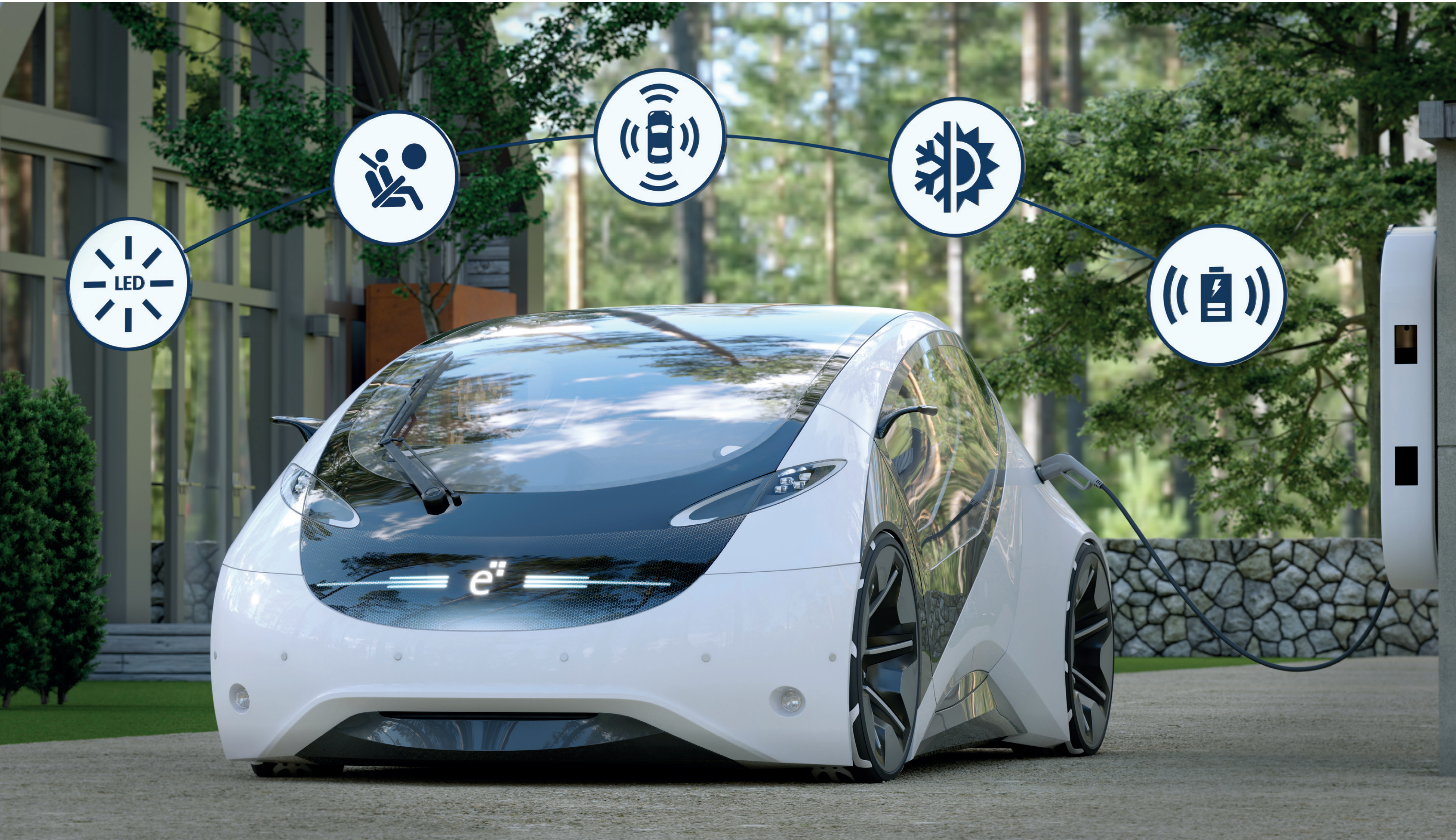
Mobility Tomorrow

Annual Report 2023

elmos



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FIVE-YEAR OVERVIEW ELMOS GROUP (IFRS)

in million Euro unless otherwise indicated	FY 2019		FY 2020	FY 2021	FY 2022	FY 2023
	continuing & discontinued operations	*continuing operations*				
Sales	294.8	273.4	232.6	322.1	447.2	575.0
Growth in %	6.2%	7.7%	-14.9%	38.5%	38.9%	28.6%
thereof continuing operations	*273.4*	*273.4*	*232.6*	*322.1*	*447.2*	*575.0*
thereof discontinued operations	*21.4*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Gross profit	136.8	125.6	92.6	144.7	207.5	271.3
in % of sales	46.4%	45.9%	39.8%	44.9%	46.4%	47.2%
Research & development expenses	44.6	40.7	47.7	48.7	55.5	68.8
in % of sales	15.1%	14.9%	20.5%	15.1%	12.4%	12.0%
Operating income	45.8	41.4	8.5	59.9	110.0	148.1
in % of sales	15.5%	15.1%	3.7%	18.6%	24.6%	25.7%
EBIT	97.3 | 45.3[1]	29.8 | 40.9[2]	8.7	60.0	110.1	150.7
in % of sales	33.0% | 15.4%[1]	10.9% | 15.0%[2]	3.7%	18.6%	24.6%	26.2%
Earnings before taxes	96.0	28.7	8.2	59.4	108.5	149.0
in % of sales	32.6%	10.5%	3.5%	18.4%	24.3%	25.9%
Consolidated net income attributable to owners of the parent	85.7	18.5	6.4	39.8	71.4	99.1
in % of sales	29.1%	6.8%	2.8%	12.4%	16.0%	17.2%
Earnings per share (basic) in Euro	4.36	0.94	0.35	2.24	4.17	5.79
	12/31/2019		12/31/2020	12/31/2021	12/31/2022	12/31/2023
Total assets	439.5		395.5	418.0	542.4	812.4
Shareholders' equity	339.7		310.2	300.2	360.4	447.9
in % of total assets	77.3%		78.4%	71.8%	66.4%	55.1%
Financial liabilities	49.1		45.6	76.1	81.0	118.7
Liquid assets and securities	123.3		85.8	66.1	72.1	108.3
Net cash/Net debt (-)	74.3		40.2	-10.0	-8.9	-10.4
	FY 2019		FY 2020	FY 2021	FY 2022	FY 2023
Cash flow from operating activities	45.6		27.3	79.6	98.6	102.6
Capital expenditures[3]	43.6		18.8	60.0	73.0	115.1
in % of sales[3]	14.8%		8.1%	18.6%	16.3%	20.0%
Cash flow from investing activities	37.2		-42.4	-73.6	-72.6	-73.8
Adjusted free cash flow[4]	76.9		3.6	11.1	14.9	12.9
Dividend per share in Euro	0.52		0.52	0.65	0.75	0.85[5]
Employees on annual average	1,317		1,208	1,151	1,176	1,282

[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 and proceeds/payments from changes in the scope of consolidation).
[5] Proposal to the Annual General Meeting in May 2024.

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,

In fiscal year 2023, Elmos impressively continued the exceptionally successful development of recent years. For the third time in a row, we managed to achieve record sales – despite the continued challenging geopolitical conditions. We acquired numerous attractive new projects for further growth. We also succeeded in increasing our profitability in 2023 once again. With the sale of the Dortmund wafer fab, the strengthening of our software expertise and the steep increase in test capacity, we significantly developed our structures. 2023 was therefore an exceptionally successful year for Elmos, achieving record financial results on the one hand while making crucial structural progress on the other. This was only possible thanks to a great team effort by all Elmos employees. I would like to express my sincere gratitude for this outstanding performance, the high level of commitment and the great team spirit. Elmos has a strong foundation for the future and we will continue on our successful journey on this basis.

ECONOMIC DEVELOPMENT

In the past fiscal year 2023, we operated in a challenging environment. Geopolitical events such as the war in Ukraine, the conflict in the Middle East and continued high inflation led to uncertainty and further cost increases. Despite a noticeable easing in the global supply chains, demand for Elmos semiconductors remained at a high level throughout all product segments. We also benefited from new product launches in the second half of the year. With an increase of 28.6%, Group sales climbed to 575.0 million Euro and we were able to report record sales for the third year in a row. We managed to more than double sales over the last three years. As a result, we have already clearly exceeded the half-billion-euro sales mark in 2023 – much earlier than expected.

Even more gratifying is the development of the profitability of Elmos. In fiscal year 2023, we generated earnings before interest and taxes (EBIT) of 150.7 million Euro – an increase of 36.8% over the previous year. The EBIT margin thus came to a strong 26.2%, another improvement on the already high prior-year level. EBIT thus almost quadrupled compared to the pre-COVID year 2019.

This impressive performance boosted the Elmos share price, particularly in the first third of the past year, and we managed to reach a new all-time high of 91.50 Euro in April 2023. In the second half of the year, however, the share price was affected in particular by geopolitical and economic uncertainties. At the end of the year, the Elmos share closed at 74.00 Euro, up 38% on the previous year's closing price. The Elmos share therefore continued to outperform competitors and relevant indices in 2023.

In addition to this pleasing increase in value, we are proposing to raise the dividend and allow our shareholders to participate appropriately in the success of fiscal year 2023 with our dividend proposal of 0.85 Euro per share . At the same time, we are retaining the necessary financial flexibility for the Company's strategic development and for future growth.

PRODUCT HIGHLIGHTS

In the past year, we were once again able to significantly exceed our ambitious targets for the acquisition of new business. After the absolute record achieved in the previous year, 2023 was the second strongest year in the Company's history. We acquired a large number of attractive new orders in all segments and regions. Elmos has a cutting-edge product portfolio highlighted by the following examples:

-> With the next generation of Elmos ultrasonic ICs, we are a central component of modern advanced driver assistance systems (ADAS). At this year's CES in Las Vegas, we presented our customers with the latest ultrasonic sensor technology with AI-based data analysis. Thanks to this groundbreaking sensor technology, the vehicle's surroundings can be recognized even better, enabling a stress-free and safe assisted or autonomous driving experience at slower speeds, e. g., in urban traffic or when parking.

-> Ambient interior lighting concepts are becoming increasingly popular and have become an integral part of modern vehicles of all classes. Elmos LED controllers make it possible to individually illuminate the entire interior with an improved energy and cost efficiency. Innovative, dynamic ambient lighting concepts with the help of Elmos ICs enhance the lighting experience in the interior, create emotions, increase comfort and well-being for drivers and passengers and warn of dangerous situations in good time. Elmos semiconductors are also setting new standards in automotive rear lights at low energy consumption. Elmos LED rear light drivers offer carmakers a wiede range of attractive design options for a striking and dynamic rear end.

-> The product portfolio for specific applications in electric vehicles is also growing steadily. Especially in thermal management for electric and hybrid vehicles, motor, electric drive and battery must be controlled effectively and very precisely. Elmos motor control and sensor ICs ensure an optimum operating temperature for all components, increasing efficiency and reducing energy consumption. In addition, Elmos motor control ICs help optimize thermal efficiency in heating the interior, e. g., through intelligent climate flap control, and thus also increase the range of electric vehicles.

-> Modern vehicle architectures require a high and safe availability and protection of the power supply. With the new Elmos eFuse product family, conventional fuses can already be replaced today. These electronic fuse systems facilitate the development of decentralized and software-defined vehicle system architectures and thus also support weight saving by reducing the size of the wiring harness in the vehicle.

STRATEGIC DEVELOPMENT

2023 was also a very successful year in terms of the Company's strategic development. After I had to report on the regrettable and surprising prohibition of the sale of the wafer fab by the German government in the last annual report, we were able to find a new and strong partner very quickly. The sale of the wafer fab to the U.S. company Littelfuse, which we signed in June 2023 for a sales price of 93 million Euro, is a milestone for the semiconductor production in Dortmund. In the future, the existing Elmos wafer fab with phased-out technology will be enhanced with modern power semiconductor technology for applications in areas such as climate technology, renewable energies and electromobility. We received the regulatory approvals without conditions in August 2023 and expect the transaction to be closed by the end of 2024. As a fabless company, we will have access to modern foundry technologies for the processing of our innovative semiconductors. With the sale to Littelfuse, we have therefore found a very good and sustainable solution for our employees, our customers, our shareholders, and for semiconductor production in Germany as well.

As in the entire allocation period, we kept achieving an outstanding delivery performance in the past year. The set-up of test capacities and new production partners in East Asia enabled us to successfully master the important new product launches and ramp-ups in the second half-year 2023 and create a solid basis for future demand.

In addition to innovative hardware solutions, we are also strengthening the software expertise at Elmos as advancing digitization in vehicles, connected cars with updates via the Internet, cloud services, autonomous driving and high safety standards require an even stronger link between hardware and software. High-performance software is increasingly becoming an indispensable part of our semiconductors and we are specifically strengthening our application knowledge and methodological expertise, for example in the important area of cybersecurity

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

in vehicle systems. To this end, we set up a new software unit in 2022 and opened the Elmos Software House. Additionally, we almost doubled our software resources in 2023. We are ready for the software-defined vehicle!

Elmos is a global company and we continued to strengthen our presence in the core regions last year in a target manner. For example, we opened two new locations in the largest automotive market, China, and also decided to set up our own Elmos location in the growth market India. Based on our local presence, we will be able to interact much more closely with our customers than before.

SUSTAINABILITY

Sustainability is omnipresent in our everyday lives and the importance of sustainability is also constantly growing in the business world, for investors, for regulators and for customers, and therefore also for Elmos. Sustainability has been a fundamental part of our corporate strategy for many years. Last year, we expanded our extensive reporting on this topic once again and published the first comprehensive corporate carbon footprint for the Elmos Group. We have also set ourselves ambitious targets for reducing our greenhouse gas emissions. Based on the future organizational structure as a fabless company, we want to reduce the greenhouse gas emissions of our own activities – i. e. scope 1 and 2 – by 40% by 2026 compared to the base year 2022, by 10% each year from 2023 to 2026. By 2035, we want to become climate neutral in our own activities. As you can see, we have high ambitions and want to make an even greater contribution to more sustainability in the future.

OUTLOOK

In recent months, the supply bottlenecks in the global supply chains for semiconductors have largely been resolved. We are currently in a normalization phase, which also includes inventory adjustments. Structurally, the demand for automotive semiconductors remains high and the growth trend due to more intelligent electronics in modern vehicles is stable. For fiscal year 2024, Elmos expects further profitable growth with sales of 605 million Euro ± 25 million Euro and an operating EBIT margin of 25% ± 2 percentage points of sales. The anticipated operating EBIT margin does not include any effects from the closing of the sale of the Elmos wafer fab to Littelfuse. Following the significant expansion of test capacity, Elmos expects lower capital expenditures of around 12% ± 2% points of sales in 2024. For fiscal year 2024, Elmos expects a positive operating adjusted free cash flow (excluding effects from the closing of the wafer fab sale to Littelfuse) well above the prior-year level.

Dear shareholders, Elmos is celebrating its 40th anniversary this year. Since the Company was founded in 1984, Elmos has become one of the world's leading specialists for mixed-signal semiconductors in the automotive industry. We want to continue on this successful path together with you and our employees. I would like to thank the entire Elmos team once again for their exemplary commitment and outstanding work. Of course, I would also like to thank my two colleagues on the Management Board, Dr. Jan Dienstuhl and Guido Meyer, our anchor shareholders and the entire Supervisory Board of Elmos Semicoductor SE. And of course I would also like to thank you, our shareholders, for your support and commitment.

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 fiscal year 2023, Elmos once again performed successfully in a challenging geopolitical and economic environment and achieved another impressive result. The Supervisory Board diligently attended to its duties and responsibilities imposed by law and the Articles of Incorporation in the reporting year. 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. Discussions were held in close consultation on issues such as geopolitical tensions, bottlenecks in the supply of semiconductors, cost increases, and the sale of the wafer fab in Dortmund.

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. Due to mandatory auditor rotation in accordance with EU Regulation No. 537/2014, the Supervisory Board, based on the reasoned recommendation of the audit committee, proposed to the 2023 Annual General Meeting that the branch in Dortmund, Germany, of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, be appointed as auditor and Group auditor for fiscal year 2023 and as auditor for the review of the Interim Report for the First Half of Fiscal Year 2023. The Supervisory Board's proposal was approved by a large majority at the Annual General Meeting. 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 of 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, internal control and risk management systems and sustainability. The CEO and the Chief Financial Officer of the Company, as well as the auditor, also attend the meetings of the audit committee temporarily.

The audit committee convened three times in fiscal year 2023: on February 14, July 12, and December 15. It has met once so far in 2024, on February 27. Some of the meetings of the audit committee were held as video conferences. Dr. Weyer was excused from the meeting on February 14, 2023; otherwise, the committee members and invited guests attended all meetings in fiscal year 2023. At its meetings, the audit committee discussed risk management, compliance, the internal control system, and the internal audit. The audit committee also dealt with the sale of Dortmund Semiconductor GmbH to Littelfuse, Inc. In addition, it 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 2023: on March 1, May 10, September 6, and December 15. In the meeting held on February 28, 2024, the Supervisory Board focused on the discussion and the adoption of the 2023 financial statements and consolidated financial statements; the Company's auditor was present for a part of this session.

During the sessions in the reporting year, 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. The Supervisory Board liaised with the Management Board on global developments concerning the supply chain and the energy supply. 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 reporting year, was dealt with in detail. The budget for the next fiscal year and planned capital expenditures were discussed in depth.

A key point of the Supervisory Board's deliberations and discussions with the Management Board was the sale of the wafer fab in Dortmund to Littelfuse, Inc. In addition, the Supervisory Board talked about the present state of design wins of the past years, as well as new ones, combined with sales planning and current developments in various product segments. The Supervisory Board also discussed the next generations of technology, as well as growth strategies and the Company's strategic positioning in China. Other topics addressed by the Supervisory Board included the efficiency review of the Supervisory Board, the organization of the 2023 Annual General Meeting in accordance with the new law on the introduction of virtual Annual General Meetings of stock corporations, and the 2023 half-year financial statements.

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 focal points. 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 in detail the agenda and format of the next Annual General Meeting on May 15, 2024. Based on the recommendation of the Management Board, the positive experience of the virtual Elmos Annual General Meetings in recent years, and the trend among listed companies in Germany, it was decided, subject to a later resolution to the contrary by the Supervisory Board, to prepare and hold the 2024 Annual General Meeting in virtual format again. The meetings of the Supervisory Board were held as in-person events. Thomas Lehner was excused from the meeting on December 15, 2023. Otherwise the members of the Supervisory Board attended all meetings. In some cases, the consultations took place without the Management Board being present.

AUDIT OF SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

At its meeting on February 28, 2024, with the assistance of the branch in Dortmund, Germany, of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, and the report of the audit committee, the Supervisory Board concerned itself with the audit of the separate financial statements and consolidated financial statements for the fiscal year ended December 31, 2023. According to the resolution of the Annual General Meeting of May 10, 2023, 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, 2023, 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 the branch in Dortmund, Germany, of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, 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 February 28, 2024, the statements and reports were also explained orally 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 15, 2024, 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 0.85 Euro per share for fiscal year 2023 out of the retained earnings of 284.4 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 February 28, 2024.

Remuneration systems for the Supervisory and Management Boards

The Annual General Meeting on May 10, 2023, approved the remuneration system for the Management Board by a large majority. Changes to the remuneration system for the Supervisory Board will be submitted to the next Annual General Meeting on May 15, 2024, for resolution.

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 2023. In May 2023, 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 April 28, 2022. This declaration of compliance and all previous ones have been made permanently available at www.elmos.com.

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 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 2023. The Management Board contract with Chief Sales Officer Dr. Jan Dienstuhl has been extended ahead of schedule until the end of 2026.

The Supervisory Board's financial experts, Dr. Klaus Weyer and Dr. Dirk Hoheisel meet the legal requirements in terms of knowledge in the fields of accounting and auditing and also have expertise in the area of sustainability. 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 2023.

Dortmund, February 28, 2024

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

SUPERVISORY BOARD

DR. KLAUS WEYER
-> Chairman
-> Chairman of the audit committee, financial expert pursuant to Section 100 (5) AktG
-> Independent member of the Supervisory Board
-> 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
-> Member of the audit committee, financial expert pursuant to Section 100 (5) AktG
-> Independent member of the Supervisory Board
-> 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 23 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 2023. In May 2023, they released a joint declaration of compliance in accordance with Section 161 AktG with reference to the GCGC in the version dated April 28, 2022. 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 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.

Elmos already 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)" in 2022. 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. Elmos plans to complete the compliance audit in accordance with IDW PS 980 with the review of effectiveness in fiscal year 2024.

The internal audit department once again performed non-ad-hoc audits in various areas of the Company in fiscal year 2023. Evaluating the audit reports helps to improve and develop the CMS. Elmos aims to continuously improve compliance within the Group and to further integrate it as an essential part of the Elmos culture.

The Elmos Code of Conduct serves as a framework for employees on how to act and conduct themselves. All of the rules and principles applying at the Company are defined in the Code of Conduct, which is updated regularly and enforced through training. In order to ensure adherence to the strict compliance principles not only within our Group, 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 the internal audit department, 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 primary 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 Management 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. Discussions are held on this matter on a regular basis. 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 2023 can be found in the Supervisory Board report. Sustainability and future-related issues are addressed and also focused on by the entire Supervisory Board. The entire Supervisory Board also discusses and approves the Company's sustainability strategy and ESG targets, such as the reduction of greenhouse gas emissions, together with the Management Board. The audit committee is responsible for monitoring sustainability reporting and auditing the non-financial 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. 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 achieved 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 going above and beyond the scope of 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 is as follows:

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 including sustainability-related and future issues	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 including information security	x	x
Expertise in auditing	x	x
Expertise in sustainability topics and sustainability reporting	x	x

In accordance with D.12 of the GCGC, the Supervisory Board regularly carries out a self-assessment of how effectively the Supervisory Board as a whole and its audit committee fulfill their respective duties. It uses questionnaires to evaluate how efficiently and effectively they perform their tasks on an annual basis. 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. Discussions are also held on the planning period and necessary qualifications, as required.

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 minimum quotas are as follows: 0% for the Supervisory Board and Management Board, 7.14% for the first senior executive level, and 6.67% for the second senior executive level.

There are no women on either the Supervisory Board or Management Board at present. 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 technical degree courses. There is a general shortage of young talent in engineering subjects, with women choosing engineering careers even less frequently than men. 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.

The target ratio and the previous year's figure of approx. 7% were both achieved in fiscal year 2023 at the first senior executive level. At approx. 10%, 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, 2023. 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 have the option to have their voting rights exercised in accordance with their instructions by proxies appointed by Elmos. On May 10, 2023, the Annual General Meeting authorized the Management Board to hold the Annual General Meeting without in-person attendance until May 9, 2028 (virtual Annual General Meeting). Based on the experience gained during the COVID-19 pandemic, the Supervisory Board and Management Board consider the flexibility to hold Annual General Meetings either in person or virtually to be necessary and beneficial for the Company. However, prior to each Annual General Meeting, the Management Board will consider and decide on the format of the Annual General Meeting in the best interests of the Company and the shareholders, also taking into account dialogue with shareholders. Following detailed consultation and discussion in the Management Board and Supervisory Board, the 2024 Annual General Meeting is to be prepared and held as a virtual Annual General Meeting, subject to any subsequent resolution to the contrary.

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 2023. This declaration furnished no doubts about auditor independence. Compliant with No. D.8 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.9 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. Compliant with No. D.10 GCGC, 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 Annual General Meeting on May 10, 2023, approved the current remuneration system for the members of the Management Board in accordance with Section 87a (1) and (2) sentence 1 AktG and the remuneration for the members of the Supervisory Board in accordance with Section 113 (3) AktG. A description of the remuneration systems can be found on the website at www.elmos.com/english/about-elmos/investor/corporate-governance.html and in the invitations to the Annual General Meetings from 2021 to 2023. The remuneration report pursuant to Section 162 AktG, including the auditor's opinion, will be made public on the website of Elmos Semiconductor SE (www.elmos.com/english/about-elmos/investor/corporate-governance.html) upon adoption of the corresponding resolution by the 2024 Annual General Meeting.

Declaration of compliance with the German Corporate Governance Code 2023

Superseding the declaration of compliance of May 2022, 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 April 28, 2022 (released in the official section of the Federal Gazette on June 27, 2022) 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 Chairman of the Supervisory Board is also the Chairman of the Audit Committee (GCGC Recommendation D.3 sentence 5). 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.3 sentence 5).

-> 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.

II. Statements with respect to the past

The recommendations of the GCGC in its 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 May 2022 with the exceptions mentioned there under I.

Dortmund, May 2023

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

MANAGERS' TRANSACTIONS

Persons who hold executive positions with an issuer of stock (for Elmos, the members of the Management Board and Supervisory Board and individual senior executives pursuant to Art. 3 (1) No. 25 (b) MAR (Market Abuse Regulation)) 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.

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 has been firmly anchored within our Company for many years. 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 enable a world that is 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 topics for Elmos. It covers topics that we can influence as a company, such as our consumption of energy and resources, as well as topics 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 topics, the 17 United Nations (UN) Sustainable Development Goals (SDGs) are used, which take into account all three dimensions of sustainability: social, environmental 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). From January 1, 2025, Elmos' non-financial reporting will be based on the EU's new Corporate Sustainability Reporting Directive (CSRD), which will replace the previous publication requirements of the CSR Directive Implementation Act (CSR-RUG). We are already preparing intensively for the upcoming reporting obligations. In this context, the materiality analysis is also being completely revised based on the new requirements of the European Sustainability Reporting Standards (ESRS) associated with the CSRD.

We are working continuously to expand the positive influence we can have on key sustainability topics. At Elmos, ESG-relevant topics as well as the publication and communication of ESG activities, key figures, and policies are coordinated by the Investor Relations, Public Relations & ESG department, which regularly exchanges information on sustainability topics 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 Officers. Dr. Arne Schneider, Chief Executive Officer of Elmos Semiconductor SE, has overall responsibility for sustainability, ensuring that the topic of sustainability is anchored even more firmly in the Company's organizational structure. The Supervisory Board of Elmos Semiconductor SE deals with sustainability topics as a whole, including discussing the Company's sustainability strategy and key ESG targets. The Supervisory Board's audit committee is responsible for monitoring sustainability reporting and auditing the non-financial report.

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. In fiscal year 2023, we held the first dedicated conference call for analysts and investors on the topic of ESG. Moreover, in fiscal year 2023 Elmos also participated for the second time in the Carbon Disclosure Project (CDP), the world's largest database for environmental and emissions data, in the area of climate change. Elmos also provided data in the area of water security as part of the CDP for the first time in fiscal year 2023. In addition, we again provided extensive data and information to internationally recognized ESG rating portals and to our customers' various ESG hubs in the reporting year in order to help achieve the most objective assessment possible of Elmos' ESG performance. However, because the ratings and assessments are only fully updated once a year in most cases, some rating results do not reflect the current status of Elmos' ESG performance.

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. The certifications are reviewed every year and are 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. We prepared a comprehensive corporate carbon footprint (Scope 1 to 3) in line with the Greenhouse Gas (GHG) Protocol for the first time in reporting year 2023 and defined ambitious climate targets for our own activities on this basis. Based on our future organizational structure as a fabless company, we aim to reduce our Scope 1 and 2 emissions by 40% by 2026 compared to the base year 2022. As part of this objective, the Scope 1 and 2 emissions from our the wafer production in Dortmund in the base year 2022 have already been excluded for the purposes of comparability. In order to achieve the targeted reduction, we plan to cut our Scope 1 and 2 emissions by 10% annually over the next four years. We also want to become climate neutral for our own activities (Scope 1 and 2) by 2035. 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 electricity requirements ourselves while utilizing the heat produced for heating our buildings at our Dortmund headquarters and for air conditioning at our wafer fab and testing facilities. To enable the recycling of valuable materials, substandard components from Elmos are sent to a recycling company that extracts and processes the valuable materials contained in these 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 is certified according to the strict requirements of ISO 45001. 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 almost 15,700 hours of training. That corresponds to around 18 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 December 31, 2023, a total of 40 apprentices were employed in 10 different professions or co-operative study programs at Elmos locations in Germany. 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

	12/31/2023	12/31/2022
Elmos North Rhine-Westphalia	1,101	989
Other subsidiaries	228	211
Total	**1,329**	**1,200**

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 trainings 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, antidiscrimination, 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. The current version of the Code can be found online at www.elmos.com. 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).

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, massage offerings, as well as free fruit and water 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.

The extensive protective and hygiene-related measures in place since the start of the COVID-19 pandemic in 2020 were largely lifted in the reporting year due to easing of the pandemic. 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. In fiscal year 2023, all works meetings were held in hybrid format, i.e., with both in-person attendance and virtual participation. 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.

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. From January 1, 2024, Elmos will be subject to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). In preparation for this, we conducted an extensive supplier survey worldwide – in some cases with the support of external specialists – and published our Policy Statement on Human Rights at the end of 2023. The Policy Statement is regularly reviewed and, if necessary, revised in line with legal and organizational changes in order to ensure it remains appropriate and effective. From next year, we will also prepare and publish an annual report on the fulfillment of our corporate due diligence obligations as required by law.

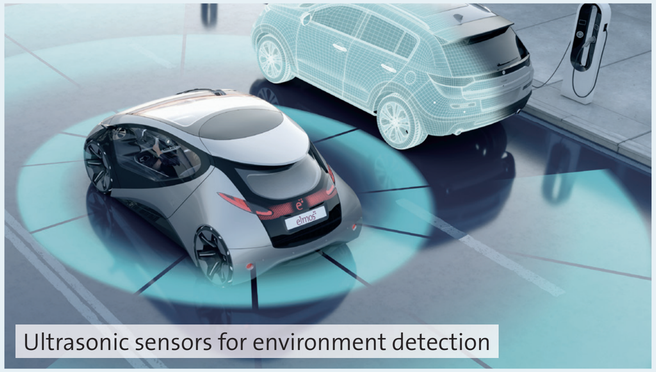
We actively strive to **combat corruption and bribery** at our Company. Elmos has a Group-wide compliance management system (CMS). In fiscal year 2022, Elmos had the adequacy and implementation of its compliance management system (CMS) audited by an external, independent auditor in accordance with the "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 Chief 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. dasKitz.DO, a learning laboratory for children in Dortmund, and the Get Racing Team from TU Dortmund University also received support. As part of its regional activities, the Elmos Foundation was again involved in various projects benefiting children and young people in Dortmund in 2023, in addition to supporting cultural projects such as the Konzerthaus and Theater- und Konzertfreunde Dortmund. The foundation supported a project at the Elmos Semiconductor SE location near Seoul in South Korea for the first time, donating school bags and running shoes to a welfare center for children from less privileged families. 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. In 2023, the foundation helped provide a water supply to a village in Tanzania. The foundation also provided spontaneous aid for earthquake victims in Turkey and Syria at the beginning of the year. Elmos Semiconductor SE supports the foundation financially by providing an annual donation. The donation amount was increased by 25% in the reporting year to 50,000 Euro per year. More detailed information on the foundation's activities can be found at www.elmos-stiftung.de.

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

The sustainability report has been prepared in accordance with external frameworks, in particular the German Sustainability Code (DNK). 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 40 years. As one of the world's most experienced analog 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 2023: 89%)

As a specialist for forward-looking vehicle applications, our ICs (integrated circuits) offer outstanding solutions to the challenges arising from the global automotive megatrends and enable the use of intelligent electronics in modern vehicle architecture. Elmos' innovative product portfolio supports autonomous driving, is an important component of modern advanced driver assistance systems (ADAS), improves environmental protection through low-consumption or emission-free drive concepts, and increases the safety, comfort, and well-being of drivers and passengers.

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 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 key technology. As a market leader, Elmos has already delivered more than 1 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 their impact, for example with emergency brake assistants. What's more, the potential of this widely used, tried-and-tested sensor technology is far from exhausted, as the systems will have to perform at an even higher level as autonomous driving becomes more widespread. One example of our work in this area is the development of the latest generation of ultrasound sensors with AI-based support. This pioneering technology enables even more precise detection of vehicle surroundings practically in real time, while at the same time minimizing interference signals from objects such as cobblestones. This allows obstacles to be identified even earlier and more accurately than before.

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.

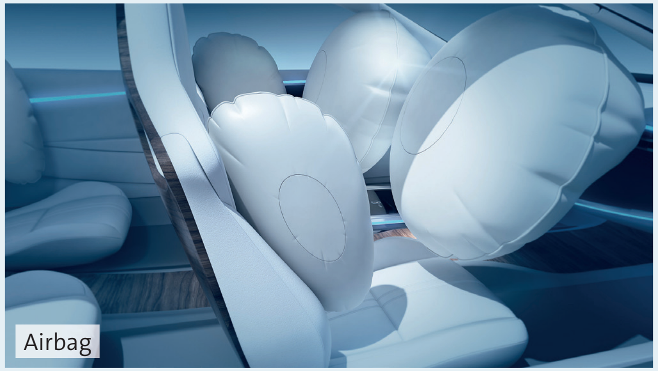
Ambient lighting

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. Using LEDs can significantly increase energy- and cost-efficiency.

LEDs save up to 80% in energy compared to traditional light bulbs and have a significantly longer life. They 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 low energy consumption.

Compared to conventional light bulbs, LED rear lights reach maximum brightness far more quickly, which can reduce the reaction time for the following traffic, especially when braking, which, in turn, reduces the braking distance.

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

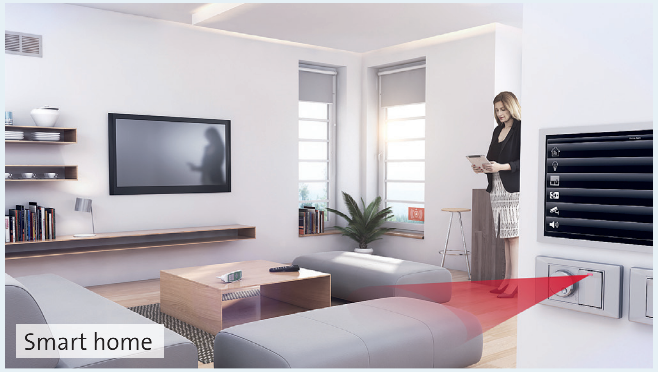
In the field of electromobility, thermal management plays a crucial role in optimizing the efficiency, charging times, and ranges of hybrid and electric vehicles. Our portfolio in this area is constantly growing. Elmos' thermal management products cover the three core elements – engine, battery, and interior – and enable 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.

Unlike in vehicles with internal combustion engines, the heat for heating the interior of battery-powered vehicles must be generated by the battery alone. Optimum and highly efficient temperature control is therefore very important, especially in winter, in order to use as little energy as possible from the battery. Elmos motor control ICs also help in this area, too. Smart air-conditioning shutters and vents allow the airflow in the interior to be regulated with great

Thermal management

Optical ICs (including gesture control)



Smart home

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 and software-defined vehicle system 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, providing enhanced safety and comfort and ensuring a better driving experience in millions of cars.

Non-automotive applications (percentage of sales in FY 2023: 11%)

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 from industrial automation to 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

Application		Contribution to increased: environmental protection and efficiency	safety and health	comfort and well-being
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 72% of Group sales make a substantial contribution to increased environmental protection and higher efficiency. More than 76% enhance safety and health in road traffic, at home, or in industrial processes. In addition, more than 56% 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, the EU Regulation 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 EU Regulation 2020/852 of June 18, 2020, and Commission Delegated Regulation 2021/2178 of July 6, 2021, companies subject to reporting requirements are obliged to annually 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 and protection of water and marine resources
(4) transition to a circular economy
(5) pollution prevention and control
(6) protection and restoration of biodiversity and ecosystems

The EU Taxonomy distinguishes between Taxonomy-eligible and Taxonomy-aligned economic activities. Economic activities are Taxonomy-eligible if they are linked to one of the activities listed in Annexes I (climate change mitigation) and II (climate change adaptation) to Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021, or (EU) 2022/1214 of March 9, 2022, or (EU) 2023/2485 of June 27, 2023, or Annexes I (sustainable use and protection of water and marine resources), II (transition to a circular economy), III (pollution prevention and control), and IV (protection and restoration of biodiversity and ecosystems) to Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023. 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 (DNSH principle), and additionally, above and beyond the technical screening criteria,
(3) are carried out in compliance with the minimum safeguards.

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

According to Annexes I (environmental objective 1 – climate change mitigation) and II (environmental objective 2 – climate change adaptation) of the Commission Delegated Regulation of June 4, 2021, as well as the corresponding extensions supplementing the EU Taxonomy Regulation, there are a total of 21 different activities that are deemed Taxonomy-eligible for companies in the manufacturing sector (production of goods).

The benefits of Elmos products as well as their significant contribution to 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, both for automotive applications in motor vehicles and in non-automotive, industrial contexts. 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 Commission Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, the NACE code relevant for Elmos (C.26) exclusively fell within section 3.6 (Manufacture of other low carbon technologies) in the past. 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). In the past, the relevant economic activities defined by the EU Taxonomy, for which Elmos technologies enable a substantial contribution to the fulfillment of environmental objectives, have been 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). With the Commission Delegated Regulation of June 27, 2023, supplementing the technical screening criteria, the automotive portion of Elmos' economic activities can now also be allocated to section 3.18 (manufacture of automotive and mobility components). Section 3.18 covers the manufacture of mobility components to deliver and improve the environmental performance of zero-emission vehicles. This is also an enabling activity. By producing semiconductors for the automotive industry, especially for highly efficient systems and applications, for low-emission drive concepts, and for hybrid or electric vehicles, Elmos makes the aforementioned contribution to the manufacture of low carbon technologies for transport (section 3.3). Non-automotive operations are therefore still assigned to activity 3.6, while the automotive applications are assigned to activity 3.18.

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). Elmos' activities do not contribute substantially to the other environmental objectives 2 (climate change adaptation), 3 (sustainable use and protection of water and marine resources), 4 (transition to a circular economy), 5 (pollution prevention and control) and 6 (protection and restoration of biodiversity and ecosystems).

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

The database for determining the benefit and contribution of Elmos products to the environment and people was further refined and standardized in the reporting year. As a result, Taxonomy-eligible turnover is now identified using the Elmos ESG product matrix in reporting year 2023. This is described in the previous section "Elmos product benefits: environmental protection, safety, comfort." Within the sales analysis for the EU Taxonomy, all applications with a high or medium contribution to environmental protection and efficiency are considered to make a significant contribution to environmental objective 1 (climate change mitigation), while applications with a low or no impact are not considered. In the Elmos Group, all sales attributable to semiconductors that could enable a significant contribution to the fulfillment of environmental objectives by increasing efficiency, directly or indirectly reducing consumption, or reducing a vehicle's or building's CO2 emissions (such as ICs for energy-saving LED control of ambient and rear lighting, ICs for optimized and efficient motor control and thermal management, semiconductors for efficient power and battery management, and home automation and industrial automation solutions) make a significant contribution to greater environmental protection and efficiency. According to the screening criteria of the EU Taxonomy, all other sales from products for applications that have a low or no impact on protecting the environment and efficiency do not qualify as Taxonomy-eligible, although the use of parking assistance systems, for example, considerably reduces urban parking traffic and therefore 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 calculation in this context. As a result, 72.1% of Elmos' Group sales were identified as Taxonomy-eligible.

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 preferred over 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). According to this analysis, 72.1% of the Elmos Group's capital expenditure (CapEx) can be classified as Taxonomy-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. Accordingly, the share of Taxonomy-eligible operating expenses (OpEx) of the Elmos Group is 72.2%.

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

The determination of the Taxonomy-aligned economic activities for Elmos is divided into two parts, one for products according to activity 3.6 and the other for products according to activity 3.18. With regard to activity 3.6, we had to recognize that fulfilling the very complex technical screening criteria and thereby providing evidence of the Taxonomy-alignment of products according to activity 3.6 would only be possible with a very large and disproportionately high amount of effort. The full life-cycle assessment required to verify the savings in GHG emissions, verified by an independent third party, would involve a disproportionate amount of time and money for the Company. Furthermore, such an assessment would have to be based on many uncertain assumptions. It would then be necessary to additionally verify in accordance with the technical screening criteria 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 emissions savings than any competitor products available on the market. It is not difficult to see that demonstrating this is not feasible at all in practice because the detailed information on all relevant competitor products required for this purpose is not available. Elmos reports 0% in Taxonomy-aligned turnover, CapEx, and OpEx for activity 3.6 in the fiscal year due to these extremely complex rules that are set out in the technical screening criteria regarding economic activity 3.6, which could either not be met at all or only by investing a disproportionately large amount of effort.

However, on the basis of the new economic activity 3.18, it is now possible to report Taxonomy-aligned products in this category. For this purpose, we reviewed our activities according to the technical screening criteria defined in Annex I EU 2023/2485. Almost all Elmos automotive semiconductors can be installed in vehicles with internal combustion engines (ICEs), in hybrid vehicles (HEVs/PHEVs), as well as in zero-emissions vehicles, i.e., battery electric vehicles (BEVs) and vehicles with a fuel cell (FCVs). However, it should be noted that Elmos is generally not aware of the specific models or platforms in which its ICs are used or the quantities involved. For this reason, the share of Elmos semiconductors in zero-emission vehicles (BEVs & FCVs) is determined on the basis of data on global automobile production for 2023. According to S&P Global (S&P Global Mobility Automotive Powertrain Production –

January 2024), a total of around 90.1 million vehicles were produced worldwide in 2023, 12.8% of which are zero-emission vehicles with an electric powertrain (BEVs) or a fuel cell (FCVs). Hybrid models are not taken into account in this regard as, according to the EU Taxonomy, only vehicles not causing any direct CO2 exhaust emissions can be considered Taxonomy-aligned.

In addition to the significant contribution to an environmental objective, the technical screening criteria for Taxonomy-aligned activities also require the avoidance of significant adverse effects (the "do no significant harm" criteria, DNSH) on other environmental objectives.

To comply with DNSH criteria for EU environmental objective **2. Climate change mitigation,** Elmos arranged for a climate risk and vulnerability assessment to be carried out for its headquarters, which is the only own production site of the Elmos Group worldwide. The outcome of the assessment was that, thanks to the location of the Elmos production site, no current or future material climate risks were able to be identified.

The criteria for environmental objective **3. Sustainable use and protection of water and marine resources** primarily refer to official and legal requirements that Elmos is already obliged to comply with, particularly at its sole production site in Dortmund. A detailed description can be found in our ESG policy on water management, which can be found in the Sustainability section of www.elmos.com. Elmos is also certified according to the demanding environmental management standard ISO 14001, which requires the identification and evaluation of potential risks to the environment. As a result, this risk analysis shows that Elmos' economic activities do not affect the EU's third environmental objective.

The DNSH criteria for environmental objective **4. Transition to a circular economy** primarily focus on general requirements, such as durable product design, recycling in the production process, and the provision of information on substances of concern. Elmos semiconductors are designed for longevity and durability. The average product cycle of the products is 6 to 10 years, a period that is usually aligned with the service life of a car, although the actual life and functionality of the ICs is normally much longer. In addition, Elmos has implemented a comprehensive waste management system focusing on transparency, protecting the environment, resource cycles, occupational safety, and decontamination. As a result, Elmos can point to a waste utilization quota of over 90% at all times. With regard to the provision of information on substances of concern, please refer to our statements on conflict minerals, ELV, REACH, and RoHS, which are available at www.elmos.com.

With regard to EU environmental objective **5. Pollution prevention and control,** there are no indications that Elmos is in breach of the requirements stipulated by the EU Taxonomy. Because Elmos complies with the necessary regulations and directives, the possibility that Elmos uses, manufactures, or markets substances of very high concern as defined by the EU Taxonomy can therefore be ruled out.

With regard to EU environmental objective **6. Protection and restoration of biodiversity and ecosystems,** please refer to our ESG policy on biodiversity, which can be found in the Sustainability section of www.elmos.com. The risk analysis described in this policy – which is based on the Key Biodiversity Areas within the Biodiversity Risk Filter of the WWF Risk Filter Suite of the World Wide Fund For Nature (WWF) – shows that Elmos' economic activities are not detrimental to this environmental objective.

In summary, it can be stated that the requirements for avoiding significant adverse effects and complying with the do no significant harm (DNSH) criteria of the other EU environmental objectives are met.

In addition to the technical screening criteria, our processes have also undergone a review regarding their compliance with the minimum safeguards of the EU Taxonomy in order to determine Taxonomy-aligned economic activities. A gap analysis was prepared for this purpose to ensure compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the fundamental principles and rights set out in the eight core conventions of the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. The analysis centers on issues such as human and labor rights, bribery and corruption, taxation and fair competition, as well as the responsible use of science, technology, and innovation. At Elmos, the minimum protection requirements are ensured by using the existing, comprehensive compliance management structures. These include the Group-wide compliance management system (CMS), the Codes of Conduct for employees, suppliers, and business partners, the policies on human rights, the statements on conflict minerals and on ELV, REACH, and RoHS, and numerous guidelines on social issues and corporate governance, which can be found at www.elmos.com in the Sustainability and Corporate Governance section. No significant gaps were therefore determined as part of the gap analysis, meaning that compliance with the minimum safeguards is also deemed to be in place.

As a result, the shares of Taxonomy-aligned sales and Taxonomy-aligned capital expenditure (CapEx) of Elmos Semiconductor SE were both 7.8% for 2023. The share of Taxonomy-aligned operating expenses (OpEx) amounted to 7.9%.

Explanatory notes on the EU Taxonomy disclosures

-> All disclosures relate to the reporting period from January 1, 2023, to December 31, 2023 (previous year: January 1, 2022, to December 31, 2022).

-> 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, 2023, and were determined in accordance with the provisions and definitions contained in Annex I (KPIs of non-financial undertakings) of the Commission Delegated Regulation of July 6, 2021.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure for 2023

Fiscal year 2023	2023			Substantial contribution criteria						DNSH criteria (do no significant harm)									
Economic activities	Code	Turnover	Proportion of turnover in 2023	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) proportion of turnover in 2022	Category enabling activity	Category transitional activity
		million Euro	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of automotive and mobility components	CCM 3.18.	45.1	7.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	Y	Y	Y	Y	Y	n/a	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		45.1	7.8%	7.8%	0%	0%	0%	0%	0%	n/a	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		45.1	7.8%	7.8%	0%	0%	0%	0%	0%	n/a	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		0	0%	0%						n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low-carbon technologies	CCM 3.6.	62.1	10.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								30.8%		
Manufacture of automotive and mobility components	CCM 3.18.	307.3	53.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		369.4	64.2%	64.2%	0%	0%	0%	0%	0%								30.8%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		414.5	72.1%	72.1%	0%	0%	0%	0%	0%								30.8%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		160.5	27.9%																
TOTAL		575.0	100.0%																

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure for 2023

Fiscal year 2023	2023			Criteria for a significant contribution						DNSH criteria (do no significant harm)										
Economic activities	Code	CapEx	Proportion of CapEx in 2023	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) proportion of CapEx in 2022	Category enabling activity	Category transitional activity
		million Euro	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of automotive and mobility components	CCM 3.18.	10.8	7.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	Y	Y	Y	Y	Y	n/a	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		10.8	7.8%	7.8%	0%	0%	0%	0%	0%	n/a	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		10.8	7.8%	7.8%	0%	0%	0%	0%	0%	n/a	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		0	0%	0%						n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low-carbon technologies	CCM 3.6.	14.9	10.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								31.1%		
Manufacture of automotive and mobility components	CCM 3.18.	73.8	53.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		88.7	64.3%	64.3%	0%	0%	0%	0%	0%								31.1%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		99.5	72.1%	72.1%	0%	0%	0%	0%	0%								31.1%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		38.5	27.9%																
TOTAL		138.0	100.0%																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure for 2023

Fiscal year 2023	2023			Criteria for a significant contribution						DNSH criteria (do no significant harm)										
Economic activities	Code	OpEx	Proportion of OpEx in 2023	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) proportion of OpEx in 2022	Category enabling activity	Category transitional activity
		million Euro	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of automotive and mobility components	CCM 3.18.	4.5	7.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	n/a	Y	Y	Y	Y	Y	Y	n/a	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		4.5	7.9%	7.9%	0%	0%	0%	0%	0%	n/a	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		4.5	7.9%	7.9%	0%	0%	0%	0%	0%	n/a	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		0	0%	0%						n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low-carbon technologies	CCM 3.6.	6.2	10.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								31.4%		
Manufacture of automotive and mobility components	CCM 3.18.	30.5	53.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n/a		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		36.6	64.4%	64.4%	0%	0%	0%	0%	0%								31.4%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		41.1	72.2%	72.2%	0%	0%	0%	0%	0%								31.4%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		15.8	27.8%																
TOTAL		56.9	100.0%																

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 their gender. We do not prefer or disadvantage anyone on the basis of their gender, skin color, ethnic or social background, nationality, religion, worldview, political leaning, 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		
	2023	2022[1]	2021	2023	2022[1]	2021
Full time	139	137	151	627	603	666
Part time	76	76	86	27	23	22
Total	**215**	**213**	**237**	**654**	**626**	**688**

[1] The change in 2022 compared to 2021 was 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 reporting year. Further information about Elmos Semiconductor SE is included in a separate section containing HGB disclosures.

THE GROUP'S BUSINESS MODEL AND STRATEGY

Elmos is a 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, thereby increasing the performance, efficiency, and safety of applications and benefitting customers in a number of ways, including in terms of production, costs, performance, and reliability. Elmos has been an established expert in mixed-signal semiconductors in the automotive industry for 40 years and is continuously developing the next generation of innovations offering added value to customers and end users.

Our ICs provide innovative solutions for global automotive megatrends: Elmos ICs support driver assistance systems or autonomous driving, electric powertrain concepts, digitalization, and innovative system architectures as well as enabling greater safety, comfort, and well-being in all vehicles. We aim to use our pioneering products to benefit in the long term from structural market growth in the automotive semiconductor market and from the increasing electrification of all systems and functions in vehicles. We want to continue to grow profitably in our application areas and continue the positive development of the entire Company.

Innovative, high-quality product portfolio

As a manufacturer of mixed-signal semiconductors for automotive electronics, Elmos currently supplies several hundred customers worldwide, including all major automotive suppliers. Sales to automotive customers accounted for 89% of the Group's sales in the reporting year. In the industrial and consumer goods sectors, Elmos supplies products for applications in smart installation and facility technology, household appliances, and machine control systems, among other things. These products accounted for 11% of sales in the reporting year.

Our product range is divided into 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 according to customer specifications and tailor-made for each customer. 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 71% of the Group's sales in the reporting year, with the remaining 29% generated with ASICs. A majority of the products in development, and a majority of the design wins, are ASSPs.

Elmos achieves a high level of quality with its products, as well as in its business, manufacturing, and support processes. For example, the Elmos quality management system is certified at the relevant locations in accordance with the automotive industry standard IATF 16949. The monitoring audit in 2023 confirmed the high level of the quality management system. Elmos also possesses ISO 26262 certification (functional safety) Group-wide.

Research and development

Our research and development activities are focused on the competitive and on-time design of products to further expand the innovative Elmos portfolio and ensure that the numerous new projects enter serial development. On average, a total of 415 employees worked in research and development in 2023, which equates to around 32% of the Elmos Group's entire workforce.

R&D expenditure remained at a high level in the reporting year, increasing to 68.8 million Euro (previous year: 55.5 million Euro), in order to support the numerous production ramp-ups and new development projects in all application areas. The business lines work closely with the research and development department. If necessary, external development services are also used.

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 reporting year, Elmos operated its own wafer manufacturing facility at its main location in Dortmund. Such capacities are enhanced and optimized by cooperation agreements with contract manufacturers (foundries). On June 28, 2023, Elmos Semiconductor SE and Littelfuse, Inc., USA, a diversified industrial technology company, entered into an agreement on the sale of the Elmos wafer fab in Dortmund to Littelfuse. All other activities, including testing operations, will remain with Elmos. In addition, Elmos and Littelfuse agreed to enter into a long-term supply agreement with an initial term until 2029, with Elmos purchasing defined volumes of wafers produced in the fab. This long-term agreement supplements the existing supply arrangements with Elmos' other foundry partners and ensures that Elmos has the necessary capacities to meet projected customer demand. The German Federal Antitrust Authority (Bundeskartellamt) issued its unconditional approval of the deal in July 2023. In August 2023, the Federal Ministry for Economic Affairs and Climate Action (BMWK) also granted its clearance under foreign trade law for the sale of Elmos' wafer fab to Littelfuse without any conditions. The transaction is expected to be closed by the end of December 2024. Elmos will retain full operational control over the wafer fab until the closing date. Once the transaction has been closed, Elmos will operate as a fabless company in the frontend part of the value chain without its own manufacturing facility.

In addition to cooperation with frontend wafer processing partners, partnerships with backend partners in the area of testing (known as outsourced semiconductor assembly and testing, or OSAT), especially in Asia, were significantly expanded in the reporting year. The goal is to achieve a high level of capacity utilization of the Group's own in-house testing facilities in Dortmund 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). These key figures are significant indicators of the financial performance of the Elmos Group and Elmos Semiconductor SE and form an essential basis for operational and strategic management decisions. They are used to measure the achievement of targets and the Company's success, as well as to determine the Management Board's performance-based variable remuneration.

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

Starting from weak figures in the previous year, major global automotive markets recorded significant increases in light vehicle production figures in 2023. This was due in particular to the normalization of supply chains. According to S&P Global, the number of new vehicles produced worldwide in 2023 rose by +9.4% compared to the previous year. From a regional perspective, Europe (+12.5%) recorded the highest growth, followed by North America (+9.5%) and China (+9.4%).

Light vehicle production figures[1]	Change
Worldwide	+9.4%
Europe	+12.5%
China	+9.4%
North America	+9.5%
Semiconductor market	
Overall semiconductor market (worldwide)[2]	-9.4%
Automotive semiconductor market (worldwide)[3]	+19.2%

Sources: [1] S&P Global Mobility Light Vehicle Production Forecast (as of January 2024), [2] WSTS (as of November 2023), [3] S&P Global Mobility Automotive Semiconductor Tracker (published in December 2023)

The semiconductor market suffered a significant decline in 2023, in particular due to weak demand for consumer electronics. According to World Semiconductor Trade Statistics (WSTS), total semiconductor sales fell by -9.4% worldwide to 520 billion USD in 2023. By contrast, the automotive semiconductor market once again recorded significant growth of +19.2% in 2023 according to S&P Global.

GUIDANCE-ACTUAL COMPARISON

Elmos issued its guidance for the past fiscal year for the first time in February 2023 and confirmed it in the outlook as part of the combined management report for fiscal year 2022. In June 2023, Elmos announced the conclusion of an agreement to sell the wafer fab at the Dortmund site to Littelfuse Inc., USA. As a result, the forecast for (operating) adjusted free cash flow has been updated. Independently of the transaction, the forecast for capital expenditures has also been increased due to the intensified expansion of testing capacities for future growth. With sales of 575.0 million Euro (+28.6% compared to the previous year), an EBIT margin of 26.2%, capital expenditures of 20.0% of sales and an adjusted operating free cash flow of -24.3 million Euro, Elmos fully achieved its guidance from June 2023.

	02/2023	06/2023	Actual 2023	
Sales in million Euro	>560 (min. +25% yoy)	>560 (min. +25% yoy)	575.0 (+28.6% yoy)	✔
EBIT margin	25% ± 2 percentage points	25% ± 2 percentage points	26.2%	✔
Capital expenditures[1] in % of sales	17% ± 2 percentage points	19% ± 2 percentage points	20.0%	✔
(Operating[2]) adjusted free cash flow[3] in million Euro	Adjusted FCF: Same level as previous year (14.9 million Euro) ± 10 million Euro	Operating adjusted FCF: negative	Operating adjusted FCF: -24.3 million Euro	✔
Average exchange rate EUR/USD	*1.05*	*1.05*	*1.08*	

[1] Capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses.
[2] Excluding effects from the sale of Elmos wafer fab to Littelfuse Inc., USA.
[3] 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 2023 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.

On June 28, 2023, Elmos Semiconductor SE and Littelfuse, Inc., USA, signed an agreement for the sale of Elmos' wafer fab in Dortmund to Littelfuse. Elmos is selling its wafer production facility for a total net purchase price of around 93 million Euro. All other activities, including testing operations, will remain with Elmos. The German Federal Antitrust Authority (Bundeskartellamt) and the Federal Ministry of Economics and Climate Action (BMWK) have already unconditionally approved the transaction. The transaction is expected to be closed at the end of December 2024 and is subject to certain closing conditions. Elmos will retain full operational control over the wafer fab until the transaction is closed. Once the deal takes effect, Elmos will operate as a fabless company in the frontend part of the value chain without its own manufacturing facility and procure processed wafers exclusively from external foundries.

Sales performance

Despite a noticeable easing in global supply chains, demand for Elmos semiconductors remained at a high level in fiscal year 2023. Group sales once again increased very significantly year on year by 127.8 million Euro, or 28.6%, to 575.0 million Euro (2022: 447.2 million Euro).

CONDENSED INCOME STATEMENT

in million Euro or %	FY 2023	FY 2022	Change
Sales	575.0	447.2	28.6%
Gross profit	271.3	207.5	30.7%
in % of sales	47.2%	46.4%	
Research and development expenses	68.8	55.5	23.9%
in % of sales	12.0%	12.4%	
Distribution expenses	23.0	17.9	28.8%
in % of sales	4.0%	4.0%	
Administrative expenses	31.5	24.2	30.3%
in % of sales	5.5%	5.4%	
Operating result before other operating expenses/income	148.1	110.0	34.6%
in % of sales	25.7%	24.6%	
Foreign exchange gains	1.5	3.0	-52.1%
Other operating result	1.2	-2.9	n/a
EBIT	150.7	110.1	36.8%
in % of sales	26.2%	24.6%	
Finance income	1.2	0.8	52.4%
Finance expenses	-2.9	-2.4	21.0%
Earnings before taxes	149.0	108.5	37.3%
in % of sales	25.9%	24.3%	
Consolidated net income attributable to owners of the parent	99.1	71.4	38.9%
in % of sales	17.2%	16.0%	
Earnings per share (basic) in Euro	5.79	4.17	38.8%
Dividend per share in Euro	0.85[1]	0.75	13.3%

[1] Proposal to the Annual General Meeting on May 15, 2024.

Sales by region: All regions contributed to the Elmos Group's sales growth in the reporting year and recorded increases in sales year on year. With sales growth of 20.9% to 308.9 million Euro, the Asia/Pacific (APAC) region continues to account for the largest regional share of sales in the Elmos Group at 53.7%. The countries of the European Union form the second-strongest region, which accounted for 197.2 million Euro, or 34.3%, of Group sales. Sales with direct customers in America amounted to 39.6 million Euro, or 6.9%, of Group sales in fiscal year 2023.

Share of sales | in %	FY 2023	FY 2022
E.U. countries	34.3%	32.0%
Asia/Pacific	53.7%	57.1%
America	6.9%	7.1%
Others	5.1%	3.8%

Sales by customer and product group: In 2023, the ten largest customers accounted for approximately 54% of sales (2022: 55%); the share of sales accounted for by the ten best-selling product groups stood at around 41% in the reporting year (2022: 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. Due to the noticeable easing of semiconductor capacity bottlenecks for automotive applications, customers have, as expected, adjusted their inventories and adapted their ordering behavior accordingly. This primarily affected order volumes in the first and second half of the year and therefore also the book-to-bill ratio. As a result, the book-to-bill ratio was below one at the end of fiscal year 2023. 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 were once again very successful in 2023 in terms of the number of new projects won, with a significant amount of new projects being acquired. As in previous 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 271.3 million Euro (2022: 207.5 million Euro) as a result of the increase in sales. Accordingly, the gross margin improved slightly to 47.2% (2022: 46.4%).

Research and development expenses: Research and development expenses climbed by 13.3 million Euro to a total of 68.8 million Euro in fiscal year 2023 (2022: 55.5 million Euro). As in the previous year, the increase was disproportionately low compared to the high sales growth. At 12.0% of sales (2022: 12.4%), research and development expenses remained at a high level, enabling us to develop innovative solutions for our customers in all our application areas.

Distribution expenses: Distribution expenses rose by 5.1 million Euro year on year to 23.0 million Euro in the reporting year (2022: 17.9 million Euro).

Administrative expenses: At 31.5 million Euro, administrative expenses in 2023 were 7.3 million Euro higher than in the previous year (2022: 24.2 million Euro). The year-on-year increase was mainly due to higher personnel expenses and consulting fees.

Earnings before interest and taxes (EBIT): EBIT climbed by 40.6 million Euro or 36.8% year on year to 150.7 million Euro in fiscal year 2023 due to the high sales growth (2022: 110.1 million Euro). Accordingly, the EBIT margin increased further to 26.2% (2022: 24.6%).

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 99.1 million Euro in fiscal year 2023 (2022: 71.4 million Euro). Consolidated net income was equivalent to basic earnings per share of 5.79 Euro (2022: 4.17 Euro).

Proposal for the appropriation of retained earnings: Elmos Semiconductor SE's net income according to the German Commercial Code (HGB) amounted to 78.7 million Euro (2022: 70.6 million Euro) (for further details, see the financial statements according to HGB). Profit carried forward from 2022 amounts to 205.7 million Euro. At the Annual General Meeting on May 15, 2024, the Management Board and the Supervisory Board will propose a dividend of 0.85 Euro per share, up 13.3% year on year, from the retained earnings of Elmos Semiconductor SE of 284.4 million Euro for 2023 (2022: 0.75 Euro per share). The total dividend payout would therefore amount to 14.6 million Euro on the basis of the 17,120,726 shares entitled to dividends as of December 31, 2023.

Financial position

CONDENSED STATEMENT OF CASH FLOWS

in million Euro or %	FY 2023	FY 2022	Change
Consolidated net income	99.0	71.3	38.9%
Depreciation and amortization	42.3	43.5	-2.7%
Change in net working capital[1]	-69.5	-38.1	82.3%
Other items	30.9	22.0	40.2%
Cash flow from operating activities	**102.6**	**98.6**	**4.1%**
Capital expenditures for intangible assets and property, plant and equipment	-127.2	-83.9	51.7%
Disposal of/investment in (-) securities	16.0	11.2	43.0%
Proceeds related to future disposals in the scope of consolidation	37.2	0.0	n/a
Other items	0.2	0.0	5.4x
Cash flow from investing activities	**-73.8**	**-72.6**	**1.6%**
Cash flow from financing activities	**22.9**	**-7.5**	**n/a**
Change in liquid assets	51.8	18.6	2.8x
Adjusted free cash flow[2]	**12.9**	**14.9**	**-13.1%**
Operating adjusted free cash flow[3]	**-24.3**	**14.9**	**n/a**

[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 future disposals in the scope of consolidation).
[3] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment, excluding effects from the sale of the Elmos wafer fab to Littelfuse Inc., USA.

Cash flow from operating activities: Cash flow from operating activities stood at 102.6 million Euro in fiscal year 2023 and was therefore higher than the previous year's figure (2022: 98.6 million Euro). The changes were mainly due to the higher consolidated net income and the higher net working capital.

Cash flow from investing activities: Investments in the expansion of the testing operations, particularly in East Asia, were accelerated again. Further investments were made in developing testing capacities to realize additional sales potential and new product ramp-ups in the second half of 2023, ensure delivery capability, and achieve future growth. At -127.2 million Euro, capital expenditures for intangible assets and property, plant and equipment increased considerably overall versus the previous year (2022: -83.9 million Euro). Proceeds related to future disposals in the scope of consolidation amounted to 37.2 million Euro (2022: 0.0 million Euro). After regulatory approvals were issued for the sale of the Elmos wafer fab to Littelfuse, the buyer made a partial payment to Elmos. The Company also sold securities (bonds and borrowers' notes) amounting to 16.0 million Euro in the reporting year (2022: 11.2 million Euro). Cash flow from investing activities totaled -73.8 million Euro in fiscal year 2023 (2022: -72.6 million Euro), on a par with the previous year.

Cash flow from financing activities: Cash flow from financing activities amounted to 22.9 million Euro in the reporting period compared to -7.5 million Euro in the same period of the previous year. In addition to the dividend payment, the cash flow from financing activities was significantly influenced by taking new financial liabilities. The dividend payout in 2023 totaled 12.8 million Euro (2022: 11.1 million Euro).

Adjusted free cash flow stood at 12.9 million Euro in fiscal year 2023 (2022: 14.9 million Euro). Operating adjusted free cash flow (excluding effects from the sale of the Elmos wafer fab to Littelfuse) amounted to -24.3 million Euro and was below the previous year (2022: 14.9 million Euro), mainly due to the increase in capital expenditures.

Liquid assets: Cash and cash equivalents recognized according to IFRS 5 amounted to 85.6 million Euro as of December 31, 2023 and was significantly above the previous-year figure (December 31, 2022: 36.6 million Euro).

Financial situation: Elmos is financed by equity, promissory note loans, and bank loans. A promissory note loan in the amount of 40.0 million Euro was taken out in the second half of 2023. As of December 31, 2023, the Company had various short-term lines of credit at its disposal totaling 75.0 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-balance sheet 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, 2023, they amounted to 44.5 million Euro (December 31, 2022: 33.3 million Euro). A purchase commitment exists in the amount of 11.4 million Euro (2022: 41.3 million Euro) as a result of investment orders placed.

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION

in million Euro or %	12/31/2023	12/31/2022	Change
Intangible assets	40.8	36.3	12.4%
Property, plant and equipment	292.1	219.3	33.2%
Other non-current assets	9.6	9.1	4.9%
Securities (current and non-current)	20.2	35.5	-43.1%
Inventories	191.5	116.6	64.2%
Trade receivables	91.0	67.8	34.2%
Cash and cash equivalents	85.6	36.6	2.3x
Other current assets	26.8	21.3	26.3%
Assets held for sale	54.7	0.0	n/a
Total assets	**812.4**	**542.4**	**49.8%**
Equity	447.9	360.4	24.3%
Financial liabilities (current and non-current)	118.7	81.0	46.6%
Other non-current liabilities	9.8	8.5	15.0%
Trade payables	97.6	44.2	2.2x
Other current liabilities	134.9	48.3	2.8x
Liabilities in connection with assets held for sale	3.5	0.0	n/a
Total equity and liabilities	**812.4**	**542.4**	**49.8%**

Total assets rose by 270.0 million Euro to 812.4 million Euro as of December 31, 2023 (December 31, 2022: 542.4 million Euro), primarily as a result of the increase in property, plant and equipment (+72.9 million Euro) due to higher capital expenditures, particularly in relation to machinery and equipment for the expansion of testing capacities, the growth in inventories (+74.9 million Euro) and trade receivables (+23.2 million Euro) due to higher sales, as well as higher liquid assets (+49.0 million Euro).

Due to the sale of the Elmos wafer fab to Littelfuse, the consolidated statement of financial position as of December 31, 2023, includes assets in the amount of 54.7 million Euro and liabilities held for sale in the amount of 3.5 million Euro (December 31, 2022: 0.0 million Euro respectively).

DETERMINATION OF ROIC

in million Euro or %	2023	2022
❶ **EBIT**	**150.7**	**110.1**
	12/31/2023	12/31/2022
Intangible assets	40.8	36.3
Property, plant and equipment	292.1	219.3
Inventories	191.5	116.6
Trade receivables	91.0	67.8
less		
Trade payables	97.6	44.2
❷ **Invested capital**	**517.8**	**395.7**
RoIC (❶/❷)	**29.1%**	**27.8%**

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 increase in EBIT meant that the RoIC of 29.1% was higher in 2023 than in the previous year (2022: 27.8%).

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In fiscal year 2023, the Elmos Group once again performed extremely well in a challenging geopolitical and economic environment. Despite the normalization of semiconductor allocation, sales and earnings before interest and taxes (EBIT) once again increased significantly compared to the previous year. Expenditure on research and development continued to be increased in the reporting year, and Elmos' innovative product portfolio was further expanded. In addition to the gradual expansion of software expertise, an important focus of the Company's strategic activities was the continued expansion of testing capacities with manufacturing partners in East Asia. The Company's new design wins in 2023 again comprise a wide variety of new projects with existing and new customers in all product segments and in all regions. The international positioning of Elmos with innovative products and a good competitive position together with a solid financial foundation form an excellent basis for the future development of the company.

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 published 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 2023

The business performance and economic situation of Elmos Semiconductor SE essentially determine the business performance of the Group. Consequently, the explanations provided in the sections entitled "The Group's Business Model" and "Business Report" apply to both the Elmos Group and Elmos Semiconductor SE. The following presentation of the financial, profit, and economic position refers to the financial statements of Elmos Semiconductor SE prepared in accordance with HGB provisions.

Business outlook for 2024 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 2024 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 opportunities and risks made therein therefore also apply to the expected performance and opportunities and risks 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. Accordingly, the Group's expected business performance in 2024 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 2024 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 2023	FY 2022	Change
Sales	**575.3**	**445.6**	**29.1%**
Changes in inventories, other own work capitalized, and other operating income	90.8	33.1	2.7x
Material costs	340.3	214.3	58.8%
Personnel expenses	82.2	75.3	9.2%
Amortization of intangible assets and depreciation of fixed assets and property, plant and equipment	25.8	25.3	1.8%
Other operating expenses	69.3	51.7	33.9%
Operating income	**148.4**	**112.0**	**32.6%**
Income from investments and financial result	-2.7	-4.3	-37.5%
Earnings before taxes	**145.7**	**107.6**	**35.4%**
Net income	**78.7**	**70.6**	**11.6%**

In the past fiscal year, sales rose sharply by 29.1% to 575.3 million Euro (2022: 445.6 million Euro). Operating income was also up substantially to 148.4 million Euro in fiscal year 2023 (2022: 112.0 million Euro).

Financial position

CONDENSED STATEMENT OF CASH FLOWS (HGB)

in million Euro or %	FY 2023	FY 2022	Change
Net income	**78.7**	**70.6**	**11.6%**
Depreciation and amortization	25.8	25.3	1.8%
Expenses from the disposal of fixed assets	0.6	0.2	2.7x
Increase in current provisions and write-downs of financial investments	64.3	25.4	2.5x
Increase (-) in inventories, trade receivables, and other assets	-115.0	-75.9	51.6%
Increase (+) in trade payables, and other assets	79.5	40.8	94.6%
Cash flow from operating activities	**133.9**	**86.5**	**54.7%**
Cash flow from investing activities	**-108.4**	**-64.3**	**68.7%**
Cash flow from financing activities	**26.8**	**-4.7**	**n/a**
Change in cash and cash equivalents	52.3	17.6	3.0x
Cash and cash equivalents at beginning of period	31.0	13.4	2.3x
Cash and cash equivalents at end of period	**83.3**	**31.0**	**2.7x**

In fiscal year 2023, cash flow from operating activities was up by a substantial margin year on year, amounting to 133.9 million Euro (2022: 86.5 million Euro). In addition to the higher net income, this is due to the increase in current provisions and higher liabilities as a result of increased business activity. At -108.4 million Euro, cash flow from investing activities (2022: -64.3 million Euro) was significantly higher than the previous year as a result of the expansion of testing capacities described above. Cash flow from financing activities stood at 26.8 million Euro in the reporting year (2022: -4.7 million Euro).

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION (HGB)

in million Euro or %	12/31/2023	12/31/2022	Change
Fixed assets	355.1	274.8	29.2%
Inventories	197.2	107.8	82.9%
Receivables and other assets	113.9	88.6	28.5%
Cash in hand, cash in banks	83.3	31.0	2.7x
Other assets	3.5	3.2	9.0%
Total assets	**753.1**	**505.5**	**49.0%**
Equity	400.9	334.1	20.0%
Provisions	106.0	43.5	2.4x
Liabilities/deferred income	246.2	128.0	92.4%
Total equity and liabilities	**753.1**	**505.5**	**49.0%**

Total assets grew by 49.0% year on year from 505.5 million Euro to 753.1 million Euro as of December 31, 2023. The reasons for the change on the assets side include an increase in property, plant and equipment due to capital expenditures, the growth in inventories and trade receivables due to increased business activity, as well as higher 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 – above all – 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, 2023, reported retained earnings of 284.4 million Euro (2022: 218.5 million Euro). At the Annual General Meeting on May 15, 2024, the Management Board and Supervisory Board will propose that the retained earnings for fiscal year 2023 be used for the distribution of a dividend of 0.85 Euro per no-par value share entitled to dividend – up 13.3% 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 2023.

OPPORTUNITIES AND RISKS

OPPORTUNITIES

Opportunities are identified and analyzed within the Group and for Elmos Semiconductor SE. 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

Increasing digitalization and access to growth markets, especially in Asia, are opening up macroeconomic opportunities for Elmos. This includes the Chinese automotive market in particular, which has high growth potential and could further expand its leading role in electromobility. At the same time, we assert our solid position with automotive semiconductors in certain applications in the established markets, where we also seize opportunities for long-term growth.

The shift in automotive mobility is opening up industry-specific opportunities to us, particularly as a result of the following automotive megatrends: driver assistance systems up to autonomous driving; electromobility; innovative vehicle system architectures; and higher demands in terms of safety, connectivity, and comfort. As the Elmos product portfolio is not dependent on a specific powertrain technology, the growing number of semiconductors resulting from the increasing digitalization and electrification of all vehicle systems and functions offers opportunities in all of our areas of application. Demand for semiconductors remained very high overall in fiscal year 2023, as did the number of orders we received from customers. A structural and sustained increase in demand for semiconductors is also expected in the coming years.

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. In particular, the transformation of Elmos into a fabless company will help us to act even more flexibly. 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 also be achieved through sensible acquisitions of third-party companies or technologies as well as 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. This applies in particular to the growth regions in Asia.

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.

MANAGEMENT'S OVERALL ASSESSMENT OF OPPORTUNITIES

The Elmos management is confident that the Group's profitability and innovative power 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.

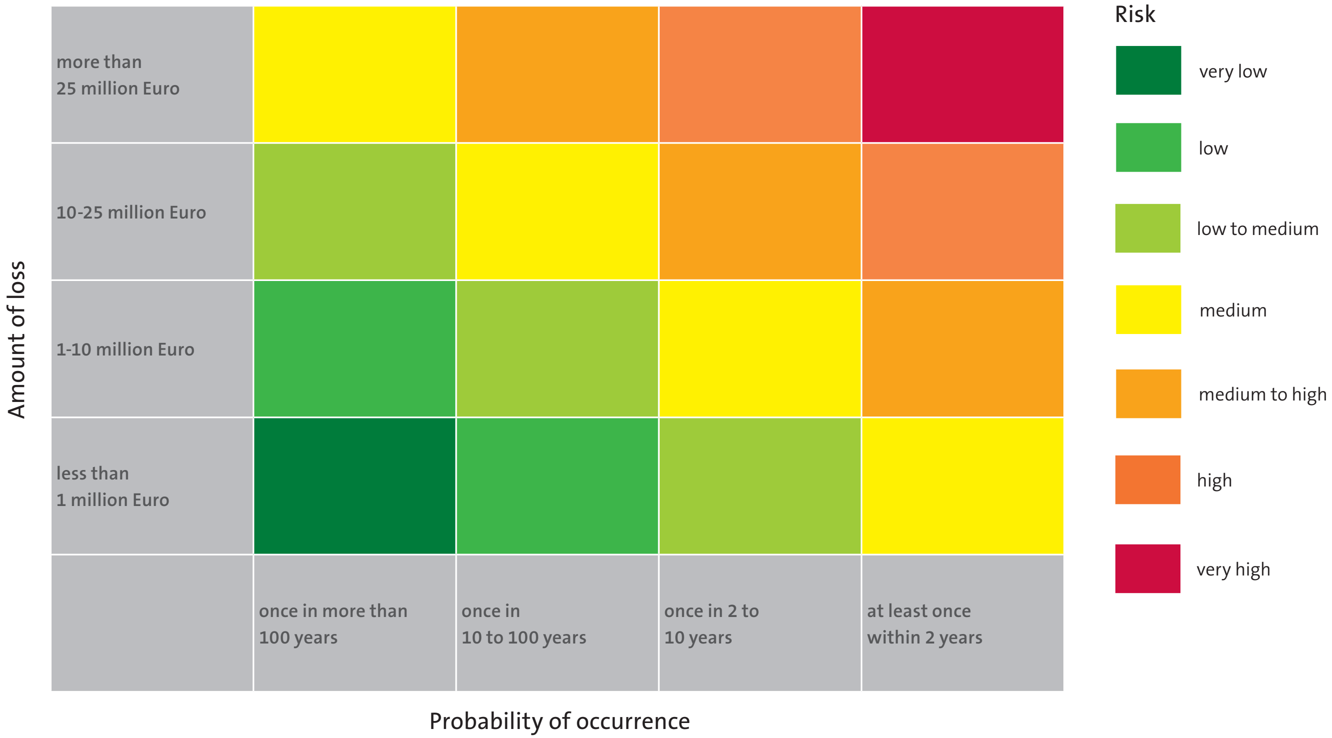
If we make better progress with these measures and methods than expected at present, this might have a positive effect on our financial, profit, and economic position and might make us exceed our forecast and our mid-term prospects. Particularly the macroeconomic, industry-specific, and product-specific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

Certain risks must be consciously taken in order to operate successfully on the market and exploit entrepreneurial opportunities. Every risk also involves an opportunity. Exploiting these opportunities – and generating added value from conscious or unavoidable risk-taking – is an important aspect of risk management.

Elmos has established a risk management system that focuses on safeguarding the Company's continued existence. Risk management at Elmos comprises all measures related to identifying, assessing, and managing risks, as well as transparent risk reporting. 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 departments 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, compliance and risk management system

The internal control system (ICS) 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 mitigate known risks in order to ensure that business develops seamlessly. 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. Further information on compliance and the compliance management system (CMS) can be found in the compliance section of the statement on corporate governance in this Annual Report.

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 the accounting process for the financial statements of Elmos Semiconductor SE and the consolidated financial statements.

Statements on the effectiveness of the governance systems[1]

Appropriate and effective governance systems have been implemented to ensure responsible corporate management. The Management Board received regular reports on the individual governance systems in fiscal year 2023 as part of the monitoring and management of the Company. Based on these reports and information from the internal audit department, the Management Board is not aware of any circumstances that would suggest that the risk management system (RMS), the internal control system (ICS), or the compliance management system (CMS) is not appropriate or effective. In addition, the systems are regularly checked by means of internal and external controls.

[1] The section "Statements on the effectiveness of the governance systems" is extraneous information that has not been audited by the auditor.

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

Geopolitical risks once again had a noticeable impact on fiscal year 2023. Since the start of the war in Ukraine in particular, business activities have been 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 rising costs. This volatile environment has made it much more difficult to forecast the development of the economy and markets. Furthermore, a widening of the conflict, or new conflicts such as the one in the Middle East, 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.

Allocation in the semiconductor segment continued to influence the economic development of Elmos in fiscal year 2023. Bottlenecks in the supply of wafers eased and customers' ordering behavior increasingly normalized over the course of the year. Nevertheless, increased demand for smartphones or other electronic devices could result in wafers becoming scarce again in the future and once again create bottlenecks in global supply chains.

The effects of the COVID-19 pandemic weakened noticeably over the course of fiscal year 2023 and currently no longer have a significant impact on economic activities or global supply chains. Nevertheless, we are continuing to monitor the situation very closely, as it is very difficult to predict the extent, duration, and further development of the pandemic, new virus variants, or the outbreak of other infectious diseases. 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.

Supply bottlenecks due to the allocation of semiconductors or the outbreak of infectious diseases harbor a variety of risks that could have a significant impact on our financial, profit, and economic position. These include insufficient availability or non-availability of raw materials and components coupled with adverse effects on production within the Company or the delivery of our products to customers, far-reaching economic and political measures to combat a pandemic, and an associated decline in demand in the Company's sales markets, plant closures by suppliers or customers, as well as the loss or lack of availability of workforce. 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, the conflict in the Middle East, 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 and market risks *(risk assessment: medium to high)*

Semiconductor allocation

The reporting year continued to be characterized by very high demand for semiconductors in the automotive sector. In contrast, demand for semiconductors elsewhere, particularly in consumer and office electronics, has fallen noticeably. The order backlog for automotive semiconductors remains high overall. However, production capacities for semiconductors, particularly for automotive-specific 8-inch technologies, are limited worldwide. Comprehensive allocation management has enabled Elmos to continue meeting the real demands of customers, including in fiscal year 2023. Elmos has significantly expanded its own capacities for wafer and final part testing over the past two years with a major program of capital expenditure, and has established new test sites in Southeast Asia together with test partners. At the present time, however, it is not possible to predict whether the supply situation for automotive semiconductors will continue to normalize and whether existing global capacities will be sufficient to meet the sustained increase in demand for semiconductors in the automotive industry. On the other hand, an upturn in demand for electronic products in the other sectors could once again intensify capacity bottlenecks across industries. Elmos is working hand in hand with all of its partners to ensure sufficient wafer and testing 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 and testing 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 continued to recover in 2023, 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 the business performance of 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. In the future, there could be increased competition from local mixed-signal manufacturers in China or higher exports of Chinese semiconductors for certain applications. This could then have a negative impact on Elmos' business activities and profit position.

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 persistently tight labor market, especially for skilled workers and engineers, there is a risk that qualified employees might leave the Company and no adequate replacements can be found in good time. Elmos meets this challenge with a variety of recruiting measures. Nonetheless, there is also the risk that the Company might not be able to recruit qualified employees if new demand arises, which could affect the Company's development negatively.

Absence of employees due to the COVID-19 pandemic

Coronavirus infection figures have been declining in many regions of the world since midway through 2022, and the effects of the pandemic continued to subside in the reporting year. Elmos has also adapted its protection and hygiene measures accordingly. The outbreak of an epidemic or pandemic had already been identified as a potential risk in the past. As a result, extensive measures were introduced at a very early stage after the COVID-19 pandemic emerged to protect our employees from further infection within the Company. To date, we have been able to avoid any significant impairment of our production or disruption to our business processes. 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 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 delivery 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 also with lead customers, if possible, in the development of ASSP components 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 developing 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)*

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 other purposes.

Cost development

The risks associated with cost development decreased somewhat in the reporting year compared to fiscal year 2022. Although inflation is still at a higher level than in previous years, the momentum is less pronounced. Nevertheless, market prices for commodities and energy are expected to remain volatile. In addition, further increases in personnel costs are to be expected due to the adjustment of wage structures at Elmos in line with comparable collective wage agreements. 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.

Hedge accounting does not have a material impact on the assessment of the Company's position or expected business development, even in terms of price change, default, and liquidity risks. 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, the Company is exposed to supply risks on the procurement side, especially with regard to the materials required for manufacturing, such as (raw) wafer capacities, raw materials including gold and copper, special gases and machinery or spare parts, and the supply of energy.

The raw materials Elmos needs for manufacturing are available worldwide in part from different suppliers, yet are a monopoly situation 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 facility. 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.

Also in fiscal year 2023, the procurement of goods and services throughout the entire value chain was significantly affected by the continued shortage of semiconductors, especially in the automotive sector. This applies in particular to wafer production, but also increasingly to IC testing 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 on the global market. Semiconductor allocation in particular has led to noticeable increases in the prices of materials, machinery, and logistics services in the past few years 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 and certain raw materials. Elmos already launched a comprehensive package of measures for its production location in Dortmund last year to enable it to maintain operations as far as possible without major restrictions, at least temporarily, in the event of a further tightening of gas and energy supplies in Germany.

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 total gas import volumes to Germany were to be significantly reduced, existing contractually agreed prices for natural gas could be canceled by the energy supplier. This could result in considerable adverse effects for Elmos in terms of energy costs, which could then no longer be fully compensated for even by government aid measures (such as the energy price cap) and could have a substantial impact on economic development. 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 insured. 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.

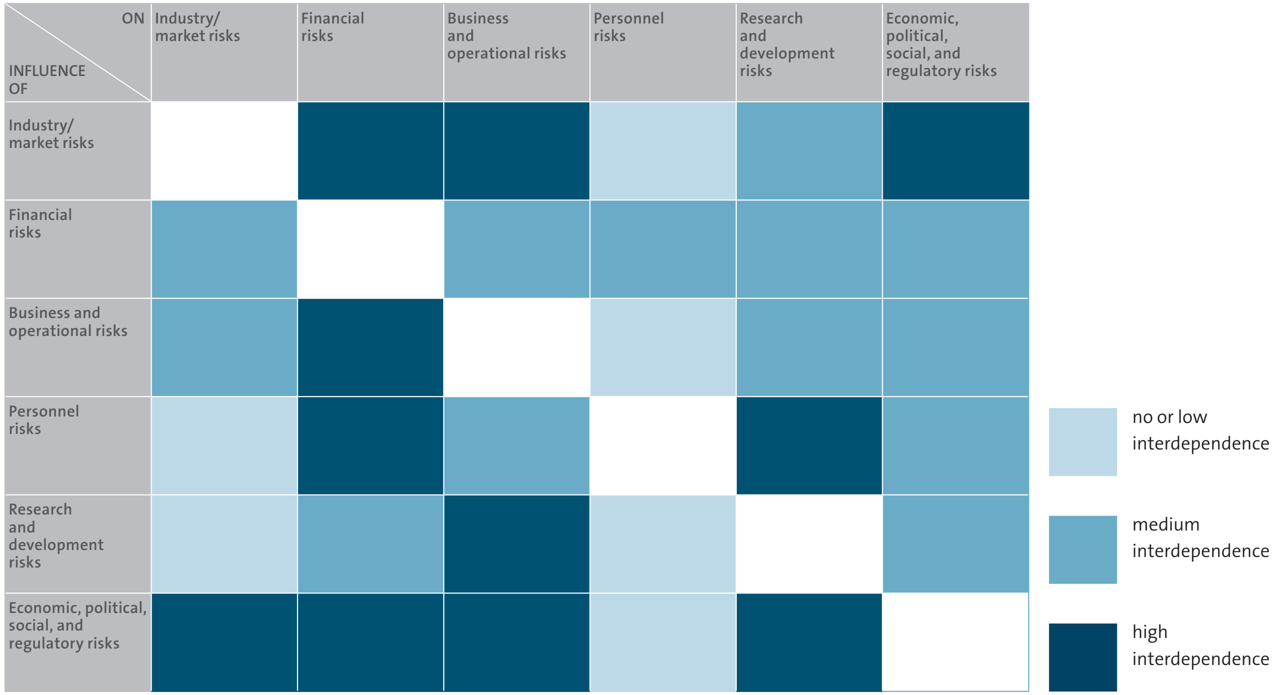
Legal risks

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 the risk assessment, adequate provisions are made for legal risks in the financial statements 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 and/or 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.

CORRELATION MATRIX



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

In addition, despite very careful and comprehensive project management, the transformation of the existing SAP R/3 system to the future SAP S/4 HANA platform could lead to impairments in business processes, which could have a negative impact on business activities and the profit situation.

Ecological risks

Elmos has received certification in line with both the demanding environmental management standard ISO 14001 and the energy management standard ISO 50001. These certifications are 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. 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 and market risks
3) Personnel risks
4) Research and development risks
5) Financial risks
6) Business and operational risks

The 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 profit, financial position, as well as assets and liabilities 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, with further input provided by a risk-bearing capacity analysis. 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”). Conclusion: As of the reporting date, and on the basis of the risk-bearing capacity analysis, there continue to be no risks that could jeopardize the Company’s continued existence.

OUTLOOK

ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The International Monetary Fund (IMF) expects global growth of 3.1% in the current year (2023: 2.9%). Overall, the economies of several industrialized and emerging countries were found to have been significantly more resilient than initially assumed. Against this backdrop, the IMF has slightly raised its latest global economic forecast for 2024 by 0.2 percentage points compared to its October 2023 guidance. Nevertheless, the IMF continues to believe that the economy is being burdened by higher central bank interest rates to combat inflation and restrictive monetary policy.

In January 2024, S&P Global expected a slight decline of -0.5% in light vehicle production figures for the global automotive market in the current year.

FORECASTED MARKET DEVELOPMENT

Gross domestic product[1]	Forecast 2024
Worldwide	+3.1%
Europe	+0.9%
Germany	+0.5%
China	+4.6%
U.S.	+2.1%
Light vehicle production figures[2]	
Worldwide	-0.5%
Europe	-2.0%
China	0.0%
North America	+1.1%

Sources: [1]IMF (as of: January 2024), [2]S&P Global Mobility Light Vehicle Production Forecast (as of: January 2024)

OPERATIONAL TARGETS FOR FISCAL YEAR 2024

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 the specific industry and market development, as described above. As Elmos Semiconductor SE is the most significant unit in the Group, the Group's expected business performance in 2024 also applies to the expected performance of Elmos Semiconductor SE. For fiscal year 2024, Elmos expects to generate sales of 605 million Euro ± 25 million Euro and an operating EBIT margin of 25% of sales ± 2 percentage points. The anticipated operating EBIT margin does not include any effects from the closing of the sale of the Elmos wafer fab to Littelfuse Inc., USA, which is expected for the end of December 2024. The guidance is based on an exchange rate of 1.10 EUR/USD. Current expectations may be affected in particular by geopolitical events such as the war in Ukraine, the conflict in the Middle East, by tighter sanctions and trade restrictions, market turbulence, rising prices, and potential shortages for energy, materials, services, and personnel.

Capital expenditure and liquidity targets

Following the significant expansion of testing capacities, Elmos expects capital expenditures to decline year on year in 2024. The company therefore anticipates that capital expenditures for property, plant and equipment and intangible assets, less capitalized development costs, will amount to approximately 12% of sales ± 2 percentage points. For fiscal year 2024, Elmos expects positive operating adjusted free cash flow (excluding effects from the closing of the sale of the Elmos wafer fab to Littelfuse Inc., USA) to be significantly higher than in the previous year (-24.3 million Euro).

2024 GUIDANCE

Sales	605 million Euro ± 25 million Euro
Operating EBIT margin[1]	25% ± 2 percentage points
Capital expenditures (in % of sales)[2]	12% ± 2 percentage points
Operating adjusted free cash flow[3]	positive and significantly above the previous year's level (-24.3 million Euro)
Assumed average exchange rate	*1.10 EUR/USD*

[1] EBIT margin excluding effects from the closing of the sale of the Elmos wafer fab to Littelfuse Inc., USA.
[2] Capital expenditures for intangible assets and property, plant and equipment, less capitalized development expenses.
[3] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment, excluding effects from the closing of the sale of the Elmos wafer fab to Littelfuse Inc., USA.

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 2024 the payment of a dividend amounting to 0.85 Euro (previous year: 0.75 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, digitalization, innovative system architectures, 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 as well as armed conflicts, in particular the war in Ukraine and the conflict in the Middle East.

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, 2023 (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, and May 10, 2023, 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, Art. 9 (1), 39 (2), 46 SE Regulation) and for amendments to the articles of incorporation (Art. 59 SE Regulation, Section 179 AktG). The Company's Articles of Incorporation include supplementary provisions.

According to the Articles of Incorporation, the Management Board of the Company consists of at least two members (Section 4 (1) of the Articles of Incorporation). The Supervisory Board is responsible for appointing, dismissing, and concluding the employment contracts of the members of the Management Board. The Supervisory Board determines the number of members of the Management Board. It may appoint a Chairman and a Deputy Chairman of the Management Board. A spokesperson of the Management Board and deputy members of the Management Board may also be appointed (Section 4 (2) of the Articles of Incorporation). Members of the Management Board are appointed for a maximum term of six years. Reappointments are permitted (Section 4 (3) of the Articles of Incorporation).

Resolutions of the Annual General Meeting on amendments to the Articles of Incorporation require a majority of two thirds of validly cast votes or, if at least half of the share capital is represented, a simple majority of validly cast votes (Section 13 (2) sentence 3 of the Articles of Incorporation), unless mandatory statutory provisions or the Articles of Incorporation stipulate a different majority. The Supervisory Board is authorized to make amendments to the Articles of Incorporation that only affect the wording (Section 179 (1) AktG, Section 9 (9) of the Articles of Incorporation).

The Management Board's authorization to issue shares

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, 2023, stood at 17,700,000.00 Euro following the cancellation of treasury shares on two occasions over the course of fiscal year 2021.

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;

-> insofar as it 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, 2023, the Company still held a total of 579,274 treasury shares, or 3.27% 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 22 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, 2024

Dr. Arne Schneider   Guido Meyer   Dr. Jan Dienstuhl

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets | thousand Euro	Notes	12/31/2023	12/31/2022
Intangible assets	14	40,757	36,255
Property, plant and equipment	15	292,132	219,252
Securities	16	13,422	33,241
Investments	16	1	1
Other financial assets	21	8,927	8,806
Deferred tax assets	17	656	326
Non-current assets		**355,895**	**297,881**
Inventories	18	191,526	116,635
Trade receivables	19	91,018	67,808
Securities	16	6,748	2,210
Other financial assets	21	5,524	3,154
Other receivables	21	21,110	18,034
Income tax assets		212	67
Cash and cash equivalents	20	85,629	36,641
Assets held for sale	5	54,736	0
Current assets		**456,503**	**244,548**
Total assets		**812,398**	**542,428**

Equity and liabilities | thousand Euro	Notes	12/31/2023	12/31/2022
Share capital	22	17,700	17,700
Treasury shares	22	-579	-581
Additional paid-in capital	22	19,613	18,707
Surplus reserve		102	102
Other equity components	22	-254	-569
Retained earnings		410,857	324,433
Equity attributable to owners of the parent		**447,439**	**359,792**
Non-controlling interests		504	629
Equity		**447,943**	**360,421**
Financial liabilities	25	99,879	76,436
Deferred tax liabilities	17	9,814	8,537
Non-current liabilities		**109,693**	**84,973**
Provisions	24	22,735	20,212
Income tax liabilities	26	71,839	21,441
Financial liabilities	25	18,807	4,521
Trade payables	27	97,598	44,209
Other liabilities	26	40,304	6,651
Liabilities connected to assets held for sale	5	3,480	0
Current liabilities		**254,763**	**97,035**
Liabilities		**364,455**	**182,007**
Total equity and liabilities		**812,398**	**542,428**

CONSOLIDATED INCOME STATEMENT

thousand Euro	Notes	FY 2023	FY 2022
Sales	6	**575,013**	**447,247**
Cost of sales	7	-303,698	-239,710
Gross profit		**271,316**	**207,537**
Research and development expenses	7	-68,774	-55,498
Distribution expenses	7	-23,000	-17,857
Administrative expenses	7	-31,480	-24,152
Operating income before other operating expenses (-)/income		**148,061**	**110,029**
Foreign exchange gains	10	1,459	3,047
Other operating income	11	4,905	3,326
Other operating expenses	11	-3,743	-6,271
Earnings before interest and taxes (EBIT)		**150,682**	**110,131**
Finance income	9	1,226	804
Finance expenses	9	-2,890	-2,388
Earnings before taxes		**149,019**	**108,547**
Income tax		**-49,996**	**-37,251**
thereof current income tax	12	-66,547	-37,859
thereof deferred tax	12	16,551	609
Consolidated net income		**99,023**	**71,297**
thereof attributable to owners of the parent		99,148	71,382
thereof attributable to non-controlling interests		-125	-86
Earnings per share		Euro	Euro
Basic/Diluted earnings per share	13	5.79	4.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

thousand Euro	Notes	FY 2023	FY 2022
Consolidated net income		**99,023**	**71,297**
Items to be reclassified to the income statement in later periods including respective tax effects			
Foreign currency adjustments without deferred tax effect		-219	308
Changes in market value of financial assets measured at market value	22	748	-1,681
deferred tax on this item	22	-237	552
Items not to be reclassified to the income statement in later periods including respective tax effects			
Actuarial gains from pension plans	22	34	408
deferred tax on this item	22	-11	-134
Other comprehensive income after taxes		**315**	**-547**
Total comprehensive income after taxes		**99,338**	**70,750**
thereof attributable to owners of the parent		99,463	70,835
thereof attributable to non-controlling interests		-125	-86

CONSOLIDATED STATEMENT OF CASH FLOWS

thousand Euro	Notes	FY 2023	FY 2022
Consolidated net income		99,023	71,297
Depreciation and amortization	8	42,270	43,454
Losses from disposal of non-current assets		514	234
Financial result		1,664	1,584
Other non-cash income		-16,551	-609
Current income tax	12	66,547	37,859
Expense for stock awards/share matching		908	606
Changes in provisions for pensions		0	-52
Changes in net working capital:			
Trade receivables	19	-23,251	-28,063
Inventories	18	-91,999	-36,495
Other assets	21	-5,833	-6,704
Trade payables	27	45,720	26,420
Other provisions and other liabilities		704	6,808
Income tax payments		-16,303	-16,132
Interest paid	9	-1,996	-2,370
Interest received	9	1,226	804
Cash flow from operating activities		**102,643**	**98,641**
Capital expenditures for intangible assets	14	-18,179	-11,760
Capital expenditures for property, plant and equipment	15	-109,014	-72,105
Payments from disposal of non-current assets		291	111
Payments connected to future eliminations from the scope of consolidation		37,200	0
Disposal of/Payments for (-) securities	16	16,029	11,211
Payments for other non-current financial assets	21	-77	-71
Cash flow from investing activities		**-73,750**	**-72,614**
Payments from incurrence of financial liabilities	25	40,000	17,948
Payments for repayment of financial liabilities	25	-2,051	-12,000
Dividend distribution	36	-12,839	-11,121
Repayment of liabilities from installment purchase		-565	-635
Repayment of lease liabilities		-1,444	-1,390
Repayment of other financial liabilities		-280	-280
Other changes		115	27
Cash flow from financing activities		**22,936**	**-7,451**
Increase in cash and cash equivalents		**51,829**	**18,576**
Effect of exchange rate changes on cash and cash equivalents		-295	308
Cash and cash equivalents at beginning of reporting period	20	36,641	17,756
Cash and cash equivalents at end of reporting period	**20**	**88,175**	**36,641**
thereof cash and cash equivalents of the disposal group	5	2,546	0

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	Total
							Reserve for financial assets measured at market value	Currency translation	Unrealized actuarial gains/losses (-)				
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	22						-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	22			9	-9						0		0
Dividend distribution										-11,121	-11,121		-11,121
Expense for stock awards/share matching	22				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**
01/01/2023		**17,700**	**17,700**	**-581**	**18,707**	**102**	**-1,282**	**894**	**-181**	**324,433**	**359,792**	**629**	**360,421**
Consolidated net income										99,148	99,148	-125	99,023
Other comprehensive income for the period	22						511	-219	23		315		315
Total comprehensive income							511	-219	23	99,148	99,463	-125	99,338
Share-based payment/Issue of treasury shares	22			2	-2						0		0
Dividend distribution										-12,839	-12,839		-12,839
Expense for stock awards/share matching	22				908						908		908
Other changes										115	115		115
12/31/2023		**17,700**	**17,700**	**-579**	**19,613**	**102**	**-772**	**675**	**-158**	**410,857**	**447,439**	**504**	**447,943**

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 in May 2023. Based on this amendment, the Management Board is authorized, up to and including May 9, 2028, to hold the Annual General Meeting without the physical presence of the shareholders or their proxies at the location of the Annual General Meeting (virtual Annual General Meeting).

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 object of the business. 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, the conflict in the Middle East, tighter sanctions and trade restrictions, bottlenecks in global supply chains due to rising prices and potential shortages of energy, materials, services and personnel, the critical items in this regard, i.e., goodwill, intangible assets and property, plant and equipment, trade receivables and inventories, were subjected to an impairment test.

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, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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, 2024.

Estimates and discretionary decisions

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, inventories and 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 existing geopolitical risks, particularly the wars in Ukraine and the Middle East, potentially leading to price increases and shortages of energy and commodities, and the conflict about Taiwan. Rising inflaction and higher interest rates may also result in considerable decrease in consumption. Customs disputes and trade restrictions between leading industrialized nations can have a negative impact on global trade and therefore on economic development. The developments in these global political conflicts continue to be highly dynamic so that it cannot be ruled out that the actual results will deviate significantly from the estimates and assumptions made within the framework of these consolidated financial statements or that an adjustment of the estimates and assumptions made will be necessary in future periods and that this might have a material effect on the Elmos Group's assets and liabilities, financial position and profit/loss.

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, in addition, 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 14.

Deferred tax assets

In addition to the balance sheet differences from IFRS and the tax balance sheet approach, 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 17.

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 24.

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 14.

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 15.

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 required 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 15.

New and 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 2023.

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
Amendments to IAS 12 – *Income Taxes:* International Tax Reform — Pillar Two Model Rules	01/01/2023	None
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

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 2023. The Group does not apply these amendments to standards in advance.

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	01/01/2024	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

Amendments to standards not yet applicable in the EU (not yet EU endorsed)

The IASB has released the following amendments to standards that were not yet subject to mandatory application in fiscal year 2023. These standards and interpretations 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 7 – *Statement of Cash Flows* and Amendments to IFRS 7 – *Financial Instruments:* Disclosures: Supplier Finance Arrangements	01/01/2024	Immaterial
Amendments to IAS 21 – *The Effects of Changes in Foreign Exchange Rates:* Lack of Exchangeability	01/01/2025	Immaterial

2 – Principles of consolidation

Scope of consolidation, consolidation date and consolidation methods

In addition to Elmos Semiconductor SE, the consolidated financial statements prepared for fiscal year 2023 include all entities whose voting rights Elmos has the direct or indirect majority of, or in cases of control over the entity as defined by IFRS 10 – *Consolidated Financial Statements* based on other rights. 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 a 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 the 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 33.

The consolidated financial statements include no material non-controlling interests.

Foreign currency translation and foreign currency transactions

Material functional currencies are the euro for Elmos Semiconductor SE and its European subsidiaries and the U.S. dollar for Elmos N.A. Inc. 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 currency hedges 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 2023, please refer to note 30.

Statement of cash flows

The cash flow statement shows how cash and cash equivalents (identical to the item in the consolidated statement of financial position) 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.

The other non-cash income reported in the cash flow from operating activities mainly results from the capitalization of deferred taxes. The increase in the 2023 financial year is primarily influenced by the capitalization of deferred taxes in connection with the tax goodwill arising from the sale of the wafer fab (see also note 12).

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 customary terms of payment of 30 to 60 days are 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 through profit or loss in the consolidated income statement. 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. 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) but for which customer demand has been identified based on experience. 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/Impairment is entered in the consolidated income statement (cf. note 8). There were no other intangible assets with indefinite useful lives in fiscal year 2023 or fiscal year 2022.

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/impairment 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 for the period in which they incur.

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 up to 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, the right of use is continuously adjusted for impairment, if necessary, and adjusted for certain revaluations of 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.

Rights of use and lease liabilities with respect to leases of low-value assets and short-term leases are not recognized. The Group recognizes the lease payments associated with such leases as expense on a straight-line basis over the term of the lease (see also note 32).

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 equity instruments "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 a 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 sell
-> 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, other financial assets, trade payables, forward exchange contracts, and other outside financing.

Financial assets and financial 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 creditworthiness, 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 and are measured at fair value upon initial recognition and at amortized cost in subsequent periods.

Provisions

Provisions are made for legal or factual obligations with historical origins if it is probable that a 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 24.

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 if and 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 tax 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 tax law.

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 other receivables or other 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 time 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 or production cost. More detailed information can be found under note 31.

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 recognized 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.

Disposal groups

The Group reports assets and liabilities as a disposal group if they are to be sold or otherwise disposed of as a group in one transaction and if they meet the criteria defined in IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The assets and liabilities of the disposal group are reported separately in the statement of financial position in the lines “Assets held for sale” and “Liabilities connected to assets held for sale”. The expenses and sales of a disposal group are included in the result from continuing operations until disposal, unless the disposal group qualifies as a discontinued operation for reporting purposes.

Upon initial classification as held for sale, non-current assets are recognized at the lower of carrying amount and fair value less costs to sell; they are no longer amortized. A disposal group is initially measured in accordance with the relevant IFRS standards and then the resulting carrying amount of the Group is compared with the net fair value in order to determine the lower value to be recognized. Impairment loss due to the initial classification as held for sale is recognized in the consolidated income statement, as are subsequent impairment losses and reversals of impairment losses up to the amount of the cumulative impairment loss.

NOTES TO GEOGRAPHIC INFORMATION

4 – Geographic information

The geographic segment “Other 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.

Third-party sales | thousand Euro	FY 2023	FY 2022
Germany	93,178	59,267
Other EU countries	103,978	83,962
America	39,555	31,739
Asia/Pacific	308,886	255,484
Other countries	29,417	16,795
Sales	**575,013[1]**	**444,247[2]**

[1] Thereof Hong Kong with sales of Euro 109,526 thousand (19.0% of total sales)
[2] Thereof Hong Kong with sales of Euro 76,236 thousand (17.0% of total sales)

Sales generated with individual customers accounting for more than 10% of consolidated sales do not apply for fiscal year 2023 (2022: one major customer with sales of Euro 44.8 million).

Geographic breakdown of non-current assets | thousand Euro	12/31/2023	12/31/2022
Germany	213,023	248,275
Other EU countries	980	1,153
America	225	289
Asia/Pacific	132,084	39,001
Other countries	0	31
Non-current assets[1]	**346,312**	**288,749**

[1] Not including other financial assets and deferred tax

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

5 – Disposal group

On June 28, 2023, Elmos Semiconductor SE and Littelfuse, Inc. signed a definitive agreement for the sale of the Elmos wafer fab at the Dortmund location to Littelfuse. Elmos is selling its wafer fab, which is part of the semiconductor business, for a total purchase price of roughly Euro 93 million. As part of the agreement, Littelfuse will take over the Dortmund wafer production facility with a technology team of around 223 employees. All other activities, including testing operations, will remain with Elmos. The closing of the transaction is expected to become effective at the end of December 2024. Until the closing date, Elmos will retain full operational control over wafer manufacturing. The buyer has so far made a payment of roughly 37 million Euro to Elmos Semiconductor SE. The remaining purchase price will then be due upon closing of the transaction at the end of fiscal year 2024.

Assets and liabilities held for sale

In the consolidated statement of financial position as of December 31, 2023, the following balance sheet items are included in assets held for sale and liabilities connected to assets held for sale:

thousand Euro	12/31/2023
Intangible assets	307
Property, plant and equipment	15,854
Deferred tax assets	17,249
Inventories	18,353
Trade receivables	41
Cash and cash equivalents	2,546
Other financial assets	23
Other assets	363
Assets held for sale	**54,736**
Provisions	1,577
Trade payables	1,714
Financial liabilities	38
Other liabilities	151
Liabilities connected to assets held for sale	**3,480**

There were no impairment losses on assets due to differences between their carrying amount and fair value less costs to sell in the disposal group.

No cumulative income or expenses in connection with the disposal group are included in other comprehensive income.

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

6 – Sales

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

thousand Euro	FY 2023	FY 2022	Change
Sales	575,013	447,247	127,766

Sales from contracts with customers have increased 28.6% over the previous year. In 2023, the semiconductor market grew once again, driven by the increasing digitization and electrification of automotive systems and functions as well as the expansion of electromobility.

7 – 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 2023	FY 2022
Material costs	-267,912	-159,067
Personnel expense	-44,659	-40,698
Other overhead	-55,391	-44,327
Changes in inventories	64,264	4,382
Cost of sales	**-303,698**	**-239,710**

Due to another significant increase in demand in the automotive industry compared to the previous year and the resulting higher production output, an increase in material costs by the amount of 108,845 thousand Euro was recorded. Raises in wages and salaries reflect a higher personnel expense by 3,961 thousand Euro compared to the previous year. Other overhead went up 11,064 thousand Euro from fiscal year 2022 primarily due to higher energy costs. The year-on-year increase in inventories is based, among other things, on a significant increase in finished goods (please also refer to note 18).

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 2023, R&D expenses of 68,774 thousand Euro (2022: 55,498 thousand Euro) were recognized as expense.

Distribution expenses

Distribution expenses in the amount of 23,000 thousand Euro (2022: 17,857 thousand Euro) essentially include expenses for personnel, travel cost, consulting fees and depreciation.

Administrative expenses

Administrative expenses of 31,480 thousand Euro (2022: 24,152 thousand Euro) include personnel expense for staff in administration as well as proportionate personnel expense for the members of the Management Board. Other material items are expenses for depreciation and insurance as well as legal and consulting fees.

8 – 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 282,383 thousand Euro in the year under review and are up 116,087 thousand Euro from the previous year, essentially in line with the increase in sales (2022: 166,296 thousand Euro). They include expenses for raw materials, supplies and consumables as well as services claimed.

Personnel expense

Personnel expense went up 13,512 thousand Euro compared to the previous year. The number of employees – based on an average employment ratio – went up from 1,176 in fiscal year 2022 to 1,282 in fiscal year 2023 (+9.0%). Apart from 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 39.

thousand Euro	FY 2023	FY 2022
Wages and salaries	-100,568	-89,198
Social security expense	-16,723	-14,609
Pension plan expense	-86	-58
Personnel expense	**-117,377**	**-103,865**

Depreciation and amortization/Impairment

The breakdown of depreciation and amortization can be gathered from the development of the Group's non-current assets (please refer to notes 14 and 15).

Depreciation, amortization and write-downs due to impairment amounted to 42,270 thousand Euro in the year under review (2022: 43,454 thousand Euro), equivalent to a decrease by 1,184 thousand Euro (among other factors due to the higher prior-year impairment of goodwill of 2,753 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.

9 – Finance income and finance expenses

thousand Euro	FY 2023	FY 2022
Interest income	1,226	804
Other finance income	0	0
Finance income	**1,226**	**804**
Interest expense for lease liabilities	-131	-101
Other interest expenses	-2,639	-2,287
Other finance expenses	-120	0
Finance expenses	**-2,890**	**-2,388**

The increase in other interest expenses is due to higher interest expenses in connection with taking out bonded loans in the amount of 40,000 thousand Euro in the second half of 2023.

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

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

thousand Euro	FY 2023	FY 2022
Interest income	1,226	804
Interest expenses	-2,639	-2,287
Interest result	**-1,413**	**-1,483**

10 – Foreign exchange gains

Foreign exchange gains from exchange rate changes recognized through profit/loss amount to 1,459 thousand Euro in fiscal year 2023 (2022: 3,047 thousand Euro). Foreign currency amounts are translated at the current exchange rate on the reporting date (EUR/USD: 1.1050; EUR/KRW: 1,433.6600; EUR/SGD: 1.4591; EUR/CNY: 7.8509; EUR/JPY: 156.3300) or converted into euros at the moving average rate (EUR/USD: 1.0819; EUR/KRW: 1,413.3184; EUR/SGD: 1.4525; EUR/CNY: 7.6605; EUR/JPY: 151.9628).

Exchange rate changes cumulatively attributable to the owners of the parent and recognized outside profit or loss amount to 675 thousand Euro in fiscal year 2023 (2022: 894 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 22.

11 – Other operating income and expenses

Other operating income in the amount of 4,905 thousand Euro (2022: 3,326 thousand Euro) includes, among other items, income from the reversal of provisions in the amount of 2,450 thousand Euro (2022: 1,743 thousand Euro), income from passenger car use in the amount of 831 thousand Euro (2022: 889

thousand Euro), income from the sale of assets in the amount of 121 thousand Euro (2022: 25 thousand Euro), other prior-period income in the amount of 315 thousand Euro (2022: 476 thousand Euro), and various individual items.

Other operating expenses of 3,743 thousand Euro (2022: 6,271 thousand Euro) essentially include, at 1,922 thousand Euro (2022: 4,676 thousand Euro), expenses due to the impairment of goodwill within the Group (please also refer to note 14). In addition to that, other operating expenses include land charges in the amount of 342 thousand Euro (2022: 340 thousand Euro), other prior-period expenses in the amount of 139 thousand Euro (2022: 200 thousand Euro), accounting loss from the disposal of non-current assets in the amount of 637 thousand Euro (2022: 258 thousand Euro), and various individual items.

12 – Income tax

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

thousand Euro	FY 2023	FY 2022
Current income tax	**-66,547**	**-37,859**
Germany	-66,387	-37,684
Abroad	-160	-175
thereof taxes from previous years	*0*	*0*
Deferred tax	**16,551**	**609**
Germany	16,549	604
Abroad	2	5
thereof taxes from previous years	*0*	*0*
Income tax	**-49,996**	**-37,251**

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% (2022: 32.805%) has been applied. The Company's combined income tax rate includes the trade tax collection rate of 485% (2022: 485%), the corporate tax rate of 15.0% (2022: 15.0%) and the solidarity surcharge of 5.5% (2022: 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 17.

Deferred tax assets were recognized in the amount of 17,356 thousand Euro in connection with tax goodwill created in the course of the wafer fab sale (cf. note 5). Current income tax expenses included an additional tax expense of 19,645 thousand Euro due to income tax liabilities to be recognized from the disclosure of hidden reserves in connection with the sale of the wafer fab.

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

%	FY 2023	FY 2022
Statutory tax rate	32.81	32.81
Foreign tax rate differential	0.07	-0.16
Expenses disallowable against tax	0.06	0.08
Trade tax additions/cuts	0.10	0.13
Permanent differences	0.16	1.41
Other	0.36	0.05
Effective tax rate	**33.56**	**34.32**

13 – 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 2023	FY 2022
Weighted average number of ordinary shares outstanding	17,119,902	17,112,849
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	99,148,242	71,382,083
Basic earnings per share	5.79	4.17
Diluted earnings per share	5.79	4.17

The weighted average number of shares in 2023 and 2022 respectively includes the weighted average effect of changes from transactions with treasury shares.

There was no dilutive effect in 2023 or 2022 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

14 – 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	
12/31/2021	**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**
Foreign currency adjustments	0	0	0	0	-1	0	0	-1
Additions	0	53	0	0	1,068	9,545	8,693	19,359
Transfers	0	777	1,864	0	0	-777	-1,864	0
Disposals	0	0	0	0	0	0	0	0
Reclassification due to presentation as assets held for sale	0	0	0	0	-950	0	-52	-1,002
12/31/2023	**7,405**	**42,053**	**7,552**	**7,562**	**27,031**	**21,421**	**11,109**	**124,133**
Depreciation/Impairment								
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**
Foreign currency adjustments	0	0	0	0	-1	0	0	-1
Additions	1,923	5,748	1,679	0	1,525	3,026	652	14,553
Disposals	0	0	0	0	0	0	0	0
Reclassification due to presentation as assets held for sale	0	0	0	0	-697	0	0	-697
12/31/2023	**7,405**	**36,116**	**3,513**	**7,562**	**24,233**	**3,895**	**652**	**83,376**
Book value 12/31/2022	1,923	10,855	3,854	0	3,508	11,784	4,332	36,255
Book value 12/31/2023	**0**	**5,937**	**4,039**	**0**	**2,798**	**17,526**	**10,457**	**40,757**

thousand Euro	12/31/2023	12/31/2022
Online Engineering GmbH	0	1,923
Goodwill	**0**	**1,923**

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.

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 2024 to 2028.

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 during 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.

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 15.3% before growth rate deduction. The cost of capital is based on a risk-free interest rate of 2.25% plus a market risk premium of 7.0% multiplied by an entity-specific equity beta based on a so-called levered beta of 1.22. The interest rate corresponds to the weighted average cost of capital. All values stated are derived from market data.

Impairment tests conducted in 2023 established for Online Engineering that the recoverable amount of this unit was below the corresponding book value. Ultimately the goodwill of Online Engineering was written off in full.

Sensitivity analyses did not have to be carried out due to the full impairment of goodwill in 2023.

Other intangible assets

Development projects

In 2023, expenses linked to product developments were capitalized as development projects and projects under development in the amount of 12,134 thousand Euro (2022: 10,882 thousand Euro). The resulting ratio of capitalized development expenses to total research and development expenses incurred in the Group comes to approx. 15.0% (2022: 16.4%). Depreciation of capitalized developments amounted to 11,105 thousand Euro in 2023 (2022: 6,701 thousand Euro), thereof extraordinary write-down for projects not to be realized as planned in the amount of 5,677 thousand Euro (2022: 2,509 thousand Euro). The book value of capitalized development efforts (including projects under development) is 31,802 thousand Euro as of December 31, 2023 (2022: 30,603 thousand Euro).

Software and licenses and similar rights and assets

In 2023 as in the year before, no expenses for process technology were capitalized. Amortization came to 207 thousand Euro in 2023 (2022: 207 thousand Euro). As of December 31, 2023, the book values for process technology capitalized as non-current assets added up to 155 thousand Euro (December 31, 2022: 362 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 5,114 thousand Euro were reimbursed by customers in 2023 (2022: 4,643 thousand Euro) and reported under consolidated sales.

15– Property, plant and equipment

thousand Euro	Land	Buildings and building improvements	Buildings and building improvements – 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							
12/31/2021	**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**
Foreign currency adjustments	0	0	0	-35	-22	0	-57
Additions	0	202	812	97,956	455	19,211	118,636
Transfers	0	141	0	21,226	0	-21,367	0
Disposals	0	0	0	-8,250	-342	0	-8,592
Reclassification due to presentation as assets held for sale	0	-4,996	0	-77,189	-1,494	-356	-84,035
12/31/2023	**5,896**	**46,497**	**10,824**	**348,243**	**7,244**	**19,223**	**437,927**
Depreciation/Impairment							
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**
Foreign currency adjustments	0	0	0	-30	-12	0	-42
Additions	0	1,620	465	24,572	1,177	0	27,834
Transfers	0	0	0	191	-191	0	0
Disposals	0	0	0	-6,202	-339	0	-6,541
Reclassification due to presentation as assets held for sale	0	-3,675	0	-63,926	-579	0	-68,180
12/31/2023	**0**	**24,708**	**1,221**	**116,572**	**3,294**	**0**	**145,795**
Book value 12/31/2022	5,896	24,387	9,256	152,568	5,409	21,735	219,252
Book value 12/31/2023	**5,896**	**21,789**	**9,603**	**231,671**	**3,950**	**19,223**	**292,132**

The high additions in fiscal year 2023 result from the expansion of the testing area, particularly in East Asia, in order to have sufficient testing capacity for the future sales development.

Additions to "Technical equipment and machinery/Factory and office equipment" include purchase transactions for fiscal year 2023 (2022) in the amount of 14,406 thousand Euro (December 31, 2022: 6,182 thousand Euro) where corresponding cash outflows will take (took) place only in 2024 (2023). No borrowing costs were capitalized in fiscal year 2023 or the previous year.

Depreciation/Impairment of "Technical equipment and machinery/Factory and office equipment" includes extraordinary write-down in the amount of 66 thousand Euro (2022: 962 thousand Euro).

Leases

The Group did not generate material income from subletting in fiscal year 2023 (2022). Future minimum payments under non-cancelable subletting agreements are immaterial as well.

The Company has signed real estate lease agreements for administration buildings and the parking garage, the terms of which extended to the end of 2026. These are reported as rights of use to buildings and building improvements. Other right-of-use assets include technical equipment, machinery and operating and office equipment.

16 – 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 (13,422 thousand Euro; 2022: 33,241 thousand Euro). Securities that mature within twelve months have been allocated to current assets (6,748 thousand Euro; 2022: 2,210 thousand Euro).

b) Investments

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

thousand Euro	12/31/2023	12/31/2022
Epigone	1	1
Investments	**1**	**1**

Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz

Elmos holds 6% of the shares as of December 31, 2023, unchanged from the previous year.

Summarized financial information

Entity | thousand	Currency	Total assets	Liabilities	Earnings	Net income for the period
Epigone[1] 2023	Euro	-	-	-	-
Epigone[2] 2022	Euro	7,172	6,852	897	289

[1] No annual financial statements of the Company are currently available.
[2] Presented figures are based on unaudited financial statements as of December 31, 2022.

17 – Deferred tax

thousand Euro	12/31/2023	12/31/2022
Deferred tax assets	**656**	**326**
Securities	392	626
Other financial assets	2,094	1,913
Cash and cash equivalents	133	385
Provisions for pensions	124	135
Other provisions	506	249
Financial liabilities	2,117	2,183
Trade payables	344	286
Other	297	471
Subtotal	6,008	6,248
Balance	-5,352	-5,922
Deferred tax liabilities	**-9,814**	**-8,537**
Intangible assets	-10,289	-9,905
Property, plant and equipment	-4,110	-4,248
Trade receivables	-296	-215
Inventories	-34	-31
Other liabilities	-393	-12
Other	-44	-48
Subtotal	-15,166	-14,459
Balance	5,352	5,922
Net deferred tax	**-9,158**	**-8,211**

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 change in net deferred tax in the amount of 947 thousand Euro essentially comprises deferred tax in the consolidated income statement of 698 thousand Euro (expense) and other changes outside profit or loss in the amount of 245 thousand Euro (decrease in equity; please also refer to note 22).

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, 2023, tax loss carry-forward for Elmos entities comes to 297 thousand Euro (2022: tax loss carry-forward of 277 thousand Euro).

18 – Inventories

thousand Euro	12/31/2023	12/31/2022
Raw materials	60,305	14,601
Work in process	98,146	88,720
Finished goods	33,075	12,948
Payments on account	0	366
Inventories	**191,526**	**116,635**

Inventories increased by 74,891 thousand Euro in line with the increase in business volume in fiscal year 2023.

The impairment of inventories recognized as expense (cost of sales) amounts to 16,363 thousand Euro (2022: 9,538 thousand Euro). This concerns, among other things, inventories written off in full as their future sale is deemed unlikely.

19 – Trade receivables

thousand Euro	12/31/2023	12/31/2022
Trade receivables	92,005	68,327
Valuation allowance/Foreign currency valuation	-987	-519
Trade receivables	**91,018**	**67,808**

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

thousand Euro	2023	2022
Valuation allowance/Foreign currency valuation as of 01/01	**519**	**31**
Additions in the reporting period (valuation allowance expense)	0	0
Consumption	0	-78
Reversals (appreciation in value of initially written-off receivables)	0	0
Foreign currency valuation	468	567
Valuation allowance/Foreign currency valuation as of 12/31	**987**	**519**

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 any significant increases in debt loss or objective indications of impairment in fiscal years 2023 and 2022 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 2023 in the amount of 3 thousand Euro (83 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	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
Neither impaired nor overdue as of the reporting date		75,271	57,435	14,451	11,960
Not impaired as of the reporting date and overdue within the following time bands	<30 days	10,174	6,652	0	0
	30-60 days	1,200	779	0	0
	61-90 days	521	899	0	0
	91-180 days	1,626	444	0	0
	181-360 days	1,792	492	0	0
	>360 days	372	177	0	0

20 – 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, cash in banks and checks.

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

thousand Euro	12/31/2023	12/31/2022
Receivables from investment company (Epigone)	6,709	6,709
Tenant loans	1,803	1,726
Other loans	15	15
Net pension asset	400	356
Other non-current financial assets	**8,927**	**8,806**
Other financial assets	5,524	3,154
Other current financial assets	**5,524**	**3,154**
Other tax assets	16,744	12,843
Accrued income	3,439	3,540
Other current receivables	928	1,651
Other receivables	**21,110**	**18,034**

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, 2023 (please also refer to note 15).

22 – Equity

Share capital: The share capital of 17,700 thousand Euro entered in the statement of financial position as of December 31, 2023 (December 31, 2022: 17,700 thousand Euro), consisting of 17,700,000 (December 31, 2022: 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 each in the share capital (Section 71 (1) no. 8 sentence 6 AktG).

Treasury shares: As of December 31, 2023, the Company holds 579,274 (December 31, 2022: 581,364) of the Company's no-par shares, adding up to a theoretical share in the share capital of 579 thousand Euro (December 31, 2022: 581 thousand Euro). The number of treasury shares was decreased in fiscal years 2023 and 2022 by the issue of shares within the framework of share-based remuneration. 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	12/31/2023	12/31/2022
Premiums	11,130	11,132
Stock awards/Share matching	8,483	7,575
Additional paid-in capital	**19,613**	**18,707**

Additional paid-in capital essentially includes premiums from capital increases and the issue of shares of Elmos Semiconductor SE. In 2023, this item was decreased by 2 thousand Euro due to share-based payments and the issue of treasury shares linked to them (2022: decrease by 9 thousand Euro).

The share attributable to stock awards and share matching went up in 2023 by the amount of the expense from the issue of stock awards/share matching (908 thousand Euro; 2022: 606 thousand Euro)

Other equity components

thousand Euro	12/31/2023	12/31/2022
Foreign currency adjustments	675	894
deferred tax on this item	0	0
Financial assets measured at market value	-1,160	-1,908
deferred tax on this item	388	626
Actuarial losses	-341	-375
deferred tax on this item	183	193
Other equity components	**-254**	**-569**

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

Financial assets measured at market value cover changes in the fair value of selected financial instruments (please refer to notes 29 and 30).

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 attributable to the owners of the parent in the years 2023 and 2022 is shown in the following table:

thousand Euro	2023	2022
Balance as of 01/01	**-569**	**-23**
Exchange rate changes	-219	308
deferred tax on this item	0	0
Changes in financial assets measured at market value	748	-1.681
deferred tax on this item	-237	552
Changes in actuarial losses	34	408
deferred tax on this item	-11	-134
Balance as of 12/31.	**-254**	**-569**

"Recycling" of equity components outside profit or loss

In fiscal years 2023 and 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 must be reported as of the time of realization as reclassification amounts ("recycling"). In this context, amounts of 268 thousand Euro previously recognized outside profit or loss had to be reclassified through profit/loss in the consolidated income statement in fiscal year 2023 (previous year: 161 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

	12/31/2023		12/31/2022	
	thousand Euro	%	thousand Euro	%
Weyer Beteiligungsgesellschaft mbH, Schwerte	3,664	20.7	3,664	20.7
Jumakos Beteiligungsgesellschaft mbH, Dortmund	3,016	17.0	3,016	17.0
ZOE-VVG GmbH, Duisburg	2,659	15.0	2,659	15.0
Treasury shares	579	3.3	581	3.3
Shareholders <10% interest	7,782	44.0	7,780	44.0
Share capital	**17,700**	**100.0**	**17,700**	**100.00**

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, 2023 (December 31, 2022: 22.9% 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	Bond 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 2023 (2022), Elmos Semiconductor SE distributed a dividend of 0.75 Euro (0.65 Euro) per share out of the retained earnings of fiscal year 2022 (2021).

23 – 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 share price over longer periods of time. In fiscal year 2023, the Group incurred expenses in the amount of 371 thousand Euro (2022: 415 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.

24 – Provisions

Provisions for pensions

thousand Euro	12/31/2023	12/31/2022
Present value of pension commitments	1,203	1,297
Fair value of pension plan reinsurance	-1,603	-1,653
Net asset recognized in statement of financial position	**-400**	**-356**

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 3.65% per annum as of December 31, 2023 (December 31, 2022: 3.15% 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 2023	FY 2022
Service cost	0	0
Interest	39	12
Pension expense (net amount)	**39**	**12**

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

thousand Euro	2023	2022
Present value of pension commitments as of 01/01	**1,297**	**1,752**
Pension expense (net amount)	39	12
Benefits paid to pensioners	-92	-92
Actuarial gains from changes in financial assumptions	-41	-375
Present value of pension commitments as of 12/31	**1,203**	**1,297**
Present value of reinsurance policies as of 01/01	**1,653**	**1,700**
Income from plan assets	50	11
Benefits from reinsurance policies	-93	-93
Actuarial losses (-)/gains from changes in financial assumptions	-7	35
Present value of reinsurance policies as of 12/31	**1,603**	**1,653**

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 43 thousand Euro (2022: 47 thousand Euro) including payments made in the event of death. Premiums were paid in the amount of 0 thousand Euro (2022: 0 thousand Euro). For 2024, 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 2023, contributions to these pension plans amounted to 107 thousand Euro (2022: 113 thousand Euro).

The employer's social security contributions made for employees amounted to 6,943 thousand Euro in 2023 (2022: 5,184 thousand Euro). The contributions to employees' direct insurance came to 351 thousand Euro in 2023 (2022: 328 thousand Euro).

Amounts of the current and the four preceding reporting periods:

thousand Euro	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Pension commitment	1,203	1,297	1,752	1,818	1,636
Fair value of pension plan reinsurance	-1,603	-1,653	-1,700	-1,747	-1,795
Overfunding/Underfunding (-)	400	356	-52	-71	159
Adjustments to plan liabilities based on historical data	0	1	1	-8	-8
Adjustments to plan assets based on historical data	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% pointt	
	FY 2023	FY 2022	FY 2023	FY 2022
Effect on defined benefit obligations	-94	-112	116	130

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	2023	2024	2025	2026	2027	2028
FY 2023	n/a	92	92	91	90	89
FY 2022	92	92	91	91	90	n/a

The average term of material pension benefit commitments is 8.0 years (2022: 8.6 years).

Current provisions

thousand Euro	01/01/2023	Consumption	Reversal	Addition	Reclassification due to presentation as liabilities connected to assets held for sale	12/31/2023
Vacation bonus	1,033	-1,033	0	1,629	-112	1,517
Royalty provisions	2,473	-2,473	0	2,787	0	2,787
Employer's liability insurance association	556	-396	-125	546	-126	455
Warranty and product liability	4,057	0	-2,116	3,459	0	5,400[1]
Licenses	813	-362	-195	739	0	995
Other personnel provisions	9,862	-7,794	-30	9,236	-1,340	9,934
Other provisions	1,418	-659	-555	1,442	0	1,646
Current provisions	**20,212**	**-12,717**	**-3,021**	**19,838**	**-1,578**	**22,735**

[1] Thereof regarding Elmos Semiconductor SE in the amount of 5,259 thousand Euro.

Warranty and product liability provisions are generally made 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.

25 – Financial liabilities

Non-current financial liabilities

thousand Euro	12/31/2023	12/31/2022
Bonded loans	79,000	53,000
KfW loans	13,846	15,897
Lease obligations	6,433	6,658
Other financial liabilities	600	880
Non-current financial liabilities	**99,879**	**76,436**

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. As of the current reporting date, 14,000 thousand Euro thereof are reported under "Non-current financial liabilities." 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 bonded loan issued in 2023 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 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, 2023, the Company had various short-term lines of credit at its disposal in the total amount of 75,000 thousand Euro (2022: 25,000 thousand Euro). As of December 31, 2023, the Company provided these credit facilities as security in the amount of 742 thousand Euro (2022: 703 thousand Euro). Current financial liabilities (December 31, 2023: 18,807 thousand Euro; December 31, 2022: 4,521 thousand Euro) essentially reflect the installment of the bonded loan taken out in 2017 to be paid in 2024 at 14,000 thousand Euro, the installment of the KfW loan to be paid in 2024 at 2,051 thousand Euro and the current portion of lease obligations at 1,312 thousand Euro (2022: 1,791 thousand Euro).

Loans

The effective interest rates of the loans range between 0.55% p.a. and 4.84% p.a. (previous year: 0.55% to 2.11%).

Cash flows from financial liabilities

The following table lists all contractually defined payouts as of December 31, 2023 and December 31, 2022 (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.

12/31/2023 | thousand Euro	2024	2025-2028	ab 2029
Liabilities to banks	18,622	48,260	57,701
Trade payables	97,598	0	0
Other financial liabilities	874	600	0
Lease obligations	1,425	6,234	490

Future finance expenses from lease obligations amount to 379 thousand Euro (2022: 421 thousand Euro).

12/31/2022 | in 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

[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 (EUR/USD: 1.1050; EUR/KRW: 1,433.66; EUR/SGD: 1.4591; EUR/CNY: 7.8509; EUR/JPY: 156.33); 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	01/01/2023	Cash changes		Non-cash changes		12/31/2023
		Cash inflow	Cash outflow	Reclassification	Interest/Lease obligations	
Non-current financial liabilities	76,436	40,000	0	-17,218	661	99,879
Current financial liabilities	4,521	0	-4,340	17,218	1,408	18,807
	80,957	**40,000**	**-4,340**	**0**	**2,069**	**118,686**

thousand Euro	01/01/2022	Cash changes		Non-cash changes		12/31/2022
		Cash inflow	Cash outflow	Reclassification	Interest/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**

26 – Other liabilities and income tax liabilities

Other liabilities as of the reporting date are solely current liabilities, as in the year before, and amount to 40,304 thousand Euro (December 31, 2022: 6,651 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 in connection with the planned sale of a subsidiary. In this context, Elmos Semiconductor SE collected an amount of 37,200 thousand Euro already in the second half of fiscal year 2023 according to contractual agreements as cash transaction.

Income tax liabilities amount to 71,839 thousand Euro (December 31, 2022: 21,441 thousand Euro) and as of December 31, 2023 primarily comprise liabilities of Elmos Semiconductor SE at 71,689 thousand Euro (December 31, 2022: 20,402 thousand Euro) but also liabilities of several domestic and international subsidiaries.

27 – 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.

28 – Derivative financial instruments

In fiscal year 2023, 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 29. 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 correspondent banks.

29 – Additional information on financial instruments

Book values, measurement and fair values 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 market 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 30) 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 12/31/2023	Recognition according to IFRS 9: Amortized cost	At fair value through profit/loss	At fair value outside profit or loss: no recycling	At fair value outside profit or loss: recycling	Fair value 12/31/2023	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	At fair value outside profit or loss: recycling	Fair value 12/31/2022
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	10,422	0	0	0	10,422	10,422	30,241	0	0	0	30,241	30,241
Securities (short-term)	Hold	0	0	0	0	0	0	0	0	0	0	0	0
Securities (short-term)	Hold and sale	6,748	0	0	0	6,748	6,748	2,210	0	0	0	2,210	2,210
Trade receivables	Hold	91,018	91,018	0	0	0	91,018	67,808	67,808	0	0	0	67,808
Cash and cash equivalents	Hold	85,629	85,629	0	0	0	85,629	36,641	36,641	0	0	0	36,641
Other financial assets													
Other receivables and assets (current)	Hold	5,524	5,524	0	0	0	5,524	3,144	3,144	0	0	0	3,144
Other loans and assets (non-current)	Hold	8,927	8,927	0	0	0	8,927	8,806	8,806	0	0	0	8,806
Forward exchange contracts/ Currency option transactions	Trade	0	0	0	0	0	0	0	0	0	0	0	0
Call options	Trade	0	0	0	0	0	0	10	0	10	0	0	10
Financial assets of disposal group	Hold	2,610	2,610	0	0	0	2,610	0	0	0	0	0	0
Financial assets		**213,879**	**196,708**	**0**	**1**	**17,170**	**213,879**	**151,861**	**119,399**	**10**	**1**	**32,451**	**151,861**
Trade payables	Financial liabilities AC	97,598	97,598	0	0	0	97,598	44,209	44,209	0	0	0	44,209
Liabilities to banks	Financial liabilities AC	110,062	110,062	0	0	0	105,292	71,348	71,348	0	0	0	62,402
Other financial liabilities													
Miscellaneous financial liabilities	Financial liabilities AC	1,474	1,474	0	0	0	1,474	1,877	1,877	0	0	0	1,877
Forward exchange contracts/ Currency option transactions	Financial liabilities FVTPL	0	0	0	0	0	0	0	0	0	0	0	0
Lease obligations	Financial liabilities AC	7,744	7,744	0	0	0	7,744	8,449	8,449	0	0	0	8,449
Financial liabilities of the disposal group	Financial liabilities AC	1,752	1,752	0	0	0	1,752	0	0	0	0	0	0
Financial liabilities		**218,630**	**218,630**	**0**	**0**	**0**	**213,860**	**125,883**	**125,883**	**0**	**0**	**0**	**116,937**
Aggregated by business model													
Hold and sale		17,171	0	0	1	17,170	17,171	32,452	0	0	1	32,451	32,452
Hold		196,708	196,708	0	0	0	196,708	119,399	119,399	0	0	0	119,399
Trade		0	0	0	0	0	0	10	0	10	0	0	10
Financial liabilities at amortized cost		218,630	218,630	0	0	0	213,860	125,883	125,883	0	0	0	116,937
Financial liabilities at fair value through profit or loss		0	0	0	0	0	0	0	0	0	0	0	0

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]	2023	**30,241**	0	-13,712	-7,046	939	**10,422**
	2022	**39,850**	10,000	-15,646	-2,317	-1,646	**30,241**
Short-term securities[1]	2023	**2,210**	0	-2,317	7,046	-191	**6,748**
	2022	**5,492**	0	-5,492	2,317	-107	**2,210**

[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	2023	**0**	0	0	0	**0**
	2022	**4**	0	-4	0	**0**

Stufe 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	2023	**1**	0	0	**1**
	2022	**1**	0	0	**1**

thousand Euro		01/01	Addition	Derecognition	12/31
Call options	2023	**10**	0	-10	**0**
	2022	**9**	3	-2	**10**

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 2023	FY 2022
Hold	-273	1,231
Trade	586	1,721
Financial liabilities at amortized cost	1,729	-118
Financial liabilities at fair value through profit/loss	0	0

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 621 thousand Euro and foreign exchange losses in the amount of 35 thousand Euro (2022: foreign exchange gains of 1,721 thousand Euro and foreign exchange losses of 0 thousand Euro) linked to currency hedges are reported under the “trade” business model. Interest from financial instruments is stated in interest result (cf. note 9).

30 – Financial risk

Basic information

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 in good time 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, 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 business 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 25.

Financial market risk

Due to its international business activities, Elmos is exposed to market price risks from 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.

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 2023, Elmos realized foreign exchange gains in the amount of 621 thousand Euro (2022: 1,721 thousand Euro) and incurred foreign exchange losses in the amount of 35 thousand Euro (2022: 0 thousand Euro) from U.S. dollar currency hedges, reported in the consolidated financial statement under "Foreign exchange gains."

Had the euro been revalued (devalued) against the U.S. dollar by 10% as of December 31, 2023 with respect to the monetary financial instruments, earnings (before taxes) would have been 1,830 thousand Euro lower (2,236 thousand Euro higher) (2022: 1,035 thousand Euro lower (1,265 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 156 thousand Euro (increase in equity by 157 thousand Euro) (2022: decrease (increase) in equity by 215 (438) 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 25.

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 shares may be issued. As of December 31, 2023 and December 31, 2022, 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 (including those of the disposal group; please also refer to note 5) plus securities less current and non-current financial liabilities. The equity ratio puts equity in proportion to total assets.

	FY 2023	FY 2022
Net debt	-10.4 million Euro	-8.9 million Euro
Equity ratio	55.1%	66.4%

OTHER INFORMATION

31 – 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 (4,398 thousand Euro in 2023; 3,247 thousand Euro in 2022). For information about investment grants for non-current assets, please refer to note 15.

32 – 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, 2023 and December 31, 2022 are as follows:

in thousand Euro	2023	2024	2025	2026	2027	2028	Later years	Total
12/31/2023	n/a	24,963	11,270	658	544	409	0	**37,844**
12/31/2022	24,204	4,155	3,949	524	508	0	0	**33,340**

Total expenditure for rental and lease agreements amounted to 2,753 thousand Euro in 2023 and 2,587 thousand Euro in 2022.

Material expenses for short-term leases and expenses for leased low-value assets did not apply in fiscal years 2023 and 2022. The total cash outflow for leases comes to 1,444 thousand Euro (2022: 1,390 thousand Euro) for principal payments and 131 thousand Euro (2022: 96 thousand Euro) for interest payments.

A purchase commitment in the amount of 11,375 thousand Euro (2022: 41,315 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.

33 – 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 years 2023 and 2022:

Merger of GED Electronic Design GmbH, Frankfurt/Oder

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

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

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

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 B.V., Nijmegen/The Netherlands

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 on results from this elimination.

Elimination of European Semiconductor Assembly (eurasem) B.V., Nijmegen/The Netherlands

Subsidiary European Semiconductor Assembly (eurasem) B.V., Nijmegen/The Netherlands, was eliminated from Elmos Group's scope of consolidation in the fourth quarter of 2023 by way of liquidation. There have been no material effects on results from this elimination.

Elimination of Elmos Design Center LLC, St. Petersburg/Russia

Subsidiary Elmos Design Center LLC, St. Petersburg/Russia, was eliminated from Elmos Group's scope of consolidation in the fourth quarter of 2023 by way of liquidation. There have been no material effects on 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%	1,421	-710[1]	Subsidiary
Epigone Grundstücksverwaltungsgesell-schaft mbH & Co. Vermietungs KG, Mainz	EUR	6.0%	-	-[3]	Investment
Area 21 Software GmbH, Dortmund	EUR	100.0%	-189	-116[1]	Subsidiary
Mechaless Systems GmbH, Bruchsal	EUR	100.0%	755	161[1]	Subsidiary
Online Engineering GmbH, Dortmund	EUR	100.0%	2,105	379[1]	Subsidiary
Dortmund Semiconductor GmbH, Dortmund	EUR	100.0%	37,052	2,883[1]	Subsidiary
International					
Elmos Services B.V., Nijmegen (NL)	EUR	100.0%	2,193	42[1]	Subsidiary
Elmos N.A. Inc., Plymouth (U.S.A.)	USD	100.0%	1,968	131[1]	Subsidiary
Elmos Korea Co. Ltd., Seoul (Korea)	KRW	100.0%	563,905	152,240[1]	Subsidiary
Elmos Semiconductor Singapore Pte. Ltd., Singapore	SGD	100.0%	679	80[1]	Subsidiary
Elmos Japan K.K., Tokyo (Japan)	JPY	100.0%	5,009	1,471[1]	Subsidiary
Elmos Semiconductor Technology (Shanghai) Co. Ltd., Shanghai (China)	CNY	100.0%	44,889	6,611[1, 2]	Subsidiary

[1] Presented figures are based on preliminary unaudited financial statements as of December 31, 2023.
[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	**2023**	25.2%	1,070	2,904	1,989	22	8,241	0
	2022	25.2%	1,657	2,703	1,717	10	7,546	0

34 – Information on Management Board and Supervisory Board

thousand Euro		Short-term payments		Share-based payments
		Fixed remuneration	Variable remuneration	Stock awards
Management Board	**FY 2023**	1,350	2,567	0
	FY 2022	1,039	1,911	0
Supervisory Board	**FY 2023**	450	0	0
	FY 2022	450	0	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 2023, contributions to these pension plans amounted to 90 thousand Euro (2022: 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 2023, thereof fixed components in the amount of 392 thousand Euro and variable components in the amount of 0 thousand Euro (202: 392 thousand Euro, thereof fixed remuneration 392 thousand Euro and variable components 0 thousand Euro). Moreover, insurance premiums in the amount of 17 thousand Euro were paid (2022: 23 thousand Euro) for this group of beneficiaries. These amounts are balanced by reimbursements from reinsurance policies in the amount of 393 thousand Euro (2022: 393 thousand Euro). The amount of pension provisions for acting and former members of the Management Board or their surviving dependents was 1,110 thousand Euro as of December 31, 2023 (December 31, 2022: 1,197 thousand Euro).

As of December 31, 2023, no acting members of the Management Board or the Supervisory Board were members of statutory supervisory boards or comparable domestic or foreign supervisory bodies.

35 – Information on group auditor fees

Fees of group auditor BDO AG or rather, in the previous year, Grant Thornton AG

thousand Euro	FY 2023	FY 2022
Audit services	338[1]	307[2]
Other certification services	0	0
Tax counseling	0	0
Other services	0	0
Group auditor fees	**338**	**307**

[1] Thereof 0 thousand Euro for the previous year
[2] Thereof 2 thousand Euro for the previous year

In 2023 and 2022, 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 2023, the item also includes the fee in the amount of 10 thousand Euro for the formal audit of the remuneration report (previous year: 10 thousand Euro).

36 – Appropriation of retained earnings and dividend proposal

Management Board and Supervisory Board propose to the Annual General Meeting in May 2024 the payment of a dividend of 0.85 Euro per share for fiscal year 2023 out of the 2023 retained earnings of Elmos Semiconductor SE in the amount of 284.4 million Euro. The total dividend payout would thus amount to 14.6 million Euro based on 17,120,726 shares entitled to dividend as of December 31, 2023.

37 – 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, 2023 are available at www.elmos.com.

38 – 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 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 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. Transactions between related parties are carried out at arm's length.

Apart from the remuneration of Management Board and Supervisory Board – representing the key management personnel of Elmos Group – disclosed under note 34 ("Information on Management Board and Supervisory Board"), no Management Board or Supervisory Board member received any compensation for consulting services rendered personally in fiscal years 2023 or 2022.

39 – Number of employees

∅ Employees	FY 2023	FY 2022
Production	546	498
Distribution	106	94
Administration	171	156
Quality Control	44	44
Research and Development	415	385
Total	**1,282**	**1,176**

40 – 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 2023.

41 – Declaration of compliance pursuant to Section 161 AktG

In May 2023, 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, 2024

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 2023 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of Elmos Semiconductor SE for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in section "OTHER INFORMATION".

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 § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] 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 2023, and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 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 opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3) sentence 1 HGB (German Commercial Code), 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 § 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) letter (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 2023 to 31. December 2023. 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.

We have identified the following matters as key audit matters to be disclosed in our auditor's report:

1. PRESENTATION OF THE SALE OF THE WAFER FAB AS A DISPOSAL GROUP IN THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO IFRS 5
2. RECOGNITION AND MEASUREMENT OF THE PROVISIONS FOR WARRANTIES AND PRODUCT LIABILITY

PRESENTATION OF THE SALE OF THE WAFER FAB AS A DISPOSAL GROUP IN THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO IFRS 5

Matter

On June 28, 2023, Elmos Semiconductor SE and Littelfuse, Inc., USA, signed an agreement for the sale of Elmos' wafer fab in Dortmund to Littelfuse Inc. All other activities, including testing operations, will remain with Elmos Semiconductor SE. The purchase price of the transaction is around 93 million Euro, of which around 37 million Euro has already been paid. The German Federal Antitrust Authority (Bundeskartellamt) issued its unconditional approval of the deal on July 27, 2023. The Federal Ministry of Economics and Climate Action (BMWK) granted unconditional foreign trade approval for the sale on August 7, 2023. With the foreign trade clearance in place, the regulatory requirements for the completion of the transaction have been met. The transaction is expected to be closed by the end of December 2024. Elmos will retain full operational control over the wafer fab until the closing date.

In view of the extensive requirements of IFRS 5 with regard to the necessary separate recognition and measurement of assets held for sale and the associated liabilities and related explanatory disclosures in the notes to the consolidated financial statements, this matter was of particular significance for our audit.

The disclosures made by the legal representatives on the assets and liabilities held for sale are contained in section (3) “Accounting and valuation principles” and in section 5 “Disposal group” of the notes to the consolidated financial statements.

Auditor’s Response and Observations

We first assessed whether the assets and liabilities to be transferred represent a tangible asset group that is held for sale and does not constitute a separate major line of business. To this end, we conducted interviews with the members of the Management Board and the Group accounting department, taking into account our understanding of the business models and business management. Furthermore, by reconciling the financial statement documents of the respective subsidiary, we satisfied ourselves that all assets and liabilities of the disposal group are classified as “Assets held for sale” or “Liabilities held for sale.” “Liabilities associated with assets held for sale” are presented separately in the consolidated financial statements. When measuring the assets, we obtained an understanding that fair values less costs to sell that are lower than the carrying amount recognized in each case cannot be derived from the agreements in the purchase contract.

In addition, we verified the completeness and accuracy of the disclosures required by IFRS 5.

Overall, we were able to satisfy ourselves that the recognition and measurement of the assets, including the corresponding liabilities and provisions, were derived appropriately.

RECOGNITION AND MEASUREMENT OF THE PROVISIONS FOR WARRANTIES AND PRODUCT LIABILITY

Matter

In the consolidated financial statements, the item “Provisions” includes provisions for warranties and product liability in the amount of 5.4 million Euro (previous year: 4.1 million Euro). These pertain to (probable) warranty and product liability obligations from product sales and are determined on the basis of specific, known individual cases at Elmos Semiconductor SE or its subsidiaries and estimates for future measures in consideration of the development of past damages. As part of the recognition and measurement of the provisions for warranties and product liability, the legal representatives make assumptions with regard to the likelihood of occurrence and the amount of damage, which are associated with a high degree of estimation uncertainty. For this reason, the recognition and measurement of provisions for warranties and product liability is a key audit matter.

The disclosures made by the legal representatives on the provisions for warranty and product liability claims are contained in section (3) “Accounting and valuation principles” and in section (24) “Provisions” of the notes to the consolidated financial statements.

Auditor’s Response and Observations

We first gained an understanding of the process involved in recording and determining provisions, the corresponding reporting system, and the relevant internal controls. 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 of Elmos Semiconductor SE, 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 the description of circumstances, contracts, and the calculation basis presented to us, among other things, as well as by comparing the amounts to historical values. We assessed the assumptions made by the company’s legal representatives that are 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 reperformed the calculation.

Overall, we were able to satisfy ourselves that the assumptions and estimates made by the legal representatives with regard to the occurrence and amount of possible warranty and product liability claims were derived in a comprehensible manner and that the provisions recognized are within a reasonable range.

OTHER INFORMATION

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

-> the separately published combined non-financial report which is referenced in the “Combined non-financial report” section of the combined management report

- the separately published statement on corporate governance, which is referenced in the "Statement on corporate governance" section of the combined management report
- the components of the combined management report that are not part of the combined management report and are not audited in substance which relate to the "Statements on the effectiveness of the governance systems" in the "Opportunities and risks" section
- the other parts of the annual report, except for the audited consolidated financial statements and combined management report as well as our auditor's report.

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

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report, or 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 EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE COMBINED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors 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 § 315e (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 executive directors 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 executive directors 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 executive directors 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 executive directors 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 FOR 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 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 § 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 controls.

- 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 executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' 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 § 315e (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 executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 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. 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 ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT, PREPARED FOR PUBLICATION PURPOESES IN ACCORDANCE WITH § 317 (3a) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "ELMOS_KAP_2023.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only 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 § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 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 § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (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 has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors 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 § 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal controls that 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 § 328 (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 § 328 (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 § 328 (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 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 financial statements, on the technical specification for this electronic file.

-> evaluate whether the ESEF documents provide an 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 machinereadable 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 consolidated general meeting on 10 May 2023. We were engaged by the supervisory board on 10 July 2023. We have been the group auditor of the Elmos Semiconductor SE since the financial year 2023.

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 combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format — including the versions to be published in the German Federal Gazette — are merely electronic renderings of the audited consolidated financial statements and the audited combined 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 provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Marcus Falk.

BDO AG
Wirtschaftsprüfungsgesellschaft

Fritz	**Dr. Falk**
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, 2024

Dr. Arne Schneider   Guido Meyer   Dr. Jan Dienstuhl

FINANCIAL CALENDAR 2024

Final results 2023[1]	03/14/2024
Quarterly results Q1/2024[1]	05/07/2024
Annual General Meeting	05/15/2024
Quarterly results Q2/2024[1]	08/01/2024
Quarterly results Q3/2024[1]	11/06/2024

[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).

CONTACT

Ralf Hoppe | Investor Relations

Phone: + 49 (0) 231-75 49-7000

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

invest@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.

Elmos Semiconductor SE
Heinrich-Hertz-Straße 1
44227 Dortmund | Germany
Phone: + 49 (0) 231 - 75 49 - 0
Telefax: + 49 (0) 231 - 75 49 - 149
info@elmos.com | www.elmos.com