

Quarterly statement Q3 2019

July 1 to September 30, 2019

Positive sales and earnings development in Q3 2019

“We can be very satisfied with the course of the year to date. Our innovative products are gaining market share. We enable our customers to remain competitive even under difficult market conditions. We also regard the sale of SMI as a major success,” says Dr. Anton Mindl, CEO of Elmos Semiconductor AG.

Key figures

in million Euro unless otherwise indicated	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Sales	75.0	69.4	8.1%	219.1	202.0	8.5%
Gross profit	36.2	32.6	11.0%	102.3	88.2	15.9%
in % of sales	48.3%	47.0%		46.7%	43.7%	
Research and development expenses	12.0	9.2	30.3%	33.5	25.6	30.8%
in % of sales	16.0%	13.3%		15.3%	12.7%	
Operating income	10.3	13.7	-24.5%	32.9	32.4	1.6%
in % of sales	13.8%	19.7%		15.0%	16.1%	
EBIT* (operational)	11.0	14.0	-21.7%	34.3	34.1	0.5%
in % of sales	14.7%	20.2%		15.6%	16.9%	
EBIT (reported)	72.9	14.0	>100.0%	96.2	34.1	>100.0%
Consolidated net income after non-controlling interests	67.4	9.8	>100.0%	83.5	23.3	>100.0%
in % of sales	89.8%	14.2%		38.1%	11.5%	
Earnings per share (basic) in Euro	3.43	0.50	>100.0%	4.24	1.18	>100.0%
	9/30/2019	6/30/2019	Change	9/30/2019	12/31/2018	Change
Total assets	444.4	380.1	16.9%	444.4	369.1	20.4%
Shareholders' equity	337.6	271.0	24.6%	337.6	266.6	26.6%
in % of total assets	76.0%	71.3%		76.0%	72.2%	
Financial liabilities	52.4	57.9	-9.5%	52.4	43.8	19.7%
Liquid assets and securities	122.7	33.5	>100.0%	122.7	60.7	>100.0%
Net cash/net debt (-)	70.3	-24.4	n/a	70.3	16.9	>100.0%
	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Operating cash flow	15.0	21.5	-30.6%	32.6	39.5	-17.6%
Capital expenditures	7.4	9.3	-20.6%	32.7	29.7	9.8%
in % of sales	9.9%	13.5%		14.9%	14.7%	
Adjusted free cash flow	88.3	9.1	>100.0%	76.2	0.9	>100.0%

*Less extraordinary income from the sale of subsidiary SMI for a net debt-free enterprise value of 95.0 million USD as of September 30, 2019

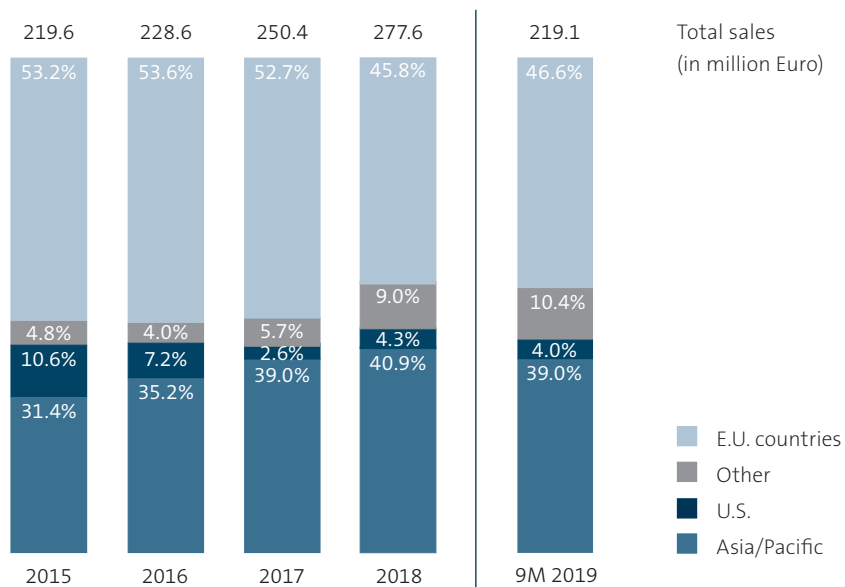
Definition of selected financial indicators

-Capital expenditures: Capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses
 -Adjusted free cash flow: Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment (including payments from the disposal of consolidated companies)

Profit, financial positions as well as assets and liabilities

- > Sales developed positively in a challenging market environment.
- > On September 30, 2019, Elmos sold the subsidiary Silicon Microstructures Inc. (SMI) for a net debt-free company value of 95.0 million USD.
 - > EBIT increased, due to other operating income (of 61.9 million Euro in Q3) as a result of the sale, to 72.9 million Euro.
 - > Adjusted free cash flow was strongly positive due to the cash inflow from the sale.
 - > The effects of the sale on the guidance for 2019 are explained in the *guidance update report*.
- > The development of the operating result was positive but affected by higher research and development expenses and higher administrative expenses due to the sale of SMI.
- > The Semiconductor segment's ratio of orders received to sales, known as the book-to-bill ratio, was slightly above one at the end of the reporting period.

Sales by region



-> The changes in the regional distribution of sales were due to both changes in delivery addresses and the economic development of individual markets.

Segment reporting

in thousand Euro	Semiconductor		Micromechanics		Consolidation		Group	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Third-party sales	67,819	62,337	7,206	7,053	0	0	75,025	69,389
Inter-segment sales	115	14	459	336	-574	-350	0	0
Total sales	67,934	62,351	7,665	7,389	-574	-350	75,025	69,389
Segment earnings (EBIT)	71,466	12,544	1,443	1,496	0	0	72,909	14,041
Earnings attributable to associates							0	0
Finance income							29	158
Finance expense							-335	-465
Earnings before taxes							72,603	13,735
Income tax	-5,103	-3,838	-73	-125	0	0	-5,176	-3,963
Consolidated net income							67,427	9,772

-> The micromechanics segment consists exclusively of SMI. Since SMI was sold, the subsidiary is no longer included in the consolidated group as of September 30, 2019. SMI's assets and liabilities are therefore no longer included in the consolidated statement of financial position. For this reason, SMI will only be included in the presentation of sales and results of Elmos Semiconductor AG for the first nine months of 2019. The micromechanics segment will no longer be applicable as of the fourth quarter and presented only in the context of a historical analysis of the comparable year period.

-> In the future, Elmos will concentrate on developing its core business, where the focus will continue to be on expanding market share with innovative, differentiating solutions, especially for the automotive sector.

Guidance update report

Fiscal year 2019	As of 9/30/2019	As of 2/13/2019
Sales growth in 2019 (vs. 2018)	4% to 8%	6% to 10%
EBIT margin	13% to 17% (operational)	13% to 17%
Capital expenditures (in % of sales) ¹	<15%	<15%
Adjusted free cash flow ²	Significantly positive	Positive
Assumed exchange rate	1.15 USD/EUR	1.15 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 (including payments from the disposal of consolidated companies)

The sale of SMI on September 30, 2019 resulted in the following guidance, which is hereby confirmed:

- > Sales growth will amount to between 4-8%. The adjustment reflects the elimination of sales from SMI in the fourth quarter of 2019. However, organic growth (adjusted for the contributions from SMI in the yearly comparison) would remain unchanged.
- > The operational EBIT margin will be between 13% and 17%. In addition, the transaction results in other operating income.
- > Investments for 2019 will amount to less than 15% of sales.
- > Adjusted free cash flow will be significantly positive due to the cash inflow from the transaction in 2019.

Financial calendar

Fiscal year 2019	
Quarterly results Q3/2019 ¹	11/6/2019
Equity Forum in Frankfurt	11/25/2019 - 11/26/2019
Fiscal year 2020	
Preliminary results 2019 ¹	2/18/2020
Final results 2019 ¹	3/19/2020
Quarterly results Q1/2020 ¹	5/6/2020
Annual General Meeting in Dortmund	5/13/2020
Quarterly results Q2/2020 ¹	8/5/2020
Quarterly results Q3/2020 ¹	11/4/2020

¹The 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. It is therefore possible that we will announce key figures of quarterly and annual results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them in advance on the website (www.elmos.com).

Condensed consolidated statement of financial position

Assets in thousand Euro	9/30/2019	12/31/2018
Intangible assets	32,628	30,455
Property, plant and equipment	140,380	129,169
Securities	10,038	21,446
Investments	1	20
Other financial assets	4,735	4,283
Deferred tax assets	37	2,312
Non-current assets	187,820	187,685
Inventories	82,755	77,862
Trade receivables	47,956	49,344
Securities	7,942	12,108
Other financial assets	3,985	4,247
Other receivables	9,083	10,591
Income tax assets	74	123
Cash and cash equivalents	104,740	27,137
Current assets	256,534	181,411
Total assets	444,354	369,097

Liabilities in thousand Euro	9/30/2019	12/31/2018
Share capital	20,104	20,104
Treasury shares	-469	-355
Additional paid-in capital	82,473	84,567
Surplus reserve	102	102
Other equity components	336	68
Retained earnings	234,489	161,615
Equity attributable to owners of the parent	337,034	266,101
Non-controlling interests	598	529
Shareholders' equity	337,632	266,630
Financial liabilities	48,551	42,449
Deferred tax liabilities	7,679	5,852
Non-current liabilities	56,230	48,301
Provisions	17,066	13,766
Income tax liabilities	8,509	8,391
Financial liabilities	3,851	1,340
Trade payables	16,112	25,908
Other liabilities	4,954	4,761
Current liabilities	50,492	54,166
Liabilities	106,722	102,467
Total assets	444,354	369,097

Condensed consolidated income statement

in thousand Euro	Q3 2019	Q3 2018	9M 2019	9M 2018
Sales	75,025	69,389	219,146	202,009
Cost of sales	-38,791	-36,760	-116,870	-113,772
Gross profit	36,234	32,629	102,276	88,237
Research and development expenses	-12,010	-9,217	-33,469	-25,590
Distribution expenses	-5,192	-4,893	-15,840	-15,083
Administrative expenses	-8,683	-4,815	-20,024	-15,132
Operating income before other operating expenses (-)/income	10,348	13,704	32,943	32,432
Exchange rate gains/losses (-)	1,083	-101	968	151
Other operating income	62,715	616	64,098	2,595
Other operating expenses	-1,238	-178	-1,822	-1,063
Earnings before interest and taxes (EBIT)	72,909	14,041	96,187	34,114
Earnings attributable to associates	0	0	0	-787
Finance income	29	158	275	673
Finance expense	-335	-465	-1,517	-1,339
Earnings before taxes	72,603	13,735	94,945	32,660
Income tax	-5,176	-3,963	-11,411	-9,519
thereof current income tax	-4,672	-3,162	-9,928	-7,283
thereof deferred tax	-504	-801	-1,483	-2,236
Consolidated net income	67,427	9,772	83,534	23,142
thereof attributable to owners of the parent	67,381	9,819	83,464	23,257
thereof attributable to non-controlling interests	46	-47	69	-116
Earnings per share	Euro	Euro	Euro	Euro
Basic earnings per share	3.43	0.50	4.24	1.18
Fully diluted earnings per share	3.43	0.49	4.24	1.17

Condensed consolidated statement of cash flows

in thousand Euro	Q3 2019	Q3 2018	9M 2019	9M 2018
Consolidated net income	67,427	9,772	83,534	23,142
Depreciation and amortization	8,148	6,730	24,041	19,482
Result from disposals of consolidated companies	-61,911	0	-61,911	0
Financial result	90	456	572	1,173
Other non-cash income (-)/expense	-1,734	801	-1,714	1,563
Changes in net working capital	-403	924	-11,833	-8,873
Taxes	3,605	2,870	3	2,927
Other changes	-266	-11	-139	88
Cash flow from operating activities	14,956	21,541	32,552	39,501
Capital expenditures for intangible assets	-1,626	-3,479	-6,698	-11,226
Capital expenditures for property, plant and equipment	-7,352	-9,105	-32,064	-27,665
Payments from disposals of consolidated companies	82,345	0	82,345	0
Disposal of non-current assets	-4	174	35	325
Disposal of securities	2,000	5,755	15,574	14,812
Disposal of investments	19	0	19	0
Payments for other non-current financial assets	-120	-110	-362	-332
Cash flow from investing activities	75,262	-6,765	58,849	-24,086
Repayment of liabilities	-89	-109	-327	-10,328
Share-based payment/issue of treasury shares	-1,369	-134	-1,388	-1,278
Repayment of leasing liabilities	-427	0	-2,998	0
Repurchase of treasury shares	-413	0	-2,582	0
Dividend distribution	0	0	-10,218	-7,906
Other changes	233	1	231	279
Cash flow from financing activities	-2,065	-241	-17,282	-19,232
Increase/decrease (-) in cash and cash equivalents	88,152	14,536	74,119	-3,816
Effects of exchange rate changes on cash and cash equivalents	3,122	188	3,483	790
Cash and cash equivalents at beginning of reporting period	13,465	14,618	27,137	32,367
Cash and cash equivalents at end of reporting period	104,740	29,341	104,740	29,341

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Notice

This document is a quarterly statement under Section 51a of the exchange rules for the Frankfurt Stock Exchange. Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

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.

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