
# Interim Report H1 2018

January 1 to June 30, 2018

## Positive sales and earnings performance in the first half of the year

"The second quarter of 2018 saw positive development. Our products meet the sweet spot in the market. We continue to push forward with the expansion of test capacity. This and the dynamic ramp-ups require considerable efforts. Thus we lay the ground for our growth," says Dr. Anton Mindl, CEO of Elmos Semiconductor AG.

# Interim group management report
January 1 to June 30

## Key figures

| in million Euro unless otherwise indicated | Q2 2018 | Q2 2017 | Change | H1 2018 | H1 2017 | Change |
|---|---|---|---|---|---|---|
| Sales | 69.1 | 59.5 | 16.2% | 132.6 | 120.3 | 10.3% |
| Goss profit | 29.9 | 25.0 | 19.4% | 55.6 | 49.7 | 11.8% |
| in % of sales | 43.3% | 42.1% | | 41.9% | 41.4% | |
| Research and development expenses | 8.6 | 8.8 | –2.9% | 16.4 | 18.5 | –11.7% |
| in % of sales | 12.4% | 14.9% | | 12.3% | 15.4% | |
| Operating income | 11.1 | 6.6 | 66.7% | 18.7 | 11.3 | 65.9% |
| in % of sales | 16.0% | 11.2% | | 14.1% | 9.4% | |
| EBIT | 12.2 | 6.2 | 97.7% | 20.1 | 10.9 | 84.9% |
| in % of sales | 17.7% | 10.4% | | 15.1% | 9.0% | |
| Consolidated net income after non-controlling interests | 8.0 | 4.3 | 86.3% | 13.4 | 7.2 | 86.3% |
| in % of sales | 11.6% | 7.2% | | 10.1% | 6.0% | |
| Earnings per share (basic) in Euro | 0.40 | 0.22 | 86.0% | 0.68 | 0.36 | 87.0% |
| | 6/30/2018 | 3/31/2018 | Change | 6/30/2018 | 12/31/2017 | Change |
| Total assets | 329.1 | 339.8 | –3.1% | 329.1 | 336.9 | –2.3% |
| Shareholders' equity | 245.0 | 244.2 | 0.3% | 245.0 | 240.1 | |
| in % of total assets | 74.4% | 71.9% | | 74.4% | 71.3% | |
| Financial liabilities | 40.6 | 51.2 | –20.7% | 40.6 | 51.2 | –20.6% |
| Liquid assets and securities | 57.2 | 75.7 | –24.4% | 57.2 | 84.4 | –32.2% |
| Net cash | 16.6 | 24.5 | –32.2% | 16.6 | 33.2 | –50.1% |
| | Q2 2018 | Q2 2017 | Change | H1 2018 | H1 2017 | Change |
| Cash flow from operating activities | 13.4 | 5.1 | >100.0% | 18.0 | 13.6 | 31.6% |
| Capital expenditures | 11.4 | 6.3 | 80.0% | 20.4 | 13.5 | 51.6% |
| in % of sales | 16.4% | 10.6% | | 15.4% | 11.2% | |
| Adjusted free cash flow | –1.1 | –3.0 | –64.5% | –8.2 | –1.7 | >100.0% |

Definition of selected financial indicators
- Adjusted free cash flow: cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment
- Capital expenditures: capital expenditures for intangible assets and property, plant and equipment, less capitalized development expenses
- For more details on the key figures used, please refer to the Annual Report 2017 of Elmos Semiconductor AG at www.elmos.com

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

-> Pleasant sales growth of 10.3% in the first half of 2018.

-> The Semiconductor segment's ratio of orders received to sales, known as the book-to-bill ratio, was above one at the end of the reporting period.

-> The capitalization of development expenses has an opposite effect compared to the continued increase in research and development resources.

-> EBIT nearly doubled at 20.1 million Euro (EBIT margin: 15.1%).

-> Net cash decreased in particular due to capital expenditures and the dividend distribution.

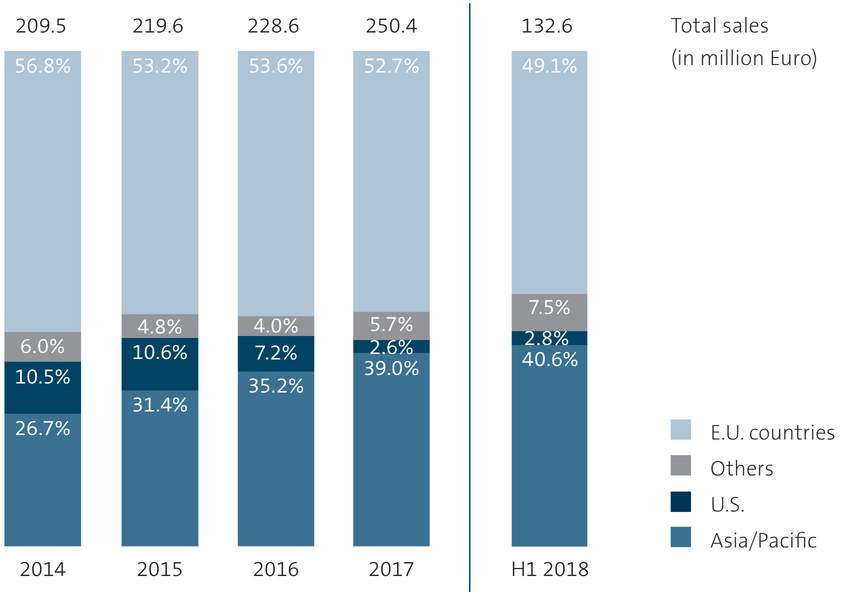
-> Some capital expenditures for expanding the test area were brought forward to the first half of 2018, which had a material impact on adjusted free cash flow in the reporting period.

## Economic environment

-> International new car registrations developed positively in the reporting period, according to the German Association of the Automotive Industry (VDA). The number of new car registrations rose in Western Europe (+2.0%), the United States (+2.0%) and China (+5.5%). Japan proved to be an exception, seeing a year-on-year decline of 2.3%.

-> The global economy and the automotive industry in particular are exposed to various risks whose possible effects cannot currently be predicted.

## Sales by region




-> Asia continues to show disproportionate growth.

-> The other changes in the split of regional sales were due primarily to changes in delivery addresses.

## Segment reporting

| in thousand Euro | Semiconductor | | Micromechanics | | Consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|
| | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 |
| Third-party sales | 121,697 | 110,362 | 10,922 | 9,905 | 0 | 0 | 132,619 | 120,267 |
| Inter-segment sales | 263 | 227 | 373 | 1,133 | −636 | −1,360 | 0 | 0 |
| **Total sales** | **121,960** | **110,589** | **11,295** | **11,038** | **−636** | **−1,360** | **132,619** | **120,267** |
| Segment earnings (EBIT) | 18,571 | 9,602 | 1,503 | 1,253 | 0 | 0 | 20,074 | 10,855 |
| Share in net income of associates | | | | | | | −787 | −182 |
| Finance income | | | | | | | 515 | 612 |
| Finance costs | | | | | | | −876 | −1,775 |
| **Earnings before taxes** | | | | | | | **18,926** | **9,510** |
| Income tax | −5,478 | −2,301 | −78 | −164 | 0 | 0 | −5,556 | −2,465 |
| **Consolidated net income** | | | | | | | **13,370** | **7,045** |

-> Both segments contributed to the positive development in the first half of 2018.

-> The development of the Micromechanics segment is subject to greater volatility compared to the Semiconductor segment due to the smaller absolute size of the business.

## Outlook

| Fiscal year 2018 | As of 2/15/2018 |
|---|---|
| Sales growth in 2018 (vs. 2017) | 8% to 12% |
| EBIT margin | 13% to 17% |
| Capital expenditures (in % of sales)[1] | <15% |
| Adjusted free cash flow[2] | Negative |
| *Assumed exchange rate* | *1.20 USD/EUR* |

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

-> The guidance issued in February 2018 is confirmed. Continued good economic condition are the prerequisite for this guidance.

## Financial calendar

| Fiscal year 2018 | |
|---|---|
| Quarterly results Q2/2018[1] | August 2, 2018 |
| Quarterly results Q3/2018[1] | November 7, 2018 |
| Equity Forum in Frankfurt | November 26-27, 2018 |

[1] The German Securities Trading Act ("Wertpapierhandelsgesetz") and the Market Abuse Regulation (EU) oblige issuers to announce immediately any information which may have a substantial price impact, irrespective of the communicated schedules. Therefore, we cannot rule out having to announce key figures of quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them in advance on the website (www.elmos.com).

## Opportunities and risks

The individual company risks and opportunities are described in our Annual Report 2017. In the first six months of 2018, there was no significant change to the company's risk and opportunities as described in the Annual Report. As explained in the Annual Report, individual risks may cause substantial damage to the company 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 positions as well as assets and liabilities of the company.

## Significant events

At the Annual General Meeting on May 16, 2018, the shareholders agreed to the proposed dividend increase to 0.40 Euro per share (prior year: 0.35 Euro). The other items on the agenda were also approved by a large majority.

Elmos released an ad hoc announcement on July 18, 2018, since EBIT in the second quarter of 2018 far surpassed the consensus of analyst estimates compiled by Elmos.

Visit www.elmos.com for more events, new products and notifications on voting rights from the first half of 2018.

# Condensed interim consolidated financial statements according to IFRS
January 1 to June 30

## Condensed consolidated statement of financial position

| Assets \| in thousand Euro | 6/30/2018 | 12/31/2017 |
|---|---|---|
| Intangible assets | 27,739 | 23,366 |
| Property, plant and equipment | 110,318 | 100,142 |
| Investments in associates | 0 | 787 |
| Securities | 23,521 | 40,122 |
| Investments | 20 | 20 |
| Other financial assets | 6,700 | 6,354 |
| Deferred tax assets | 1,834 | 2,111 |
| **Non-current assets** | **170,133** | **172,902** |
| | | |
| Inventories | 65,568 | 65,052 |
| Trade receivables | 45,715 | 44,391 |
| Securities | 19,060 | 11,868 |
| Other financial assets | 1,466 | 2,019 |
| Other receivables | 10,787 | 7,881 |
| Income tax assets | 1,800 | 450 |
| Cash and cash equivalents | 14,618 | 32,367 |
| **Current assets** | **159,014** | **164,028** |
| | | |
| **Total assets** | **329,146** | **336,930** |

| Equity and liabilities \| in thousand Euro | 6/30/2018 | 12/31/2017 |
|---|---|---|
| Share capital | 20,104 | 20,104 |
| Treasury shares | –325 | –414 |
| Additional paid-in capital | 85,295 | 85,093 |
| Surplus reserve | 102 | 102 |
| Other equity components | –437 | –1,529 |
| Retained earnings | 139,782 | 136,177 |
| **Equity attributable to owners of the parent** | **244,521** | **239,532** |
| Non-controlling interests | 507 | 588 |
| **Shareholders' equity** | **245,028** | **240,120** |
| | | |
| Provisions for pensions | 0 | 412 |
| Financial liabilities | 40,546 | 40,765 |
| Deferred tax liabilities | 4,615 | 3,246 |
| **Non-current liabilities** | **45,161** | **44,424** |
| Provisions | 14,434 | 12,875 |
| Income tax liabilities | 5,495 | 4,088 |
| Financial liabilities | 75 | 10,398 |
| Trade payables | 15,509 | 22,803 |
| Other liabilities | 3,444 | 2,223 |
| **Current liabilities** | **38,958** | **52,386** |
| **Liabilities** | **84,118** | **96,810** |
| | | |
| **Total assets** | **329,146** | **336,930** |

## Condensed consolidated income statement

| in thousand Euro | Q2 2018 | Q2 2017 | H1 2018 | H1 2017 |
|---|---|---|---|---|
| **Sales** | **69,116** | **59,484** | **132,619** | **120,267** |
| Cost of sales | –39,221 | –34,449 | –77,012 | –70,521 |
| **Gross profit** | **29,894** | **25,035** | **55,608** | **49,745** |
| Research and development expenses | –8,581 | –8,839 | –16,373 | –18,549 |
| Distribution expenses | –4,942 | –4,934 | –10,190 | –10,287 |
| Administrative expenses | –5,297 | –4,619 | –10,317 | –9,623 |
| **Other operating income before other operating expenses (–)/income** | **11,074** | **6,643** | **18,727** | **11,286** |
| Foreign exchange gains/losses (–) | 674 | –781 | 252 | –1,026 |
| Other operating income | 1,131 | 605 | 1,979 | 1,098 |
| Other operating expenses | –666 | –289 | –885 | –503 |
| **Earnings before interest and taxes (EBIT)** | **12,213** | **6,177** | **20,074** | **10,855** |
| Share in net income of associates | –655 | –73 | –787 | –182 |
| Finance income | 281 | 298 | 515 | 612 |
| Finance costs | –581 | –926 | –876 | –1,775 |
| **Earnings before taxes** | **11,258** | **5,476** | **18,926** | **9,510** |
| **Income tax** | **–3,326** | **–1,408** | **–5,556** | **–2,465** |
| thereof current income tax | –2,457 | –1,045 | –4,121 | –2,312 |
| thereof deferred tax | –869 | –363 | –1,435 | –153 |
| **Consolidated net income** | **7,933** | **4,068** | **13,370** | **7,045** |
| thereof attributable to owners of the parent | 8,002 | 4,296 | 13,438 | 7,214 |
| thereof attributable to non-controlling interests | –69 | –228 | –68 | –169 |
| | | | | |
| **Earnings per share** | **Euro** | **Euro** | **Euro** | **Euro** |
| Basic earnings per share | 0.40 | 0.22 | 0.68 | 0.36 |
| Fully diluted earnings per share | 0.40 | 0.22 | 0.68 | 0.36 |

## Condensed consolidated statement of comprehensive income

| in thousand Euro | Q2 2018 | Q2 2017 | H1 2018 | H1 2017 |
|---|---|---|---|---|
| **Consolidated net income** | **7,933** | **4,068** | **13,370** | **7,045** |
| **Items to be reclassified to the income statement in later periods including respective tax effects** | | | | |
| Foreign currency adjustments without deferred tax effect | 622 | –541 | 429 | –579 |
| Foreign currency adjustments with deferred tax effect | 548 | –704 | 328 | –851 |
| corresponding deferred tax | –140 | 174 | –88 | 209 |
| Value differences in hedges | 0 | 156 | 0 | 311 |
| corresponding deferred tax | 0 | –51 | 0 | –102 |
| Changes in market value of financial assets measured at market value | –186 | 19 | –310 | 15 |
| corresponding deferred tax | 61 | –6 | 101 | –5 |
| **Items not to be reclassified to the income statement in later periods including respective tax effects** | | | | |
| Actuarial gains from pension plans | 884 | 6 | 890 | 12 |
| corresponding deferred tax | –256 | –2 | –258 | –4 |
| **Other comprehensive income after taxes** | **1,533** | **–950** | **1,092** | **–994** |
| **Total comprehensive income after taxes** | **9,466** | **3,118** | **14,462** | **6,051** |
| thereof attributable to owners of the parent | 9,537 | 3,551 | 14,530 | 6,226 |
| thereof attributable to non-controlling interests | –70 | –234 | –68 | –175 |

## Condensed consolidated statement of cash flows

| in thousand Euro | Q2 2018 | Q2 2017 | H1 2018 | H1 2017 |
|---|---|---|---|---|
| Consolidated net income | 7,933 | 4,068 | 13,370 | 7,045 |
| Depreciation and amortization | 6,796 | 5,915 | 12,752 | 11,956 |
| Gains (–)/losses from disposal of assets | 0 | –6 | 7 | –134 |
| Financial result | 952 | 519 | 1,146 | 1,163 |
| Other non-cash expenses | 196 | 363 | 762 | 153 |
| Current income tax | 2,457 | 1,044 | 4,121 | 2,312 |
| Expenses for stock awards/share matching | 25 | 55 | 92 | 111 |
| Changes in pension provisions | 35 | –24 | 0 | –48 |
| Changes in net working capital | | | | |
| Trade receivables | –5,185 | –1,497 | –1,324 | 3,736 |
| Inventories | 502 | –1,725 | –516 | –1,421 |
| Other assets | 3,287 | 2,135 | –2,401 | –730 |
| Trade payables | 1,356 | –989 | –8,324 | –6,129 |
| Other provisions and other liabilities | –3,024 | –1,661 | 2,768 | 1,320 |
| Income tax payments | –1,349 | –2,783 | –4,064 | –5,203 |
| Interest paid | –754 | –649 | –876 | –1,099 |
| Interest received | 214 | 298 | 447 | 612 |
| **Cash flow from operating activities** | **13,441** | **5,063** | **17,960** | **13,644** |
| | | | | |
| Capital expenditures for intangible assets | –4,488 | –2,071 | –7,747 | –2,644 |
| Capital expenditures for property, plant and equipment | –10,156 | –6,074 | –18,560 | –12,890 |
| Payments from disposals of non-current assets held for sale | 0 | 23 | 0 | 23 |
| Disposal of non-current assets | 122 | 41 | 151 | 212 |
| Disposal of/Payments for (–) securities | 7,065 | –1,427 | 9,057 | –4,599 |
| Payments from/Payments for (–) other non-current financial assets | –111 | 380 | –222 | 258 |
| **Cash flow from investing activities** | **–7,568** | **–9,128** | **–17,321** | **–19,640** |

| in thousand Euro | Q2 2018 | Q2 2017 | H1 2018 | H1 2017 |
|---|---|---|---|---|
| Repayment (–)/Borrowing of non-current liabilities | –111 | 39,890 | –219 | 39,781 |
| Repayment (–)/Borrowing of current liabilities to/from banks | –10,000 | 22 | –10,000 | 22 |
| Share-based payment/Issue of treasury shares | –159 | 588 | –1,144 | 1,675 |
| Purchase of treasury shares | 0 | –4,856 | 0 | –9,672 |
| Dividend distribution | –7,906 | –6,912 | –7,906 | –6,912 |
| Other changes | 282 | –8 | 278 | –22 |
| **Cash flow from financing activities** | **–17,894** | **28,724** | **–18,991** | **24,872** |
| | | | | |
| **Decrease (–)/Increase in cash and cash equivalents** | **–12,021** | **24,659** | **–18,352** | **18,876** |
| Effects of exchange rate changes on cash and cash equivalents | 824 | –893 | 602 | –990 |
| Cash and cash equivalents at beginning of reporting period | 25,815 | 37,230 | 32,367 | 43,110 |
| **Cash and cash equivalents at end of reporting period** | **14,618** | **60,997** | **14,618** | **60,997** |

## Condensed consolidated statement of changes in equity

| | Equity attributable to owners of the parent | | | | | | | | | | | Non-controlling interests | Group |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in thousand Euro | Shares thousand | Share capital | Treasury shares | Additional paid-in capital | Surplus reserve | Other equity components | | | | Retained earnings | Total | Total | Total |
| | | | | | | Provision for financial assets measured at market value outside profit or loss | Hedges | Foreign currency translation | Unrealized actuarial gains/losses | | | | |
| **January 1, 2017** | **20,104** | **20,104** | **–193** | **92,444** | **102** | **–142** | **–367** | **1,578** | **–866** | **118,142** | **230,803** | **778** | **231,581** |
| Consolidated net income | | | | | | | | | | 7,214 | 7,214 | –169 | 7,045 |
| Other comprehensive income for the period | | | | | | 10 | 209 | –1,216 | 9 | | –988 | –6 | –993 |
| Total comprehensive income | | | | | | 10 | 209 | –1,216 | 9 | 7,214 | 6,226 | –175 | 6,051 |
| Share-based payment/Issue of treasury shares | | | 195 | 1,480 | | | | | | | 1,675 | | 1,675 |
| Repurchase of treasury shares | | | –450 | –9,222 | | | | | | | –9,672 | | –9,672 |
| Dividend distribution | | | | | | | | | | –6,912 | –6,912 | | –6,912 |
| Other changes | | | | 86 | | | | | | | 86 | | 86 |
| **June 30, 2017** | **20,104** | **20,104** | **–448** | **84,789** | **102** | **–132** | **–158** | **363** | **–857** | **118,444** | **222,207** | **603** | **222,810** |
| **January 1, 2018** | **20,104** | **20,104** | **–414** | **85,093** | **102** | **–273** | **0** | **–394** | **–862** | **136,177** | **239,532** | **588** | **240,120** |
| Consolidated net income | | | | | | | | | | 13,438 | 13,438 | –68 | 13,370 |
| Other comprehensive income for the period | | | | | | –209 | 0 | 669 | 632 | | 1,092 | 0 | 1,092 |
| Total comprehensive income | | | | | | –209 | 0 | 669 | 632 | 13,438 | 14,530 | –68 | 14,462 |
| Share-based payment/Issue of treasury shares | | | 89 | 215 | | | | | | –1,448 | –1,143 | | –1,143 |
| Dividend distribution | | | | | | | | | | –7,906 | –7,906 | | –7,906 |
| Other changes | | | | –13 | | | | | | –479 | –492 | –13 | –505 |
| **June 30, 2018** | **20,104** | **20,104** | **–325** | **85,295** | **102** | **–482** | **0** | **276** | **–230** | **139,782** | **244,521** | **507** | **245,028** |

# Notes to condensed interim consolidated financial statements
## January 1 to June 30

The condensed interim consolidated financial statements for the first half of 2018 were released for publication pursuant to Management Board resolution in August 2018.

### 1 – GENERAL INFORMATION

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

### Basic principles of the preparation of financial statements

The condensed interim consolidated financial statements for the period January 1 to June 30, 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting". These financial statements therefore do not contain all the information and disclosures required for consolidated financial statements and should therefore be consulted together with the consolidated financial statements for the fiscal year ended December 31, 2017.

### Essential accounting policies and measurement methods

For the preparation of the condensed interim consolidated financial statements, the same accounting policies and measurement methods have been adopted as were applied for the preparation of the consolidated financial statements for the fiscal year ended December 31, 2017, with the exception of the new or amended IFRS standards and interpretations explained below.

*IFRS 9 – Financial Instruments:* This standard supersedes all previous versions of IAS 39 for the classification and measurement of financial assets and liabilities, as well as for the accounting of hedging instruments. It contains revised guidelines for classifying and measuring financial instruments, including a new expected credit default model for calculating the impairment of financial assets as well as the new general accounting principles for hedges. IFRS 9 must be adopted for the first time in fiscal years beginning on or after January 1, 2018. With the exception of accounting for hedges, the standard must be applied retroactively; however, providing comparative information is not required. With a few exceptions, the hedge accounting principles are generally to be applied prospectively.

Overall, the changes have the following impact on Elmos with regard to the classification and measurement of financial assets and liabilities:

| | IAS 39 | | | IFRS 9 | | |
|---|---|---|---|---|---|---|
| in thousand Euro | Cat. | Measurement | Book value 12/31/2017 | Business model | Category | Book value 01/01/2018 |
| **Financial assets** | | | | | | |
| Investments | AfS | Amortized cost | 20 | Hold and sell | At market value outside profit or loss (no recycling) | 20 |
| Securities | LaR | Amortized cost | 5,000 | Hold | Amortized cost | 5,000 |
| Securities | AfS | At market value outside profit or loss | 46,990 | Hold and sell | At market value outside profit or loss (with recycling) | 46,990 |
| Trade receivables | LaR | Amortized cost | 44,391 | Hold | Amortized cost | 44,391 |
| Cash and cash equivalents | LaR | Amortized cost | 32,367 | Hold | Amortized cost | 32,367 |
| Other receivables and assets | LaR | Amortized cost | 2,011 | Hold | Amortized cost | 2,011 |
| Other loans receivable | LaR | Amortized cost | 6,354 | Hold | Amortized cost | 6,354 |
| Call options | HfT | At market value through profit or loss | 8 | Trading | At market value through profit or loss | 8 |
| **Financial liabilities** | | | | | | |
| Trade payables | OL-AC | Amortized cost | 22,803 | Financial liabilities at amortized cost | Amortized cost | 22,803 |
| Liabilities to banks | OL-AC | Amortized cost | 51,163 | Financial liabilities at amortized cost | Amortized cost | 51,163 |
| Miscellaneous financial liabilities | OL-AC | Amortized cost | 380 | Financial liabilities at amortized cost | Amortized cost | 380 |
| Forward exchange/ Currency option transactions and embedded derivatives | HfT | At market value through profit or loss | 100 | Financial liabilities measured at fair value through profit or loss | At market value through profit or loss | 100 |

Additional risk provisioning due to the first-time adoption of the expected credit loss method was not necessary based on the credit risk assessment. It was also not necessary to observe the new hedge accounting rules due to the lack of hedge reporting at the Group.

*IFRS 15 – Revenue from Contracts with Customers:* The new standard supersedes all existing guidelines on recognizing revenue, including IAS 18 – Revenue, IAS 11 – Construction Contracts and IFRIC 13 – Customer Loyalty Programmes. The standard provides for a uniform, principle-based five-step model for calculating and recognizing revenue, which is to be used for all contracts with customers. Elmos is using the simplified first-time adoption option and limiting the retroactive application of IFRS 15 to contracts that had not been fully performed upon first-time adoption. This means that contracts not performed in full as of January 1, 2018 are accounted for as if IFRS 15 had been applied to them from the beginning. The cumulative effect from the transition is recognized directly in equity. The new standard resulted in no significant impact at Elmos with respect to the development and production of application-specific standard products (ASSPs) or to the development and production of application-specific integrated circuits (ASICs).

The following standards and interpretations to be applied for the first time from January 1, 2018 on had no effect on the interim consolidated financial statements as of June 30, 2018:

-> *Amendment to IAS 28* – Investments in Associates and Joint Ventures: Clarifications
-> *Amendments to IAS 40* – Investment Property: Transfer of investment property
-> *Amendment to IFRS 1* – First-time Adoption of International Financial Reporting Standards: Deletion of exemptions
-> *Amendments to IFRS 2* – Share-based Payment: Classification and measurement of transactions involving share-based payment
-> *Amendments to IFRS 4* – Insurance Contracts: Adoption of IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts
-> *IFRIC 22* – Foreign Currency Transactions and Advance Consideration

Accounting standards released by IASB but not yet adopted that are relevant to Elmos AG:
*IFRS 16 – Leases:* There are no significant changes in the first half of 2018 to the explanations in the Elmos consolidated financial statements for the fiscal year ended December 31, 2017 with regard to the estimated effects of the IFRS 16 standard not yet adopted.

### Estimates and assumptions

The Company recognizes provisions for pension obligations pursuant to IAS 19. For 2018, an actuarial interest rate of 1.65% has been applied, unchanged from December 31, 2017.

### Changes in estimates and assumptions

None

### Exceptional business transactions

There were no exceptional business transactions in the first six months of 2018.

### Basis of consolidation/Investments in associates

In the second quarter of 2018, Micro Systems on Silicon (MOS) Limited, Pretoria (South Africa) was deconsolidated due to a lack of materiality.

### Seasonal and economic effects on business operations

The global economy is projected to grow by 3.9% in 2018 according to the International Monetary Fund (IMF). As a result, the forecast from July 2018 remains unchanged compared with the forecast from April 2018. Expectations regarding the United States and China also remain the same. However, the IMF is more skeptical in terms of the eurozone countries, as well as the United Kingdom, Japan and India. A possible tariff war represents the primary risk to global production. If new tariffs are imposed, they could squeeze global economic output by around half a percentage point by 2020. The business of Elmos Semiconductor AG shows rather insignificant seasonal fluctuation.

## 2 – 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 on 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 2017 consolidated financial statements as well as under note 1 of these interim consolidated financial statements.

Book values and fair values of financial assets and liabilities

| | June 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| in thousand Euro | Book value | Fair value | Book value | Fair value |
| **Financial assets** | | | | |
| Investments | 20 | 20 | 20 | 20 |
| Securities (long-term) | 23,521 | 23,521 | 40,122 | 40,122 |
| Securities (short-term) | 19,060 | 19,060 | 11,868 | 11,868 |
| Trade receivables | 45,715 | 45,715 | 44,391 | 44,391 |
| Cash and cash equivalents | 14,618 | 14,618 | 32,367 | 32,367 |
| Other financial assets | 8,166 | 8,166 | 8,373 | 8,373 |
| | | | | |
| **Financial liabilities** | | | | |
| Trade payables | 15,509 | 15,509 | 22,803 | 22,803 |
| Liabilities to banks | 40,621 | 40,916 | 51,163 | 51,490 |
| Other financial liabilities | 150 | 150 | 480 | 480 |

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

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

| in thousand Euro | | 01/01 | Addition | Disposal | Reclassification | Market valuation | 6/30 |
|---|---|---|---|---|---|---|---|
| Long-term securities[1] | 2018 | 35,122 | 0 | –6,088 | –10,527 | 14 | 18,521 |
| | 2017 | 37,856 | 8,277 | 0 | –2,077 | –298 | 43,758 |
| Short-term securities[1] | 2018 | 11,868 | 0 | –3,011 | 10,527 | –325 | 19,060 |
| | 2017 | 5,678 | 522 | –4,546 | 2,077 | 313 | 4,044 |

[1]At market value outside profit or loss (with recycling)

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

| in thousand Euro | | 01/01 | Addition | Disposal | Market valuation | 6/30 |
|---|---|---|---|---|---|---|
| Hedged derivatives | 2018 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | –547 | 0 | 0 | 311 | –236 |
| Forward exchange contracts/ Currency option transactions | 2018 | –62 | 223 | 30 | 98 | 290 |
| | 2017 | 0 | –318 | 0 | 0 | –318 |
| Embedded derivatives | 2018 | –38 | 0 | 0 | 14 | –24 |
| | 2017 | –10 | 0 | 0 | –27 | –37 |

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

| in thousand Euro | | 01/01 | Addition | Derecognition | 6/30 |
|---|---|---|---|---|---|
| Call options | 2018 | 8 | 2 | 0 | 10 |
| | 2017 | 8 | 3 | 0 | 11 |

### 3 – RELATED PARTY DISCLOSURES

As reported in the consolidated financial statements for the fiscal year ended December 31, 2017, 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. Notifications of managers' transactions for the period from January 1 to June 30, 2018 are available at www.elmos.com.

### 4 – SIGNIFICANT EVENTS AFTER THE END OF THE FIRST SIX MONTHS OF 2018

Elmos released an ad hoc announcement on July 18, 2018, since EBIT in the second quarter of 2018 far surpassed the consensus of analyst estimates compiled by Elmos. Beyond this, there are no further significant events that occurred after the end of the first six months of 2018 to report.

### 5 – CHANGES TO THE MANAGEMENT BOARD

In February 2018, the Elmos Supervisory Board appointed Dr. Jan Dienstuhl to be the new Management Board member for Sales and Development effective January 1, 2019. The current Chief Sales Officer, Dr. Peter Geiselhart, will be leaving when his contract ends on December 31, 2018, as per the long-standing agreement with him. The current composition of the Management Board may be viewed at http://www.elmos.com/english/about-us/management.html.

## RESPONSIBILITY STATEMENT

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

Dortmund, Germany, August 2, 2018

Dr. Anton Mindl Dr. Arne Schneider Guido Meyer Dr. Peter Geiselhart



## REVIEW REPORT

**To Elmos Semiconductor AG**

We have reviewed the condensed interim consolidated financial statements – comprising condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity, and selected explanatory notes – and the interim group management report of Elmos Semiconductor AG, Dortmund, Germany, for the period from January 1 to June 30, 2018 that are components of a half-year financial report pursuant to Section 115 WpHG (Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union and of the interim group management report in accordance with the regulations of the WpHG applicable to interim group management reports is the responsibility of the Company's management. It is our responsibility to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We have performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require the review to be planned and conducted in a way that allows us to rule out the possibility with reasonable assurance that the condensed interim consolidated financial statements have not been prepared in material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union and that the interim group management report has not been prepared in material respects in accordance with the regulations of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the degree of assurance attainable in a financial statement audit. As we have not performed a financial statement audit in accordance with our engagement, we cannot issue an audit opinion.

No matters have come to our attention on the basis of our review that lead us to presume that the condensed interim consolidated financial statements of Elmos Semiconductor AG, Dortmund, Germany, for the period from January 1, 2018 to June 30, 2018, have not been prepared in all material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union or that the interim group management report has not been prepared in all material respects in accordance with the regulations of the WpHG applicable to interim group management reports.

Düsseldorf, Germany, August 2, 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Prof. Dr. Thomas Senger | Ulrich Diersch |
| Germany Public Auditor | German Public Auditor |

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### Note

The half-year financial report of Elmos Semiconductor AG fulfills the requirements of the applicable provisions under the Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and comprises, according to Section 37w WpHG, condensed consolidated half-year financial statements, a group management report, and a responsibility statement. The consolidated half-year financial statements have been prepared in accordance with the IFRS applicable to interim financial reporting as released by the IASB and adopted by the European Union. The half-year financial report should be consulted together with our Annual Report for financial year 2017. The Annual Report includes a comprehensive presentation of our business activities and notes to the financial indicators applied.

Due to rounding it is possible that individual numbers indicated in this interim report do not add up precisely to respective totals indicated and that percentages indicated do not correspond precisely to respective absolute values.

### 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 forward-looking statements to be realistic, we cannot guarantee these expectations will prove right. The assumptions may carry risks and uncertainties, and as a result actual events may differ materially from the current statements made with respect to the future. Among the factors that could cause material differences are changes in general economic and business conditions, changes in exchange and interest rates, the introduction of competing products, lack of acceptance of new products, and changes in business strategy. Elmos neither intends nor assumes any obligation to update its statements with respect to future events.

This English translation is for convenience purposes only.