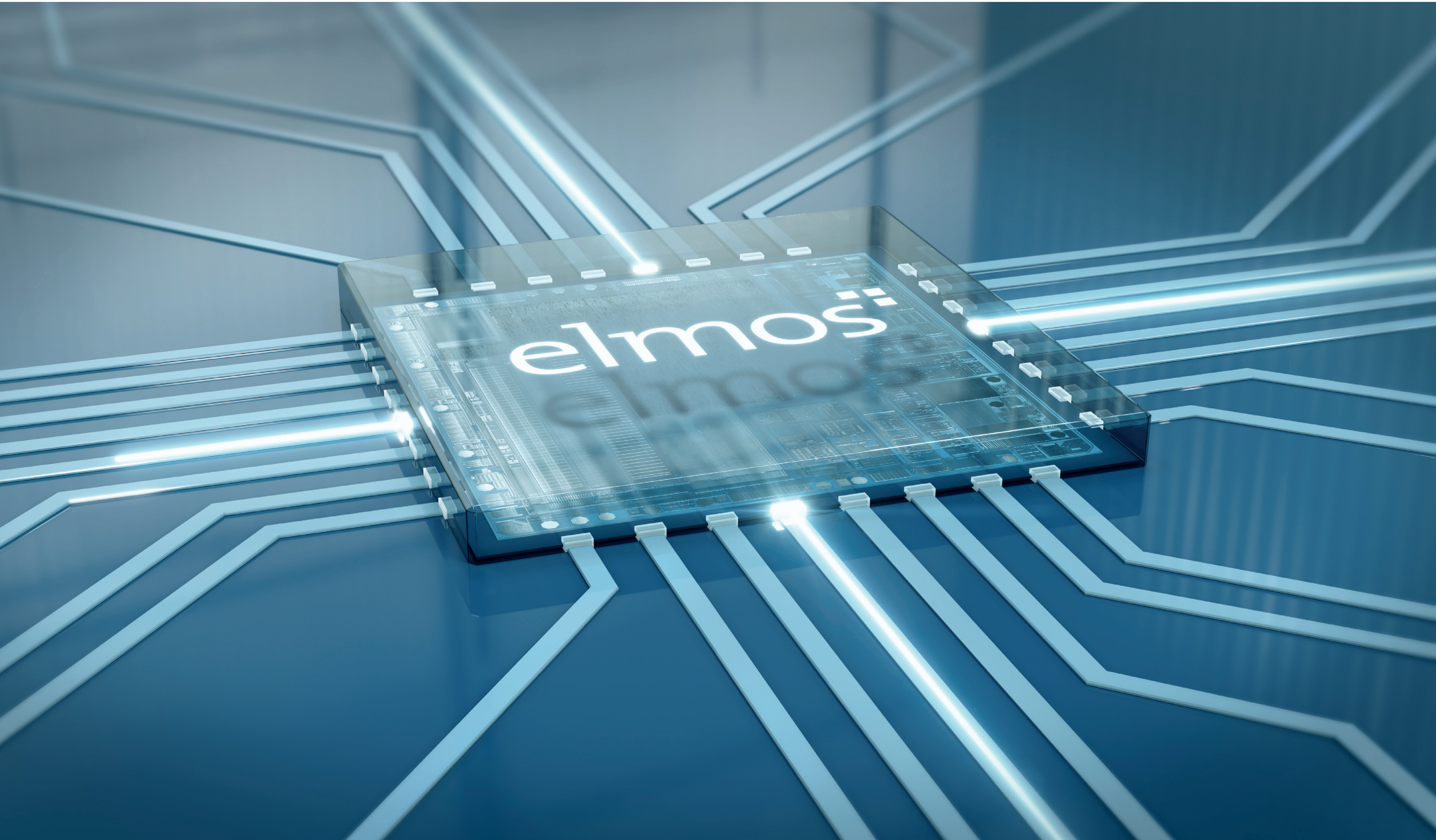
For a Better Tomorrow

Annual Report 2021



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FIVE-YEAR OVERVIEW ELMOS GROUP (IFRS)

in million Euro unless otherwise indicated	FY 2017	FY 2018	FY 2019		FY 2020	FY 2021
			continuing & discontinued operations	*continuing operations*		
Sales	250.4	277.6	294.8	273.4	232.6	322.1
Growth in %	9.5%	10.8%	6.2%	7.7%	-14.9%	38.5%
thereof continuing operations	*230.1*	*253.9*	*273.4*	*273.4*	*232.6*	*322.1*
thereof discontinued operations	*20.4*	*23.7*	*21.4*	*n/a*	*n/a*	*n/a*
Gross profit	110.1	125.5	136.8	125.6	92.6	144.7
in % of sales	43.9%	45.2%	46.4%	45.9%	39.8%	44.9%
Research & development expenses	33.8	36.0	44.6	40.7	47.7	48.7
in % of sales	13.5%	13.0%	15.1%	14.9%	20.5%	15.1%
Operating income	37.1	49.3	45.8	41.4	8.5	59.9
in % of sales	14.8%	17.8%	15.5%	15.1%	3.7%	18.6%
EBIT	38.4	51.0	97.3 | 45.3[1]	29.8 | 40.9[2]	8.7	60.0 | 64.9[3]
in % of sales	15.3%	18.4%	33.0% | 15.4%[1]	10.9% | 15.0%[2]	3.7%	18.6% | 20.2%[3]
Earnings before taxes	35.5	49.5	96.0	28.7	8.2	59.4
in % of sales	14.2%	17.8%	32.6%	10.5%	3.5%	18.4%
Consolidated net income attributable to owners of the parent	24.9	35.4	85.7	18.5	6.4	39.8
in % of sales	10.0%	12.8%	29.1%	6.8%	2.8%	12.4%
Earnings per share (basic) in Euro	1.26	1.79	4.36	0.94	0.35	2.24
	12/31/2017	**12/31/2018**	**12/31/2019**		**12/31/2020**	**12/31/2021**
Total assets	336.9	369.1	439.5		395.5	418.0
Shareholders' equity	240.1	266.6	339.7		310.2	300.2
in % of total assets	71.3%	72.2%	77.3%		78.4%	71.8%
Financial liabilities	51.2	43.8	49.1		45.6	76.1
Liquid assets and securities	84.4	60.7	123.3		85.8	66.1
Net cash/Net debt (-)	33.2	16.9	74.3		40.2	-10.0
	FY 2017	**FY 2018**	**FY 2019**		**FY 2020**	**FY 2021**
Cash flow from operating activities	37.9	48.4	45.6		27.3	79.6
Capital expenditures[4]	37.2	41.4	43.6		18.8	60.0
in % of sales[4]	14.9%	14.9%	14.8%		8.1%	18.6%
Cash flow from investing activities	-47.2	-34.3	37.2		-42.4	-73.6
Adjusted free cash flow[5]	-5.2	-3.3	76.9		3.6	11.1
Dividend per share in Euro	0.40	0.52	0.52		0.52	0.65[6]
Employees on annual average	1,155	1,250	1,317		1,208	1,151

[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] Without consideration of expenses in connection with the agreement on the sale of the wafer fab.
[4] Capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses.
[5] Cash flow from operating activities less capital expenditures for/plus disposal of intangible assets and property, plant and equipment (including payments for additions to shares/proceeds from changes in the scope of consolidation).
[6] Proposal to the Annual General Meeting in May 2022.

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

LETTER FROM THE CEO

Dear shareholders,

In fiscal year 2021 we were excited about a triple record: We achieved new record levels for sales and the operating EBIT as well as for design wins. We have managed the challenges of the semiconductor allocation and the pandemic very well. Our dividend proposal of 0.65 Euro per share – an increase of 25% compared to the previous year – reflects our success. Adding to that, the stock price more than doubled in the course of the year 2021. Looking at the "today" of the year 2021 therefore makes us feel quite positive.

And that is precisely why we must not lose track of the "tomorrow!" The title of this year's Annual Report focuses on the "tomorrow" because our plans, strategies and our ambition for success reach far beyond the year 2021. We keep pushing the improvement and expansion of our product portfolio. We invest in our capacities for testing – in Dortmund and in the Far East – and thus prepare future growth. With the sale of the Dortmund wafer fab agreed at the end of 2021, we are placing an even bigger focus on our strengths: deep knowledge of our customers and their applications, excellent design increasingly including software expertise, and an efficient value chain. From this strong foundation we are playing a decisive role in shaping the mobility of tomorrow and helping to make the world more sustainable, safer, and a better place to live in – **"For a Better Tomorrow".**

PANDEMIC

Due to the COVID-19 pandemic, protecting the health of our employees and business partners remained our top priority over the year 2021. We at Elmos recognized the seriousness of this pandemic early on. In addition to the comprehensive hygiene and protection measures which turned out to be highly effective, we initiated a successful vaccination campaign in the spring of 2021 together with our vaccination doctors. It made us one of the first companies with a broad vaccination program. We were also able to make booster shots available to our employees at an early stage.

Looking back, we managed not only to learn to counter the negative effects of the pandemic. Above all, we recognized how to make good progress at Elmos despite all restraints. My thanks go out to all Elmos employees who did an outstanding job over the past year, once more under difficult overall conditions.

SEMICONDUCTOR SHORTAGE AND ALLOCATION

The coronavirus pandemic triggered strong demand worldwide for electronic devices in many areas, for instance for working from home, consumer electronics, and the development of digital infrastructure. The fast recovery of the auto industry added to that, driving the demand for electronic components and semiconductors even more. As the global manufacturing capacities for semiconductors are limited and cannot be expanded significantly at short notice, either, bottlenecks started to emerge along the entire value chain at the end of the year 2020. This affected the whole year 2021 and the situation persists in the current year, too. With great effort we managed to cope with this challenge very well and were thus able to supply all our customers to the extent that Elmos has not been responsible for any production downtime at the car manufactures since the beginning of allocation. This was made possible only by the tireless commitment of our employees and the very close collaboration with our customers and our suppliers. Managing the challenges of the allocation and safeguarding our delivery capability as best we can will have the highest priority this year as well.

RECORD RESULTS

In a challenging market environment, we managed to achieve new record levels for sales and the operating EBIT in the year under review. Thanks to the high demand for our semiconductors, Elmos Group sales increased to more than 322 million Euro. That is a growth by 90 million Euro, or 38%, compared to the pandemic-impacted previous year. But this number also means almost 18% growth over the year 2019 when we generated sales in the semiconductor segment of 273.4 million Euro while the number of newly produced cars dropped by 14% over the same period. Even more satisfying is the development of earnings before interest and taxes (EBIT). In the past fiscal year we achieved an EBIT of 60 million Euro for the Elmos Group. The EBIT margin climbed to 18.6% of sales. Adjusted for expenses linked to the agreement on the sale of frontend manufacturing, that number would even be 20.2%, another record high in our Company's history.

We want our shareholders to benefit from this very positive performance and therefore propose to the Annual General Meeting a 25% higher dividend than the previous year, meaning 0.65 Euro per share for fiscal year 2021. That is another record high – Elmos has never paid out a higher dividend.

PRODUCT HIGHLIGHTS

For more than 30 years, Elmos innovations have made mobility for millions of people around the globe safer, more comfortable, and more energy efficient. In many of our application fields we have become market leaders and the number one worldwide with our semiconductor solutions. Our ultrasonic sensor ICs scan the entire 360° near field around the vehicle safely and fast, our ambient light products create a comfortable atmosphere and visually warn of potential hazards, and our motor control ICs provide silent airconditioning of the interior as well as reliable cooling of the power components in electric cars, to name just a few examples.

We were very successful in our acquisition of new projects. We achieved an all-time high for new design wins in the year 2021, signing a large number of attractive projects with both existing and new customers across all our product segments. In the field of rapidly advancing powertrain electrification, we won new projects for safe power supply, communication, monitoring, and the thermal management of the main components of electric drive systems. In the field of high-performance environmental sensor technology in driver assistance systems and autonomous vehicles, we acquired new projects for passenger cars, utility vehicles, logistics applications, and delivery robots. For innovative mobility solutions, the globally leading carmakers and tier 1 suppliers rely on the long-standing know-how of Elmos.

Together with our already successful serial products, the current development projects and the newly acquired design wins forge a strong base for the continued expansion of our market position and represent a solid foundation for our future growth.

STRATEGIC MILESTONES

Over the past year we implemented important strategic projects. We expanded the Elmos software organization in the year under review, which included the acquisition of Online Engineering GmbH, thus strengthening our software expertise. From now on we will be in an even better position to enhance our innovative semiconductors with additional software functionality, push in-house software developments for our customers, and thus develop new growth areas.

Another important aspect of our future development is the setup of testing capacities at the locations of our partners in East Asia. In order to have sufficient testing capacities available for our planned growth, we not only invested in the expansion of our testing capacities in Dortmund but also pushed ahead with expansion at our partners in Asia in the year 2021.

Shortly before the end of the year, we were able to announce the single most significant project in the Company's recent history: the transformation of Elmos into a fabless company. Being a fabless company now allows us to focus even more on our core strengths than we used to. With a clear focus for groundbreaking innovations, excellent application insight and high problem-solving expertise, profound know-how and many years of experience in chip design, together with our close customer relationships and reliable delivery performance, we will be able to act even faster, more efficiently, and more innovatively than before. At the same time we found a very good and sustainable solution for our employees, our customers and our shareholders with the sale of the wafer fab to the MEMS foundry Silex Microsystems. The supply agreement concluded with Silex also guarantees the delivery of a sufficient number of wafers made in Dortmund for a long time.

MANAGEMENT BOARD

DR. ARNE SCHNEIDER

CEO – Chief Executive Officer

Graduate economist | Hamburg, Germany

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

GUIDO MEYER

COO – Chief Operating Officer

Graduate engineer (FH) | Schwerte, Germany

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

DR. JAN DIENSTUHL

CSO – Chief Sales Officer

Graduate electrical engineer | Hagen, Germany

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

SUSTAINABILITY

For Elmos, sustainability is a core element of our corporate strategy, and our commitment to social, environmental and economic sustainability has been deeply rooted in our Company for many years. To make our ambitions for greater sustainability more transparent, we have re-aligned our ESG reporting. A wide range of ESG-related documents and KPIs covering environmental, social and corporate governance (ESG) have been made available illustrating our high standards in the field of sustainability.

OUTLOOK

The start to fiscal year 2022 was defined by a high demand for semiconductors once again. Therefore, our focus remains on securing our delivery capability of the real customer demand in the current year as well, depending significantly on the availability of wafers from our key suppliers. Apart from the ongoing allocation situation, we keep expecting effects from the coronavirus pandemic along the value-added chain this year. Based on the current order backlog and the wafer capacities and wafer commitments from our foundry partners, we are expecting for fiscal year 2022 – unchanged from our guidance of February 15, 2022 – an increase in sales by at least 15% to more than 370 million Euro and an operating EBIT margin of 20% ± 2%-points of sales. The expansion of the testing capacities will be continued this year and we therefore anticipate capital expenditures of approximately 16% ± 2%-points of sales. Despite continued high capital expenditures and development expenses, we are expecting a positive adjusted operating free cash flow above the prior-year amount (11.1 million Euro) for fiscal year 2022.

CHANGES ON THE SUPERVISORY BOARD

Two long-standing Supervisory Board members, Dr. Klaus Egger and Dr. Gottfried Dutiné, retired from the Supervisory Board of Elmos Semiconductor SE as of the completion of the Annual General Meeting on May 20, 2021. Dr. Dutiné and Dr. Egger have helped define the Supervisory Board's work over many years and made a major contribution to the sustainable and positive development of Elmos with their great experience and their expert knowledge. I would like to take the opportunity to express my heartfelt gratitude for the excellent and trusting cooperation. With Dr. Hoheisel and Dr. Tanneberger, we are glad to have won two automotive industry experts for the Supervisory Board who will contribute their long-standing experience as executives in multinational corporations and their expert know-how to the Board, completing and enriching its expertise.

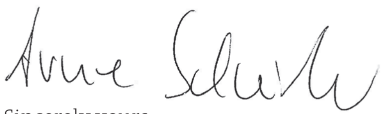
The record results and numerous accomplishments of the past fiscal year would not have been possible without the outstanding dedication and great commitment of our employees. I would like to thank the entire Elmos staff once again. Elmos is a company in an excellent position, with innovative products, a strong financial foundation, and a unique community!

I would also like to take this opportunity to thank my two colleagues on the Management Board for the excellent and effective teamwork. The same is true for the constructive and trustful exchange with our anchor shareholders and the entire Supervisory Board.

And a big thank-you also to you, dear shareholders! With your commitment you accompany and support us on our successful journey to an even brighter tomorrow – together **"For a Better Tomorrow".** Thank you very much!

Please stay healthy and keep in touch with us.

Kind regards from Dortmund.



Sincerely yours,

Dr. Arne Schneider

CEO of Elmos Semiconductor SE

SUPERVISORY BOARD REPORT

Dear Shareholders,

The past fiscal year was again influenced by the global COVID-19 pandemic. In addition, the global bottlenecks in the semiconductor supply chain posed tremendous challenges for us. The measures taken in good time by the Supervisory Board and Management Board allowed the Company to respond to the pandemic and the semiconductor shortage in a fast and responsible manner, which made it possible to guide the Company safely through the crises and mitigate their impact in 2021 as well. Overall, the Elmos Group generated excellent results in a very challenging environment in the past fiscal year. On behalf of the Supervisory Board, I would like to take this opportunity to thank each and every employee for their dedication. The extensive measures and the economic consequences for the Company due to the COVID-19 pandemic and the semiconductor shortage, as well as the resulting allocation phase, were repeatedly a topic of in-depth discussions between the Supervisory Board and the Management Board in the past fiscal year.

The Supervisory Board diligently attended to its duties and responsibilities imposed by law and the Articles of Incorporation in fiscal year 2021. 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 at length in the Supervisory Board meetings. Insofar as stipulated by law or the Articles of Incorporation, the Supervisory Board gave its opinion on the Management Board's reports and resolutions following diligent examination and in-depth consultations. Outside the framework of Supervisory Board meetings, the Chairman and other members of the Supervisory Board were also informed about material business transactions by the CEO.

Audit committee

The Supervisory Board set up an audit committee in fiscal year 2021. It is the audit committee's dutie to monitor the accounting process and the effectiveness of the internal control system, the risk management system, and the internal audit system. The audit committee is also tasked with selecting and monitoring the auditor, which includes the review of the separate financial statements and consolidated financial statements, the independence of the auditor, the additional services provided by the auditor, and the quality of the audit. In addition, the audit committee monitors and investigates compliance within the Company. The newly established audit committee is made up of the Supervisory Board's two financial experts, Dr. Klaus Weyer (Chairman) and Dr. Dirk Hoheisel. The CEO and the Company's head of Finance also take part in the meetings. In some cases, the auditor is also in attendance. The audit committee met for the first time on October 20, 2021.

At its meetings on December 16, 2021, and February 17, 2022, the audit committee discussed matters related to risk management, compliance, internal audit, and the selection of an auditor for the years from 2023 onwards. The auditor presented the findings of the audit of the separate financial statements and consolidated financial statements to the audit committee, which discussed the quality of the audit, the audit engagement, additional services, and the independence of the auditor. Subsequently, it defined the key audit matters for the annual audit. The auditor was present for a part of these discussions. In some cases, the meetings of the audit committee were held via video conference.

Meetings of the Supervisory Board

Altogether, there were four regular meetings of the entire Supervisory Board in fiscal year 2021: March 9, May 20, September 2, and December 17. The Supervisory Board convened an extraordinary meeting on November 25, 2021. Due to the restrictions in connection with the COVID-19 pandemic, the meetings were held as video conferences in some cases. On February 19, August 9, and November 19, 2021, the Supervisory Board adopted resolutions by written circulation. In the meeting held on March 8, 2022, the Supervisory Board focused on the discussion and the adoption of the 2021 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 oral reports given by the Management Board. The developments of the COVID-19 pandemic, the semiconductor shortages, 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. During its sessions, the Supervisory Board regularly discussed the current performance of the Company with respect to sales, earnings, liquidity, and future prospects. The situation of the subsidiaries, as well as the Group's strategic development beyond the year under review, was dealt with in detail.

The budget for the next fiscal year and planned capital expenditures were discussed in depth. The main items on the Supervisory Board's agenda, and in the consultations with the Management Board, were the discussion of various scenarios for ensuring the long-term capacity utilization of the wafer fab in Dortmund and the negotiations with Silex Microsystems AB regarding the sale of the wafer fab. In addition, the Supervisory Board talked about the present state of design wins of the past years, as well as new ones, combined with updated sales planning. Testing and e-mobility strategies were also on the agenda. In its meetings and resolutions, the Supervisory Board addressed the creation of an audit committee; changes to the remuneration system, Management Board contracts, and responsibilities of the Management Board; target agreements for the members of the Management Board; and two capital reductions through the cancellation of shares. Discussions also centered on the public share buyback offer and the further optimization of the Group's financing through the placement of a new promissory note loan, among other methods. Further topics for the Supervisory Board included the Supervisory Board's efficiency review and the holding of the Annual General Meeting on May 20, 2021, as a virtual event. The Supervisory Board additionally concerned itself with the independence of its Chairman, Dr. Klaus Weyer, and its Vice Chairman, Prof. Dr. Günter Zimmer, and came to the conclusion that both members can be seen as independent.

The Supervisory Board consulted the reports of the audit committee to inform itself about the key audit matters and discussed the financial reports. The Supervisory Board performed its audit duties pursuant to the German Audit Reform Act (AReG) by monitoring the quality of the auditor during the annual audit, compliance with provisions for non-audit services, and the independence of the auditor. As in the previous fiscal years, the Supervisory Board informed itself about the risk management system and its main issues. The Supervisory Board also dealt with the audit committee's report on the internal control system, the accounting process, and compliance. In addition, it discussed the agenda and format of the next Annual General Meeting on May 11, 2022. 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 2022 so as to ensure a high degree of certainty regarding the ability to hold the event.

All members of the Supervisory Board took part in all meetings – in some cases by way of conference calls or video conferencing.

AUDIT OF SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Consulting Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Germany, and the report of the audit committee, the Supervisory Board concerned itself in its meeting of March 8, 2022, with the audit of the separate financial statements and consolidated financial statements for the fiscal year ended December 31, 2021. According to the resolution of the Annual General Meeting of May 20, 2021, 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, 2021, and the management report of Elmos Semiconductor SE, which is combined with the group management report of the Company ("combined management report"), were audited by Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, 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 8, 2022, 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. The auditor also conducted a formal audit of the remuneration report with a focus on the disclosures stipulated by stock corporation law and prepared a separate audit opinion, which is included in the remuneration report. The audited remuneration report will be submitted for approval to the next Annual General Meeting on May 11, 2022, in accordance with Section 120a (4) AktG (Stock Corporation Act).

The Supervisory Board and Management Board will propose to the Annual General Meeting a resolution to pay a dividend of 0.65 Euro per share for fiscal year 2021 out of the retained earnings of 159.1 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 8, 2022.

Remuneration systems for the Supervisory and Management Boards

The Annual General Meeting approved the remuneration systems for the Supervisory Board and Management Board by a large majority. The new remuneration systems have since been fully implemented. Changes to the remuneration system for the Management Board will be proposed for approval at the next Annual General Meeting on May 11, 2022.

CORPORATE GOVERNANCE

The Supervisory Board and Management Board work closely together for the Company's benefit and are committed to the sustained increase of shareholder value. The Supervisory Board concerned itself once more with the recommendations and suggestions of the German Corporate Governance Code (GCGC) in fiscal year 2021. In May 2021 and September 2021, the Supervisory Board and Management Board jointly released an updated declaration pursuant to Section 161 AktG on compliance with the recommendations of the GCGC in the version of 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 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 Management Board of Elmos Semiconductor SE in fiscal year 2021.

The four shareholder representatives on the Supervisory Board were elected by the Annual General Meeting on May 20, 2021. Dr. Dirk Hoheisel and Dr. Volkmar Tanneberger joined Dr. Klaus

Weyer and Prof. Dr. Günter Zimmer on the Supervisory Board of Elmos Semiconductor SE. During the subsequent inaugural session of the Supervisory Board, Dr. Klaus Weyer was elected Chairman, with Prof. Dr. Günter Zimmer elected Vice Chairman. As the Board's financial experts, Dr. Klaus Weyer and Dr. Dirk Hoheisel meet the legal requirements in terms of expertise in the fields of accounting and auditing.

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 and successful fiscal year 2021.

Dortmund, March 8, 2022

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

SUPERVISORY BOARD

DR. KLAUS WEYER
-> Chairman
-> Chairman of the audit committee
-> Financial expert pursuant to Section 100 (5) AktG
-> Graduate physicist | Penzberg, Germany

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

DR. DIRK HOHEISEL
-> Member of the audit committee
-> Financial expert pursuant to Section 100 (5) AktG
-> Graduate engineer | Berlin, Germany

DR. VOLKMAR TANNEBERGER
-> Graduate engineer | Meine, Germany

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

In the following chapter, the Management Board – also on behalf of the Supervisory Board – reports on corporate governance at Elmos pursuant to Principle 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 (GCGC)

For the Supervisory Board and Management Board of Elmos, corporate governance means the implementation of responsible and sustainable business management with the appropriate transparency across all areas of the Group. The Supervisory Board and Management Board again concerned themselves with the provisions of the GCGC in fiscal year 2021. They released a joint declaration of compliance in accordance with Section 161 AktG in May 2021 and September 2021. 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 of the members of the Management Board within their individual areas of responsibility, is the control and monitoring of compliance within the Group. Elmos has a compliance management system (CMS) in place to ensure compliance with applicable laws and statutes as well as all internal rules and guidelines. Responsibility for decisions regarding rules and measures lies with the compliance officer and the compliance committee. In addition to the compliance officer, the heads of Finance, Human Resources, Legal Affairs, Investor Relations, and Corporate Development regularly take part in the quarterly meetings. The compliance officer investigates potential breaches of compliance and cases of suspicion. He reports directly to the Chief Executive Officer and regularly informs the Management Board as a whole about the compliance activities within the Elmos Group. Elmos has had an internal audit function since 2021. Internal auditors who are qualified for the selected audit scope and are not members of the department to be audited perform non-ad hoc audits within the identified areas in accordance with an annual audit plan. The audit reports are used to improve the CMS. Elmos also engages external consultants as needed to review the CMS.

The Supervisory Board is informed at least once a year about the CMS, the findings of internal audits, and the measures taken. As part of the efforts to continuously improve the CMS, annual key issues are defined.

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

Working methods of the Management Board and the Supervisory Board

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

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

The Supervisory Board and the Management Board work closely together based on mutual trust. The Management Board involves the Supervisory Board in essential decisions. The rules of procedure of the two Boards define this cooperation, among other issues. A detailed summary of the Supervisory Board's work 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 current Supervisory Board of the SE was elected by the Annual General Meeting on May 20, 2021, or appointed by way of the SE's Participation Agreement. The Supervisory Board formed an audit committee in fiscal year 2021. The formation of an audit committee was mandatory for Elmos Semiconductor SE starting January 1, 2022. The auditor regularly participates in the audit committee's meetings. More information about the activities and composition of the audit committee can be found in the Supervisory Board report.

The Supervisory Board has defined the goals and principles with respect to 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. The goals are realized with the present composition of the Supervisory Board and will also be considered for future nominations. The Supervisory Board members Dr. Klaus Weyer and Prof. Dr. Günter Zimmer can be seen as independent despite their many years of service. Their work on the Supervisory Board is characterized by extensive knowledge of the Company's business. Thanks to their long-standing experience and their impartial, objective powers of judgment, they make a significant contribution to the Supervisory Board's successful work. Their many years of service to the Supervisory Board is merely an indicator of a potential lack of independence. An overall assessment required by the formal, typical indicators is necessary to judge the independence of Board members.

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. In fiscal year 2021, the previous year's proportion of women at the first management level of 7% was essentially maintained and the proportion of women at the second management level increased from 6% to 7%. All data refers to the employees of Elmos Semiconductor SE in Germany as of December 31, 2021. Elmos therefore fulfills all determined quotas for the share of women at Elmos and complies with the statutory provisions to date. The requirements under Germany's Second Management Position Act (Zweites Führungspositionen-Gesetz – FüPoG II) will be met by setting new targets in June 2022. Details on this matter will be available in the next Annual Report.

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

Declaration of compliance with the German Corporate Governance Code 2021

Superseding the declaration of compliance of May 2021, Management Board and Supervisory Board of Elmos Semiconductor SE declare in accordance with Section 161 AktG (German Stock Corporation Act):

I. Statements with respect to the future

Elmos Semiconductor SE will comply with the recommendations of the "Government Commission German Corporate Governance Code" (in short: GCGC) in its latest version of 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 General Meeting of Shareholders; thus the General Meeting also decides on the Supervisory Board's age structure.

-> 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 Chairman of the Supervisory Board is also the Chairman of the Audit Committee (GCGC Recommendation D.4 sentence 2). The Supervisory Board is convinced that the workload of committee chairmanship is not too high and can be managed by the Chairman of the Supervisory Board. The Supervisory Board does also not see the risk of a too close relationship with the Management Board and the Supervisory Board Chairman's lack of attention on these grounds in seeing to his additional obligations as Chairman of the Audit Committee. The Chairman of the Supervisory Board is perfectly suited to chairing the Audit Committee as well. It is in the Company's interest not to follow this recommendation (GCGC Recommendation D.4 sentence 2).

-> The determination of the remuneration of each member of the Management Board complies with current statutory requirements, most notably those under the Shareholders' Rights Directive (ARUG II). Any stricter requirements or more specific definitions are not considered expedient at present (GCGC Recommendations G.1 and G.2).

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

-> Management Board employment contracts do not provide for caps on severance payments in case of premature termination of Management Board membership (GCGC Recommendation G.13). The Supervisory Board holds the view that the appropriate amount of a severance payment 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 current version of December 16, 2019 (announcement in the official section of the Federal Gazette on March 20, 2020) have been complied with since the release of the declaration of compliance in May 2021 with the exceptions mentioned above under I. and the following additional exceptions:

-> 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.

Dortmund, September 2021

On behalf of the Supervisory Board	On behalf of the Management Board
Dr. Klaus Weyer	**Dr. Arne Schneider**
Chairman of the Supervisory Board	Chief Executive Officer

with the Company, irrespective of their gender, cultural background, nationality, religious affiliation, worldview, disability, age, or sexual orientation.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders make use of their rights at the Annual General Meeting. They receive the agenda, information regarding participation, and, upon request, the Annual Report in good time. The relevant documents relating to the upcoming and past Annual General Meetings, as well as further information on participation in and voting at the Annual General Meeting, are available on our website – also in English – and can also be requested from the Company. Shareholders who 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 2021, as in 2020. Subject to any subsequent resolutions providing otherwise by the Supervisory Board, and in view of the latest and expected development of the pandemic, preparations are being made for a virtual Annual General Meeting once again in 2022 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 risk management system 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 2021. This declaration furnished no doubts about auditor independence. Compliant with No. D.9 GCGC, the Supervisory Board arranged for the auditor to give account without delay of material findings and incidents to occur during the performance of the audit. Compliant with No. D.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 established. 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 executives and Management Board members. The share price is a central criterion for our shareholders when it comes to investing in the Company. The linking of certain remuneration components to the share price is therefore an incentive for beneficiaries. More information on this topic can be found in the notes to the consolidated financial statements.

REMUNERATION SYSTEM/REMUNERATION REPORT

The current remuneration system for the members of the Management Board pursuant to Section 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on May 20, 2021, and the remuneration system for the members of the Supervisory Board, which was adopted by the Annual General Meeting by resolution on May 20, 2021, pursuant to Section 113 (3) AktG, can be found on the Company's website at https://www.elmos.com/english/about-elmos/investor/corporate-governance.html and in the invitation to the 2021 Annual General Meeting. The remuneration report pursuant to Section 162 AktG, including the auditor's opinion, will be made public on the website of Elmos Semiconductor SE (https://www.elmos.com/english/about-elmos/investor/corporate-governance.html) upon adoption of the corresponding resolution by the 2022 Annual General Meeting.

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 markets 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.

The innovative microelectronics developed by Elmos make a contribution to improving the lives of people. We shape future mobility, and our products make the world more sustainable, safer, and a better place to live – that is our vision and the basis for our daily actions. We are aware of our social and environmental responsibility, as reflected in numerous activities and projects throughout the Company.

To make our commitment to greater sustainability more transparent, we have realigned our ESG reporting. A wide range of ESG-related documents and key environmental, social, and governance indicators are now available in the "Sustainability" section of our website at www.elmos.com, illustrating the high standards Elmos has set for itself in the field of sustainability.

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 played an important role in reducing global CO_2 emissions from vehicles in recent years. Elmos is supporting this development through a wide range of automotive components, such as ICs specifically for hybrid and electric vehicles for functions such as energy and battery management, along with 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 our products help save a significantly higher amount of CO_2.

Outside the automotive sector, Elmos semiconductors also help make buildings more sustainable. Examples of this include installation and facility technology for solutions such as building automation through motion and presence detectors.

Elmos collects consumption data for operational assessments and other purposes that can be used as a basis for measures to optimize consumption metrics within the Company, including CO_2 emissions, power consumption, and water consumption, as well as waste volumes. These figures and more are available in the "Sustainability" section of our website at www.elmos.com. 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-driven 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 advancing employees Company-wide regardless of gender. When selecting applicants, we pay attention to their suitability, motivation, and expertise and do not privilege or disadvantage anybody based on factors such as gender, skin color, ethnic or cultural background, nationality, religion, worldview, disability, age, marital status, or sexual identity and orientation. As an innovative company in the semiconductor industry, specialists with excellent training are of particular importance to Elmos. 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 12,600 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, 2021), a total of 53 apprentices were employed at German Elmos locations. Apprentices therefore accounted for 4.7% of the Company's total workforce in Germany.

HIGHLIGHTS IN 2021

Enhanced ESG reporting: To make our outstanding commitment to greater sustainability more transparent for all stakeholders, we re-aligned our ESG reporting approach at the end of fiscal year 2021. A wide range of ESG-related documents and environmental, social, and governance KPIs are now available in the "Sustainability" section of our website at www.elmos.com. Going forward, we will update such information on a regular basis and continuously improve our reporting in this field.

Successful Elmos vaccination campaign: Working with a team of doctors, Elmos gave its employees and their families an opportunity to join the fight against the COVID-19 pandemic by getting vaccinated against coronavirus in early 2021. In December 2021, Elmos also offered its employees booster shots against COVID-19. To date, external doctors have administered more than 1,300 shots to our employees and their families as part of the Elmos vaccination campaign.

Switch to LED building lighting: Thanks to the significantly longer operating life of LEDs, switching building lighting from fluorescent lamps to LED technology allows Elmos to reduce power consumption, waste volumes, and maintenance costs. Completing the switch in one section of our testing area, for example, makes it possible to save nearly 150 MWh per year.

Support for cyclists: The bicycle leasing program continued to be well received by Elmos employees last year. As a result, the funding available for bike leases was increased once again. Due to the generally high demand for bicycles and the associated increase in list prices, Elmos also raised the limit for the maximum purchase price by nearly 30%.

Savings thanks to DI water generation: Deionized (DI) water – which is generated by Elmos itself and is free of mineral, metallic, and ionic impurities – is used during wafer processing to clean wafer surfaces. The constant optimization of water treatment processes made it possible to reduce drinking water consumption by nearly 9,700 m^3 year on year in 2021 and roughly 16,200 m^3 compared to 2019.

Innovations for the mobility of tomorrow: In 2021, over 100 Elmos employees once again put their inventiveness to the test and developed pioneering innovations and trendsetting technologies that will make our world more sustainable, safer, and a better place to live. To honor these outstanding achievements, Elmos held a large-scale virtual inventor event that offered a space for participants to discuss and explore the latest innovations.

NUMBER OF EMPLOYEES

	12/31/2021	12/31/2020
Elmos North Rhine-Westphalia	918	932
Other subsidiaries	227	209
Total	**1,145**	**1,141**

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, and they 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 extensive course program, and massage offerings at our headquarters in Dortmund. 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 once again either unavailable in 2021 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 at the beginning of

2020 and initiated extensive measures to protect staff, including hygiene concepts for all areas of the Company, providing masks and disinfectants, suspending business travel, increased remote working, free rapid tests, and vaccination offerings for all employees and their families. 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 negotiates measures with the Elmos works council. Management and the works council engage in a lively 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, in-person works meetings were not held for the protection of staff. To nevertheless keep the line of communication with employees open, both the Management Board and the works council addressed employees in multiple video messages and announcements.

Our Code of Conduct for employees and the Supplier Code of Conduct for our suppliers set out how **human rights** are to be upheld. Our suppliers and business partners are obligated to comply with the rules defined in our Supplier Code of Conduct, which was completely revised and updated in 2021, and must ensure compliance by their sub-suppliers to comply as well. Examples of what is required by the Supplier Code of Conduct include upholding international human rights, observing employee rights in line with national and international standards, and rejecting child labor, forced labor, and discrimination of all kinds. The current version of the code can be found online at www.elmos.com.

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 addition, anti-corruption guidelines on dealing with gifts and invitations that are binding for all employees worldwide were adopted in 2021 to enhance the Company's efforts to prevent corruption.

We promote **social causes** 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 Elmos Group locations, and campaigns fighting worldwide poverty. To promote education, the Elmos Foundation participates every year in the Deutschlandstipendium, a scholarship program that provides support to high-achieving and talented students. Every year, the Elmos Foundation also supports RuhrTalente by providing scholarships to school students. As part of its regional projects, the Elmos Foundation had the opportunity in 2021 to go beyond cultural projects by supporting an additional youth center for the non-profit organization Bieber.Burmann for you e.V., which helps children and teenagers make active use of their free time. A children's hospice and an organization in Dortmund's northern neighborhoods that cares for children and teenagers also received support in 2021. 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. The Elmos Foundation also regularly helps fund projects by Ingenieure ohne Grenzen e. V. For more information and a more in-depth look at the foundation's work, please see our 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.

REPORTING IN ACCORDANCE WITH THE EU TAXONOMY REGULATION

As part of the package of measures known as the European Green Deal, whose overarching objective is for the EU to become climate-neutral by 2050, EU Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment ("EU Taxonomy") was adopted in June 2020. On the basis of defined Taxonomy requirements, the economic activities of EU companies are to be classified and assessed in terms of their contribution to the EU's six environmental objectives, with the aim of encouraging greater investment in environmentally sustainable activities within the EU. Pursuant to Article 8 of the EU Taxonomy, starting from January 1, 2022, companies subject to reporting requirements are obliged to disclose information on whether and to what extent their economic activities are environmentally sustainable as defined by the EU Taxonomy. As a result, non-financial companies subject to reporting requirements must include information on "green" turnover, capital expenditure (CapEx), and operating expenditure (OpEx) in their (consolidated) non-financial statement or (consolidated) non-financial report and prove whether their activities are actually environmentally sustainable according to the criteria of the EU Taxonomy and therefore substantially contribute to the fulfillment of the EU's environmental objectives. The environmental objectives specified in Article 9 of the EU Regulation are: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use of water, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection of biodiversity and ecosystems.

Due to the complexity of the rules and the significant effort involved for the companies affected, Article 10 of the Delegated Act of July 6, 2021, concerning Article 8 of the EU Taxonomy Regulation provides for simplifications for the first year of reporting. In 2022, companies therefore only need to disclose the proportion of "Taxonomy-eligible economic activities" and "Taxonomy non-eligible economic activities" in their total turnover, capital expenditure (CapEx), and operating expenditure (OpEx) relating to the first two environmental objectives (climate change mitigation, climate change adaptation) as well as provide additional explanatory information. A review and assessment of economic activities in terms of their fulfillment of the technical screening criteria and a breakdown based on each environmental objective ("Taxonomy-aligned activities") are not required in the first year of reporting.

From January 1, 2023, companies' reporting must include a detailed analysis of their economic activities and proof of Taxonomy compliance. According to the definitions of the EU Taxonomy, Taxonomy-eligible economic activities only qualify as environmentally sustainable (Taxonomy-aligned) if those activities

(1) contribute substantially to at least one of the six environmental objectives, as proved by fulfillment of the technical screening criteria relevant for the economic activities in question,
(2) do not significantly harm any of the EU's other environmental objectives (principle of "do no significant harm" – DNSH), and
(3) are carried out in compliance with the minimum safeguards for occupational safety and human rights.

Elmos has addressed the requirements and reporting duties under the EU Taxonomy in detail to ensure that it meets the initial reporting obligations in 2022. In the current financial year, we will further refine our internal processes and the necessary data gathering procedures and screening analyses – with external support if required – so that we are sufficiently prepared for the full reporting obligations from January 1, 2023.

Determination of Elmos Semiconductor SE's economic activity for the purposes of the EU Taxonomy

According to Annex 1 (environmental objective 1 – climate change mitigation) and 2 (environmental objective 2 – climate change adaptation) of the Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, there are a total of 17 different activities that are deemed Taxonomy-eligible for companies in the manufacturing sector (production of goods). This allocation and division of a company's economic activities into the defined Taxonomy-eligible activities is the first step in the review and must be published in the first year of reporting.

Elmos is a leading global provider of mixed-signal semiconductors, primarily for use in automotive vehicles. Elmos semiconductors make mobility around the world safer, more comfortable, and more energy-efficient and therefore contribute substantially to climate change mitigation and to combating and mitigating climate change, as well as to reducing greenhouse gas emissions.

In the automotive industry, semiconductor solutions help significantly lower global CO_2 emissions from vehicles. Elmos contributes to these efforts through a wide range of automotive components, such as ICs specifically for hybrid and electric vehicles, efficient LED lighting, high-efficiency control systems for HVAC, aerodynamics optimization, and for temperature and thermal management, sensors for automatic lights, and efficient DC/DC converters.

Elmos operates exclusively in the field of semiconductors. The production of semiconductors as an electronic component is covered by code C.26 of the statistical classification of economic activities in the European Community (NACE). There are no other Taxonomy-related activities or business segments in the Elmos Group.

In the Annex setting out the technical screening criteria in the Delegated Regulation of June 4, 2021, supplementing the EU Taxonomy Regulation, the NACE code relevant for Elmos (C.26) falls within section 3.6 (Manufacture of other low carbon technologies). According to the description in section 3.6, the manufacture of other low carbon technologies is aimed at substantial greenhouse gas emission reductions in other sectors of the economy. It enables other sectors of the economy to contribute substantially to fulfilling environmental objectives or to significantly reduce greenhouse gas emissions (enabling activity). The relevant economic activities defined by the EU Taxonomy, for which Elmos technologies enable a substantial contribution to the fulfillment of environmental objectives, are in particular the manufacture of low carbon technologies for transport (section 3.3) and, to a lesser extent, the manufacture of energy-efficient equipment for buildings (section 3.5).

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

As there are no established standards for disclosing or determining green products in the first year of reporting under the EU Taxonomy, Elmos is adopting a conservative approach to identifying Taxonomy-eligible turnover. In the Elmos Group, this turnover includes sales attributable to semiconductors that could enable a substantial contribution to the fulfillment of environmental objectives by increasing efficiency, directly reducing consumption, or reducing a vehicle's or building's CO_2 emissions (such as ICs for LED control of front and rear lighting, ICs for efficient motor control, home automation, heat optimization, and for efficient energy use). According to the screening criteria of the EU Taxonomy, all other sales from products for applications that have no direct effect on environmental objectives do not qualify as Taxonomy-eligible, although the use of parking assistance systems, for example, considerably reduces urban parking traffic and thus indirectly contributes to reducing CO_2. Sales as defined by IAS 1 and sales accounted for pursuant to IFRS 15 in the consolidated financial statements were used as a basis for turnover.

Determination of Elmos Semiconductor SE's Taxonomy-eligible capital expenditure (CapEx) for the purposes of the EU Taxonomy

The Company is not able to prepare a clear breakdown of capital expenditure (CapEx) based on environmentally sustainable criteria. Among other things, this is because all types of semiconductors, including those that may not be Taxonomy-eligible, are tested on a testing machine. We therefore determine Taxonomy-eligible and Taxonomy non-eligible capital expenditure in an approximate manner, either on the basis of Taxonomy-eligible turnover or the number of units sold of all Taxonomy-eligible products, depending on the type of capital expenditure. For example, capital expenditure on land and buildings was broken down on the basis of the number of units sold of the Taxonomy-eligible products, as this capital expenditure is apportioned using a more value-neutral approach based on cost allocation, and the value or complexity of a product has no effect on the use of that type of capital expenditure. We also took this approach for capital expenditure on intangible assets. By contrast, with regard to capital expenditure on property, plant and equipment that are deployed directly in the production process (such as technical equipment for the testing process or testing machines), we used turnover to determine Taxonomy-eligible capital expenditure so as to take into account the varying degrees of load on production machinery by our different types of semiconductors, depending on their complexity, while applying a value-based method. Higher-value ("more expensive") semiconductors tend to spend longer on testing machines or undergo more complex testing programs than simple ("cheaper") semiconductors. Higher-value products therefore use testing machines longer and place a greater strain on technical equipment than simple products. In these cases, a value-based calculation according to turnover is preferable to a value-neutral breakdown by number of units. The same applies to product-related or project-related capitalized development expenses and thus materially to intangible assets, as higher-value or more complex projects generally require more development resources, meaning that a higher proportion of development expenses can be capitalized than in the case of semiconductors that were less complex and more simple to develop. Additions to property, plant and equipment and intangible assets according to the consolidated financial statements were used as a basis for total capital expenditure (Taxonomy-eligible and Taxonomy non-eligible).

Determination of Elmos Semiconductor SE's Taxonomy-eligible operating expenditure (OpEx) for the purposes of the EU Taxonomy

A clear and specific breakdown of Taxonomy-eligible and Taxonomy non-eligible expenditure is also not possible in the case of operating expenditure (OpEx) and would, in our view, be of very little informative value in any case. Depending on cost type, we again used either turnover or number of units sold to approximately determine the OpEx KPI. For all relevant, EU Taxonomy-based expenses that are directly linked to product development, we used the proportion of turnover accounted for by our defined Taxonomy-eligible activities, because higher-value products tend to require greater research and development expenses, and in particular more human resources. We treated other expenditure not related to product development, such as expenditure on the maintenance and repair of buildings, as typical cost allocations and broke this expenditure down based on the number of units sold of the Taxonomy-eligible products. In accordance with the EU Taxonomy, the basis used to determine total operating expenditure (both Taxonomy-eligible and Taxonomy non-eligible) comprised direct, non-capitalized costs relating to research and development, building renovation measures, short-term leases, and maintenance and repair, as well as all other direct expenditure in connection with the daily maintenance of items of property, plant and equipment by the Company or by third parties to which activities are outsourced that are necessary to ensure the continuous and effective functioning of these assets.

Explanatory notes on the EU Taxonomy disclosures

-> All disclosures relate to the reporting period from January 1, 2021, to December 31, 2021.

-> In line with the consolidated financial statements of Elmos Semiconductor SE, the key financial indicators were determined in accordance with IFRS and stated in Euro.

-> The key financial indicators required to be reported under the EU Taxonomy (turnover, CapEx, OpEx) are based on data from the consolidated financial statements of Elmos Semiconductor SE as of December 31, 2021, and were determined in accordance with the provisions and definitions contained in Annex 1 (KPIs of non-financial undertakings) of the Delegated Regulation of July 6, 2021.

-> Prior-year figures were not determined.

ELMOS GROUP: TAXONOMY-ELIGIBLE TURNOVER, CAPEX, AND OPEX IN ACCORDANCE WITH THE EU TAXONOMY IN THE REPORTING YEAR 2021

	in million Euro	in %
Turnover		
Group	322.1	100.0%
thereof Taxonomy-eligible	103.8	32.2%
thereof Taxonomy non-eligible	218.3	67.8%
Capital expenditure (CapEx)		
Group	80.3	100.0%
thereof Taxonomy-eligible	27.6	34.4%
thereof Taxonomy non-eligible	52.7	65.6%
Operating expenditure (OpEx)		
Group	43.5	100.0%
thereof Taxonomy-eligible	14.2	32.7%
thereof Taxonomy non-eligible	29.3	67.3%

EQUALITY AND EQUAL PAY REPORT

Elmos prizes equal opportunities and employee diversity, and promotes a culture of appreciation, equality, and mutual respect. Employees of all genders are treated equally at our company as a matter of principle. All of our employees are hired on the basis of their qualifications and abilities. In addition, we have a policy of advancing employees Company-wide regardless of gender. 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		
	2021	2020	2019	2021	2020	2019
Full time	151	171	180	666	725	756
Part time	86	84	88	22	17	20
Total	**237**	**255**	**268**	**688**	**742**	**776**

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

Elmos is a leading global supplier of mixed-signal semiconductors, primarily for customers from the automotive industry. As a system solutions specialist, our goal is to improve the customer's electronic system. 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 a semiconductor manufacturer in the market for automotive electronics and currently supplies several hundred customers, including all major automotive suppliers. Sales to automotive customers accounted for 89% of the Group's sales in the year under review. 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 11% of sales in 2021.

Our product range is divided into three business lines. The structure of the business lines is oriented toward 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 feasibility, among other factors. Only those projects are realized that meet the Company's targets for market expectations, margin potential, and strategic positioning. ASSPs currently account for around 67% of Group sales. The other roughly 33% is generated with ASICs. A majority of the products in development, and a majority of the design wins, 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. If necessary, external development services can also be used.

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 recertification audit in 2021 confirmed the high level of the quality management system. What is more, Elmos has been certified in accordance with ISO 26262 (functional safety) throughout the Group since 2015.

Organizational structure

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

Elmos operates its own wafer manufacturing facilities at its main location in Dortmund. Such capacities are enhanced and optimized by cooperation agreements with contract manufacturers (foundries). On December 14, 2021, Elmos Semiconductor SE and Silex Microsystems AB signed a sale and purchase agreement to transfer the Elmos wafer fabrication activities at the Dortmund location (fab) to Silex. In addition, Elmos and Silex have entered into a long-term supply agreement until at least 2027, with Elmos buying wafers produced at the fab in Dortmund. As a result, a stable, future-proof production network will be guaranteed even after the transfer of the wafer fab to Silex. The closing of the transaction is subject to customary closing conditions and regulatory approvals. The foundry partners provide the necessary capacities and give Elmos the ability to respond flexibly to greater fluctuations in demand, even though that flexibility was limited by allocation in fiscal year 2021 due to the semiconductor shortage. Moreover, our foundry partners allow Elmos to expand its process portfolio to include new technologies. The share of the wafers purchased externally in 2021 was around one-half (2020: around 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, (operating) EBIT or (operating) EBIT margin, capital expenditures, and (operating) 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 the result before interest and income tax, EBIT (earnings before interest and taxes) or EBIT margin reflects the quality of earnings.

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

Reporting of the control system

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

BUSINESS REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

In 2021, automotive markets around the world were heavily affected not only by the ongoing COVID-19 pandemic, but also by supply chain bottlenecks in particular. Material and component shortages repeatedly forced automotive manufacturers to halt production during the year, which negatively impacted sales and production volumes worldwide and prevented a quicker recovery of the automotive market. As a result, market forecasts also had to be lowered on multiple occasions in the course of 2021 – in some cases significantly. According to the German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), the number of new car registrations worldwide rose by only 4% overall in 2021 compared with the weak prior-year level. Following strong growth at times in the first six months, new registrations declined in the second half of the year. From a regional perspective, the markets in the U.S. and China recorded slight increases of 3% and 7%, respectively, while Europe saw a 2% drop as against the prior year.

New car registrations[1]	Change
Worldwide	+4%
Europe	-2%
Germany	-10%
China	+7%
U.S.	+3%
Semiconductor market	
General semiconductor market (worldwide)[2]	+26%
Automotive semiconductor market (worldwide)[3]	+30%

Sources: [1] VDA, [2] WSTS, [3] IC Insights

The semiconductor market grew considerably in 2021 due to high demand for electronic products in many areas, despite restrictions on account of the COVID-19 pandemic, capacity bottlenecks, and disruptions to logistics. Based on the current forecast by World Semiconductor Trade Statistics (WSTS), global semiconductor sales are expected to increase by 25.6% to USD 552.9 billion in 2021. The semiconductor market for automotive applications developed even better in the reporting year. According to the market research institute IC Insights, semiconductor manufacturers sold a total of 52.4 billion semiconductors in 2021, lifting their unit sales by 30% year on year.

GUIDANCE-ACTUAL COMPARISON

On account of the unusually high level of uncertainty at the time, Elmos issued only comparative full-year guidance in February 2021 (sales, EBIT, capital expenditures, and adjusted free cash flow), together with quantitative guidance for the first quarter of 2021. The quarterly guidance refers solely to sales and the EBIT margin, as additional full-year figures forecast for capital expenditures and adjusted free cash flow are subject to more severe fluctuations during the year. The guidance for each quarter was then updated as part of the quarterly reporting. All quarterly guidances were achieved in the course of fiscal year 2021. With the publication of the Q3 statement in November 2021, full-year guidance was submitted for 2021 that was also achieved in full.

	Guidance issued in November 2021	Actual 2021	
Sales in 2021	320 ± 5 million Euro	322.1 million Euro	✔
EBIT margin in 2021	17% ± 2 percentage points	18.6%	✔
Average exchange rate	*1.15 EUR/USD*	*1.18 EUR/USD*	

BUSINESS PERFORMANCE AND ECONOMIC SITUATION

Financial statements according to IFRS

The consolidated financial statements of Elmos Semiconductor SE for fiscal year 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. Effective September 30, 2019, the subsidiary Silicon Microstructures Inc., Milpitas (USA), which generated sales in the Micromechanics segment, left Elmos' group of consolidated companies following the sale of its shares. From that point, the semiconductor segment is the only segment within the Elmos Group.

Sales performance

In fiscal year 2021, high demand for semiconductors and the related positive effects on volumes and prices meant that sales increased by 38.5% compared with the prior year, which was impacted by the coronavirus pandemic, to Euro 322.1 million.

CONDENSED INCOME STATEMENT

in million Euro or %	FY 2021	FY 2020	Change
Sales	322.1	232.6	38.5%
Gross profit	144.7	92.6	56.3%
in % of sales	44.9%	39.8%	
Research and development expenses	48.7	47.7	2.0%
in % of sales	15.1%	20.5%	
Distribution expenses	16.1	18.9	-14.4%
in % of sales	5.0%	8.1%	
Administrative expenses	20.0	17.4	14.6%
in % of sales	6.2%	7.5%	
Operating result before other operating expenses/income	59.9	8.5	7.0x
in % of sales	18.6%	3.7%	
Exchange rate gains/losses (-)	0.6	-1.8	n/a
Other operating result	-0.6	2.0	n/a
EBIT (reported)	60.0	8.7	6.9x
in % of sales	18.6%	3.7%	
EBIT (operating)[1]	64.9	8.7	7.5x
in % of sales	20.2%	3.7%	
Finance income	0.5	0.5	-6.6%
Finance expenses	-1.1	-0.9	17.0%
Earnings before taxes	59.4	8.2	7.2x
in % of sales	18.4%	3.5%	
Consolidated net income attributable to owners of the parent	39.8	6.4	6.2x
in % of sales	12.4%	2.8%	
Earnings per share (basic) in Euro	2.24	0.35	6.4x
Dividend per share in Euro	0.65[2]	0.52	25.0%

[1] Without consideration of expenses in connection with the agreement on the sale of the wafer fab.
[2] Proposal to the Annual General Meeting on May 11, 2022.

Sales by region: In fiscal year 2021, all regions recorded higher sales than in the prior year. In particular, the APAC region further increased its share of sales in the reporting year and now accounts for the highest proportion of sales out of all the Elmos Group's regions, at 48.4%. The fast pace of growth in recent years underlines the growing strategic significance of this region for the Company and confirms Elmos' successful performance in this region.

Share of sales | in %	FY 2021	FY 2020
EU countries	41.0%	45.9%
Asia/Pacific	48.4%	43.2%
U.S.	1.2%	1.7%
Other countries	9.3%	9.2%

Sales by customer and product group: In 2021, the ten largest customers accounted for approximately 58% of sales (2020: 58%); the share of sales accounted for by the ten best-selling product groups remained unchanged at approximately 39%. A single customer generally purchases several products in different phases of their life cycles and often uses them in various models, brands, and markets. The large number of customer relationships results in a high level of diversity.

Order backlog: Orders received and the order situation typically reflect current business performance, mirroring sales performance for the year. The book-to-bill figure – the ratio of orders received for the next three months to sales over the past three months – can be a useful indicator in this regard. At the end of 2021, the book-to-bill ratio was significantly higher than 1. Due to the current allocation in the semiconductor sector as well as relatively untypical ordering behavior from our customers and orders being prioritized based on the real demands, the present order backlog and the book-to-bill ratio are only of limited informative value in the current period. 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): Despite the ongoing restrictions caused by the COVID-19 pandemic, all business lines had a very successful 2021 in respect of design wins, which reached a new record level across the Group. As in prior years, the number of ASSPs among the design wins far exceeded the number of ASICs in the reporting year. Design wins generally take two to five years before they go into serial production and make a contribution to sales. This excellent performance in design wins strengthens the foundations for our future growth.

Profit situation

Gross profit: Gross profit grew significantly to 144.7 million Euro (2020: 92.6 million Euro) due to the increase in sales and high capacity utilization overall, although fiscal year 2021 also saw allocation-related price rises in materials, production services, and logistics. The gross margin improved accordingly to 44.9% (2020: 39.8%).

Research and development expenses: At 48.7 million Euro (2020: 47.7 million Euro) or 15.1% of sales (2020: 20.5%), research and development expenses remained at a high level to ensure that our large number of new projects lead to the development of innovative solutions in all our application areas.

Distribution expenses: Distribution expenses fell to 16.1 million Euro in the reporting year (2020: 18.9 million Euro).

Administrative expenses: At 20.0 million Euro, administrative expenses in 2021 were higher than in the prior year (2020: 17.4 million Euro).

Earnings before interest and taxes (reported EBIT): EBIT improved to 60.0 million Euro in fiscal year 2021 (2020: 8.7 million Euro), which equated to an EBIT margin of 18.6% (2020: 3.7%).

Operating earnings before interest and taxes (operating EBIT): Operating EBIT, less expenses incurred in connection with the agreement on the sale of the wafer fab, totaled 64.9 million Euro in the reporting year with an operating EBIT margin of 20.2%.

Consolidated net income, earnings per share: After deduction of taxes and non-controlling interests, Elmos generated consolidated net income attributable to owners of the parent of 39.8 million Euro in fiscal year 2021 (2020: 6.4 million Euro). Consolidated net income was equivalent to basic earnings per share of 2.24 Euro (2020: 0.35 Euro).

Proposal for the appropriation of retained earnings: Elmos' net income according to the German Commercial Code (HGB) amounted to 43.3 million Euro (2020: 0.3 million Euro) (for further details, see the financial statements according to HGB). Profit carried forward from 2020 amounts to 115.8 million Euro. At the Annual General Meeting on May 11, 2022, the Management Board and the Supervisory Board will propose a dividend of 0.65 Euro per share, up 25% year on year, from the retained earnings of Elmos Semiconductor SE of 159.1 million Euro for 2021. The total dividend payout would thus amount to 11.1 million Euro based on 17,109,240 shares entitled to dividend as of December 31, 2021.

Financial position

CONDENSED STATEMENT OF CASH FLOWS

in million Euro or %	FY 2021	FY 2020	Change
Consolidated net income	39.9	6.5	6.2x
Depreciation and amortization	31.4	30.9	1.4%
Change in net working capital[1]	5.4	7.2	-25.0%
Other items	2.9	-17.3	n/a
Cash flow from operating activities	**79.6**	**27.3**	**2.9x**
Capital expenditures for intangible assets and property, plant and equipment	-68.7	-22.5	3.0x
Capital expenditures for securities	-3.2	-16.8	-80.6%
Payments related to additions to the group of consolidated companies	0.1	0.0	n/a
Other items	-1.7	-3.1	-43.8%
Cash flow from investing activities	**-73.6**	**-42.4**	**73.8%**
Cash flow from financing activities	**-28.7**	**-39.5**	**-27.2%**
Change in liquid assets	-22.7	-54.5	-58.3%
Adjusted free cash flow[2]	**11.1**	**3.6**	**3.1x**

[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 payments for additions to shares/proceeds from changes in the scope of consolidation).

Cash flow from operating activities: At 79.6 million Euro, cash flow from operating activities in fiscal year 2021 was up sharply on the prior year (2020: 27.3 million Euro), mainly as a result of significantly higher consolidated net income.

Cash flow from investing activities: Capital expenditures for the expansion of testing capacities were driven forward even further in 2021 compared with the prior year. Overall, capital expenditures for intangible assets and property, plant and equipment substantially exceeded the figure for 2020. In addition, the Company purchased securities (bonds and borrowers' notes). Cash flow from investing activities totaled -73.6 million Euro in fiscal year 2021 (2020: -42.4 million Euro).

Cash flow from financing activities: Cash flow from financing activities came to -28.7 million Euro (2020: -39.5 million Euro) in the reporting period and was primarily influenced by the further share buyback program and the dividend payment. In 2021, Elmos Semiconductor SE acquired a total of 1,048,661 shares at a total purchase price of 40.9 million Euro as part of a public share buyback offer. The dividend distribution in 2021 totaled 9.4 million Euro.

Adjusted free cash flow stood at 11.1 million Euro (2020: 3.6 million Euro).

Liquid assets: Cash and cash equivalents amounted to 17.8 million Euro as of December 31, 2021. As a result, liquid assets declined considerably by 22.7 million Euro year on year, mainly due to the above-mentioned capital expenditures and the share buyback program.

Financial situation: Elmos is financed by equity, promissory note loans and bank loans. As of December 31, 2021, the Company had various short-term lines of credit at its disposal totaling 40.0 million Euro, which are currently unused. Detailed information on the individual elements of the financial situation can be found in the notes.

Principles and goals of financial management: The primary objective of the Elmos Group's capital management is to ensure an adequate credit rating, liquidity at all times with a high degree of financial flexibility, and a solid capital structure. This objective is geared towards supporting the Group's business activities, continuing operations over the long term, and acting in the interests of shareholders, employees, and other stakeholders. Elmos pursues a strategy of continuous and sustained increases in shareholder value.

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

Other financial obligations and disclosures of off-statement-of-financial-position financial instruments: In addition to the aforementioned financial instruments, the Company partially finances its capital expenditures through lease, rental, and service agreements. In each case, there is a balanced relationship between advantages and risks, and the arrangements are customary in the market. The resulting repayment obligations are reported as "Other financial obligations." As of December 31, 2021, they amounted to 24.6 million Euro (December 31, 2020: 21.0 million Euro). A purchase commitment in the amount of 15.6 million Euro (2020: 11.2 million Euro) results from investment orders placed. These capital expenditures are partially financed by a universal loan of 20 million Euro disbursed in February 2022 for the purpose of investing in growth/machinery.

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION

in million Euro or %	12/31/2021	12/31/2020	Change
Intangible assets	37.7	30.2	24.7%
Property, plant and equipment	170.9	130.4	31.1%
Other non-current assets	8.4	3.9	2.2x
Securities (current and non-current)	48.3	45.4	6.4%
Inventories	80.1	84.7	-5.4%
Trade receivables	39.7	37.2	6.8%
Cash and cash equivalents	17.8	40.3	-56.0%
Other current assets	15.1	23.3	-35.4%
Total assets	**418.0**	**395.5**	**5.7%**
Equity	300.2	310.2	-3.2%
Financial liabilities (current and non-current)	76.1	45.6	67.0%
Other non-current liabilities	9.4	7.4	25.9%
Trade payables	12.1	9.0	33.5%
Other current liabilities	20.3	23.3	-12.6%
Total equity and liabilities	**418.0**	**395.5**	**5.7%**

Total assets rose by 22.5 million Euro to 418.0 million Euro as of December 31, 2021 (December 31, 2020: 395.5 million Euro), primarily as a result of the increase in property, plant and equipment on account of higher capital expenditures.

DETERMINATION OF ROIC

in million Euro or %	2021	2020
❶ EBIT	60.0 | 64.9[1]	8.7
	12/31/2021	12/31/2020
Intangible assets	37.7	30.2
Property, plant and equipment	170.9	130.4
Inventories	80.1	84.7
Trade receivables	39.7	37.2
Less		
Trade payables	12.1	9.0
❷ Invested capital	316.3	273.5
RoIC (❶/❷)	19.0% | 20.5%[1]	3.2%

[1] Based on operating EBIT

Return indicator: Elmos applies return on invested capital (RoIC) used for business operations as a return indicator. This enables the Company to establish a link between profitability and capital used for operational purposes. RoIC therefore also serves as an indicator of added value. The significant increase in EBIT in the reporting period meant that RoIC in 2021 also far exceeded the 2020 figure of 3.2%, amounting to 19.0% or 20.5% based on operating EBIT.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In fiscal year 2021, the Elmos Group performed extremely well in a dynamic market environment, recording very significant increases in sales and earnings compared with the prior year, which was affected by the coronavirus pandemic. The Company further expanded its innovative product portfolio by maintaining its high level of R&D expenditure, while investing strategically in new software competencies. Testing capacities in Dortmund and Asia were increased in preparation for future growth. Going forward, the sale of the wafer fab in Dortmund agreed at the end of 2021 enables Elmos to focus even more on customers, applications, and groundbreaking chip design. The Company's new design wins in 2021 comprise a wide variety of attractive projects with existing and new customers in all product segments. Elmos' innovative products and strong competitive position, combined with its solid financial basis, mean that the Company is superbly positioned and has a promising foundation for future growth.

ELMOS SEMICONDUCTOR SE (SEPARATE FINANCIAL STATEMENTS ACCORDING TO HGB)

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

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

Business performance 2021

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 sections entitled "The Group's business model" and "Business report."

Business outlook for 2022 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 2022 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 2022 should also influence the earnings of Elmos Semiconductor SE. Overall, we expect that Elmos Semiconductor SE's retained earnings in 2022 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 2021	FY 2020	Change
Sales	318.0	232.2	36.9%
Changes in inventories, other own work capitalized, and other operating income	4.0	17.5	-77.4%
Material costs	132.8	109.3	21.5%
Personnel expenses	74.6	72.6	2.8%
Amortization of intangible assets and depreciation of fixed assets and property, plant and equipment	25.5	24.1	5.8%
Other operating expenses	40.3	43.7	-7.8%
Operating income	48.7	-0.0	n/a
Income from investments and financial result	10.7	1.3	8.1x
Earnings before taxes	59.4	1.3	45.2x
Net income	43.3	0.3	145.9x

In the past fiscal year, sales rose sharply by 36.9% to 318.0 million Euro. Operating income was also up substantially to 48.7 million Euro in 2021 (2020: -0.0 million Euro).

Financial position

CONDENSED STATEMENT OF CASH FLOWS (HGB)

in million Euro or %	FY 2021	FY 2020	Change
Net income	**43.3**	**0.3**	**145.9x**
Depreciation and amortization	25.5	24.1	5.8%
Expenses from the disposal of fixed assets	0.3	0.0	n/a
Increase (+)/decrease (-) in current provisions and write-downs of financial investments	3.6	-8.5	n/a
Decrease in inventories, trade receivables, and other assets	7.6	0.9	8.3x
Decrease (-)/increase (+) in trade payables and other liabilities	-10.0	3.2	n/a
Cash flow from operating activities	**70.4**	**20.1**	**3.5x**
Cash flow from investing activities	**-67.1**	**-37.6**	**78.7%**
Cash flow from financing activities	**-24.9**	**-35.8**	**-30.5%**
Change in cash and cash equivalents	-21.6	-53.3	-59.4%
Cash and cash equivalents at beginning of period	35.0	88.3	-60.3%
Cash and cash equivalents at end of period	**13.4**	**35.0**	**-61.7%**

In fiscal year 2021, cash flow from operating activities increased considerably year on year to 70.4 million Euro (2020: 20.1 million Euro), primarily due to significantly higher net income. The change in cash flow from investing activities was largely attributable to the above-mentioned expansion of testing capacities. Cash flow from financing activities stood at -24.9 million Euro in the reporting year (2020: -35.8 million Euro).

Assets and liabilities

CONDENSED STATEMENT OF FINANCIAL POSITION (HGB)

in million Euro or %	12/31/2021	12/31/2020	Change
Fixed assets	231.1	190.6	21.2%
Inventories	79.0	83.4	-5.3%
Receivables and other assets	50.9	54.4	-6.4%
Marketable securities	0.5	0.0	n/a
Cash in hand, cash in banks	13.4	35.0	-61.7%
Other assets	2.1	1.8	15.3%
Total assets	**377.0**	**365.3**	**3.2%**
Equity	274.0	280.6	-2.4%
Provisions	21.7	18.4	17.9%
Liabilities/deferred income	81.3	66.2	22.7%
Total equity and liabilities	**377.0**	**365.3**	**3.2%**

Total assets grew by 3.2% year on year to 377.0 million Euro as of December 31, 2021. The reasons for the change on the assets side include an increase in fixed assets as well as the decrease in cash and cash equivalents. The rise on the total equity and liabilities side relates to higher liabilities.

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 2021 financial statements reported retained earnings of 159.1 million Euro (2020: 167.4 million Euro). At the Annual General Meeting on May 11, 2022, the Management Board and Supervisory Board will propose that the retained earnings for fiscal year 2021 be used for the distribution of a dividend of 0.65 Euro per no-par share entitled to dividend – up 25% year on year – and that the remaining amount be carried forward to new accounts.

SUBSEQUENT EVENTS

Based on the merger agreement of December 13, 2021 between Elmos Semiconductor SE, GED Electronic Design GmbH and MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, the two subsidiaries were merged into Elmos Semiconductor SE effective January 1, 2022.

Apart from that, there have been no reportable events or transactions of special significance after the end of fiscal year 2021 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; higher demands in terms of safety, connectivity, and comfort; and the growing electrification of multiple vehicle functions. Especially in fiscal year 2021, demand for semiconductors was very high worldwide, and demand for semiconductors is expected to continue rising in the years ahead. In particular, a further increase in semiconductor solutions in vehicles is forecasted.

Product-specific opportunities

Product-specific opportunities open up for Elmos due to innovation. Our business lines seek to continuously increase our appeal for 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 to gain access to modern process technologies. 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 along the entire value chain in areas such as development, testing, technology, quality, administration, and logistics, and we invest throughout the Group in measures to increase efficiency.

MANAGEMENT'S OVERALL ASSESSMENT OF OPPORTUNITIES

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

If we make better progress with these measures and methods than expected at present, this might have a positive effect on our financial, profit, and economic position and 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.

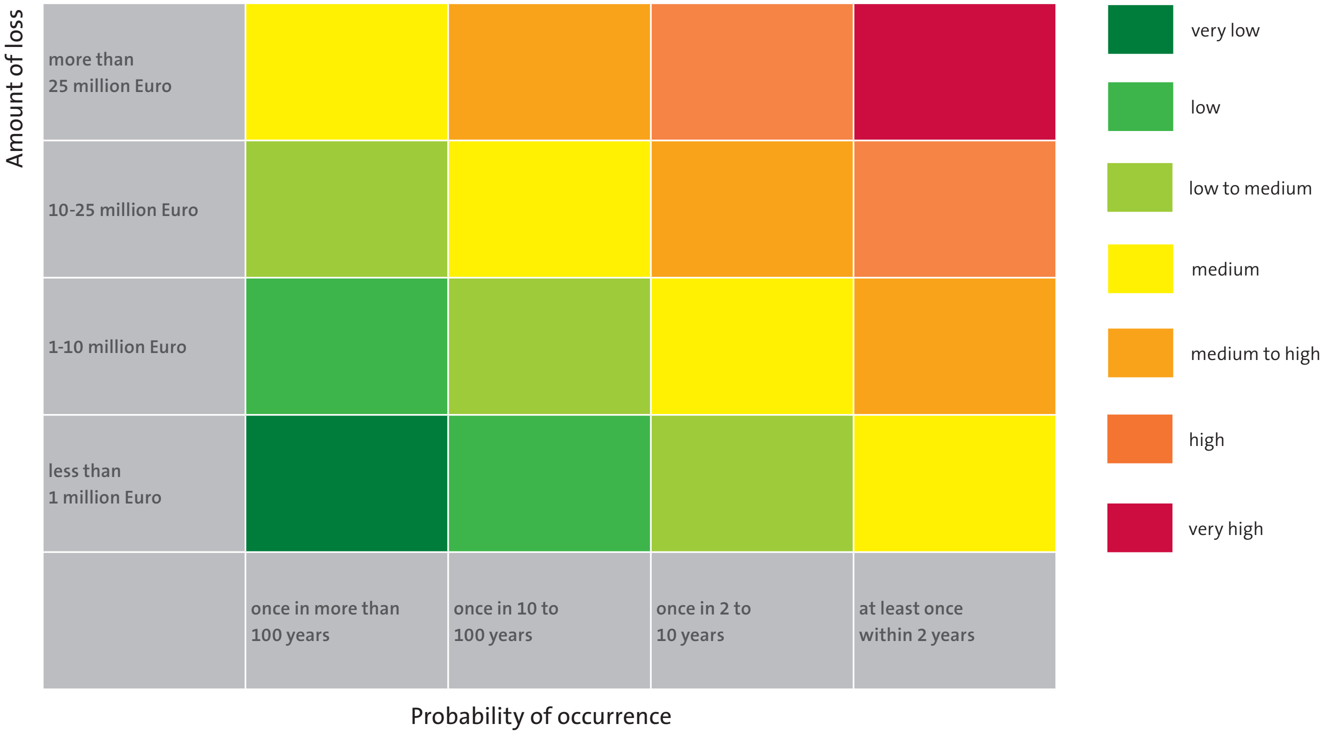
RISKS

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 internal control and risk management system. Elmos pools the measures implemented for risk management within the Company. This system focuses on safeguarding the Company's continued existence. It complies with the legal stipulations for a risk management system in accordance with Section 91 (3) AktG (Stock Corporation Act). The Management Board bears the overall responsibility for this. To this end, the Management Board has initiated a risk management process and given it a firmly anchored place within the Company's organization in the context of a risk management team. The risk management team is made up of the division managers, representatives of the subsidiaries, and the appointed risk managers and is responsible for central coordination within the Company, risk reporting, and reporting to the Management Board. Each risk is assigned to risk owners who identify and assess the risks and define appropriate countermeasures. Together with the risk manager, they monitor compliance with the measures and their effectiveness.

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 returns 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 business



activities, the profit and financial position, and the assets and liabilities, risks are classified according to the matrix and assessed as “very low,” “low,” “low to medium,” “medium,” “medium to high,” “high,” and “very high.” Measures for risk reduction or avoidance are listed for each identified risk, and they are regularly discussed with the responsible executives in consideration of early warning indicators.

Internal control system and risk management system

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 in those areas where material information for the preparation of the consolidated financial statements is generated, including defined authorization processes in relevant areas; (iv) measures and access guidelines for the proper EDP-supported processing of items and data relating to the Group’s financial accounting; and (v) the regulation of responsibilities concerning the involvement of external specialists. The Management Board assumes overall responsibility for the internal control and risk management system with respect to 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)

Like 2020, fiscal year 2021 was significantly influenced by the COVID-19 pandemic. There were indications of an economic recovery in summer 2021, more than a year after the outbreak of the coronavirus pandemic. However, the upswing lost some of its momentum toward the end of the year due to concerns about a sharp rise in infection rates and new mutations of the virus. In combination with global supply bottlenecks, especially in the semiconductor industry, such global economic developments have an impact on 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 also depends 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; fluctuations in national currencies and key interest rates; changing registration requirements for new vehicles; a recession in Europe or other important international markets; a significant slowdown of growth in Asia; or an increase in sovereign debt could have a negative effect on the ability and willingness of our customers to use our products.

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

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

Semiconductor allocation

The past fiscal year was characterized by very high demand for semiconductors in all sectors. The rapid recovery in the automotive market fueled a sharp rise in the need for semiconductors, as did the substantial demand for electronic products such as laptops, printers, monitors, smartphones, televisions, and video game consoles due to the pandemic, which saw lockdowns, remote working, and home schooling. Yet semiconductor manufacturing capacity is limited around the world and cannot be significantly increased at short notice. As a result, the entire IC value chain has come under tremendous pressure, which has had a particularly marked effect on wafer production, as well as the assembly and testing of ICs. Allocation management has enabled Elmos to continue meeting the real needs of customers. As things stand at the moment, however, we are not in a position to predict how long the current allocation phase will last. Elmos is working hand in hand with all of its partners to ensure sufficient wafer capacities going forward so that it can meet its delivery obligations. Nevertheless, it is fundamentally impossible to rule out that Elmos could encounter difficulties making deliveries to its customers on account of supply bottlenecks and insufficient wafer capacities in the future, leaving it unable to fully and timely meet all of its delivery obligations to customers. Such developments could have a significant impact on the Company's financial, profit, and economic position.

Dependence on the automotive industry

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

The global automotive market was originally expected to recover in 2021 following the significant drop in automotive sales in 2020. Nevertheless, the forecasts were downgraded multiple times over the course of the year due to a number of factors, including the semiconductor shortage. A continuation of the negative impact on global demand for passenger cars, or continued volatility in sales and production figures, could also have a marked effect on business performance at Elmos.

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

Competition risks

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

Personnel risks *(risk assessment: medium)*

Dependence on individual employees

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

Shortage of qualified employees

An important aspect for success in the market is the quality and availability of employees. 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 onset of the COVID-19 pandemic, such as providing protective masks and disinfectants, vaccination offerings for employees, 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 or new mutations of the virus arise.

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

The market for Elmos products is characterized by the constant advancement and improvement of products. Therefore, the success of Elmos is highly dependent on the ability to assess market trends and technological development correctly in order to efficiently develop innovative and complex products or successors of existing products, bring them to market on time, and make sure that these products are chosen by customers. There is also the risk that products or entire application fields relevant to the sales of Elmos might be replaced by new technologies, either completely or in part, so that Elmos is no longer able to offer any competitive products in such fields.

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

For product developments initiated by Elmos (i.e., all ASSPs), there are no binding customer orders yet when development starts. As a result, Elmos bears the development costs. If there is not enough customer acceptance, development and production costs might not be amortized by product sales at a later date. However, Elmos works together 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 provision of financial resources to the subsidiary companies and investments results in an increased obligation to detect and, if necessary, to minimize potential risks at the earliest possible stages by means of adequate controlling instruments and target/actual analyses. In addition 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 are controlled by monopolies in some cases. A certain dependence on individual Far Eastern partners is typical in the industry. Elmos has spread this risk by cooperating with several partners in different countries wherever possible. Despite the efforts to spread risk by using different partners, there is a risk of a longer-term interruption to operations – for example due to a strike, natural disasters, 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.

In fiscal year 2021, the procurement of goods and services throughout the supply chain was very significantly affected by the continued shortage of semiconductors. The situation has had a particularly marked effect on wafer production, as well as the assembly and testing of ICs and global logistics.

There is a tendency among 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. This year's shortage of semiconductors specifically has led to noticeable increases in the prices of materials, machinery, and logistics services and has therefore had a negative impact on Elmos' business performance.

Warranty claims and product liability

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

Elmos consistently follows a zero-defect strategy and constantly invests in the detection and prevention of sources of error and defects. In order to minimize potential sources of error with respect to safety-relevant components for vehicles, Elmos has implemented and audited a development process in accordance with ISO 26262 (functional safety). In addition, the 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. Insurances for further risks, such as cyber attacks and fidelity damages, 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

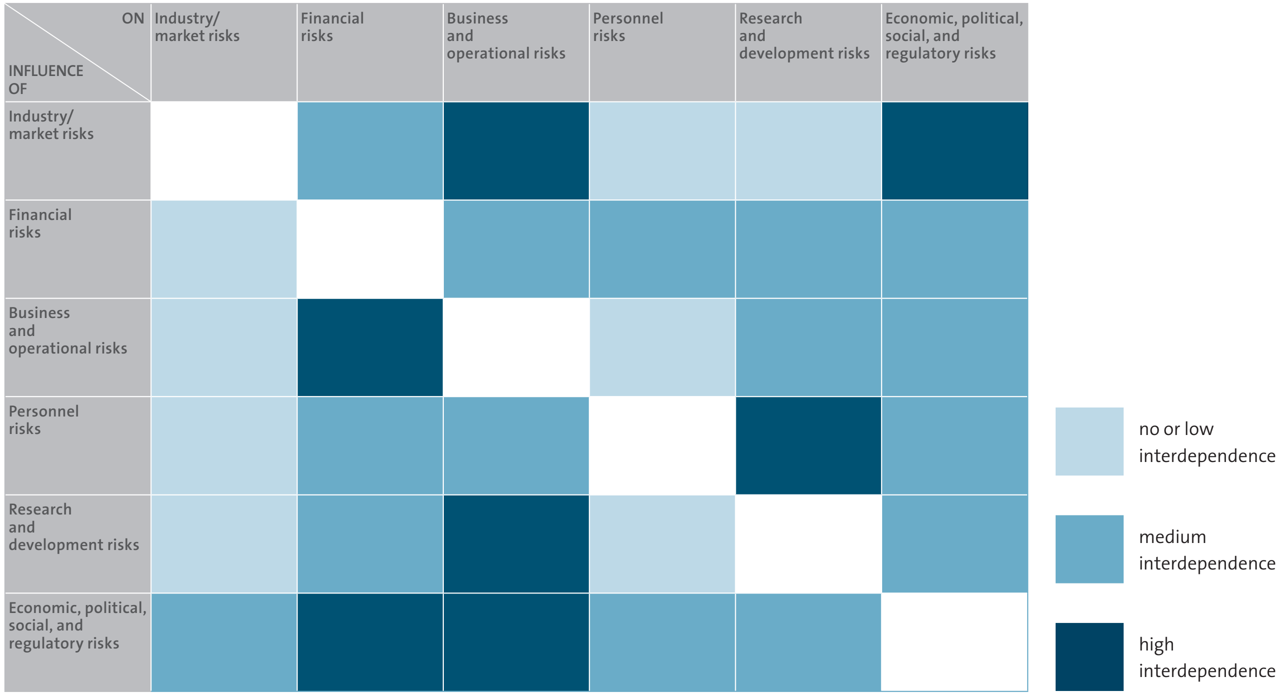
Elmos has received certification in line with both the demanding environmental management standard ISO 14001 and the energy management standard ISO 50001. This certification is confirmed in repeat audits. Although this approach helps minimize ecological risks, it cannot be fully ruled out that the Group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

Interdependencies between risks

Risks do not occur in isolation. Instead, they are dependent on other risks and have an influence on them. A consideration of the interdependencies between risk groups is also part of an integrated approach to managing the dangers that risks pose to the Company. The following six risk groups, as described above in detail, have been investigated with regard to their mutual interdependencies:

1) Economic, political, social, and regulatory risks
2) Industry/market risks
3) Personnel risks
4) Research and development risks
5) Financial risks
6) Business and operational risks

CORRELATION MATRIX



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

The above correlation matrix, which presents the influence of the risk groups in the rows on the risk groups in the columns, illustrates how the risk groups influence each other.

MANAGEMENT'S OVERALL ASSESSMENT OF RISKS

Elmos 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 financial, profit, and economic position 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. Risks that are subject to substantial interdependencies are additionally evaluated with regard to the resulting effect. It must be stated that some categories contain risks that pose potential threats to the Company's continued existence; however, those risks usually carry a relatively low probability of occurrence and interdependence with other risks. As a consequence, no individual risks are currently assessed as belonging to the categories within the Company for both the highest amount of loss and the highest probability of occurrence (i.e., no risk assessment as "very high").

OUTLOOK

ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The International Monetary Fund (IMF) expects (as of January 2022) global growth of 4.4% in 2022 (2021: 5.9%). Supply chain problems, high inflation, and the fallout of the Omicron wave will continue to weigh on the world economy and hold back its recovery. As a result, the IMF has lowered its global economic forecast for 2022 by 0.5 percentage points compared with its October outlook.

In February 2022, the VDA expected the global automotive market to record a similar level of growth in the current year as in 2021, at 4%. This would be just under 13% below the peak figure achieved by the worldwide passenger car market in 2017. The VDA predicts a difficult start to the year for the global automotive markets due to ongoing shortages in the supply of preliminary and intermediate products. The VDA also expects restrictions and uncertainty due to the general supply situation as well as further risks relating to energy and logistics price trends and the progression of the pandemic around the world, which is still not entirely predictable.

The WSTS forecasts 8.8% growth for the global semiconductor market in 2022 (as of November 2021) and currently believes that upward trends are possible in all product categories and all regions.

FORECASTED MARKET DEVELOPMENT

Gross domestic product[1]	Forecast 2022
Worldwide	+4.4%
Europe	+3.9%
Germany	+3.8%
China	+4.8%
U.S.	+4.0%
New car registrations[2]	
Worldwide	+4%
Europe	+5%
China	+2%
U.S.	+2%
Semiconductor market	
General semiconductor market[3]	+8.8%

Sources: [1]IMF (as of January 2022), [2]VDA (as of February 2022), [3]WSTS (as of November 2021)

OPERATIONAL TARGETS FOR FISCAL YEAR 2022

Sales and earnings targets

Besides current business performance and the order situation, the guidance is also based on the expectations and assumptions regarding general economic development and specific industry development, as described above. For fiscal year 2022, Elmos expects an increase in sales of at least 15% to more than 370 million Euro and an operating EBIT margin of 20% ± 2 percentage points of sales. The expected operating EBIT margin for 2022 does not include any effects from a possible closing of the sale of the Elmos wafer fab to Silex Microsystems AB. The guidance is based on an exchange rate of 1.15 EUR/USD and continues to be influenced by the worldwide allocation on the semiconductor market, along with problems affecting the supply of key components due to global capacity bottlenecks, as well as uncertainty relating to the ongoing COVID-19 pandemic.

Capital expenditure and liquidity targets

In 2022, the Company will continue to expand its testing capacities and increase its cooperation with external partners for semiconductor testing. Elmos expects capital expenditures for intangible assets and property, plant and equipment less capitalized development expenses of around 16% ± 2 percentage points of sales. Despite the continued high level of capital expenditures and development expenses for future growth, the Company expects to generate a positive adjusted operating free cash flow in fiscal year 2022 above the previous year (11.1 million Euro).

2022 GUIDANCE

Sales	At least +15% to more than 370 million Euro
Operating EBIT margin	20% ± 2 percentage points
Capital expenditures (in % of sales)[1]	16% ± 2 percentage points
Adjusted operating free cash flow[2]	Positive, above the prior year (11.1 million Euro)
Assumed average exchange rate	*1.15 EUR/USD*

[1] Capital expenditures for intangible assets and property, plant and equipment, less capitalized development expenses

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

Dividend targets

Free liquidity is planned to be utilized in part for the payment of a dividend. Due to the business and earnings development, the Supervisory Board and Management Board will propose to the Annual General Meeting in May 2022 the payment of a dividend amounting to 0.65 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 in vehicles.

A positive performance for Elmos requires the success of our current and future customers as well as our ability to sell our products to them. The international automotive supplier market is subject to intense competition. Resulting effects, such as shifts in the market or portfolio changes at our customers, are difficult to predict. Our guidance does not include any effects from a possible closing of the sale of the Elmos wafer fab to Silex Microsystems AB. The outlook is based, among other factors, on the assumptions regarding economic developments described above as well as on the information contained in the report on opportunities and risks. Expectations may be affected by market turbulence or global political and economic uncertainty, including the worldwide allocation on the semiconductor market, military conflicts 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, 2021 (also representing the explanatory report in accordance with Section 176 [1] sentence 1 AktG [Stock Corporation Act]), is reported below. The composition of subscribed capital and shareholdings in excess of 10% of the voting rights can be found in the notes to the consolidated financial statements.

Limitations with regard to voting rights or the transfer of shares

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

Share-based components of the compensation of the Supervisory Board, Management Board, and employees provide, in part, for limitations on disposal, such as holding periods. Furthermore, preventive, time-limited trading restrictions for the Supervisory Board, the Management Board, and individual employees are in place. The Annual General Meeting on May 20, 2021, adopted a resolution stating that the members of the Supervisory Board should receive fixed remuneration for every past fiscal year. The previous statement regarding the share-based component of Supervisory Board's compensation therefore relates solely to the components granted to the affected Supervisory Board members before the Annual General Meeting's resolution took effect in 2021.

Shares with special rights conferring powers of control

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

Form of voting rights control in the case of employee shareholdings

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

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

We refer to the respective legal stipulations for the appointment and dismissal of Management Board members (Sections 84, 85 AktG; 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 following statements on the Management Board's authorization to issue shares are based on the amount of share capital at the time of the Annual General Meeting's resolution on the authorization (20,103,513.00 Euro). The share capital as of December 31, 2021, stood at 17,700,000.00 Euro following the cancellation of treasury shares on two occasions over the course of fiscal year 2021.

The Management Board's authorization to issue shares

The Management Board is authorized to increase the Company's share capital up to and including May 21, 2025, subject to the Supervisory Board's consent, by up to 10,051,756.00 Euro, once or more than once, through the issue of new no-par value bearer shares against contributions in cash or in kind (authorized capital 2020). If the capital is increased against contributions in cash, subscription rights shall be granted to the shareholders. The shares may be taken over by banks under the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized to exclude the shareholders' subscription rights, subject to the Supervisory Board's consent:

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

-> 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; 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 dividends from the beginning of the fiscal year in which they come into being by the exercise of conversion or option privileges or the fulfillment of conversion obligations; deviating from this, the Management Board may determine that the new shares are entitled to dividends from the beginning of the fiscal year for which, at the time of exercising conversion or option privileges or fulfilling conversion obligations, no resolution by the 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

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 share buyback offer 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.

On the basis of this authorization, the Management Board of Elmos Semiconductor SE decided and announced on August 9, 2021, with the consent of the Supervisory Board, that it would reduce the Company's share capital by 1,940,000.00 Euro, from 20,103,513.00 Euro to 18,163,513.00 Euro, by cancelling 1,940,000 no-par value bearer shares worth a proportionate amount of share capital of 1.00 Euro per share (Section 71 [1] No. 8 sentence 6 AktG). At the same time, the Management Board decided, with the consent of the Supervisory Board, to purchase up to 1,780,000 bearer shares in the Company at a price of 36.00 Euro per share by way of a voluntary public share buyback offer to the Company's shareholders once the capital reduction took effect. The capital reduction was entered into the commercial register on August 17, 2021. On August 25, 2021, the Management Board decided that the offer price would be increased by 3.00 Euro from 36.00 Euro to 39.00 Euro per share. Within the scope of this offer, the Company acquired 1,048,661 bearer shares, which corresponds to 5.77% of the Company's previously reduced share capital. Upon completion of this buyback offer, and in consideration of the previously acquired shares, the Company held a total of 1,072,523 treasury shares, corresponding to approximately 5.90% of the share capital. On September 2, 2021, the Management Board subsequently decided, with the consent of the Supervisory Board, to once again reduce the Company's share capital by 463,513.00 Euro, from 18,163,513.00 Euro to 17,700,000.00 Euro, by cancelling 463,513 no-par value bearer shares worth a proportionate amount of share capital of 1.00 Euro per share (Section 71 [1] No. 8 sentence 6 AktG), as based on the authorization given by the Annual General Meeting of May 22, 2020. This further capital reduction was entered into the commercial register on September 20, 2021. As of December 31, 2021, the Company still held a total of 590,760 treasury shares, or 3.34% of the share capital. With regard to the disclosures pursuant to Section 160 (1) No. 2 of the German Stock Corporation Act (AktG), we refer to the section "Equity" in the notes to the financial statements and to Note 21 in the notes to the consolidated financial statements.

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

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

Compensation agreements in case of a takeover bid

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

COMBINED NON-FINANCIAL REPORT

The combined non-financial report in accordance with Sections 289b and 315b HGB is included in the section "Information for our shareholders" of the Annual Report, which is publicly accessible on the website of Elmos Semiconductor SE (www.elmos.com/english/about-elmos/investor/financial-reports).

STATEMENT ON CORPORATE GOVERNANCE

The statement on corporate governance in accordance with Sections 289f and 315d HGB is included in the section "Information for our shareholders" of the Annual Report, which is publicly accessible on the website of Elmos Semiconductor SE (www.elmos.com/english/about-elmos/investor/financial-reports).

Dortmund, March 7, 2022

Dr. Arne Schneider   Guido Meyer   Dr. Jan Dienstuhl

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets | thousand Euro	Notes	12/31/2021	12/31/2020
Intangible assets	13	37,668	30,201
Property, plant and equipment	14	170,865	130,367
Securities	15	42,850	42,693
Investments	15	1	2,201
Other financial assets	20	8,379	1,595
Deferred tax assets	16	54	99
Non-current assets		**259,817**	**207,157**
Inventories	17	80,140	84,733
Trade receivables	18	39,745	37,231
Securities	15	5,492	2,751
Other financial assets	20	2,143	5,460
Other receivables	20	12,314	5,299
Income tax assets		599	12,554
Cash and cash equivalents	19	17,756	40,313
Current assets		**158,190**	**188,341**
Total assets		**418,007**	**395,498**

Equity and liabilities | thousand Euro	Notes	12/31/2021	12/31/2020
Share capital	21	17,700	20,104
Treasury shares	21	-591	-1,986
Additional paid-in capital	21	18,111	57,592
Surplus reserve		102	102
Other equity components	21	-23	27
Retained earnings		264,146	233,742
Equity attributable to owners of the parent		**299,445**	**309,581**
Non-controlling interests		715	634
Equity		**300,160**	**310,214**
Provisions for pensions	23	52	71
Financial liabilities	24	61,527	41,905
Deferred tax liabilities	16	9,314	7,371
Non-current liabilities		**70,894**	**49,347**
Provisions	23	16,298	17,796
Income tax liabilities	25	246	39
Financial liabilities	24	14,581	3,674
Trade payables	26	12,071	9,043
Other liabilities	25	3,757	5,385
Current liabilities		**46,954**	**35,937**
Liabilities		**117,847**	**85,284**
Total equity and liabilities		**418,007**	**395,498**

CONSOLIDATED INCOME STATEMENT

thousand Euro	Notes	FY 2021	FY 2020
Sales	5	322,091	232,561
Cost of sales	6	-177,424	-140,008
Gross profit		144,667	92,553
Research and development expenses	6	-48,661	-47,725
Distribution expenses	6	-16,146	-18,861
Administrative expenses	6	-19,959	-17,424
Operating income before other operating expenses (-)/income		59,900	8,543
Foreign exchange gains/losses (-)	9	635	-1,807
Other operating income	10	4,227	5,048
Other operating expenses	10	-4,783	-3,097
Earnings before interest and taxes (EBIT)		59,980	8,687
Finance income	8	451	483
Finance costs	8	-1,080	-923
Earnings before taxes		59,351	8,247
Income tax		-19,463	-1,775
thereof current income tax	11	-17,367	-1,767
thereof deferred tax	11	-2,096	-8
Consolidated net income		39,888	6,472
thereof attributable to owners of the parent		39,807	6,419
thereof attributable to non-controlling interests		81	52
Earnings per share		Euro	Euro
Basic/Fully diluted earnings per share	12	2.24	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

thousand Euro	Notes	FY 2021	FY 2020
Consolidated net income		39,888	6,472
Items to be reclassified to the consolidated income statement in later periods including respective tax effects			
Foreign currency adjustments without deferred tax effect		174	-174
Foreign currency adjustments with deferred tax effect		0	0
deferred tax on this item	21	0	0
Changes in market value of financial assets measured at market value	21	-352	356
deferred tax on this item	21	115	-117
Items not to be reclassified to the consolidated income statement in later periods including respective tax effects			
Actuarial gains/losses (-) from pension plans	21	20	-242
deferred tax on this item	21	-7	81
Other comprehensive income after taxes		-49	-96
Total comprehensive income after taxes		39,839	6,376
thereof attributable to owners of the parent		39,758	6,323
thereof attributable to non-controlling interests		81	52

ADDITIONAL INFORMATION FOR DETERMINING THE OPERATING EBIT

thousand Euro	Notes	FY 2021	FY 2020
Earnings before interest and taxes (EBIT)		59,980	8,687
Expenses linked to the sale of the wafer fab		4,949	0
Earnings before interest and taxes (EBIT) (operating)		64,929	8,687

CONSOLIDATED STATEMENT OF CASH FLOWS

thousand Euro	Notes	FY 2021	FY 2020
Consolidated net income		39,888	6,472
Depreciation and amortization	7	31,363	30,916
Losses/Gains (-) from disposal of non-current assets		321	-20
Financial result		629	440
Other non-cash expense		2,096	8
Current income tax	11	17,367	1,685
Expense for stock awards/share matching		343	113
Changes in provisions for pensions		-19	71
Changes in net working capital:			
Trade receivables	18	-2,146	13,698
Inventories	17	4,593	-5,974
Other assets	20	-8,578	4,714
Trade payables	26	2,992	-475
Other provisions and other liabilities		-3,526	-4,018
Income tax payments		-5,245	-19,954
Interest paid	8	-929	-881
Interest received	8	451	483
Cash flow from operating activities		**79,601**	**27,278**
Capital expenditures for intangible assets	13	-9,649	-4,564
Capital expenditures for property, plant and equipment	14	-59,052	-17,973
Payments from disposal of non-current assets		170	1,092
Payments from additions to scope of consolidation	32	64	0
Acquisition of shares		0	-2,200
Payments for (-)/Disposal of securities	15	-3,249	-16,762
Payments for other non-current financial assets	20	-1,888	-1,947
Cash flow from investing activities		**-73,604**	**-42,354**
Payments from the borrowing of financial liabilities	24	25,000	0
Share-based payment/Issue of treasury shares		66	421
Share buyback		-40,898	-26,949
Dividend distribution	35	-9,425	-9,409
Repayment of liabilities from installment purchase		-628	-621
Repayment of lease liabilities		-2,825	-3,069
Other changes		-7	168
Cash flow from financing activities		**-28,717**	**-39,459**
Decrease in cash and cash equivalents		**-22,720**	**-54,535**
Effect of exchange rate changes on cash and cash equivalents		163	-170
Cash and cash equivalents at beginning of reporting period	19	40,313	95,018
Cash and cash equivalents at end of reporting period	**19**	**17,756**	**40,313**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

												Non-controlling interest	Group
		Equity attributable to owners of the parent											
thousand Euro	Notes	Shares thousand	Share capital	Treasury shares	Additional paid-in capital	Surplus reserve	Other equity components			Retained earnings	Total	Total	Total
							Reserve for financial assets measured at market value	Currency translation	Unrealized actuarial gains/losses (-)				
01/01/2020		**20,104**	**20,104**	**-469**	**82,490**	**102**	**-156**	**586**	**-307**	**236,732**	**339,081**	**582**	**339,663**
Consolidated net income										6,419	6,419	52	6,472
Other comprehensive income for the period	21						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	21			23	398						421		421
Share buyback	21			-1,540	-25,409						-26,949		-26,949
Dividend distribution										-9,409	-9,409		-9,409
Expense for stock awards/share matching	21				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**
01/01/2021		**20,104**	**20,104**	**-1,986**	**57,592**	**102**	**83**	**412**	**-468**	**233,742**	**309,581**	**634**	**310,214**
Consolidated net income										39,807	39,807	81	39,888
Other comprehensive income for the period	21						-236	174	13		-49		-49
Total comprehensive income							-236	174	13	39,807	39,758	81	39,839
Share-based payment/Issue of treasury shares	21			41	25						66		66
Share buyback	21			-1,049	-39,849						-40,898		-40,898
Dividend distribution										-9,425	-9,425		-9,425
Expense for stock awards/share matching	21				343						343		343
Capital decrease by retiring treasury shares	21	-2,404	-2,404	2,404							0		0
Other changes										21	21		21
12/31/2021		**17,700**	**17,700**	**-591**	**18,111**	**102**	**-153**	**586**	**-455**	**264,146**	**299,445**	**715**	**300,160**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Elmos Semiconductor SE ("the Group", "the Company", or "Elmos") has its registered office in Dortmund (Germany) and is entered in the register of companies at the District Court (Amtsgericht) Dortmund, section B, under no. 31940. The Articles of Association in their current version have been in effect since the conversion as of July 1, 2020, last amended by the reduction of the Company's share capital in September 2021.

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, Heinrich-Hertz-Straße 1.

In view of the ongoing global COVID-19 pandemic in 2021, the specific critical items goodwill, intangible assets and property, plant and equipment, trade receivables and inventories were subjected to impairment tests again which 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 euros. Values stated in "thousand Euro" have been rounded up or down to thousand Euro according to financial rounding.

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

The consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income have been prepared in accordance with 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 Management Board resolution of March 7, 2022.

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 to estimates are recognized in profit or loss as soon as new information becomes available.

Even though these estimates and assumptions have been made by management to the best of their knowledge on the basis of current events and measures, actual results may deviate from estimates made. This holds true especially 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 remain highly 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 which might have a material effect on assets and liabilities, financial position, and profit/loss of Elmos Semiconductor SE.

Discretionary decisions (with respect to IFRS 5)

Elmos Semiconductor SE and Silex Microsystems AB, Sweden ("Silex") signed an agreement on the sale and transfer of the Elmos 200mm wafer fab at its Dortmund location to Silex on December 14, 2021. Silex Microsystems AB is based in Järfälla, Sweden (close to Stockholm) and provides globally leading foundry solutions for the cutting-edge MEMS production (micro-electro-mechanical systems) of advanced sensors and actuators, principally for applications in the medical, consumer, telecommunications, industrial, and automotive sectors. Within the framework of this sale transaction, Elmos transfers all relevant assets and contracts directly connected to wafer manufacturing to a newly founded separate entity, Dortmund

Semiconductor GmbH (please also refer to note 32). In case of a successful closing of this transaction probably in fiscal year 2022, Silex will take over 100% of the shares in this entity including direct employees and indirect staff under leadership of the previous management of the Elmos wafer fab (production site). Elmos remains the owner of the building and rents out the clean room to Silex based on a long-term lease. In addition to that, Elmos provides Silex with the necessary infrastructure, supply services, IT support and licenses based on separate lease and service agreements. Testing activities for Elmos products remain with Elmos. Elmos and Silex have also concluded a long-term supply agreement extending to at least 2027 according to which Elmos will purchase fab-manufactured wafers. This agreement complements supply agreements already existing with other foundry partners. Elmos sells its Dortmund wafer fab for a net purchase price of 77.5 million Euro plus approximately 7 million Euro for unfinished goods. The total purchase price thus amounts to approximately 85 million Euro. The transaction is subject to the usual closing conditions and approval by the authorities. In this context it had to be considered whether the accounting provisions of IFRS 5 are applicable. According to this accounting standard, certain non-current assets, or rather groups of assets, must be presented separately under "Current assets" in the consolidated financial statements if they are intended to be sold and if additional criteria are met ("assets held for sale"). Readers of financial statements are thus intended to be able to identify business units which management plans to dispose of within the next fiscal year. Apart from reporting provisions and disclosure requirements for the notes to financial statements, IFRS 5 includes special valuation provisions for such "assets held for sale" or disposal groups. Conditions for the classification of assets as "held for sale" are that they are available for immediate sale and that the sale is highly probable. While the first condition can be deemed accomplishable as of the signing of the agreement with Silex, that is not the case concerning the second condition. A sale is highly probable for the purpose of IFRS 5 if it is foreseeable that a sale will take place. According to prevailing opinion this requires a level of probability significantly above 51 %. Ultimately the interpretation of the criterion "highly probable" is thus subject to discretion to a considerable degree, both generally speaking and in the above described context of an agreement with the investor, and it sets very high requirements for the probability of the closing. IFRS 5.8 provides several objectification criteria for an interpretation of the scope of discretion with respect to IFRS 5 that must be met cumulatively. Among other aspects, significant changes to the plan, let alone its abandonment, must be deemed improbable. The agreement with Silex reads that the closing of the transaction is subject to the usual closing conditions but also to approval to be given by the authorities. Specifically, the Federal Ministry for Economic Affairs and Climate Action (BMWK) is called upon to approve the transaction and issue a certificate of compliance. The basic criterion for this assessment is whether the intended purchase appears likely to affect the public order or safety of the Federal Republic of Germany or any other member state of the European Union. Approval and issue of a certificate of compliance are required for all transactions with buyers from outside the European Union or rather the European Free Trade Association for certain critical sectors (e.g. semiconductors) since 2021. However, the fulfillment of this condition is subject to uncertainty, according to the assessment of the Management Board of Elmos. The BMWK might refuse its approval as the sale of a wafer fab to a EU based entity with a parent based in China might be considered detrimental to the EU in the light of the challenges for allocation in the semiconductor market in Germany and the EU. It must also be taken into account that the rules and requirements described above only took effect in 2021. Several empirical values could not be collected yet in sufficient quantity with respect to the interpretation as practised by the authorities responsible. Neither transaction consultants nor lawyers can offer a conclusive appraisal of the probability of success of the request or the duration of proceedings at present. Closing the transaction is generally prohibited until the BMWK has given its approval and issued the certificate of compliance. There is also the option for the BMWK to approve the transaction only under certain conditions. It cannot be assessed at present how long this review will actually take. If the duration of proceedings is too long, the buyer might lose interest in the transaction and withdraw from the agreement. Ultimately it must be stated that there is a significant risk prior to the completion of the review procedure due to these rules and regulations that the Federal Ministry for Economic Affairs and Climate Action will forbid or delay a purchase by the direct buyer pursuant to Section 55 AWV (Foreign Trade and Payments Ordinance). Therefore Elmos management does not deem the final and expeditious approval by the authorities highly probably for the purpose of IFRS 5.7 in conjunction with IFRS 5.8 at present, as a consequence of which the planned transaction was not reported according to the provisions of IFRS 5 in the consolidated financial statements as of December 31, 2021.

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 13.

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 16.

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 23.

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 13.

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 14.

Leasing

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 14.

Amended standards

The accounting policies applied generally correspond to those applied in the previous year. Exceptions were the following amendments to standards, subject to first-time mandatory application for fiscal year 2021.

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
Amendments to IFRS 16 – *Leases:* COVID-19-Related Rent Concessions beyond June 30, 2021	04/01/2022	None

Amendments to standards voluntarily applicable in advance (EU endorsed)

The IASB has released the following amendments to standards that have already been incorporated into EU law within the framework of the comitology procedure but were not yet subject to mandatory application in fiscal year 2021. The Group does not apply these amendments to standards in advance.

Standards/Amendments to standards	First-time mandatory application in the EU	Effects on Elmos
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

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 2021. These standards and amendments to standards have so far not been endorsed by the EU and are therefore not adopted by the Group.

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 IFRS Practice Statement 2: Disclosure of Accounting Policies	01/01/2023	Immaterial
Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates	01/01/2023	Immaterial
Amendments to IAS 12 – *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	Immaterial
Amendments to IFRS 17 – *Insurance Contracts:* Initial Application of IFRS 17 and IFRS 9 — Comparative Information	01/01/2023	None

2 – Principles of consolidation

Scope and methods of consolidation

In addition to Elmos Semiconductor SE, the consolidated financial statements prepared for fiscal year 2021 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 32.

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 euros. Assets and liabilities denominated in foreign currencies are generally translated at the closing exchange rate as of the reporting date.

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

The Company occasionally enters into forward exchange contracts and currency option transactions to hedge foreign currency transactions for periods consistent with committed exposures. These 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 2021, please refer to note 29.

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 do apply to capitalized development projects in connection with the development of ASICs. Projects are also capitalized if they are not yet linked to customer orders (ASSPs). 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 7). There were no other intangible assets with indefinite useful lives in fiscal year 2021 or fiscal year 2020.

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

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

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

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

All other financial assets neither measured at amortized cost nor outside 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 contracts in order to hedge against currency risk. Such derivative financial instruments are accounted for at fair value. Changes in fair value of derivative financial instruments are recognized through profit or loss in the consolidated income statement.

Inventories

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

Trade receivables

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

Cash and cash equivalents (liquid assets)

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

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 23.

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 30.

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.

NOTES TO THE SEGMENTS

4 – Segment reporting

Effective September 30, 2019, subsidiary Silicon Microstructures Inc., Milpitas (U.S.), generating sales in the Micromechanics segment, left the scope of consolidation of Elmos Group due to a sale of shares in this entity. As of that date, the semiconductor business has represented Elmos Group's sole business segment. 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.

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 2021	FY 2020
Germany	58,235	53,004
Other EU countries	73,952	53,755
U.S.	4,007	3,878
Asia/Pacific	155,834	100,477
Other countries	30,063	21,447
Sales	**322,091[1]**	**232,561[2]**

[1] Thereof Hong Kong with sales of 34,008 thousand Euro (10.6% of total sales)
[2] In FY 2020 there are no individual countries reporting sales in excess of 10% of total sales.

Geographic breakdown of non-current assets | thousand Euro	12/31/2021	12/31/2020
Germany	249,502	203,690
Other EU countries	1,333	1,270
U.S.	340	372
Other countries	209	131
Non-current assets	**251,384**	**205,463**

Sales generated with the top two customers accounting for more than 10% of sales each amount to 33.8 million Euro and 33.6 million Euro respectively (2020: one major customer with sales of 23.8 million Euro).

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

5 – Sales

The Company generates sales by selling semiconductors as well as from their development (please also refer to the geographic segment breakdown under note 4).

thousand Euro	FY 2021	FY 2020	Change
Sales	322,091	232,561	89,530

Sales have increased by 38.5% over the previous year. Fiscal year 2020 was considerably affected by the impact of the COVID-19 pandemic. In 2021, the semiconductor market grew significantly due to strong demand for electronic products in many sectors despite bottlenecks and logistical issues.

6 – Notes to the 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 2021	FY 2020
Material costs	-98,748	-73,705
Personnel expense	-37,353	-35,625
Other overhead	-36,344	-32,705
Changes in inventories	-4,978	2,027
Cost of sales	**-177,424**	**-140,008**

Due to the higher demand compared to the previous year (please refer to the effects of the COVID-19 pandemic in 2020) in the automotive industry and the resulting higher production output, an increase in material costs by the amount of 25,043 thousand Euro was recorded. The discontinuation of short-time work by the end of fiscal year 2020 and raises in wages and salaries reflect a higher personnel expense by 1,728 thousand Euro compared to the previous year. Other overhead also went up from fiscal year primarily due to higher depreciation. The item "Changes in inventories" shows a significant reduction from the previous year because of the higher demand and the challenging procurement effort in the semiconductor industry.

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 2021, R&D expenses of 48,661 thousand Euro (2020: 47,725 thousand Euro) were charged to expenses.

Distribution expenses

Distribution expenses in the amount of 16,146 thousand Euro (2020: 18,861 thousand Euro) essentially include expenses for personnel, travel, consulting fees, and depreciation.

Administrative expenses

Administrative expenses of 19,959 thousand Euro (2020: 17,424 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.

7 – 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 106,973 thousand Euro in the year under review and are up 26,757 thousand Euro from the previous year in line with the increase in sales (2020: 80,215 thousand Euro). They include expenses for raw materials, supplies, consumables, and for services claimed.

Personnel expense

Personnel expense went up 4,028 thousand Euro compared to the previous year. The number of employees – based on an average employment ratio – went down from 1,207 in fiscal year 2020 to 1,151 in fiscal year 2021 (-5%). The increase in personnel expense at decreasing staff numbers is accounted for by the discontinuation of short-time work as well as raises in wages and salaries. Further staff information can be found under note 38.

thousand Euro	FY 2021	FY 2020
Wages and salaries	-78,435	-74,870
Social security expense	-13,660	-12,929
Pension plan expense	-114	-382
Personnel expense	**-92,209**	**-88,181**

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 13 and 14).

Depreciation, amortization and write-downs due to impairment amounted to 31,363 thousand Euro in the year under review (2020: 30,916 thousand Euro), equivalent to an increase by 447 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.

8 – Finance income and finance cost

thousand Euro	FY 2021	FY 2020
Interest income	451	482
Other finance income	0	1
Finance income	**451**	**483**
Interest expense for lease liabilities	-85	-123
Other interest expense	-920	-802
Other finance costs	-75	2
Finance cost	**-1,080**	**-923**

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 2021	FY 2020
Interest income	451	482
Interest expense	-930	-818
Interest result	**-479**	**-336**

9 – Foreign exchange gains/losses (-)

Foreign exchange gains/losses from exchange rate changes recognized through profit/loss amount to 635 thousand Euro in fiscal year 2021 (2020: -1,807 thousand Euro).

Exchange rate changes cumulatively attributable to the owners of the parent and recognized outside profit or loss amount to 586 thousand Euro in fiscal year 2021 (2020: 412 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 21.

10 – Other operating income and expenses

Other operating income in the amount of 4,227 thousand Euro (2020: 5,048 thousand Euro) includes, among other items, income from the reversal of provisions in the amount of 2,675 thousand Euro (2020: 2,078 thousand Euro), income from passenger car use in the amount of 720 thousand Euro (2020: 795 thousand Euro), income from the sale of assets in the amount of 58 thousand Euro (2020: 223 thousand Euro), other prior-period income in the amount of 186 thousand Euro (2020: 1,334 thousand Euro), and various individual items.

Other operating expenses of 4,783 thousand Euro (2020: 3,097 thousand Euro) essentially include, at 3,067 thousand Euro, expenses linked to the planned sale of the wafer fab and expenses in the amount of 360 thousand Euro (2020: 1,217 thousand Euro) linked to provisions for personnel. Apart from that, other operating expenses include land charges in the amount of 356 thousand Euro (2020: 358 thousand Euro), other prior-period expenses in the amount of 251 thousand Euro (2020: 824 thousand Euro), accounting loss from the disposal of non-current assets in the amount of 364 thousand Euro (2020: 203 thousand Euro), and various individual items.

11 – Income tax

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

thousand Euro	FY 2021	FY 2020
Current income tax	**-17,367**	**-1,767**
Germany	-16,933	-1,126
Outside Germany	-434	-641
thereof taxes from previous years	*18*	*0*
Deferred tax	**-2,096**	**-8**
Germany	-2,108	4
Outside Germany	12	-12
thereof taxes from previous years	*0*	*0*
Income tax	**-19,463**	**-1,775**

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% (2020: 32.805%) has been applied. The Company's combined income tax rate includes the trade tax collection rate of 485% (2020: 485%), the corporate tax rate of 15.0% (2020: 15.0%), and the solidarity surcharge of 5.5% (2020: 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 16.

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 2021	FY 2020
Statutory tax rate	32.81	32.81
Foreign tax rate differential	0.25	-5.15
Expenses disallowable against tax	0.13	0.80
Trade tax additions/cuts	0.19	1.26
Permanent differences	0.00	0.60
Taxes from previous years	-0.03	0.00
Tax rate changes	-0.04	-0.21
Tax-free income	-0.25	-9.49
Others	-0.26	0.91
Effective tax rate	**32.80**	**21.53**

12 – 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 2021	FY 2020
Weighted average number of ordinary shares outstanding	17,804,028	18,496,845
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	39,807,324	6,419,427
Basic earnings per share	2.24	0.35
Fully diluted earnings per share	2.24	0.35

The weighted average number of shares in 2021 and 2020 respectively includes the weighted average effect of changes from transactions with treasury shares.

There was no dilutive effect in 2021 or 2020 anymore as all stock option plans expired in 2019. In the period between the reporting date and the preparation of the consolidated financial statements, Elmos did not carry out any additional share buyback transactions.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

13 – 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	
12/31/2019	**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**
Foreign currency adjustments	0	0	0	0	1	0	0	1
Additions	3,734	265	0	0	1,041	6,755	1,670	13,465
Transfers	0	5,808	263	0	37	-5,808	-333	-33
Disposals	0	0	0	0	-68	-692	-83	-843
12/31/2021	**7,405**	**36,551**	**3,108**	**7,562**	**26,102**	**8,891**	**5,029**	**94,648**
Depreciation and amortization								
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**
Foreign currency adjustments	0	0	0	0	1	0	0	1
Additions	0	3,220	608	0	2,050	0	0	5,878
Disposals	0	0	0	0	-65	-692	0	-757
12/31/2021	**806**	**25,443**	**1,125**	**7,562**	**21,701**	**342**	**0**	**56,979**
Book value 12/31/2020	2,865	8,255	2,328	0	5,376	7,602	3,775	30,201
Book value 12/31/2021	**6,599**	**11,108**	**1,983**	**0**	**4,401**	**8,549**	**5,029**	**37,668**

thousand Euro	12/31/2021	12/31/2020
Elmos Semiconductor SE (formerly Elmos France S.A.S.)	1,615	1,615
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg	1,250	1,250
Online Engineering GmbH (please also refer to note 32)	3,734	0
Goodwill	**6,599**	**2,865**

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 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 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 2022 to 2026. For the value added from 2027, 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 over 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 13.1% for Elmos Semiconductor SE (2020:13.7%) and 12.5% for MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg (2020: 13.4%). 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 2021 and -0.1% for Elmos Semiconductor SE and MAZ in 2020) plus an average market risk premium (7.0% in 2021 and 7.25% in 2020) multiplied by an entity specific equity beta based on a so-called levered beta of 1.27 (2020: 1.33). All values stated are derived from market data.

Impairment tests conducted for Elmos Semiconductor SE and MAZ in 2021 and in the previous year established that the recoverable amounts of the respective units exceeded the corresponding book values. 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 2022 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 2021, expenses linked to product developments were capitalized as development projects and projects under development in the amount of 8,689 thousand Euro (2020: 3,788 thousand Euro). The resulting ratio of capitalized development expenses to total research and development expenses incurred in the Group comes to approx. 15.2% (2020: 7.4%). Depreciation of capitalized developments amounted to 3,828 thousand Euro in 2021 (2020: 4,452 thousand Euro), thereof extraordinary write-down in the amount of 0 thousand Euro (2020: 1,200 thousand Euro). The book value of capitalized development efforts (including projects under development) is 26,635 thousand Euro as of December 31, 2021 (2020: 21,772 thousand Euro).

Software and licenses and similar rights and assets

In 2021 as in the year before, no expenses for process technology were capitalized. Amortization came to 207 thousand Euro in 2021 (2020: 207 thousand Euro). As of December 31, 2021, the book values for process technology capitalized as non-current assets added up to 569 thousand Euro (December 31, 2020: 776 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 6,330 thousand Euro were reimbursed by customers in 2021 (2020: 2,015 thousand Euro) and reported under consolidated sales.

14 – 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							
12/31/2019	**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[1]	370	1,877[2]	17,694
Transfers	0	475	0	2,305	0	-2,789	-9
Disposals	0	-490	0	-23,425	-157	0	-24,972
12/31/2020	**4,934**	**45,581**	**2,303**	**233,871**	**8,218**	**4,017**	**298,924**
Foreign currency adjustments	0	0	0	35	38	0	73
Additions	962	3,412	7,247	42,818[3]	858	11,530	66,827
Transfers	0	191	0	3,293	0	-3,451	33
Disposals	0	-20	-418	-15,930	-308	0	-16,676
12/31/2021	**5,896**	**49,164**	**9,132**	**264,087**	**8,806**	**12,096**	**349,181**
Depreciation and amortization							
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**
Foreign currency adjustments	0	0	0	32	10	0	42
Additions	0	1,727	140	22,333	1,285	0	25,485
Transfers	0	0	0	0	0	0	0
Disposals	0	-21	-48	-15,254	-445	0	-15,768
12/31/2021	**0**	**25,563**	**381**	**149,703**	**2,669**	**0**	**178,316**
Book value 12/31/2020	4,934	21,724	2,014	91,279	6,399	4,017	130,367
Book value 12/31/2021	**5,896**	**23,601**	**8,751**	**114,384**	**6,137**	**12,096**	**170,865**

[1] Balance of additions and investment grants in the amount of 153 thousand Euro.
[2] Balance of additions and investment grants in the amount of 216 thousand Euro.
[3] Balance of additions and investment grants in the amount of 205 thousand Euro.

Additions to “Technical equipment and machinery/Factory and office equipment” include purchase transactions for fiscal year 2021 (2020) in the amount of 493 thousand Euro (December 31, 2020: 546 thousand Euro) where corresponding cash outflows will take (took) place only in 2022 (2021). No borrowing costs were capitalized in fiscal year 2021 or the previous year.

Depreciation of “Technical equipment and machinery/Factory and office equipment” includes extraordinary write-down in the amount of 0 thousand Euro (2020: 406 thousand Euro).

Leases

The Group did not generate material income from subletting in fiscal year 2021 (2020). Future minimum payments under non-cancelable subletting agreements are immaterial as well.

The Company has concluded real estate lease agreements for the administration building and the parking garage the terms of which extended to the end of 2021. In 2021, Elmos and Epigone, the two parties involved, agreed on an extension of the existing contracts until 2026. Elmos was also granted the right to acquire the property including land, buildings and all material components by the end of 2026.

15 – Securities and investments

a) Securities

The Company has purchased securities (bonds and borrowers’ notes) from different banks. Insofar as the securities’ remaining terms to maturity exceed one year, they have been allocated to non-current assets (42,850 thousand Euro; 2020: 42,693 thousand Euro). Securities that mature within twelve months have been allocated to current assets (5,492 thousand Euro; 2020: 2,751 thousand Euro).

b) Investments

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

thousand Euro	12/31/2021	12/31/2020
Online Engineering GmbH (advance payment made in the previous year)	0	2,200
Epigone	1	1
Investments	**1**	**2,201**

Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz

Elmos holds 6% of the shares as of December 31, 2021, 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, the acquired entity has been included as a fully consolidated subsidiary in the consolidated financial statements of Elmos Semiconductor SE.

Further information on the acquisition of this entity is provided under note 32.

Summarized financial information

Entity | thousand	Currency	Total assets	Liabilities	Earnings	Net income for the period
Epigone[1]	Euro	6,758	6,715	901	24

[1] Presented figures are based on preliminary unaudited financial statements as of December 31, 2021.

16 – Deferred tax

thousand Euro	12/31/2021	12/31/2020
Deferred tax assets	**54**	**99**
Cash and cash equivalents	785	1,064
Provision for pensions	270	273
Other provisions	193	257
Financial liabilities	2,568	954
Others	151	95
Subtotal	3,967	2,643
Balance	-3,914	-2,544
Deferred tax liabilities	**-9,314**	**-7,371**
Intangible assets	-8,558	-6,918
Property, plant and equipment	-4,320	-2,216
Trade receivables	-123	-128
Inventories	-122	-274
Others	-105	-379
Subtotal	-13,228	-9,915
Balance	3,914	2,544
Net deferred tax	**-9,260**	**-7,272**

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 1,988 thousand Euro essentially comprises deferred tax in the consolidated income statement of 2,096 thousand Euro (expense) and other changes outside profit or loss in the amount of 108 thousand Euro (increase in equity; please also refer to note 21).

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, 2021 there is no loss carry-forward for Elmos entities, just like the previous year.

17 – Inventories

thousand Euro	12/31/2021	12/31/2020
Raw materials	11,852	13,448
Work in process	49,892	50,740
Finished goods	18,031	20,180
Payments on account	366	366
Inventories	**80,140**	**84,733**

The impairment of inventories recognized as expense (cost of sales) amounts to 2,150 thousand Euro (2020: 2,625 thousand Euro). This regards inventories whose future sale is deemed unlikely.

18 – Trade receivables

thousand Euro	12/31/2021	12/31/2020
Trade receivables	39,777	37,417
Valuation allowance/Foreign currency valuation	-31	-186
Trade receivables	**39,745**	**37,231**

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	2021	2020
Valuation allowance/Foreign currency valuation as of 01/01	**186**	**89**
Additions in the reporting period (valuation allowance expense)	78	0
Consumption	0	0
Reversals (appreciation in value of initially written-off receivables)	0	0
Foreign currency valuation	-233	97
Valuation allowance/Foreign currency valuation as of 12/31	**31**	**186**

The impairment of trade receivables is entered for the most part in allowance accounts. The decision whether to recognize a default risk through an allowance account or a direct write-down on the receivable depends on the assessment of the probability of debt loss. Elmos Group did not have to make material valuation allowances for the purpose of IFRS 9 due to significant increases of debt loss or objective indications of impairment in fiscal years 2021 and 2020 in consideration of historical factors and continuous creditworthiness assessment. If receivables are considered irrecoverable, the corresponding impaired asset is derecognized. There were no derecognized receivables in the past fiscal years (0 thousand Euro in 2021 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	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Neither impaired nor overdue as of the reporting date		33,947	31,950	10,522	7,055[1]
Not impaired as of the reporting date and overdue within the following time bands	<30 days	3,463	4,579	0	0
	30-60 days	757	373	0	0
	61-90 days	377	-33	0	0
	91-180 days	178	-34	0	0
	181-360 days	144	-12	0	0
	>360 days	-2	-43	0	0

[1] Prior-year amount adjusted

19 – 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.

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

thousand Euro	12/31/2021	12/31/2020
Receivables from joint ventures (Epigone)	6,709	0
Tenant loans	1,655	1,580
Other loans receivable	15	15
Other non-current financial assets	**8,379**	**1,595**
Receivables from joint ventures (Epigone)	0	4,895
Other financial assets	2,143	565
Other current financial assets	**2,143**	**5,460**
Other tax assets	7,893	2,931
Accrued income	2,114	1,870
Other current receivables	2,307	498
Other receivables	**12,314**	**5,299**

Due to the extension of real estate lease agreements between Elmos and Epigone, receivables of Elmos from the joint venture Epigone have been reported under “Other non-current financial assets” as of December 31, 2021 (please also refer to note 14).

21 – Equity

Share capital: The share capital of 17,700 thousand Euro entered in the statement of financial position as of December 31, 2021 (December 31, 2020: 20,104 thousand Euro), consisting of 17,700,000 (December 31, 2020: 20,103,513) no-par value bearer shares, each 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 General Meeting of Shareholders. In fiscal year 2021, the Management Board decided with approval of the Supervisory Board to reduce the Company’s share capital from 20,103,513 Euro by altogether 2,403,513 Euro to 17,700,000 Euro, exercizing the authorization given by the General Meeting of Shareholders on May 22, 2020, by retiring 2,403,513 no-par value bearer shares with a theoretical share of 1.00 Euro in the share capital per share (Section 71 (1) no. 8 sentence 6 AktG).

Treasury shares: As of December 31, 2021, the Company holds 590,760 (December 31, 2020: 1,986,206) of the Company’s no-par shares, adding up to a theoretical share in the share capital of 591 thousand Euro (December 31, 2020: 1,986 thousand Euro). The number of treasury shares was increased in fiscal years 2021 and 2020 by share buyback transactions and decreased at the same time by the issue of shares within the framework of share-based remuneration. Moreover, 2,403,513 shares were retired by way of a reduction of the share capital. Treasury shares held by the Company on the day of the Annual General Meeting of Shareholders are neither entitled to vote nor entitled to dividend.

Additional paid-in capital

thousand Euro	12/31/2021	12/31/2020
Premiums	11,141	50,965
Stock awards/Share matching	6,970	6,627
Additional paid-in capital	**18,111**	**57,592**

Additional paid-in capital essentially includes premiums from capital increases and the issue of shares of Elmos Semiconductor SE. In 2021 this item was decreased by 39,849 thousand Euro due to the buyback of 1,048,661 shares in September 2021 at an average share price of 39.00 Euro. Additional paid-in capital was also increased by 25 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 2021 by the amount of the expense from the issue of stock awards/share matching (343 thousand Euro; 2020: 113 thousand Euro).

Other equity components

thousand Euro	12/31/2021	12/31/2020
Foreign currency adjustments	586	412
deferred tax on this item	0	0
Financial assets measured at market value	-227	124
deferred tax on this item	74	-41
Actuarial losses	-784	-803
deferred tax on this item	328	335
Other equity components	**-23**	**27**

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

Financial assets measured at fair value cover changes in the fair value of selected financial instruments (please refer to notes 28 and 29).

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 in the years 2021 and 2020 is shown in the following table:

thousand Euro	2021	2020
Balance as of 01/01	**27**	**123**
Exchange rate differences	174	-174
deferred tax on this item	0	0
Changes in financial assets measured at market value	-352	356
deferred tax on this item	115	-117
Changes in actuarial gains/losses (-)	20	-242
deferred tax on this item	-7	81
Balance as of 12/31	**-23**	**27**

“Recycling” of equity components outside profit or loss

There were no transactions in the years under review 2021 and 2020 that would have required the recycling of equity components outside profit or loss.

Interests in share capital

	12/31/2021		12/31/2020	
	thousand Euro	%	thousand Euro	%
Weyer Beteiligungsgesellschaft mbH, Schwerte	3,627	20.5	3,627	18.0
Jumakos Beteiligungsgesellschaft mbH, Dortmund	3,016	17.0	3,016	15.0
ZOE-VVG GmbH, Duisburg	2,659	15.0	2,310	11.5
Treasury shares	591	3.3	1,986	9.9
Shareholders <10% interest	7,808	44.1	9,165	45.6
Share capital	**17,700**	**100.0**	**20,104**	**100.0**

Considering related parties, respectively, the interest attributed to “Weyer Beteiligungsgesellschaft mbH and related parties” comes to 22.7% and the interest attributed to “ZOE-VVG GmbH and related parties” comes to 16.3% as of December 31, 2021 (12/31/2020: 20.0% and 14.3% respectively).

Capital authorizations of the Management Board

Authorized capital	2020: 10,051,756 Euro		until 05/21/2025
Conditional capital	2020: 10,000,000 Euro	Bonds with warrants or convertible bonds	until 05/21/2025
Share buyback	up to 10% of the share capital	(exercised in part)	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 2021 (2020), Elmos Semiconductor SE distributed a dividend of 0.52 Euro (0.52 Euro) per share out of the retained earnings of fiscal year 2020 (2019).

22 – Share-based payment plans

Stock option plans

In fiscal years 2021 and 2020, the Company incurred no expenses linked to 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 2021 (2020), the Group incurred expenses in the amount of 207 thousand Euro (2020: 35 thousand Euro) for share-based remuneration of Management Board members.

23 – Provisions

Provisions for pensions

thousand Euro	12/31/2021	12/31/2020
Present value of pension commitments	1,752	1,818
Fair value of pension plan reinsurance	-1,700	-1,747
Net liabilities recognized in the statement of financial position	**52**	**71**

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

The actuarial report is based on a pension adjustment of 1.5% per annum as in the previous year. Expected pay increases are determined at 0.0%, also unchanged. The evaluation is carried out in accordance with IAS 19. The interest rate was 0.64% per annum as of December 31, 2021 (December 31, 2020: 0.70% 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 2021	FY 2020
Service cost	0	0
Interest	13	14
Pension expense (net)	**13**	**14**

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

thousand Euro	2021	2020
Present value of pension commitments as of 01/01	**1,818**	**1,636**
Pension expense (net)	13	14
Benefits paid to pensioners	-92	-84
Actuarial losses from changes in financial assumptions	13	252
Present value of pension commitments as of 12/31	**1,752**	**1,818**
Fair value of reinsurance policies as of 01/01	**1,747**	**1,795**
Income from plan assets	12	15
Benefits from reinsurance policies	-92	-73
Actuarial gains from changes in financial assumptions	33	10
Fair value of reinsurance policies as of 12/31	**1,700**	**1,747**

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 44 thousand Euro (2020: 0 thousand Euro) including payments made in the event of death. Premiums were paid in the mount of 0 thousand Euro (2020: 0 thousand Euro). For 2022 no more contribution payments are expected, either.

There are also indirect pension commitments to Management Board members of Elmos Semiconductor SE (including former members) through a pension fund. For completely congruent coverage of its obligations, the pension fund has taken out corresponding reinsurance policies for the exact agreed contribution amount. In 2021, contributions to these pension plans amounted to 113 thousand Euro (2020: 538 thousand Euro).

The employer's social security contributions made for employees amounted to 5,603 thousand Euro in 2021 (2020: 5,638 thousand Euro). The contributions to employees' direct insurance came to 299 thousand Euro in 2021 (2020: 306 thousand Euro).

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

thousand Euro	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Pension commitment	1,752	1,818	1,636	1,507	3,268
Fair value of pension reinsurance	1,700	-1,747	-1,795	-1,728	-2,856
Overfunding/Underfunding (-)	-52	-71	159	221	-412
Adjustments to plan liabilities based on experience	1	-8	-8	-2	0
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 2021	FY 2020	FY 2021	FY 2020
Effect on defined benefit obligation	-182	-193	223	239

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	2021	2022	2023	2024	2025	2026
FY 2021	n/a	92	92	92	91	91
FY 2020	92	92	92	92	91	n/a

The average term of material pension benefit commitments is 10.0 years (2020: 10.4 years).

Current provisions

thousand Euro	01/01/2021	Consumption	Reversal	Addition	12/31/2021
Vacation bonus	880	-850	0	760	789
Bonus provisions	1,188	-1,108	-81	2,015	2,015
Employer's liability insurance association	401	-392	-2	524	531
Warranty and product liability	3,910	-412	-900	828	3,427
Licenses	428	-287	-141	698	698
Other personnel provisions	6,288	-5,008	-343	5,677	6,614
Other provisions	4,700	-2,044	-2,018	1,585	2,224
Current provisions	**17,796**	**-10,101**	**-3,485**	**12,088**	**16,298**

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.

24 – Financial liabilities

Non-current financial liabilities

thousand Euro	12/31/2021	12/31/2020
Bonded loans	53,000	40,000
Lease obligations	7,367	1,905
Other financial liabilities	1,160	0
Non-current financial liabilities	**61,527**	**41,905**

The bonded loan issued in 2017 in the amount of 40,000 thousand Euro is divided into three tranches with terms of five, seven and ten years at fixed interest respectively. As of December 31, 2021, the partial amount of 12,000 thousand Euro due in 2022 has been reclassified to current financial liabilities. The bonded loan issued in 2021 in the amount of 25,000 thousand Euro is divided into three tranches with terms of five, eight and ten years at fixed interest respectively.

The increase in lease liabilities compared to the previous year is based on the adjustment of real estate lease agreements between Elmos and Epigone for the administration building and the parking garage (please also refer to notes 14 and 20).

Other financial liabilities include contingent payment obligations connected to the acquisition of shares in Online Engineering GmbH, Dortmund in fiscal year 2021 (please also refer to note 32).

Current financial liabilities

As of December 31, 2021 the Company had various short-term lines of credit at its disposal in the total amount of 40,000 thousand Euro (2020: 30,000 thousand Euro). As of December 31, 2021, the Company provided these credit facilities as security in the amount of 662 thousand Euro (2020: 611 thousand Euro). Current financial liabilities (December 31, 2021: 14,581 thousand Euro; December 31, 2020: 3,674 thousand Euro) essentially reflect, at 12,000 thousand Euro, the five-year tranche of the bonded loan taken up in 2017, due in 2022, and the current portion of lease obligations, at 1,814 thousand Euro (2020: 3,243 thousand Euro).

Loans

The effective interest rates of loans range between 0.7% and 2.1% (previous year: 1.10% to 2.11%).

Cash flows from financial liabilities

The following table lists all contractually defined payouts as of December 31, 2021 and December 31, 2020 (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.

12/31/2021 | thousand Euro	2022	2023-2026	ab 2027
Liabilities to banks	12,835	21,559	35,085
Trade payables	12,071	0	0
Other financial liabilities	753	1,160	0
Lease obligations[1]	1,919	7,627	36

Future finance expenses from lease obligations amount to 402 thousand Euro (2020: 246 thousand Euro).

12/31/2020 | thousand Euro	2021	2022-2025	ab 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

[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	01/01/2021	Cash changes	Non-cash changes		12/31/2021
			Reclassification	Lease obligations	
Non-current financial liabilities	41,905	25,000	-12,263	6,885	61,527
Current financial liabilities	3,674	-3,453	12,263	2,097	14,581
	45,579	**21,547**	**0**	**8,982**	**76,108**

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**

25 – 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 3,757 thousand Euro (December 31, 2020: 5,385 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 246 thousand Euro (December 31, 2020: 39 thousand Euro) and as of December 31, 2021 comprise liabilities of several domestic and international subsidiaries (December 31, 2020: liabilities of several international subsidiaries only).

26 – 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.

27 – Derivative financial instruments

In fiscal year 2021 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 28). 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 2021 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 (cf. note 28 for more detailed information).

28 – 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 29) was determined on the basis of the currency exchange rates as of the reporting date provided by the banks involved. The market value of liabilities to banks was established on the basis of market prices determined for the same or similar issues and of the interest rates currently made available to the Company.

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

thousand Euro	Business model	Book value 12/31/2021	Valuation according to IFRS 9: Amortized cost	At fair value through profit or loss	At fair value outside profit or loss: no recycling	At fair value outside profit or loss: Recycling	Fair Value 12/31/2021	Book value 12/31/2020	Valuation according to IFRS 9: Amortized cost	At fair value through profit or loss	At fair value outside profit or loss: no recycling	At fair value outside profit or loss: Recycling	Fair Value 12/31/2020
Investments	Hold and sale	1	0	0	1	0	1	2,201	0	0	2,201	0	2,201
Securities (long-term)	Hold	3,000	3,000	0	0	0	3,000	3,000	3,000	0	0	0	3,000
Securities (long-term)	Hold and sale	39,850	0	0	0	39,850	39,850	39,693	0	0	0	39,693	39,693
Securities (short-term)	Hold	0	0	0	0	0	0	0	0	0	0	0	0
Securities (short-term)	Hold and sale	5,492	0	0	0	5,492	5,492	2,751	0	0	0	2,751	2,751
Trade receivables	Hold	39,745	39,745	0	0	0	39,745	37,231	37,231	0	0	0	37,231
Cash and cash equivalents	Hold	17,756	17,756	0	0	0	17,756	40,313	40,313	0	0	0	40,313
Other financial assets													
Other receivables and assets (current)	Hold	2,038	2,038	0	0	0	2,038	5,452	5,452	0	0	0	5,452
Other loans and assets (non-current)	Hold	8,379	8,379	0	0	0	8,379	1,595	1,595	0	0	0	1,595
Forward exchange contracts/Currency option transactions	Trade	96	0	96	0	0	96	0	0	0	0	0	0
Call options	Trade	9	0	9	0	0	9	8	0	8	0	0	8
Financial assets		**116,366**	**70,918**	**105**	**1**	**45,342**	**116,366**	**132,245**	**87,592**	**8**	**2,201**	**42,444**	**132,245**
Trade payables	Financial liabilities AC	12,071	12,071	0	0	0	12,071	9,043	9,043	0	0	0	9,043
Liabilities to banks	Financial liabilities AC	65,487	65,487	0	0	0	66,077	40,431	40,431	0	0	0	41,991
Other financial liabilities													
Miscellaneous financial liabilities	Financial liabilities AC	1,913	1,913	0	0	0	1,913	157	157	0	0	0	157
Forward exchange contracts/ Currency option transactions	Financial liabilities FVTPL	92	0	92	0	0	92	232	0	232	0	0	232
Lease obligations	Financial liabilities AC	9,181	9,181	0	0	0	9,181	5,148	5,148	0	0	0	5,148
Financial liabilities		**88,744**	**88,652**	**92**	**0**	**0**	**89,334**	**55,011**	**54,779**	**232**	**0**	**0**	**56,571**
Aggregated by business model													
Hold and sale		45,343	0	0	1	45,342	45,343	44,645	0	0	2,201	42,444	44,645
Hold		70,918	70,918	0	0	0	70,918	87,592	87,592	0	0	0	87,592
Trade		105	0	105	0	0	105	8	0	8	0	0	8
Financial liabilities at amortized cost		88,652	88,652	0	0	0	89,242	54,779	54,779	0	0	0	56,339
Financial liabilities at fair value through profit or loss		92	0	92	0	0	92	232	0	232	0	0	232

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]	2021	39,693	6,577	-1,036	-5,056	-328	39,850
	2020	17,324	24,566	0	-2,548	351	39,693
Short-term securities[1]	2021	2,751	509	-2,800	5,056	-24	5,492
	2020	8,003	252	-8,057	2,548	5	2,751

[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	2021	-232	4	232	0	4
	2020	109	232	-109	0	-232

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	2021	2,201	0	-2,200	1
	2020	1	2,200	0	2,201

thousand Euro		01/01	Addition	Derecognition	12/31
Call options	2021	8	3	-2	9
	2020	11	2	-5	8

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 2021	FY 2020
Hold	1,622	-2,042
Trade	-182	-51
Financial liabilities at amortized cost	-556	192
Financial liabilities at fair value through profit or loss	-102	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 business model "financial liabilities at amortized cost" result from exchange rate differences of trade payables. Foreign exchange gains in the amount of 96 thousand Euro and foreign exchange losses in the amount of 278 thousand Euro (2020: foreign exchange gains of 181 thousand Euro and foreign exchange losses of 232 thousand Euro) linked to currency hedges are reported under the "trade" business model. Interest relating to financial instruments is stated in interest result (cf. note 8).

29 – Financial risk

Basic principles

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

With respect to its assets, liabilities, planned transactions, and firm commitments, Elmos is particularly exposed to credit risk, liquidity risk, risks from changes in exchange rates and interest rates, and other price risks. Financial risk management aims at detecting and assessing these market risks 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, credit rating information is gathered in advance and credit limits are determined if necessary. Business transactions with key accounts are subject to special default risk supervision. Altogether Elmos pursues a stringent credit policy. The maximum default exposure is reflected by the book values of the financial assets reported in the statement of financial position. Against the backdrop of continued global uncertainties, outstanding receivables are monitored and reminded with scrutiny as part of a continuous operational process

Liquidity and financing risk

The liquidity risk of Elmos addresses the contingency that the Company might not be able to fulfill its financial obligations upon maturity, e.g. the payment of finance debt, the payment of trade payables, and payment obligations arising from lease agreements. 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 24.

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

Elmos was exposed to currency risks as of the reporting date. In fiscal year 2021, Elmos realized foreign exchange gains in the amount of 0 thousand Euro (2020: 181 thousand Euro) and incurred foreign exchange losses in the amount of 186 thousand Euro (2020: 0 thousand Euro) from U.S. dollar currency hedges, reported in the consolidated financial statement under "Foreign exchange gains/losses(-)." In addition to that, Elmos recorded income of 96 thousand Euro (2020: 0 thousand Euro) and expenses of 92 thousand Euro (2020: 232 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 (2020: 0 thousand Euro) and foreign exchange losses in the amount of 0 thousand Euro (2020: 0 thousand Euro) resulted in 2021 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. Apart from that, these investments resulted in interest benefits.

Had the euro been revalued (devalued) against the U.S. dollar by 10% as of December 31, 2021 with respect to the monetary financial instruments, earnings (before taxes) would have been 3,863 thousand Euro lower (3,541 thousand Euro higher) (2020: 2,226 thousand Euro lower (2,205 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 874 thousand Euro (increase in equity by 734 thousand Euro) (2020: decrease (increase) in equity by 1,208 (1,050) 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 24.

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 2021 (2020: increase (decrease) in earnings by 0 thousand Euro (0 thousand Euro)). A 10% higher (lower) gas price would result in an increase (decrease) in earnings by 0 thousand Euro (0 thousand Euro) for the fiscal year (2020: increase (decrease) in earnings by 0 thousand Euro (62 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 Elmos Group's capital management to assure an adequate credit rating, liquidity at any time and at high financial flexibility, and a solid capital structure. The Management Board actively controls Elmos Group's capital structure and makes adjustments if necessary in consideration of the economic framework as well as the risks carried by the underlying assets. Control measures aim at safeguarding operating liquidity and sufficient robustness to withstand economic fluctuation without losing any measure of the capacity to act strategically. For maintaining or adjusting the capital structure, dividends may be paid to the shareholders for instance or new stock may be issued. As of December 31, 2021 and December 31, 2020, no changes were made to any of the objectives, guidelines and 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 debt or 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 2021	FY 2020
Net debt (-)/Net cash	-10.0 million Euro	40.2 million Euro
Equity	71.8%	78.4%

OTHER INFORMATION

30 – 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 (2,212 thousand Euro in 2021; 746 thousand Euro in 2020). For information about investment grants for property, plant and equipment, please refer to notes 13 and 14.

31 – Other financial liabilities and contingencies

Future minimum payments owed under non-cancelable rental agreements and leases, maintenance agreements, insurance premiums, and various obligations to accept with initial or remaining terms of more than one year as of December 31, 2021 and December 31, 2020 are as follows:

thousand Euro	2021	2022	2023	2024	2025	2026	Later years	Total
12/31/2021	n/a	20,891	1,178	1,105	728	710	0	**24,612**
12/31/2020	16,487	2,646	651	608	608	0	0	**21,000**

Total expenditure for rental and lease agreements amounted to 2,229 thousand Euro in 2021 and 1,930 thousand Euro in 2020.

Material expenses for short-term leases and expenses for leased low-value assets did not have to be recognized for fiscal years 2021 and 2020. The total cash outflow for leases comes to 2,825 thousand Euro (2020: 3,069 thousand Euro) for principal payments and 85 thousand Euro (2020: 123 thousand Euro) for interest payments.

A purchase commitment in the amount of 15,646 thousand Euro (2020: 11,189 thousand Euro) results from investment orders placed. These capital expenditures are partially financed by a universal loan of 20 million Euro disbursed in February 2022 for the purpose of investing in growth/machinery.

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.

32 – Consolidated companies

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

The following changes to the scope of consolidation took place in fiscal year 2021:

Acquisition of shares in Online Engineering GmbH, Dortmund

With economic effect as of January 1, 2021 (acquisition date for the purpose of IFRS 3.8), Elmos acquired 100% of the shares in Online Engineering GmbH, Dortmund. Online Engineering GmbH specializes in the development of hardware and software components for electric motor systems. With this acquisition, Elmos strengthens its in-house expertise and will thus be able to offer even more comprehensive system solutions to its customers in the future. The company was established in 2007 and has 16 employees. The acquisition of the shares brings Elmos Semiconductor SE in the position to exert control over Online Engineering GmbH for the purpose of IFRS 10. Thus Online Engineering GmbH has been included in the consolidated financial statements of Elmos as a subsidiary as of January 1, 2021.

Preliminary fair values of the identifiable assets and liabilities of Online Engineering GmbH as of the time of obtaining control are as follows:

Fair value as of obtaining control

thousand Euro	
Assets	
Trade receivables	368
Cash and cash equivalents	1,084
Other assets	13
Accrued income	2
	1,467
Liabilities	
Tax provisions	-40
Other provisions	-295
Trade payables	-91
Other liabilities	-115
	-541
= Total identifiable net assets at fair value	**927**
Additional goodwill from business acquisition	3,734
= Transferred consideration	**4,661**
Less advance payments for business acquisition made in 2020	-2,200
Less earn-out component	-1,440
= Cash outflow in 2021	**-1,021**
Breakdown of cash inflow due to obtaining control:	
Cash and cash equivalents acquired upon becoming a subsidiary (included in cash flows from investing activities)	1,084
Cash outflow	-1,021
Cash inflow due to business acquisition as of January 1, 2021	**64**

The fair value of trade receivables corresponds to the gross amount of trade receivables and comes to 368 thousand Euro. These receivables were not impaired and the full contractually determined amount will probably be recoverable.

The purchase price agreement with the selling shareholders contains contingent payment obligations in the amount of 1,440 thousand Euro. Depending on the materialization of contractually determined success indicators or rather the achievement of predefined project targets, payments to the previous shareholders will have to be made in the maximum amount as indicated above in fiscal years 2022 to 2025 (earn-out period). In January 2022, 280 thousand Euro were paid to the previous shareholders.

Transaction cost in the amount of 114 thousand Euro was charged as expense and is reported in the consolidated income statement under “Administrative expenses.“

Since the acquisition date, Online Engineering GmbH has contributed 1,700 thousand Euro to consolidated sales and 347 thousand Euro to consolidated net income for the period.

The recorded goodwill results from the anticipated synergy effects and other benefits from the consolidation of assets and activities of Online Engineering GmbH within the Group. Recorded goodwill is not tax-deductible as it originated at Group level.

It can be noted overall that the new subsidiary’s first-time inclusion in the scope of consolidation has not materially affected comparability with the prior-year consolidated financial statements with respect to assets and liabilities, financial position, and profit/loss.

Elimination of Omniradar B.V., Eindhoven (NL) from the scope of consolidation

Upon the end of insolvency proceedings regarding associate Omniradar B.V., Eindhoven (NL), the entity has left the scope of consolidation of Elmos Semiconductor SE. No contributions to earnings were recorded in connection with the entity’s elimination.

It can be noted that the entity’s elimination from the scope of consolidation has not materially affected comparability with the prior-year consolidated financial statements with respect to assets and liabilities, financial position, and profit/loss.

Establishment of Dortmund Semiconductor GmbH, Dortmund

In connection with the agreement reached between Elmos and Silex on December 14, 2021 for the sale of the wafer fab at the Dortmund location, Dortmund Semiconductor GmbH was established in the second half-year 2021. Within the framework of the sale, Elmos transfers all relevant assets and contracts directly related to the wafer fab to this newly established independent company (please also refer to note 1).

Establishment of Elmos Design Center LLC, St. Petersburg (RUS)

Until 2021 research and development services for the Elmos Group were rendered by the operating facility of European Semiconductor Assembly B.V., Nijmegen in St. Petersburg. In the second half-year 2021, operating assets and personnel were transferred to the newly established company Elmos Design Center LLC in St. Petersburg.

Shareholdings

thousand or %	Currency	Interest	Equity	Earnings	Relationship
Parent: Elmos Semiconductor SE, Dortmund					
Domestic					
DMOS Dresden MOS Design GmbH, Dresden	EUR	74.8%	2,787	317[1]	Subsidiary
Epigone Grundstücksverwaltungsgesell-schaft mbH & Co. Vermietungs KG, Mainz	EUR	6.0%	43	24[1]	Investment
GED Electronic Design GmbH, Frankfurt/Oder	EUR	100.0%	898	0[1, 3]	Subsidiary
Mechaless Systems GmbH, Bruchsal	EUR	100.0%	492	280[1]	Subsidiary
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, Berlin	EUR	100.0%	3,496	1,872[1]	Subsidiary
Online Engineering GmbH, Dortmund	EUR	100.0%	1,269	342[1]	Subsidiary
Dortmund Semiconductor GmbH, Dortmund	EUR	100.0%	25	0[1]	Subsidiary
International					
Elmos Services B.V., Nijmegen (NL)	EUR	100.0%	2,530	1,390[1]	Subsidiary
Elmos Semiconductor B.V., Nijmegen (NL)	EUR	100.0%	-1,232	-69[1, 2]	Subsidiary
European Semiconductor Assembly (eurasem) B.V., Nijmegen (NL)	EUR	100.0%	103	46[1, 2]	Subsidiary
Elmos N.A. Inc., Plymouth (U.S.)	USD	100.0%	1,705	121[1]	Subsidiary
Elmos Korea Co. Ltd., Seoul (Korea)	KRW	100.0%	316,531	122,264[1]	Subsidiary
Elmos Semiconductor Singapore Pte. Ltd., Singapore	SGD	100.0%	561	452[1]	Subsidiary
Elmos Japan K.K., Tokyo (Japan)	JPY	100.0%	34,239	2,947[1]	Subsidiary
Elmos Semiconductor Technology (Shanghai) Co. Ltd., Shanghai (China)	CNY	100.0%	2,507	146[1, 2]	Subsidiary
Elmos Design Center LLC, St. Petersburg (RUS)	EUR	100.0%	145	18[1]	Subsidiary

[1] Presented figures are based on preliminary unaudited financial statements as of December 31, 2021
[2] Indirect investment of Elmos Semiconductor SE, Dortmund
[3] Profit and loss transfer agreement

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	2021	25.2%	1,965	2,382	1,431	91	6,869	0
	2020	25.2%	1,574	2,410	1,279	190	6,171	0

33 – Information on Management Board and Supervisory Board

thousand Euro		Short-term payments		Share-based payments
		Fixed remuneration	Variable remuneration	Stock awards
Management Board	FY 2021	1,043	622	1,934
	FY 2020	1,584	2,411	584[1]
Supervisory Board	FY 2021	262.5	112.5	0
	FY 2020	187.5[1]	112.5	0

[1] Previous year adjusted

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 2021, contributions to these pension plans amounted to 90 thousand Euro (2020: 514 thousand Euro), included in the fixed remuneration component.

Remuneration paid to former Management Board members or their surviving dependents amounted to 877 thousand Euro in the fiscal year, thereof fixed components in the amount of 391 thousand Euro and variable components in the amount of 485 thousand Euro (2020: 221 thousand Euro, thereof fixed remuneration 221 thousand Euro and variable components 0 thousand Euro). Moreover, insurance premiums in the amount of 23 thousand Euro were paid (2020: 84 thousand Euro) for this group of beneficiaries. These amounts are balanced by reimbursements from reinsurance policies in the amount of 392 thousand Euro (2020: 215 thousand Euro). The amount of pension provisions for acting and former members of the Management Board or their surviving dependents was 1,576 thousand Euro as of December 31, 2021 (December 31, 2020: 1,646 thousand Euro).

As of December 31, 2021, no acting members of Management Board or Supervisory Board were members of statutory supervisory boards or comparable domestic or foreign supervisory bodies.

34 – Information on group auditor fees

Fees of group auditor Grant Thornton AG

thousand Euro	FY 2021	FY 2020
Audit services	293[1]	257[2]
Other certification services	0	0
Tax counseling	31	38
Other services	0	0
Group auditor fees	**324**	**295**

[1] Thereof 3 thousand Euro for previous year
[2] Thereof 11 thousand Euro for previous year

In 2021 and 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 fiscal year 2021, the fee of 9 thousand Euro for the formal audit of the remuneration report for fiscal year 2021 is also included in the audit services for the first time. Tax counseling essentially includes consulting in connection with the preparation of tax returns and tax assessments of individual circumstances.

35 – Appropriation of retained earnings and dividend proposal

Management Board and Supervisory Board propose to the General Meeting of Shareholders in May 2022 the payment of a dividend of 0.65 Euro per share for fiscal year 2021 out of the 2021 retained earnings of Elmos Semiconductor SE in the amount of 159.1 million Euro. The total dividend payout would thus amount to 11.1 million Euro based on 17,109,240 shares entitled to dividend as of December 31, 2021.

36 – 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, 2021 are available at www.elmos.com.

37 – Related party disclosures

Pursuant to IAS 24 – *Related Party Disclosures*, individuals or companies in control of or controlled by Elmos Group must be disclosed unless they are already included in Elmos Group's consolidated financial statements as 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 Elmos Group's management. Mandatory disclosure pursuant to IAS 24 also includes transactions with associated companies and individuals who have significant influence over Elmos Group's financial and business policies, including close relatives or interconnected companies. Significant influence on Elmos Group's financial and business policies may be based 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.

Apart from the remuneration of Management Board and Supervisory Board – representing the key management personnel of Elmos Group – disclosed under note 33 ("Information on Management Board and Supervisory Board"), no Management Board or Supervisory Board member received compensation for consulting services rendered personally in fiscal years 2021 and 2020.

Beyond that, companies of 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.

38 – Number of employees

Ø Employees	FY 2021	FY 2020
Production	490	556
Distribution	94	109
Administration	153	157
Quality Control	43	44
Research and Development	371	342
Total	**1,151**	**1,208**

39 – Significant events after the end of the fiscal year

Based on the merger agreement of December 13, 2021 between Elmos Semiconductor SE, GED Electronic Design GmbH and MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, the two subsidiaries were merged into Elmos Semiconductor SE effective January 1, 2022.

Apart from that, there have been no reportable events or transactions of special significance after the end of fiscal year 2021 that have not already been accounted for in the income statement or rather the statement of financial position.

40 – Declaration of compliance pursuant to Section 161 AktG

In September 2021, 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 7, 2022

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

INDEPENDENT AUDITOR’S REPORT

To Elmos Semiconductor SE, Dortmund

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

Audit Opinions

We have audited the consolidated financial statements of Elmos Semiconductor SE, Dortmund, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 to 31 December 2021, 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 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the “statement on corporate governance” pursuant to sections 289f HGB and 315d HGB as well as the “combined non-financial report” pursuant to sections 289b HGB and 315b 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 2021, and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, 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 and the above listed combined non-financial report.

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 2021 to 31 December 2021. 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 2,900. 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 legal representatives 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 legal representatives, the company's responsible employees, and the description of circumstances and the contracts presented to us. In addition, we obtained legal confirmations in order to evaluate the legal representatives' risk assessment. We evaluated the appropriateness of the recognized amounts based on, 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 legal representatives 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 re-performed the calculation.

3. Reference to related Disclosures

The disclosures relating to the recognition and the measurement of provisions for warranties and product liability are contained in section 3 and 23 of the notes to the consolidated financial statements.

Other Information

The legal representatives or, respectively, the supervisory board are responsible for the other information. The other information comprises:

-> the statement on corporate governance pursuant to sections 289f HGB and 315d HGB,
-> the combined non-financial report pursuant to sections 289b HGB and 315b HGB,
-> the affirmation of the legal representatives pursuant to section 297 paragraph 2 clause 4 and section 315 paragraph 1 clause 5 HGB, and
-> the remaining parts of the annual report 2021, 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.

The legal representatives and the supervisory board are responsible for the declaration of compliance with the German Corporate Governance Code pursuant to section 161 AktG, which forms part of the statement on corporate governance.

The supervisory board is responsible for the supervisory board report contained in the annual report. In all other respects, the legal representatives 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 Legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives 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 legal representatives 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 legal representatives 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 legal representatives 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 legal representatives 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 legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

-> Conclude on the appropriateness of the legal representatives' 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 legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives 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 of Electronic Rendering, of the Consolidated Financial Statements and the Combined Management Report, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "529900UMKKDCAP4P4H63-2021-12-31-de.zip, with the hash value 23BDF2C51DA6FCE31FEAD06FDFB4C5B 367DB2BE016A3B50AEAC6811824BADD14, 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 within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format.

Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2021 to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering, of the consolidated financial statements and the combined management report, contained in the file identified above in accordance with section 317 paragraph 3a HGB and the IDW Assurance Standard "Assurance on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB" (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QS 1).

Responsibilities of the Legal representatives and the Supervisory Board for the ESEF Documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with 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 legal representatives 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 supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

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

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of 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, in the version in force at the date of the consolidated financial statements, on the technical specification for this electronic file.

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

-> Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 20 May 2021. We were engaged by the supervisory board on 30 September 2021. 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 audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

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

Düsseldorf, 7 March 2022

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 7, 2022

Dr. Arne Schneider   Guido Meyer   Dr. Jan Dienstuhl

FINANCIAL CALENDAR 2022

Final results 2021[1]	03/17/2022
Quarterly results Q1 / 2022[1]	05/05/2022
Annual General Meeting	05/11/2022
Quarterly results Q2 / 2022[1]	08/02/2022
Quarterly results Q3 / 2022[1]	11/03/2022

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

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IMPRINT

Publisher, Editors, Design and Photography

Elmos Semiconductor SE, Dortmund, Germany

Cover: kukune mediendesign, Freising, Germany

print production
www.natureoffice.com/DE-836-25VZQ6Z
carbon neutral
through CO2 offsetting

Forward-looking statements

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

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