DRIVING FUTURE MOBILITY

Fiscal year 2020

CONTENTS

FIVE-YEAR OVERVIEW ELMOS GROUP (IFRS)

in million Euro unless otherwise indicated	FY 2016	FY 2017	FY 2018	FY 2019 *continuing & discontinued operations*	FY 2019 *continuing operations*	FY 2020
Sales	228.6	250.4	277.6	294.8	273.4	232.6
growth in %	4.1%	9.5%	10.8%	6.2%	7.7%	-14.9%
thereof continuing operations	*206.9*	*230.1*	*253.9*	*273.4*	*273.4*	*232.6*
thereof discontinued operations	*21.7*	*20.4*	*23.7*	*21.4*	*n/a*	*0*
Gross profit	96.8	110.1	125.5	136.8	125.6	92.6
in % of sales	42.3%	43.9%	45.2%	46.4%	45.9%	39.8%
Research & development expenses	36.0	33.8	36.0	44.6	40.7	47.7
in % of sales	15.7%	13.5%	13.0%	15.1%	14.9%	20.5%
Operating income	22.0	37.1	49.3	45.8	41.4	8.5
in % of sales	9.6%	14.8%	17.8%	15.5%	15.1%	3.7%
EBIT	23.1	38.4	51.0	97.3 | 45.3[1]	29.8 | 40.9[2]	8.7
in % of sales	10.1%	15.3%	18.4%	33.0% | 15.4%[1]	10.9% | 15.0%[2]	3.7%
Earnings before taxes	23.1	35.5	49.5	96.0	28.7	8.2
in % of sales	10.1%	14.2%	17.8%	32.6%	10.5%	3.5%
Consolidated net income attributable to owners of the parent	15.9	24.9	35.4	85.7	18.5	6.4
in % of sales	6.9%	10.0%	12.8%	29.1%	6.8%	2.8%
Earnings per share (basic) in Euro	0.80	1.26	1.79	4.36	0.94	0.35
	12/31/2016	**12/31/2017**	**12/31/2018**	**12/31/2019**		**12/31/2020**
Total assets	312.9	336.9	369.1	439.5		395.5
Shareholders' equity	231,6	240.1	266.6	339.7		310.2
in % of total assets	74.0%	71.3%	72.2%	77.3%		78.4%
Financial liabilities	36.2	51.2	43.8	49.1		45.6
Liquid assets and securities	91.6	84.4	60.7	123.3		85.8
Net cash	55.4	33.2	16.9	74.3		40.2
	FY 2016	**FY 2017**	**FY 2018**	**FY 2019**		**FY 2020**
Cash flow from operating activities	33.5	37.9	48.4	45.6		27.3
Capital expenditures[3]	23.2	37.2	41.4	43.6		18.8
in % of sales[3]	10.1%	14.9%	14.9%	14.8%		8.1%
Cash flow from investing activities	-34.9	-47.2	-34.3	37.2		-42.4
Adjusted free cash flow[4]	9.1	-5.2	-3.3	76.9		3.6
Dividend per share in Euro	0.35	0.40	0.52	0.52		0.52[5]
Employees on annual average	1,127	1,155	1,250	1,317		1,208

[1] Without consideration of the result from the sale of the subsidiary SMI and without consideration of the restructuring expenses for the termination of the cooperation with the Fraunhofer Institute IMS.
[2] Without consideration of the restructuring expenses for the termination of the cooperation with the Fraunhofer Institute IMS.
[3] Capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses.
[4] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment (including payments from disposals of consolidated companies and payments for shares).
[5] Proposal for the AGM in 2021.

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

LETTER TO THE SHAREHOLDERS

Dear shareholders,

The past fiscal year was a special year for Elmos: It called for navigating through a crisis and systematically capitalizing on opportunities at the same time. We managed to do both.

PANDEMIC

At Elmos, we recognized the serious nature of the COVID-19 pandemic early on. For protecting our employees and safeguarding our business operations, we implemented the first set of coronavirus measures already at the end of January 2020. Starting in early March, we have made it possible for many employees to work from home efficiently. That was a significant move – we were pioneers in doing this and did not know how it would turn out. Today we know: Our level of adaptability is much higher than most people thought possible and our determination to be successful is equally strong at home and at the office.

Due to the pandemic, car production numbers went down significantly in the year 2020. Elmos recorded a sales decline of about 15% compared to the previous year, to 232.6 million Euro. By short-time work, staff cuts, voluntary salary concessions of Management Board members, senior executives and employees, and further cost reduction, we managed to mitigate the financial impact of the decrease in demand considerably and to achieve a positive EBIT of 8.7 million Euro. In times of the pandemic, a more than acceptable result.

FINANCIAL STRENGTH

We have demonstrated that Elmos is a crisis-proof company. This is true thanks to a solid financial basis. We used our strong position last year for a successful public share buyback offer and now hold close to 10% of the share capital. Furthermore, we want to propose to the Annual General Meeting an unchanged dividend of 0.52 Euro per share for fiscal year 2020. We are convinced of the Company's ongoing success – and both decisions underline this conviction.

STRATEGIC COURSE

Over the past year we made important strategic advances. With the conversion into a European stock corporation, the Company became "Elmos Semiconductor SE" as of July 1, 2020. With that move we accomplished a major step in the international and sustainable positioning of Elmos.

With Samsung Electronics, we managed to sign a new foundry partner for wafer manufacturing, giving us access to attractive technologies and opening new options for our semiconductor development. The cooperation agreement with Fraunhofer Institute IMS expired as planned by mid-year 2020. This consistent continuation of the fab-lite strategy creates the foundation for a new generation of attractive products.

We have strengthened our software expertise with the acquisition of the engineering service provider Online Engineering GmbH at the end of 2020, enabling us to offer even more comprehensive system solutions to our customers in the future.

PRODUCT HIGHLIGHTS

Elmos has a leading role in important automotive application fields. We managed to strengthen this position even further over the year 2020. We are global leaders in semiconductors for ultrasonic distance measurement. Our new generation of ultrasonic semiconductors processes signals considerably faster and in higher resolution than previously possible, delivering an additional gain in traffic safety. Our new LED rear light applications are also promising high potential for growth, offering the carmakers a large extent of design freedom as well as cost advantages over conventional solutions. Elmos applications for the optimized configuration of radiator grille and air flaps or battery pressure monitoring are convincing solutions especially for electric vehicles, providing smart and efficient power and battery management.

Elmos products inspire – there is so much more we could report on this topic. And for that reason we did not cut down on our development activities even during the coronavirus crisis. Quite the contrary, the R&D division was completely excluded from the short-time work program. Our product pipeline is well filled. Thus we managed even in the year of crisis to achieve a very good result in acquiring new customer projects, our design wins, despite all the restrictions and difficulties.

OUTLOOK

The start into the 2021 fiscal year is characterized by very high demand for semiconductors. The focus is on the delivery capability of semiconductor manufacturers which in turn is largely dependent on the delivery capability of key suppliers. At the same time, the future course of the pandemic, connected (lockdown) measures and their impact on automobile demand can hardly be predicted with any precision. As already announced on February 17, 2021, for the full year 2021 we keep expecting a significant increase in sales and EBIT compared to the previous year. For the first quarter, we keep anticipating sales of 76 million Euro ±3 million Euro and an EBIT margin of 14.5% ±1.5 percentage points.

CHANGES ON THE MANAGEMENT BOARD

At the beginning of the year 2021 I was fortunate to take over the CEO position from Dr. Anton Mindl. Together with my Board colleagues, Guido Meyer and Dr. Jan Dienstuhl, I will keep leading the Company with high commitment and a long-term vision. I would like to extend my heartfelt thanks to the Supervisory Board and our anchor shareholders for their great confidence and the excellent cooperation.

During his tenure of 15 years, Dr. Mindl has largely shaped the successful journey of Elmos and realigned the Company strategically. The start of the ASSP business, the internationalization of distribution activities, the fab-lite strategy, and an increased focus through the sale of SMI are just a few keywords here. I would like to take this opportunity to thank Dr. Mindl sincerely on behalf of the Company and all employees for his exemplary commitment and his great accomplishments. I am very happy that Dr. Mindl will stay close to the Company as an advisor.

The past year was not an easy one for all of us at Elmos. Our employees made a crucial contribution to coping with the great challenges we faced with their outstanding dedication and high commitment in all areas of the Company. I would like to sincerely thank all our employees. They have shown once again how strong our community is particularly in times of crisis.

I would also like to thank you, dear shareholders. You join us on the promising path we have chosen, you believe in our success, and you support and encourage us in our actions. Thank you very much!

Please stay healthy and continue the journey with us.

Kind regards from Dortmund.

Arne Schneider

Sincerely yours
Dr. Arne Schneider
CEO of Elmos Semiconductor SE

MANAGEMENT BOARD

DR. ANTON MINDL

CEO – Chief Executive Officer until December 31, 2020
Graduate physicist | Lüdenscheid, Germany

-> Management Board member since 2005 appointed until 2020
-> Strategy, Coordination of Board Responsibilities, Executive Personnel, Quality

DR. ARNE SCHNEIDER

CEO – Chief Executive Officer starting January 1, 2021 and CFO – Chief Financial Officer
Graduate economist | Hamburg, Germany

-> Management Board member since 2014, appointed until 2025
-> Finance, Management Accounting, Investor Relations, Human Resources, Purchasing, IT
-> Additionally starting January 1, 2021: Strategy, Coordination of Board Responsibilities, Executive Personnel, Quality

GUIDO MEYER

COO – Chief Operating Officer
Graduate engineer (FH) | Schwerte, Germany

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

DR. JAN DIENSTUHL

CSO – Chief Sales Officer
Graduate electrical engineer | Hagen, Germany

-> Management Board member since 2019 appointed until 2023
-> Sales, Development, Business Lines, Technology

SUPERVISORY BOARD REPORT

Dear Shareholders,

The past fiscal year was significantly influenced by the global COVID-19 pandemic. The Management Board and the Supervisory Board recognized the seriousness of the situation at an early stage and made every effort from the start to protect the health of Elmos' employees. By taking measures in good time, the Company responded to the pandemic in a fast and responsible manner, which made it possible to guide the Company safely through the crisis and mitigate the impact of the pandemic. The measures taken and the economic consequences for the Company due to the COVID-19 pandemic were repeatedly a topic of the discussions between the Management Board and the Supervisory Board in the past fiscal year. In addition to extensive protective and hygiene-related measures to minimize the risk of infection within the Company, steps were also taken to limit the economic impact, such as short-time work for staff or salary concessions for the Management Board and senior executives.

The Supervisory Board diligently attended to its duties and responsibilities imposed by law and the Articles of Incorporation in fiscal year 2020. The Supervisory Board advised the Management Board in running the Company and supervised management activity. Verbally and in writing, the Supervisory Board was supplied in a regular and timely manner with comprehensive information on the Company's situation by the Management Board. It was directly involved in all decisions of substantial importance. The Management Board consulted the Supervisory Board on the Company's strategic orientation. The Management Board's reports on all business transactions of relevance to the Company were examined and discussed in detail in the Supervisory Board meetings. Insofar as stipulated by law or the Articles of Incorporation, the Supervisory Board gave its opinion on the Management Board's reports and resolutions following diligent examination and in-depth discussion. Outside the framework of Supervisory Board meetings, the Chairman and other members of the Supervisory Board were also informed about material business transactions by the CEO.

There were four regular meetings altogether in fiscal year 2020: On March 10, May 22, September 8, and December 11. Due to the restrictions in connection with the COVID-19 pandemic, the meetings were held as video conferences in some cases. Additionally, two conference calls were held on March 16 and April 8. In a meeting held on March 9, 2021, the Supervisory Board concerned itself primarily with discussing and adopting the 2020 financial statements and consolidated financial statements; the Company's auditor was present for a part of this session.

During the sessions in the year under review, the Supervisory Board informed itself in detail about the current developments, the Company's situation, and recent business policy decisions on the basis of written and verbal reports given by the Management Board. The developments of the COVID-19 pandemic and the associated impact on the Company were consistently a focal point. Based on these comprehensive explanations, the Supervisory Board adopted the required resolutions. If necessary, resolutions were jointly adopted by the Supervisory Board and Management Board. The Supervisory Board regularly discussed the current performance of the Company with respect to sales, earnings, and liquidity, as well as future prospects, during its sessions. The situation of the subsidiaries, as well as the Group's strategic development beyond the year under review, was dealt with in detail.

The budget for the next fiscal year and planned capital expenditures were discussed in depth. Discussions covered the present state of design wins of the past years, as well as new ones, combined with updated sales planning. The strategy of the business lines was also a subject of discussion, as was the foundry cooperation agreement with Samsung Electronics and the acquisition of the Dortmund-based engineering service provider Online Engineering GmbH. Furthermore, the Supervisory Board discussed in detail the termination of the cooperation with the Fraunhofer Institute IMS in Duisburg. Another focal point of the discussions centered on the conversion of the Company into a European Company, Societas Europaea (SE), which necessitated the reappointment of the members of the Management Board. The Supervisory Board also dealt with contract extensions for Dr. Arne Schneider and Dr. Jan Dienstuhl, the conversion of the Management Board contracts to the new remuneration system, and a public share buyback offer. Following in-depth discussions, the Supervisory Board additionally decided to hold an exclusively virtual Annual General Meeting on May 22, 2020, due to the rate of infection.

Moreover, the Supervisory Board defined the key audit matters for the annual audit and discussed the financial reports. The Supervisory Board performed its audit duties pursuant to the German Audit Reform Act (AReG) by monitoring the quality of the auditor during the annual audit, compliance with provisions for non-audit services, and the independence of the auditor. As in the previous fiscal years, the Supervisory Board informed itself about the early risk detection system and its main issues. The Management Board also reported to the Supervisory Board on the internal control system, the financial accounting process, and the present state of the compliance program. In addition, it discussed the agenda and format of the next Annual General Meeting on May 20, 2021. Subject to any subsequent resolutions to the contrary by the Supervisory Board, and in view of the expected development of the pandemic, it was decided to make preparations for a virtual Annual General Meeting once again in 2021 so as to ensure a high degree of certainty regarding the ability to hold the event.

The Act on the Implementation of the Second Shareholders' Rights Directive (ARUG II) entered into force on January 1, 2020. Based on the new statutory provisions, the Supervisory Board developed a remuneration system for the Management Board and discussed it in depth. The Supervisory Board has decided to submit the Management Board remuneration system to the Annual General Meeting for approval in 2021. The remuneration system for the Management Board is then set to enter into force upon its expected approval by the Annual General Meeting.

All members of the Supervisory Board took part in all meetings – in some cases by way of conference calls or video conferencing due to the pandemic situation. The Supervisory Board does not set up committees.

AUDIT OF SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Consulting Warth & Klein Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Germany, the Supervisory Board concerned itself in its meeting of March 9, 2021, with the audit of the separate financial statements and consolidated financial statements for the fiscal year ended December 31, 2020. According to the resolution of the Annual General Meeting of May 22, 2020, and the ensuing commission given by the Supervisory Board to the auditor, the separate financial statements prepared in accordance with HGB provisions (Commercial Code) for the fiscal year ended December 31, 2020, and the combined management report of Elmos Semiconductor SE as included in the combined management report were audited by Warth & Klein Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany. The auditor issued an unqualified audit opinion. The consolidated financial statements of Elmos Semiconductor SE were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and completed with the statements required under Section 315e (1) HGB. The consolidated financial statements according to IFRS and the combined management report also received an unqualified audit opinion. The financial statement documents, the Annual Report, and the audit reports were submitted to all Supervisory Board members in due time. In the Supervisory Board meeting held on March 9, 2021, the statements and reports were also explained verbally by the Management Board. The auditor also reported on the results of their audit in this session, including key audit matters. The Supervisory Board and the auditor communicated with each other at various points in time while the key audit matters were being defined and while the audit was being carried out. After its own examination of the financial statements of Elmos Semiconductor SE, the consolidated financial statements, and the combined management report, as well as the Management Board’s proposal for the appropriation of retained earnings, the Supervisory Board approved the auditor’s findings based on the audit and approved the financial statements of Elmos Semiconductor SE and the consolidated financial statements of the Elmos Group. The financial statements are thus adopted.

SUPERVISORY BOARD

From left: Dr. Gottfried H. Dutiné, Dr. Klaus Egger, Prof. Dr. Günter Zimmer, Dr. Klaus Weyer, Thomas Lehner, Sven-Olaf Schellenberg

DR. KLAUS WEYER
-> Chairman
-> Graduate physicist | Penzberg, Germany

PROF. DR. GÜNTER ZIMMER
-> Vice Chairman
-> Honorary Chairman for life
-> Graduate physicist | Duisburg, Germany

DR. GOTTFRIED H. DUTINÉ
-> Graduate engineer | Kleve, Germany

DR. KLAUS EGGER
-> Financial expert for the purpose of Section 100 (5) AktG
-> Graduate engineer | Steyr-Gleink, Austria

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

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

The Supervisory Board and Management Board will propose to the Annual General Meeting the resolution to pay a dividend of 0.52 Euro per share for fiscal year 2020 out of the retained earnings of 167.4 million Euro (according to HGB) and to carry forward the remaining amount to new accounts.

The Supervisory Board also reviewed the Company's sustainability report during its meeting on March 9, 2021.

CORPORATE GOVERNANCE

The Supervisory Board and Management Board work closely together for the Company's benefit and are committed to the sustained increase of shareholder value. The Supervisory Board concerned itself with the recommendations and suggestions of the German Corporate Governance Code (GCGC) in fiscal year 2020 once more. In September 2020, the Supervisory Board and Management Board jointly released an updated declaration pursuant to Section 161 AktG (Stock Corporation Act) on compliance with the recommendations of the GCGC in the version of December 16, 2019. This declaration of compliance and all previous ones have been made permanently available at www.elmos.com.

Conflicts of interest among members of the Management Board or Supervisory Board subject to disclosure to the Supervisory Board or rather the Annual General Meeting did not arise. The Company regularly informed and supported the members of the Supervisory Board with regard to new laws and recent court rulings pertaining to relevant topics such as compliance.

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

COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

There were no changes in the composition of the Supervisory Board and Management Board in fiscal year 2020.

The four shareholder representatives on the Supervisory Board were elected by the Annual General Meeting on May 22, 2020, as part of the first Supervisory Board following the Company's conversion into an SE. During the subsequent inaugural session of the SE's Supervisory Board, Dr. Klaus Weyer was elected Chairman, with Prof. Dr. Günter Zimmer elected Vice Chairman. As the Board's financial expert, Dr. Klaus Egger meets the legal requirements in terms of expertise in the fields of accounting and auditing. Since the Company's conversion into a European Company (SE) on July 1, 2020, the members of the Supervisory Board have constituted the first Supervisory Board of the SE. The term of the four shareholder representatives on the first Supervisory Board of Elmos Semiconductor SE will expire at the end of the Annual General Meeting that will decide on approving the actions of management for the first fiscal year of Elmos Semiconductor SE. As a result, the Annual General Meeting 2021 is slated to hold an election for the Supervisory Board. The two employee representatives on the SE's first Supervisory Board were appointed by way of the Participation Agreement.

Effective January 1, 2021, Dr. Arne Schneider, former Chief Financial Officer, took over as Chief Executive Officer of Elmos Semiconductor SE. He continues to also be in charge of Finance. After 15 years of successful service, Dr. Anton Mindl, Chief Executive Officer until December 31, 2020, will continue to be closely associated with the Company as an advisor going forward. The Supervisory Board would like to thank Dr. Mindl for his outstanding commitment and for the successful development of Elmos during his many years in office. The Management Board contract with Chief Sales Officer Dr. Jan Dienstuhl has been extended ahead of schedule until the end of 2023; the contract with Dr. Arne Schneider has been extended until the end of 2025.

The Supervisory Board thanks all employees and all members of the Management Board for their excellent work and their outstanding dedication in a very challenging fiscal year 2020.

Dortmund, March 9, 2021

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

Implementation of the German Corporate Governance Code

For the Supervisory Board and Management Board of Elmos, corporate governance means the implementation of responsible and sustainable business management with the appropriate transparency across all areas of the Group. The Supervisory Board and Management Board again concerned themselves with the provisions of the GCGC in fiscal year 2020. They released the most recent joint declaration of compliance in accordance with Section 161 AktG in September 2020. Apart from the deviations reported therein, all recommendations of the GCGC have been complied with. All previously released declarations of compliance have been made available at www.elmos.com.

Compliance

One of the essential tasks of the Management Board as a whole and the members of the Management Board within their individual areas of responsibility is the control and monitoring of compliance within the Group. Elmos has a compliance management system (CMS) in place to ensure compliance with applicable laws and statutes as well as all internal rules and guidelines. Responsibility for decisions regarding rules and measures lies with the compliance officer and the compliance team. In addition to the compliance officer, the heads of Finance, Human Resources, Legal Affairs, and Investor Relations regularly take part in the quarterly team meetings. Starting in 2021, the circle of participants will be expanded to include the head of Corporate Development. The compliance officer investigates potential breaches of compliance and cases of suspicion and carries out controls regardless of whether suspicion exists. The compliance officer reports directly to the Chief Executive Officer and regularly informs the Management Board as a whole about the compliance activities within the Elmos Group.

The Supervisory Board is informed at least once a year about the CMS and all measures of relevance. As part of the efforts to continuously improve the CMS, annual key issues are defined and pursued with special focus. In 2020, for example, Elmos approved guidelines on dealing with gifts and invitations for the purpose of preventing corruption and introduced them as binding for all employees.

The Elmos Code of Conduct, in which the rules and principles that are applicable at the Company are outlined, provides orientation for employees with regard to their action and conduct. The Code of Conduct is updated regularly and enforced through Group-wide training. Employees also receive training on specific compliance-related topics, such as corruption prevention.

Working methods of the Management Board and the Supervisory Board

The Management Board and Supervisory Board share the commitment to the Group's responsible corporate governance. Their highest goal is to safeguard the Company's existence and to increase the shareholder value. The Management Board previously had four members, but now has three members since January 1, 2021. The individual members of the Management Board are responsible for their respective key areas; together, they assume responsibility for the entire management in accordance with the applicable law, the Articles of Incorporation, the board's rules of procedure, and the resolutions of the Annual General Meeting.

The Management Board represents the Company externally world. The Board is responsible for the management of the Group, the definition and monitoring of the Group's strategic orientation and corporate targets, and the Group's financing. The Management Board usually meets in full once a week. The Management Board gives regular, extensive, and timely reports to the Supervisory Board on developments and events of relevance to the Company. The Supervisory Board supervises the Management Board, appoints its members, and advises them with respect to the Company's management.

Declaration of compliance with the German Corporate Governance Code 2020

Management Board and Supervisory Board of Elmos Semiconductor SE declare in accordance with Section 161 AktG (German Stock Corporations Act):

I. Statements with respect to the future

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

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

-> The Company holds the view that at least one member of the Supervisory Board shall be independent. The Company regards any stricter requirements as not appropriate (GCGC Recommendation C.7).

-> The Company holds the view that the Chairman of the Supervisory Board does not have to be independent as defined by the GCGC (GCGC Recommendation C.10). Supervisory Board membership of many years or significant share ownership e.g. are not general obstacles to performing the duties of the Chairman of the Supervisory Board.

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

-> The determination of the remuneration of each member of the Management Board complies with current statutory requirements. Any stricter requirements or more specific definitions are not considered expedient at present (GCGC Recommendations G.1 and G.2). The requirements of the Second Shareholders' Rights Directive (ARUG II) will be complied with in observance of the statutory timeframe.

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

-> Variable Management Board remuneration based on achieving long-term targets does not necessarily exceed the remuneration component based on short-term target achievement at any time (GCGC Recommendation G.6). Respective individual agreements with the members of the Management Board apply.

-> There are no provisions to govern that variable remuneration granted to members of the Management Board shall be invested predominantly in the Company's shares or paid by way of share-based remuneration (GCGC Recommendation G.10). Respective individual agreements with the members of the Management Board apply.

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

II. Statements with respect to the past

The recommendations of the GCGC in its version of February 7, 2017 announced by the Federal Ministry of Justice in the official section of the Federal Gazette on April 24, 2017 have been complied with since the release of the declaration of compliance in September 2019 with the exceptions mentioned therein under I. and the following additional exceptions:

-> GCGC No. 4.2.3 sentence 7 (cap on Management Board remuneration regarding total remuneration as well as variable remuneration components) has not been fully complied with anymore due to a stock award.

-> GCGC No. 5.4.1 sentence 3 has not been fully complied with anymore since the age limit for Supervisory Board members was suspended in December 2019.

Dortmund, September 2020

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

On behalf of the
Management Board
Dr. Anton Mindl
Chief Executive Officer

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

The Supervisory Board of Elmos Semiconductor SE has six members. Pursuant to the SE's Participation Agreement, it consists of four shareholder representatives and two employee representatives. The representatives of the shareholders are elected by the Annual General Meeting; the employee representatives are elected by the staff. The first Supervisory Board of the SE was elected by the Annual General Meeting on May 22, 2020, or appointed by way of the SE's Participation Agreement. The next shareholder representative election is scheduled for 2021. The employee representatives have already been determined for the next term by way of the SE's Participation Agreement. The Supervisory Board does not set up committees.

The Supervisory Board has defined the goals and principles with respect to the board's composition and drafted a competence profile. It includes international experience, technical and entrepreneurial expertise, strategic vision, knowledge of the Company, industry-specific know-how, and experience with accounting and internal control processes. Likewise, diversity should be taken into account and conflicts of interest avoided. Of the shareholder representatives on the Supervisory Board, at least one member must be independent within the meaning of the GCGC. The goals are realized with the present composition of the Supervisory Board and will also be considered for future nominations. Pursuant to D.13 of the GCGC, the Supervisory Board regularly performs a self-assessment. With the help of questionnaires, it evaluates its efficiency once a year. In accordance with No. B.2 of the GCGC, the Supervisory Board is also in charge of planning its succession. To this end, discussions are conducted within the Supervisory Board as needed.

Implementation of equal participation and diversity

In accordance with applicable statutory provisions, the Supervisory Board and Management Board defined minimum quotas as of June 30, 2017, for the representation of women on the Supervisory Board and Management Board as well as for the first and second senior executive levels. The targets must be met by June 30, 2022. These quotas are as follows: 0% or more for the Supervisory Board and Management Board, 4% or more for the first senior executive level, and 5% or more for the second senior executive level. There are no women on either the Supervisory Board or Management Board at present. At the first senior executive level, the share of women was increased from 4% to 7% in fiscal year 2020. At the second senior executive level, that share remained steady at 6%. Elmos therefore fulfills all determined quotas for the share of women at Elmos and complies with statutory provisions. All data refer to the employees of Elmos Semiconductor SE in Germany as of December 31, 2020.

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

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders make use of their rights at the Annual General Meeting. They receive the agenda, information regarding participation, and, upon request, the Annual Report in good time. The relevant documents relating to the upcoming and past Annual General Meetings, as well as further information on participation in and voting at the Annual General Meeting, are available on our website – also in English – or can be requested from the Company. Shareholders who cannot attend the Annual General Meeting in person have the option to assign their voting rights to proxies nominated by Elmos. Due to the COVID-19 pandemic, shareholders were only able to attend the Annual General Meeting virtually in 2020. Attendance decreased only slightly from 79% to 76% compared to the most recent in-person event in 2019. Subject to any subsequent resolutions providing otherwise by the Supervisory Board, and in view of the expected development of the pandemic, preparations are being made for a virtual Annual General Meeting once again in 2021 so as to ensure a high degree of certainty regarding the ability to hold the event.

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

RISKS

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

AUDIT

Before submitting the proposal for the appointment of the auditor, the Supervisory Board again obtained a declaration of independence from the auditor for fiscal year 2020. This declaration furnished no doubts about auditor independence. Compliant with No. D.9 GCGC, the Supervisory Board arranged for the auditor to inform without delay about material findings and incidents to occur during the performance of the audit. Compliant with No. D.10 GCGC, the Supervisory Board also required that the auditor inform the Supervisory Board or make note in the audit report if the auditor detects deviations from the declaration of compliance as issued by the Management Board and the Supervisory Board. No inconsistencies of this kind were found. Pursuant to No. D.11 of the GCGC, the Supervisory Board regularly performs a quality review of the audit.

SHARE-BASED PAYMENT PROGRAMS

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

REMUNERATION REPORT

The remuneration report can be found in the combined management report under "Legal information."

MANAGERS' TRANSACTIONS

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

SUSTAINABILITY

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

Sustainability is part of our corporate strategy, and our goal of social, ecological, and economic sustainability is firmly anchored within our company. We perceive sustained added value in a comprehensive way. We orient the success of our business activities not only toward financial key figures, but also want to connect that success with social acceptance, a high level of ecological awareness, and correct ethical conduct. The following explains our sustainability topics as required by Section 289c HGB and Section 315c HGB.

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

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

The automotive semiconductors from Elmos make a substantial contribution to reducing CO_2 emissions. Semiconductor solutions in electronics have made a significant contribution to reducing global CO_2 emissions from vehicles in recent years. Elmos is making a contribution to this development through a wide range of automotive components, such as ICs specifically for hybrid and electric vehicles, efficient LED lighting, high-efficiency motor control systems for HVAC and cooling, aerodynamics optimization, sensors for automatic lights, and efficient DC/DC converters. A comparison between Elmos' CO_2 emissions and the CO_2 savings made possible by Elmos' ICs shows that a significantly higher amount of CO_2 is saved by our products.

Elmos collects consumption data for internal operational assessments. These include, for example, power consumption (and the associated CO_2 emissions) and water consumption, as well as waste volumes. Elmos analyzes internal processes to further increase efficiency and to generate benefits for both the environment and the Company's economic base. Elmos has also joined the national campaign "Initiative Energieeffizienz-Netzwerke" (engl.: "Energy Efficiency Networks Initiative"), which has developed into one of the most successful tools of the National Action Plan on Energy Efficiency (NAPE). Through its involvement, Elmos actively supports the German government's energy efficiency targets. Activities include constantly analyzing production processes to identify potential efficiency increases.

Effective resource management is important for both the environment and the economy. One example of this is our gas-powered CHP (combined heat and power plant), which allows us to generate a substantial share of our power requirements ourselves while utilizing the heat produced for heating our buildings at our Dortmund headquarters. In addition, substandard components from Elmos are sent to a recycling company that extracts and processes the materials contained in the parts to the greatest extent possible.

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

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

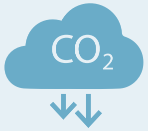
Employee matters are a central topic for us. We would like to create a working environment where our employees are able to apply their skills and develop accordingly. Elmos is proud to be able to offer its employees attractive workplaces at all locations. We set the highest standards in terms of occupational safety, which is why the Elmos occupational health and safety management system has been certified according to the strict requirements of ISO 45001 since 2019. Elmos places tremendous importance on equal opportunities and expects a respectful approach to dealing with one another. We have a policy of promoting employees Company-wide regardless of gender. When selecting applicants, we pay attention to their suitability, motivation, and expertise and do not privilege or disadvantage anybody based on factors such as gender, cultural background, nationality, religion, worldview, disability, age, or sexual orientation. As an innovative company in the semiconductor industry, specialists with excellent training are of particular importance to Elmos. In order to ensure the continuous professional development of all its staff, Elmos offers employees a wide range of training courses. In the past fiscal year, employees of Elmos Semiconductor SE received a total of over 13,200 hours of training. That corresponds to more than 13 hours of training per employee on an annual average. Employees in leadership positions also complete executive training. In addition, Elmos is highly committed to vocational training, which it sees as an important investment in the future. As of the reporting date (December 31, 2020), a total of 48 apprentices were employed at German Elmos locations, accounting for 4.3% of the Company's total workforce in Germany.

NUMBER OF EMPLOYEES

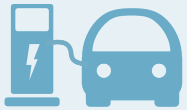
	12/31/2020	12/31/2019
Elmos North Rhine-Westphalia[1]	932	1,046
Other subsidiaries	209	211
Total	**1,141**	**1,257**

[1] The decline was due to the termination of the cooperation with the Fraunhofer Institute IMS, among other factors.

HIGHLIGHTS 2020



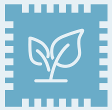
Saving over 150 metric tons of CO2 per year: The efforts to optimize our approach to generating cold water, which we need to air condition clean rooms and cool production machinery, made a major contribution to this achievement. In addition, the lighting of the Elmos parking garage was converted to LED. All told, these measures and further optimizations will allow us to save enough electricity every year to compensate for over 150 metric tons of CO2 at Elmos.



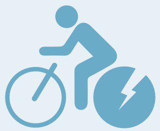
Installation of charging infrastructure for electric vehicles: Last year, charging stations for hybrid and electric vehicles were installed in the parking garage at Elmos' headquarters in Dortmund. By installing the stations, Elmos is making a contribution to expanding charging infrastructure and promoting electromobility.

Optimizing the integration management program: In 2020, the process behind the integration management program was optimized with the aim of promoting, preserving, or restoring employee health and increasing job satisfaction. To this end, the Berufsförderungswerk (vocational training center) Dortmund, with its extensive integration management expertise, was incorporated into the organization as an integration management case manager.

Elmos inventory exchange: Set up in 2020, the Elmos inventory exchange, or "Elmos inventory exchange," makes it even easier to exchange or replace devices or equipment – such as ESD furniture, large-scale systems, and measuring equipment – across departmental boundaries. This improvement, suggested by an employee, is designed to promote the sustainable trend toward borrowing instead of buying.



New energy-saving products: Elmos products perform essential control and measurement functions, especially in cars. New products with a positive influence on a vehicle's overall energy demand were introduced once again in 2020, such as a high-precision stepper motor driver that offers a unique opportunity to reduce the CO2 emissions of the associated vehicle components in combination with innovative diagnostic functions.



Support for cyclists: The bicycle leasing program, launched in 2019, continued to be well received by Elmos employees in 2020, and the funding available for bike leases was increased once again. To date, around 150 employees – or 14% of the total workforce in Germany – have actively taken advantage of the opportunity to lease a company bicycle.

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

The principles of proper conduct toward and among employees, as well as toward external persons and institutions, are defined in our Code of Conduct. The code addresses issues such as law-abiding behavior, conflicts of interest, and dealing with information and Company assets. The Code of Conduct is binding for all employees, who receive regular training on the topic. Potential violations of the Code of Conduct or other misconduct can be reported using the whistleblower system, which is available Company-wide. The current version of the code can be found online at www.elmos.com.

Alongside the rights and duties listed here, we also offer voluntary services to improve the health of our employees. In-house health promotion is an essential social standard implemented by Elmos. Along with general health programs, it includes special offers for employees doing shift work. Among other benefits that go beyond the usual are the in-house cafeteria, our own parking garage, our in-house gym with an broad course program, and massage offerings at our headquarters in Dortmund, Germany. In addition, an in-house health team provides certain medical examinations and influenza vaccinations for employees. Moreover, the health team organizes the participation in local sporting events, such as company runs. Due to the COVID-19 pandemic, some of the aforementioned offerings were either unavailable in 2020 or were available only in limited form to protect employees.

With regard to the COVID-19 pandemic, Elmos recognized the seriousness of the situation at an early stage and took extensive measures to protect staff, including hygiene concepts for all areas of the Company, providing masks and disinfectant, suspending business travel, increased remote working, and free rapid tests. With the help of these preventive measures, Elmos succeeded in minimizing the risk of infection within the Group and maintaining production and business activities without major disruption.

Where necessary, the Company coordinates measures with the Elmos works council. Management and the works council engage in an active exchange of ideas in several committees in order to keep this positive collaboration going. Regular works meetings provide management and employees with the opportunity to engage in exchange with each other. Due to the COVID-19 pandemic, such in-person works meetings were not held for the protection of staff. To nevertheless keep the line of communication with employees open, the Management Board addressed employees in multiple video messages and memos.

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

We actively strive to **combat corruption and bribery** at our Company. Elmos has a Group-wide compliance management system. This includes rules such as a prohibition against bribery and corruption, commitment to correct accounting, non-disclosure obligations with respect to confidential information, and prohibitions against anti-competitive conduct. The compliance officer monitors compliance with rules and laws and provides clear guidance to employees with compliance questions. Select employees must take part in special compliance training that addresses different aspects of compliance and provides instruction for the areas in which they work. In the interest of preventing corruption, there are also guidelines on dealing with gifts and invitations that are binding for all employees worldwide.

We promote **social activities** through our diverse collaborations with external partners and through the Elmos Foundation. For this reason, engaging in dialogue at a local-government and regional level with authorities, organizations, institutions, and working groups is part of our corporate culture. Moreover, the charitable work of the Elmos Foundation, which was founded in 2016, supports projects in three main areas: The promotion of education and science, local activities at the locations of the Elmos Group and campaigns fighting worldwide poverty.

To promote education, the Elmos Foundation participates every year in the Deutschlandstipendium, a scholarship program that provides support to high-achieving and talented students. Last year, the support was expanded further, with the scholarship being offered at both TU (Technical University) Dortmund University and the University of Duisburg-Essen. As part of its regional projects, the Elmos Foundation had the opportunity in 2020 to support an additional youth center for the non-profit organization “BieberBurmann 4U e.V.”, which helps children and teenagers make active use of their free time. To combat global poverty, the Elmos Foundation has supported the organization Sambhava in Nepal since 2019; the organization operates a home for children in need and makes it possible for other children to go to school or participate in sporting activities. Due to challenges in helping children meet their material needs as a result of the COVID-19 pandemic, the Elmos Foundation increased its support significantly in 2020. For more information and a more in-depth look at the foundation’s work, please see our new brochure entitled “Gemeinsam Zukunft gestalten!” (in German only) at www.elmos-stiftung.de.

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

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

EQUALITY AND EQUAL PAY REPORT

Male and female employees are treated equally at our Company as a matter of principle. All of our employees are hired and supported on the basis of their qualifications and abilities. There are no known differences between their wages or salaries that could be attributed to gender alone. This is why there are no measures in place at the Company to end any kind of unequal treatment. Inquiries about equal pay are dealt with in accordance with legal provisions while taking into account the rights of the employees and the employer.

AVERAGE NUMBER OF EMPLOYEES PER YEAR | ELMOS SEMICONDUCTOR SE

	Women			Men		
	2020	2019	2018	2020	2019	2018
Full time	171	180	169	725	756	700
Part time	84	88	85	17	20	18
Total	**255**	**268**	**254**	**742**	**776**	**718**

COMBINED MANAGEMENT REPORT

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

THE GROUP'S BUSINESS MODEL

The core competence of Elmos is the development, manufacturing, and distribution of mixed-signal semiconductors, primarily for customers from the automotive industry. As a system solutions specialist, our goal is to improve the customer's electronic system. The use of Elmos semiconductors can reduce system complexity, resulting in advantages for the customer with respect to production, costs, performance, or reliability, among other aspects.

Specialized high-quality product portfolio

Elmos has a leading position as semiconductor manufacturer in the market for automotive electronics and currently supplies several hundred customers, including all major automotive suppliers. Sales to automotive customers account for around 85% of the Group's sales. For industrial and consumer goods Elmos supplies products for applications in household appliances, installation and facility technology, and machine control systems, among other things. These products accounted for around 15% of sales in 2020.

Our product range is divided into three business lines. The structure of the business lines is based on the products of the target applications:

-> Sensors business line: ranging, optical, sensor ICs

-> Smart Control business line: motor control, lighting

-> Smart Solutions business line: safety/power/custom ICs

The business lines market customer-specific semiconductors (ASICs = application-specific integrated circuits) and application-specific standard chips (ASSPs = application-specific standard products). ASICs are developed and produced according to customer specifications. Elmos defines the specifications for ASSPs. ASSP product developments are aligned with market demands. Elmos prioritizes different product ideas and takes into account expected volumes, information on the competition, and technical feasibility, among other factors. Only those projects are realized that meet the Company's targets for market expectations, margin potential, and strategic positioning. ASICs currently account for around 35% of Group sales (2019: around 45%). The other roughly 65% is generated with ASSPs (2019: around 55%). A majority of the products in development are ASSPs.

The business lines work closely with the research and development department. The focus of the research and development activities is on a competitive and timely design of the products.

Elmos achieves a very high quality level with its products, as well as in its business, manufacturing, and support processes. The Elmos quality management system was audited and certified at selected locations in accordance with the most recent version of the new automotive industry standard IATF 16949 in 2018. The monitoring audit in 2020 confirmed the high level of the quality management system. Moreover, Elmos has been certified in accordance with ISO 26262 (functional safety) throughout the Group since 2015.

Organizational structure

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

Elmos maintains an in-house semiconductor manufacturing facility at its main location in Dortmund. Furthermore, Elmos maintained semiconductor manufacturing facilities in Duisburg as part of its cooperation with the Fraunhofer Institute (IMS) until the cooperation agreement ended on June 30, 2020. The in-house frontend capacity is enhanced and optimized by cooperation agreements with contract manufacturers (foundries). The high efficiency of production in Dortmund, in combination with these established international partnerships, guarantees a stable, future-proof production network even after the end of the cooperation agreement with IMS. These foundry partners make additional capacity available, thus enabling Elmos to respond flexibly to heavily fluctuating demand, both with respect to delivery capability and the capital expenditures required (known as the fablite strategy). They also expand the Elmos process portfolio to encompass new technologies. The share of the wafers purchased externally in 2020 was just over one-third. Cooperation with partners in testing – in addition to cooperation with wafer processing partners as part of the fab lite strategy – will undergo further successive expansion in the years ahead. Similar to the approach taken to wafer processing, the goal is to achieve a high level of capacity utilization of the Group's own in-house manufacturing facilities and to cover any additional needs for testing capacity by working with partners

CONTROL SYSTEM

Control parameters

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

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

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

Reporting of the control system

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

BUSINESS REPORT

MACRO-ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK

The COVID-19 pandemic left a considerable impact on international automotive markets in 2020. Sales declined across all regions, in some cases significantly. According to the German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), Europe was the worst-performing of the three major sales markets, with sales declining by 24%. The number of new car registrations also declined in the U.S., by -15%. Markets were able to recover relatively quickly in China, but the world's largest car market still decreased significantly by -6% year on year.

New car registrations[1]	Change 2020/2019
Worldwide	-15%
Europe	-24%
Germany	-19%
China	-6%
U.S.	-15%
Semiconductor market	
General semiconductor market (worldwide)[2]	+4%
Automotive semiconductor market (worldwide)[3]	-10%

Sources: [1] VDA, [2] ZVEI, [3] IHS

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), global semiconductor sales grew by 4% in 2020 to 428 billion U.S. dollars. In spite of the coronavirus crisis, the semiconductor market was in remarkably robust shape in 2020, decoupling itself from global economic development. According to a November forecast by IHS Markit, sales volume in the automotive semiconductor market may have fallen by just under 10% year on year.

GUIDANCE VS. ACTUAL PERFORMANCE

Elmos initially published a full-year guidance for fiscal year 2020 in February 2020. However, with uncertainty growing over the course of the COVID-19 pandemic and lockdown measures and factory closures affecting numerous automotive manufacturers, the Company was unable to sufficiently quantify the financial implications of the coronavirus pandemic in spring 2020 and replaced the full-year guidance with corresponding quarterly guidances for sales and EBIT. All quarterly guidances were achieved in the course of the fiscal year. With the publication of the Q3 statement in November 2020, a full-year guidance was submitted for 2020 that was also achieved in full.

	Guidance 11/2020	Actual 2020	
Sales in 2020	227 - 233 million Euro	232.6 million Euro	✔
EBIT in 2020	6 - 9 million Euro	8.7 million Euro	✔
Average exchange rate	*1.15 EUR/USD*	*1.14 EUR/USD*	

BUSINESS PERFORMANCE AND ECONOMIC SITUATION

Financial statements according to IFRS

Elmos Semiconductor AG was converted into a Societas Europaea (SE) effective July 1, 2020 and operates as Elmos Semiconductor SE since this date. The consolidated financial statements of Elmos Semiconductor SE for fiscal year 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. Effective September 30, 2019, subsidiary SMI left the Elmos Group's basis of consolidation due to a sale of the shares in this entity. The prior-year figures therefore only relate to the continuing operations of the Semiconductor segment for reasons of better comparability, unless otherwise stated.

Sales development

Sales from continuing operations of the Semiconductor segment declined significantly by 14.9% year on year to 232.6 million Euro in fiscal year 2020 due to the effects of the COVID-19 pandemic.

CONDENSED INCOME STATEMENT

in million Euro or %	FY 2020	FY 2019	Change
Sales	232.6	273.4	-14.9%
Gross profit	92.6	125.6	-26.3%
in % of sales	39.8%	45.9%	
Research and development expenses	47.7	40.7	17.3%
in % of sales	20.5%	14.9%	
Distribution expenses	18.9	19.7	-4.2%
in % of sales	8.1%	7.2%	
Administrative expenses	17.4	23.9	-27.0%
in % of sales	7.5%	8.7%	
Operating income before other operating expenses/income	8.5	41.4	-79.3%
in % of sales	3.7%	15.1%	
Foreign exchange losses	-1.8	-0.8	>100%
Other operating result	2.0	0.3	>100%
Restructuring expenses	0.0	-11.1	n/a
EBIT (reported)	8.7	29.8	-70.8%
EBIT (operational)[1]	8.7	40.9	-78.7%
in % of sales	3.7%	15.0%	
Finance income	0.5	0.6	-12.4%
Finance expenses	-0.9	-1.6	-41.4%
Earnings before taxes	8.2	28.7	-71.3%
in % of sales	3.5%	10.5%	
Consolidated net income attributable to owners of the parent	6.4	18.5	-65.4%
in % of sales	2.8%	6.8%	
Earnings per share (basic) in Euro	0.35	0.94	-63.2%
Dividend per share in Euro	0.52[2]	0.52	

[1] Excluding the restructuring expenses for the termination of the cooperation with the Fraunhofer Institute IMS.
[2] Proposal to the Annual General Meeting on May 20, 2021.

Sales by region: The APAC region increased its share of sales compared to other regions in fiscal year 2020 as a result of the Asian markets recovering from the COVID-19 pandemic more quickly, which also underscores the increasing strategic importance of this region to the Company.

Share of sales | in %	FY 2020	FY 2019
EU countries	45.9%	48.2%
Asia/Pacific	43.2%	41.0%
U.S.	1.7%	3.0%
Other	9.2%	7.9%

Sales by customer and product: In 2020, the ten largest customers accounted for approximately 58% of sales (2019: 60%); the share of sales attributable to the ten best-selling products stood at approximately 36% (2019: 41%). A single customer generally purchases several products in different phases of their life cycles and often uses them in various models, brands, and markets. The large number of customer relationships results in a high level of diversity.

Order backlog: Orders received and the order situation typically reflect current business performance, mirroring sales performance for the year. The book-to-bill figure – the ratio of orders received for the next three months to sales over the past three months – can be a useful indicator in this regard. At the end of 2020, the book-to-bill ratio was significantly higher than 1. Order backlog is usually entered upon receiving the customer's order, but may vary between the time when the order is placed and delivery due to a number of factors. There is no guarantee that order backlog will always be converted into sales.

New projects (design wins): All business lines were extremely successful in terms of new projects in 2020, despite widespread restrictions caused by the COVID-19 pandemic, in particular visit and travel bans. Both total project volume, which was only slightly down year on year, and the absolute number of design wins once again stood at a very good level. As in prior years, design wins for ASSPs significantly outnumbered those for ASICs in the reporting year. Design wins generally take two to five years before they go into regular production and make a contribution to sales.

Profit situation

Gross profit: Gross profit declined disproportionately compared to sales, due to the sales decline and the associated fixed cost factors. The gross margin fell accordingly to 39.8% (2019: 45.9%). Adjustment measures, such as short-time work in production, voluntary salary concessions for the Management Board, senior executives, and employees, staff reductions, and other cost cuts, could not fully compensate for the fixed cost effect from the significant decline in production output.

Earnings before interest and taxes (reported EBIT): EBIT came to 8.7 million Euro in fiscal year 2020 (2019: 29.8 million Euro), which equated to an EBIT margin of 3.7% (2019: 10.9%).

Consolidated net income, earnings per share: After deduction of taxes and non-controlling interests, Elmos generated consolidated net income from continuing operations attributable to owners of the parent of 6.4 million Euro in fiscal year 2020 (2019: 18.5 million Euro). Consolidated net income from continuing operations was equivalent to basic earnings per share of 0.35 Euro (2019: 0.94 Euro).

Proposal for the appropriation of retained earnings: Elmos' net income according to the German Commercial Code (HGB) amounted to 0.3 million Euro (2019: 89.2 million Euro) (for further details, see the financial statements according to HGB). Profit carried forward from 2019 totaled 167.1 million Euro after dividend distribution and the buyback of treasury shares. At the Annual General Meeting on May 20, 2021, the Management Board and the Supervisory Board will propose a dividend of 0.52 Euro per share, unchanged year on year, from the retained earnings of Elmos Semiconductor SE of 167.4 million Euro for 2020. The total dividend payout would therefore amount to 9.4 million Euro based on 18,117,307 shares entitled to dividend as of December 31, 2020.

Sales and earnings in the segments

CONDENSED SEGMENT REPORTING

Segments: The Micromechanics segment was deconsolidated as of September 30, 2019 following the sale of Silicon Microstructures Inc., Milpitas, (SMI). Since then, the Elmos Group has only been active in its continuing operations in the Semiconductor segment.

in million Euro or %	Semiconductor (continuing operations)			Micromechanics (discontinued operations)		
	FY 2020	FY 2019	Change	FY 2020	FY 2019	Change
Sales	232.6	273.4	-14.9%	0.0	21.4	n/a
Gross profit	92.6	125.6	-26.3%	0.0	11.2	n/a
in % of sales	39.8%	45.9%		n/a	52.2%	
Research and development expenses	47.7	40.7	17.3%	0.0	3.9	n/a
in % of sales	20.5%	14.9%		n/a	18.2%	
Distribution expenses	18.9	19.7	-4.2%	0.0	1.1	n/a
in % of sales	8.1%	7.2%		n/a	5.0%	
Administrative expenses	17.4	23.9	-27.0%	0.0	1.8	n/a
in % of sales	7.5%	8.7%		n/a	8.4%	
Operating result before other operating expenses/income	8.5	41.4	-79.3%	0.0	4.4	n/a
in % of sales	3.7%	15.1%		n/a	20.6%	
Foreign exchange losses	-1.8	-0.8	>100%	0.0	0.0	n/a
Earnings from the sale of discontinued operations	0.0	0.0	n/a	0.0	63.1	n/a
Other operating result	2.0	0.3	>100%	0.0	0.0	n/a
Restructuring expenses	0.0	-11.1	n/a	0.0	0.0	n/a
EBIT (reported)	**8.7**	**29.8**	**-70.8%**	**0.0**	**67.5**	**n/a**
in % of sales	3.7%	10.9%		n/a	>100%	
Consolidated net income	6.5	18.6	-65.2%	0.0	67.2	n/a
in % of sales	2.8%	6.8%		n/a	>100%	

Sales from continuing operations of the Semiconductor segment declined significantly by 14.9% year on year to 232.6 million Euro in fiscal year 2020 due to the effects of the COVID-19 pandemic. Reported EBIT came to 8.7 million Euro in the reporting year 2020 (2019: 29.8 million Euro).

Financial position

CONDENSED STATEMENT OF CASH FLOWS (IN 2019: CONTINUING AND DISCONTINUED OPERATIONS)

in million Euro or %	FY 2020	FY 2019	Change
Consolidated net income	6.5	85.8	-92.5%
Depreciation and amortization	30.9	33.7	-8.2%
Earnings from the disposal of consolidated companies	0	-63.1	n/a
Change in net working capital[1]	7.2	-20.7	n/a
Other items	-17.3	9.9	n/a
Cash flow from operating activities	**27.3**	**45.6**	**-40.1%**
Capital expenditures for intangible assets and property, plant and equipment	-22.5	-49.7	-54.6%
Disposal of/capital expenditures for securities (-)	-16.8	5.2	n/a
Payments from the disposal of consolidated companies	0.0	82.1	n/a
Other items	-3.1	-0.4	>100%
Cash flow from investing activities	**-42.4**	**37.2**	**n/a**
Cash flow from financing activities	**-39.5**	**-18.3**	**>100%**
Change in liquid assets	-54.5	64.5	n/a
Adjusted free cash flow[2]	**3.6**	**76.9**	**-95.3%**

[1] Trade receivables, inventories, trade payables.
[2] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment (including incoming payments from the disposal of consolidated companies and outgoing payments for share acquisition).

Cash flow from operating activities: Cash flow from operating activities totaled 27.3 million Euro in fiscal year 2020 and was down significantly year on year (2019: 45.6 million Euro).

Cash flow from investing activities: Capital expenditures for intangible assets and for property, plant and equipment primarily related to the expansion of testing capacity in the reporting year as in the previous year. In addition, the Company also purchased securities (bonds and borrowers' notes). Cash flow from investing activities totaled -42.4 million Euro in fiscal year 2020. In the prior year, cash flow from investing activities came to 37.2 million Euro due to the one-off income from the sale of SMI (82.1 million Euro).

Cash flow from financing activities: Cash flow from financing activities came to -39.5 million Euro (2019: -18.3 million Euro) in the reporting period and was primarily influenced by the share buyback program and the dividend payment. In spring 2020, Elmos Semiconductor SE acquired a total of 1,539,922 shares at a total purchase price of 26.9 million Euro as part of a public purchase offer.

Adjusted free cash flow amounted to 3.6 million Euro. In the prior year, adjusted free cash flow was largely influenced by cash inflow from the sale of SMI and totaled 76.9 million Euro.

Liquid assets: Cash and cash equivalents amounted to 40.3 million Euro as of December 31, 2020. As a result, liquid assets declined considerably by -54.5 million Euro year on year, primarily due to the aforementioned investing activities and the share buyback program.

Financial situation: Elmos is financed by equity, debenture bonds, and bank loans (currently not utilized). Detailed information on the individual elements of the financial situation can be found in the notes.

Principles and goals of the financial management: The primary objective of the Elmos Group's capital management is to assure an adequate credit rating, liquidity at any time with a high degree of financial flexibility, and a solid capital structure so as to support the Company's business activities and their long-term continuation while protecting the interests of shareholders, employees, and other stakeholders. Elmos pursues a strategy of continuous and sustained increases in shareholder value.

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

Other financial obligations and disclosures of off-balance financial instruments: Along with the aforementioned financial instruments, the Company partially finances its capital expenditures through lease, rental, and service agreements. In each case, there is a balanced relationship between advantages and risks, and the arrangements are customary in the market. The resulting repayment obligations are reported as "Other financial obligations." As of December 31, 2020, they amounted to 21.0 million Euro (December 31, 2019: 28.7 million Euro).

Assets and liabilities

The assets and liabilities of SMI were no longer included in the consolidated statement of financial position as of September 30, 2019 due to its sale and deconsolidation effective as of the same date.

CONDENSED STATEMENT OF FINANCIAL POSITION

in million Euro or %	12/31/2020	12/31/2019	Change
Intangible assets	30.2	32.9	-8.1%
Property, plant and equipment	130.4	137.8	-5.4%
Other non-current assets	3.9	4.8	-18.2%
Securities (current and non-current)	45.4	28.3	60.4%
Inventories	84.7	78.8	7.6%
Trade receivables	37.2	50.9	-26.9%
Cash and cash equivalents	40.3	95.0	-57.6%
Other current assets	23.3	11.1	>100.0%
Total assets	**395.5**	**439.5**	**-10.0%**
Equity	310.2	339.7	-8.7%
Financial liabilities (current and non-current)	45.6	49.1	-7.1%
Other non-current liabilities	7.4	7.3	2.2%
Trade payables	9.0	10.2	-11.0%
Other current liabilities	23.3	33.3	-30.4%
Total equity and liabilities	**395.5**	**439.5**	**-10.0%**

Total assets declined by -44.0 million Euro to 395.5 million Euro as of December 31, 2020 (December 31, 2019: 439.5 million Euro), primarily as a result of the decline in cash and cash equivalents and the business-related reduction of trade receivables.

ROIC CALCULATION

(IN 2019: CONTINUING AND DISCONTINUED OPERATIONS)

in million Euro or %	2020	2019
❶ EBIT	8.7	97.3 | 45.3[1]
	12/31/2020	12/31/2019
Intangible assets	30.2	32.9
Property, plant and equipment	130.4	137.8
Inventories	84.7	78.8
Trade receivables	37.2	50.9
less		
Trade payables	9.0	10.2
❷ Invested capital	273.5	290.2
RoIC (❶/❷)	3.2%	33.5% | 15.6%[1]

[1] Based on operating EBIT.

Return indicator: Elmos applies return on invested capital (RoIC) used for business operations as a return indicator, thereby establishing a relationship between profitability and invested capital used for operation purposes. RoIC therefore also serves as an indicator of added value. At 3.2%, operating RoIC was down significantly year on year due to the decline in EBIT caused by the COVID-19 pandemic.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The global COVID-19 pandemic had a significant impact on Elmos' financial, profit, and economic position in the reporting year. Sales in particular fell considerably short of the prior-year figure. Extensive adjustment measures and efforts to cut fixed costs partially compensated for the significant decline in sales, enabling Elmos to generate positive EBIT and consolidated net income. Business recovered significantly from the fourth quarter of 2020 with strong sequential growth. In spite of the effects of the COVID-19 pandemic, Elmos further expanded its business lines' product portfolio and invested in the development of new products. Development activities were also excluded from short-term work program altogether in the reporting year. In spite of widespread restrictions to customer contact, Elmos was still able to achieve an excellent result in terms of new projects (design wins). The Company's solid financial basis, product portfolio expansion, customer base, and strengthened competitive position represent a strong foundation for its future development.

ELMOS SEMICONDUCTOR SE (SEPARATE FINANCIAL STATEMENTS ACCORDING TO HGB)

Elmos Semiconductor AG was converted into a Societas Europaea (SE) effective July 1, 2020 and operates as Elmos Semiconductor SE since this date.

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

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

Business performance 2020

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

Business outlook for 2021 and material opportunities and risks

Due to the Company's ties with the Group companies and its relevance for the Group, the expectations for Elmos Semiconductor SE are reflected in the outlook for the Group. The expected performance of Elmos Semiconductor SE in fiscal year 2021 also largely depends on the performance of the Group and its situation with regard to opportunities and risks. This is the subject of the report on opportunities and risks and the Group's guidance. The statements on the Group's expected performance and its risk position made therein therefore also apply to the expected performance and risk position of Elmos Semiconductor SE. The description of the internal control and risk management system regarding the financial accounting process for Elmos Semiconductor SE pursuant to Section 289 (4) HGB follows in the "Opportunities and risks" section.

As the Group's parent, Elmos Semiconductor SE also receives income from its investments. Income from investments is composed of transfers of profit or loss from domestic subsidiaries and distributions from individual subsidiaries. Accordingly, the Group's expected business performance in 2021 should also influence the earnings of Elmos Semiconductor SE. Overall, we expect that Elmos Semiconductor SE's retained earnings in 2021 will make it possible for our shareholders to participate adequately in the development of the Group's earnings.

Sales and earnings performance

CONDENSED INCOME STATEMENT (HGB)

in million Euro or %	FY 2020	FY 2019	Change
Sales	232.2	272.5	-14.8%
Increase in inventories, other own work capitalized, and other operating income	17.5	95.0	-81.6%
Material costs	109.3	121.2	-9.9%
Personnel expenses	72.6	78.5	-7.5%
Amortization of intangible assets and depreciation of fixed assets and property, plant and equipment	24.1	27.9	-13.6%
Other operating expenses	43.7	56.0	-22.0%
Operating result	-0.0	83.8	n/a
Income from investments and financial result	1.3	14.0	-90.6%
Earnings before taxes	1.3	97.9	-98.7%
Net income	0.3	89.2	-99.7%

Sales declined by 14.8% to 232.2 million Euro in the past fiscal year. Operating result fell significantly to -0.0 million Euro from 83.8 million Euro in the prior year, which was impacted by income from the sale of SMI.

Financial position

CONDENSED STATEMENT OF CASH FLOWS (HGB)

in million Euro or %	FY 2020	FY 2019	Change
Net income	**0.3**	**89.2**	**-99.7%**
Depreciation and amortization	24.1	27.9	-13.6%
Income from the disposal of fixed assets	0.0	-70.2	n/a
Decrease (-)/increase (+) in current provisions and write-downs on financial investments	-8.5	9.3	n/a
Decrease (+)/increase (-) in inventories, trade receivables, and other assets	0.9	-8.1	n/a
Increase (+)/Decrease (-) in trade payables and other liabilities	3.2	-19.1	n/a
Cash flow from operating activities	**20.1**	**29.1**	**-30.9%**
Cash flow from investing activities	**-37.6**	**52.7**	**n/a**
Cash flow from financing activities	**-35.8**	**-14.2**	**>100%**
Change in cash and cash equivalents	-53.3	67.5	n/a
Cash and cash equivalents at beginning of period	88.3	20.8	>100%
Cash and cash equivalents at end of period	**35.0**	**88.3**	**-60.3%**

Cash flow from operating activities decreased compared to 2019. The change in cash flow from investing activities was primarily attributable to income from the sale of SMI in 2019. Cash flow from financing activities amounted to -35.8 million Euro in the reporting year (2019: -14.2 million Euro), a decline primarily attributable to the share buyback program in spring 2020.

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION (HGB)

in million Euro or %	12/31/2020	12/31/2019	Change
Fixed assets	190.6	166.9	14.2%
Inventories	83.4	78.0	6.9%
Receivables and other assets	54.4	61.0	-10.7%
Marketable securities	0.0	11.0	n/a
Cash in hand, cash in banks	35.0	88.3	-60.3%
Other assets	1.8	1.5	15.1%
Total assets	**365.3**	**406.7**	**-10.2%**
Equity	280.6	316.2	-11.2%
Provisions	18.4	27.6	-33.3%
Liabilities	66.2	63.0	5.2%
Total equity and liabilities	**365.3**	**406.7**	**-10.2%**

Total assets fell by 10.2% compared to December 31, 2019, and totaled 365.3 million Euro as of December 31, 2020. On the assets side, the decrease was largely due to the decline in cash and cash equivalents. On the equity and liabilities side, the main reason for the decline was the fall in equity and provisions.

Retained earnings and proposal for the appropriation of retained earnings

The legal basis for a distribution is represented by the retained earnings of Elmos Semiconductor SE determined in accordance with financial accounting provisions under commercial law. The 2020 financial statements reported retained earnings of 167.4 million Euro. At the Annual General Meeting on May 20, 2021, the Management Board and Supervisory Board will propose that the retained earnings for fiscal year 2020 be used for the distribution of a dividend of 0.52 Euro per no-par share entitled to dividend – unchanged year on year –, and that the remaining amount be carried forward.

SUBSEQUENT EVENTS

On December 23, 2020, Elmos Semiconductor SE signed a purchase agreement to acquire the Dortmund-based Online Engineering GmbH. The acquisition was completed with economic effect as of January 1, 2021. Online Engineering GmbH is specialized in the development of hardware and software components for electric motors. The acquisition allows Elmos to strengthen its in-house competencies and enables it to offer its customers even more comprehensive system solutions in the future.

Effective January 1, 2021, Dr. Arne Schneider took over from Dr. Anton Mindl as the company's Chief Executive Officer as planned.

Apart from that, there have been no reportable events or transactions of special significance after the end of fiscal year 2020 that have not already been accounted for in the income statement or rather the statement of financial position.

OPPORTUNITIES AND RISKS

OPPORTUNITIES

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

Macroeconomic and industry-specific opportunities

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

Industry-specific opportunities become available to us as a consequence of the following megatrends in the automotive sector in particular: driver assistance systems up to autonomous driving, electromobility, and higher demands in terms of safety, connectivity, and comfort.

Product-specific opportunities

Product-specific opportunities open up for Elmos due to innovation. Our business lines seek to continuously increase our chances at customers with innovative or advanced high-quality products. Alongside our ASIC business, the increased development and sale of ASSPs also provide further opportunities. Furthermore, we seize these opportunities by consistently investing in research and development, and through the ability to use our foundry partners' processes. New and more advanced products could be brought to market if our development progress exceeds current expectations. Elmos also sees opportunity in the expansion of the product portfolio. This can take place by deliberate enhancement through acquisitions of third-party entities or technologies or through partnerships.

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

Other opportunities

We are working permanently on the optimization of our processes in areas such as development, production, technology, quality, administration, and logistics, and we invest throughout the Group in measures to increase efficiency.

MANAGEMENT'S OVERALL ASSESSMENT OF OPPORTUNITIES

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

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

RISKS

The following explanations also include information in accordance with Sections 289 (4) and 315 (4) HGB (Commercial Code), as well as the explanatory report on the key features of the accounting-related internal control and risk management system. Elmos pools the measures implemented for early risk detection within the Company. This system focuses on safeguarding the Company's continued existence. It complies with the legal stipulations for an anticipatory risk detection system in accordance with Section 91 (2) AktG (Stock Corporation Act). The Management Board bears the overall responsibility for this. To this end, the Management Board has initiated an early risk detection process and given it a firmly anchored place within the Company's organization in the context of an early risk detection team. The early risk detection team is made up of representatives of the subsidiaries, the division managers, and the appointed risk managers and is responsible for central coordination within the Company, risk reporting, and reporting to the Management Board. Each risk is assigned to risk owners who identify and assess the risks and define appropriate countermeasures. Together with the risk manager, they monitor the effectiveness of the measures.

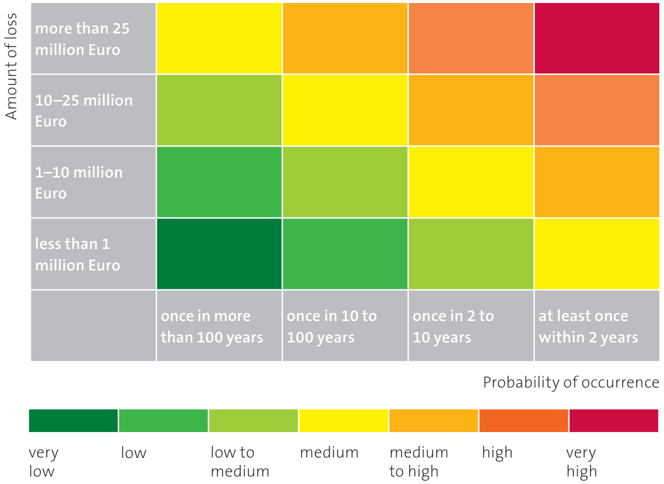
Risks are routinely identified, and their effects on the Company's targets are analyzed. The Group deliberately assumes certain risks in areas of its competence if adequate yields can be expected at the same time. Beyond that, major risks are avoided if possible. The Group analyzes and assesses any known risks taken. Adequate countermeasures are developed insofar as possible.

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

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

Internal control system and risk management system with respect to financial accounting

The internal control system consists of a number of structures and processes for monitoring and controlling central business processes. The objective is to identify risks and therefore to ensure that business develops seamlessly. It contains the principles, processes, and measures introduced by management, and it is oriented toward the organizational implementation of the management's decisions.



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

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

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

The past fiscal year was significantly influenced by the COVID-19 pandemic. The marked deterioration of the global economy and the sharp decline in automotive production due to COVID-19 also led to a negative impact on the business performance at Elmos. In some cases, the extent and duration of the COVID-19 pandemic varies substantially from one affected region to the next and is therefore very difficult to predict, particularly with regard to any forecast of the impact on our business activities. An outbreak of local or global infectious diseases such as COVID-19 had already been identified by the Elmos early risk detection system as a potential risk in the past and entails a large number of risks that could have a significant adverse effect on our financial, profit, and economic position. Such risks include far-reaching economic and political restrictions to contain the pandemic and an associated drop in demand in the Company's sales markets, insufficient availability or non-availability of raw materials and components, a negative impact on production within the Company or the delivery of our products due to production losses, plant closures by suppliers or customers, and non-availability or restricted availability of workers. Elmos acted early to initiate extensive preventive measures with a focus on protecting the health of employees and maintaining ongoing business operations and business processes throughout the Group.

The use of our products depends in part on the general economic, financial, and political conditions going forward. Events such as economic crises, political changes, or geopolitical tensions; increases in customs duties and extensive trade restrictions, such as the trade conflict between the U.S. and China or between the U.S. and the European Union; fluctuations in national currencies and key interest rates; changing registration requirements for new vehicles; a recession in Europe or other important international markets; a significant slowdown of growth in Asia; or an increase in sovereign debt could have a negative effect on the ability and willingness of our customers to use our products. Regarding Brexit, Elmos currently does not expect a foreseeable significant negative impact on the Company.

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

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

Dependency on the automotive industry

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

The global automotive market was strongly influenced by the COVID-19 pandemic in the year under review, which resulted in a substantial decline in automotive sales. Although the first signs of recovery started to re-emerge in the fourth quarter of 2020, especially in China, a continuation of the pandemic could have a further significantly negative impact on global demand for passenger cars and could therefore also have a significant effect on business performance at Elmos.

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

Competition risks

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

Personnel risks *(risk assessment: medium)*

Dependency on individual employees

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

Shortage of qualified employees

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

Absence of employees due to the COVID-19 pandemic

The outbreak of an epidemic or pandemic had already been identified as a potential risk in the past, with corresponding preventive measures being developed. As a result, it was possible to take extensive measures at a very early stage to protect our employees from infection within the Company at the beginning of the COVID-19 pandemic, such as providing protective masks and disinfectant, increased remote work and virtual meetings, hygiene and physical distancing rules, and the temporary closure of social facilities and the cafeteria. Although the systematic and consistent implementation of these measures has allowed us to avoid significant adverse effects on our production activities or disruptions in our business processes, such risks cannot be ruled out in the future if the spread of infection continues.

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

The market for Elmos products is characterized by the ongoing advancement and improvement of products. Therefore, the success of Elmos is highly dependent on the ability to assess market trends and technological development correctly in order to develop innovative and complex products or successors of existing products efficiently, to introduce them to the market on time, and to achive that these products are chosen by customers. There is also the risk that products or entire application fields relevant to the sales of Elmos are replaced by new technologies, either completely or in part, so that Elmos cannot offer any competitive products in such fields anymore.

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

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

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

If Elmos ceases to be capable of developing, manufacturing, and selling new products and product upgrades in the future, significant effects on the financial, profit, and economic positions will likely be the result.

Financial risks *(risk assessment: medium)*

Investments

The allocation of financial resources to the subsidiary companies and investments results in an increased obligation to detect and, if necessary, to minimize potential risks at the earliest possible stages by means of adequate controlling instruments and target/actual analyzes. In addition to that, the subsidiaries and investments are subject to routine reviews.

Other financial risks are listed in the notes to the consolidated financial statements.

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

Purchasing risks

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

There is a tendency among the machine suppliers toward an oligopoly, limiting the negotiating power of Elmos. Raw materials might not be available in the required volume, for example as a result of bottlenecks on the part of the manufacturer. In particular, the price of wafers is subject to volatility, in some cases significant, on the global market.

Warranty claims and product liability

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

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

Legal risks

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

IT risks

For Elmos, as for other globally operating companies, the reliability and security of information technology (IT) are of great importance. This applies increasingly to the utilization of IT systems in support of operational processes, as well as to the support of internal and external communication. Around the world, Elmos has seen a rise in threats to information security along with an increasingly professional approach to cybercrime, as reflected in a jump in phishing attacks, for example. For these reasons, Elmos has proactively increased its protection against cyberattacks in recent years and is continuously working on further improvements. Furthermore, processing procedures and technical systems that involve personal data have been adapted to the strict requirements of the General Data Protection Regulation (GDPR), which was introduced in 2018. Despite all technical precautions, as well as reviews and audits conducted by external providers, any serious failure of these systems can lead to data loss, the disturbance of production, interference with operational processes, legal disputes, or fines with a considerable impact on the Company's situation in terms of financial, profit, and economic positions.

Business interruption

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

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

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

Ecological risks

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

MANAGEMENT'S OVERALL ASSESSMENT OF RISKS

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

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

OUTLOOK

ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK

The International Monetary Fund (IMF) expects (as of January 2021) global growth of 5.5% for the current year (2020: -3.5%). Authorizations for vaccines may have raised hopes of turning the tide on the COVID-19 pandemic, but the IMF emphasizes that the forecasts are subject to considerable uncertainty, including new mutations of the virus and further waves of infection. In January 2021, the VDA announced it expects the global automotive market to expand by 9% for the current year compared to 2020. The VDA anticipates a gradual improvement in the market, albeit without making up for the contraction over the past year. As a result, there are no indications that the danger has passed, in particular in view of the supplier industry. One of the primary factors behind the decline in passenger car production in Germany in January 2021 was bottlenecks in the supply of semiconductors.

The ZVEI (Zentralverband Elektrotechnik- und Elektronikindustrie e.V.) expects an annual growth of 8% in the global semiconductor market in 2021 (as of December 2020).

PREDICTED MARKET DEVELOPMENT

Gross domestic product[1]	Forecast 2021
Worldwide	+5.5%
Europe	+4.2%
Germany	+3.5%
China	+8.1%
U.S.	+5.1%
New car registrations[2]	
Worldwide	+9%
Europe	+12%
China	+8%
U.S.	+9%
Semiconductor market	
General semiconductor market[3]	+8%

Sources: [1] IMF (as of January 2021), [2] VDA (as of January 2021), [3] ZVEI (as of December 2020)

OPERATIONAL TARGETS FOR 2021

Targets for sales and earnings as well as for capital expenditures and liquidity

Besides current business performance and the order situation, the guidance is also based on the expectations and assumptions regarding general economic development and specific industry developments, as described above. However, the current forecasts for 2021, both in relevant industries and in macroeconomic terms, are subject to certain risks due to the ongoing COVID-19 pandemic and will likely experience significant fluctuations over the course of the year. Another factor significantly impairing Elmos' forecasting abilities is the current global allocation in the semiconductor industry, as well as issues in the supply of key components caused primarily by global capacity bottlenecks. Based on this unusually high level of uncertainty, the company is only able to provide a comparative full-year guidance at the current point in time, together with a quantitative guidance for the first quarter of 2021. The quarterly guidance refers solely to sales and the EBIT margin, as additional full-year forecast figures for capital expenditures and adjusted free cash flow are subject to more severe fluctuations during the year.

In consideration of the uncertain overall economic situation, Elmos expects to generate a significant year-on-year increase in sales and EBIT in fiscal year 2021. Capital expenditures for intangible assets and property, plant and equipment, less capitalized development expenses are forecast to be significantly higher than the prior-year figure (2020: 18.8 million Euro). The Company expects to generate positive adjusted free cash flow in fiscal year 2021 above the previous year's figure (2020: 3.6 million Euro).

In the first quarter of 2021, Elmos expects to generate sales of 76 million Euro ± 3 million Euro. The EBIT margin is expected to reach 14.5% ± 1.5 percentage points. The guidance is based on an exchange rate of 1.20 EUR/USD.

FORECAST FOR THE FIRST QUARTER 2021

Sales	76 ± 3 million Euro
EBIT margin	14.5% ± 1.5 percentage points
Assumed average exchange rate	*1.20 EUR/USD*

Dividend targets

Free liquidity is planned to be utilized in part for the payment of a dividend. Due to Elmos' outstanding financial basis, the Supervisory Board and Management Board will propose to the Annual General Meeting in May 2021 the payment of a stable dividend, compared to the previous year, in the amount of 0.52 Euro (previous year: 0.52 Euro) per share.

Underlying assumptions of our guidance

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

A positive development for Elmos requires the success of our current and future customers as well as our ability to sell our products to them. The international competition among suppliers to the auto industry is intense. Resulting effects, such as shifts in the market or portfolio changes at our customers, are difficult to predict. Our guidance considers events with a potential material effect on the business performance of the Elmos Group known to the Company at the time of the preparation of this report. The outlook is based, among other factors, on the assumptions for the economic development as described as well as the remarks included in the report on opportunities and risks. Expectations may be affected by market turbulence or global political and economic uncertainty as well as far-reaching restrictions related to the COVID-19 pandemic or similar.

LEGAL INFORMATION

DISCLOSURES PURSUANT TO TAKEOVER LAW

The information required by takeover law as stipulated under Sections 289a and 315a HGB (Commercial Code) as of December 31, 2020 (also representing the explanatory report in accordance with Section 176 [1] sentence 1 AktG [Stock Corporation Act]), is reported below. The composition of subscribed capital and shareholdings in excess of 10% of the voting rights can be found in the notes to the consolidated financial statements.

Limitations with regard to voting rights or the transfer of shares

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

Share-based components of the compensation of the Supervisory Board, Management Board, and employees provide, in part, for limitations on disposal, such as holding periods. Furthermore, preventive, time-limited trading restrictions for the Supervisory Board, the Management Board, and individual employees are in place.

Shares with special rights conferring powers of control

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

Form of voting rights control in the case of employee shareholdings

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

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

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

The Management Board's authorization to issue shares

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

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

-> if the new shares are issued at a price that is not significantly lower than the stock market price and the shares issued under exclusion of the shareholders' subscription rights pursuant to Section 186 (3) sentence 4 AktG do not exceed 10% of the share capital in total, neither at the effective date nor at the time at which this authorization is exercised. The sale of treasury shares is to be counted toward this 10% limit if it takes place during the term of this authorization under exclusion of the shareholders' subscription rights pursuant to Section 186 (3) sentence 4 AktG. Furthermore, those shares that have been issued or are to be issued to service bonds (including income bonds) with conversion or option privileges and/or a conversion obligation are to be counted toward this limit if the bonds or income bonds have been issued during the term of this authorization under exclusion of the shareholders' subscription rights pursuant accordingly to Section 186 (3) sentence 4 AktG.

-> if doing so is necessary in order to grant the creditors of the bonds issued by the Company or its Group companies (including income bonds) with conversion or option privileges and/or a conversion obligation a subscription right for new shares to the extent to which they would be entitled upon exercising their conversion or option privilege and/or upon meeting a conversion obligation;

-> in the event of a capital increase against contributions in cash for issuance to employees and executives of the Company, employees of affiliated companies, and freelance workers;

-> for the payment of stock dividends ("scrip dividends"), which involves offering shareholders the option of entirely or partially investing the dividends to which they are entitled as a contribution in kind for the acquisition of new shares in the Company;

-> for fractional amounts.

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

The total of the shares issued according to this authorization against contributions in cash or in kind under exclusion of the shareholders' subscription rights must not exceed a proportionate amount of the share capital of 2,010,351.30 Euro (10% of the current share capital); the sale of treasury shares is to be counted toward this limit if it takes place during the term of this authorization under exclusion of the shareholders' subscription rights. Furthermore, those shares that have been issued or are to be issued to service bonds (including income bonds) with conversion or option privileges and/or a conversion obligation are to be counted toward this limit if the bonds or income bonds have been issued during the term of this authorization under exclusion of the shareholders' subscription rights. The Management Board is further authorized to determine all other rights attached to the shares, as well as the particulars of the issue, subject to the Supervisory Board's consent.

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

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

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

The Management Board's authorization to buy back shares

Based on the authorization given by the Annual General Meeting of May 16, 2018, the Management Board of Elmos Semiconductor resolved and announced with the approval of the Supervisory Board on March 16, 2020, that it would make the Elmos shareholders a public buyback offer of 17.50 Euro per share for up to 1,540,000 bearer shares in the Company. Within the scope of this offer, the Company acquired of 1,539,922 bearer shares, which corresponds to 7.66% of the Company's share capital. Upon completion of this buyback offer, and in consideration of the previously acquired shares, the Company held a total of 2,008,921 treasury shares, corresponding to approximately 9.99% of the share capital. As of December 31, 2020, the Company still held a total of 1,986,206 treasury shares, or 9.88% of the share capital. The Management Board is authorized by the Annual General Meeting's resolution of May 22, 2020, to purchase treasury shares in the amount of up to 10% of the share capital in total by May 21, 2025, subject to the Supervisory Board's consent. Together with any treasury shares acquired for any other reason that are in the possession of the Company or are attributable to it in accordance with Section 71a et seq. AktG, the shares acquired on account of this authorization may at no time exceed 10% of the Company's share capital. The authorization to acquire and use treasury shares may be exercised entirely or in several parts, once or more than once, and for one or more than one purpose within the scope of the aforementioned limitation. The purchase is to be made at the stock exchange or through a public purchase bid tendered to all shareholders of the Company, or through purchasing from individual shareholders based on individual agreements, though not from Weyer Beteiligungsgesellschaft mbH, ZOE-VVG GmbH, Jumakos Beteiligungsgesellschaft mbH, or other reportable entities or persons in accordance with Article 19 (1) MAR. The authorization contains differentiating requirements for the separate purchase types, particularly with respect to the admissible purchase price. The new authorization cancels out the authorization to acquire and use treasury shares based on the resolution of the Annual General Meeting of May 16, 2018, and limited to the period prior to May 15, 2023.

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

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

Compensation agreements in case of a takeover bid

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

REMUNERATION REPORT

Total remuneration of the Management Board

The Supervisory Board decides on and routinely reviews the remuneration and the essential contract terms and conditions for the Management Board members. Total Management Board remuneration comprises a fixed monthly salary, a management bonus, and share-based payments, as well as fringe benefits and pension benefits. The Company does not provide an individualized disclosure of the remuneration out of respect for privacy protection. The Management Board and Supervisory Board agree that such a disclosure would not contribute to greater transparency in the form of additional information relevant to the capital market. By resolution of the Annual General Meeting of May 16, 2018, the Company is currently exempt from its legal obligation for individualized disclosure of Management Board remuneration for fiscal year 2020. In accordance with ARUG II, the remuneration will be published individually with the financial year 2021.

Apart from pension commitments, insurance benefits, and compensation agreements in case of a change of control or as a consequence of a non-competition clause, no additional post-contract benefits have been promised to any Management Board member in case of the termination of employment according to contract. An exception to this is the conclusion of an advisory agreement in 2019 with Dr. Anton Mindl following his departure from the Management Board. Likewise, no member of the Management Board received benefits or corresponding commitments from third parties with regard to his position on the Management Board in the past fiscal year. The terms of share-based payments already promised may exceed the respective Management Board member's employment period. The payment of earned management bonus entitlements also continues as regularly scheduled after the term of the contract has ended.

Total remuneration of the Supervisory Board

Until June 30, 2020, the remuneration of the AG's Supervisory Board was defined by Section 9 of the Articles of Incorporation. Since July 1, 2020, the remuneration of the SE's Supervisory Board has been determined by the next Annual General Meeting. The Supervisory Board members' remuneration is disclosed in summarized form, yet not individualized.

REMUNERATION OF THE MANAGEMENT BOARD FOR 2020

Fixed remuneration	
Fixed remuneration[1]	-> 1,070 thousand Euro (2019: 1,144 thousand Euro)
Pension commitments	-> 514 thousand Euro (2019: 373 thousand Euro) -> As payments to reinsurance policies in the amount of the plan contributions of a pension fund
Variable, performance-based remuneration	
Criteria	-> Consolidated earnings before taxes -> Personal, individual targets as agreed with the Supervisory Board
Management bonus	-> 2,411 thousand Euro (2019: 3,028 thousand Euro)

FORMER MANAGEMENT BOARD MEMBERS AND/OR THEIR SURVIVING DEPENDENTS FOR 2020

Fixed remuneration/ pension benefits	-> 221 thousand Euro (2019: 211 thousand Euro)
Management bonus	-> 0 thousand Euro (2019: 368 thousand Euro)
Insurance premiums	-> 84 thousand Euro (2019: 115 thousand Euro)
Reimbursements from reinsurance policies	-> 215 thousand Euro (2019: 225 thousand Euro)
Financial statement disclosure of pension provisions	-> 1,646 thousand Euro (2019: 1,464 thousand Euro) -> Covered in full by the time value of pension plan reinsurance policies

REMUNERATION OF THE SUPERVISORY BOARD FOR 2020

Fixed remuneration	
Fixed remuneration[1, 2]	-> 264.0 thousand Euro (2019: 82 thousand Euro)
Variable remuneration	
Management bonus	-> 112.5 thousand Euro (2019: 225 thousand Euro)
Further remuneration	
Compensation for individually performed services	-> 0 thousand Euro (2019: 24 thousand Euro)
Other remuneration rules	
(Vice) Chairman of the Supervisory Board	-> Twice/(1½ times) the amount of the fixed and variable remuneration[3]
Share-based payment	-> 25% of the fixed remuneration and 50% of the variable remuneration is invested in Elmos shares with a 3-year holding period (applicable for the remuneration paid by the AG until June 30, 2020)

[1] Incl. fringe benefits, mainly expenses and disbursements.
[2] Remuneration paid by the SE subject to the approval of the Annual General Meeting on May 20, 2021, with payment after May 20, 2021.
[3] According to the recommendation of the GCGC.

STATEMENT ON CORPORATE GOVERNANCE

The statement on corporate governance in accordance with Sections 289f and 315d HGB contained in the section "Information for our shareholders" of this Annual Report is part of the combined management report.

Dortmund, March 8, 2021

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets | thousand Euro	Notes	12/31/2020	12/31/2019
Intangible assets	14	30,201	32,864
Property, plant and equipment	15	130,367	137,803
Investments in associates	16	0	0
Securities	16	42,693	17,324
Investments	16	2,201	1
Other financial assets	21	1,595	4,704
Deferred tax assets	17	99	56
Non-current assets		**207,157**	**192,751**
Inventories	18	84,733	78,759
Trade receivables	19	37,231	50,928
Securities	16	2,751	11,003
Other financial assets	21	5,460	3,418
Other receivables	21	5,299	7,242
Income tax assets		12,554	403
Cash and cash equivalents	20	40,313	95,018
Current assets		**188,341**	**246,771**
Total assets		**395,498**	**439,522**

Equity and liabilities | thousand Euro	Notes	12/31/2020	12/31/2019
Share capital	22	20,104	20,104
Treasury shares	22	-1,986	-469
Additional paid-in capital	22	57,592	82,490
Surplus reserve		102	102
Other equity components	22	27	123
Retained earnings		233,742	236,732
Equity attributable to owners of the parent		**309,581**	**339,081**
Non-controlling interests		634	582
Equity		**310,214**	**339,663**
Provisions for pensions	24	71	0
Financial liabilities	25	41,905	44,680
Deferred tax liabilities	17	7,371	7,284
Non-current liabilities		**49,347**	**51,964**
Provisions	24	17,796	22,233
Income tax liabilities	26	39	6,157
Financial liabilities	25	3,674	4,390
Trade payables	27	9,043	10,159
Other liabilities	26	5,385	4,956
Current liabilities		**35,937**	**47,895**
Liabilities		**85,284**	**99,859**
Total equity and liabilities		**395,498**	**439,522**

CONSOLIDATED INCOME STATEMENT

thousand Euro	Notes	FY 2020	FY 2019
Sales	6	232,561	294,835
thereof from discontinued operations	6	0	-21,448
Sales from continuing operations	6	232,561	273,387
CONTINUING OPERATIONS			
Sales from continuing operations	6	232,561	273,387
Cost of sales	7	-140,008	-147,798
Gross profit		92,553	125,589
Research and development expenses	7	-47,725	-40,693
Distribution expenses	7	-18,861	-19,681
Administrative expenses	7	-17,424	-23,860
Operating income before other operating expenses (-)/income		8,543	41,356
Foreign exchange losses	10	-1,807	-788
Other operating income	11	5,048	2,398
Other operating expenses	11	-3,097	-2,088
Earnings before interest and taxes (EBIT) before restructuring expenses		8,687	40,878
Restructuring expenses	11	0	-11,126
Earnings before interest and taxes (EBIT) from continuing operations		8,687	29,753
Share in net income of associates	16	0	0
Finance income	9	483	551
Finance costs	9	-923	-1,574
Earnings before taxes		8,247	28,730
Income tax[1]		-1,775	-10,145
thereof current income tax	12	-1,767	-8,924
thereof deferred tax	12	-8	-1,221
Consolidated earnings after taxes from continuing operations		6,472	18,586
DISCONTINUED OPERATIONS			
Consolidated earnings after taxes from discontinued operations	5	0	67,174
Consolidated net income from continuing & discontinued operations		6,472	85,760
thereof attributable to owners of the parent		6,419	85,707
thereof attributable to non-controlling interests		52	53
Earnings per share[2]		Euro	Euro
Basic/Fully diluted earnings per share	13	0.35	4.36

[1] Prior-year value includes taxes on profits from the sale of the disposal from the scope of consolidation.
[2] After consideration of restructuring expenses, basic/fully diluted earnings per share (from continuing operations) amount to 0.94 Euro in the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

thousand Euro	Notes	FY 2020	FY 2019
Consolidated net income from continuing & discontinued operations		6,472	85,760
Items to be reclassified to the income statement in later periods including respective tax effects			
Foreign currency adjustments without deferred tax effect		-174	722
Foreign currency adjustments with deferred tax effect		0	386
deferred tax on this item	22	0	-127
Changes in market value of financial assets measured at market value	22	356	410
deferred tax on this item	22	-117	-134
Items not to be reclassified to the income statement in later periods including respective tax effects			
Actuarial losses from pension plans	22	-242	-164
deferred tax on this item	22	81	54
Other comprehensive income after taxes		-96	1,147
Total comprehensive income after taxes		6,376	86,907
thereof attributable to owners of the parent		6,323	86,854
thereof attributable to non-controlling interests		52	53

ADDITIONAL INFORMATION FOR DETERMINING THE OPERATING EBIT

thousand Euro	Notes	FY 2020	FY 2019
Earnings before interest and taxes (EBIT) from continuing & discontinued operations		8,687	97,260
Restructuring expenses	11	0	11,126
Earnings from sale of discontinued operations	5	0	-63,063
Earnings before interest and taxes (EBIT) (from operations)		8,687	45,323

CONSOLIDATED STATEMENT OF CASH FLOWS

thousand Euro	Notes	FY 2020	FY 2019
Consolidated net income from continuing & discontinued operations		6,472	85,760
Depreciation and amortization	8	30,916	33,668
Gains (-)/Losses from disposal of non-current assets		-20	137
Earnings from the sale of discontinued operations	5	0	-63,063
Financial result		440	1,266
Other non-cash expense/income (-)		8	-2,050
Current income tax	12	1,685	8,924
Expense for stock awards/share matching		113	83
Changes in provisions for pensions		71	0
Changes in net working capital:			
Trade receivables	19	13,698	-3,323
Inventories	18	-5,974	-10,066
Other assets	21	4,714	3,821
Trade payables	27	-475	-7,359
Other provisions and other liabilities		-4,018	10,053
Income tax payments		-19,954	-11,602
Interest paid	9	-881	-1,191
Interest received	9	483	508
Cash flow from operating activities		**27,278**	**45,566**
Capital expenditures for intangible assets	14	-4,564	-8,668
Capital expenditures for property, plant and equipment	15	-17,973	-41,011
Disposal of non-current assets		1,092	34
Disposal of investments	16	0	19
Payments from disposal from scope of consolidation	5	0	82,118
Acquisition of shares	16	-2,200	0
Payments for (-)/Disposal of securities	16	-16,762	5,170
Payments for other financial assets	21	-1,947	-484
Cash flow from investing activities		**-42,354**	**37,178**

thousand Euro	Notes	FY 2020	FY 2019
Repayment of current financial liabilities	25	0	-328
Share-based payment/Issue of treasury shares		421	-1,388
Share buyback		-26,949	-2,582
Dividend distribution	36	-9,409	-10,218
Repayment of liabilities from installment purchase		-621	-614
Repayment of lease liabilities		-3,069	-3,382
Other changes		168	232
Cash flow from financing activities		**-39,459**	**-18,280**
Decrease (-)/Increase in cash and cash equivalents		**-54,535**	**64,464**
Effect of exchange rate changes on cash and cash equivalents		-170	3,417
Cash and cash equivalents at beginning of reporting period	20	95,018	27,137
Cash and cash equivalents at end of reporting period	**20**	**40,313**	**95,018**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

thousand Euro	Notes	Shares thousand	Share capital	Treasury shares	Additional paid-in capital	Surplus reserve	Other equity components			Retained earnings	Total	Total	Total
		Equity attributable to owners of the parent										Non-controlling interests	Group
							Reserve for financial assets measured at market value	Currency translation	Unrealized actuarial losses				
01/01/2019		**20,104**	**20,104**	**-355**	**84,567**	**102**	**-432**	**697**	**-197**	**161,615**	**266,101**	**529**	**266,630**
Consolidated net income from continuing & discontinued operations										85,707	85,707	53	85,760
Other comprehensive income for the period	22						276	981	-110		1,147		1,147
Total comprehensive income							276	981	-110	85,707	86,854	53	86,907
Share-based payment/Issue of treasury shares	22			14	297					-1,699	-1,388		-1,388
Share buyback	22			-128	-2,454						-2,582		-2,582
Dividend distribution										-10,218	-10,218		-10,218
Expense for stock awards/share matching	22				83						83		83
Other changes					-3			-1.092		1,327	232		232
12/31/2019		**20,104**	**20,104**	**-469**	**82,490**	**102**	**-156**	**586**	**-307**	**236,732**	**339,081**	**582**	**339,663**
Consolidated net income from continuing & discontinued operations										6,419	6,419	52	6,472
Other comprehensive income for the period	22						239	-174	-161		-96		-96
Total comprehensive income							239	-174	-161	6,419	6,323	52	6,376
Share-based payment/Issue of treasury shares	22			23	398						421		421
Share buyback	22			-1,540	-25,409						-26,949		-26,949
Dividend distribution										-9,409	-9,409		-9,409
Expense for stock awards/share matching	22				113						113		113
12/31/2020		**20,104**	**20,104**	**-1,986**	**57,592**	**102**	**83**	**412**	**-468**	**233,742**	**309,581**	**634**	**310,214**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Effective July 1, 2020, Elmos Semiconductor AG was converted into a European Company (Societas Europaea, SE) and has since had the name Elmos Semiconductor SE.

Elmos Semiconductor SE ("the Group", "the Company", or "Elmos") has its registered office in Dortmund (Germany) and is entered in the register of companies at the District Court (Amtsgericht) Dortmund, section B, under no. 31940 (up to and including June 30, 2020: section B, no. 13698). The Articles of Association are in effect in the version of March 26, 1999, last amended by resolution of the virtual Annual General Meeting of May 22, 2020.

The Company's business is the development, manufacture and distribution of microelectronic components and system parts (application specific integrated circuits or, in short, ASICs, and application specific standard products or, in short, ASSPs) and technological devices with similar functions. The Company may conduct all transactions suitable for serving the object of the business directly or indirectly. The Company is authorized to establish branches, acquire or lease businesses of the same or a similar kind or invest in them, and conduct all business transactions that are beneficial to the Articles of Association. The Company is authorized to conduct business in Germany as well as abroad. In addition to its domestic branches, the Company has sales companies and business locations in Europe, Asia and the U.S. and cooperates with other German and international companies in the development and manufacture of semiconductor chips. The Company is a listed stock corporation and its shares are traded in the Prime Standard at the Frankfurt Stock Exchange.

The address of the Company's registered office is: 44227 Dortmund/Germany, Heinrich-Hertz-Straße 1. Due to the global COVID-19 pandemic, Elmos records to some extent significant effects on assets and liabilities, financial position, and profit/loss. Sales in particular remained considerably below the prior-year level. Corresponding expenses and fixed cost were reduced wherever possible. In the course of the year, short-time work was implemented throughout all areas of production as well as essential parts in administration. In this context, Management Board members, other executives, and employees not affected by short-time work waived a part of their salaries voluntarily to show their solidarity. In the fourth quarter of 2020, the business saw significant stimulation with strong sequential growth. Short-time work was suspended by the end of the year. In response to the pandemic, capital expenditures were low.

In view of the worldwide COVID-19 pandemic, the specific critical items goodwill, intangible assets and property, plant and equipment, trade receivables and inventories were subjected to impairment tests. They did not identify any material impact of the pandemic on above-mentioned items.

Apart from that, the pandemic did not have any material implications unless indicated in the notes to consolidated statements at hand wherever applicable.

ACCOUNTING POLICIES

1 – Principles of financial accounting

General information

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

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

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

The consolidated financial statements were released for publication by the Management Board on March 8, 2021.

Estimates and assumptions

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

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

Impairment of goodwill

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

With respect to the assumptions on the basis of which value in use is determined, uncertainties of estimates especially relate to gross margins and discount rates. Gross margins have been estimated on the basis of historical values of the past years in consideration of expected changes in demand and increases in efficiency. Discount rates reflect current market assessments and have been estimated on the basis of customary weighted average cost of capital. More detailed information can be found under notes 3 and 14.

Deferred tax assets

Deferred tax assets are recognized for all unutilized tax loss carry-forward to the extent it appears probable that taxable income will be available so that loss carry-forward can in fact be utilized. For the determination of the amount of deferred tax assets, a material discretionary decision made by the Company's management is required, based on the expected time of occurrence and the amount of taxable future income as well as future tax planning strategies. More detailed information can be found under note 17.

Pension commitments

Expenses for defined benefit pension plans are determined according to actuarial calculations. The actuarial evaluation is made on the basis of assumptions with regard to discount rates, expected returns on pension plan assets, future raises of wages and salaries, mortality, and increased future retirement pensions. Due to the long-term orientation of those plans, such estimates are subject to material uncertainty. More detailed information can be found under note 24.

Development expenses

Development expenses are capitalized in accordance with the accounting policies and valuation methods described under note 3 at the best possible estimates. More detailed information can be found under note 14.

Property, plant and equipment

Items of property, plant and equipment are capitalized on the basis of the best possible estimate according to the accounting and valuation method presented under note 3. More detailed information can be found under note 15.

Leases

In addition to establishing an adequate capitalization interest rate, the valuation of rights of use as well as liabilities under leases requires assumptions with respect to other parameters or rather the probability and dates of entry or exercise. The Group cannot readily determine the interest rate the lease is based on in the individual case. Therefore the Group also applies its incremental borrowing rate for measuring lease liabilities. That is the interest the Group would have to pay if it borrowed the funds over a comparable term at comparable security it would require in a similar economic environment for an asset with a value that is similar to the right of use. Some leases include purchase options/renewal options that can be exercised by the Group prior to expiry of the noncancelable term. The Group evaluates as of the provision date if the exercise of such options is likely. Depending on this assessment, the lease's underlying useful life is determined. More detailed information on leases can be found under notes 3 and 15.

Amended standards and revised conceptual framework

The accounting policies applied generally correspond to those applied in the previous year. Exceptions were the following amendments to standards and revisions of the conceptual framework, subject to first-time mandatory application for fiscal year 2020.

Amendments to standards / Revision of conceptual framework	First-time mandatory application in the EU	Effects on Elmos
Amendments to IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors:* Changes with regard to the definition of material	01/01/2020	Immaterial
Amendments to IFRS 3 – *Business Combinations:* Definition of a Business	01/01/2020	Immaterial
Amendments to IFRS 9 – *Financial instruments*, IAS 39 – *Financial Instruments:* Recognition and Measurement and IFRS 7 *Financial Instruments: Disclosures:* Interest Rate Benchmark Reform	01/01/2020	Immaterial
Amendments to IFRS 16 – *Leases:* COVID-19-Related Rent Concessions	06/01/2020	None
References to the revised conceptual framework	01/01/2020	Immaterial

Amendments to standards voluntarily applicable in advance (EU endorsed)

The IASB has released the following amendments to standards that have already been incorporated into EU law within the framework of the comitology procedure but were not yet subject to mandatory application in fiscal year 2020. The Group does not apply these amendments to standards in advance.

Amendments to standards	First-time mandatory application in the EU	Effects on Elmos
Amendments to IFRS 4 – *Insurance Contracts:* Interaction with IFRS 9	01/01/2021	None
Amendments to IFRS 9 – *Financial Instruments*, IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments – Disclosures*, IFRS 4 – *Insurance Contracts* and IFRS 16 – *Leases:* Interest Rate Benchmark Reform – Phase 2	01/01/2021	Immaterial

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

The IASB has released the following standards and amendments to standards that were not yet subject to mandatory application in fiscal year 2020. These standards and amendments to standards have so far not been endorsed by the EU and are therefore not adopted by the Group.

Standards/Amendments to standards	First-time mandatory application according to IASB	Effects on Elmos
Amendments to IAS 1 – *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current	01/01/2023	Immaterial
Amendments to IAS 1 – *Presentation of Financial Statements* and an IFRS Practice Statement 2: Disclosure of Accounting Policies	01/01/2023	Immaterial
Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of accounting Estimates	01/01/2023	Immaterial
Amendments to IAS 16 – *Property, Plant and Equipment:* Proceeds before Intended Use	01/01/2022	Immaterial
Amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022	Immaterial
Amendments to IFRS 3 – *Business Combinations:* Reference to the Conceptual Framework	01/01/2022	Immaterial
IFRS 17 – *Insurance Contracts* and Amendments to IFRS 17 – *Insurance Contracts*	01/01/2023	None
Improvements to IFRS 2018-2020	01/01/2022	Immaterial

2 – Principles of consolidation

Scope and methods of consolidation

In addition to Elmos Semiconductor SE, the consolidated financial statements prepared for fiscal year 2020 include all entities whose voting rights Elmos has the direct or indirect majority of, or based on other rights in cases of control over the entity as defined by IFRS 10 – *Consolidated Financial Statements*. Capital consolidation is based on the purchase method: The investments' acquisition values are set off against the proportionate balance of assets and liabilities acquired at their respective time values. As of the acquisition date, identifiable assets and liabilities are fully accounted for at their respective fair values. The balance of a remaining asset difference is stated as goodwill.

The separate financial statements of the entities included in the consolidated financial statements of Elmos are stated in correspondence to the reporting date of the consolidated financial statements. All material receivables and liabilities as well as transactions between the consolidated entities have been eliminated in the consolidated financial statements. A list of the subsidiaries included in the consolidated financial statements can be found under note 33.

Foreign currency translation and foreign currency transactions

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

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

The Company occasionally enters into forward exchange contracts and currency option transactions to hedge foreign currency transactions for periods consistent with committed exposures. These hedging activities reduce the impact of foreign exchange rate fluctuations on the Company's profit position. The Company is not involved in speculative transactions. For the total realized and unrealized foreign exchange gains or losses from currency hedges during fiscal year 2020, please refer to note 30.

Statement of cash flows

The cash flow statement shows how cash and cash equivalents have changed in the course of the fiscal year by inflows and outflows of funds. The effects of acquisitions and divestitures as well as other changes to the scope of consolidation have been considered. In accordance with IAS 7, the statement distinguishes between cash flows from operating activities, investing activities, and financing activities. Finance expenses and finance income recognized in the consolidated income statement essentially correspond to the amounts paid.

3 – Accounting and valuation principles

Sales

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

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

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

Goodwill

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

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

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

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

Other intangible assets

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

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

Amortization is entered in the consolidated income statement (cf. note 8). There were no other intangible assets with indefinite useful lives in fiscal year 2020 or in fiscal year 2019.

Property, plant and equipment

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

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

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

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

Leases

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

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

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

Investments in Associates

Investments in associated companies are valuated according to the equity method. Associates are entities on which the Group can exert significant influence but cannot control. Significant influence is generally assumed where Elmos has a direct or indirect voting share of between 20% and 50%. According to the equity method, investments in associates are recognized at cost as of the acquisition date plus changes to the Group's interest in the associate's net assets following the acquisition. The Group's share in profits and losses of associates is reported under "Share in net income of associates" in the income statement as of the date of acquisition. Aggregated changes after acquisition are set off against the investment's book value. If the Group's share in losses of an associate corresponds to or exceeds the Group's investment in that associate, the Group does not recognize any further loss. Potential impairment loss is considered in accordance with IAS 28.40 et seq.

Investments

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

Financial instruments

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

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

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

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

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

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

Financial assets and liabilities

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

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

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

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

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

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

Derivative financial instruments

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

Inventories

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

Trade receivables

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

Cash and cash equivalents (liquid assets)

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

Provisions

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

Recurring net pension expenses according to IAS 19 are made up of different components, reflecting different aspects of the Company's financial agreements as well as the expense for the benefits received by the employees. These components are determined by using the actuarial cost method on the basis of actuarial assumptions as stated under note 24.

The accounting principles provide that:

-> All benefit improvements the Company is committed to as of the current valuation date are reflected in the planned benefit obligation, and
-> actuarial gains and losses are directly recognized outside profit or loss in other comprehensive income.

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

Income taxes

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

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

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

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

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

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

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

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

Sales tax

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

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

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

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

Government grants

Government grants or subsidies are recognized if it is reasonably assured that the grants are given and that the Company fulfills the corresponding conditions. Grants linked to expenses are recognized on schedule as income over the period that is required to offset them against the corresponding expenses they are meant to compensate. Grants for an asset are recognized in the statement of financial position as reduction of acquisition cost. More detailed information can be found under note 31.

Borrowing costs

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

Discontinued operations

A part of the Group's business whose activities and cash flows can be separated from the rest of the Group for the purpose of business operations and accounting is disclosed as a discontinued operation if it has either been sold or categorized as held for sale and

-> represents a separate material line of business or a geographic business segment,

-> is part of an individual coordinated plan for the sale of a material line of business or geographic business segment, or

-> represents a subsidiary that was acquired solely with the intent to sell.

If a business segment is categorized as a discontinued operation, the consolidated income statement for the year of comparison is adjusted as if the operation had been discontinued as of the beginning of the year of comparison. Discontinued operations are not included in the income from continuing operations and they are disclosed in the consolidated income statement under a separate item as "Consolidated earnings after taxes from discontinued operations."

NOTES TO THE SEGMENTS

4 – Segment reporting

The segments correspond to the Elmos Group's internal organizational and reporting structure. The definition of segments considers the Group's different products and services. The accounting principles and valuation policies applied for the separate segments correspond to those applied by the Group. Until September 30, 2019, the Company divided its activities into two segments:

-> The Semiconductor business is conducted through the various subsidiaries and branches in Germany, the Netherlands, Asia, and the U.S. Sales in this segment are generated primarily with automotive electronics. Elmos is also active in the sector of industrial and consumer goods, supplying semiconductors e.g. for applications in household appliances, installation and building technology, and machine control systems.

-> Sales in the Micromechanics segment were generated by the subsidiary Silicon Microstructures Inc., Milpitas (U.S.). The product portfolio contains micro-electro-mechanical systems (MEMS) which are for the most part silicon-based high-precision pressure sensors.

Effective September 30, 2019, subsidiary SMI left the Elmos Group's scope of consolidation due to a sale of the shares in this entity. The figures attributed to the Micromechanics segment for fiscal year 2019 thus comprise only the period from January 1 to September 30, 2019.

Up to that point in time, business operations were 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 were based on cost-plus pricing or on settlement prices that corresponded to prices paid in transactions with third parties.

The following tables provide information on expenses, income and earnings as well as specific information on assets and liabilities of the Group's business segments for the fiscal years ended December 31, 2020 and December 31, 2019.

thousand Euro	Semiconductor		Micromechanics		Consolidation		Group	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Third-party sales	232,561	273,387	0	21,448	0	0	232,561	294,835
Inter-segment sales	0	418	0	1,010	0	-1,428[1]	0	0
Sales	**232,561**	**273,805**	**0**	**22,458**	**0**	**-1,428**	**232,561**	**294,835**
Depreciation	30,916	33,668	0	1,268	0	0	30,916	34,936
Other material non-cash expenses	-319	-11,809	0	0	0	0	-319	-11,809
Other material non-cash income	0	0	0	0	0	0	0	0
Income from the sale of discontinued operations	0	0	0	63,063	0	0	0	63,063
Segment income (EBIT), total	8,687	29,753	0	67,507	0	0	8,687	97,260
Share in net income of associates	0	0	0	0	0	0	0	0
Finance income							483	551
Finance cost							-923	-1,817
Earnings before taxes							**8,247**	**95,993**
Income tax	-1,775	-10,145	0	-89	0	0	-1,775	-10,233
Consolidated net income including non-controlling interests							**6,472**	**85,760**
Segment assets	340,331	344,045	0	0	52,966[2]	95,477[2]	393,297	439,521
Investments in associates	0	0	0	0	0	0	0	0
Investments	2,201	1	0	0	0	0	2,201	1
Total assets							**395,498**	**439,522**
Segment liabilities (total liabilities)	**32,295**	**37,348**	**0**	**0**	**52,989[3]**	**62,511[3]**	**85,284**	**99,859**
Other segment information								
Additions to intangible assets and property, plant and equipment	22,227	56,533	0	6,173	0	0	22,227	62,706

[1] Sales from inter-segment transactions are eliminated for consolidation purposes.

[2] Non-attributable assets as of December 31, 2020 and December 31, 2019 respectively include cash and cash equivalents (12/31/2020: 40,313 thousand Euro; 12/31/2019: 95,018 thousand Euro), income tax assets (12/31/2020: 12,554 thousand Euro; 12/31/2019: 403 thousand Euro), and deferred taxes (12/31/2020: 99 thousand Euro; 12/31/2019: 56 thousand Euro) as these assets are managed at Group level.

[3] Non-attributable liabilities as of December 31, 2020 and December 31, 2019 respectively include current financial liabilities (12/31/2020: 3,674 thousand Euro; 12/31/2019: 4,390 thousand Euro), non-current financial liabilities (12/31/2020: 41,905 thousand Euro; 12/31/2019: 44,680 thousand Euro), current income tax liabilities (12/31/2020: 39 thousand Euro; 12/31/2019: 6,157 thousand Euro), and deferred tax liabilities (12/31/2020: 7,371 thousand Euro; 12/31/2019: 7,284 thousand Euro) as these liabilities are managed at Group level.

Other non-cash expenses in fiscal year 2020 comprise, among other items, expenses from share matching plans and stock awards (113 thousand Euro; previous year: 83 thousand Euro), impairment of goodwill in the amount of 206 thousand Euro (previous year: 600 thousand Euro), and restructuring expenses in 2019 in the amount of 11,126 thousand Euro in connection with the termination of the cooperation agreement between Elmos Semiconductor SE and the Fraunhofer Institute for Microelectronic Circuits and Systems (IMS) in Duisburg upon expiry of the agreed term as of June 30, 2020.

Finance income in the amount of 483 thousand Euro (previous year: 551 thousand Euro) contains interest income of 482 thousand Euro (previous year: 508 thousand Euro) relating entirely to the Semiconductor segment. Finance costs of 923 thousand Euro (2019: 1,817 thousand Euro) are essentially interest expense at 923 thousand Euro (2019: 1,814 thousand Euro), relating to the Semiconductor segment in the amount of 923 thousand Euro (2019: 1,570 thousand Euro) and to the Micromechanics segment in the amount of 0 thousand Euro (2019: 244 thousand Euro) (please also refer to notes 5 and 9).

Geographic information

The geographic segment "EU countries" basically includes all member states of the European Union as of the respective reporting date. Those European countries that are currently not members of the European Union are included in the segment "Other countries." Third-party sales are broken down according to the customers' delivery locations.

Third-party sales | thousand Euro	FY 2020	FY 2019
Germany	53,004	71,772
Other EU countries	53,755	66,057
U.S.	3,878	10,513
Asia/Pacific	100,477	117,138
Other countries	21,447	29,355
Reclassification to discontinued operations	0	-21,448
Sales	**232,561**[1]	**273,387**[2]

[1] In fiscal year 2020 there are no individual countries with sales in excess of 10% of total sales.
[2] Thereof Austria with sales of 27,979 thousand Euro (10.2% of sales of continuing operations) and Hong Kong with sales of 28,647 thousand Euro (10.5% of sales of continuing operations).

Geographic breakdown of non-current assets | thousand Euro	12/31/2020	12/31/2019
Germany	203,690	186,506
Other EU countries	1,270	1,280
U.S.	372	3
Other countries	131	202
Non-current assets	**205,463**	**187,991**

Sales generated with the top customer accounting for more than 10% of sales amount to 23.8 million Euro and result from sales in the Semiconductor segment (2019: top two customers with sales of 33.9 million Euro and 30.0 million Euro respectively, attributable to the Semiconductor segment).

5 – Discontinued operations

By agreement of September 20, 2019, the Elmos Group sold Silicon Microstructures Inc., Milpitas, CA (U.S.) and thus the Micromechanics business segment. The closing of the agreement, i.e. the legal transfer of the shares and thus the loss of control, took place on September 30, 2019. As of that date, the Micromechanics segment was deconsolidated.

Consolidated earnings after taxes from discontinued operations

In the consolidated income statement of the previous year, earnings generated in the discontinued business segment Micromechanics up to the sale were recognized separately from the income and expenses from continuing operations and disclosed separately under the item "Consolidated earnings after taxes from discontinued operations."

"Consolidated earnings after taxes from discontinued operations" included in the consolidated income statement comprise the following items:

thousand Euro	2020	01/01-09/30/2019
Sales	0	21,448
Cost of sales	0	-10,259
Gross profit	**0**	**11,189**
Research and development expenses	0	-3,897
Distribution expenses	0	-1,078
Administrative expenses	0	-1,806
Operating income before income taxes	**0**	**4,409**
Other operating income	0	35
Financial result	0	-244
Earnings from operations before taxes	**0**	**4,200**
Income tax	0	-89
Earnings from operations after taxes	**0**	**4,111**
Earnings from sale of discontinued operations	0	63,063
Consolidated net income from discontinued operations	**0**	**67,174**

"Consolidated net income from discontinued operations" reported in the previous year in the amount of 67,174 thousand Euro was fully attributable to the owners of the parent. Of "Consolidated net income from continuing operations" in the amount of 6,472 thousand Euro (2019: 18,586 thousand Euro), the amount of 6,419 thousand Euro (2019: 18,533 thousand Euro) is attributable to the owners of the parent.

Cash flows from discontinued operations (2019)

thousand Euro	
Cash selling price	82,461
Transferred liquid assets	-343
Net cash inflow	**82,118**

The consolidated statement of cash flows presents the cash flows of the Group as a whole including discontinued operations. A separate presentation of the cash flows of the discontinued Micromechanics business segment follows in the next table:

thousand Euro	2020	01/01-09/30/2019
Cash flow from operating activities	0	2,893
Cash flow from investing activities	0	-1,412
Cash flow from financing activities	0	-1,809
Total cash flow of the discontinued business segment	**0**	**-328**

Effects of the sale on the Group's statement of financial position items

Deconsolidation resulted in the following disposal of net assets as of September 30, 2019 (based on SMI separate financial statements):

thousand Euro	09/30/2019
Non-current assets	9,581
Deferred tax assets	2,455
Inventories	11,738
Trade receivables	3,565
Cash and cash equivalents	343
Other assets	302
Provisions	-1,624
Trade payables and other liabilities	-1,965
Financial liabilities	-4,497
Liabilities from loans	-3,343
Net assets and liabilities	**16,555**

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

6 – Sales

The Company generates sales by selling semiconductors and, until September 30, 2019, micromechanical sensor elements as well as from their development (please also refer to the geographic segment breakdown under note 4).

thousand Euro	FY 2020	FY 2019	Change
Semiconductor (continuing operations)	232,561	273,387	-40,826
Micromechanics (discontinued operations)	0	21,448	-21,448
Sales	**232,561**	**294,835**	**-62,274**

In the Semiconductor segment, sales are down significantly in fiscal year 2020 due to the impact of the COVID-19 pandemic.

The decrease in sales in the Micromechanics segment is accounted for by the fact that this business segment was sold in fiscal year 2019 and the segment has been deconsolidated (please also refer to the information provided under note 5).

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

Cost of sales

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

thousand Euro	FY 2020	FY 2019
Material costs	-73,705	-84,315
Personnel expense	-35,625	-39,383
Other overhead	-32,705	-32,544
Changes in inventories	2,027	8,444
Cost of sales	**-140,008**	**-147,798**

Due to the lower demand compared to the previous year in connection with the COVID-19 pandemic and the resulting lower production output, a decrease in material costs by the amount of 10,610 thousand Euro was recorded. Staff cuts and short-time work implemented in production are reflected in lower personnel expense by 3,758 thousand Euro compared to the previous year. Other overhead has remained at prior-year level. Inventories show a slight increase year on year.

Research and development expenses

Substantial expenses regularly incur with regard to research and development projects carried out in anticipation of future sales. Research expenses are recognized in profit/loss according to the amount of work invested. Development expenses are capitalized depending on the project and then amortized or – insofar as capitalization requirements are not met – recognized in profit/loss. In fiscal year 2020, R&D expenses of 47,725 thousand Euro (2019: 40,693 thousand Euro) were charged to expenses.

Distribution expenses

Distribution expenses in the amount of 18,861 thousand Euro (2019: 19,681 thousand Euro) essentially include expenses for personnel, travel, commission, and depreciation.

Administrative expenses

Administrative expenses of 17,424 thousand Euro (2019: 23,860 thousand Euro) include personnel expense for staff in administration as well as proportionate personnel expense for the Management Board members. Other material items are expenses for depreciation and insurance as well as legal and consulting fees.

8 – Additional information on the statement of comprehensive income according to the cost of sales method

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

Material costs

Material costs amounted to 80,215 thousand Euro in the year under review and are down by 10,410 thousand Euro from the previous year in line with the decrease in sales due to the COVID-19 pandemic (2019: 90,625 thousand Euro). They include expenses for raw materials, supplies, consumables, and for services claimed.

Personnel expense

Personnel expense dropped by 6,581 thousand Euro compared to the previous year. The number of employees – based on an average employment ratio – went down from 1,257 in fiscal year 2019 to 1,207 in fiscal year 2020 (-4.0%). Further staff information can be found under note 39.

thousand Euro	FY 2020	FY 2019
Wages and salaries	-74,870	-81,134
Social security expense	-12,929	-13,437
Pension plan expense	-382	-191
Personnel expense	**-88,181**	**-94,762**

Depreciation and amortization

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

Depreciation and amortization and write-downs due to impairment amounted to 30,916 thousand Euro in the year under review (2019: 33,668 thousand Euro), equivalent to a decrease by 2,752 thousand Euro. Due to the application of the cost of sales method, depreciation of property, plant and equipment and amortization of intangible assets have been allocated to the items "Cost of sales," "Research and development expenses," "Distribution expenses," and "Administrative expenses" in the consolidated income statement.

9 – Finance income and finance cost

thousand Euro	FY 2020	FY 2019
Interest income	482	508
Other finance income	1	43
Finance income	**483**	**551**
Interest expense for lease liabilities	-123	-252
Other interest expense	-802	-1,318
Other finance costs	2	-4
Finance cost	**-923**	**-1,574**

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

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

thousand Euro	FY 2020	FY 2019
Interest income	482	508
Interest expense	-818	-1,335
Interest result	**-336**	**-827**

10 – Foreign exchange losses

Foreign exchange losses from exchange rate changes recognized through profit/loss amount to -1,807 thousand Euro in fiscal year 2020 (2019: -788 thousand Euro).

Exchange rate changes cumulatively attributable to the owners of the parent and recognized outside profit or loss amount to 412 thousand Euro in fiscal year 2020 (2019: 586 thousand Euro), considering corresponding deferred tax. Further information on changes in foreign currency exchange rates recognized outside profit or loss can be found under note 22.

11 – Other operating income and expenses/restructuring expenses

Other operating income in the amount of 5,048 thousand Euro (2019: 2,398 thousand Euro) includes, among other items, income from the reversal of provisions in the amount of 2,078 thousand Euro (2019: 835 thousand Euro), income from passenger car use in the amount of 795 thousand Euro (2019: 745 thousand Euro), income from the sale of assets in the amount of 223 thousand Euro (2019: 420 thousand Euro), other prior-period income in the amount of 1,334 thousand Euro (2019: 305 thousand Euro), and various individual items.

Other operating expenses/restructuring expenses of 3,097 thousand Euro (2019: 13,214 thousand Euro) essentially include, at 1,217 thousand Euro in fiscal year 2020, expenses linked to personnel provisions. In the previous year, those expenses essentially comprised restructuring expenses of 11,126 thousand Euro in connection with the termination of the cooperation agreement between Elmos Semiconductor SE and the Fraunhofer Institute for Microelectronic Circuits and Systems (IMS) in Duisburg upon expiry of the term as of June 30, 2020. In addition to valuation adjustments with respect to property, plant and equipment and inventories, restructuring expenses also included personnel provisions and contractually agreed compensation payments.

Apart from expenses indicated above, other operating expenses comprise, among other items, goodwill impairment in the amount of 206 thousand Euro (2019: 600 thousand Euro), real estate charges in the amount of 358 thousand Euro (2019: 335 thousand Euro), other prior-period expenses in the amount of 824 thousand Euro (2019: 361 thousand Euro), accounting loss from the disposal of non-current assets in the amount of 203 thousand Euro (2019: 550 thousand Euro), and various individual items.

12 – Income tax

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

thousand Euro	FY 2020	FY 2019
Current income tax	**-1,767**	**-8,924**
Germany	-1,126	-8,992
Outside Germany	-641	68
thereof taxes from previous years	*0*	*967*
Deferred tax	**-8**	**-1,221**
Germany	4	-1,210
Outside Germany	-12	-11
thereof taxes from previous years	*0*	*0*
Income tax	**-1,775**	**-10,145**

Deferred tax has been calculated under the so-called liability method pursuant to IAS 12. For Germany, the combined income tax rate of 32.805% (2019: 32.805%) has been applied. The Company's combined income tax rate includes the trade tax collection rate of 485% (2019: 485%), the corporate tax rate of 15.0% (2019: 15.0%), and the solidarity surcharge of 5.5% (2019: 5.5%). With respect to the international subsidiaries, respective country-specific tax rates have been applied for the calculation of deferred tax.

Deferred taxes are determined for the temporary differences between the book values of assets and liabilities in the consolidated financial statements and the tax statements in the separate financial statements. The deferral of taxes shows tax assets and tax liabilities that result from the approximation of book value differences over time. Material components of the Company's deferred tax assets and tax liabilities are described under note 17.

The differences between the anticipated tax amount in application of the statutory tax rate on the consolidated net income and the Company's income tax effectively to be paid are as follows:

in %	FY 2020	FY 2019
Statutory tax rate	32.81	32.81
Foreign tax rate differential	-5.15	1.35
Expenses disallowable against tax	0.80	0.26
Trade tax additions/cuts	1.26	0.43
Permanent differences	0.60	0.00
Taxes from previous years	0.00	-2.32
Tax rate changes	-0.21	-0.04
Tax-free income	-9.49	-4.17
Profit from sale of discontinued operations	0.00	6.44
Others	0.91	0.55
Effective tax rate	**21.53**	**35.31**

13 – Earnings per share

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

Reconciliation of shares | number of shares	FY 2020	FY 2019
Weighted average number of ordinary shares outstanding	18,496,845	19,658,967
Stock options with dilutive potential (calculation according to IAS 33.45 et seq.)	0	0
Calculation of earnings per share | Euro		
Consolidated net income attributable to owners of the parent	6,419,427	85,706,864
Basic earnings per share	0.35	4.36
Fully diluted earnings per share	0.35	4.36
Consolidated net income from continuing operations attributable to owners of the parent	6,419,427	18,532,539
Basic earnings per share	0.35	0.94
Fully diluted earnings per share	0.35	0.94
Consolidated net income from discontinued operations attributable to owners of the parent	0	67,174,325
Basic earnings per share	0	3.42
Fully diluted earnings per share	0	3.42

The weighted average number of shares in 2020 and 2019 respectively includes the weighted average effect of changes from transactions with treasury shares and the weighted average effect from the exercise of stock options from the 2012 tranche in the course of the year 2019.

There was no dilutive effect in 2020 or 2019 anymore as all stock option plans expired in 2019. Further information on stock option plans can be found under note 23.

In the period between the reporting date and the preparation of the consolidated financial statements, Elmos did not carry out any additional share buyback transactions.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

14 – Intangible assets

thousand Euro	Goodwill	Development projects		Software and licenses and similar rights and assets		Payments on account and projects under development		Total
Acquisition and production cost		In-house effort	Purchase	In-house effort	Purchase	In-house effort	Purchase	
12/31/2018	**3,661**	**21,830**	**71**	**7,562**	**44,260**	**13,267**	**1,458**	**92,109**
Foreign currency adjustments	10	0	0	0	73	0	0	83
Additions	0	2,096	590	0	1,385[1]	2,938	1,662	8,671
Transfers	0	8,149	1,267	0	240	-9,474	-146	36
Disposals	0	-659	0	0	-11	0	0	-670
Changes to scope of consolidation	0	0	0	0	-1,471	0	0	-1,471
12/31/2019	**3,671**	**31,416**	**1,928**	**7,562**	**44,476**	**6,731**	**2,974**	**98,758**
Foreign currency adjustments	0	0	0	0	0	0	0	0
Additions	0	229	1,028	0	573	1,905	801	4,536
Transfers	0	5	-5	0	9	0	0	9
Disposals	0	-1,172	-106	0	-19,967	0	0	-21,245
12/31/2020	**3,671**	**30,478**	**2,845**	**7,562**	**25,091**	**8,636**	**3,775**	**82,058**
Depreciation and amortization								
12/31/2018	**0**	**17,817**	**4**	**7,237**	**35,999**	**597**	**0**	**61,654**
Foreign currency adjustments	0	0	0	0	69	0	0	69
Additions	600	2,493	211	325	2,479	137	0	6,245
Disposals	0	-659	0	0	-11	0	0	-670
Changes to scope of consolidation	0	0	0	0	-1,404	0	0	-1,404
12/31/2019	**600**	**19,651**	**215**	**7,562**	**37,132**	**734**	**0**	**65,894**
Foreign currency adjustments	0	0	0	0	0	0	0	0
Additions	206	3,744	408	0	2,505	300	0	7,163
Disposals	0	-1,172	-106	0	-19,922	0	0	-21,200
12/31/2020	**806**	**22,223**	**517**	**7,562**	**19,715**	**1,034**	**0**	**51,857**
Book value 12/31/2019	3,071	11,765	1,713	0	7,344	5,997	2,974	32,864
Book value 12/31/2020	**2,865**	**8,255**	**2,328**	**0**	**5,376**	**7,602**	**3,775**	**30,201**

[1] Balance of additions and investment grants in the amount of 10 thousand Euro.

thousand Euro	12/31/2020	12/31/2019
Elmos Semiconductor SE (formerly Elmos France S.A.S.)	1,615	1,615
Elmos Services B.V.	0	206
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg	1,250	1,250
Goodwill	**2,865**	**3,071**

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

For the purpose of the impairment tests in accordance with IAS 36, the Group determines the recoverable amount on the basis of value in use. Forecasts are based on free cash flows which in turn are based on detailed planning adopted by the management, considering the Company's own empirical data as well as external general economic data. The forecasts are based both on historical values and the general market performance expected for the future. Determining value in use implies estimation uncertainty with respect to individual sales and cost planning as approved by management. Material parameters are established in the context of bottom-up planning by the subsidiaries and business divisions. Methodically, the detailed planning phase comprises a five-year planning period from 2021 to 2025. For the value added from 2026, it is enhanced by the perpetual annuity which is based on an annual growth rate of 0.5% (as applied in the previous year).

Further basic assumptions for the calculation of value in use

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

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

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

Discount rates – The respective pre-tax interest rates applied were determined under the capital asset pricing model (CAPM) and come to 13.7% for Elmos Semiconductor SE (2019: 13.5%), 13.4% for MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg (2019: 11.7%), and 10.1% for Elmos Services B.V. for fiscal year 2019, before deduction of respective growth rates. These interest rates correspond to the weighted average cost of capital. This so-called WACC is based on a risk-free interest rate (-0.1% for Elmos Semiconductor SE and MAZ in 2020 and 0.0% for Elmos Semiconductor SE, Elmos Services B.V. and MAZ in 2019) plus an average market risk premium (7.25% in 2020 and 7.0% in 2019) multiplied by an entity specific equity beta based on a so-called levered beta of 1.33 (2019: 1.34). All values stated are derived from market data.

Impairment tests conducted for Elmos Semiconductor SE and MAZ established that the recoverable amounts of the respective units exceeded the corresponding book values. Goodwill of Elmos Services BV in the amount of 206 thousand Euro was written off in full in fiscal year 2020.

Elmos has conducted sensitivity analyses, examining the effects of the simultaneous reduction of the budgeted earnings before interest and taxes (EBIT) in all planning periods beginning in 2021 by 10% compared to the adopted corporate budgets, a weighted average cost of capital increased by another 1.0 percentage point, and a reduction of the growth rate for perpetual annuity to 0.0% with respect to the recoverability of goodwill in the business divisions. These sensitivity analyses have shown that from today's viewpoint there would be no need for impairment of any (still existing) goodwill of any of the entities even under these changed assumptions.

Other intangible assets

Development projects

In 2020, expenses linked to product developments were capitalized as development projects and projects under development in the amount of 3,788 thousand Euro (2019: 7,271 thousand Euro). The resulting ratio of capitalized development expenses to total research and development expenses incurred in the Group comes to approx. 7.4% (2019: 14.0%). Depreciation of capitalized developments amounted to 4,452 thousand Euro in 2020 (2019: 2,841 thousand Euro), thereof extraordinary write-down in the amount of 1,200 thousand Euro (2019: 636 thousand Euro). The book value of capitalized development efforts (including projects under development) is 21,772 thousand Euro as of December 31, 2020 (2019: 22,434 thousand Euro).

Software and licenses and similar rights and assets

In 2020 as in the year before, no expenses for process technology were capitalized. Amortization came to 207 thousand Euro in 2020 (2019: 346 thousand Euro). As of December 31, 2020, the book values for process technology capitalized as non-current assets added up to 776 thousand Euro (December 31, 2019: 983 thousand Euro).

Other information

Costs linked to research and development projects are charged to expenses to the extent in which they incur, provided they do not meet the criteria for capitalization under IAS 38.57. Research and development expenses of 2,015 thousand Euro were reimbursed by customers in 2020 (2019: 3,669 thousand Euro) and reported under consolidated sales.

15 – Property, plant and equipment

thousand Euro	Land	Buildings and building improvements	Buildings and building improvements – right of use	Technical equipment and machinery/ Factory and office equipment	Technical equipment and machinery/ Factory and office equipment-right of use	Payments on account and construction in process	Total
Acquisition and production cost							
12/31/2018	**4,934**	**44,777**	**0**	**237,783**	**0**	**12,713**	**300,208**
01/01/2019	**4,934**	**44,777**	**0**	**237,783**	**0**	**12,713**	**300,208**
Recognition of rights of use from first-time adoption of IFRS 16	0	0	9,376	0	7,871	0	17,247
Adjusted as of 01/01/2019	**4,934**	**44,777**	**9,376**	**237,783**	**7,871**	**12,713**	**317,454**
Foreign currency adjustments	0	155	0	659	-1	18	831
Additions	0	324[1]	48	30,124[2]	513	5,777[3]	36,786
Transfers	0	4,606	0	7,608	0	-12,250	-36
Disposals	0	0	-2,670	-16,263	-372	0	-19,305
Changes to scope of consolidation	0	-5,292	-4,869	-18,884	0	-1,329	-30,374
12/31/2019	**4,934**	**44,570**	**1,885**	**241,027**	**8,011**	**4,929**	**305,356**
Foreign currency adjustments	0	0	0	-39	-6	0	-45
Additions	0	1,026	418	14,003[4]	370	1,877[5]	17,694
Transfers	0	475	0	2,305	0	-2,789	-9
Disposals	0	-490	0	-23,425	-157	0	-24,072
12/31/2020	**4,934**	**45,581**	**2,303**	**233,871**	**8,218**	**4,017**	**298,924**
Depreciation and amortization							
12/31/2018	**0**	**22,805**	**0**	**148,233**	**0**	**0**	**171,038**
01/01/2019	**0**	**22,805**	**0**	**148,233**	**0**	**0**	**171,038**
Foreign currency adjustments	0	132	16	491	0	0	639
Additions	0	1,837	622	25,271	959	0	28,689
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	-14,565	-21	0	-14,586
Changes to scope of consolidation	0	-2,614	-67	-15,547	0	0	-18,228
12/31/2019	**0**	**22,160**	**571**	**143,884**	**938**	**0**	**167,552**
Foreign currency adjustments	0	0	0	-33	-7	0	-40
Additions	0	1,737	168	20,773	1,078	0	23,756
Transfers	0	0	0	0	0	0	0
Disposals	0	-40	-450	-22,032	-190	0	-22,712
12/31/2020	**0**	**23,857**	**289**	**142,592**	**1,819**	**0**	**168,557**
Book value 12/31/2019	4,934	22,410	1,314	97,143	7,073	4,929	137,803
Book value 12/31/2020	**4,934**	**21,724**	**2,014**	**91,279**	**6,399**	**4,017**	**130,367**

[1] Balance of additions and investment grants in the amount of 453 thousand Euro.
[2] Balance of additions and investment grants in the amount of 1,476 thousand Euro.
[3] Balance of additions and investment grants in the amount of 137 thousand Euro.
[4] Balance of additions and investment grants in the amount of 153 thousand Euro.
[5] Balance of additions and investment grants in the amount of 216 thousand Euro.

Additions to "Technical equipment and machinery/Factory and office equipment" include purchase transactions for fiscal year 2020 (2019) in the amount of 546 thousand Euro (December 31, 2019: 1,156 thousand Euro) where corresponding cash outflows will take (took) place only in 2021 (2020). No borrowing costs were capitalized in fiscal year 2020 or the previous year.

Depreciation of "Technical equipment and machinery/Factory and office equipment" includes extraordinary write-down in the amount of 406 thousand Euro (2019: 1,612 thousand Euro).

Leases

The Group did not generate material income from subletting in fiscal year 2020 (2019). Future minimum payments under non-cancelable subletting agreements are immaterial as well.

16 – Securities and investments

a) Investments in associates

As of acquisition date January 1, 2016, 45.7% of the shares in Omniradar B.V., Eindhoven, were acquired for a purchase price of 2,210 thousand Euro. The entity is involved in sensor technology and has a share capital of 37 thousand Euro. Omniradar B.V. is accounted for in the Elmos consolidated financial statements according to the equity method. Since mid-2018, the entity has been subject to insolvency proceedings. For 2020 (2019), an at-equity loss in the amount of 0 thousand Euro (0 thousand Euro) was entered in the consolidated income statement. A book value of 0 thousand Euro (0 thousand Euro) is accounted for as of December 31, 2020 (December 31, 2019).

b) Securities

The Company has purchased securities (bonds and borrowers' notes) from different banks. Insofar as the securities' remaining terms to maturity exceed one year, they have been allocated to non-current assets (42,693 thousand Euro; 2019: 17,324 thousand Euro). Securities that mature within twelve months have been allocated to current assets (2,751 thousand Euro; 2019: 11,003 thousand Euro).

c) Investments

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

thousand Euro	12/31/2020	12/31/2019
Online Engineering GmbH (advance payment)	2,200	0
Epigone	1	1
Investments	**2,201**	**1**

Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz

Elmos holds 6% of the shares as of December 31, 2020, unchanged from the previous year.

Online Engineering GmbH, Dortmund

On December 23, 2020, Elmos Semiconductor SE signed a purchase agreement on the acquisition of all shares in Online Engineering GmbH. At that time, an advance payment on the purchase price of the shares (2,200 thousand Euro) was made to the former shareholders.

The acquisition has economic effect as of January 1, 2021. Upon taking control in the first quarter of 2021, the acquired entity is included as a fully consolidated subsidiary in the consolidated financial statements of Elmos Semiconductor SE.

Further information on the acquisition of this entity will be provided in the report for fiscal year 2021.

Summarized financial information

Entity | thousand	Currency	Total assets	Liabilities	Earnings	Net income for the period
Omniradar B.V.[1]	EUR	–	–	–	–
Epigone[2]	EUR	7,154	7,134	642	22
Online Engineering GmbH[1]	EUR	–	–	–	–

[1] No financial statements of this entity are available at present.
[2] Presented figures are based on preliminary unaudited financial statements as of December 31, 2020.

17 – Deferred tax

thousand Euro	12/31/2020	12/31/2019
Deferred tax assets	**99**	**56**
Securities	0	76
Cash and cash equivalents	1,064	420
Provisions for pensions	273	255
Other provisions	257	268
Financial liabilities	954	2,021
Others	95	229
Subtotal	2,643	3,269
Balance	-2,544	-3,213
Deferred tax liabilities	**-7,371**	**-7,284**
Intangible assets	-6,918	-7,090
Property, plant and equipment	-2,216	-2,841
Trade receivables	-128	-209
Inventories	-274	-34
Others	-379	-323
Subtotal	-9,915	-10,497
Balance	2,544	3,213
Net deferred tax	**-7,272**	**-7,228**

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

Deferred tax liabilities also include tax effects from changes in equity outside profit or loss. The decrease in net deferred tax in the amount of 44 thousand Euro essentially comprises deferred tax in the consolidated income statement of 8 thousand Euro (expense) and other changes outside profit or loss in the amount of 36 thousand Euro (decrease in equity; please also refer to note 22).

The capitalization of deferred tax assets on taxable loss carry-forward was made on the basis of the involved entities' medium-term business planning. As of December 31, 2020 there is no loss carry-forward for Elmos entities just like the previous year.

18 – Inventories

thousand Euro	12/31/2020	12/31/2019
Raw materials	13,448	9,993
Work in process	50,740	39,896
Finished goods	20,180	27,144
Payments on account	366	1,725
Inventories	**84,733**	**78,759**

The impairment of inventories recognized as expense (cost of sales) amounts to 2,625 thousand Euro (2019: 1,830 thousand Euro). This regards inventories a future sale of which is deemed unlikely. These assets were attributable to the Semiconductor segment.

19 – Trade receivables

thousand Euro	12/31/2020	12/31/2019
Trade receivables	37,417	51,017
Valuation allowance/Foreign currency valuation	-186	-89
Trade receivables	**37,231**	**50,928**

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

thousand Euro	2020	2019
Valuation allowance/Foreign currency valuation as of 01/01	**89**	**51**
Additions in the reporting period (valuation allowance expense)	0	0
Consumption	0	0
Reversals (appreciation in value of initially written-off receivables)	0	0
Foreign currency valuation	97	38
Valuation allowance/Foreign currency valuation as of 12/31	**186**	**89**

The impairment of trade receivables is entered for the most part in allowance accounts. The decision whether to recognize a default risk through an allowance account or a direct write-down on the receivable depends on the assessment of the probability of debt loss. If receivables are considered irrecoverable, the corresponding impaired asset is derecognized. The Elmos Group did not have to make material valuation allowances for the purpose of IFRS 9 due to significant increases of debt loss or objective indications of impairment in fiscal years 2020 and 2019 in consideration of historical factors and continuous creditworthiness assessment. If receivables are rated as irrecoverable, the corresponding impaired asset is written off. There were no write-offs of receivables in the past fiscal years (0 thousand Euro in 2020 and 0 thousand Euro in the previous year).

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

thousand Euro		Trade receivables		Other financial assets	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Neither impaired nor overdue as of the reporting date		31,950	43,645	565	8,122
Not impaired as of the reporting date and overdue within the following time bands	<30 days	4,579	6,274	0	0
	30-60 days	373	667	0	0
	61-90 days	-33	130	0	0
	91-180 days	-34	124	0	0
	181-360 days	-12	29	0	0
	>360 days	-43	-12	0	0

20 – Cash and cash equivalents

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

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

thousand Euro	12/31/2020	12/31/2019
Difference from asset allocation	0	159
Receivables from joint ventures (Epigone)	0	3,021
Tenant loans	1,580	1,508
Other loans receivable	15	15
Other non-current financial assets	**1,595**	**4,704**
Receivables from sale of assets	0	2,737
Receivables from joint ventures (Epigone)	4,895	0
Other financial assets	565	681
Other current financial assets	**5,460**	**3,418**
Other tax assets	2,931	5,378
Accrued income	1,870	1,497
Other current receivables	498	367
Other receivables	**5,299**	**7,242**

22 – Equity

Share capital: The share capital of 20,104 thousand Euro entered in the statement of financial position as of December 31, 2020 (December 31, 2019: 20,104 thousand Euro), consisting of 20,103,513 (December 31, 2019: 20,103,513) no-par value bearer shares with a theoretical share of 1 Euro in the share capital is fully paid up. Each share grants equal rights and corresponds to one vote in the Annual General Meeting.

Treasury shares: As of December 31, 2020, the Company holds 1,986,206 (December 31, 2019: 468,999) of the Company's no-par shares, adding up to a theoretical share in the share capital of 1,986 thousand Euro (December 31, 2019: 469 thousand Euro). The number of treasury shares was increased in fiscal years 2020 and 2019 by share buyback transactions and decreased at the same time by the issue of shares within the framework of share-based remuneration. Treasury shares held by the Company on the day of the Annual General Meeting are neither entitled to vote nor entitled to dividend.

Additional paid-in capital

thousand Euro	12/31/2020	12/31/2019
Premiums	50,965	75,976
Stock awards/Share matching	6,627	6,514
Additional paid-in capital	**57,592**	**82,490**

Additional paid-in capital essentially includes premiums from capital increases and the issue of shares of Elmos Semiconductor SE. In 2020 this item was decreased by 25,409 thousand Euro due to the buyback of 1,539,922 shares in March 2020 at an average share price of 17.50 Euro. Additional paid-in capital was also increased by 398 thousand Euro due to share-based payments and the issue of treasury shares linked to them.

The share attributable to stock awards and share matching went up in 2020 by the amount of the expense from the issue of stock awards/share matching (113 thousand Euro).

Other equity components

thousand Euro	12/31/2020	12/31/2019
Foreign currency adjustments	412	586
deferred tax on this item	0	0
Financial assets measured at market value	124	-232
deferred tax on this item	-41	76
Actuarial losses	-803	-562
deferred tax on this item	335	255
Other equity components	**27**	**123**

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

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

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

The development of changes in equity outside profit or loss that are attributable to the owners of the parent is shown in the following table for the years 2020 and 2019:

thousand Euro	2020	2019
Balance as of 01/01	123	68
Exchange rate differences	-174	15
deferred tax on this item	0	-127
Changes in financial assets measured at market value	356	410
deferred tax on this item	-117	-134
Changes in actuarial losses	-242	-164
deferred tax on this item	81	54
Balance as of 12/31	**27**	**123**

"Recycling" of equity components outside profit or loss

In fiscal year 2019, the Company sold bonds prior to maturity. For these bonds, adjustments were made outside profit or loss in equity up to the date of sale. Pursuant to IAS 1.92, such amounts recognized outside profit or loss have to be disclosed as reclassification adjustments ("recycling") as of the date of realization. In this context, amounts of 13 thousand Euro previously recognized in other comprehensive income had to be reclassified through profit or loss to the consolidated income statement in fiscal year 2019. There were no transactions in the year under review 2020 that would have required the recycling of equity components outside profit or loss.

Interests in the share capital

	12/31/2020		12/31/2019	
	thousand Euro	%	thousand Euro	%
Weyer Beteiligungsgesellschaft mbH, Schwerte	3,627	18.0	3,627	18.0
Jumakos Beteiligungsgesellschaft mbH, Dortmund	3,016	15.0	2,981	14.8
ZOE-VVG GmbH, Duisburg	2,310	11.5	2,307	11.5
Treasury shares	1,986	9.9	469	2.3
Shareholders <10% interest	9,165	45.6	10,721	53.3
Share capital	**20,104**	**100.0**	**20,104**	**100.0**

Considering related parties, respectively, the interest attributed to "Weyer Beteiligungsgesellschaft mbH and related parties" comes to 20.0% and the interest attributed to "ZOE-VVG GmbH and related parties" comes to 14.3% as of December 31, 2020 (December 31, 2019: 20.0% and 14.1% respectively).

Capital authorizations of the Management Board

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

Dividend

According to the German Stock Corporation Act, the dividend eligible for distribution is determined on the basis of the retained earnings Elmos Semiconductor SE reports in its annual financial statements (separate financial statements) prepared in accordance with the provisions of the German Commercial Code (HGB). In fiscal year 2020 (2019), Elmos Semiconductor SE distributed a dividend of 0.52 Euro (0.52 Euro) per share out of the retained earnings of fiscal year 2019 (2018).

23 – Share-based payment plans

Stock option plans

	2012 tranche
Year of resolution	2012
Year of issue	2012
Exercise price in Euro	7.42
ø share price of exercised options in Euro (2019)	24.06
Blocking period ex issue (years)	4
Exercise period after blocking period (years)	3
Options outstanding as of 01/01/2019 (number)	**114,431**
Exercised 2019 (number)	102,074
Forfeited 2019 (number)	12,357
Options outstanding/exercisable as of 12/31/2020 and 12/31/2019 (number)	**0**

The 2012 tranche was issued in the year 2012, based on the authorization given by the Annual General Meeting of May 4, 2010 for the implementation of a stock option plan for the Company's employees, executives and Management Board members as well as employees and executives of affiliated companies, with an exercise price of 120% of the average amount of the closing prices of the share of Elmos Semiconductor SE on the Xetra trading platform over the last ten trading days prior to the resolution.

Options could be exercised only if the closing price of the Company's stock equaled or exceeded the exercise price. Options could be exercised against payment of the issue price. The pecuniary benefit the beneficiaries could achieve by exercising their options was limited to four times the exercise price. The blocking period was four years as of the respective issue date. The other particulars of the granting and exercise of stock options can be derived from the specifications provided by the resolutions passed by the Annual General Meeting of May 4, 2010. The Company was authorized to offer compensation in cash instead of supplying shares to the beneficiaries. The Company made use of this option for the stock options exercised in the year 2019.

In 2016, 84,969 stock options from the 2012 tranche were exercised. In 2017, 111,842 stock options from the 2012 tranche were exercised. In 2018, 46,054 stock options from the 2012 tranche were exercised. In 2019, 102,074 stock options from the 2012 tranche were exercised. As of the reporting dates December 31, 2020/ December 31, 2019, all stock option plans of Elmos Semiconductor SE have expired.

The average fair value of the stock options was 1.42 Euro for the 2012 tranche. The fair value at grant date was determined under the Black-Scholes method for option pricing based on the following assumptions:

	2012 tranche
Dividend yield	3.0%
Expected volatility	47.50%
Risk-free interest rate as of grant date	0.31%
Expected term	4 years

In fiscal years 2020 and 2019 the Company incurred no expenses for stock option plans.

Share-based remuneration of Management Board members

Share-based remuneration of Management Board members consists of the covenant to be assigned treasury shares under certain conditions. The covenant depends on the sustainable achievement of a significantly improved business valuation and therefore considers the Company's moving average stock price over longer periods of time. In fiscal year 2020, the Group incurred expenses in the amount of 35 thousand Euro for share-based remuneration of Management Board members (please also refer to note 34).

24 – Provisions

Provisions for pensions (as of December 31, 2019 difference from asset allocation, disclosed under other non-current financial assets; please refer to note 21)

thousand Euro	12/31/2020	12/31/2019
Present value of pension commitments	1,818	1,636
Fair value of pension plan reinsurance	-1,747	-1,795
Net liabilities recognized in the statement of financial position	**71**	**-159**

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

The actuarial report is based on a pension adjustment of 1.5% per annum as in the previous year. The expected pay increases are determined at 0.0%, also unchanged. Evaluation is carried out in accordance with IAS 19. The interest rate was 0.70% per annum as of December 31, 2020 (December 31, 2019: 0.85% p. a.). For actuarial assumptions with respect to mortality and disability risk, the Heubeck mortality tables 2018 G have been applied.

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

thousand Euro	FY 2020	FY 2019
Service cost	0	0
Interest	14	26
Pension expense (net)	**14**	**26**

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

thousand Euro	2020	2019
Present value of pension commitments as of 01/01	**1,636**	**1,507**
Pension expense (net)	14	26
Benefits paid to pensioners	-84	-79
Actuarial losses from changes in financial assumptions	252	182
Present value of pension commitments as of 12/31	**1,818**	**1,636**
Fair value of reinsurance policies as of 01/01	**1,795**	**1,728**
Income from plan assets	15	29
Employer's contributions	0	93
Benefits from reinsurance policies	-73	-74
Actuarial gains from changes in financial assumptions	10	19
Fair value of reinsurance policies as of 12/31	**1,747**	**1,795**

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

Income from pension plan reinsurance amounts to 0 thousand Euro (2019: 62 thousand Euro) including payments made in the event of death. Premiums were paid in the mount of 0 thousand Euro (2019: 93 thousand Euro). For 2021 no more contribution payments are expected.

There are also indirect pension commitments to (former) Management Board members of Elmos Semiconductor SE through a pension fund. For completely congruent coverage of their obligations, the pension fund has taken out corresponding reinsurance policies for the exact agreed contribution amount. In 2020, contributions to these pension plans amounted to 538 thousand Euro (2019: 397 thousand Euro).

The employer's social security contributions made for employees amounted to 5,638 thousand Euro in 2020 (2019: 5,835 thousand Euro). The contributions to employees' direct insurance came to 306 thousand Euro in 2020 (2019: 296 thousand Euro).

Respective amounts of the current and the four preceding reporting periods:

thousand Euro	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Pension commitment	1,818	1,636	1,507	3,268	3,246
Fair value of pension reinsurance	-1,747	-1,795	-1,728	-2,856	-2,769
Overfunding/Underfunding (-)	-71	159	221	-412	-477
Adjustments to plan liabilities based on experience	-8	-8	-2	0	-3
Adjustments to plan assets based on experience	0	0	0	0	0

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

thousand Euro	Increase by 1% point		Decrease by 1% point	
	FY 2020	FY 2019	FY 2020	FY 2019
Effect on defined benefit obligation	-193	-181	239	226

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

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

Expected maturities for pension payments of the next five years:

thousand Euro	2020	2021	2022	2023	2024	2025
FY 2020	n/a	92	92	92	92	91
FY 2019	79	79	79	79	79	n/a

The average term of material pension benefit commitments is 10.4 years (2019: 10.7 years).

Current provisions

thousand Euro	01/01/2020	Consumption	Reversal	Transfers	Addition	12/31/2020
Vacation bonus	1,095	-1,095	0	0	880	880
Bonus provisions	2,541	-2,459	-82	0	1,188	1,188
Employer's liability insurance association	397	-397	0	0	401	401
Warranty and product liability	3,650	-2,180	-1,417	0	3,857	3,910
Licenses	456	-374	-82	0	428	428
Other personnel provisions	3,476	-3,196	-280	1,575	4,712	6,288
Provisions for restructuring	8,459	-5,684	-1,200	-1,575	0	0
Other provisions	2,159	-1,142	-394	0	4,078	4,700
Current provisions	**22,233**	**-16,528**	**-3,454**	**0**	**15,545**	**17,796**

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

25 – Financial liabilities

Non-current financial liabilities

thousand Euro	12/31/2020	12/31/2019
Bonded loans	40,000	40,000
Lease obligations	1,905	4,680
Non-current financial liabilities	**41,905**	**44,680**

The bonded loan issued in 2017 is divided into three tranches with terms of five, seven, and ten years at fixed interest respectively.

Current financial liabilities

As of December 31, 2020 the Company had various short-term lines of credit at its disposal in the total amount of 30,000 thousand Euro (2019: 29,500 thousand Euro). As of December 31, 2020, the Company provided these credit facilities as security in the amount of 611 thousand Euro (2019: 670 thousand Euro). Current financial liabilities (December 31, 2020: 3,674 thousand Euro; December 31, 2019: 4,390 thousand Euro) essentially reflect the current portion of lease obligations at 3,243 thousand Euro (2019: 3,992 thousand Euro).

Loans

The effective interest rates of loans range between 1.10% and 2.11% (previous year: 1.10% to 2.11%).

Cash flows from financial liabilities

The following table lists all contractually defined payouts as of December 31, 2020 and December 31, 2019 (indicated as positive values in the following table) for redemption, repayment and interest on financial liabilities accounted for. Payments are stated at undiscounted cash flows including interest payments for the next fiscal years. Also included are all cash flows from derivative financial instruments measured at positive and negative fair value.

12/31/2020 | thousand Euro	2021	2022-2025	from 2026
Liabilities to banks	646	27,753	14,409
Trade payables	9,043	0	0
Other financial liabilities	157	0	0
Lease obligations[1]	3,327	1,946	113

Future finance expenses from lease obligations amount to 246 thousand Euro (2019: 516 thousand Euro).

12/31/2019 | thousand Euro	2020	2021-2024	from 2025
Liabilities to banks	646	28,103	14,704
Trade payables	10,159	0	0
Other financial liabilities	519	0	0
Lease obligations[1]	4,313	4,891	0

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

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

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

thousand Euro	01/01/2020	Cash changes	Non-cash changes		12/31/2020
			Reclassification	Lease obligations	
Non-current financial liabilities	44,680	0	-3,097	322	41,905
Current financial liabilities	4,390	-3,813	3,097	0	3,674
	49,070	**-3,813**	**0**	**322**	**45,579**

thousand Euro	01/01/2019	Cash changes	Non-cash changes		12/31/2019
			Reclassification	Lease obligations	
Non-current financial liabilities	42,449	0	-1,012	3,243	44,680
Current financial liabilities	1,340	-1,340	1,012	3,378	4,390
	43,789	**-1,340**	**0**	**6,621**	**49,070**

26 – Other liabilities and income tax liabilities

Other liabilities are solely current liabilities as of the reporting date, as in the year before, and amount to 5,385 thousand Euro (December 31, 2019: 4,956 thousand Euro). Other current liabilities include, among other items, wage income tax liabilities, social security contributions yet to be made, payments received on account of orders, and other financial liabilities.

Income tax liabilities amount to 39 thousand Euro (December 31, 2019: 6,157 thousand Euro) and as of December 31, 2020 exclusively comprise liabilities of several international subsidiaries (December 31, 2019: liabilities of Elmos as well as several domestic and international subsidiaries).

27 – Trade payables

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

28 – Derivative financial instruments

The Company monitors the development in the value of liabilities at fixed and variable interest rates and of current and non-current liabilities. In this context, business and other finance risks are reviewed.

In fiscal year 2020 Elmos concluded several currency hedges. Those are forward exchange rate contracts for the currency USD; corresponding income or expenses have been stated under the item "Foreign exchange losses" (cf. note 29). The market value of forward exchange rate contracts is measured in application of the exchange rates as of the reporting date based on market assessments of the banks involved.

The Company entered into structured term deposit transactions in 2020 providing for repayment of the investment amount in a foreign currency (USD) if a predefined EUR/USD reference exchange rate (or margin) is undercut or exceeded as of the due date of the transaction. Moreover, the Company entered into structured term deposit transactions in a foreign currency (USD) providing for repayment of the investment amount in Euro if a predefined USD/EUR reference exchange rate is undercut or exceeded as of the due date of the transaction (cf. note 29 for further information).

29 – Additional information on financial instruments

Book values, measurement, and fair value according to measurement categories

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

The book value of financial instruments such as trade receivables and trade payables essentially corresponds to the fair value due to the short-term maturities of these financial instruments. The book values of short-term and long-term securities attributed to the "hold and sale" business model correspond to the fair value. Measurement was made on the basis of market values as of the reporting date provided by the banks involved. Securities reported under "hold" were measured at amortized cost. The market value of forward exchange contracts/currency option transactions (cf. note 30) was determined on the basis of the currency exchange rates as of the reporting date provided by the banks involved. The market value of liabilities to banks was established on the basis of market prices determined for the same or similar issues and of the interest rates currently made available to the Company.

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

			Valuation according to IFRS 9						Valuation according to IFRS 9				
thousand Euro	Business model	Book value	Amortized cost	At market value through profit or loss	At market value outside profit or loss		Fair Value	Book value	Amortized cost	At market value through profit or loss	At market value outside profit or loss		Fair Value
		12/31/2020			No recycling	Recycling	12/31/2020	12/31/2019			No recycling	Recycling	12/31/2019
Investments	Hold and sale	2,201	0	0	2,201	0	2,201	1	0	0	1	0	1
Securities (long-term)	Hold	3,000	3,000	0	0	0	3,000	0	0	0	0	0	0
Securities (long-term)	Hold and sale	39,693	0	0	0	39,693	39,693	17,324	0	0	0	17,324	17,324
Securities (short-term)	Hold	0	0	0	0	0	0	3,000	3,000	0	0	0	3,000
Securities (short-term)	Hold and sale	2,751	0	0	0	2,751	2,751	8,003	0	0	0	8,003	8,003
Trade receivables	Hold	37,231	37,231	0	0	0	37,231	50,928	50,928	0	0	0	50,928
Cash and cash equivalents	Hold	40,313	40,313	0	0	0	40,313	95,018	95,018	0	0	0	95,018
Other financial assets													
Other receivables and assets (current)	Hold	5,452	5,452	0	0	0	5,452	3,298	3,298	0	0	0	3,298
Other loans and assets (non-current)	Hold	1,595	1,595	0	0	0	1,595	4,704	4,704	0	0	0	4,704
Forward exchange contracts/Currency option transactions	Trade	0	0	0	0	0	0	109	0	109	0	0	109
Call options	Trade	8	0	8	0	0	8	11	0	11	0	0	11
Financial assets		**132,245**	**87,592**	**8**	**2,201**	**42,444**	**132,245**	**182,396**	**156,948**	**120**	**1**	**25,327**	**182,396**
Trade payables	Financial liabilities AC	9,043	9,043	0	0	0	9,043	10,159	10,159	0	0	0	10,159
Liabilities to banks	Financial liabilities AC	40,431	40,431	0	0	0	41,991	40,398	40,398	0	0	0	41,809
Other financial liabilities													
Miscellaneous financial liabilities	Financial liabilities AC	157	157	0	0	0	157	519	519	0	0	0	519
Forward exchange contracts/ Currency option transactions	Financial liabilities FVTPL	232	0	232	0	0	232	0	0	0	0	0	0
Rental and lease obligations	Financial liabilities AC	5,148	5,148	0	0	0	5,148	8,672	8,672	0	0	0	8,672
Financial liabilities		**55,011**	**54,779**	**232**	**0**	**0**	**56,571**	**59,748**	**59,748**	**0**	**0**	**0**	**61,159**
Aggregated by business model													
Hold and sale		44,645	0	0	2,201	42,444	44,645	25,328	0	0	1	25,327	25,328
Hold		87,592	87,592	0	0	0	87,592	156,948	156,948	0	0	0	156,948
Trade		8	0	8	0	0	8	120	0	120	0	0	120
Financial liabilities at amortized cost		54,779	54,779	0	0	0	56,339	59,748	59,748	0	0	0	61,159
Financial liabilities at fair value through profit or loss		232	0	232	0	0	232	0	0	0	0	0	0

Hierarchy of fair values

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

thousand Euro		01/01	Addition	Disposal	Transfer	Market valuation	12/31
Long-term securities[1]	2020	17,324	24,566	0	-2,548	351	39,693
	2019	18,446	10,403	-3,514	-8,057	45	17,324
Short-term securities[1]	2020	8,003	252	-8,057	2,548	5	2,751
	2019	10,108	0	-10,527	8,057	365	8,003

[1] Hold and sale

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

thousand Euro		01/01	Addition	Disposal	Market valuation	12/31
Forward exchange contracts/ Currency option transactions	2020	109	232	-109	0	-232
	2019	171	109	-171	0	109
Embedded derivatives	2020	0	0	0	0	0
	2019	-16	0	0	16	0

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

thousand Euro		01/01	Addition	Disposal	12/31
Investments	2020	1	2,200	0	2,201
	2019	20	0	-19	1

thousand Euro		01/01	Addition	Write-off	12/31
Call options	2020	11	2	-5	8
	2019	11	3	-3	11

Information on the consolidated income statement

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

Gains (+)/Losses (-) | thousand Euro	FY 2020	FY 2019
Hold	-2,042	-1,130
Trade	-51	1,016
Financial liabilities at amortized cost	192	66
Financial liabilities at fair value through profit or loss	16	16

Elmos recognizes valuation allowances/debt loss for trade receivables attributable to the "hold" category under "Other operating expenses." Gains from foreign currency translation of financial assets attributable to the "hold" business model primarily result from trade receivables as well as cash and cash equivalents. Net gains and losses essentially comprise valuation allowances, currency translation effects, and debt loss. Expenses or income attributable to the "financial liabilities at amortized cost" business model result from exchange rate differences of trade payables. Foreign exchange gains in the amount of 181 thousand Euro and foreign exchange losses in the amount of 232 thousand Euro (2019: foreign exchange gains of 1,094 thousand Euro and foreign exchange losses of 78 thousand Euro) linked to currency hedges are reported under the "trade" business model. Interest relating to financial instruments is stated in interest income/expense (cf. note 9).

30 – Financial risk

Basic principles

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

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

Credit and default risk

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

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

Liquidity and financing risk

The liquidity risk of Elmos addresses the contingency that the Company might not be able to fulfill its financial obligations upon maturity, e.g. the payment of finance debt, the payment of trade payables, and payment obligations arising from lease agreements. A liquidity reserve in the form of cash and cash equivalents, investments of high fungibility and convertibility into cash, and sufficiently available free lines of credit is provided so that this risk will not materialize and the liquidity and financial flexibility of Elmos are assured at any time. In addition to that, the Group's liquidity is constantly monitored within the framework of short-term and long-term liquidity planning. Apart from their respective internal financing power, liquidity of the domestic and international subsidiaries is provided through the Group's lines of credit and loans as well as by banks. The cash flows from financial liabilities are presented under note 25.

Financial market risk

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

a) Exchange rate risk

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

Elmos was exposed to currency risks as of the reporting date. In fiscal year 2020, Elmos realized foreign exchange gains in the amount of 181 thousand Euro (2019: 985 thousand Euro) and incurred foreign exchange losses in the amount of 0 thousand Euro (2019: 78 thousand Euro) from U.S. dollar currency hedges, reported in the consolidated income statement under "Foreign exchange losses." In addition to that, Elmos recorded income of 0 thousand Euro (2019: 109 thousand Euro) and expenses of 232 thousand Euro (2019: 0 thousand Euro) from the measurement of USD hedges still open as of the reporting date. Foreign exchange gains in the amount of 0 thousand Euro (2019: 752 thousand Euro) and foreign exchange losses in the amount of 0 thousand Euro (2019: 78 thousand Euro) resulted in 2020 from structured term deposits where the repayment of the investment amount in USD/EUR is called for insofar as a previously fixed reference exchange rate (or margin) for EUR and the foreign currency is undercut or exceeded as of the due date of the transaction. Moreover, these investments resulted in interest advantages.

Had the euro been revalued (devalued) against the U.S. dollar by 10% as of December 31, 2020 with respect to the monetary financial instruments, earnings (before taxes) would have been 2,226 thousand Euro lower (2,205 thousand Euro higher) (2019: 4,144 thousand Euro lower (5,009 thousand Euro higher)). The Group's equity effect would have come to the same amount due to the result effect in consideration of income tax incurred.

b) Interest rate risk

The risk of interest rate changes Elmos is exposed to as of the reporting date results from securities classified under "hold and sale." If the market interest rate was higher (lower) by 100 basis points, equity would be down by 1,208 thousand Euro (increase in equity by 1,050 thousand Euro) (2019: decrease (increase) in equity by 472 (490) thousand Euro). Deferred tax on these amounts would have to be considered as well.

Elmos faces interest rate risk primarily in the euro area. Within the context of financing decisions, the Management Board determines the target mix of fixed and variable-interest liabilities. The financing structure is derived and implemented on that basis. For long-term financing projects, fixed interest rates are usually agreed on for securing the basis of calculation. Interest derivatives are also utilized if necessary. Further information about securing long-term financing can be found under note 25.

c) Other price risks

Elmos has secured its medium-term supply with electricity and natural gas by concluding fixed prices in advance. A 10% higher (lower) electricity rate would result in an increase (decrease) in earnings by 0 thousand Euro (0 thousand Euro) for fiscal year 2020 (2019: increase (decrease) in earnings by 78 thousand Euro (91 thousand Euro)). A 10% higher (lower) gas price would result in an increase (decrease) in earnings by 0 thousand Euro (62 thousand Euro) for the fiscal year 2020 (2019: increase (decrease) in earnings by 61 thousand Euro (92 thousand Euro)). The Group's equity effect with respect to electricity and natural gas would be the same amount due to the result effect in consideration of income tax incurred.

Capital management

It is the primary objective of the Elmos Group's capital management to assure an adequate credit rating, liquidity at any time and at high financial flexibility, and a solid capital structure. The Management Board actively controls the Elmos Group's capital structure and makes adjustments if necessary in consideration of the economic framework as well as the risks carried by the underlying assets. Control measures aim at safeguarding operating liquidity and sufficient robustness to withstand economic fluctuations without losing any measure of the capacity to act strategically. For maintaining or adjusting the capital structure, dividends may be paid to the shareholders for instance or new stock may be issued. As of December 31, 2020 and December 31, 2019, no changes were made to the objectives, guidelines, or procedures.

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

	FY 2020	FY 2019
Net cash	40.2 million Euro	74.3 million Euro
Equity ratio	78.4 %	77.3 %

OTHER INFORMATION

31 – Government grants

The Company receives government grants used for financing research and development projects. Government grants used for research and development projects were offset against research and development expenses and recognized under that item (746 thousand Euro in 2020; 1,805 thousand Euro in 2019). For information about investment grants for property, plant and equipment, please refer to notes 14 and 15.

32 – Other financial obligations and contingencies

Future minimum payments owed under non-cancelable rental agreements, leases, maintenance agreements, insurance premiums, and various obligations to accept with initial or remaining terms of more than one year as of December 31, 2020 and December 31, 2019 are as follows:

thousand Euro	2020	2021	2022	2023	2024	2025	Later years	Total
12/31/2020	n/a	16,487	2,646	651	608	608	0	**21,000**
12/31/2019	22,644	2,856	2,328	444	444	0	0	**28,716**

Total expenditure for rental and lease agreements amounted to 1,930 thousand Euro in 2020 and 1,944 thousand Euro in 2019.

Material expenses for short-term leases and expenses for leased low-value assets did not have to be recognized for fiscal years 2020 and 2019. The total cash outflow for leases comes to 3,069 thousand Euro (2019: 3,382 thousand Euro) for principal payments and 123 thousand Euro (2019: 253 thousand Euro) for interest payments.

A purchase commitment in the amount of 11,189 thousand Euro (2019: 1,678 thousand Euro) results from investment orders placed.

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

33 – Consolidated companies

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

Capital share

thousand or %	Currency	Interest	Equity	Earnings	Relationship
Parent: Elmos Semiconductor SE, Dortmund, Germany					
Domestic					
DMOS Dresden MOS Design GmbH, Dresden	EUR	74.8%	2,470	218[1]	Subsidiary
Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	EUR	6.0%	21	22[1]	Investment
GED Electronic Design GmbH, Frankfurt/Oder	EUR	100.0%	898	0[1,4]	Subsidiary
Mechaless Systems GmbH, Bruchsal	EUR	100.0%	212	-169[1]	Subsidiary
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, Berlin	EUR	100.0%	2,125	979[1]	Subsidiary
International					
Elmos Services B.V., Nijmegen (NL)	EUR	100.0%	11,157	4,895[1]	Subsidiary
Elmos Semiconductor B.V., Nijmegen (NL)	EUR	100.0%	-1,163	-66[1,2]	Subsidiary
European Semiconductor Assembly (eurasem) B.V., Nijmegen (NL)	EUR	100.0%	316	25[1,2]	Subsidiary
Micro Systems on Silicon (MOS) Limited, Pretoria (South Africa)	ZAR	51.0%	–	–[2,3]	Subsidiary
Elmos N.A. Inc., Farmington Hills (U.S.)	USD	100.0%	1,585	73[1]	Subsidiary
Elmos Korea Co. Ltd., Seoul (Korea)	KRW	100.0%	194,268	77,788[1]	Subsidiary
Elmos Semiconductor Singapore Pte. Ltd., Singapore	SGD	100.0%	770	62[1]	Subsidiary
Elmos Japan K.K., Tokyo (Japan)	JPY	100.0%	51,292	5,863[1]	Subsidiary
Elmos Semiconductor Technology (Shanghai) Co. Ltd., Shanghai (China)	CNY	100.0%	4,561	722[1,2]	Subsidiary
Omniradar B.V., Eindhoven (NL)	EUR	45.7%	–	–[3]	Associate

[1] Presented figures are based on preliminary unaudited financial statements as of December 31, 2020.
[2] Indirect investment of Elmos Semiconductor SE, Dortmund.
[3] Financial statements of this entity are not available yet.
[4] Profit and loss transfer agreement

Elmos Semiconductor SE closed the sale of Silicon Microstructures Inc., Milpitas (U.S.), or rather of the shares in Elmos USA Inc., Farmington Hills (U.S.), to Measurement Specialties Inc., a subsidiary of TE Connectivity Ltd., as of September 30, 2019. Thus both entities left the scope of consolidation as of that date.

The interest in Elmos N.A. Inc., Farmington Hills (U.S.), so far classified as an indirect investment in the consolidated financial statements of Elmos Semiconductor SE, has been classified as a direct investment for the first time as of December 31, 2019 due to the purchase of shares by Elmos Semiconductor SE.

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

Additional summarized financial information as of 12/31

thousand Euro or %		Interest	Assets		Liabilities		Sales	Allocated dividend
			Current	Non-current	Current	Non-current		
For non-controlling interests in subsidiaries (IFRS 12 B10)								
DMOS, Dresden	2020	25.2%	1,574	2,410	1,279	190	6,171	0
	2019	25.2%	1,302	2,537	1,165	366	6,107	0
MOS, South Africa	2020[1]	49.0%	–	–	–	–	–	–
	2019[1]	49.0%	–	–	–	–	–	–
For associates (IFRS 12 B12)								
Omniradar, Netherlands	2020[1]	45.7%	–	–	–	–	–	–
	2019[1]	45.7%	–	–	–	–	–	–

[1] Financial statements of this entity are not available yet.

34 – Information on Management Board and Supervisory Board

thousand Euro		Short-term payments		Share-based payments
		Fixed remuneration	Variable remuneration	Stock awards
Management Board	FY 2020	1,584	2,411	35
	FY 2019	1,518	3,028	0
Supervisory Board	FY 2020	264	112.5	0
	FY 2019	82	225	0

There are indirect pension commitments to Management Board members for benefits after termination of employment for which no pension provisions must be made because of completely congruent coverage by reinsurance policies. In 2020, contributions to these pension plans amounted to 514 thousand Euro (2019: 373 thousand Euro), included in the fixed remuneration component. The Annual General Meeting of May 16, 2018 decided with a majority in excess of the required three quarters of the votes not to provide the disclosures stipulated under Section 285 no. 9a sentences 5-8 HGB (Commercial Code) for the next five years.

Remuneration paid to former Management Board members or their surviving dependents amounted to 221 thousand Euro in the fiscal year, thereof fixed components in the amount of 221 thousand Euro and variable components in the amount of 0 thousand Euro (2019: 579 thousand Euro, thereof fixed remuneration 211 thousand Euro and variable components 368 thousand Euro). Moreover, insurance premiums in the amount of 84 thousand Euro were paid (2019: 115 thousand Euro) for this group of beneficiaries. These amounts are balanced by reimbursements from reinsurance policies in the amount of 215 thousand Euro (2019: 225 thousand Euro). The amount of pension provisions for acting and former members of the Management Board or their surviving dependents was 1,646 thousand Euro as of December 31, 2020 (December 31, 2019: 1,464 thousand Euro).

As of December 31, 2020, the following members of Management Board and Supervisory Board were members of statutory supervisory boards or comparable domestic or foreign supervisory bodies.

-> Dr. Klaus Egger: Member of the Supervisory Board of AVL List GmbH

-> Dr. Gottfried Dutiné: Member of the Advisory Committee of Endiio GmbH, Member of the Board of Directors of Stokke A.S

35 – Information on group auditor fees

Fees of group auditor Warth & Klein Grant Thornton AG

thousand Euro	FY 2020	FY 2019
Audit services	257[1]	299
Other certification services	0	0
Tax counseling	38	35
Other services	0	72
Group auditor fees	**295**	**406**

[1] Thereof 11 thousand Euro for the previous year.

In 2020, the item “Audit services” comprised fees for the statutory audit of separate financial statements and consolidated financial statements and the review of the 6-month consolidated financial statements of Elmos. For 2019, an IFRS audit of a subsidiary commissioned by Elmos Semiconductor SE was included in addition to that. Tax counseling essentially includes consulting in connection with the preparation of tax returns and tax assessments of individual circumstances. Other services rendered in fiscal year 2019 principally included the analysis of financial information of business operations whose divestiture was being considered.

36 – Appropriation of retained earnings and dividend proposal

Management Board and Supervisory Board propose to the Annual General Meeting in May 2021 the payment of a dividend of 0.52 Euro per share for fiscal year 2020 out of the 2020 retained earnings of Elmos Semiconductor SE in the amount of 167.4 million Euro. The total dividend payout would thus amount to 9.4 million Euro based on 18,117,307 shares entitled to dividend as of December 31, 2020.

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

Notifications of managers’ transactions according to Art. 19 (1) Market Abuse Regulation for the period from January 1 to December 31, 2020 are available at www.elmos.com.

38 – Related party disclosures

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

In 2020 und in 2019, Elmos Semiconductor SE received no material services from associates.

Apart from the remuneration of Management Board and Supervisory Board – representing the key management personnel of the Elmos Group – disclosed under note 34 ("Information on Management Board and Supervisory Board"), one Supervisory Board member received compensation in the amount of 0 thousand Euro (2019: 24 thousand Euro) for consulting services rendered personally.

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

39 – Number of employees

∅ Employees (continuing and discontinued operations)[1]	FY 2020	FY 2019
Production	556	643
Distribution	109	108
Administration	157	167
Quality Control	44	45
Research and Development	342	354
Total	**1,208**	**1,317**

[1] SMI employees are included up to and including September 30, 2019.

40 – Significant events after the end of the fiscal year

On December 23, 2020, Elmos Semiconductor SE signed a purchase agreement concerning the acquisition of Dortmund-based Online Engineering GmbH. The acquisition was completed with economic effect as of January 1, 2021. Online Engineering GmbH is specialized in the development of hardware and software components for electric motors. The acquisition allows Elmos to strengthen its in-house competencies and enables it to offer its customers even more comprehensive system solutions in the future.

Effective January 1, 2021, Dr. Arne Schneider took over from Dr. Anton Mindl as the company's Chief Executive Officer as planned.

Apart from that, there have been no reportable events or transactions of special significance after the end of fiscal year 2020 that have not already been accounted for in the consolidated income statement or rather the consolidated statement of financial position.

41 – Declaration of compliance pursuant to Section 161 AktG

In September 2020, Management Board and Supervisory Board of Elmos released the declaration pursuant to Section 161 AktG (Stock Corporation Act) and made it permanently available at www.elmos.com.

Dortmund, March 8, 2021

Dr. Arne Schneider   Guido Meyer   Dr. Jan Dienstuhl

The auditor's report below also includes a "Report on the Assurance in Accordance with Section 317 Paragraph 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes" ("ESEF Report"). The subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

To Elmos Semiconductor SE, Dortmund

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

Audit Opinions

We have audited the consolidated financial statements of Elmos Semiconductor SE, Dortmund, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Elmos Semiconductor SE for the financial year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements we have not audited the "Statement on corporate governance" pursuant to section 315d HGB which the combined management report refers to.

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

-> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, and

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

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

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

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

Recognition and Measurement of the Provisions for Warranties and Product Liability

1. Financial Statement Risk

In the consolidated financial statements under the line item "provisions", among others, provisions for warranties and product liability are recognized with an amount of KEUR 3,910. These relate to (probable) obligations from product sales and are determined for specific already known individual measures as well as for estimated future measures under consideration of the development of past damages. The assumptions concerning the recognition and measurement of the provisions for warranties and product liability are highly dependent on the estimation of the likelihood of occurrence and the amount of damage made by the company's executive directors and, is therefore, associated with a high degree of estimation uncertainty. Due to these high estimation uncertainties, this matter was of particular importance in our audit.

2. Audit Approach

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

3. Reference to related Disclosures

The disclosures relating to the measurement of provisions for warranties and product liability are contained in section 3 and 24 of the notes to the consolidated financial statements.

Other Information

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

-> the statement on corporate governance pursuant to section 315d HGB,
-> the affirmation of the legal representatives pursuant to section 297 paragraph 2 clause 4 and section 315 paragraph 1 clause 5 HGB included in the annual report 2020, and
-> the remaining parts of the annual report 2020, with the exception of the audited consolidated financial statements and the parts of the combined management report audited by us and our auditor’s report.

Both the executive directors and the supervisory board are responsible for the statement on corporate governance pursuant to section 315d HGB. The supervisory board is responsible for the supervisory board report contained in the annual report. In all other respects, the executive directors are responsible for the other information.

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

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

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

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

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Reasonable Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file „20210308_102939_esef_konzernabschluss_2020.zip, with the hash value F1567D83F7F30971C17C7762CF63C CAB1BE45EAAFE79BAAFBF931BBDF8472001, calculated by SHA256" and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file in accordance with section 317 paragraph 3b HGB and the Exposure Draft of IDW Assurance Standard "Assurance in Accordance with Section 317 Paragraph 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes" (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QS 1).

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

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

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

The executive directors of the company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the Federal Gazette.

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

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

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

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

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

-> Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

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

-> Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 22 May 2020. We were engaged by the supervisory board on 1 October 2020. We have been the group auditor of Elmos Semiconductor SE without interruption since the financial year 2013.

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

German Public Auditor Responsible for the Engagement

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

Düsseldorf, 8 March 2021

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

RESPONSIBILITY STATEMENT

We assure that to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the group management report combined with the management report of Elmos Semiconductor SE includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Dortmund, March 8, 2021

Dr. Arne Schneider Guido Meyer Dr. Jan Dienstuhl

FINANCIAL CALENDAR 2021

Final results 2020[1]	03/17/2021
Quarterly results Q1 / 2021[1]	05/06/2021
Annual General Meeting	05/20/2021
Quarterly results Q2 / 2021[1]	08/04/2021
Quarterly results Q3 / 2021[1]	11/04/2021

[1] The German Securities Trading Act (Wertpapierhandelsgesetz) and the Market Abuse Regulation (EU) oblige issuers to imme-diately announce any information that may have a substantial price impact, irrespective of the communicated schedules. Therefore it is possible that we will announce key figures of quarterly and annual results ahead of the dates listed above. As we can never rule out changes of dates, we recommend checking dates and news ahead of schedule on the Company's website (www.elmos.com).

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Forward-looking statements

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

This English translation is provided for convenience only. The German text shall be the sole legally binding version.

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