Euro in fiscal year 2022 (2021: -73.6 million Euro).

Cash flow from financing activities: Cash flow from financing activities totaled -7.5 million Euro (2021: -28.7 million Euro) in the reporting period and was primarily influenced by the dividend payment. Unlike the prior year, there was no share buyback program in the year under review. The dividend payout in 2022 totaled 11.1 million Euro (2021: 9.4 million Euro).

At 14.9 million Euro, **adjusted free cash flow** was higher year on year (2021: 11.1 million Euro).

Liquid assets: Cash and cash equivalents amounted to 36.6 million Euro as of December 31, 2022, up sharply on the prior-year figure (December 31, 2021: 17.8 million Euro).

Financial situation: Elmos is financed by equity, promissory note loans, and bank loans. As of December 31, 2022, the Company had various short-term lines of credit at its disposal totaling 25.0 million Euro, which are currently unused. Detailed information on the individual elements of the financial situation can be found in the notes.

Principles and goals of financial management: The primary objective of the Elmos Group's capital management is to ensure an adequate credit rating, liquidity at all times with a high degree of financial flexibility, and a solid capital structure. This objective is geared towards supporting the Group's business activities, continuing operations over the long term, and acting in the interests of shareholders, employees, and other stakeholders. Elmos pursues a strategy of continuous and sustained increases in shareholder value.

The Management Board actively manages the capital structure of the Elmos Group and makes adjustments where necessary in consideration of the economic framework and the risks carried by the underlying assets. The Group monitors its capital based on net debt or net cash in absolute terms, as well as the equity ratio. Net cash includes cash and cash equivalents as well as securities less current and non-current financial liabilities. The equity ratio puts equity in proportion to total assets.

Other financial obligations and disclosures of off-statement-of-financial-position financial instruments: In addition to the aforementioned financial instruments, the Company partially finances its capital expenditures through lease, rental, and service agreements. In each case, there is a balanced relationship between advantages and risks, and the arrangements are customary in the market. The resulting repayment obligations are reported as "Other financial obligations." As of December 31, 2022, they amounted to 33.3 million Euro (December 31, 2021: 24.6 million Euro). A purchase commitment in the amount of 41.3 million Euro (2021: 15.6 million Euro) results from investment orders placed.

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION

in million Euro or %	12/31/2022	12/31/2021	Change
Intangible assets	36.3	37.7	-3.7%
Property, plant and equipment	219.3	170.9	28.3%
Other non-current assets	9.1	8.4	8.3%
Securities (current and non-current)	35.5	48.3	-26.7%
Inventories	116.6	80.1	45.5%
Trade receivables	67.8	39.7	70.6%
Cash and cash equivalents	36.6	17.8	106.4%
Other current assets	21.3	15.1	41.2%
Total assets	**542.4**	**418.0**	**29.8%**
Equity	360.4	300.2	20.1%
Financial liabilities (current and non-current)	81.0	76.1	6.4%
Other non-current liabilities	8.5	9.4	-8.9%
Trade payables	44.2	12.1	3.7x
Other current liabilities	48.3	20.3	2.4x
Total equity and liabilities	**542.4**	**418.0**	**29.8%**

Total assets rose by 124.4 million Euro to 542.4 million Euro as of December 31, 2022 (December 31, 2021: 418.0 million Euro), primarily as a result of the increase in property, plant and equipment due to higher capital expenditures, the growth in inventories and trade receivables due to higher sales, as well as higher liquid assets.

DETERMINATION OF ROIC

in million Euro or %	2022	2021
❶ EBIT	110.1	60.0
	12/31/2022	12/31/2021
Intangible assets	36.3	37.7
Property, plant and equipment	219.3	170.9
Inventories	116.6	80.1
Trade receivables	67.8	39.7
less		
Trade payables	44.2	12.1
❷ Invested capital	395.7	316.3
RoIC (❶/❷)	27.8%	19.0%

Return indicator: Elmos applies return on invested capital (RoIC) used for business operations as a return indicator. This enables the Company to establish a link between profitability and capital used for operational purposes. RoIC therefore also serves as an indicator of added value. Despite the higher amount of invested capital, the considerable increase in EBIT meant that the RoIC of 27.8% in 2022 far exceeded the figure for the prior year (2021: 19.0%).

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In fiscal year 2022, the Elmos Group once again performed extremely well in a challenging geopolitical and economic environment, posting further substantial increases in sales and earnings compared to the prior year. Elmos continued to invest in research and development in the reporting year and further expanded its innovative product portfolio. Strategic activities also focused on continuing to enhance the Company's competencies in the software sector. In 2022, testing capacities in Dortmund and Asia were further increased in a targeted manner in preparation for future growth. In its meeting on November 9, 2022, the German federal cabinet prohibited the sale of the Elmos wafer fab to Silex Microsystems AB (Silex). As a result, the sale of the wafer fab could not be completed. Despite the prohibited sale of the Dortmund wafer fab to Silex, the Company does not expect any significant constraints on its operations because the wafer fab in Dortmund will continue to operate at a very good rate of capacity utilization in the coming years. Meanwhile, Elmos will continue its efforts to determine a long-term future strategy for wafer production at the fab in Dortmund. The Company's new design wins in 2022 again comprise a wide variety of attractive projects with existing and new customers in all product segments and in all regions. Elmos' innovative products and strong competitive position, combined with its solid financial basis, mean that the Company is superbly positioned and has an excellent foundation for future growth.

ELMOS SEMICONDUCTOR SE (SEPARATE FINANCIAL STATEMENTS ACCORDING TO HGB)

Elmos Semiconductor SE is the parent company of the Elmos Group. The Management Board of Elmos Semiconductor SE is responsible for managing the Company and the Group. Elmos Semiconductor SE is also influenced by its directly and indirectly held subsidiaries and investments. Apart from responsibility for business operations, the Group's parent is also responsible for the Group's strategic orientation and therefore determines the corporate strategy within the framework of higher-level group functions, represented by the members of the Management Board.

Unlike with the consolidated financial statements, Elmos Semiconductor SE does not prepare its separate financial statements according to International Financial Reporting Standards (IFRS) but instead pursuant to the provisions of the German Commercial Code (HGB). The complete financial statements are released separately. The financial statements have received the auditor's unqualified audit opinion. They are released in the electronic Federal Gazette, filed with the register of companies, can be requested as a special print publication, and are available on the Company's website, www.elmos.com.

Business performance 2022

The business performance and economic situation of Elmos Semiconductor SE essentially determine the business performance of the Group. We provide a detailed account of these areas in the sections entitled "The Group's business model" and "Business report."

Business outlook for 2023 and material opportunities and risks

Due to the Company's ties with the Group companies and its relevance for the Group, the expectations for Elmos Semiconductor SE are reflected in the outlook for the Group. The expected performance of Elmos Semiconductor SE in fiscal year 2023 also largely depends on the performance of the Group and its situation with regards to opportunities and risks. This is the subject of the report on opportunities and risks and the Group's outlook. The statements on the Group's expected performance and its risk position made therein therefore also apply to the expected performance and risk position of Elmos Semiconductor SE. The description of the internal control and risk management system regarding the financial accounting process for Elmos Semiconductor SE pursuant to Section 289 (4) HGB follows in the "Opportunities and risks" section.

As the Group's parent, Elmos Semiconductor SE also receives income from its investments. Income from investments is composed of transfers of profit or loss from domestic subsidiaries and distributions from individual subsidiaries. Accordingly, the Group's expected business performance in 2023 should also influence the earnings of Elmos Semiconductor SE, which constitutes the most significant unit in the Group. Overall, we expect that Elmos Semiconductor SE's retained earnings in 2023 will once again make it possible for our shareholders to participate adequately in the development of the Group's earnings.

Sales and earnings performance

CONDENSED INCOME STATEMENT (HGB)

in million Euro or %	FY 2022	FY 2021	Change
Sales	**445.6**	**318.0**	**40.1%**
Changes in inventories, other own work capitalized, and other operating income	33.1	4.0	8.4x
Material costs	214.3	132.8	61.4%
Personnel expenses	75.3	74.6	0.9%
Amortization of intangible assets and depreciation of fixed assets and property, plant and equipment	25.3	25.5	-0.8%
Other operating expenses	51.7	40.3	28.4%
Operating income	**112.0**	**48.7**	**2.3x**
Income from investments and financial result	-4.3	10.7	n/a
Earnings before taxes	**107.6**	**59.4**	**81.1%**
Net income	**70.6**	**43.3**	**62.9%**

In the past fiscal year, sales rose sharply by 40.1% to 445.6 million Euro (2021: 318.0 million Euro). Operating income was also up substantially to 112.0 million in fiscal year 2022 (2021: 48.7 million Euro).

Financial position

CONDENSED STATEMENT OF CASH FLOWS (HGB)

in million Euro or %	FY 2022	FY 2021	Change
Net income	**70.6**	**43.3**	**62.9%**
Depreciation and amortization	25.3	25.5	-0.8%
Expenses from the disposal of fixed assets	0.2	0.3	-27.4%
Increase in current provisions and write-downs of financial investments	25.4	3.6	7.1x
Increase (-)/decrease (+) in inventories, trade receivables, and other assets	-75.9	7.6	n/a
Increase (+)/decrease (-) in trade payables and other liabilities	40.8	-10.0	n/a
Cash flow from operating activities	**86.5**	**70.4**	**23.0%**
Cash flow from investing activities	**-64.3**	**-67.1**	**-4.3%**
Cash flow from financing activities	**-4.7**	**-24.9**	**-81.3%**
Change in cash and cash equivalents	17.6	-21.6	n/a
Cash and cash equivalents at beginning of period	13.4	35.0	-61.7%
Cash and cash equivalents at end of period	**31.0**	**13.4**	**2.3x**

In fiscal year 2022, cash flow from operating activities increased year on year to 86.5 million Euro (2021: 70.4 million Euro). This is due in particular to higher net income and the increase in trade payables. At -64.3 million Euro, cash flow from investing activities (2021: -67.1 million Euro) was similar to the prior year, largely as a result of the above-mentioned expansion of testing capacities. Cash flow from financing activities stood at -4.7 million Euro in the reporting year. The prior-year figure of -24.9 million Euro was influenced by factors such as the share buyback program.

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION (HGB)

in million Euro or %	12/31/2022	12/31/2021	Change
Fixed assets	274.8	231.1	18.9%
Inventories	107.8	79.0	36.5%
Receivables and other assets	88.6	50.9	74.0%
Marketable securities	0.0	0.5	n/a
Cash in hand, cash in banks	31.0	13.4	2.3x
Other assets	3.2	2.1	56.5%
Total assets	**505.5**	**377.0**	**34.1%**
Equity	334.1	274.0	21.9%
Provisions	43.5	21.7	2.0x
Liabilities/deferred income	128.0	81.3	57.5%
Total equity and liabilities	**505.5**	**377.0**	**34.1%**

Total assets grew by 34.1% year on year to 505.5 million Euro as of December 31, 2022. The reasons for the change on the assets side include an increase in property, plant and equipment due to investment activities, the higher number of shares in affiliated companies following the spin-off of the wafer fab into the independent company Dortmund Semiconductor GmbH, the growth in inventories and trade receivables, as well as the increase in cash and cash equivalents. The rise on the total equity and liabilities side is largely attributable to higher equity, the rise in tax provisions, and higher trade payables.

Retained earnings and proposal for the appropriation of retained earnings

The legal basis for a distribution is represented by the retained earnings of Elmos Semiconductor SE determined in accordance with financial accounting provisions under commercial law. The financial statements as of December 31, 2022, reported retained earnings of 218.5 million Euro (2021: 159.1 million Euro). At the Annual General Meeting on May 10, 2023, the Management Board and Supervisory Board will propose that the retained earnings for fiscal year 2022 be used for the distribution of a dividend of 0.75 Euro per no-par value share entitled to dividend – up 15.4% year on year – and that the remaining amount be carried forward to new accounts.

SUBSEQUENT EVENTS

There have been no reportable events or transactions of special significance after the end of fiscal year 2022.

OPPORTUNITIES AND RISKS

OPPORTUNITIES

Opportunities are identified and analyzed within the Group. The management of the Company is aimed at increasing the shareholder value systematically and continuously. A quantification of opportunities is not universally possible, as they are usually determined by external general conditions and influencing factors, as well as complex interrelations, which can be controlled by Elmos only to a limited extent or not at all.

Macroeconomic and industry-specific opportunities

Macroeconomic opportunities open up for Elmos in growth markets, for example. Most notable among these is the Asian market. At the same time, we assert our position with automotive semiconductors in certain applications in the established markets, where we also seize opportunities for growth.

Industry-specific opportunities become available to us as a consequence of the following megatrends in the automotive sector in particular: driver assistance systems up to autonomous driving; electromobility; higher demands in terms of safety, connectivity, and comfort; and the growing electrification of multiple vehicle functions. Demand for semiconductors was very high overall in fiscal year 2022. While demand for semiconductors fell in the second half of the year as a result of the economic downturn, especially in consumer and office electronics, customer orders and order backlogs for automotive semiconductors remained high. In structural terms, an increase in demand for semiconductors is also expected in the coming years. In particular, further growth in automotive semiconductor solutions is anticipated due to the growing electrification of vehicles.

Product-specific opportunities

Product-specific opportunities open up for Elmos due to innovation. Our business lines seek to continuously increase our opportunities with customers through innovative or advanced high-quality products. Alongside our ASIC business, the increased development and sale of ASSPs also provide further opportunities. As well as systematically enhancing our semiconductors, we are also expanding our expertise and organization in the area of software so that we can add additional software functionalities to our innovative semiconductors in the future and push ahead with our own software developments for our customers even faster. Furthermore, we seize these opportunities by consistently investing in research and development, and through the ability to use our foundry partners' processes to gain access to modern process technologies. New and more advanced products could be brought to market if our development progress exceeds current expectations. Elmos also sees opportunity in the expansion of the product portfolio. This can take place through acquisitions of third-party entities and technologies or through partnerships.

Elmos markets its products based on the respective application, region, and industry. Within the regions, we focus our sales capacities on the markets that show the largest business and sales potential. We invest in the development and internationalization of our sales division and application support close to the customer in order to distribute our solutions effectively and to intensify our customer relationships.

Other opportunities

We are working permanently on the optimization of our processes along the entire value chain in areas such as development, testing, technology, quality, administration, and logistics, and we invest throughout the Group in measures to increase efficiency. For example, we also view the procurement of wafers from foundries as an opportunity to source advanced production technologies from our foundry partners in the future.

MANAGEMENT'S OVERALL ASSESSMENT OF OPPORTUNITIES

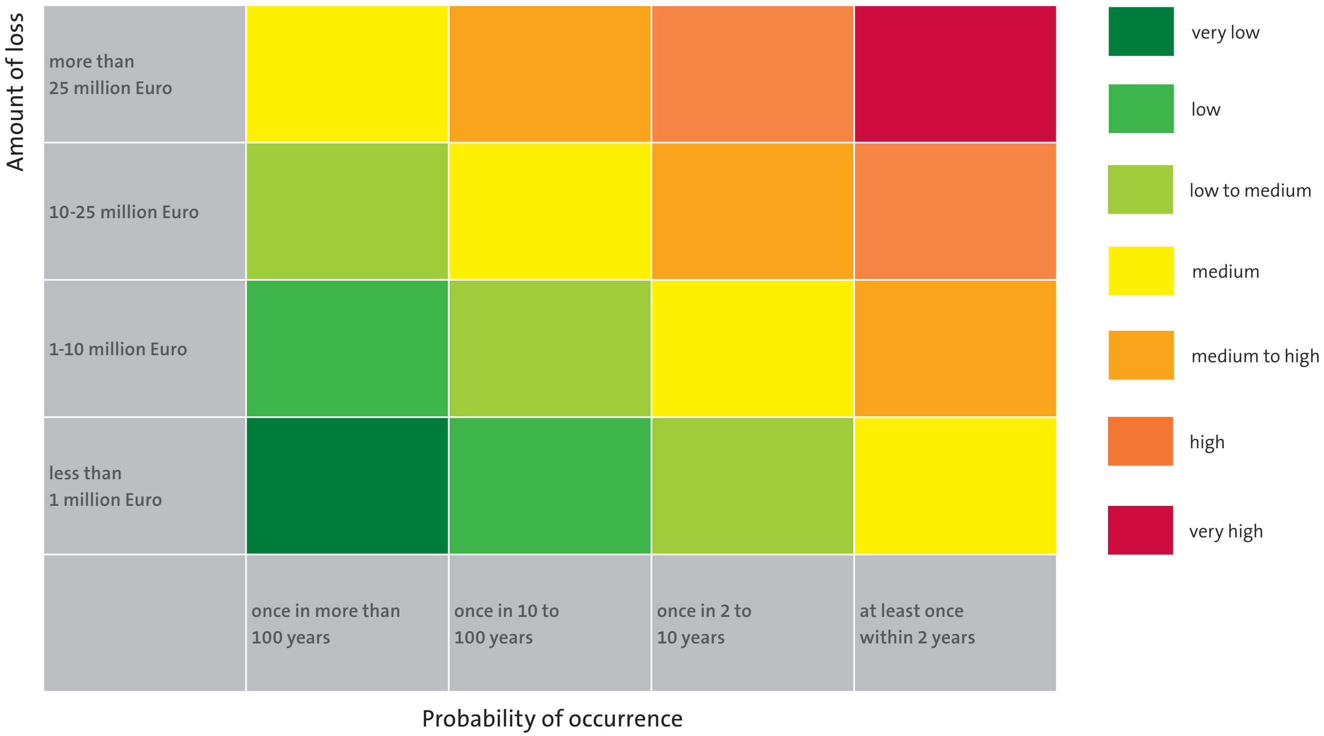
The Elmos management is confident that the Group's profitability presents a solid foundation for future business performance and provides the necessary resources in order to pursue and seize the opportunities that become available to the Group.

If we make better progress with these measures and methods than expected at present, this might have a positive effect on our financial, profit, and economic position and make us exceed our forecast and our mid-term prospects. Particularly the macroeconomic, industry-specific, and product-specific opportunities have the potential to make a positive contribution to the financial, profit, and economic position.

RISKS

The following explanations include the explanatory report on the key features of the internal control and risk management system pursuant to Sections 289 (4) and 315 (4) HGB (German Commercial Code).

Elmos has established a risk management system that focuses on safeguarding the Company's continued existence. It complies with the legal stipulations for a risk management system in accordance with Section 91 (3) AktG (Stock Corporation Act). The Management Board bears the overall responsibility for this. To this end, the Management Board has initiated a risk management process and given it a firmly anchored place within the Company's organization in the context of a risk management team. The risk management team is made up of the division managers, representatives of the subsidiaries, and the appointed risk managers and is responsible for central coordination within the Company, risk reporting, and reporting to the Management Board. Each risk is assigned to risk owners who, together with the risk managers, identify and assess the risks and define appropriate countermeasures. Risk owners and risk managers monitor compliance with the measures and their effectiveness.



Risks are regularly identified, and their effects on the Company's targets are analyzed. The Group deliberately assumes certain risks in areas where it has the relevant competence if adequate returns can be expected at the same time. Beyond that, major risks are avoided if possible. Risks known to the Group are analyzed and assessed. Adequate countermeasures are developed insofar as possible.

Binding standards and rules have been defined for risk identification. In a standardized process of review sessions, the divisions report on the current state of material risks with defined gradual thresholds. Ad hoc risks and damages that occur are communicated immediately and outside the usual reporting channels in case of urgency.

Individual risks are aggregated in risk groups. Risk assessment is reported for these risk groups as an overall assessment of the individual risks. Depending on their estimated probability of occurrence and probable amount of loss in consideration of business activities, the profit and financial position, and the assets and liabilities, risks are classified according to the matrix and assessed as "very low," "low," "low to medium," "medium," "medium to high," "high," and "very high." Measures for risk reduction or avoidance are listed for each identified risk, and they are regularly discussed with the responsible executives in consideration of early warning indicators.

Internal control system and risk management system

The internal control system consists of a number of structures, processes, and measures for managing and monitoring central business processes and management decisions. The objective is to identify risks and therefore to ensure that business develops seamlessly. The effectiveness and adequacy of the risk management system and the internal control system are reviewed regularly by means of internal and external controls. Among other things, the ICS focuses on the accounting process and financial reporting with the aim of monitoring and ensuring proper and appropriate accounting and a transparent presentation of the Company's actual financial, profit, and economic position. It contains the principles, processes, and measures introduced by management, and it is oriented toward the organizational implementation of the management's decisions.

With respect to the financial accounting process of the consolidated companies and the Group, structures and processes have been implemented to promote the truth and fairness of the consolidated financial statements. The principles, the organizational structure, workflow management, and the processes of the internal control and risk management system with respect to financial accounting are regulated throughout the Group by respective guidelines, operating procedures, and responsibilities that are adapted to internal and external developments whenever necessary. Key features of the internal control and risk management system with respect to financial accounting are (i) the identification of material areas of risk and monitored domains of relevance to financial accounting in the Group; (ii) examinations for monitoring the financial accounting process and its results; (iii) preventive control measures in finance and accounting, and in those areas where material information for the preparation of the consolidated financial statements is generated, including defined authorization processes in relevant areas; (iv) measures and access guidelines for the proper EDP-supported processing of items and data relating to the Group's financial accounting; and (v) the regulation of responsibilities concerning the involvement of external specialists. The Management Board assumes overall responsibility for the internal control and risk management system with respect to financial accounting within the Group.

Further information on the basics of the risk management system can be found in the notes to the consolidated financial statements.

Economic, political, social, and regulatory risks *(risk assessment: medium to high)*

Since the start of the war in Ukraine, fiscal year 2022 was dominated by uncertainties due to a variety of political and economic effects caused by sanctions, bottlenecks in the supply of raw materials and energy, and high inflation. This has made it much more difficult to forecast the development of the economy and markets. Furthermore, a widening of the conflict would further increase the risk of a global economic downturn. Elmos continuously monitors the geopolitical and economic environment in its core markets in order to anticipate new potential risks or changes in the assessment of risks as early as possible, and to be in a position to take action or make adjustments. However, it is not possible at the present time to completely assess the full extent of the risks posed by the current geopolitical and economic situation.

In addition, the impact of the COVID-19 pandemic and the ongoing allocation in the semiconductor segment, combined with global supply chain bottlenecks, continued to impact the economic development as well as the business performance of Elmos in fiscal year 2022. While the impact of the COVID-19 pandemic eased in most regions except China, particularly in the second half of 2022, it is very difficult to forecast what the extent, duration, and continued development of the pandemic or the outbreak of other infectious diseases will be, because in some cases they vary substantially from one affected region to the next. This also applies to any forecast of the impact on our business activities. An outbreak of local or global infectious diseases such as COVID-19 had already been identified by the Elmos early risk detection system as a potential risk in the past and entails a large number of risks that could have a significant negative effect on our financial, profit, and economic position. Such risks include far-reaching economic and political restrictions to contain the pandemic and an associated drop in demand in the Company's sales markets, insufficient availability or non-availability of raw materials and components, a negative impact on production within the Company or the delivery of our products due to production losses, plant closures by suppliers or customers, and non-availability or restricted availability of workers. During the COVID-19 pandemic, Elmos acted early to initiate extensive preventive measures with a focus on protecting the health of employees and maintaining ongoing business operations and business processes throughout the Group.

The use of our products depends in part on the general economic, financial, and political conditions going forward. Events such as economic crises, military conflicts, such as the war in Ukraine, political changes, or geopolitical tensions; increases in customs tariffs and extensive trade restrictions, such as the trade conflict between the U.S. and China and the conflict relating Taiwan; tighter sanctions in the semiconductor sector concerning China; fluctuations in national currencies and key interest rates; changing registration requirements for new vehicles; a recession in Europe or other important international markets; a significant slowdown of growth in Asia; or an increase in sovereign debt could have a negative effect on the ability and willingness of our customers to use our products.

Social and political instability, for instance caused by acts of terror, war, or international conflicts, natural disasters, long-lasting strikes, or pandemics, could have negative effects beyond the respective national economy affected and therefore significantly impact our business too.

Industry/market risks *(risk assessment: medium to high)*

Semiconductor allocation

Initially, the past fiscal year continued to be characterized by very high demand for semiconductors in all sectors. While demand for semiconductors fell noticeably in the second half of the year as a result of the economic downturn, especially in consumer and office electronics, order backlogs for automotive semiconductors remained high. Yet semiconductor manufacturing capacity, in particular for automotive-specific 8-inch technologies, is limited around the world and cannot be significantly increased at short notice. For this reason, segments of the IC (integrated circuits) value chain in the automotive sector continue to be tense. This applies in particular to the production of wafers and the testing of ICs, as well as the machinery required for this. Comprehensive allocation management has enabled Elmos to continue meeting the real demands of customers. At this time, however, we are not in a position to predict how long the current allocation phase will last for automotive semiconductors. In addition, an upturn in demand for electronic products in the other sectors could intensify capacity bottlenecks across industries. Elmos is working hand in hand with all of its partners to ensure sufficient wafer capacities going forward so that it can meet its delivery obligations. Nevertheless, it is fundamentally impossible to rule out that Elmos itself could encounter delivery problems due to supply bottlenecks affecting key components or services and insufficient wafer capacities in the future, making it unable to fully and timely meet all of its delivery obligations to customers. Such developments could have a significant impact on the Company's financial, profit, and economic position.

Dependence on the automotive industry

The core business of Elmos is linked directly to the demand of the automotive industry or automotive suppliers for semiconductors. A collapse or significant fluctuations in car production and sales figures also represents a risk for Elmos as a semiconductor supplier. The demand for semiconductors made by Elmos is also affected by the delivery capability of other suppliers, as systems and cars can be manufactured only if all suppliers are capable of delivery.

Although the automotive market recovered slightly in 2022, the sales and production volumes recorded in the years preceding the COVID-19 pandemic have yet to be matched. A negative impact on global demand for passenger cars, or continued volatility in sales and production figures, could also have a significant effect on business performance at Elmos.

The customer structure of Elmos indicates a certain degree of dependence on a few major automotive suppliers. However, it has to be taken into account that one customer usually purchases several products with different life cycles, often to be used for different car models, brands, and markets. Thanks to the stronger focus by Elmos on ASSPs over the past few years, this kind of customer dependence has been reduced, as these products can be marketed to several customers. On the other hand, the risk of replaceability increases, as competitors will offer comparable products in many cases.

Competition risks

A large number of competitors in the semiconductor market for automotive applications offer products similar to the ones Elmos supplies, based on a similar technological foundation. Elmos also competes with large manufacturers for high-volume contracts and is thus exposed to corresponding pricing pressure.

Personnel risks *(risk assessment: medium)*

Dependence on individual employees

The Company's highly development-intensive business activity leads to clearly pronounced and very specific engineering expertise, but not necessarily to patents. The consequence for Elmos, as for any other technology company, is a dependence on individual employees.

Shortage of qualified employees

An important aspect for success in the market is the quality and availability of employees. Given the current tight labor market, especially for skilled workers and engineers, there is a growing risk that qualified employees might leave the Company and no adequate replacements can be found in good time. There is also the risk that the Company might not be able to recruit qualified employees if new demand arises. This could affect the Company's development in a negative way.

Absence of employees due to the COVID-19 pandemic

The outbreak of an epidemic or pandemic had already been identified as a potential risk in the past. As a result, it was possible to take extensive measures at a very early stage to protect our employees from infection within the Company after the outbreak of the COVID-19 pandemic, such as providing protective masks and disinfectants, vaccination offerings for employees, increased remote work and virtual meetings, hygiene and physical distancing rules, and the temporary closure of social facilities and the cafeteria. Although the systematic and consistent implementation of these measures has allowed us to avoid significant adverse effects on our production activities or disruptions in our business processes, such risks cannot be ruled out in the future if the spread of infection continues or new mutations of the virus arise. From the middle of 2022, it was possible to gradually ease or lift some of the protective measures due to declining COVID-19 infection figures in many regions and the drop in the number of serious cases of the disease. Nevertheless, an upturn in COVID-19 infections or an outbreak of other infectious diseases could lead to a noticeable absence of employees, which in turn could have a negative impact on business performance, and therefore on the profit and financial position.

Research and development risks *(risk assessment: medium to high)*

The market for Elmos products is characterized by the constant advancement and improvement of products. Therefore, the success of Elmos is highly dependent on the ability to assess market trends and technological development correctly in order to efficiently develop innovative and complex products or successors of existing products, bring them to market on time, and to make sure that these products are chosen by customers. There is also the risk that products or entire application fields relevant to the sales of Elmos might be replaced by new technologies, either completely or in part, so that Elmos is no longer able to offer any competitive products in such fields.

The customer participates in the development expenses incurred by Elmos in the case of customer-specific products. There is the risk that unamortized expenses for product developments that do not result in a supplier relationship will have to be borne solely and fully by the Company.

For product developments initiated by Elmos (i.e., all ASSPs), there are no binding customer orders yet when development starts. As a result, Elmos bears the development costs. If there is not enough customer acceptance, development and production costs might not be amortized by product sales at a later date. However, Elmos works together with lead customers, if possible, in the development of ASSP components as well in order to increase the chances of success in the market.

The future success of Elmos also depends on the ability to develop or apply new development and production technologies. Elmos is currently continuing to develop analog and digital semiconductor structures and functions for its self-developed modular high-voltage CMOS process technology, and is increasingly developing products based on processes provided by foundries. Despite thorough research, Elmos might infringe patent rights held by third parties with its own product developments, which could have a significant effect on the respective product and its marketing potential.

If Elmos is no longer capable of developing, manufacturing, and selling new products and product upgrades in the future, significant effects on the financial, profit, and economic positions will likely be the result.

Financial risks *(risk assessment: medium to high)*

Investments

The provision of financial resources to the subsidiary companies and investments results in an increased obligation to detect and, if necessary, to minimize potential risks at the earliest possible stages by means of adequate controlling instruments and target/actual analyses. In addition, the subsidiaries and investments are subject to routine reviews with a focus on finance, law, and compliance as part of internal audits and for other purposes.

Cost development

The risks associated with cost development have intensified, most notably in fiscal year 2022. It is expected that substantial market price fluctuations and inflation will continue to affect raw materials and energy. Rising personnel expenses are also anticipated. These developments could have a negative impact on our financial, profit, and economic position if the costs cannot be offset or passed on to our customers by way of price adjustments.

Other financial risks, such as credit and default risks, as well as liquidity, financing, and financial market risks, are presented in the notes to the consolidated financial statements.

Business and operational risks *(risk assessment: medium to high)*

Purchasing risks

Although Elmos collaborates with a large number of suppliers and service providers around the world, it became increasingly evident in fiscal year 2022 that the Company is exposed to supply risks on the procurement side, especially with regard to the supply of energy for production and the materials required such as (raw) wafer capacities, raw materials such as gold and copper, and special gases and machinery or spare parts required in semiconductor production. Detailed information on the supply of gas and the comprehensive measures can be found in the section below entitled “Business interruption.”

The raw materials Elmos needs for manufacturing are available worldwide in part from different suppliers, yet are controlled by monopolies in some cases. A certain dependence on individual Far Eastern partners is typical in the industry. Elmos has spread this risk by cooperating with several partners in different countries wherever possible. Despite the efforts to spread risk by using different partners, there is a risk of a longer-term interruption to operations – for example due to a strike, natural disasters, a pandemic, or trade restrictions, or due to the closure of facilities by a manufacturing partner. Such events could negatively impact the ability to supply Elmos products or render them unusable due to a lack of further processing. Elmos is not able to rule out or influence an interruption or stop in production at a partner’s manufacturing facilities. The inability or restricted ability of our partners to meet their delivery obligations to Elmos for this or other reasons could have a negative impact on our financial, profit, and economic position.

In fiscal year 2022, the procurement of goods and services throughout the entire value chain was very significantly affected by the continued shortage of semiconductors, especially in the automotive sector. The situation has had a particularly marked effect on wafer production, as well as the testing of ICs and global logistics.

There is a tendency among machine suppliers towards an oligopoly, limiting the negotiating power of Elmos. Raw materials might not be available in the required volume, for example as a result of bottlenecks on the part of the manufacturer. In particular, the price of wafers is subject to volatility, in some cases significant, on the global market. This year’s shortage of semiconductors specifically has led to noticeable increases in the prices of materials, machinery, and logistics services and has therefore had a negative impact on Elmos’ business performance.

Business interruption

Since the start of the war in Ukraine, there have been major uncertainties with regard to the supply of energy in particular. Elmos launched a comprehensive package of measures for its production location in Dortmund early on to enable it to maintain operations as far as possible without major restrictions, at least temporarily, in the event of a further tightening of the gas supply in Germany. In the event that the German Federal Ministry of Economic Affairs and Climate Action invokes the emergency level of the Emergency Plan for Gas, and gas supplies to operate the two Elmos combined heat and power units at the Dortmund headquarters are reduced or even discontinued, the necessary heating, power, and cooling for semiconductor production and other relevant areas could be temporarily guaranteed within a short period of time via alternative sources of energy or additional heating systems. In addition, a small amount of natural gas is essential to purify the emissions released during the production process.

Even if these measures are successful, we cannot completely rule out temporary production shutdowns at the Elmos location in Dortmund or delays in deliveries to customers in the event of potential fuel bottlenecks. Although Elmos is in regular and close consultation with all of its suppliers, the effects of a potential fuel shortage at one of our suppliers cannot be estimated, which could also affect Elmos’ production and delivery capabilities. Furthermore, if the Federal Network Agency (Bundesnetzagentur) were to significantly reduce total gas import volumes to Germany, existing contractually fixed prices for natural gas could be canceled by the energy supplier. This could put a significant strain on energy costs and have a considerable impact on economic development at Elmos. Elmos continuously monitors the present situation on the energy markets, potential adverse effects on the security of the energy supply, the development of electricity and natural gas prices, and potential financial support in the form of government measures (such as a cap on electricity and gas prices) and will initiate corresponding (counter)measures as required.

In addition to the operational risks already described and explained, the risk of the destruction of production facilities by fire or other disasters is a material operational risk. Even though the risk of business interruption through such events is adequately covered by insurance, a significant threat of losing key customers remains. This risk cannot be insured against.

Business interruption could also occur as a result of power outage. The production facilities are prepared for short-term power failures as far as possible. The risk of an interruption to operations is reduced by the fact that production is physically separated into internal and external facilities.

The usual insurable risks – such as fire, water, storm, theft, third-party liability, and costs of a possible recall – are adequately covered by insurance. Insurance for further risks, such as cyberattacks, as well as fidelity losses have been taken out. However, it cannot be ruled out that the costs of a potential recall or other events might exceed the maximum amount covered. Further typically insurable risks capable of significantly damaging the development of the Group or jeopardizing its continued existence are not apparent at present.

Warranty claims and product liability

Products made by Elmos are integrated as components into complex electronic systems. Defects or malfunctions of the semiconductors produced by Elmos or of the electronic systems into which they are integrated can be directly or indirectly damaging to the property, health, or lives of third parties. In most cases, Elmos cannot completely exclude its liability to customers or third parties in its sales contracts. Elmos has taken out product liability insurance as a way of limiting this risk.

Elmos consistently follows a zero-defect strategy and constantly invests in the detection and prevention of sources of error and defects. In order to minimize potential sources of error with respect to safety-relevant components for vehicles, Elmos has implemented and audited a development process in accordance with ISO 26262 (functional safety). In addition, the semiconductors are tested extensively in production, usually in view of automotive applications, with regard to quality and functionality. Even though the Company applies elaborate and recognized test procedures before commencing delivery of its products, product defects might still become apparent only upon the installation or the end consumer's use of the product. If such product defects materialize, expensive and time-consuming product modifications might ensue, and further liability claims might arise. A recall, for which Elmos would have to assume liability, could also have material effects on the financial, profit, and economic position.

Legal risks

At present, there are no legal disputes whose outcome might entail a high risk to the financial, profit, and economic position. However, it cannot be ruled out that it might come to such litigation in the future. Legal disputes might arise, for example, from business operations or in matters of property rights or trademarks, or in connection with holding structures within the Elmos Group. Depending on risk assessment, adequate provisions are made for legal risks in the statement of financial position as a preventive measure; recognition and measurement find entry in the consolidated financial statements in accordance with IAS 37. As the outcomes of lawsuits cannot be predicted, expenses may be incurred that have a material effect on our business and exceed the respective provisions made.

IT risks

For Elmos, as for other globally operating companies, the reliability and security of information technology (IT) are of great importance. This applies increasingly to the utilization of IT systems in support of operational processes, as well as to the support of internal and external communication. Around the world, Elmos has seen a rise in threats to information security along with an increasingly professional approach to cybercrime, as reflected in a jump in phishing attacks, for example. For these reasons, Elmos has proactively increased its protection against cyberattacks in recent years and is continuously working on further improvements. In fiscal year 2022, Elmos successfully received certification of its information security management system (ISMS) in accordance with the ISO 27001 standard within the scope of a TISAX assessment. TISAX (Trusted Information Security Assessment Exchange) is an information security certificate that is of crucial importance for suppliers and service providers to German car manufacturers and their subsidiaries. Furthermore, processing procedures and technical systems that involve personal data have been adapted to the strict requirements of the General Data Protection Regulation (GDPR), which was introduced in 2018. Despite all technical precautions, as well as reviews and audits conducted by external providers, any serious failure of these systems can lead to data loss, the disturbance of production, interference with operational processes, legal disputes, or fines with a considerable impact on the Company's situation in terms of financial, profit, and economic positions.

Ecological risks

Elmos has received certification in line with both the demanding environmental management standard ISO 14001 and the energy management standard ISO 50001. This certification is confirmed in repeat audits. Although this approach helps minimize ecological risks, it cannot be fully ruled out that the Group could incur ecological risks with an impact on the financial, profit, and economic position due to factors such as misconduct or extraneous circumstances.

Interdependencies between risks

Risks do not occur in isolation. Instead, they are dependent on other risks and have an influence on them. A consideration of the interdependencies between risk groups is also part of an integrated approach to managing the dangers that risks pose to the Company.

CORRELATION MATRIX

INFLUENCE OF / ON	Industry/ market risks	Financial risks	Business and operational risks	Personnel risks	Research and development risks	Economic, political, social, and regulatory risks
Industry/ market risks		high	high	no or low	medium	high
Financial risks	medium		medium	medium	medium	medium
Business and operational risks	medium	high		no or low	medium	medium
Personnel risks	no or low	high	medium		high	medium
Research and development risks	no or low	medium	high	no or low		medium
Economic, political, social, and regulatory risks	high	high	high	no or low	high	

no or low interdependence

medium interdependence

high interdependence

Note on interpreting the correlation matrix: influence of the risk groups in the rows on the risk groups in the columns

The following six risk groups, as described above in detail, have been investigated with regard to their mutual interdependencies:

1) Economic, political, social, and regulatory risks
2) Industry/market risks
3) Personnel risks
4) Research and development risks
5) Financial risks
6) Business and operational risks

The above correlation matrix, which presents the influence of the risk groups in the rows on the risk groups in the columns, illustrates how the risk groups influence each other.

MANAGEMENT'S OVERALL ASSESSMENT OF RISKS

Elmos aggregates all risks reported by the various Company divisions and functions. Risks are analyzed; however, individual risks might cause considerable damage in extreme cases. Such cases can neither be predicted nor ruled out. Irrespective of this, it should be noted that the occurrence of an individual risk, even if it does not develop into an extreme case, can have a strong negative impact on the financial, profit, and economic position of the Company.

The aforementioned risks are assessed by management based on the potential amounts of loss and probability of occurrence according to the respective risk category, as noted. Risks that are subject to substantial interdependencies are additionally evaluated with regard to the resulting effect. It must be stated that some categories contain risks that pose potential threats to the Company's continued existence; however, those risks usually carry a relatively low probability of occurrence and interdependence with other risks. As a consequence, no individual risks are currently assessed as belonging to the categories within the Company for both the highest amount of loss and the highest probability of occurrence (i.e., no risk assessment as "very high").

OUTLOOK

ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The International Monetary Fund (IMF) expects (as of January 2023) global growth of 2.9% in 2023 (2022: 3.4%). In particular, rising interest rates aimed at fighting inflation, as well as Russia's war in Ukraine, continue to weigh on the economy. In view of China's reversal of its strict zero-COVID policy, the IMF has slightly raised its latest global economic forecast for 2023 by 0.2 percentage points compared to its October 2022 forecast.

In January 2023, the VDA expected the global automotive market to grow by 4% in the current year. This means that the worldwide passenger car market in 2023 would still be 8% lower than the market volume in the pre-COVID year 2019.

While the WSTS (World Semiconductor Trade Statistics) expects the overall semiconductor market to contract by 4.1% in 2023 (as of November 2022), IHS Markit/S&P forecasts a growth rate of 13.6% for the automotive semiconductor market (as of November 2022).

FORECASTED MARKET DEVELOPMENT

Gross domestic product[1]	Forecast 2023
Worldwide	+2.9%
Europe	+0.7%
Germany	+0.1%
China	+5.2%
U.S.	+1.4%
New car registrations[2]	
Worldwide	+4%
Europe	+5%
China	+3%
U.S.	+4%
Semiconductor market	
Overall semiconductor market (worldwide)[3]	-4.1%
Automotive semiconductor market (worldwide)[4]	+13.6%

Sources: [1] IMF (as of January 2023), [2] VDA (as of January 2023), [3] WSTS (as of November 2022), [4] IHS Markit/S&P (as of November 2022)

OPERATIONAL TARGETS FOR FISCAL YEAR 2023

Sales and earnings targets

Besides current business performance and the order situation, the guidance is also based on the expectations and assumptions regarding general economic development and specific industry and market development, as described above. Based on current orders received and available capacities, Elmos expects to generate sales of more than 560 million Euro in fiscal year 2023 (an increase of at least 25% year on year) and an EBIT margin of 25% ± 2 percentage points of sales. The guidance is based on an exchange rate of 1.05 EUR/USD. Current expectations may be adversely affected in particular by geopolitical events, especially the war in Ukraine or tighter sanctions and trade restrictions; market volatility, such as the ongoing global allocation phase in the automotive semiconductor sector combined with global supply chain bottlenecks; rising costs of energy, material, services, and personnel; gas supply issues; and uncertainties related to the ongoing COVID-19 pandemic, especially in China.

Capital expenditure and liquidity targets

In 2023, the Company will continue to expand its testing capacities and increase its cooperation with external partners for semiconductor testing. Elmos expects capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses of around 17% ± 2 percentage points of sales. Despite continued high investments and development expenses for future growth, the Company expects to generate an adjusted free cash flow in fiscal year 2023 at the level of the previous year (14.9 million Euro) ± 10 million Euro.

2023 GUIDANCE

Sales	More than 560 million Euro (at least +25% YoY)
EBIT margin	25% ± 2 percentage points
Capital expenditures (in % of sales)[1]	17% ± 2 percentage points
Adjusted free cash flow[2]	Level of the previous year (14.9 million Euro) ± 10 million Euro
Assumed average exchange rate	*1.05 EUR/USD*

[1] Capital expenditures for intangible assets and property, plant and equipment, less capitalized development expenses.
[2] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant, and equipment.

Dividend targets

Free liquidity is planned to be utilized in part for the payment of a dividend. Due to the business and earnings development, the Supervisory Board and Management Board will propose to the Annual General Meeting in May 2023 the payment of a dividend amounting to 0.75 Euro (previous year: 0.65 Euro) per share.

Underlying assumptions of our guidance

Elmos regards the medium- and long-term growth prospects for automotive electronics as positive. A wide range of trends – such as advances in driver assistance systems up to autonomous driving, powertrain electrification, and increasing demands for safety and comfort applications – is fueling the increased use of electronics in vehicles.

A positive performance for Elmos requires the success of our current and future customers as well as our ability to sell our products to them. The international automotive supplier market is subject to fierce competition. Resulting effects, such as shifts in the market or portfolio changes at our customers, are difficult to predict. The outlook is based, among other factors, on the assumptions regarding economic developments described above as well as on the information contained in the report on opportunities and risks. Expectations may be affected by market turbulence or global political and economic uncertainties, including the worldwide allocation on the automotive semiconductor market, military conflicts, in particular the war in Ukraine, as well as by localized restrictions in connection with the COVID-19 pandemic or similar issues.

The Company is not providing any operating targets from today's perspective regarding the EBIT margin and the adjusted free cash flow for fiscal year 2023.

LEGAL INFORMATION

DISCLOSURES PURSUANT TO TAKEOVER LAW

The information required by takeover law as stipulated under Sections 289a and 315a HGB (Commercial Code) as of December 31, 2022 (also representing the explanatory report in accordance with Section 176 [1] sentence 1 AktG [Stock Corporation Act]), is reported below. The composition of subscribed capital and shareholdings in excess of 10% of the voting rights can be found in the notes to the consolidated financial statements.

Limitations with regard to voting rights or the transfer of shares

Statutory limitations with regard to voting rights granted by shares can result in particular from the regulations of the Stock Corporation Act (AktG) or the Securities Trading Act (WpHG). For example, shareholders may be barred from voting under certain conditions pursuant to Section 136 AktG. Furthermore, according to Section 71b AktG, Elmos Semiconductor SE does not have any rights linked to treasury shares or any voting rights. Moreover, due to breaches of disclosure requirements under capital market law in accordance with Section 44 WpHG, rights linked to shares (e.g., voting rights) may be excluded at least for a certain period of time.

Share-based components of the compensation of the Supervisory Board, Management Board, and employees provide, in part, for limitations on disposal, such as holding periods. Furthermore, preventive, time-limited trading restrictions for the Supervisory Board, the Management Board, and individual employees are in place. The Annual General Meeting on May 20, 2021, adopted a resolution stating that the members of the Supervisory Board should receive fixed remuneration for every past fiscal year. The previous statement regarding the share-based component of the Supervisory Board's compensation therefore relates solely to the components granted to the affected Supervisory Board members before the Annual General Meeting's resolution took effect in 2021.

Shares with special rights conferring powers of control

Shares with special rights conferring powers of control have not been issued.

Form of voting rights control in the case of employee shareholdings

Like other shareholders, employees who hold shares in Elmos Semiconductor SE exercise their control rights directly, in accordance with legal stipulations and the Articles of Incorporation.

Legal stipulations and provisions of the Articles of Incorporation for the appointment and dismissal of Management Board members and for amendments to the articles

We refer to the respective legal stipulations for the appointment and dismissal of Management Board members (Sections 84, 85 AktG; Article 9 [1] lit. [ii] SE Regulation) and for amendments to the Articles of Incorporation (Article 57 SE Regulation); Section 13.2 of the Company's Articles of Incorporation provides for supplementary provisions.

The following statements on the Management Board's authorization to issue shares are based on the amount of share capital at the time of the Annual General Meeting's resolution on the authorization on May 22, 2020 (20,103,513.00 Euro). The share capital as of December 31, 2022, stood at 17,700,000.00 Euro following the redemption of treasury shares on two occasions over the course of fiscal year 2021.

The Management Board's authorization to issue shares

The Management Board is authorized to increase the Company's share capital up to and including May 21, 2025, subject to the Supervisory Board's consent, by up to 10,051,756.00 Euro, once or more than once, through the issue of new no-par value bearer shares against contributions in cash or in kind (authorized capital 2020).

If the capital is increased against contributions in cash, subscription rights shall be granted to the shareholders. The shares may be taken over by banks under the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized to exclude the shareholders' subscription rights, subject to the Supervisory Board's consent:

- -> if the new shares are issued at a price that is not significantly lower than the stock market price and the shares issued under exclusion of the shareholders' subscription rights pursuant to Section 186 (3) sentence 4 AktG do not exceed 10% of the share capital in total, neither at the effective date nor at the time at which this authorization is exercised. The sale of treasury shares is to be counted toward this 10% limit if it takes place during the term of this authorization under exclusion of the shareholders' subscription rights pursuant to Section 186 (3) sentence 4 AktG. Furthermore, those shares that have been issued or are to be issued to service bonds (including income bonds) with conversion or option privileges and/or a conversion obligation are to be counted toward this limit if the bonds or income bonds have been issued during the term of this authorization under exclusion of the shareholders' subscription rights pursuant accordingly to Section 186 (3) sentence 4 AktG;
- -> if doing so is necessary in order to grant the creditors of the bonds issued by the Company or its Group companies (including income bonds) with conversion or option privileges and/or a conversion obligation a subscription right for new shares to the extent to which they would be entitled upon exercising their conversion or option privilege and/or upon meeting a conversion obligation;
- -> in the event of a capital increase against contributions in cash for issuance to employees and executives of the Company, employees of affiliated companies, and freelance workers;
- -> for the payment of stock dividends ("scrip dividends"), which involves offering shareholders the option of entirely or partially investing the dividends to which they are entitled as a contribution in kind for the acquisition of new shares in the Company;
- -> for fractional amounts.

Moreover, with the approval of the Supervisory Board, the Management Board is authorized to exclude shareholders' subscription rights in the event of a capital increase against contributions in kind.

The total of the shares issued according to this authorization against contributions in cash or in kind under exclusion of the shareholders' subscription rights must not exceed a proportionate amount of the share capital of 2,010,351.30 Euro; the sale of treasury shares is to be counted toward this limit if it takes place during the term of this authorization under exclusion of the shareholders' subscription rights. Furthermore, those shares that have been issued or are to be issued to service bonds (including income bonds) with conversion or option privileges and/or a conversion obligation are to be counted toward this limit if the bonds or income bonds have been issued during the term of this authorization under exclusion of the shareholders' subscription rights. The Management Board is further authorized to determine all other rights attached to the shares, as well as the particulars of the issue, subject to the Supervisory Board's consent.

The Management Board's authorization to issue convertible bonds and option bonds

The share capital is conditionally increased by up to 10,000,000.00 Euro, divided into no more than 10,000,000 no-par value bearer shares (conditional capital 2020). The conditional capital increase is carried out by issuing up to 10,000,000 no-par value bearer shares only to the extent that the holders or creditors of convertible bonds or subscription warrants from option bonds issued by Elmos Semiconductor SE or one of the Company's Group companies within the meaning of Section 18 AktG until May 21, 2025, on the basis of the Management Board's authorization by the Annual General Meeting of May 22, 2020, make use of their conversion or option privileges or fulfill their conversion or option obligations, or shares are supplied under tender rights and insofar as no other forms of performance are utilized for servicing. Furthermore, the new shares are issued at the conversion or option prices to be determined respectively in the terms and conditions of the convertible bonds or option bonds in accordance with the aforementioned authorization resolution.

The new shares are entitled to dividends from the beginning of the fiscal year in which they come into being by the exercise of conversion or option privileges or the fulfillment of conversion obligations; deviating from this, the Management Board may determine that the new shares are entitled to dividends from the beginning of the fiscal year for which, at the time of exercising conversion or option privileges or fulfilling conversion obligations, no resolution by the Annual General Meeting on the appropriation of retained earnings has been adopted yet, subject to the Supervisory Board's consent.

The Management Board is authorized to determine the further particulars of the implementation of the conditional capital increase, subject to the Supervisory Board's consent.

The Management Board's authorization to buy back shares

The Management Board is authorized by the Annual General Meeting's resolution of May 11, 2022, to purchase treasury shares in the amount of up to 10% of the share capital in total by May 10, 2027, subject to the Supervisory Board's consent. Together with any treasury shares acquired for any other reason that are in the possession of the Company or are attributable to it in accordance with Section 71a et seq. AktG, the shares acquired on account of this authorization may at no time exceed 10% of the Company's share capital. The authorization to acquire and use treasury shares may be exercised entirely or in several parts, once or more than once, and for one or more than one purpose within the scope of the aforementioned limitation. The purchase is to be made at the stock exchange or through a public share buyback offer tendered to all shareholders of the Company, or through purchasing from individual shareholders based on individual agreements, though not from natural persons or legal entities holding shares whose voting rights are attributable to a member of the Management Board and/or the Supervisory Board pursuant to Sections 34 et seq. WpHG (or any successor provisions) at the time of the purchase of shares in accordance with this authorization, as well as persons who are subject to reporting requirements pursuant to Art. 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("Market Abuse Regulation," and any successor provisions), without taking into account the exemption pursuant to Art. 19 (8) and (9) Market Abuse Regulation (and any successor provisions). The authorization contains differentiating requirements for the separate purchase types, particularly with respect to the admissible purchase price. The authorization to acquire and use treasury shares based on the resolution of the Annual General Meeting of May 22, 2020, and limited to the period prior to May 21, 2025, was canceled when the new authorization took effect.

As of December 31, 2022, the Company still held a total of 581,364 treasury shares, or 3.28% of the share capital. With regard to the disclosures pursuant to Section 160 (1) No. 2 AktG, we refer to the section entitled "Equity" in the notes to the financial statements and to Note 21 in the notes to the consolidated financial statements.

Material agreements on the condition of a change of control as a result of a takeover bid and the subsequent effects

Various agreements – particularly certain loan agreements, supply agreements, license agreements, patent cross license agreements, investment agreements, cooperation agreements, software agreements, development agreements, and agreements or notices on public funding – contain change-of-control clauses. In particular, such clauses grant the contracting partner the option to terminate the contractual agreement ahead of schedule and/or to assert claims for damages in the event of material changes in the ownership structure of Elmos. Such clauses are common in the market.

Compensation agreements in case of a takeover bid

In case of a change of control, the members of the Management Board are entitled to terminate their respective employment contracts within three to six months from the occurrence of a change of control with three to six months' notice to the end of the month, and to resign from their duties as of the termination of their employment contracts. In the event that this right of termination is exercised, each Management Board member is entitled to compensation in the amount of the remuneration for two years, limited by the amount of the remuneration to be paid for the remaining term of the respective employment contract. Applicable is the remuneration amount paid during the most recent fiscal year. The Company is also committed to compensation payments for the post-termination effects of non-competition clauses, and it may make extraordinary special payments. In some cases, provisions have also been made regarding shareholding periods, share-price-based remuneration (with payment of two to three times the shares to be granted within the scope of the share-price-based bonus), and retirement provisions.

COMBINED NON-FINANCIAL REPORT

The combined non-financial report in accordance with Sections 289b and 315b HGB is included in the "Information for our shareholders" section of the Annual Report, which is publicly accessible on the website of Elmos Semiconductor SE (www.elmos.com/english/about-elmos/investor/financial-reports).

STATEMENT ON CORPORATE GOVERNANCE

The statement on corporate governance in accordance with Sections 289f and 315d HGB is included in the "Information for our shareholders" section of the Annual Report, which is publicly accessible on the website of Elmos Semiconductor SE (www.elmos.com/english/about-elmos/investor/financial-reports).

Dortmund, February 28, 2023

Dr. Arne Schneider | Guido Meyer | Dr. Jan Dienstuhl

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets | thousand Euro	Notes	12/31/2022	12/31/2021
Intangible assets	13	36,255	37,668
Property, plant and equipment	14	219,252	170,865
Securities	15	33,241	42,850
Investments	15	1	1
Other financial assets	20	8,806	8,379
Deferred tax assets	16	326	54
Non-current assets		**297,881**	**259,817**
Inventories	17	116,635	80,140
Trade receivables	18	67,808	39,745
Securities	15	2,210	5,492
Other financial assets	20	3,154	2,143
Other receivables	20	18,034	12,314
Income tax assets		67	599
Cash and cash equivalents	19	36,641	17,756
Current assets		**244,548**	**158,190**
Total assets		**542,428**	**418,007**

Equity and liabilities | thousand Euro	Notes	31/12/2022	12/31/2021
Share capital	21	17,700	17,700
Treasury shares	21	-581	-591
Additional paid-in capital	21	18,707	18,111
Surplus reserve		102	102
Other equity components	21	-569	-23
Retained earnings		324,433	264,146
Equity attributable to owners of the parent		**359,792**	**299,445**
Non-controlling interests		629	715
Equity		**360,421**	**300,160**
Provisions for pensions	23	0	52
Financial liabilities	24	76,436	61,527
Deferred tax liabilities	16	8,537	9,314
Non-current liabilities		**84,973**	**70,894**
Provisions	23	20,212	16,298
Income tax liabilities	25	21,441	246
Financial liabilities	24	4,521	14,581
Trade payables	26	44,209	12,071
Other liabilities	25	6,651	3,757
Current liabilities		**97,035**	**46,954**
Liabilities		**182,007**	**117,847**
Total equity and liabilities		**542,428**	**418,007**

CONSOLIDATED INCOME STATEMENT

thousand Euro	Notes	FY 2022	FY 2021
Sales	5	**447,247**	**322,091**
Cost of sales	6	-239,710	-177,424
Gross profit		**207,537**	**144,667**
Research and development expenses	6	-55,498	-48,661
Distribution expenses	6	-17,857	-16,146
Administrative expenses	6	-24,152	-19,959
Operating income before other operating expenses (-)/income		**110,029**	**59,900**
Foreign exchange gains	9	3,047	635
Other operating income	10	3,326	4,227
Other operating expenses	10	-6,271	-4,783
Earnings before interest and taxes (EBIT)		**110,131**	**59,980**
Finance income	8	804	451
Finance expenses	8	-2,388	-1,080
Earnings before taxes		**108,547**	**59,351**
Income tax		**-37,251**	**-19,463**
thereof current income tax	11	-37,859	-17,367
thereof deferred tax	11	609	-2,096
Consolidated net income		**71,297**	**39,888**
thereof attributable to owners of the parent		71,382	39,807
thereof attributable to non-controlling interests		-86	81
Earnings per share		Euro	Euro
Basic/Fully diluted earnings per share	12	4.17	2.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

thousand Euro	Notes	FY 2022	FY 2021
Consolidated net income		**71,297**	**39,888**
Items to be reclassified to the consolidated income statement in later periods including tax effects			
Foreign currency adjustments without deferred tax effect		308	174
Changes in market value of financial assets measured at market value	21	-1,681	-352
deferred tax on this item	21	552	115
Items not to be reclassified to the consolidated income statement in later periods including tax effects			
Actuarial gains from pension plans	21	408	20
deferred tax on this item	21	-134	-7
Other comprehensive income after taxes		**-547**	**-49**
Total comprehensive income after taxes		**70,750**	**39,839**
thereof attributable to owners of the parent		70,835	39,758
thereof attributable to non-controlling interests		-86	81

CONSOLIDATED STATEMENT OF CASH FLOWS

thousand Euro	Notes	FY 2022	FY 2021
Consolidated net income		71,297	39,888
Depreciation and amortization	7	43,454	31,363
Losses from disposal of non-current assets		234	321
Financial result		1,584	629
Other non-cash income (-)/expense		-609	2,096
Current income tax	11	37,859	17,367
Expense for stock awards/share matching		606	343
Changes in provisions for pensions		-52	-19
Changes in net working capital:			
Trade receivables	18	-28,063	-2,146
Inventories	17	-36,495	4,593
Other assets	20	-6,704	-8,578
Trade payables	26	26,420	2,992
Other provisions and other liabilities		6,808	-3,526
Income tax payments		-16,132	-5,245
Interest paid	8	-2,370	-929
Interest received	8	804	451
Cash flow from operating activities		**98,641**	**79,601**
Capital expenditures for intangible assets	13	-11,760	-9,649
Capital expenditures for property, plant and equipment	14	-72,105	-59,052
Payments from disposal of non-current assets		111	170
Payments from additions to scope of consolidation	32	0	64
Disposal of/Payments for (-) securities	15	11,211	-3,249
Payments for other non-current financial assets	20	-71	-1,888
Cash flow from investing activities		**-72,614**	**-73,604**
Payments from incurrence of financial liabilities	24	17,948	25,000
Payments for repayment of financial liabilities	24	-12,000	0
Share-based payment/Issue of treasury shares		0	66
Share buyback		0	-40,898
Dividend distribution	35	-11,121	-9,425
Repayment of liabilities from installment purchase		-635	-628
Repayment of lease liabilities		-1,390	-2,825
Repayment of other financial liabilities		-280	0
Other changes		27	-7
Cash flow from financing activities		**-7,451**	**-28,717**
Increase/Decrease (-) in cash and cash equivalents		**18,576**	**-22,720**
Effect of exchange rate changes of cash and cash equivalents		308	163
Cash and cash equivalents at beginning of reporting period	19	17,756	40,313
Cash and cash equivalents at end of reporting period	**19**	**36,641**	**17,756**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

												Non-controlling interests	Group
		Equity attributable to owners of the parent											
thousand Euro	Notes	Shares thousand	Share capital	Treasury shares	Additional paid-in capital	Surplus reserve	Other equity components			Retained earnings	Total		Total
							Reserve for financial assets measured at market value	Currency translation	Unrealized actuarial gains/losses (-)				
01/01/2021		**20,104**	**20,104**	**-1,986**	**57,592**	**102**	**83**	**412**	**-468**	**233,742**	**309,581**	**634**	**310,214**
Consolidated net income										39,807	39,807	81	39,888
Other comprehensive income for the period	21						-236	174	13		-49		-49
Total comprehensive income							-236	174	13	39,807	39,758	81	39,839
Share-based payment/Issue of treasury shares	21			41	25						66		66
Share buyback	21			-1,049	-39,849						-40,898		-40,898
Dividend distribution										-9,425	-9,425		-9,425
Expense for stock awards/share matching	21				343						343		343
Capital decrease by retiring treasury shares	21	-2,404	-2,404	2,404							0		0
Other changes										21	21		21
12/31/2021		**17,700**	**17,700**	**-591**	**18,111**	**102**	**-153**	**586**	**-455**	**264,146**	**299,445**	**715**	**300,160**
01/01/2022		**17,700**	**17,700**	**-591**	**18,111**	**102**	**-153**	**586**	**-455**	**264,146**	**299,445**	**715**	**300,160**
Consolidated net income										71,382	71,382	-86	71,297
Other comprehensive income for the period	21						-1,129	308	274		-547		-547
Total comprehensive income							-1,129	308	274	71,382	70,835	-86	70,750
Share-based payment/Issue of treasury shares	21			9	-9						0		0
Dividend distribution										-11,121	-11,121		-11,121
Expense for stock awards/share matching	21				606						606		606
Other changes										27	27		27
12/31/2022		**17,700**	**17,700**	**-581**	**18,707**	**102**	**-1,282**	**894**	**-181**	**324,433**	**359,792**	**629**	**360,421**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Elmos Semiconductor SE ("the Group", "the Company", or "Elmos") has its registered office in Dortmund (Germany) and is entered in the register of companies at the District Court (Amtsgericht) Dortmund, section B, under no. 31940. The Articles of Association in their current version have been in effect since the conversion as of July 1, 2020, last amended by the reduction of the Company's share capital in September 2021.

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) and technological devices with similar functions. The Company may conduct all transactions suitable for serving the object of the business directly or indirectly. The Company is authorized to 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 and the U.S. and cooperates with other German and international companies in the development and manufacture of semiconductor chips. The Company is a listed stock corporation and its shares are traded in the Prime Standard at the Frankfurt Stock Exchange.

The address of the Company's registered office is: 44227 Dortmund, Heinrich-Hertz-Straße 1.

In view of geopolitical conflicts such as the war in Ukraine as well as the ongoing global COVID-19 pandemic in 2022, the specifically critical items goodwill, intangible assets and property, plant and equipment, trade receivables and inventories were subjected to impairment tests again which did not identify any material impact on above-mentioned items.

ACCOUNTING POLICIES

1 – Principles of financial accounting

Basic information

The consolidated financial statements have been prepared in euros. Values stated in "thousand Euro" have been rounded up or down to thousand Euro according to financial rounding.

The consolidated financial statements of Elmos have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the supplementary applicable regulations of German commercial law as stipulated by Section 315e (1) HGB (Commercial Code). All of the IFRS released by the International Accounting Standards Board (IASB) in effect at the time of the preparation of the consolidated financial statements and applied by Elmos were endorsed by the European Commission for adoption in the EU.

The consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income have been prepared in accordance with IAS 1 – *Presentation of Financial Statements*. Individual items have been aggregated for improved clarity; such items are explained in the notes.

The financial statements were released for publication by Management Board resolution of February 28, 2023.

Estimates and assumptions

The most important forward-looking assumptions as well as other material sources of estimate uncertainty identified as of the end of the reporting period on the basis of which there is a considerable risk that a material adjustment of the book values of assets and liabilities will become necessary within the next fiscal year are explained in the following. Beyond the scope of the areas described below, assumptions and estimates are also necessary for valuation allowances for bad debt as well as for contingent liabilities and other provisions. In accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, changes to estimates are recognized in profit or loss as soon as new information becomes available.

Even though these estimates and assumptions have been made by management to the best of their knowledge on the basis of current events and measures, actual results may deviate from estimates made. This holds true especially in view of the COVID-19 pandemic and the war in Ukraine, causing disruptions in supply chains, sales markets and the economy as a whole. Developments during this pandemic and the events of war remain highly dynamic so that it cannot be ruled out that actual results may deviate considerably from the estimates and assumptions made within the context of these consolidated financial statements or that adjustments to the estimates and assumptions made may be necessary in future reporting periods which might have a material effect on assets and liabilities, financial position, and profit/loss of Elmos Semiconductor SE.

Impairment of goodwill

The Group reviews goodwill for impairment at least once a year. This requires an estimate of the values in use of the cash-generating units goodwill is allocated to. For an assessment of the value in use, the Company's management has to estimate the respective cash-generating unit's probable future cash flows and also choose an adequate discount rate in order to determine the net present value of these cash flows.

With respect to the assumptions on the basis of which value in use is determined, estimate uncertainty especially relates to gross margins and discount rates. Gross margins have been estimated on the basis of historical values of the past years in consideration of expected changes in demand and increases in efficiency. Discount rates reflect current market assessments and have been estimated on the basis of customary weighted average cost of capital. More detailed information can be found under notes 3 and 13.

Deferred tax assets

Deferred tax assets are recognized for all unutilized tax loss carry-forward to the extent it appears probable that taxable income will be available so that loss carry-forward can in fact be utilized. For the determination of the amount of deferred tax assets, a material discretionary decision made by the Company's management is required, based on the expected time of occurrence and the amount of taxable future income as well as future tax planning strategies. More detailed information can be found under note 16.

Pension commitments

Expenses for defined benefit pension plans are determined according to actuarial calculations. The actuarial evaluation is made on the basis of assumptions with regard to discount rates, expected returns on pension plan assets, future raises of wages and salaries, mortality, and future retirement pension increases. Due to the long-term orientation of those plans, such estimates are subject to material uncertainty. More detailed information can be found under note 23.

Development expenses

Development expenses are capitalized in accordance with the accounting policies and valuation methods described under note 3 at the best possible estimates. More detailed information can be found under note 13.

Property, plant and equipment

Items of property, plant and equipment are capitalized on the basis of the best possible estimate according to the accounting and valuation method presented under note 3. More detailed information can be found under note 14.

Leases

In addition to establishing an adequate capitalization interest rate, the valuation of rights of use as well as liabilities under leases requires assumptions with respect to other parameters or rather the probability and dates of entry or exercise. The Group cannot readily determine the interest rate the lease is based on in the individual case. Therefore the Group also applies its incremental borrowing rate for measuring lease liabilities. That is the interest the Group would have to pay if it borrowed the funds over a comparable term at comparable security it would require in a similar economic environment for an asset with a value similar to the right of use. Some leases include purchase options/renewal options that can be exercised by the Group prior to expiry of the noncancelable term. The Group evaluates as of the provision date if the exercise of such options is likely. Depending on this assessment, the lease's underlying useful life is determined. More detailed information on leases can be found under notes 3 and 14.

Amended standards

The accounting policies applied generally correspond to those applied in the previous year. Exceptions were the following amendments to standards subject to first-time mandatory application for fiscal year 2022.

Amendments to standards	First-time mandatory adoption in the EU	Effects on Elmos
Amendments to IAS 16 – *Property, plant and equipment:* Proceeds before Intended Use	01/01/2022	Immaterial
Amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022	Immaterial
Amendments to IFRS 3 – *Business Combinations:* Reference to the Conceptual Framework	01/01/2022	Immaterial
Improvements to IFRS 2018-2020	01/01/2022	Immaterial

Amendments to standards voluntarily applicable in advance (EU endorsed)

The IASB has released the following amendments to standards that have already been incorporated into EU law within the framework of the comitology procedure but were not yet subject to mandatory application in fiscal year 2022. The Group does not apply these amendments to standards in advance.

Standards/Amendments to standards	First-time mandatory adoption in the EU	Effects on Elmos
Amendments to IAS 1 – *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting Policies	01/01/2023	Immaterial
Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates	01/01/2023	Immaterial
Amendments to IAS 12 – *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	Immaterial
IFRS 17 – *Insurance Contracts* and Amendments to IFRS 17 – *Insurance Contracts*	01/01/2023	None
Amendments to IFRS 17 – *Insurance Contracts:* Initial Application of IFRS 17 and IFRS 9 — Comparative Information	01/01/2023	None

Standards and amendments to standards not yet applicable in the EU (not yet EU endorsed)

The IASB has released the following standards and amendments to standards that were not yet subject to mandatory application in fiscal year 2022. These standards and amendments to standards have so far not been endorsed by the EU and are therefore not adopted by the Group.

Amendments to standards	First-time mandatory adoption according to IASB	Effects on Elmos
Amendments to IAS 1 – *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current	01/01/2023	Immaterial
Amendments to IAS 1 – *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current, Deferment of Effective Date	01/01/2024	Immaterial
Amendments to IAS 1 – *Presentation of Financial Statements:* Non-current Liabilities with Covenants	01/01/2024	Immaterial
Amendments to IFRS 16 – *Leases:* Lease Liability in a Sale and Leaseback	01/01/2024	Immaterial

2 – Principles of consolidation

Scope and methods of consolidation

In addition to Elmos Semiconductor SE, the consolidated financial statements prepared for fiscal year 2022 include all entities whose voting rights Elmos has the direct or indirect majority of, or based on other rights in cases of control over the entity as defined by IFRS 10 – Consolidated Financial Statements. Capital consolidation is based on the purchase method: The investments' acquisition values are set off against the proportionate balance of assets and liabilities acquired at their respective time values. As of the acquisition date, identifiable assets and liabilities are fully accounted for at their respective fair values. The balance of any remaining asset difference is stated as goodwill.

The separate financial statements of the entities included in the consolidated financial statements of Elmos are stated in correspondence to the reporting date of the consolidated financial statements. All material receivables and liabilities as well as transactions between consolidated entities have been eliminated in the consolidated financial statements. A list of the subsidiaries included in the consolidated financial statements can be found under note 32.

Foreign currency translation and foreign currency transactions

The functional currency of Elmos and its European subsidiaries is the euro. The consolidated financial statements have been prepared in euros. Assets and liabilities denominated in foreign currencies are generally translated at the closing exchange rate as of the reporting date.

With regard to subsidiaries whose functional currency is the national currency of the respective country in which the subsidiary keeps its registered office, assets and liabilities entered in foreign currency in the statements of financial position of the economically independent international subsidiaries are translated into euros at the closing exchange rates as of the respective reporting dates. Income and expense items are translated at average exchange rates over the underlying period. Differences resulting from the measurement of equity at historical rates and closing rates as of the end of the reporting period are recognized outside profit or loss as changes in equity under "Other equity components."

The Company occasionally enters into forward exchange contracts and currency option transactions to hedge foreign currency transactions for periods consistent with committed exposures. These hedging activities reduce the impact of foreign exchange rate fluctuations on the Company's profit position. The Company is not involved in speculative transactions. For the total realized and unrealized foreign exchange gains or losses from currency hedges during fiscal year 2022, please refer to note 29.

Statement of cash flows

The cash flow statement shows how cash and cash equivalents have changed in the course of the fiscal year by inflows and outflows of funds. The effects of acquisitions and divestitures as well as other changes to the scope of consolidation have been considered.

In accordance with IAS 7, the statement distinguishes between cash flows from operating activities, investing activities and financing activities. Finance expenses and finance income recognized in the consolidated income statement essentially correspond to the amounts paid.

3 – Accounting and valuation principles

Sales

The Company generates sales primarily by selling ASICs and ASSPs as well as by their development. Sales are stated net of sales tax after deduction of any discounts given.

Sales are recognized at the time products are shipped to the customer or at the time the risk of loss passes to the customer, i.e. at the time the customer is able to determine the use of the transferred goods or services and to essentially reap the benefits of use. Within the framework of consignment warehousing agreements, sales are recognized either at the time of acceptance by the customer or at the time the consignment warehouse is stocked up, depending on the time of the passing of risk. Thus sales from all product shipments are recognized with respect to certain points in time. The same applies to sales from development activities which are recognized upon reaching contractually defined milestones. Sales equal the transaction price which Elmos is probably entitled to claim. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reduction of sales as soon as the uncertainty with respect to the variable consideration ceases to exist.

There is no significant financing component as a customary term of payment of 30 to 60 days is agreed on.

Goodwill

Goodwill from business acquisitions is not amortized but reviewed for recoverability at least once a year. In addition to that, an impairment test is made if special events or market developments indicate that the fair value of a reporting unit might have fallen below its book value. As of the acquisition date, the acquired goodwill is allocated to the cash-generating unit (CGU) expected to benefit from the business combination's synergy effects.

Impairment is identified by determining the recoverable amount of the CGU the goodwill is allocated to. If the recoverable amount of the CGU is below its book value, impairment of goodwill needs to be recognized. The recoverable amount is the higher of the two amounts of fair value less cost to sell and value in use.

All goodwill is allocated to the respective CGUs. For that purpose, each subsidiary usually represents one CGU.

The determination of the CGU's recoverable amount is based on value in use. For each CGU, future cash flows are determined on the basis of long-term planning which involves a period of five years. Based on a growth rate of 0.5%, the same as applied in the previous year, the net present value of these future cash flows is then calculated by way of discounting.

Other intangible assets

In accordance with IAS 38, intangible assets originating from development are capitalized only if, among other criteria, it is a) sufficiently probable that the Company will receive the asset's future economic benefit and b) if the asset's cost can be measured reliably. These criteria do apply to capitalized development projects in connection with the development of ASICs. Projects are also capitalized if they are not yet linked to customer orders (ASSPs). Their recoverability is reviewed annually by the Company. Depreciation begins after the development stage is completed or rather at the start of pilot series production.

Development expenses are capitalized after technological feasibility or realizability is provided (so-called QB1 status). Cost is amortized as of the start of production (so-called QB3 status) on a straight-line basis over the estimated useful life of three to seven years. Expenses for the in-house development of design and process technology are capitalized insofar as all conditions in accordance with IAS 38 are met. Expenses are amortized under the straight-line method over the shortest respective period of the estimated useful life of the technology, the patent protection term or the term of the contract, yet for no longer than 20 years. Acquired intangible assets are recognized at cost and amortized over their estimated useful lives of 3 to 20 years under the straight-line method.

Amortization is entered in the consolidated income statement (cf. note 7). There were no other intangible assets with indefinite useful lives in fiscal year 2022 or fiscal year 2021.

Property, plant and equipment

Items of property, plant and equipment are generally capitalized at acquisition or production cost. Items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method as follows:

-> Buildings: 25 to 50 years
-> Building improvements: 8 to 10 years
-> Technical equipment and machinery/Factory and office equipment: 5 to 15 years

If the book value exceeds the expected recoverable amount, impairment loss is recognized for that value in accordance with IAS 36.

Upon the sale or disposal of items of property, plant and equipment, corresponding acquisition cost and corresponding accumulated depreciation are eliminated from the respective accounts. Gains or losses from the disposal of property, plant and equipment are reported as other operating income or expenses. Costs for maintenance and repair are entered in the consolidated income statement as expense.

Leases

The Group assesses at contract inception whether a contract originates or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time against payment. The Group recognizes the right of use of the underlying asset and liabilities for lease payments.

Rights of use: The Group recognizes rights of use as of their provision date, i.e. the date on which the underlying asset is available for use. Rights of use are measured at acquisition cost less all accumulated depreciation and all accumulated impairment loss. Expenses for rights of use comprise recognized lease liabilities, initial direct costs incurred and lease payments made at or prior to provision less any lease incentives. Subsequently the right of use is subject to straight-line deprecation from the provision date until the expiry of the lease term unless ownership of the underlying asset is transferred to the Group as of the completion of the lease term or expenses for the right of use make allowance for the fact that the Group will exercise a purchase option. In that case the right of use is depreciated over the useful life of the underlying asset identified according to the provisions for property, plant and equipment. In addition to that, the right of use is continuously adjusted for impairment if necessary and adjusted for certain revaluations of the lease liabilities. The Group reports rights of use that do not meet the definition of investment property under property, plant and equipment in the consolidated statement of financial position.

Lease liabilities: As of the provision date, the Group recognizes lease liabilities at the present value of the lease payments to be made over the term of the lease, discounted with the interest rate underlying the lease or, if that interest rate cannot be readily determined, with the Group's incremental borrowing rate. Lease payments comprise fixed payments and also include the exercise price of a purchase option if it is reasonably assured that the Group will actually exercise the option, lease payments for a renewal option if the Group is reasonably certain it will exercise the option, and penalty payments for premature termination of the lease unless the Group is reasonably certain it will not terminate prematurely. Any lease liability is measured at amortized book value under the effective interest method. It is remeasured if the future lease payments change due to changes in index or interest rates, if the Group adjusts its estimate for probable payments within the context of a residual value guarantee, if the Group changes its assessment on the exercise of a purchase, renewal or termination option, or if a de-facto fixed lease payment changes. Lease liabilities are reported under non-current or current financial liabilities in the consolidated statement of financial position.

Investments

Investments represent interests in entities over which Elmos has neither control nor significant influence. Investments for which there is a quoted market price are classified as "at fair value through other comprehensive income (no recycling)" and measured at that value. Investments for which there is no active market are also classified as "at fair value through other comprehensive income (no recycling)" and measured at amortized cost. Insofar it is assumed that the book value equals the market value.

Financial instruments

According to IFRS 9, a financial instrument is a contract that originates a financial asset for one entity and a financial liability or an equity instrument for another entity. Considering their nature, financial instruments are classified into the following categories:

-> Financial assets and liabilities measured at (amortized) cost
-> Financial assets and liabilities measured at fair value

Regular purchase and sale transactions are entered as of settlement date.

With the exception of trade receivables, Elmos measures a financial asset or financial liability at fair value upon first-time valuation. Subsequent measurement corresponds to the business model to which the financial asset or liability is attributed as well as the characteristics of the contractual cash flows of the financial asset or liability:

-> Hold and sale
-> Hold
-> Trade
-> Financial liabilities at amortized cost
-> Financial liabilities at fair value through profit or loss

The financial instruments accounted for at Elmos include, among others, liquid assets, securities, trade receivables, trade payables, forward exchange contracts, and other outside financing.

Financial assets and liabilities

Elmos classifies financial assets for subsequent measurement as measured either at amortized cost, outside profit or loss at fair value through other comprehensive income, or at fair value through profit or loss. This classification is made on the basis of the business model applied by Elmos for controlling the financial assets and on the characteristics of the respective financial asset's contractual cash flows

If the financial asset is held within the framework of a business model aimed at holding financial assets for the purpose of collecting contractual cash flows and if the terms of the contract provide for cash flows at predetermined points in time that represent solely principal payments and interest payments on the outstanding principal amount, the financial asset is measured at amortized cost.

Elmos measures a financial asset outside profit or loss at fair value through other comprehensive income if both of the following conditions are met: The business model aims at collecting contractual cash flows as well as selling financial assets and the terms of the contract provide for cash flows at predetermined points in time that represent solely principal payments and interest payments on the outstanding principal amount.

All other financial assets neither measured at amortized cost nor outside profit or loss at fair value through other comprehensive income are measured at fair value through profit or loss.

Elmos measures financial liabilities, with the exception of derivative financial instruments, at amortized cost in applying the effective interest method.

The Group has so far made no use of the option to designate financial assets and financial liabilities as financial assets and liabilities at fair value through profit or loss upon their first-time recognition (fair value option).

Derivative financial instruments

Elmos utilizes derivative financial instruments such as currency option transactions and forward exchange contracts in order to hedge against currency risk. Such derivative financial instruments are accounted for at fair value. Changes in fair value of derivative financial instruments are recognized through profit or loss in the consolidated income statement.

Inventories

Inventories are measured at acquisition or production cost or at the lower recoverable net value as of the reporting date. In addition to directly attributable cost, production cost also includes manufacturing cost and overhead as well as depreciation. Overhead costs are recognized as fixed amounts on the basis of the production facilities' usual utilization. Costs of unused production capacity (idle capacity costs) are reported in the consolidated income statement under cost of sales. Inventory allowances are made insofar as acquisition or production cost exceeds the expected recoverable net sales proceeds.

Trade receivables

Trade receivables as well as other receivables are generally recognized at face value in consideration of adequate allowances. The valuation allowance for bad debt comprises to a considerable degree estimates and assessments of individual receivables based on the respective customer's credit rating, current economic developments and the analysis of historical bad debt loss on portfolio basis.

Cash and cash equivalents (liquid assets)

Liquid assets comprise cash on hand, checks and cash in banks.

Provisions

Provisions are made for legal or factual obligations with historical origins if it is probable that the sufficiently reliable fulfillment of the obligation will lead to an outflow of the Group's resources and if a reliable estimate of the amount of the obligation can be made.

Recurring net pension expenses according to IAS 19 are made up of different components, reflecting different aspects of the Company's financial agreements as well as the expense for the benefits received by the employees. These components are determined by using the actuarial cost method on the basis of actuarial assumptions as stated under note 23.

The accounting principles provide that:

-> all benefit improvements the Company is committed to as of the current valuation date are reflected in the planned benefit obligation, and

-> actuarial gains and losses are directly recognized outside profit or loss in other comprehensive income.

Adequate provisions for warranty and product liability claims are made in individual cases upon risk assessment with respect to sales-oriented as well as legal consequences. Provisions for restructuring measures are entered when the Group has adopted a detailed and formal restructuring plan and restructuring measures have either begun or have been publicly announced.

Income tax

Current tax assets and tax liabilities for the current period and previous periods are measured at the amounts expected for tax refunds to be collected from the tax authorities or rather tax payments to be made to the tax authorities. The calculation of these amounts is based on the tax rates and tax laws in effect as of the reporting date in those countries in which the Group operates and generates taxable income.

Deferred taxes are determined under the liability method. Deferred income taxes reflect the net tax expense/income of temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their respective tax values. The calculation of deferred tax assets and liabilities is carried out on the basis of the tax rates expected as applicable for the period in which an asset is realized or a debt is paid. The measurement of deferred tax assets and liabilities considers the tax effects resulting from the way an entity expects to realize its assets' carrying amounts or pay its debts as of the reporting date.

Deferred tax assets and liabilities are recognized regardless of the point in time at which the temporary accounting differences are expected to reverse. Deferred tax assets and liabilities are not discounted and they are reported in the statement of financial position as non-current assets or non-current liabilities.

A deferred tax asset is recognized for all deductible temporary differences to the extent it is probable that taxable income will be available against which the temporary difference can be offset. As of each reporting date, the Company assesses deferred tax assets not accounted for anew. The Company recognizes a deferred tax asset previously unaccounted for to the extent it has become probable that future taxable income will allow the deferred tax asset's realization. In the opposite case, the deferred tax asset's book value is reduced to the extent it appears no longer probable that there will be sufficient taxable income in order to make use of the benefit of the deferred tax asset either in its entirety or in part.

Current taxes and deferred taxes are charged or credited directly to equity if the tax relates to items credited or charged directly to equity in the same period or in another period.

No deferred tax liabilities incur to the extent that non-distributed profits of foreign investments are to remain invested in that entity for an incalculable period of time. Deferred tax liabilities are recognized for all taxable temporary differences insofar as the deferred tax liability does not result from goodwill which does not allow for amortization for tax purposes.

No deferred tax liabilities incur upon the first-time recognition of goodwill from business combinations. Deferred tax assets also include tax relief claims resulting from the expected utilization of loss carry-forwards and tax credits in the following years insofar as their realization is assured with sufficient reliability.

Deferred tax is determined on the basis of the tax rates in effect at or expected for the time of realization according to the respective countries' current legal situation.

Sales tax

Income, expenses and assets are recognized net of sales tax, with the exception of the following cases:

-> If the sales tax incurred upon the acquisition of assets or the claiming of services cannot be reclaimed from the tax authorities, the sales tax is recognized as part of the asset's production cost or as part of expenses.

-> Receivables and liabilities are recognized inclusive of sales tax.

The sales tax amount to be refunded by or paid to the tax authorities is recognized in the statement of financial position under receivables or liabilities respectively.

Government grants

Government grants or subsidies are recognized if it is reasonably assured that the grants are given and that the Company fulfills the corresponding conditions. Grants linked to expenses are recognized on schedule as income over the period that is required to offset them against the corresponding expenses they are meant to compensate. Grants for an asset are recognized in the statement of financial position as reduction of acquisition cost. More detailed information can be found under note 30.

Borrowing costs

Borrowing costs directly attributable to an asset's acquisition, construction or manufacture and for which a considerable period of time is required to be put into the intended state for use or sale are capitalized as part of the respective asset's acquisition or production cost with respect to all qualified assets the construction or manufacture of which has been started on or after January 1, 2009. All other borrowing costs are stated as expense for the period in which they incur. Borrowing costs are interest expense and other costs an entity incurs in connection with borrowing outside capital.

NOTES TO GEOGRAPHIC INFORMATION

4 – Geographic information

The geographic segment "EU countries" basically includes all member states of the European Union as of the respective reporting date. European countries that are currently not members of the European Union are included in the segment "Other countries."

Third-party sales are broken down according to the customers' delivery locations. Deviating from previous years, third-party sales generated with customers in the U.S. are not reported separately anymore but instead included in sales reported for "Americas." Prior-year amounts have been adjusted accordingly.

Third-party sales | thousand Euro	FY 2022	FY 2021[1]
Germany	59,267	58,235
Other EU countries	83,962	73,952
Americas	31,739	24,081
Asia/Pacific	255,484	155,834
Other countries	16,795	9,989
Sales	**447,247[2]**	**322,091[3]**

[1] Prior-year breakdown has been adjusted
[2] Thereof Hong Kong with sales of 76,236 thousand Euro (17.0% of total sales)
[3] Thereof Hong Kong with sales of 34,008 thousand Euro (10.6% of total sales)

Sales generated with one major customer accounting for more than 10% of sales amount to 44.8 million Euro (2021: two major customers with sales of 33.8 and 33.6 million Euro respectively).

Geographic breakdown of non-current assets | thousand Euro	12/31/2022	12/31/2021[1]
Germany	248,275	241,722
Other EU countries	1,153	1,333
America	289	340
Asia/Pacific	39,001	7,935
Other countries	31	54
Non-current assets	**288,749**	**251,384**

[1] Prior-year breakdown has been adjusted.

The semiconductor business represents Elmos Group's sole business segment.

NOTES TO THE CONSOLIDATED INCOME STATEMENT AND THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5 – Sales

The Company generates sales by selling semiconductors as well as by developing them (please also refer to the geographic segment breakdown under note 4).

thousand Euro	FY 2022	FY 2021	Change
Sales	447,247	322,091	125,156

Sales have increased 38.9% over the previous year. In 2022, the semiconductor market grew once again due to strong demand for electronic products in many sectors despite continued bottlenecks and logistical issues.

6 – Notes to the consolidated income statement according to the cost of sales method

Cost of sales

The cost of sales contains costs of performances rendered toward the generation of sales. In addition to direct material costs, direct labor costs and special direct costs, the cost of sales also includes manufacturing and material overhead as well as depreciation. Moreover, cost of sales includes changes in work in process and finished goods inventories and can be broken down as follows:

thousand Euro	FY 2022	FY 2021
Material costs	-159,067	-98,748
Personnel expense	-40,698	-37,353
Other overhead	-44,327	-36,344
Changes in inventories	4,382	-4,978
Cost of sales	**-239,710**	**-177,424**

Due to higher demand in the automotive industry, significantly higher even than in the previous year, and the resulting higher production output, an increase in material costs by the amount of 60,319 thousand Euro was recorded. Raises in wages and salaries reflect a higher personnel expense by 3,345 thousand Euro compared to the previous year. Other overhead went up 7,983 thousand Euro from fiscal year 2021 primarily due to higher depreciation expense. The item “Changes in inventories” shows a significant increase from the previous year primarily because of increased foundry deliveries.

Research and development expenses

Substantial expenses regularly incur with regard to research and development projects carried out in anticipation of future sales. Research expenses are recognized in profit/loss according to the amount of work invested. Development expenses are capitalized depending on the project and then amortized or – insofar as capitalization requirements are not met – recognized in profit/loss. In fiscal year 2022, R&D expenses of 55,498 thousand Euro (2021: 48,661 thousand Euro) were recognized as expense.

Distribution expenses

Distribution expenses in the amount of 17,857 thousand Euro (2021: 16,146 thousand Euro) essentially include expenses for personnel, travel cost, consulting fees and depreciation.

Administrative expenses

Administrative expenses of 24,152 thousand Euro (2021: 19,959 thousand Euro) include personnel expense for staff in administration as well as proportionate personnel expense for the Management Board members. Other material items are expenses for depreciation and insurance as well as legal and consulting fees.

7 – Additional information on the consolidated income statement according to the cost of sales method

Within the scope of the presentation of the consolidated income statement in accordance with the cost of sales method, expenses are allocated with regard to functional areas. Cost of sales, distribution expenses, administrative expenses and research and development expenses contained the following cost types as indicated below:

Material costs

Material costs amounted to 166,296 thousand Euro in the year under review and are up 59,323 thousand Euro from the previous year in line with the increase in sales (2021: 106,973 thousand Euro). They include expenses for raw materials, supplies, consumables and services claimed.

Personnel expense

Personnel expense went up 11,656 thousand Euro compared to the previous year. The number of employees – based on an average employment ratio – went up from 1,151 in fiscal year 2021 to 1,176 in fiscal year 2022 (+2.2%). Apart from slightly increased staff numbers, the increase in personnel expense is accounted for by raises in wages and salaries. Further staff information can be found under note 38.

thousand Euro	FY 2022	FY 2021
Wages and salaries	-89,198	-78,435
Social security expense	-14,609	-13,660
Pension plan expense	-58	-114
Personnel expense	**-103,865**	**-92,209**

Depreciation and amortization

The breakdown of depreciation and amortization can be gathered from the development of the Group's non-current assets (please refer to notes 13 and 14).

Depreciation, amortization and write-downs due to impairment amounted to 43,454 thousand Euro in the year under review (2021: 31,363 thousand Euro), equivalent to an increase by 12,091 thousand Euro (among other factors due to the impairment of goodwill in the amount of 4,676 thousand Euro). Due to the application of the cost of sales method, depreciation of property, plant and equipment and amortization of intangible assets have been allocated to the items "Cost of sales," "Research and development expenses," "Distribution expenses" and "Administrative expenses" in the consolidated income statement.

8 – Finance income and expenses

thousand Euro	FY 2022	FY 2021
Interest income	804	451
Other finance income	0	0
Finance income	**804**	**451**
Interest expense for lease liabilities	-101	-85
Other interest expense	-2,287	-920
Other finance expenses	0	-75
Finance expenses	**-2,388**	**-1,080**

The increase in other interest expense results from the disposal of securities prior to maturity.

Finance income and expenses entered in the consolidated income statement essentially correspond to the amounts paid.

The total amounts of interest income and interest expense for financial assets and financial liabilities measured at fair value outside profit or loss are as follows:

thousand Euro	FY 2022	FY 2021
Interest income	804	451
Interest expense	-2,287	-930
Interest result	**-1,483**	**-479**

9 – Foreign exchange gains

Foreign exchange gains from exchange rate changes recognized through profit/loss amount to 3,047 thousand Euro in fiscal year 2022 (2021: 635 thousand Euro).

Exchange rate changes cumulatively attributable to the owners of the parent and recognized outside profit or loss amount to 894 thousand Euro in fiscal year 2022 (2021: 586 thousand Euro), considering corresponding deferred tax. Further information on changes in foreign currency exchange rates recognized outside profit or loss can be found under note 21.

10 – Other operating income and expenses

Other operating income in the amount of 3,326 thousand Euro (2021: 4,227 thousand Euro) includes, among other items, income from the reversal of provisions in the amount of 1,743 thousand Euro (2021: 2,675 thousand Euro), income from passenger car use in the amount of 889 thousand Euro (2021: 720 thousand Euro), income from the sale of assets in the amount of 25 thousand Euro (2021: 58 thousand Euro), other prior-period income in the amount of 476 thousand Euro (2021: 186 thousand Euro), and various individual items.

Other operating expenses of 6,271 thousand Euro (2021: 4,783 thousand Euro) essentially include, at 4,676 thousand Euro (2021: 0 thousand Euro), expenses due to the impairment of goodwill within the Group (please also refer to note 13). In the previous year, other operating expenses were primarily linked to the planned sale of the wafer fab (3,067 thousand Euro). Apart from that, other operating expenses include land charges in the amount of 340 thousand Euro (2021: 356 thousand Euro), other prior-period expenses in the amount of 200 thousand Euro (2021: 251 thousand Euro), accounting loss from the disposal of non-current assets in the amount of 258 thousand Euro (2021: 364 thousand Euro), expenses in the amount of 500 thousand Euro linked to provisions for personnel (2021: 360 thousand Euro), and various individual items.

11 – Income tax

Current taxes on income either paid or owed as well as corresponding deferred taxes are reported as income tax.

thousand Euro	FY 2022	FY 2021
Current income tax	**-37,859**	**-17,367**
Germany	-37,684	-16,933
Outside Germany	-175	-434
Thereof taxes from previous years	*0*	*18*
Deferred tax	**609**	**-2,096**
Germany	604	-2,108
Outside Germany	5	12
Thereof taxes from previous years	*0*	*0*
Income tax	**-37,251**	**-19,463**

Deferred tax has been calculated under the so-called liability method pursuant to IAS 12. For Germany, the combined income tax rate of 32.805% (2021: 32.805%) has been applied. The Company's combined income tax rate includes the trade tax collection rate of 485% (2021: 485%), the corporate tax rate of 15.0% (2021: 15.0%), and the solidarity surcharge of 5.5% (2021: 5.5%). With respect to the international subsidiaries, respective country-specific tax rates have been applied for the calculation of deferred tax.

Deferred taxes are determined for temporary differences between the book values of assets and liabilities in the consolidated financial statements and the tax statements in the separate financial statements. The deferral of taxes shows tax assets and liabilities that result from the approximation of book value differences over time. Material components of the Company's deferred tax assets and liabilities are described under note 16.

The differences between the statutory tax rate and the effective tax rate applied for the Company are as follows:

in %	FY 2022	FY 2021
Statutory tax rate	32.81	32.81
Foreign tax rate differential	-0.16	0.25
Expenses disallowable against tax	0.08	0.13
Trade tax additions/cuts	0.13	0.19
Permanent differences	1.41	0.00
Taxes from previous years	0.00	-0.03
Tax rate changes	0.00	-0.04
Tax-free income	0.00	-0.25
Others	0.05	-0.26
Effective tax rate	**34.32**	**32.80**

12 – Earnings per share

Basic earnings per ordinary share are calculated on the basis of the weighted average number of ordinary shares outstanding in the respective fiscal year. Diluted earnings per ordinary share are calculated under the so-called treasury stock method on the basis of the weighted average number of ordinary shares outstanding plus all stock options with dilutive potential.

Reconciliation of shares | number of shares	FY 2022	FY 2021
Weighted average number of ordinary shares outstanding	17,112,849	17,804,028
Stock options with dilutive potential (calculation according to IAS 33.45 et seq.)	0	0
Calculation of earnings per share | Euro		
Consolidated net income attributable to owners of the parent	71,382,083	39,807,324
Basic earnings per share	4.17	2.24
Fully diluted earnings per share	4.17	2.24

The weighted average number of shares in 2022 and 2021 respectively includes the weighted average effect of changes from transactions with treasury shares.

There was no dilutive effect in 2022 or 2021 anymore as all stock option plans expired in 2019. In the period between the reporting date and the preparation of the consolidated financial statements, Elmos did not carry out any share buyback transactions.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

13 – Intangible assets

thousand Euro	Goodwill	Development projects		Software and licenses and similar rights and assets		Payments on account and projects under development		Total
Acquisition and production cost		In-house effort	Purchase	In-house effort	Purchase	In-house effort	Purchase	
12/31/2020	**3,671**	**30,478**	**2,845**	**7,562**	**25,091**	**8,636**	**3,775**	**82,058**
Foreign currency adjustments	0	0	0	0	1	0	0	1
Additions	3,734	265	0	0	1,041	6,755	1,670	13,465
Transfers	0	5,808	263	0	37	-5,808	-333	-33
Disposals	0	0	0	0	-68	-692	-83	-843
12/31/2021	**7,405**	**36,551**	**3,108**	**7,562**	**26,102**	**8,891**	**5,029**	**94,648**
Foreign currency adjustments	0	0	0	0	0	0	0	0
Additions	0	1,366	383	0	685	7,608	1,747	11,789
Transfers	0	3,504	2,197	0	131	-3,504	-2,231	97
Disposals	0	-198	0	0	-4	-342	-213	-757
12/31/2022	**7,405**	**41,223**	**5,688**	**7,562**	**26,914**	**12,653**	**4,332**	**105,777**
Depreciation and amortization								
12/31/2020	**806**	**22,223**	**517**	**7,562**	**19,715**	**1,034**	**0**	**51,857**
Foreign currency adjustments	0	0	0	0	1	0	0	1
Additions	0	3,220	608	0	2,050	0	0	5,878
Disposals	0	0	0	0	-65	-692	0	-757
12/31/2021	**806**	**25,443**	**1,125**	**7,562**	**21,701**	**342**	**0**	**56,979**
Foreign currency adjustments	0	0	0	0	0	0	0	0
Additions	4,676	5,123	709	0	1,709	869	0	13,086
Disposals	0	-198	0	0	-4	-342	0	-544
12/31/2022	**5,482**	**30,368**	**1,834**	**7,562**	**23,406**	**869**	**0**	**69,521**
Book value 12/31/2021	6,599	11,108	1,983	0	4,401	8,549	5,029	37,668
Book value 12/31/2022	**1,923**	**10,855**	**3,854**	**0**	**3,508**	**11,784**	**4,332**	**36,255**

thousand Euro	12/31/2022	12/31/2021
Elmos Semiconductor SE (formerly Elmos France S.A.S.)	0	1,615
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg	0	1,250
Online Engineering GmbH (please also refer to note 32)	1,923	3,734
Goodwill	**1,923**	**6,599**

In accordance with IFRS 3 B63(a) in conjunction with IAS 38 and IAS 36, goodwill is not amortized but reviewed for impairment at least once a year. Measurement is based on the cash generating units the respective goodwill is attributed to. Subsidiary Elmos France S.A.S., Levallois Perret/France, left Elmos Group's scope of consolidation effective March 30, 2012. Elmos Semiconductor SE is the legal successor with respect to the subsidiary's assets and liabilities accounted for. The goodwill attributed to the former subsidiary has been reviewed at the level of Elmos Semiconductor SE since that transaction.

For the purpose of the impairment test in accordance with IAS 36, the Group determines the recoverable amount on the basis of value in use. Forecasts are based on free cash flows which in turn are based on detailed planning adopted by management, considering the Company's own empirical data as well as external general economic data. The forecasts are based both on historical values and the general market performance expected for the future. Determining value in use implies estimation uncertainty with respect to individual sales and cost planning as approved by management. Material parameters are established in the context of bottom-up planning by the subsidiaries and business divisions. Methodically, the detailed planning phase comprises a five-year planning period from 2023 to 2027. For the value added from 2028 onwards, it is enhanced by the perpetual annuity which is based on an annual growth rate of 0.5% (as applied in the previous year).

Further basic assumptions for the calculation of value in use

Gross margins – Gross margins are generally determined on the basis of the average values generated over the previous fiscal years before the beginning of the planning period. These margins are increased in the individual case by expected efficiency increases in the course of the detailed planning period. For the individual cash generating units, gross margins with different bandwidths are taken as a basis. The budgeted annual performance of the gross margins was established individually for each cash generating unit, considering decreasing as well as increasing gross margins in the detailed planning period.

Development of prices for raw materials – Raw material price developments of the past are regarded as indicative of future price developments. Forecast data are used only if they are accessible to the public.

Assumptions on market shares – These assumptions are relevant insofar as management assesses – as it does in establishing assumptions on growth rates – how the positions of the individual entities might change in relation to their competitors during the budgeting period. Management anticipates steady market shares in probably growing markets.

Discount rates – The pre-tax interest rate applied to the existing goodwill of Online Engineering GmbH was determined under the capital asset pricing model (CAPM) and comes to 14.9% before growth rate deduction. The cost of capital of 2.0% is based on a risk-free interest rate plus a market risk premium of 6.75% multiplied by an entity specific equity beta based on a so-called levered beta of 1.26. The interest rate corresponds to the weighted average cost of capital. All values stated are derived from market data.

Impairment tests conducted in 2022 established for Elmos Semiconductor SE, MAZ (merged into Elmos Semiconductor SE) and Online Engineering that the recoverable amounts of the respective units were below the corresponding book values. Ultimately the respective goodwill of Elmos and MAZ was written off in full while the goodwill of Online Engineering was subject to pro rata write-down.

Elmos has conducted a sensitivity analysis, examining the effects of the simultaneous reduction of budgeted earnings before interest and taxes (EBIT) in all planning periods beginning in 2023 by 10% compared to the adopted corporate budgets, a weighted average cost of capital increased by another 1.0 percentage point, and a reduction of the growth rate for perpetual annuity to 0.0% with respect to the recoverability of goodwill of Online Engineering GmbH. This sensitivity analysis shows that from today's viewpoint there would be need for impairment of the still existing goodwill in the amount of 965 thousand Euro under these changed assumptions.

Other intangible assets

Development projects

In 2022, expenses linked to product developments were capitalized as development projects and projects under development in the amount of 10,882 thousand Euro (2021: 8,689 thousand Euro). The resulting ratio of capitalized development expenses to total research and development expenses incurred in the Group comes to approx. 16.4% (2021: 15.2%). Depreciation of capitalized developments amounted to 6,701 thousand Euro in 2022 (2021: 3,828 thousand Euro), thereof extraordinary write-down in the amount of 2,509 thousand Euro (2021: 0 thousand Euro). The book value of capitalized development efforts (including projects under development) is 30,603 thousand Euro as of December 31, 2022 (2021: 26,635 thousand Euro).

Software and licenses and similar rights and assets

In 2022 as in the year before, no expenses for process technology were capitalized. Amortization came to 207 thousand Euro in 2022 (2021: 207 thousand Euro). As of December 31, 2022, the book values for process technology capitalized as non-current assets added up to 362 thousand Euro (December 31, 2021: 569 thousand Euro).

Other information

Costs linked to research and development projects are charged to expenses to the extent in which they incur, provided they do not meet the criteria for capitalization under IAS 38.57. Research and development expenses of 4,643 thousand Euro were reimbursed by customers in 2022 (2021: 6,330 thousand Euro) and reported under consolidated sales.

14 – Property, plant and equipment

thousand Euro	Land	Buildings and building improve-ments	Buildings and building improve-ments – right of use	Technical equipment and machinery/ Factory and office equipment	Technical equipment and machinery/ Factory and office equipment-right of use	Payments on account and construction in process	Total
Acquisition and production cost							
12/31/2020	**4,934**	**45,581**	**2,303**	**233,871**	**8,218**	**4,017**	**298,924**
Foreign currency adjustments	0	0	0	35	38	0	73
Additions	962	3,412	7,247	42,818[1]	858	11,530	66,827
Transfers	0	191	0	3,293	0	-3,451	33
Disposals	0	-20	-418	-15,930	-308	0	-16,676
12/31/2021	**5,896**	**49,164**	**9,132**	**264,087**	**8,806**	**12,096**	**349,181**
Foreign currency adjustments	0	0	0	16	38	0	54
Additions	0	1,537	880	54,553	290	21,701	78,961
Transfers	0	1,094	0	10,872	0	-12,062	-96
Disposals	0	-645	0	-14,992	-487	0	-16,124
12/31/2022	**5,896**	**51,150**	**10,012**	**314,535**	**8,647**	**21,735**	**411,975**
Depreciation and amortization							
12/31/2020	**0**	**23,857**	**289**	**142,592**	**1,819**	**0**	**168,557**
Foreign currency adjustments	0	0	0	32	10	0	42
Additions	0	1,727	140	22,333	1,285	0	25,485
Transfers	0	0	0	0	0	0	0
Disposals	0	-21	-48	-15,254	-445	0	-15,768
12/31/2021	**0**	**25,563**	**381**	**149,703**	**2,669**	**0**	**178,316**
Foreign currency adjustments	0	0	0	18	12	0	30
Additions	0	1,845	375	27,107	1,040	0	30,367
Transfers	0	0	0	0	0	0	0
Disposals	0	-645	0	-14,861	-483	0	-15,989
12/31/2022	**0**	**26,763**	**756**	**161,967**	**3,238**	**0**	**192,724**
Book value 12/31/2021	5,896	23,601	8,751	114,384	6,137	12,096	170,865
Book value 12/31/2022	**5,896**	**24,387**	**9,256**	**152,568**	**5,409**	**21,735**	**219,252**

[1] Balance of additions and investment grants in the amount of 205 thousand Euro.

Additions to “Technical equipment and machinery/Factory and office equipment” include purchase transactions for fiscal year 2022 (2021) in the amount of 6,182 thousand Euro (December 31, 2021: 493 thousand Euro) where corresponding cash outflows will take (took) place only in 2023 (2022). No borrowing costs were capitalized in fiscal year 2022 or the previous year.

Depreciation of “Technical equipment and machinery/Factory and office equipment” includes extraordinary write-down in the amount of 962 thousand Euro (2021: 0 thousand Euro).

Leases

The Group did not generate material income from subletting in fiscal year 2022 (2021). Future minimum payments under non-cancelable subletting agreements are immaterial as well.

The Company has concluded real estate lease agreements for administration buildings and the parking garage, the terms of which extended to the end of 2021. In 2021, Elmos and Epigone, the two parties involved, agreed on an extension of the existing contracts until 2026. Elmos was also granted the right to acquire the property including land, buildings and all material components by the end of 2026.

15 – Securities and investments

a) Securities

The Company has purchased securities (bonds and borrowers’ notes) from different banks. Insofar as the securities’ remaining terms to maturity exceed one year, they have been allocated to non-current assets (33,241 thousand Euro; 2021: 42,850 thousand Euro). Securities that mature within twelve months have been allocated to current assets (2,210 thousand Euro; 2021: 5,492 thousand Euro).

b) Investments

The Company holds shares or has made advance payments for shares in the following other entities:

thousand Euro	12/31/2022	12/31/2021
Epigone	1	1
Investments	**1**	**1**

Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz

Elmos holds 6% of the shares as of December 31, 2022, unchanged from the previous year.

Summarized financial information

Entity | thousand	Currency	Total assets	Liabilities	Earnings	Net income for the period
Epigone[1] 2022	Euro	-	-	-	-
Epigone[2] 2021	Euro	6,758	6,715	901	24

[1] No annual financial statements of the Company are currently available.
[2] Presented figures are based on preliminary unaudited financial statements as of December 31, 2021.

16 – Deferred tax

thousand Euro	12/31/2022	12/31/2021
Deferred tax assets	**326**	**54**
Securities	626	75
Other financial assets	1,913	0
Cash and cash equivalents	385	785
Provisions for pensions	135	270
Other provisions	249	193
Financial liabilities	2,183	2,568
Others	757	76
Subtotal	6,248	3,967
Balance	-5,922	-3,914
Deferred tax liabilities	**-8,537**	**-9,314**
Intangible assets	-9,905	-8,558
Property, plant and equipment	-4,248	-4,320
Trade receivables	-215	-123
Inventories	-31	-122
Others	-60	-105
Subtotal	-14,459	-13,228
Balance	5,922	3,914
Net deferred tax	**-8,211**	**-9,260**

The balances stated above were determined in accordance with IAS 12.74 a) and b), i.e. deferred tax assets and deferred tax liabilities were netted against each other insofar as assets and liabilities related to the same tax authority and the tax entity was entitled to offset current tax assets against tax liabilities.

Deferred tax liabilities also include tax effects from changes in equity outside profit or loss. The increase in net deferred tax in the amount of 1,049 thousand Euro essentially comprises deferred tax in the consolidated income statement of 609 thousand Euro (income) and other changes outside profit or loss in the amount of 424 thousand Euro (increase in equity; please also refer to note 21).

The capitalization of deferred tax assets on taxable loss carry-forward was made on the basis of the involved entities' medium-term business planning. As of December 31, 2022, loss carry-forward for Elmos entities comes to 277 thousand Euro (no material loss carry-forward in the previous year).

17 – Inventories

thousand Euro	12/31/2022	12/31/2021
Raw materials	14,601	11,852
Work in process	88,720	49,892
Finished goods	12,948	18,031
Payments on account	366	366
Inventories	**116,635**	**80,140**

The impairment of inventories recognized as expense (cost of sales) amounts to 9,538 thousand Euro (2021: 2,150 thousand Euro). This regards inventories whose future sale is deemed unlikely.

18 – Trade receivables

thousand Euro	12/31/2022	12/31/2021
Trade receivables	68,327	39,777
Valuation allowance/Foreign currency valuation	-519	-31
Trade receivables	**67,808**	**39,745**

Elmos Group constantly assesses its customers' creditworthiness and usually requests no collateral. Potential bad debt is adjusted in value based on the Management Board's estimates and assumptions. The following table presents the changes in valuation allowances/foreign currency valuation made for current and non-current receivables:

thousand Euro	2022	2021
Valuation allowance/Foreign currency valuation as of 01/01	**31**	**186**
Additions in the reporting period (valuation allowance expense)	0	78
Consumption	-78	0
Reversals (appreciation in value of initially written-off receivables)	0	0
Foreign currency valuation	567	-233
Valuation allowance/Foreign currency valuation as of 12/31	**519**	**31**

The impairment of trade receivables is entered for the most part in allowance accounts. The decision whether to recognize a default risk through an allowance account or a direct write-down on the receivable depends on the assessment of the probability of debt loss. Elmos Group did not have to make material valuation allowances for the purpose of IFRS 9 due to significant increases of debt loss or objective indications of impairment in fiscal years 2022 and 2021 in consideration of historical factors and continuous creditworthiness assessment. If receivables are considered irrecoverable, the corresponding impaired asset is derecognized. There were derecognized receivables in fiscal year 2022 in the amount of 83 thousand Euro (0 thousand Euro in the previous year).

The following table provides information on the credit risk carried by financial assets:

thousand Euro		Trade receivables		Other financial assets	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Neither impaired nor overdue as of the reporting date		57,435	33,947	11,960	10,522
Not impaired as of the reporting date and overdue within the following time bands	< 30 days	6,652	3,463	0	0
	30-60 days	779	757	0	0
	61-90 days	899	377	0	0
	91-180 days	444	178	0	0
	181-360 days	492	144	0	0
	> 360 days	177	-2	0	0

19 – Cash and cash equivalents

The Company regards all highly liquid capital investments with a maturity of three months or less as of the date of acquisition as cash equivalents. For the purpose of the preparation of consolidated financial statements, cash and cash equivalents include cash on hand and cash in banks.

20 – Other non-current and current financial assets and other receivables

thousand Euro	12/31/2022	12/31/2021
Receivables from investment company (Epigone)	6,709	6,709
Tenant loans	1,726	1,655
Other loans receivable	15	15
Net pension asset	356	0
Other non-current financial assets	**8,806**	**8,379**
Other financial assets	3,154	2,143
Other current financial assets	**3,154**	**2,143**
Other tax assets	12,843	7,893
Accrued income	3,540	2,114
Other current receivables	1,651	2,307
Other receivables	**18,034**	**12,314**

Due to the extension of the real estate lease agreements between Elmos and Epigone in 2021, receivables of Elmos from the investment company Epigone continue to be reported under "Other non-current financial assets" as of December 31, 2022 (please also refer to note 14).

21 – Equity

Share capital: The share capital of 17,700 thousand Euro entered in the statement of financial position as of December 31, 2022 (December 31, 2021: 17,700 thousand Euro), consisting of 17,700,000 (December 31, 2021: 17,700,000) no-par value bearer shares, each with a theoretical share of 1.00 Euro in the share capital, is fully paid up. Each share grants equal rights and corresponds to one vote in the General Meeting of Shareholders. In fiscal year 2021, the Management Board decided with approval of the Supervisory Board to reduce the Company's share capital from 20,103,513 Euro by altogether 2,403,513 Euro to 17,700,000 Euro, exercising the authorization given by the Annual General Meeting on May 22, 2020, by retiring 2,403,513 no-par value bearer shares with a theoretical share of 1.00 Euro in the share capital per share (Section 71 (1) no. 8 sentence 6 AktG).

Treasury shares: As of December 31, 2022, the Company holds 581,364 (December 31, 2021: 590,760) of the Company's no-par shares, adding up to a theoretical share in the share capital of 581 thousand Euro (December 31, 2021: 591 thousand Euro). The number of treasury shares was increased in fiscal years 2022 and 2021 by share buyback transactions and decreased at the same time by the issue of shares within the framework of share-based remuneration. Moreover, 2,403,513 shares were retired by way of a reduction of the share capital in fiscal year 2021. Treasury shares held by the Company on the day of the Annual General Meeting are neither entitled to vote nor entitled to dividend.

Additional paid-in capital

thousand Euro	12/31/2022	12/31/2021
Premiums	11,132	11,141
Stock awards/Share matching	7,575	6,970
Additional paid-capital	**18,707**	**18,111**

Additional paid-in capital essentially includes premiums from capital increases and the issue of shares of Elmos Semiconductor SE. In 2022 this item was decreased by 9 thousand Euro due to share-based payments and the issue of treasury shares linked to them.

The share attributable to stock awards and share matching went up in 2022 by the amount of the expense from the issue of stock awards/share matching (606 thousand Euro; 2021: 343 thousand Euro).

Other equity components

thousand Euro	12/31/2022	12/31/2021
Foreign currency adjustments	894	586
deferred tax on this item	0	0
Financial assets measured at market value	-1,908	-227
deferred tax on this item	626	74
Actuarial losses	-375	-784
deferred tax on this item	193	328
Other equity components	**-569**	**-23**

Foreign currency adjustments include differences from the currency translation of the financial statements of foreign subsidiaries.

Financial assets measured at fair value cover changes in the fair value of selected financial instruments (please refer to notes 28 and 29).

Actuarial gains/losses reflect the gains or losses resulting from changes in actuarial assumptions for the determination of the present value of the defined benefit obligation and/or the fair value of the plan assets.

The development of changes in equity outside profit or loss that are attributable to the owners of the parent in the years 2022 and 2021 is shown in the following table:

thousand Euro	2022	2021
Balance as of 01/01	**-23**	**27**
Exchange rate differences	308	174
deferred tax on this item	0	0
Changes in financial assets measured at market value	-1,681	-352
deferred tax on this item	552	115
Changes in actuarial gains	408	20
deferred tax on this item	-134	-7
Balance as of 12/31	**-569**	**-23**

"Recycling" of equity components outside profit or loss

In fiscal year 2022, the Company disposed of bonds prior to maturity. For these bonds, adjustments have been made to equity outside profit or loss up to the date of sale. In accordance with IAS 1.92, such amounts recognized outside profit or loss have to be reported as of the time of realization as reclassification amount ("recycling"). In this context, amounts of 161 thousand Euro previously recognized outside profit or loss had to be reclassified through profit/loss in the consolidated income statement in fiscal year 2022 (previous year: 0 thousand Euro). There were no other transactions in the year under review or the previous year that would have required recycling of equity components outside profit or loss.

Interests in share capital

	12/31/2022		12/31/2021	
	thousand Euro	%	thousand Euro	%
Weyer BeteiligungsgesellschaftmbH, Schwerte	3,664	20.7	3,627	20.5
Jumakos BeteiligungsgesellschaftmbH, Dortmund	3,016	17.0	3,016	17.0
ZOE-VVG GmbH, Duisburg	2,659	15.0	2,659	15.0
Treasury shares	581	3.3	591	3.3
Shareholders <10% interest	7,780	44.0	7,808	44.1
Share capital	**17,700**	**100.00**	**17,700**	**100.0**

Considering related parties, the interest attributed to "Weyer Beteiligungsgesellschaft mbH and related parties" comes to 22.9% and the interest attributed to "ZOE-VVG GmbH and related parties" comes to 16.3% as of December 31, 2022 (December 31, 2021: 22.7% and 16.3% respectively).

Capital authorizations of the Management Board

Authorized capital	2020:	10,051,756 Euro		until 05/21/2025
Conditional capital	2020:	10,000,000 Euro	Bonds with warrants or convertible bonds	until 05/21/2025
Share buyback	up to 10% of the share capital			until 05/10/2027

Dividend

According to the German Stock Corporation Act, the dividend eligible for distribution is determined on the basis of the retained earnings Elmos Semiconductor SE reports in its annual financial statements (separate financial statements) prepared in accordance with the provisions of the German Commercial Code (HGB). In fiscal year 2022 (2021), Elmos Semiconductor SE distributed a dividend of 0.65 Euro (0.52 Euro) per share out of the retained earnings of fiscal year 2021 (2020).

22 – Share-based payment plans

Share-based remuneration of Management Board members consists of the covenant to be assigned treasury shares under certain conditions. The covenant depends on the sustainable achievement of a significantly improved business valuation and therefore considers the Company's moving average stock price over longer periods of time. In fiscal year 2022, the Group incurred expenses in the amount of 415 thousand Euro (2021: 207 thousand Euro) for the share-based remuneration of Management Board members. New payment plans for Management Board members were not concluded in the current fiscal year.

23 – Provisions

Provisions for pensions

thousand Euro	12/31/2022	12/31/2021
Present value of pension commitments	1,297	1,752
Fair value of pension plan reinsurance	-1,653	-1,700
Net asset/Net liability recognized in statement of financial position	**-356**	**52**

The Company has pension plans for members of the Management Board of Elmos Semiconductor SE (including former members) and in part for members of the management of subsidiaries. Benefits depend on individual contractual agreements. The Company has taken out pension plan reinsurance policies the claims of which have been assigned to the beneficiaries.

The actuarial report is based on a pension adjustment of 1.5% per annum as in the previous year. Expected pay increases are determined at 0.0%, also unchanged. The evaluation is carried out in accordance with IAS 19. The interest rate was 3.15% per annum as of December 31, 2022 (December 31, 2021: 0.64% p. a.). For actuarial assumptions with respect to mortality and disability risk, the Heubeck mortality tables 2018 G have been applied.

Pension plan expenses are allocated to personnel expenses of the different functional units and can be broken down as follows:

thousand Euro	FY 2022	FY 2021
Service cost	0	0
Interest	12	13
Pension expense (net)	**12**	**13**

Changes in the present value of defined benefit obligations and the fair value of reinsurance policies are as follows:

thousand Euro	2022	2021
Present value of pension commitments as of 01/01	**1,752**	**1,818**
Pension expense (net)	12	13
Benefits paid to pensioners	-92	-92
Actuarial gains (-)/losses from changes in financial assumptions	-375	13
Present value of pension commitments as of 12/31	**1,297**	**1,752**
Fair value of reinsurance policies as of 01/01	**1,700**	**1,747**
Income from plan assets	11	12
Benefits from reinsurance policies	-93	-92
Actuarial gains from changes in financial assumptions	35	33
Fair value of reinsurance policies as of 12/31	**1,653**	**1,700**

Defined benefit pension plans are primarily exposed to risks due to changes of actuarial assumptions, e.g. the actuarial interest rate. A lower discount factor results in higher pension commitments.

Income from pension plan reinsurance amounts to 47 thousand Euro (2021: 44 thousand Euro) including payments made in the event of death. Premiums were paid in the amount of 0 thousand Euro (2021: 0 thousand Euro). For 2023 no contribution payments are expected, either.

There are also indirect pension commitments to Management Board members of Elmos Semiconductor SE (including former members) through a pension fund. For completely congruent coverage of its obligations, the pension fund has taken out corresponding reinsurance policies for the exact agreed contribution amount. In 2022, contributions to these pension plans amounted to 113 thousand Euro (2021: 113 thousand Euro).

The employer's social security contributions made for employees amounted to 5,184 thousand Euro in 2022 (2021: 5,603 thousand Euro). The contributions to employees' direct insurance came to 328 thousand Euro in 2022 (2021: 299 thousand Euro).

Amounts of the current and the four preceding reporting periods:

thousand Euro	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Pension commitment	1,297	1,752	1,818	1,636	1,507
Fair value of pension reinsurance	-1,653	-1,700	-1,747	-1,795	-1,728
Overfunding/Underfunding (-)	356	-52	-71	159	221
Adjustments to plan liabilities based on experience	1	1	-8	-8	-2
Adjustments to plan assets based on experience	0	0	0	0	0

One material valuation parameter is the discount rate applied. In accordance with IAS 19.83, it must be chosen in congruence with the term and the currency and in consideration of the interest rates of highly rated corporate bonds. A change of 1% point to the assumption of the actuarial interest rate would have had the following effect in the year under review (previous year):

thousand Euro	Increase by 1% point		Decrease by 1% point	
	FY 2022	FY 2021	FY 2022	FY 2021
Effect on defined benefit obligation	-112	-182	130	223

It has to be taken into consideration that sensitivities reflect changes to the defined benefit obligation only for the respective specific amount of changes to the assumptions (here for example: 1.0% point). If the amount of a change to the assumption is different, this does not necessarily result in a linear effect on the obligation.

Based on the sensitivity analyses carried out, there would be no significant effect on pension expense, as in the previous year. For materiality considerations, sensitivity analyses are not carried out for other parameters.

Expected maturities for pension payments of the next five years:

thousand Euro	2022	2023	2024	2025	2026	2027
FY 2022	n/a	92	92	91	91	90
FY 2021	92	92	92	91	91	n/a

The average term of material pension benefit commitments is 8.6 years (2021: 10.0 years).

Current provisions

thousand Euro	01/01/2022	Consumption	Reversal	Addition	12/31/2022
Vacation bonus	789	-789	0	1,033	1,033
Royalty provisions	2,015	-1,911	-104	2,473	2,473
Employer's liability insurance association	531	-391	-104	520	556
Warranty and product liability	3,427	-37	-927	1,594	4,057[1]
Licenses	698	-503	-195	813	813
Other personnel provisions	6,614	-4,285	-620	8,153	9,862
Other provisions	2,224	-1,600	-537	1,331	1,418
Current provisions	**16,298**	**-9,516**	**-2,487**	**15,917**	**20,212**

[1] Thereof regarding Elmos Semiconductor SE in the amount of 3,800 thousand Euro.

Warranty and product liability provisions are generally made only on the basis of known individual risks according to risk assessment made as of the reporting date. This concerns individual warranty claims for which there is uncertainty regarding their utilization as of the reporting date. Provisions for licenses include payment commitments to in-house and external inventors. Provision amounts are calculated on the basis of existing payment agreements. Other personnel provisions essentially include bonus payment commitments, settlement payments, overtime and awards. Other provisions comprise different identifiable individual risks and contingent obligations. Provisions classified as current will probably be utilized in the course of the next fiscal year.

24 – Financial liabilities

Non-current financial liabilities

thousand Euro	12/31/2022	12/31/2021
Bonded loans	53,000	53,000
KfW loans	15,897	0
Lease obligations	6,658	7,367
Other financial liabilities	880	1,160
Non-current financial liabilities	**76,436**	**61,527**

The bonded loan issued in 2017 in the amount of 40,000 thousand Euro is divided into three tranches with terms of five, seven and ten years at fixed interest respectively. The bonded loan issued in 2021 in the amount of 25,000 thousand Euro is divided into three tranches with terms of five, eight and ten years at fixed interest respectively.

The KfW loan is a loan in the face value of 20,000 thousand Euro taken out in the first quarter of 2022, repayable up to the year 2031 at annual installments of 2,051 thousand Euro.

Other financial liabilities include contingent payment obligations connected to the acquisition of shares in Online Engineering GmbH, Dortmund in fiscal year 2021.

Current financial liabilities

As of December 31, 2022, the Company had various short-term lines of credit at its disposal in the total amount of 25,000 thousand Euro (2021: 45,000 thousand Euro). As of December 31, 2022, the Company provided these credit facilities as security in the amount of 703 thousand Euro (2021: 662 thousand Euro). Current financial liabilities (December 31, 2022: 4,521 thousand Euro; December 31, 2021: 14,581 thousand Euro) essentially reflect the installment of the KfW loan to be repaid in 2023 at 2,051 thousand Euro and the current portion of lease obligations at 1,791 thousand Euro (2021: 1,814 thousand Euro). The decrease in current financial liabilities is accounted for primarily by the repayment of the tranche of the bonded loan taken out in 2017 in the amount of 12,000 thousand Euro due in 2022.

Loans

The effective interest rates of loans range between 0.55% and 2.11% p.a. (previous year: 0.7% to 2.1%).

Cash flows from financial liabilities

The following table lists all contractually defined payouts as of December 31, 2022 and December 31, 2021 (indicated as positive values in the following table) for redemption, repayment and interest on financial liabilities accounted for. Payments are stated at undiscounted cash flows including interest payments for the next fiscal years. Also included are all cash flows from derivative financial instruments measured at positive and negative fair value.

12/31/2022 | thousand Euro	2023	2024-2027	from 2028
Liabilities to banks	3,927	44,474	28,514
Trade payables	44,209	0	0
Other financial liabilities	997	880	0
Lease obligations[1]	1,900	6,506	472

Future finance expenses from lease obligations amount to 421 thousand Euro (2021: 402 thousand Euro).

12/31/2021 | thousand Euro	2022	2023-2026	from 2027
Liabilities to banks	12,835	21,559	35,085
Trade payables	12,071	0	0
Other financial liabilities	753	1,160	0
Lease obligations[1]	1,919	7,627	36

[1] Relates to items of property, plant and equipment not freely disposable.

The presentation of the liquidity analysis is based on the following assumptions: With respect to financial instruments at variable interest rates, the statement of future interest payments is based on current fixing as of the reporting date. Foreign currency amounts have been translated at the exchange rates of the current reporting date; the resulting amount has been used for the determination of future payments.

Reconciliation of financial liabilities linked to the cash flow from financing activities

thousand Euro	01/01/2022	Cash changes		Non-cash changes		12/31/2022
		Cash inflow	Cash outflow	Reclassification	Lease obligations	
Non-current financial liabilities	61,527	15,897	0	-1,768	780	76,436
Current financial liabilities	14,581	2,051	-14,305	1,768	426	4,521
	76,108	**17,948**	**-14,305**	**0**	**1,206**	**80,957**

thousand Euro	01/01/2021	Cash changes		Non-cash changes		12/31/2021
		Cash inflow	Cash outflow	Reclassification	Lease obligations	
Non-current financial liabilities	41,905	25,000	0	-12,263	6,885	61,527
Current financial liabilities	3,674	0	-3,453	12,263	2,097	14,581
	45,579	**25,000**	**-3,453**	**0**	**8,982**	**76,108**

25 – Other liabilities and income tax liabilities

Other liabilities are solely current liabilities as of the reporting date, as in the year before, and amount to 6,651 thousand Euro (December 31, 2021: 3,757 thousand Euro). Other current liabilities include, among other items, wage income tax liabilities, social security contributions yet to be made, payments received on account of orders, and other financial liabilities. The year-on-year increase is based primarily on payments on account, up 2,439 thousand Euro from the previous year.

Income tax liabilities amount to 21,441 thousand Euro (December 31, 2021: 246 thousand Euro) and as of December 31, 2022 primarily comprise liabilities of Elmos Semiconductor SE at 20,402 thousand Euro as well as of several domestic and international subsidiaries (in the previous year: liabilities of several domestic and international subsidiaries only).

The increase in tax liabilities of Elmos Semiconductor SE is based on the fact that the amount of taxes prepaid in the year 2022 was too low in relation to the Company's higher net income for the year.

26 – Trade payables

Trade payables primarily concern the purchasing of materials and the claiming of services for maintaining business operations. Trade payables are due in full within one year.

27 – Derivative financial instruments

In fiscal year 2022 Elmos concluded several currency hedges. Those are forward exchange rate contracts for the currency USD; corresponding income or expenses have been stated under the item "Foreign exchange gains" (cf. note 28). The market value of forward exchange rate contracts is measured in application of the exchange rates as of the reporting date based on market assessments of the banks involved.

28 – Additional information on financial instruments

Book values, measurement and fair value according to measurement categories

With respect to the classification of financial instruments, the Company follows the measurement categories defined by IFRS 9 as the spreading of risks within these measurement categories is similar.

The book value of financial instruments such as trade receivables and trade payables essentially corresponds to the fair value due to the short-term maturities of such financial instruments. The book values of short-term and long-term securities attributed to the "hold and sale" business model correspond to the fair value. Measurement was made on the basis of market values as of the reporting date provided by the banks involved. Securities reported under "hold" were measured at amortized cost. The market value of forward exchange contracts/currency option transactions (cf. note 29) was determined on the basis of the currency exchange rates as of the reporting date provided by the banks involved. The market value of liabilities to banks was established on the basis of market prices determined for the same or similar issues and of the interest rates currently made available to the Company.

Book values and fair values of each category of financial assets and liabilities

thousand Euro	Business model	Book value 12/31/2022	Recognition according to IFRS 9 Amortized cost	At fair value through profit/loss	At fair value outside profit or loss no recycling	recycling	Fair value 12/31/2022	Book value 12/31/2021	Recognition according to IFRS 9 Amortized cost	At fair value through profit/loss	At fair value outside profit or loss no recycling	recycling	Fair value 12/31/2021
Investments	Hold and sale	1	0	0	1	0	1	1	0	0	1	0	1
Securities (long-term)	Hold	3,000	3,000	0	0	0	3,000	3,000	3,000	0	0	0	3,000
Securities (long-term)	Hold and sale	30,241	0	0	0	30,241	30,241	39,850	0	0	0	39,850	39,850
Securities (short-term)	Hold	0	0	0	0	0	0	0	0	0	0	0	0
Securities (short-term)	Hold and sale	2,210	0	0	0	2,210	2,210	5,492	0	0	0	5,492	5,492
Trade receivables	Hold	67,808	67,808	0	0	0	67,808	39,745	39,745	0	0	0	39,745
Cash and cash equivalents	Hold	36,641	36,641	0	0	0	36,641	17,756	17,756	0	0	0	17,756
Other financial assets													
Other receivables and assets (current)	Hold	3,144	3,144	0	0	0	3,144	2,038	2,038	0	0	0	2,038
Other loans and assets (non-current)	Hold	8,806	8,806	0	0	0	8,806	8,379	8,379	0	0	0	8,379
Forward exchange contracts/ Currency option transactions	Trade	0	0	0	0	0	0	96	0	96	0	0	96
Call options	Trade	10	0	10	0	0	10	9	0	9	0	0	9
Financial assets		**151,861**	**119,399**	**10**	**1**	**32,451**	**151,861**	**116,366**	**70,918**	**105**	**1**	**45,342**	**116,366**
Trade payables	Financial liabilities AC	44,209	44,209	0	0	0	44,209	12,071	12,071	0	0	0	12,071
Liabilities to banks	Financial liabilities AC	71,348	71,348	0	0	0	62,402	65,487	65,487	0	0	0	66,077
Other financial liabilities													
Miscellaneous financial liabilities	Financial liabilities AC	1,877	1,877	0	0	0	1,877	1,913	1,913	0	0	0	1,913
Forward exchange contracts/ Currency option transactions	Financial liabilities FVTPL	0	0	0	0	0	0	92	0	92	0	0	92
Lease obligations	Financial liabilities AC	8,449	8,449	0	0	0	8,449	9,181	9,181	0	0	0	9,181
Financial liabilities		**125,883**	**125,883**	**0**	**0**	**0**	**116,937**	**88,744**	**88,652**	**92**	**0**	**0**	**89,334**
Aggregated by business model													
Hold and sale		32,452	0	0	1	32,451	32,452	45,343	0	0	1	45,342	45,343
Hold		119,399	119,399	0	0	0	119,399	70,918	70,918	0	0	0	70,918
Trade		10	0	10	0	0	10	105	0	105	0	0	105
Financial liabilities at amortized cost		125,883	125,883	0	0	0	116,937	88,652	88,652	0	0	0	89,242
Financial liabilities at fair value through profit or loss		0	0	0	0	0	0	92	0	92	0	0	92

Hierarchy of fair values

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

thousand Euro		01/01	Addition	Disposal	Transfer	Market valuation	12/31
Long-term securities[1]	2022	39,850	10,000	-15,646	-2,317	-1,646	30,241
	2021	39,693	6,577	-1,036	-5,056	-328	39,850
Short-term securities[1]	2022	5,492	0	-5,492	2,317	-107	2,210
	2021	2,751	509	-2,800	5,056	-24	5,492

[1] Hold and sale

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

thousand Euro		01/01	Addition	Disposal	Market valuation	12/31
Forward exchange contracts/ Currency option transactions	2022	4	0	-4	0	0
	2021	-232	4	232	0	4

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

thousand Euro		01/01	Addition	Disposal	12/31
Investments	2022	1	0	0	1
	2021	2,201	0	-2,200	1

thousand Euro		01/01	Addition	Derecognition	12/31
Call options	2022	9	3	-2	10
	2021	8	3	-2	9

Information on the consolidated income statement

The following table shows net gains or losses from financial instruments as recognized in the consolidated income statement.

Gains/Losses (-) | thousand Euro	FY 2022	FY 2021
Hold	1,231	1,622
Trade	1,721	-182
Financial liabilities at amortized cost	-118	-556
Financial liabilities at fair value through profit/loss	0	-102

Elmos recognizes valuation allowances/debt loss for trade receivables attributable to the "hold" category under "Other operating expenses." Gains from foreign currency translation of financial assets attributable to the "hold" business model primarily result from trade receivables as well as cash and cash equivalents. Net gains and losses essentially comprise valuation allowances, currency translation effects and debt loss. Expenses or income attributable to the business model "financial liabilities at amortized cost" result from exchange rate differences of trade payables. Foreign exchange gains in the amount of 1,721 thousand Euro and foreign exchange losses in the amount of 0 thousand Euro (2021: foreign exchange gains of 96 thousand Euro and foreign exchange losses of 278 thousand Euro) linked to currency hedges are reported under the "trade" business model. Interest from financial instruments is stated in interest income (cf. note 8).

29 – Financial risk

Basic principles

The basic principles of risk management within Elmos Group are explained comprehensively in the combined management report ("Opportunities and risks").

With respect to its assets, liabilities, planned transactions and firm commitments, Elmos is particularly exposed to credit risk, liquidity risk, risks from changes in exchange rates and interest rates, and other price risks. Financial risk management aims at detecting and assessing these market risks early on in a continuous process and in close cooperation with the Group's operating business units, and at limiting them if necessary through adequate measures. Interest and exchange rate risks for instance are controlled and contained by utilizing suitable derivatives. In doing so, Elmos enters into forward exchange contracts and currency option transactions to hedge foreign currency transactions for periods consistent with committed exposures. These derivative transactions for currency hedging are aimed at minimizing the impact of exchange rate fluctuations on the profit position. Elmos uses such hedging instruments only for non-speculative risk containing purposes in connection with the hedged items.

Credit and default risk

Liquid assets essentially comprise cash and cash equivalents. With respect to the investment of liquid assets, the Group is potentially exposed to losses due to credit risk if banks or issuers do not fulfill their obligations. Elmos controls the resulting risk position by a diversification of products and contracting parties. Investments of liquid assets take into consideration high flexibility and diversification with respect to banks and issuers, among other factors. A substantial part of the portfolio is placed with banks with high credit ratings under deposit protection (e.g. overnight deposits and fixed deposits, structured time deposits). In addition to that, liquid assets are invested in listed bonds (e.g. corporate bonds and structured bonds with credit rating components) and to a lesser extent in borrowers' notes ("Schuldscheinanlagen"). The emphasis of issuer's ratings continues to be placed on investment grade ratings.

Trade receivables primarily originate from sales generated with microelectronic components, sensors, system parts, and development services. Customers are for the most part automotive suppliers and to a lesser extent companies in the industrial sector, consumer goods industry, medical technology industry, and other sectors. Accounts receivable are continuously monitored; default risks are met with specific allowances for bad debt. Credit loss expected during the respective term did not have to be considered for trade receivables. The terms of payment reflect the historical development of the respective customer-supplier relationship; observation of the terms is monitored continuously. With respect to new customers, credit rating information is gathered in advance and credit limits are determined if necessary. Business transactions with key accounts are subject to special default risk supervision. Altogether Elmos pursues a stringent credit policy. The maximum default exposure is reflected by the book values of the financial assets reported in the statement of financial position. Against the backdrop of continued global uncertainties, outstanding receivables are monitored and reminded with scrutiny as part of a continuous operational process.

Liquidity and financing risk

The liquidity risk of Elmos addresses the contingency that the Company might not be able to fulfill its financial obligations upon maturity, e.g. the payment of finance debt, the payment of trade payables, and payment obligations arising from lease agreements. Elmos maintains a liquidity reserve in the form of cash and cash equivalents, investments of high fungibility and convertibility into cash and sufficiently available free lines of credit is provided so that this risk will not materialize and liquidity and financial flexibility are assured at any time. In addition to that, the Group's liquidity is constantly monitored within the framework of short-term and long-term liquidity planning. Apart from their respective internal financing power, liquidity of the domestic and international subsidiaries is provided through the Group's lines of credit and loans as well as by banks. The cash flows from financial liabilities are presented under note 24.

Financial market risk

Due to its international business activity, Elmos is exposed to market price risks as a result of changes in exchange rates (essentially against the U.S. dollar), interest rates, and prices for raw materials (e.g. gold). There are also market price risks within the scope of guaranteeing electric power and natural gas supplies for the medium term. These market price risks could have a negative effect on the Group's economic, financial and profit situation. Elmos has already set the prices for fiscal year 2023 with its energy and natural gas provider contractually.

a) Exchange rate risk

Exchange rate risks result from operating activities (sales, purchasing) as well as investing activities. Due to increased purchasing of services in USD, especially assembly and foundry services from Asia, the Group's currency exposure has expanded. Generally speaking, Elmos is still aiming for natural hedging, i.e. a balance of USD cash inflow and outflow, and takes measures throughout the Group for containing its exposure. If management considers it necessary, the excess volume not covered by natural hedging is controlled actively, e.g. by entering into derivative financial instruments for currency hedging.

Elmos was exposed to currency risks as of the reporting date. In fiscal year 2022, Elmos realized foreign exchange gains in the amount of 1,721 thousand Euro (2021: 0 thousand Euro) and incurred foreign exchange losses in the amount of 0 thousand Euro (2021: 186 thousand Euro) from U.S. dollar currency hedges, reported in the consolidated financial statement under "Foreign exchange gains." Apart from that, Elmos recorded income of 0 thousand Euro (2021: 96 thousand Euro) and expenses of 0 thousand Euro (2021: 92 thousand Euro) from the measurement of USD hedges still open as of the reporting date.

Had the euro been revalued (devalued) against the U.S. dollar by 10% as of December 31, 2022 with respect to the monetary financial instruments, earnings (before taxes) would have been 1,035 thousand Euro lower (1,265 thousand Euro higher) (2021: 3,863 thousand Euro lower (3,541 thousand Euro higher)). The Group's equity effect would have come to the same amount due to the result effect in consideration of income tax incurred.

b) Interest rate risk

The risk of interest rate changes Elmos is exposed to as of the reporting date results from securities classified under "hold and sale." If the market interest rate was higher (lower) by 100 basis points, equity would be down by 215 thousand Euro (increase in equity by 438 thousand Euro) (2021: decrease (increase) in equity by 874 (734) thousand Euro). Deferred tax on these amounts would have to be considered as well.

Elmos is exposed to interest rate risk primarily in the euro area. Within the context of financing decisions, the Management Board determines the target mix of fixed and variable-interest liabilities. The financing structure is derived and implemented on that basis. For long-term financing projects, fixed interest rates are usually agreed on for securing the basis of calculation. Interest derivatives are also utilized if necessary. Further information about securing long-term financing can be found under note 24.

Capital management

It is the primary objective of Elmos Group's capital management to assure an adequate credit rating, liquidity at any time and at high financial flexibility, and a solid capital structure. The Management Board actively controls Elmos Group's capital structure and makes adjustments if necessary in consideration of the economic framework as well as the risks carried by the underlying assets. Control measures aim at safeguarding operating liquidity and sufficient robustness to withstand economic fluctuation without losing any measure of the capacity to act strategically. For maintaining or adjusting the capital structure, dividends may be paid to the shareholders for instance or new stock may be issued. As of December 31, 2022 and December 31, 2021, no changes were made to any of the objectives, guidelines and procedures.

The Group generally monitors its capital based on net debt or rather net cash in absolute terms as well as the equity ratio. Net debt or net cash includes cash and cash equivalents plus securities less current and non-current financial liabilities. The equity ratio puts equity in proportion to total assets.

	FY 2022	FY 2021
Net debt	-8.9 million Euro	-10.0 million Euro
Equity ratio	66.4%	71.8%

OTHER INFORMATION

30 – Government grants

The Company receives government grants used for financing research and development projects. Government grants used for research and development projects were offset against research and development expenses and recognized under that item (3,247 thousand Euro in 2022; 2,212 thousand Euro in 2021). For information about investment grants for non-current assets, please refer to note 14.

31 – Other financial obligations and contingencies

Future minimum payments owed under non-cancelable rental agreements and leases, maintenance agreements, insurance premiums, and various obligations to accept with initial or remaining terms of more than one year as of December 31, 2022 and December 31, 2021 are as follows:

thousand Euro	2022	2023	2024	2025	2026	2027	Later years	Total
12/31/2022	n/a	24,204	4,155	3,949	524	508	0	**33,340**
12/31/2021	20,891	1,178	1,105	728	710	0	0	**24,612**

Total expenditure for rental and lease agreements amounted to 2,587 thousand Euro in 2022 and 2,229 thousand Euro in 2021.

Material expenses for short-term leases and expenses for leased low-value assets did not have to be recognized for fiscal years 2022 and 2021. The total cash outflow for leases comes to 1,390 thousand Euro (2021: 2,825 thousand Euro) for principal payments and 96 thousand Euro (2021: 85 thousand Euro) for interest payments.

A purchase commitment in the amount of 41,315 thousand Euro (2021: 15,646 thousand Euro) results from investment orders placed.

For an affiliated company sold in fiscal year 2019, there is still a guarantee in place, (probably) for a transitional period, in the amount of 6,767 thousand USD. From today's vantage, Elmos does not assume the guarantee will be claimed.

32 – Consolidated companies

The parent company as well as the subsidiaries controlled in accordance with IFRS 10 have been included in the consolidated financial statements at hand. Shares in the capital of the subsidiaries are unchanged from the previous year.

The following changes to the scope of consolidation took place in fiscal year 2022:

Merger of GED Electronic Design GmbH, Frankfurt/Oder

Effective January 1, 2022, the subsidiary was merged into the parent according to the merger agreement of December 13, 2021 between Elmos Semiconductor SE, Dortmund and GED Electronic Design GmbH, Frankfurt/Oder.

Merger of MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, Berlin

Effective January 1, 2022, the subsidiary was merged into the parent according to the merger agreement of December 13, 2021 between Elmos Semiconductor SE, Dortmund and MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, Berlin.

Formation of Area 21 Software GmbH, Dortmund

Area 21 Software GmbH, Dortmund, was established in fiscal year 2022. As a wholly owned subsidiary of Elmos Semiconductor SE, the company focuses, among other areas, on software development for Elmos ICs such as standard firmware and boot loaders as well as customer specific software.

Elimination of Elmos Semiconductor BV, Nijmegen/The Netherlands from the scope of consolidation

Subsidiary Elmos Semiconductor B.V. Nijmegen/The Netherlands was eliminated from Elmos Group's scope of consolidation in the fourth quarter of 2022 by way of liquidation. There have been no material effects om results from this elimination.

Shareholdings

thousand or %	Currency	Interest	Equity	Earnings	Relationship
Parent: Elmos Semiconductor SE, Dortmund					
Domestic					
DMOS Dresden MOS Design GmbH, Dresden	EUR	74.8%	2,258	-529[1]	Subsidiary
Epigone Grundstücksverwaltungsgesell-schaft mbH & Co. Vermietungs KG, Mainz	EUR	6.0%	-	-[3]	Investment
Area 21 Software GmbH, Dortmund	EUR	100.0%	-306	-331[1]	Subsidiary
Mechaless Systems GmbH, Bruchsal	EUR	100.0%	594	102[1]	Subsidiary
Online Engineering GmbH, Dortmund	EUR	100.0%	1,727	458[1]	Subsidiary
Dortmund Semiconductor GmbH, Dortmund	EUR	100.0%	34,168	1,062[1]	Subsidiary
International					
Elmos Services B.V., Nijmegen (NL)	EUR	100.0%	2,309	62[1]	Subsidiary
European Semiconductor Assembly (eurasem) B.V., Nijmegen (NL)	EUR	100.0%	19	-84[1, 2]	Subsidiary
Elmos N.A. Inc., Plymouth (U.S.A.)	USD	100.0%	1,837	131[1]	Subsidiary
Elmos Korea Co. Ltd., Seoul (Korea)	KRW	100.0%	405,627	86,832[1]	Subsidiary
Elmos Semiconductor Singapore Pte. Ltd., Singapore	SGD	100.0%	594	33[1]	Subsidiary
Elmos Japan K.K., Tokyo (Japan)	JPY	100.0%	38,392	4,656[1]	Subsidiary
Elmos Semiconductor Technology (Shanghai) Co. Ltd., Shanghai (China)	CNY	100.0%	3,567	1,060[1, 2]	Subsidiary
Elmos Design Center LLC, St. Petersburg (RUS)	EUR	100.0%	362	217[1]	Subsidiary

[1] Presented figures are based on preliminary unaudited financial statements as of December 31, 2022.
[2] Indirect investment of Elmos Semiconductor SE, Dortmund.
[3] No annual financial statements of the Company are currently available.

Additional summarized financial information as of 12/31

thousand Euro or %		Interest	Assets		Liabilities		Sales	Allocated dividend
			Current	Non-current	Current	Non-current		
For non-controlling interests in subsidiaries (IFRS 12 B10)								
DMOS, Dresden	**2022**	25.2%	1,657	2,703	1,717	10	7,546	0
	2021	25.2%	1,965	2,382	1,431	91	6,869	0

33 – Information on Management Board and Supervisory Board

thousand Euro		Short-term payments		Share-based payments
		Fixed remuneration	Variable remuneration	Stock awards
Management Board	FY 2022	**1,039**	**1,911**	**0**
	FY 2021	1,043	622	1,934
Supervisory Board	FY 2022	**450.3**	**0**	**0**
	FY 2021	262.5	112.5	0

There are indirect pension commitments to Management Board members for benefits after termination of employment for which no pension provisions must be made because of completely congruent coverage by reinsurance policies. In 2022, contributions to these pension plans amounted to 90 thousand Euro (2021: 90 thousand Euro), included in the fixed remuneration component.

Remuneration paid to former Management Board members or their surviving dependents amounted to 392 thousand Euro in fiscal year 2022, thereof fixed components in the amount of 392 thousand Euro and variable components in the amount of 0 thousand Euro (2021: 877 thousand Euro, thereof fixed remuneration 391 thousand Euro and variable components 485 thousand Euro). Moreover, insurance premiums in the amount of 23 thousand Euro were paid (2021: 23 thousand Euro) for this group of beneficiaries. These amounts are balanced by reimbursements from reinsurance policies in the amount of 393 thousand Euro (2021: 392 thousand Euro). The amount of pension provisions for acting and former members of the Management Board or their surviving dependents was 1,197 thousand Euro as of December 31, 2022 (December 31, 2021: 1,576 thousand Euro).

As of December 31, 2022, no members of Management Board or Supervisory Board were members of statutory supervisory boards or comparable domestic or foreign supervisory bodies.

34 – Information on group auditor fees

Fees of group auditor Grant Thornton AG

thousand Euro	FY 2022	FY 2021
Audit services	307[1]	293[2]
Other certification services	0	0
Tax counseling	0	31
Other services	0	0
Group auditor fees	**307**	**324**

[1] Thereof 2 thousand Euro for previous year
[2] Thereof 3 thousand Euro for previous year

In 2022 and 2021, the item "Audit services" comprised fees for the statutory audit of separate financial statements and consolidated financial statements and the review of the 6-month consolidated financial statements of Elmos. For fiscal year 2022, the item also includes the fee in the amount of 10 thousand Euro for the formal audit of the remuneration report for fiscal year 2022 (previous year: 9 thousand Euro).

35 – Appropriation of retained earnings and dividend proposal

Management Board and Supervisory Board propose to the Annual General Meeting in May 2023 the payment of a dividend of 0.75 Euro per share for fiscal year 2022 out of the 2022 retained earnings of Elmos Semiconductor SE in the amount of 218.5 million Euro. The total dividend payout would thus amount to 12.8 million Euro based on 17,118,636 shares entitled to dividend as of December 31, 2022.

36 – Managers' transactions according to Art. 19 (1) Market Abuse Regulation

Notifications of managers' transactions according to Art. 19 (1) Market Abuse Regulation for the period from January 1 to December 31, 2022 are available at www.elmos.com.

37 – Related party disclosures

Pursuant to IAS 24 – Related Party Disclosures, individuals or companies in control of or controlled by Elmos Group must be disclosed unless they are already included in Elmos Group's consolidated financial statements as consolidated entities. Control is assumed in this regard if a shareholder holds more than half of the voting rights in Elmos Semiconductor SE or if the shareholder is in a position, by virtue of the Articles of Association or contractual agreement, to control the financial and business policies of Elmos Group's management. Mandatory disclosure pursuant to IAS 24 also includes transactions with associated companies and individuals who have significant influence over Elmos Group's financial and business policies, including close relatives or interconnected companies. Significant influence on Elmos Group's financial and business policies may be based in this respect on an interest in Elmos Semiconductor SE of 20% or more, a position on the Management Board or Supervisory Board of Elmos Semiconductor SE, or another key function in management.

Apart from the remuneration of Management Board and Supervisory Board – representing the key management personnel of Elmos Group – disclosed under note 33 ("Information on Management Board and Supervisory Board"), no Management Board or Supervisory Board member received compensation for consulting services rendered personally in fiscal years 2022 or 2021.

Beyond that, entities of Elmos Group did not engage in any material, reportable transactions with members of the Management Board or the Supervisory Board of Elmos Semiconductor SE, other key executives in management, or with entities whose managing or supervising bodies such individuals are represented in. This also applies for close relatives of said group of people.

38 – Number of employees

Ø Employees	FY 2022	FY 2021
Production	498	490
Distribution	94	94
Administration	156	153
Quality Control	44	43
Research and Development	385	371
Total	**1,176**	**1,151**

39 – Significant events after the end of the fiscal year

There have been no reportable events or transactions of special significance after the end of fiscal year 2022.

40 – Declaration of compliance pursuant to Section 161 AktG

In May 2022 Management Board and Supervisory Board of Elmos released the declaration pursuant to Section 161 AktG (Stock Corporation Act) and made it permanently available at www.elmos.com.

Dortmund, February 28, 2023

Dr. Arne Schneider Guido Meyer Dr. Jan Dienstuhl

INDEPENDENT AUDITOR'S REPORT

To Elmos Semiconductor SE, Dortmund

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of Elmos Semiconductor SE, Dortmund, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Elmos Semiconductor SE for the financial year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the "statement on corporate governance" pursuant to sections 289f HGB and 315d HGB as well as the "combined non-financial report" pursuant to sections 289b HGB and 315b HGB which the combined management report refers to.

In our opinion, on the basis of the knowledge obtained in the audit,

-> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, and

-> the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the above listed statement on corporate governance and the above listed combined non-financial report.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In the following we present the key audit matter in our view. Our presentation of this key audit matter has been structured as follows:

1. Financial statement risk
2. Audit approach
3. Reference to related disclosures

Recognition and Measurement of the Provisions for Warranties and Product Liability

1. Financial Statement Risk

In the consolidated financial statements under the line item "provisions", among others, provisions for warranties and product liability are recognized with an amount of kEUR 3,800. These relate to (probable) obligations of Elmos Semiconductor SE from product sales and are determined for specific already known individual measures as well as for estimated future measures under consideration of the development of past damages. The assumptions concerning the recognition and measurement of the provisions for warranties and product liability are highly dependent on the estimation of the likelihood of occurrence and the amount of damage made by the company's legal representatives and, is therefore, associated with a high degree of estimation uncertainty. Due to these high estimation uncertainties, this matter was of particular importance in our audit.

2. Audit Approach

As part of our audit, we gained an understanding of the process established by Elmos for recording and determining provisions for warranties and product liability as well as of the relevant controls linked to this process. We evaluated the controls identified as to their design and implementation. On the basis of this, we assessed the recognition requirements based on discussions with the legal representatives, the company's responsible employees, and the description of circumstances and the contracts presented to us. In addition, we obtained legal confirmations in order to evaluate the legal representatives' risk assessment. We evaluated the appropriateness of the recognized amounts based on, among others, the description of circumstances, contracts and the calculation basis presented to us, as well as by comparing the amounts to historical values. We have assessed the assumptions made by the company's legal representatives relevant for the measurement of the provisions and their derivation. In addition, we assessed the information relevant for the measurement of the provisions with regard to data-consistency and evaluated whether these were taken into account properly in the calculation of the provisions. We have reperformed the calculation.

3. Reference to related Disclosures

The disclosures relating to the recognition and the measurement of provisions for warranties and product liability are contained in section 3 and 23 of the notes to the consolidated financial statements.

Other Information

The legal representatives or, respectively, the supervisory board are responsible for the other information. The other information comprises:

-> the statement on corporate governance pursuant to sections 289f HGB and 315d HGB,
-> the combined non-financial report pursuant to sections 289b HGB and 315b HGB,
-> the affirmations of the legal representatives pursuant to section 297 paragraph 2 clause 4 and section 315 paragraph 1 clause 5 HGB, and
-> the remaining parts of the annual report,
-> except for the audited consolidated financial statements and the parts of the combined management report audited by us and our auditor's report.

The legal representatives and the supervisory board are responsible for the declaration of compliance with the German Corporate Governance Code pursuant to section 161 AktG, which forms part of the statement on corporate governance. The supervisory board is responsible for the supervisory board report. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

-> is materially inconsistent with the consolidated financial statements, with the parts of the combined management report their content were audited by us or with our knowledge obtained in the audit, or
-> otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

-> Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

-> Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

-> Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

-> Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

-> Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.

-> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

-> Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

-> Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance of Electronic Rendering, of the Consolidated Financial Statements and the Combined Management Report, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „529900UMKKDCAP4P4H63-2022-12-31-de.zip, with Hash-Nr. 7f02c5c64f28fe90f56b5c91b3ef7c8f56b5d8cf6a3589791613d6b9c0d7cb2a, computed with SHA256" and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2022 to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering, of the consolidated financial statements and the combined management report, contained in the file identified above in accordance with section 317 paragraph 3a HGB and the IDW Assurance Standard "Assurance on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB" (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QMS 1 (09.2022)).

Responsibilities of the Legal representatives and the Supervisory Board for the ESEF Documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with section 328 paragraph 1 sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 paragraph 1 sentence 4 no. 2 HGB.

In addition, the legal representatives of the company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

-> Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

-> Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

-> Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, on the technical specification for this electronic file.

-> Evaluate whether the ESEF documents enables a XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

-> Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 11 May 2022. We were engaged by the supervisory board on 8 September 2022. We have been the group auditor of Elmos Semiconductor SE without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ulf Kellerhoff.

Düsseldorf, 28 February 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Eckhard Lewe	**Ulf Kellerhoff**
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

RESPONSIBILITY STATEMENT

We assure that to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the group management report combined with the management report of Elmos Semiconductor SE 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.

Dortmund, February 28, 2023

Dr. Arne Schneider	Guido Meyer	Dr. Jan Dienstuhl

FINANCIAL CALENDAR 2023

Final results 2022[1]	03/16/2023
Quarterly results Q1 / 2023[1]	05/04/2023
Annual General Meeting	05/10/2023
Quarterly results Q2 / 2023[1]	07/27/2023
Quarterly results Q3 / 2023[1]	11/08/2023

[1] The German Securities Trading Act (Wertpapierhandelsgesetz) and the Market Abuse Regulation (EU) oblige issuers to immediately announce any information that may have a substantial price impact, irrespective of the communicated schedules. Therefore it is possible that we will 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 dates and news ahead of schedule on the Company's website (www.elmos.com).

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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 current statements made with respect to the future. Among the factors that could cause material differences are changes in general economic and business conditions, changes in exchange 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 provided for convenience only. The German text shall be the sole legally binding version.

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