

# Products on the cutting edge

Interim report Q3 2016

elmos<sup>®</sup>



# Overview

## IN FOCUS

- > Positive performance of sales and EBIT in the course of the year
- > Guidance 2016 confirmed

## Key figures

	3 <sup>rd</sup> quarter			9 months		
in million Euro or percent unless otherwise indicated	7/1 – 9/30/2016	7/1 – 9/30/2015	Change	1/1 – 9/30/2016	1/1 – 9/30/2015	Change
<b>Sales</b>	<b>56.4</b>	<b>54.6</b>	<b>3.3%</b>	<b>165.1</b>	<b>164.3</b>	<b>0.5%</b>
Semiconductor	50.7	49.4	2.6%	150.9	147.6	2.2%
Micromechanics	5.7	5.2	9.1%	14.2	16.7	-14.7%
<b>Gross profit</b>	<b>24.4</b>	<b>22.5</b>	<b>8.2%</b>	<b>67.3</b>	<b>68.3</b>	<b>-1.5%</b>
in percent of sales	43.2%	41.3%		40.8%	41.6%	
R&D expenses	8.5	8.8	-2.3%	26.9	28.1	-4.3%
in percent of sales	15.2%	16.0%		16.3%	17.1%	
Operating income before other operating income/expenses (-)	6.1	4.7	29.8%	11.1	12.5	-11.2%
in percent of sales	10.9%	8.7%		6.7%	7.6%	
Exchange rate losses (-)/gains	-0.2	0.1	n/a	-0.3	1.8	n/a
Other operating income/expenses (-)	0.3	2.2	-84.7%	1.1	3.2	-64.6%
<b>EBIT</b>	<b>6.3</b>	<b>7.1</b>	<b>-10.6%</b>	<b>11.9</b>	<b>17.5</b>	<b>-32.2%</b>
in percent of sales	11.2%	12.9%		7.2%	10.7%	
Net income for the period after non-controlling interests	4.1	4.7	-13.3%	7.7	11.8	-34.3%
in percent of sales	7.2%	8.6%		4.7%	7.2%	
<b>Basic earnings per share in Euro</b>	<b>0.21</b>	<b>0.24</b>	<b>-13.7%</b>	<b>0.39</b>	<b>0.60</b>	<b>-34.7%</b>
Operating cash flow	12.0	15.6	-22.7%	20.2	31.9	-36.9%
Capital expenditures for intangible assets and property, plant and equipment <sup>1</sup>	2.4	7.6	-69.1%	19.6	21.9	-10.5%
in percent of sales <sup>1</sup>	4.2%	14.0%		11.8%	13.3%	
<b>Adjusted free cash flow<sup>1, 2, 3</sup></b>	<b>9.8</b>	<b>8.0</b>	<b>22.0%</b>	<b>0.7</b>	<b>11.0</b>	<b>-93.7%</b>
in million Euro or percent unless otherwise indicated	9/30/2016	12/31/2015	Change			
Equity	222.0	219.4	1.3%			
in percent of total assets	74.8%	71.5%				
Employees (reporting date)	1,127	1,109				

<sup>1</sup>Prior-year amounts adjusted for the repurchase of land and building from prematurely terminated leases in the amount of approx. 14 million Euro

<sup>2</sup>Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment

<sup>3</sup>Prior-year amounts adjusted according to new definition

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

# Interim group management report

## BUSINESS PERFORMANCE

### Sales performance and order situation

In the first nine months of 2016 Elmos Semiconductor AG recorded sales of 165.1 million Euro (9M 2015: 164.3 million Euro). Sales revenues showed a positive development in the course of the year 2016.

Sales generated with customers based in the Asia/Pacific region continued their pleasant performance, meanwhile contributing about a third or rather 55.7 million Euro to total sales. This volume equals 9.9% growth over the prior-year period. Sales generated in the EU countries picked up 4.9% to 91.4 million Euro. This development is due particularly to shifts in shipping addresses from the United States to Europe. Accordingly sales with U.S. based customers went down

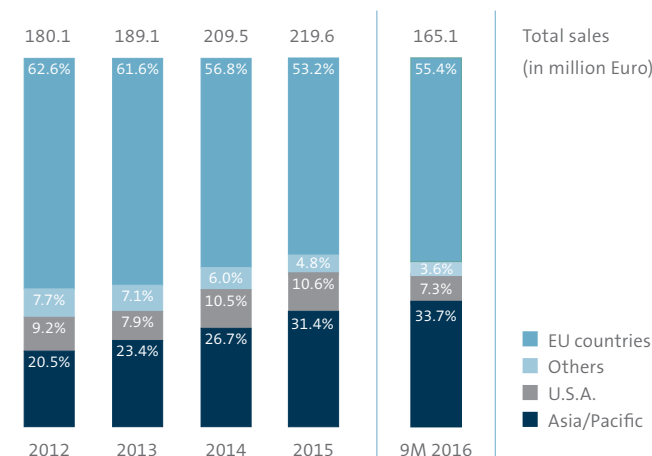
from 17.8 million Euro in the first nine months of 2015 to 12.0 million Euro in the reporting period.

The Semiconductor segment gained 2.2% to 150.9 million Euro in the first nine months of 2016 compared to the prior-year period (9M 2015: 147.6 million Euro). Partly due to new additions to the product portfolio, the business of the Micromechanics segment went down to 14.2 million Euro (9M 2015: 16.7 million Euro).

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

Third-party sales	1/1 – 9/30/2016 thousand Euro	in percent of sales	1/1 – 09/30/2015 thousand Euro	in percent of sales	Change
EU countries	91,433	55.4%	87,177	53.1%	4.9%
U.S.A.	11,983	7.3%	17,786	10.8%	–32.6%
Asia/Pacific	55,720	33.7%	50,712	30.9%	9.9%
Others	5,972	3.6%	8,610	5.2%	–30.6%
<b>Consolidated sales</b>	<b>165,108</b>	<b>100.0%</b>	<b>164,285</b>	<b>100.0%</b>	<b>0.5%</b>

### SALES BY REGION



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

The gross profit went down slightly in the first nine months of 2016 and came to 67.3 million Euro or rather a gross margin of 40.8% (9M 2015: 68.3 million Euro or 41.6%). This development is essentially attributable to weak earnings of the first quarter of 2016.

Research and development expenses came to 26.9 million Euro or 16.3% of sales in the reporting period and were thus slightly down (9M 2015: 28.1 million Euro or 17.1%). Contrary to that was the development of distribution and administrative expenses, increasing slightly year-over-year at 14.9 million Euro and 14.4 million Euro respectively (9M 2015: 14.5 million Euro and 13.2 million Euro). Altogether, the development of operating expenses remained almost constant in relation to sales (9M 2016: 34.1% vs. 9M 2015: 34.0%). Due to the higher cost of sales, operating income before other operating income/expenses was therefore slightly below the prior-year amount of 12.5 million Euro at 11.1 million Euro for the first nine months of 2016.

Earnings before interest and taxes (EBIT) went down from 17.5 million Euro to 11.9 million Euro in the reporting period. This reflects in an EBIT margin of 7.2% (9M 2015: 10.7%). The prior-year period's EBIT benefited from exchange rate gains in the amount of 1.8 million Euro as compared to exchange rate losses of 0.3 million Euro incurred over the first nine months of 2016. Furthermore, other operating income of 3.2 million Euro was collected in the previous year,

particularly including one-off effects from the termination of lease contracts and prior-period income/expenses from renegotiations with suppliers and partners. Other operating income for the reporting period came to 1.1 million Euro.

After taxes, Elmos achieved a consolidated net income attributable to owners of the parent in the amount of 7.7 million Euro in the reporting period (9M 2015: 11.8 million Euro). This equals basic earnings per share (EPS) of 0.39 Euro (9M 2015: 0.60 Euro).

The cash flow from operating activities came to 20.2 million Euro in the first nine months of 2016 and thus fell short of the prior-year amount (9M 2015: 31.9 million Euro). Apart from a lower consolidated net income, this development is accounted for by tax payments in the amount of 9.8 million Euro (9M 2015: 2.7 million Euro) and a higher decrease in trade payables in the amount of 6.0 million Euro (9M 2015: 1.4 million Euro) among other factors.

Capital expenditures for intangible assets and property, plant and equipment came to 19.6 million Euro or 11.8% of sales in the reporting period (9M 2015: 21.9 million Euro or 13.3% of sales). Despite these cash-effective payments, at 0.7 million Euro a positive adjusted free cash flow (cash flow from operating activities less capital expenditures for/ plus disposal of intangible assets and property, plant and equipment) was achieved in the first nine months of 2016 (9M 2015: 11.0 million Euro<sup>1</sup>). The prior-year amounts of capital

expenditures for intangible assets and property, plant and equipment and the adjusted free cash flow have respectively been adjusted for the repurchase of land and building from prematurely terminated leases in the amount of approx. 14 million Euro.

Cash and cash equivalents and marketable securities amounted to 82.3 million Euro as of September 30, 2016 (December 31, 2015: 90.5 million Euro). Apart from the dividend payment in the amount of 6.5 million Euro, this decrease reflects tax payments and the reduction of trade payables. Accordingly net cash dropped from 53.7 million Euro as of December 31, 2015 to 46.0 million Euro as of September 30, 2016.

The equity ratio has slightly increased to 74.8% as of September 30, 2016 (December 31, 2015: 71.5%).

### Economic environment

The **international** car markets have not shown a consistent trend since the beginning of the year. China and Western Europe are the growth drivers while the number of new registrations continues to stagnate in the U.S.A., and in Japan that number is even down compared to the prior-year period. These developments are reported by the German Association of the Automotive Industry (VDA).

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



Compared to the prior-year period, the automotive market in **Western Europe** gained 7.1% from January through September 2016 to 10.8 million new vehicles. Above-average growth was recorded by Italy (+17.4%) and Spain (+11.5%). Germany achieved +6.1% growth, France chalked up 5.7%, and Great Britain showed significantly below-average growth of +2.6%, according to the European Automobile Manufacturers' Association (ACEA).

The stagnation of the **U.S. market** continues in the reporting period. The market for light vehicles (passenger cars and light trucks) merely shows a slight gain of +0.4% for the first nine months of 2016 to 13.0 million new vehicles, according to the VDA.

**China** continues to be the growth driver of the global automotive economy. The number of 16.2 million new car registrations in the nine-month period was +17.7% above the mark of the prior-year period.

Car demand in **Japan** continues to be weak with a decrease by -3.7% compared to the prior-year level to 3.2 million units.

### Significant events

The Management Board explained the past fiscal year and the forecast for 2016 at the **annual press conference and analysts' conference** as well as at the **Annual General Meeting** held in March and May 2016 respectively. The shareholders agreed to the proposed dividend of 0.33 Euro per share at the Annual General Meeting.

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

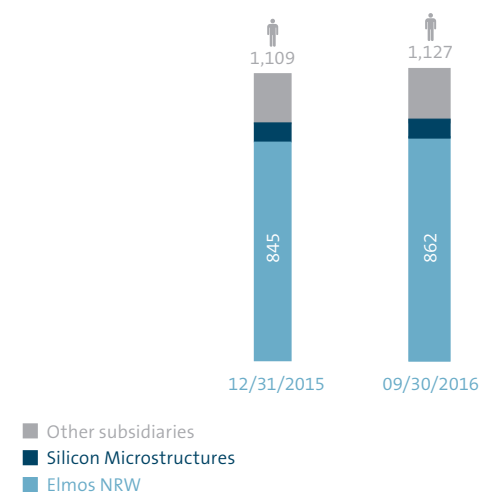
Furthermore, the Supervisory Board has **reappointed** Dr. Arne Schneider as **CFO** until 2022. He has been the Company's CFO since mid-2014.

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

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

Moreover, Elmos has introduced **new semiconductors**, among them a new signal readout IC. In addition to that, an updated product catalog and a video showing the wide range of applications for Elmos components in the layout of a high-performance LED system were presented. SMI managed to retain the services of **another distributor** and introduced **new pressure sensors** for medical applications and other fields of use.

### STAFF DEVELOPMENT ELMOS GROUP



### OTHER DISCLOSURES

#### Staff development

The Elmos Group's workforce came to 1,127 employees as of September 30, 2016, thus increased slightly compared to the number of employees as of December 31, 2015 (1,109 employees).

#### Elmos share

The stock markets have showed high volatility so far in 2016. Contributing factors were the geopolitical crises and the weak raw materials markets as well as the political debate in Great Britain and the U.S. presidential election campaign. The DAX closed at -2.2% at the end of the reporting period.

The market indices of relevance to Elmos showed similar performances: TecDAX and Technology All Share recorded losses of –1.6% and –2.5% respectively. DAXsector Technology was the only relevant index to disconnect from this trend, climbing 15.6% in the first nine months of 2016.

The Elmos share closed on September 30, 2016 at 13.34 Euro or rather at –16.7%. It reached its high on January 4, 2016 at 15.04 Euro and its low on February 25, 2016 at 10.20 Euro. Market capitalization amounted to 267.1 million Euro as of the reporting date, based on 20.0 million shares issued (Xetra closing prices all).

The daily trading volume of the first nine months of 2016 was 23.2 thousand shares on average (Xetra and Frankfurt floor) and thus at the level of the 2015 average of 22.9 thousand shares. The treasury stock was reduced by servicing stock options with treasury shares, among other factors, to 192,880 shares as of September 30, 2016 (December 31, 2015: 214,587 shares).

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

## COMPANY BOARDS

### Supervisory Board

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

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

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

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

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

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

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

### Management Board

Dr. Anton Mindl, *chairman*  
Graduate physicist | Lüdenscheid

Dr. Arne Schneider  
Graduate economist | Munich

Reinhard Senf  
Graduate engineer | Iserlohn

Dr. Peter Geiselhart  
Graduate physicist | Ettlingen

<sup>1</sup> Employee representatives

## OUTLOOK

### Opportunities and risks

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

### Economic framework

The **German economy** continues to be strong, according to the Bundesbank, even though it lost some of its momentum during the summer months. The Bundesbank explained in its monthly report of October that private consumption and the construction boom drive the German economy. Consumers are in a spending mood, the Bundesbank adds.

The International Monetary Fund (IMF) has revised its forecast for the **German economy** slightly upward in its October report. For this year the IMF now expects growth of 1.7% instead of 1.6%. Growth at a similar level is predicted for **Europe**. For the **U.S.A.** the Fund's experts have revised their growth forecasts downward to merely 1.6% this year; previously 2.2% growth had been anticipated.

**China's** economy is expected to gain 6.6% according to the forecast, indicating a slight slowdown in growth compared to the previous year (2015: 6.9%). For **global growth** the Fund keeps expecting 3.1% in 2016.

With respect to the **automotive market**, the German Association of the Automotive Industry (VDA) assessed growth prospects for the current year most recently in September. The **Western European passenger car market** is supposed to gain 5% to 13.8 million new cars in 2016. The performance of the **U.S. market** for light vehicles is more modest: For the year 2016 the VDA is expecting a slight decrease of 2% to 17.1 million light vehicles. The Association has raised its 2016 forecast for **China's passenger car market** from 8% to 10%. This equals a total volume of the Chinese market of 22.1 million new passenger cars. The **global passenger car market** is supposed to gain 3% altogether in 2016 to 80.4 million new passenger cars.

### Outlook for the Elmos Group

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

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

The underlying premise of this forecast is the assumption of a stable macroeconomic situation. In that case Elmos will participate in the positive development of the automotive semiconductor market in 2016. The electrification of these markets will continue. At the same time it holds true that such expectations can be affected by market turbulence. Particularly the consequences of the political and economic developments and crises in the international markets cannot be foreseen with respect to their effects on the global economy and our core market.

# Interim consolidated financial statements

## Condensed consolidated statement of financial position

Assets	9/30/2016 thousand Euro	12/31/2015 thousand Euro
<b>Non-current assets</b>		
Intangible assets <sup>1</sup>	19,309	20,822
Property, plant and equipment <sup>1</sup>	89,240	90,991
Investments in associates <sup>1</sup>	1,952	0
Securities <sup>1,2</sup>	33,779	30,944
Investments <sup>1,2</sup>	20	20
Other financial assets <sup>1</sup>	3,621	3,627
Deferred tax assets	2,232	2,068
<b>Total non-current assets</b>	<b>150,154</b>	<b>148,472</b>
<b>Current assets</b>		
Inventories <sup>1</sup>	57,276	57,168
Trade receivables <sup>2</sup>	30,653	32,811
Securities <sup>2</sup>	9,290	9,584
Other financial assets	1,767	1,796
Other receivables	7,598	6,875
Income tax assets	710	86
Cash and cash equivalents <sup>2</sup>	39,236	50,000
	<b>146,530</b>	<b>158,320</b>
Non-current assets held for sale	93	93
<b>Total current assets</b>	<b>146,623</b>	<b>158,413</b>
<b>Total assets</b>	<b>296,777</b>	<b>306,886</b>

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

Equity and liabilities	9/30/2016 thousand Euro	12/31/2015 thousand Euro
<b>Equity</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital <sup>1</sup>	20,031	19,942
Treasury stock <sup>1</sup>	-193	-215
Additional paid-in capital	91,926	90,956
Surplus reserve	102	102
Other equity components	-674	-1,032
Retained earnings	109,972	108,778
	<b>221,164</b>	<b>218,531</b>
Non-controlling interests	821	860
<b>Total equity</b>	<b>221,985</b>	<b>219,391</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions for pensions	409	496
Financial liabilities <sup>2</sup>	21,311	36,639
Other liabilities	2,000	2,458
Deferred tax liabilities	1,493	1,684
<b>Total non-current liabilities</b>	<b>25,212</b>	<b>41,277</b>
<b>Current liabilities</b>		
Provisions	14,576	14,705
Income tax liabilities	1,292	6,889
Financial liabilities <sup>2</sup>	15,000	185
Trade payables <sup>2</sup>	15,081	21,810
Other liabilities	3,630	2,629
<b>Total current liabilities</b>	<b>49,579</b>	<b>46,217</b>
<b>Total liabilities</b>	<b>74,791</b>	<b>87,495</b>
<b>Total equity and liabilities</b>	<b>296,777</b>	<b>306,886</b>

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



## Condensed consolidated income statement

for the period July 1 through September 30	7/1 – 9/30/2016 thousand Euro	in percent of sales	7/1 – 9/30/2015 thousand Euro	in percent of sales	Change
<b>Sales</b>	<b>56,385</b>	<b>100.0%</b>	<b>54,604</b>	<b>100.0%</b>	<b>3.3%</b>
Cost of sales	–32,008	–56.8%	–32,071	–58.7%	–0.2%
<b>Gross profit</b>	<b>24,377</b>	<b>43.2%</b>	<b>22,533</b>	<b>41.3%</b>	<b>8.2%</b>
Research and development expenses	–8,549	–15.2%	–8,753	–16.0%	–2.3%
Distribution expenses	–5,006	–8.9%	–4,765	–8.7%	5.1%
Administrative expenses	–4,686	–8.3%	–4,290	–7.9%	9.2%
<b>Operating income before other operating expenses (–)/income</b>	<b>6,136</b>	<b>10.9%</b>	<b>4,726</b>	<b>8.7%</b>	<b>29.8%</b>
Exchange rate losses (–)/gains	–159	–0.3%	137	0.3%	n/a
Other operating income	582	1.0%	5,169	9.5%	–88.7%
Other operating expenses	–246	–0.4%	–2,968	–5.4%	–91.7%
<b>Earnings before interest and taxes (EBIT)</b>	<b>6,312</b>	<b>11.2%</b>	<b>7,065</b>	<b>12.9%</b>	<b>–10.6%</b>
Interest in earnings of associates	–145	–0.3%	0	0.0%	n/a
Finance income	446	0.8%	569	1.0%	–21.5%
Finance expense	–726	–1.3%	–776	–1.4%	–6.5%
<b>Earnings before taxes</b>	<b>5,888</b>	<b>10.4%</b>	<b>6,857</b>	<b>12.6%</b>	<b>–14.1%</b>
<b>Taxes on income</b>					
Current income tax	–1,442	–2.6%	–2,033	–3.7%	–29.1%
Deferred tax	–266	–0.5%	66	0.1%	n/a
	<b>–1,708</b>	<b>–3.0%</b>	<b>–1,967</b>	<b>–3.6%</b>	<b>–13.2%</b>
<b>Consolidated net income</b>	<b>4,180</b>	<b>7.4%</b>	<b>4,890</b>	<b>9.0%</b>	<b>–14.5%</b>
<b>Consolidated net income attributable to</b>					
Owners of the parent	<b>4,069</b>	<b>7.2%</b>	<b>4,691</b>	<b>8.6%</b>	<b>–13.3%</b>
Non-controlling interests	110	0.2%	199	0.4%	–44.4%
<b>Earnings per share</b>	<b>Euro</b>		<b>Euro</b>		
Basic earnings per share	0.21		0.24		
Fully diluted earnings per share	0.20		0.23		

## Condensed consolidated statement of comprehensive income

for the period July 1 through September 30	7/1 – 9/30/2016 thousand Euro	7/1 – 9/30/2015 thousand Euro
<b>Consolidated net income</b>	<b>4,180</b>	<b>4,890</b>
<b>Other comprehensive income</b>		
<b>Items to be reclassified to the income statement in future periods including respective tax effects</b>		
Foreign currency adjustments not affecting deferred taxes	1	–121
Foreign currency adjustments affecting deferred taxes	–44	–17
Deferred tax (on foreign currency adjustments affecting deferred taxes)	9	4
Value differences relating to hedges	159	104
Deferred tax (on value differences relating to hedges)	–52	–34
Changes in fair value of available-for-sale financial assets	116	–620
Deferred tax (on changes in fair value of available-for-sale financial assets)	–38	203
<b>Items not to be reclassified to the income statement in future periods including respective tax effects</b>		
Actuarial gains from pension plans	6	19
Deferred tax on actuarial gains from pension plans	–1	–3
<b>Other comprehensive income after taxes</b>	<b>156</b>	<b>–464</b>
<b>Total comprehensive income after taxes</b>	<b>4,336</b>	<b>4,426</b>
<b>Total comprehensive income attributable to</b>		
Owners of the parent	4,212	4,267
Non-controlling interests	124	159

## Condensed consolidated income statement

for the period January 1 through September 30	1/1 – 9/30/2016 thousand Euro	in percent of sales	1/1 – 9/30/2015 thousand Euro	in percent of sales	Change
<b>Sales</b>	<b>165,108</b>	<b>100.0%</b>	<b>164,285</b>	<b>100.0%</b>	<b>0.5%</b>
Cost of sales	–97,770	–59.2%	–95,942	–58.4%	1.9%
<b>Gross profit</b>	<b>67,338</b>	<b>40.8%</b>	<b>68,343</b>	<b>41.6%</b>	<b>–1.5%</b>
Research and development expenses	–26,896	–16.3%	–28,105	–17.1%	–4.3%
Distribution expenses	–14,916	–9.0%	–14,541	–8.9%	2.6%
Administrative expenses	–14,433	–8.7%	–13,199	–8.0%	9.3%
<b>Operating income before other operating expenses (–)/income</b>	<b>11,093</b>	<b>6.7%</b>	<b>12,498</b>	<b>7.6%</b>	<b>–11.2%</b>
Exchange rate losses (–)/gains	–349	–0.2%	1,820	1.1%	n/a
Other operating income	2,068	1.3%	7,034	4.3%	–70.6%
Other operating expenses	–928	–0.6%	–3,813	–2.3%	–75.7%
<b>Earnings before interest and taxes (EBIT)</b>	<b>11,884</b>	<b>7.2%</b>	<b>17,539</b>	<b>10.7%</b>	<b>–32.2%</b>
Interest in earnings of associates	–258	–0.2%	0	0.0%	n/a
Finance income	1,449	0.9%	1,773	1.1%	–18.3%
Finance expense	–2,005	–1.2%	–1,810	–1.1%	10.8%
<b>Earnings before taxes</b>	<b>11,071</b>	<b>6.7%</b>	<b>17,502</b>	<b>10.7%</b>	<b>–36.7%</b>
<b>Taxes on income</b>					
Current income tax	–3,584	–2.2%	–5,772	–3.5%	–37.9%
Deferred tax	621	0.4%	482	0.3%	28.8%
	<b>–2,963</b>	<b>–1.8%</b>	<b>–5,290</b>	<b>–3.2%</b>	<b>–44.0%</b>
<b>Consolidated net income</b>	<b>8,108</b>	<b>4.9%</b>	<b>12,212</b>	<b>7.4%</b>	<b>–33.6%</b>
<b>Consolidated net income attributable to</b>					
Owners of the parent	<b>7,732</b>	<b>4.7%</b>	<b>11,767</b>	<b>7.2%</b>	<b>–34.3%</b>
Non-controlling interests	376	0.2%	445	0.3%	–15.6%
<b>Earnings per share</b>	<b>Euro</b>		<b>Euro</b>		
Basic earnings per share	0.39		0.60		
Fully diluted earnings per share	0.39		0.59		

## Condensed consolidated statement of comprehensive income

For the period January 1 through September 30	1/1 – 9/30/2016 thousand Euro	1/1 – 9/30/2015 thousand Euro
<b>Consolidated net income</b>	<b>8,108</b>	<b>12,212</b>
<b>Other comprehensive income</b>		
<b>Items to be reclassified to the income statement in future periods including respective tax effects</b>		
Foreign currency adjustments not affecting deferred taxes	–1	267
Foreign currency adjustments affecting deferred taxes	–250	1,220
Deferred tax (on foreign currency adjustments affecting deferred taxes)	61	–311
Value differences relating to hedges	415	358
Deferred tax (on value differences relating to hedges)	–136	–118
Changes in fair value of available-for-sale financial assets	433	–968
Deferred tax (on changes in fair value of available-for-sale financial assets)	–142	318
<b>Items not to be reclassified to the income statement in future periods including respective tax effects</b>		
Actuarial gains from pension plans	20	34
Deferred tax on actuarial gains from pension plans	–8	–7
<b>Other comprehensive income after taxes</b>	<b>393</b>	<b>793</b>
<b>Total comprehensive income after taxes</b>	<b>8,501</b>	<b>13,005</b>
<b>Total comprehensive income attributable to</b>		
Owners of the parent	8,091	12,576
Non-controlling interests	410	429

## Condensed consolidated statement of cash flows

	1/1 – 9/30/2016 thousand Euro	1/1 – 9/30/2015 thousand Euro	7/1 – 9/30/2016 thousand Euro	7/1 – 9/30/2015 thousand Euro
<b>Cash flow from operating activities</b>				
Consolidated net income	8,108	12,212	4,180	4,890
Depreciation and amortization	21,836	21,179	7,275	7,113
Losses/Gains (–) from asset disposal	71	0	–23	0
Financial result	814	37	425	207
Other non-cash income (–)/expense	–621	–1,382	266	–864
Current income tax expense	3,584	5,772	1,443	2,033
Expenses for/Income from (–) stock options/stock awards/ share matching	89	210	–62	58
Changes in pension provisions	–66	–64	–22	–21
Changes in net working capital:				
Trade receivables	2,158	–2,016	1,330	1,737
Inventories	–108	–4,328	–1,835	–1,371
Other assets	–380	1,515	1,681	2,066
Trade payables	–6,016	–1,432	–242	–1,779
Other provisions and other liabilities	829	2,941	–408	2,387
Income tax payments	–9,805	–2,689	–1,831	–679
Interest paid	–1,446	–1,810	–438	–776
Interest received	1,106	1,784	301	573
<b>Cash flow from operating activities</b>	<b>20,153</b>	<b>31,929</b>	<b>12,040</b>	<b>15,575</b>

## Condensed consolidated statement of cash flows

	1/1 – 9/30/2016 thousand Euro	1/1 – 9/30/2015 thousand Euro	7/1 – 9/30/2016 thousand Euro	7/1 – 9/30/2015 thousand Euro
<b>Cash flow from investing activities</b>				
Capital expenditures for intangible assets	–2,502	–3,813	–506	–2,349
Capital expenditures for property, plant and equipment	–17,061	–32,023	–1,856	–19,270
Payments for interests in associates	–2,210	0	0	0
Disposal of non-current assets	99	952	82	73
Payments for (–)/Disposal of securities	–2,323	9,506	5,786	5,837
Payments for (–)/Proceeds from other non-current financial assets	–309	–273	–95	30
<b>Cash flow from investing activities</b>	<b>–24,306</b>	<b>–25,651</b>	<b>3,411</b>	<b>–15,679</b>
<b>Cash flow from financing activities</b>				
Repayment of non-current liabilities	–328	–328	–109	–109
Repayment of current liabilities to banks	–185	–207	–15	–1,009
Share-based remuneration/Issue of treasury shares	316	587	–11	0
Capital increase from conditional capital	675	444	663	228
Dividend payment	–6,510	–6,475	0	0
Distribution/Other payments to non-controlling shareholders	–477	–3,408	0	0
Other changes	–2	–10	1	0
<b>Cash flow from financing activities</b>	<b>–6,510</b>	<b>–9,397</b>	<b>528</b>	<b>–890</b>
<b>Decrease (–)/Increase in cash and cash equivalents</b>	<b>–10,663</b>	<b>–3,119</b>	<b>15,979</b>	<b>–994</b>
Effect of exchange rate changes on cash and cash equivalents	–102	837	–6	–143
Cash and cash equivalents at beginning of reporting period	50,000	32,520	23,262	31,375
<b>Cash and cash equivalents at end of reporting period</b>	<b>39,236</b>	<b>30,238</b>	<b>39,236</b>	<b>30,238</b>

## Condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent											Non-controlling interests	Group
	Other equity components												
	Shares	Share capital	Treasury stock	Additional paid-in capital	Surplus reserve	Reserve for available-for-sale financial assets	Hedges	Foreign currency translation	Unrealized actuarial gains	Retained earnings	Total	Total	Total
	thousand	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro	thousand Euro
January 1, 2015	19,860	19,860	−281	89,657	102	89	−1,063	−547	−845	99,083	206,055	844	206,898
Consolidated net income										11,767	11,767	445	12,212
Other comprehensive income for the period						−650	240	1,192	27		809	−16	793
Total comprehensive income						−650	240	1,192	27	11,767	12,576	429	13,005
Share-based remuneration/Issue of treasury shares			65	522							587		587
Capital increase from conditional capital	59	59		385							444		444
Transaction costs				−8							−8		−8
Dividend distribution										−6,475	−6,475		−6,475
Distribution to non-controlling shareholders											0	−408	−408
Expenses for stock options/stock awards/share matching				210							210		210
Other changes										−9	−9		−9
September 30, 2015	19,919	19,919	−215	90,764	102	−561	−823	645	−818	104,366	213,379	865	214,244
January 1, 2016	19,942	19,942	−215	90,956	102	−452	−752	988	−816	108,778	218,531	860	219,391
Consolidated net income										7,732	7,732	376	8,108
Other comprehensive income for the period						291	279	−224	12		359	34	393
Total comprehensive income						291	279	−224	12	7,732	8,091	410	8,501
Share-based remuneration/Issue of treasury shares			22	295							316		316
Capital increase from conditional capital	89	89		586							675		675
Dividend distribution										−6,510	−6,510		−6,510
Distribution to non-controlling shareholders										−28	−28	−449	−477
Expenses for stock options/stock awards/share matching				89							89		89
September 30, 2016	20,031	20,031	−193	91,926	102	−161	−473	764	−804	109,972	221,164	821	221,985

# Condensed notes to the consolidated financial statements

The condensed interim consolidated financial statements for the 3<sup>rd</sup> quarter of 2016 were released for publication pursuant to Management Board resolution in November 2016.

## 1 – GENERAL INFORMATION

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

The Company’s business is the development, manufacture and distribution of microelectronic components and system parts (application specific integrated circuits, or in short: ASICs, and application specific standard products, or in short: ASSPs) as well as technological devices with similar functions. The Company may conduct all transactions suitable for serving the object of business directly or indirectly. The Company may establish branches, acquire or lease businesses of the same or a similar kind or invest in them, and conduct all business transactions that are beneficial to the Articles of Association. The Company is authorized to conduct business in Germany as well as abroad.

In addition to its domestic branches, the Company has sales companies and business locations in Europe, Asia, South Africa and the United States and cooperates with other German and international companies in the development and manufacture of semiconductor chips.

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

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

## Basic principles of the preparation of financial statements

The condensed interim consolidated financial statements for the period January 1 through September 30, 2016 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. These financial statements do therefore not contain all the information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2015.

## Essential accounting policies and valuation methods

For the preparation of the condensed interim consolidated financial statements, the same accounting policies and valuation methods have been adopted as were applied for the preparation of the consolidated financial statements for the fiscal year ended December 31, 2015, with the exception of the amended IFRS standards and improvements listed below.

- > Amendments to IAS 1 – Disclosure Initiative
- > Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization
- > Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture: Bearer Plants
- > Amendments to IAS 19 – Employee Benefits: Employee Contributions
- > Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements
- > Amendments to IFRS 10, IFRS 12 and IAS 28 – Applying the Consolidation Exception
- > Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- > Improvements to IFRS 2010-2012
- > Improvements to IFRS 2012-2014

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



### Estimates and assumptions

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

### Recycling of equity components outside profit or loss

The Company sold bonds in the first nine months of fiscal year 2016. For the bonds sold, adjustments to equity have been made outside profit or loss up to the date of sale. Pursuant to IAS 1.92 such amounts recognized outside profit or loss must be reported as reclassification adjustment ("recycling") as of the date of realization. The following table contains the effects of the sale transactions on the consolidated income statement and the consolidated statement of comprehensive income:

	Before "recycling" (thousand Euro)	"Recycling" (thousand Euro)	After "recycling" (thousand Euro)
<b>Consolidated net income</b> based on the bonds sold in the consolidated income statement for the 9-month period 1/1 – 9/30/2016 (or rather for the period 7/1 – 9/30/2016)	69 (–27)	–188 (–9)	–119 (–36)
<b>Other comprehensive income</b> based on the bonds sold in the consolidated statement of comprehensive income for the 9-month period 1/1 – 9/30/2016 (or rather for the period 7/1 – 9/30/2016)	0 (0)	188 (9)	188 (9)
<b>Total comprehensive income</b> based on the bonds sold for the 9-month period 1/1 – 9/30/2016 (or rather for the period 7/1 – 9/30/2016)	69 (–27)	0 (0)	69 (–27)

Altogether 188 thousand Euro in the first nine months of 2016 and 9 thousand Euro in the third quarter of 2016 were reclassified from "Other comprehensive income" to the consolidated income statement.

### Exceptional business transactions

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

### Basis of consolidation/Interests in associates

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

### Seasonal and economic effects on business operations

The International Monetary Fund (IMF) continues to expect global economic growth of 3.1% for 2016 according to its report of October. The business of Elmos Semiconductor AG shows rather insignificant seasonal fluctuation.

## 2 – SEGMENT REPORTING

The business segments correspond to the Elmos Group's internal organizational and reporting structure. The definition of segments considers the different products and services supplied by the Group. The accounting principles of the individual segments correspond to those applied by the Group.

The Company divides its business activities into two segments:

The Semiconductor business is operated through the various national subsidiaries and branches in Germany, the Netherlands, South Africa, Asia, and the U.S.A. Sales in this segment are generated predominantly with electronics for the automotive industry. In addition to that, Elmos operates in the markets for industrial and consumer goods and supplies semiconductors e.g. for applications in household appliances, installation and building technology, and machine control.

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

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

The following tables provide information on expenses, income and earnings (for the period January 1 through September 30, 2016 and 2015, respectively) as well as on assets of the Group's business segments (as of September 30, 2016 and December 31, 2015).

9 months as of September 30, 2016	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
<b>Sales</b>				
Third-party sales	150,881	14,227	0	165,108
Inter-segment sales	152	1,113	-1,265 <sup>1</sup>	0
<b>Total sales</b>	<b>151,033</b>	<b>15,340</b>	<b>-1,265</b>	<b>165,108</b>
<b>Earnings</b>				
Segment earnings	11,252	632	0	11,884
Interest in earnings of associates				-258
Finance income				1,449
Finance expense				-2,005
<b>Earnings before taxes</b>				<b>11,071</b>
Taxes on income	-3,144	181	0	-2,963
<b>Consolidated net income including non-controlling interests</b>				<b>8,108</b>
<b>Assets</b>				
Segment assets	233,360	19,266	42,179 <sup>2</sup>	294,805
Interests in associates				1,952
Investments				20
<b>Total assets</b>				<b>296,777</b>
<b>Other segment information</b>				
Additions to intangible assets and property, plant and equipment	18,456	393	0	18,849
Depreciation and amortization	20,904	932	0	21,836

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

<sup>2</sup> Non-attributable assets as of September 30, 2016 include cash and cash equivalents (39,236 thousand Euro), income tax assets (710 thousand Euro) and deferred tax (2,232 thousand Euro) as these assets are controlled at group level.

9 months as of September 30, 2015	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
<b>Sales</b>				
Third-party sales	147,611	16,674	0	164,285
Inter-segment sales	307	1,166	-1,473 <sup>1</sup>	0
<b>Total sales</b>	<b>147,918</b>	<b>17,840</b>	<b>-1,473</b>	<b>164,285</b>
<b>Earnings</b>				
Segment earnings	15,120	2,419	0	17,539
Finance income				1,773
Finance expense				-1,810
<b>Earnings before taxes</b>				<b>17,502</b>
Taxes on income	-4,697	-593	0	-5,290
<b>Consolidated net income including non-controlling interests</b>				<b>12,212</b>
<b>Assets (as of 12/31/2015)</b>				
Segment assets	233,575	21,137	52,154 <sup>2</sup>	306,866
Investments	20	0	0	20
<b>Total assets</b>				<b>306,886</b>
<b>Other segment information</b>				
Additions to intangible assets and property, plant and equipment	33,164	584	0	33,748
Depreciation and amortization	20,264	915	0	21,179

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

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

## Geographical information

Third-party sales	9 months as of 9/30/2016 thousand Euro	9 months as of 9/30/2015 thousand Euro
EU countries	91,433	87,177
U.S.A.	11,983	17,786
Asia/Pacific	55,720	50,712
Others	5,972	8,610
	<b>165,108</b>	<b>164,285</b>
<b>Geographical distribution of non-current assets</b>	<b>9/30/2016 thousand Euro</b>	<b>12/31/2015 thousand Euro</b>
Germany	138,450	136,387
Other EU countries	920	804
U.S.A.	4,832	5,499
Others	99	87
	<b>144,301</b>	<b>142,777</b>

### 3 – NOTES ON ESSENTIAL FINANCIAL STATEMENT ITEMS

#### Selected non-current assets

Development of selected non-current assets from January 1 through September 30	Net book value 1/1/2016 thousand Euro	Reclassification thousand Euro	Additions thousand Euro	Disposals/ Other movements thousand Euro	Depreciation/ Amortization thousand Euro	Net book value 9/30/2016 thousand Euro
Intangible assets	20,822	0	2,476	-13	3,976	19,309
Property, plant and equipment	90,991	0	16,373	-265	17,860	89,240
Interests in associates	0	0	2,210	-258	0	1,952
Securities	30,944	0	14,003	-11,168	0	33,779
Investments	20	0	0	0	0	20
Other financial assets	3,627	0	397	-403	0	3,621
	<b>146,404</b>	<b>0</b>	<b>35,459</b>	<b>-12,106</b>	<b>21,836</b>	<b>147,922</b>

The item “Disposals/Other movements” includes negative foreign currency adjustments in the amount of 108 thousand Euro.

#### Inventories

	9/30/2016 thousand Euro	12/31/2015 thousand Euro
Raw materials	4,652	5,494
Work in process	42,170	41,190
Finished goods and merchandise	10,442	10,472
Advance payments	12	12
	<b>57,276</b>	<b>57,168</b>

#### Equity

The share capital of 20,031 thousand Euro entered in the statement of financial position as of September 30, 2016 (December 31, 2015: 19,942 thousand Euro) and consisting of 20,030,991 (December 31, 2015: 19,941,864) no-par value bearer shares is fully paid up. As of September 30, 2016 the Company holds 192,880 (December 31, 2015: 214,587) of the Company’s no-par shares, adding up to a theoretical share in the share capital of 193 thousand Euro (December 31, 2015: 215 thousand Euro).

As of September 30, 2016 altogether 514,913 options from stock option plans are outstanding. These options are attributable to the separate tranches as follows:

Tranche	2010	2011	2012	Total
Year of resolution and issue	2010	2011	2012	
Exercise price in Euro	7.49	8.027	7.42	
Average share price of options exercised in Euro	12.52	12.84	12.71	
Blocking period ex issue (years)	4	4	4	
Exercise period after blocking period (years)	3	3	3	
<b>Options outstanding as of 12/31/2015 (number)</b>	<b>70,867</b>	<b>177,902</b>	<b>372,629</b>	<b>621,398</b>
Granted 1/1 – 9/30/2016 (number)	0	0	0	0
Exercised 1/1 – 9/30/2016 (number)	17,025	21,926	52,626	91,577
Forfeited 1/1 – 9/30/2016 (number)	50	1,125	13,733	14,908
<b>Options outstanding as of 9/30/2016 (number)</b>	<b>53,792</b>	<b>154,851</b>	<b>306,270</b>	<b>514,913</b>
Options exercisable as of 9/30/2016 (number)	53,792	154,851	306,270	514,913

#### 4 – INFORMATION ON FINANCIAL INSTRUMENTS

The following table lists the book values and fair values of the Group's financial instruments. The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability between market participants in a regular business transaction as of the measurement date. In view of varying factors of influence, the presented fair values can only be regarded as indicators of the amounts actually recoverable in the market. Detailed information on the methods and assumptions underlying the determination of the value of financial instruments can be found under note 29 to the 2015 consolidated financial statements. Its relevance to these quarterly financial statements is undiminished.

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

	9/30/2016		12/31/2015	
	Book value	Fair value	Book value	Fair value
	thousand Euro	thousand Euro	thousand Euro	thousand Euro
<b>Financial assets</b>				
Investments	20	20	20	20
Long-term securities	33,779	33,779	30,944	30,944
Short-term securities	9,290	9,290	9,584	9,584
Trade receivables	30,653	30,653	32,811	32,811
Cash and cash equivalents	39,236	39,236	50,000	50,000
Other financial assets				
Other receivables and assets	1,642	1,642	1,646	1,646
Other loans	3,621	3,621	3,314	3,314
Forward exchange contracts/Currency options	119	119	453	453
Call options	6	6	3	3
Embedded derivatives	0	0	7	7
<b>Financial liabilities</b>				
Trade payables	15,081	15,081	21,810	21,810
Liabilities to banks	36,311	37,035	36,824	37,852
Other financial liabilities				
Miscellaneous financial liabilities	344	344	301	301
Forward exchange contracts/Currency options	69	69	107	107
Embedded derivatives	10	10	4	4
Put options	2,000	2,000	2,000	2,000
Hedged derivatives (short-term)	705	705	661	661
Hedged derivatives (long-term)	0	0	459	459

At the end of each reporting period a review is conducted to find out whether reclassifications between valuation hierarchies must be made. The following presentation shows which valuation hierarchy levels (according to IFRS 13) financial assets and liabilities measured at fair value are classified to.



### Hierarchy of fair values

The Group applies the following hierarchy for the determination and reporting of the fair values of financial instruments according to the respective valuation methods:

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

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

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

As of September 30, 2016 the Group held the following financial instruments measured at fair value:

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
<b>Securities</b>			
<b>January 1, 2016</b>	<b>39,528</b>		
Addition of securities (long-term)	10,003		
Disposal of securities (long-term)	-4,849		
Reclassification of securities (long-term)	-7,195		
Market valuation of securities (long-term)	875		
Addition of securities (short-term)	0		
Disposal of securities (short-term)	-7,359		
Reclassification of securities (short-term)	7,195		
Market valuation of securities (short-term)	-130		
<b>September 30, 2016</b>	<b>38,069</b>		

	Level 1 thousand Euro	Level 2 thousand Euro	Level 3 thousand Euro
<b>Investments</b>			
<b>January 1, 2016</b>			<b>20</b>
<b>September 30, 2016</b>			<b>20</b>
<b>Call options</b>			
<b>January 1, 2016</b>			<b>3</b>
Addition of call options			3
<b>September 30, 2016</b>			<b>6</b>
<b>Forward exchange contracts/Currency option transactions</b>			
<b>January 1, 2016</b>		<b>346</b>	
Addition of forward exchange contracts/currency option transactions		45	
Disposal of forward exchange contracts/currency option transactions		-348	
Market valuation of forward exchange contracts/currency option transactions		7	
<b>September 30, 2016</b>		<b>50</b>	
<b>Hedged derivatives</b>			
<b>January 1, 2016</b>		<b>-1,120</b>	
Revision of measurement of hedged derivatives outside profit or loss (short-term and long-term)		415	
<b>September 30, 2016</b>		<b>-705</b>	
<b>Put options</b>			
<b>January 1, 2016</b>			<b>-2,000</b>
Addition of put option			0
<b>September 30, 2016</b>			<b>-2,000</b>
<b>Embedded derivatives</b>			
<b>January 1, 2016</b>		<b>3</b>	
Addition of embedded derivatives		0	
Market valuation of embedded derivatives		-13	
<b>September 30, 2016</b>		<b>-10</b>	

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

The hedged derivatives allocated to *hierarchy level 2* comprise the Company's interest rate swaps. In addition to that, foreign currency transactions (USD) and credit linked notes (embedded derivatives) of various issuers are also reported under this hierarchy level.

The available-for-sale financial assets reported under *hierarchy level 3* are investments in various companies, among other assets. In this regard, the book value essentially corresponds to the market value. The call and put options agreed on with a non-controlling shareholder are measured annually at fair value, most recently as of December 31, 2015, in application of the DCF method and in consideration of the terms and conditions of the respective contract. In the course of the measurement process, the required publicly available market data are collected and the input parameters that cannot be observed are reviewed on the basis of internally available current information and updated if necessary. Material changes of the input parameters and their respective effect on the book value are subject to routine reporting to management.

## 5 – RELATED PARTY DISCLOSURES

As reported in the consolidated financial statements for the fiscal year ended December 31, 2015, the Elmos Group maintains business relationships with related companies and individuals in the context of the ordinary course of business.

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

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

The following reportable securities transactions (directors' dealings) were made in the period January 1 through July 3, 2016:

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

### Managers' transactions according to Article 19 (1) Market Abuse Regulation

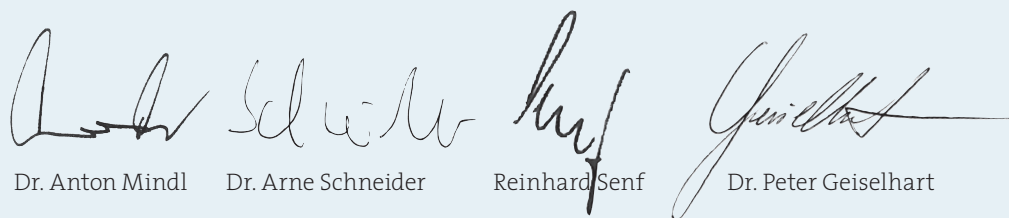
The following reportable securities transactions (managers' transactions) were made in the period July 3 through September 30, 2016:

Date Place	Name	Function	Transaction	Number	Price/Basic price (Euro)	Total volume (Euro)
8/4/2016 Outside a trading venue	Dr. Anton Mindl	CEO	Exercise of share options to purchase shares; transaction linked to the exercise of share option programmes	5,000	7.49	37,450
8/5/2016 Xetra	Dr. Arne Schneider	Management Board member	Purchase of Elmos shares	10,000	12.18	121,849
9/7/2016 Xetra	Sven-Olaf Schellenberg	Supervisory Board member	Sales of Elmos shares	813	13.62	11,073
9/27/2016 Xetra	Sven-Olaf Schellenberg	Supervisory Board member	Sales of Elmos shares	800	13.45	10,760

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

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

Dortmund, November 2016



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

# Financial calendar 2016/2017

Quarterly results Q3/2016 <sup>1</sup>	November 8, 2016
Equity Forum in Frankfurt	November 21-22, 2016
Preliminary results 2016 <sup>1</sup>	February 15, 2017
Results 2016 <sup>1</sup>	March 15, 2017
Quarterly results Q1/2017 <sup>1</sup>	May 4, 2017
Annual General Meeting in Dortmund	May 11, 2017
Quarterly results Q2/2017 <sup>1</sup>	August 2, 2017
Quarterly results Q3/2017 <sup>1</sup>	November 8, 2017

<sup>1</sup> 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](http://www.elmos.com)).

## Contact

### [Thalea Willms | Investor Relations](#)

Phone + 49 (0) 231-75 49-273

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

[invest@elmos.com](mailto:invest@elmos.com)

### [Elmos Semiconductor AG](#)

Heinrich-Hertz-Straße 1

44227 Dortmund | Germany

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

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

[info@elmos.com](mailto:info@elmos.com) | [www.elmos.com](http://www.elmos.com)

### [Forward-looking statements](#)

This report contains forward-looking statements that are based on assumptions and estimates made by the Elmos management. Even though we assume the underlying expectations of our statements to be realistic, we cannot guarantee these expectations will prove right. The assumptions may carry risks and uncertainties, and as a result actual events may differ materially from the forward-looking statements. Among the factors that could cause such differences are changes in general economic and business conditions, fluctuations of exchange rates and interest rates, the introduction of competing products, lack of acceptance of new products, and changes in business strategy. Elmos neither intends nor assumes any obligation to update its statements with respect to future events.

This English translation is for convenience purposes only.