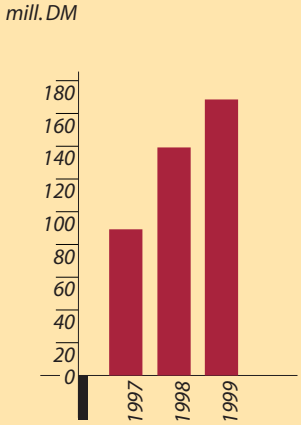
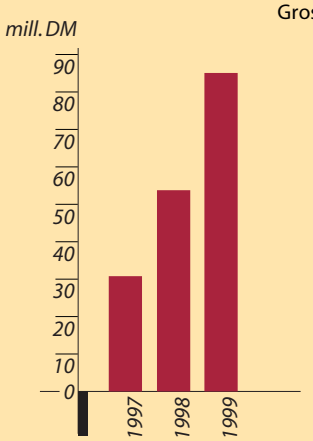

ELMOS
Semiconductor AG
ANNUAL REPORT
1999

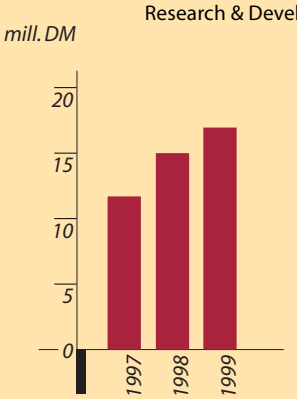
Sales



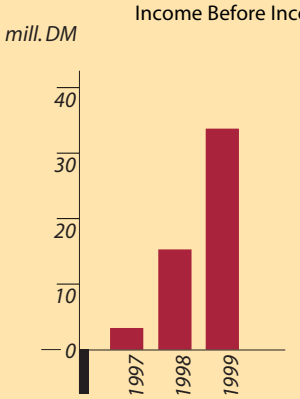
Gross Margin



Research & Development



Income Before Income Taxes



CONTENTS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5508 WUERTT. U. BAD. VERS.AG -BZR- ERS
ARKT:
710 ELMOS SEMICONDUCTOR AG - ERSTER
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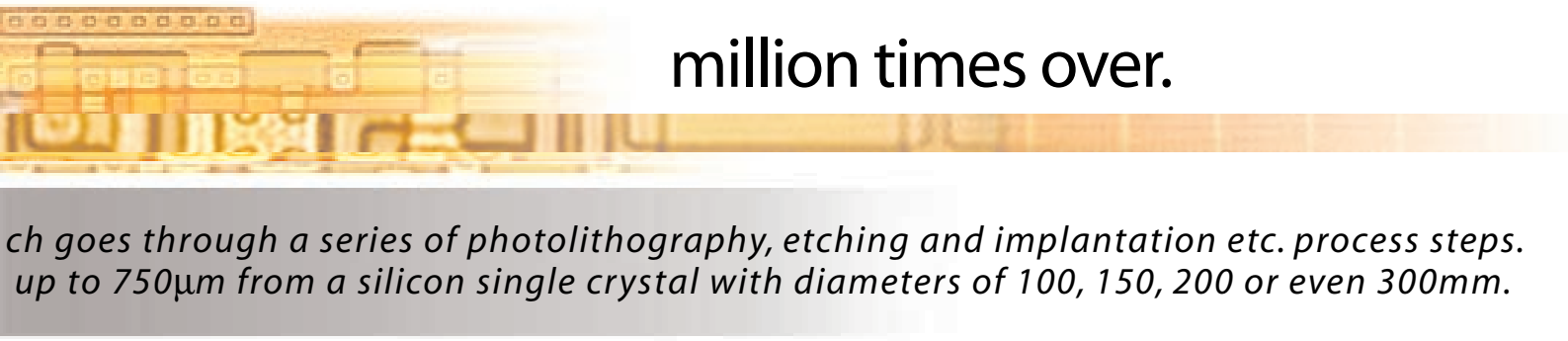
Whether it is an Audi A8, a BMW 7 Series or a Daimler Chrysler S-Class, each of these cars now contains more integrated circuits (ICs) than in one hundred mobile phones. From one car generation to the next, the scope of functions performed by semiconductor components is growing.

ELMOS achieved the highest net annual profit in the company's history during the last financial year – and future prospects are good. The fields of application for microelectronic automotive components are growing constantly. The areas of safety and comfort electronics, in particular, are taking over an increasing share of the overall value of the vehicle.

ELMOS supplies its customers with highest quality products and guaranteed operatability under the toughest environmental conditions. The car's electronics must work, regardless of whether driving conditions are hot or cold, dry or wet. The reliability and long-term stability of ELMOS ASICs has been proved in the field a million times over.



ch goes through a series of photolithography, etching and implantation etc. process steps. up to 750µm from a silicon single crystal with diameters of 100, 150, 200 or even 300mm.

Consistent developments tailored to the needs of customers and the markets are crucial to the success of ELMOS AG. The capture of market niches and optimization of design know-how and our technology base are the keys to our success. Once again in 1999, we made considerable progress in expanding our modular semiconductor technology, the backbone of our ASIC manufacturing division.

SUPERVISORY AND MANAG

Chairman of the Supervisory Board

Prof. Dr. Günter Zimmer

He holds the position of professor at Gerhard Mercator University of Duisburg and Director of the Fraunhofer Institute for Microelectronic Circuits and Systems in Duisburg, Dresden and Munich.

Additional Members of the Supervisory Board

Prof. Dr. Axel Kollar, Düsseldorf

Klaus-Christian Penner, München

EMENT BOARD MEMBERS

Board of Management

Knut S. Hinrichs

studied Business Administration at the University of Mannheim. From 1977 to 1979, he was the Managing Director of an industrial sensor electronics company, thereafter becoming a Management Consultant and later a self-employed dealer for hybrid electronic components. He has been one of our Managing Directors since 1987 and a member of the Board since 1999.

Dr. Klaus G. Weyer

is one of the co-founders of ELMOS. He studied physics in Cologne and obtained his PhD from Ludwig Maximilian University Munich. He initially worked as a Management Consultant in the area of microelectronics for small- and medium-sized companies. He has been one of our Managing Directors since 1984 and a member of the Board since 1999.

ASIC SILICATE ANALOG APPLICATION SPECIFIC INTEGRATED CIRCUIT

Report of the SUPERVISORY BOARD

Since ELMOS GmbH's change in legal form to a public limited company (Aktiengesellschaft) in May 1999, the Supervisory Board has monitored and advised the Board of Management in accordance with the provisions of law and the articles of association. In this regard, the Supervisory Board received regular, detailed verbal and written reports from the Board of Management concerning the situation and development of ELMOS Semiconductor AG and its associated companies as well as important business transactions. The Supervisory Board gave its approval to the activities requiring this approval. The preparation for the initial public offering in October 1999 formed the central focus of the Supervisory Board meetings.

These included decisions on

- the increase in capital of the company associated with the IPO
- adjustment of production capacities and associated investments in the run-up to the IPO,
- planning for the coming financial years.

The Board of Management furnished the Supervisory Board with the annual accounts of ELMOS AG for the 1999 financial year, the situation report of the AG and the affiliated enterprises, as well as the Board of Management's proposal concerning appropriation of profits. In addition, the Supervisory Board received the report of the auditor from Ernst & Young, Deutsche Allgemeine Treuhand AG, Düsseldorf/Dortmund dated 10.03.2000. The auditor's report contains an unqualified audit opinion concerning the annual accounts of the company for the 1999 financial year. The Supervisory Board checked, sanctioned and approved the annual accounts and situation report.

We would like to thank the Board of Management and all employees, whose remarkable work allowed the company to develop successfully during the period under review.

Dortmund, April 2000

On behalf of the Supervisory Board
Prof. Dr. G. Zimmer
Chairman of the Supervisory Board

ASIC

[ɛ:sik] Application Specific Integrated

rather than a general-purpose standard chi

ELMOS is continuing to pursue its aim of maintaining its technological lead in the market for automotive ASICs. Intensive development work on new technologies and the consistent and permanent renewal of our manufacturing plants are an integral part of this strategy for the future.

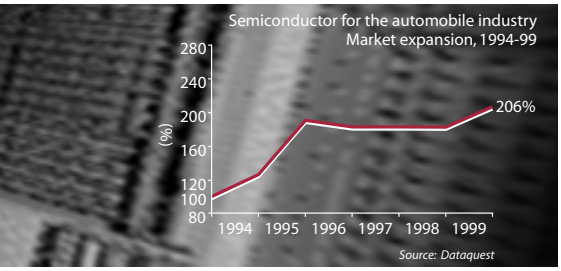
All development projects finalised in 1999 were successfully incorporated in series production. The development projects commenced last year mean ca. 200 mill. DM in sales volume for the coming years.

ELMOS's technological developments have always focussed on a synthesis of classical CMOS process technology and high voltage capacity for automotive applications. The automobile industry is currently witnessing radical changes in the architecture of on-board electrical systems. The permanently increasing scope of electronics and the more efficient utilization of energy is requiring a switch from the present electrical-system voltage of 14 volts to 42 volts.

Circuit. *A chip that is individually custom designed for a specific application p such as a microprocessor or a memory chip.*

The "Big Three" American automobile manufacturers and their suppliers are advised in all ASIC issues by our design center near Detroit. The American market represents a huge source of potential growth for ELMOS for the future and we want to tap this potential by degrees.

Market Position and Market Prospects



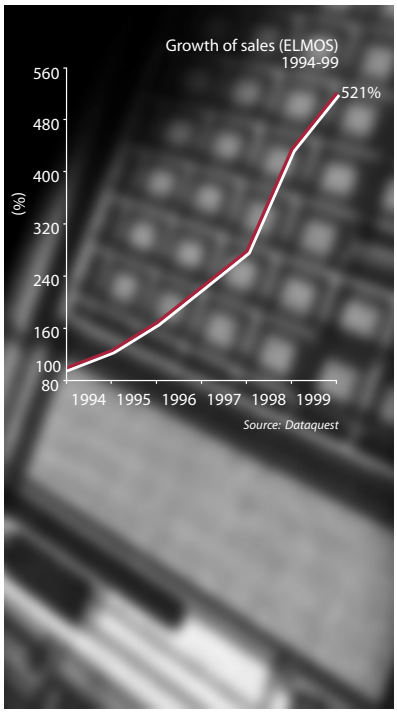
ELMOS develops and manufactures high-performance ASICs (**a**pplication **s**pecific **i**ntegrated **c**ircuit) – mainly for applications in the automobile industry. Over the past 15 years, ELMOS has acquired an excellent name for itself despite competition from the world's best semiconductor manufacturers.

The market for semiconductors for the automobile industry is marked by sustained growth. Market expansion between 1994 and 1999 was over 200%.

Whether it is an Audi A8, a BMW 7 Series or a Daimler Chrysler S-Class, each of these cars now contains more integrated circuits (ICs) than in one hundred mobile phones. From one car generation to the next, the scope of functions performed by semi-conductor components is growing. Ever greater demands are being made for a reduction in vehicle weight and power consumption, but also greater driving comfort (e.g. air conditioning) and highest possible safety. Under these conditions, conventional cable forms are becoming increasingly unsuitable for networking the electrical car control systems and are being replaced by electronic solutions (for data transfer between sensors, actuators and controllers, for example). ELMOS's circuit development and semiconductor technology offers solutions for the future in this regard, in particular for the areas of safety electronics, electronic bus systems and comfort.

ELMOS ASICs target the vehicle functions that have to be regulated by automobile manufacturers. On the basis of perfected and proven yet robust technology for the manufacture of ASICs, ELMOS supplies its customers with highest quality products and guaranteed operatability under the toughest environmental conditions. The car's electronics must work, regardless of whether driving conditions are hot or cold, dry or wet. The reliability and long-term stability of ELMOS ASICs has been proved in the field a million times over, and has resulted in the company's worldwide reputation. ELMOS is the sole supplier of most of its international customers.

Market growth and technical competence is reflected in our growth in sales:

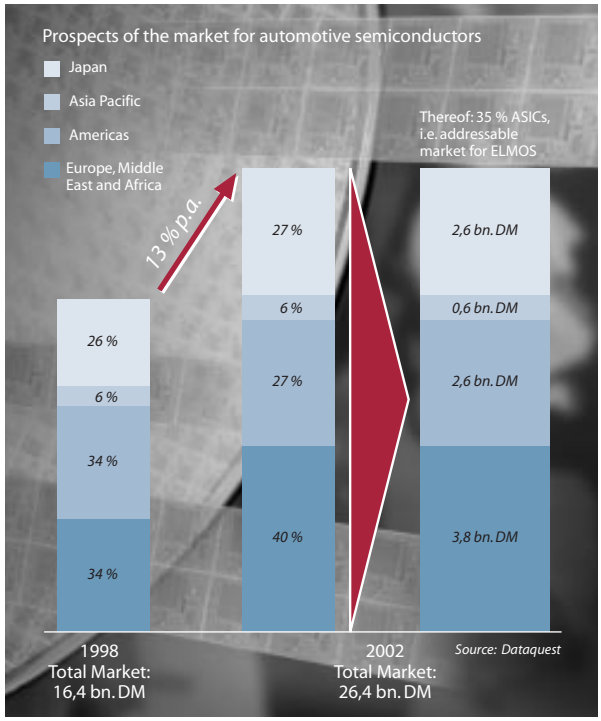


The significant growth in sales of ELMOS AG is equally due to our individual care of our customers, flexibility and systems-thinking.

ELMOS is looking to the future with optimism. Leading market research institutions believe that the world market for automobile semiconductors is set to grow by some 13 % in the coming years. In addition, ELMOS's most important target market, namely Europe, displays by far the highest growth rate. This market is expected to expand annually at a rate of 17 % through to the year 2002.

The market for automobile ASICs, which addressable by ELMOS, will have an estimated volume of 5 billion US dollars in the year 2002, and thus exceeds our present market share by a factor of 50. This figure illustrates our impressive future growth potential.

ELMOS will continue to profit from the long product life cycles of the specific components for automobile applications. Unlike the markets for computers, consumer electronics and telecommunications, in which products are used for extremely short periods, the model life of electronic systems in the automobile sector is relatively long. In general, systems are used for five to ten years before being replaced by the next generation. As a result, ELMOS enjoys a high degree of planning with visibility.



Overall Assessment

The past year surpassed all of our expectations. Sales developed more favorably than estimated by analysts ahead of the initial public offering. Gross margins reached record figures for the industry and thanks to a new semiconductor production plant, our manufacturing technology was able to achieve a level of profitability that we had hoped for but which nevertheless exceeded expectations.

1999 was thus the most successful year in the company's 15-year history.

We manufactured some 75 million ICs (**I**ntegrated **C**ircuits) over the past year. Almost all of these are used in high-precision electronic modules for the automobile industry. Here, the components contribute to economical and environmentally-compatible engine control, and increase the comfort of the driver and passengers as well as their active and passive safety.

ELMOS is continuing to pursue its aim of maintaining its technological leading position in the market for automotive ASICs. Intensive development work on new technologies and the consistent and permanent renewal of our manufacturing plants are an integral part of this strategy for the future. Last year's investments in state-of-the-art facilities for the manufacture of silicon wafers measuring 150 mm in diameter have already paid off in terms of profitability, gross margin and not least of all profits. Our development team was expanded by specialists in new areas, in particular safety electronics. This enabled us to win major contracts for the develop-ment of new generations of airbag systems as well as other active and passive safety components.

The systematic expansion of ELMOS's sales and support organizations abroad resulted in a clear increase in the number of foreign contracts in 1999. Our Sales and Support Centers in France, England and North America have contributed significantly to our success.

ELMOS is ready for the future. ELMOS shares began trading on the Neuer Markt in October 1999, and in the first three months we saw a virtual doubling in value of our shares. Market capitalization was about 1.5 billion DM at the end of the year.

The company has grown annually by an average of 34 % over the past 4 years. Compared with this, growth of the total world automotive semiconductor market (analog and mixed-signal ICs) was lower with 27 %. Given the very minor increase in the number of cars produced, however, it is very clear that demand for automotive semiconductor modules is growing stronger and that ELMOS enjoyed a disproportionately large share of growth. ELMOS AG is expecting further positive company development. The some 13 % per year average growth of the automotive semiconductor market forecast by analysts for the years through to 2002 will also be reflected in the results of our company. Analysts expect the sales of ELMOS AG to grow by 16 % in the year 2000 and by 28 % in the year 2001. Our growth in profits is expected to be 31 % and 43 % respectively. Accelerated growth and increasing profitability are reflected by the figures presented here, indicating the way we wish to go forward.

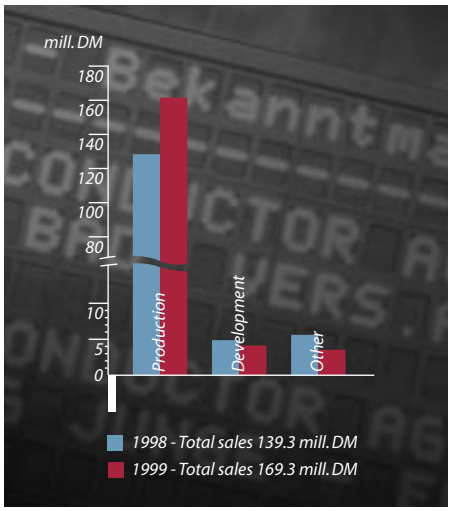
Incoming Orders / Sales Development

In 1999, order books were filled with 183 mill. DM worth of new orders, representing an increase of 22 % over the previous year's figure of 150 mill. DM. Our incoming orders encompassed both the series production of ASICs as well as develop-ments of new customer-specific circuitry. The orders for series production guarantee manufacturing to capacity and a continuous flow of payment, mostly over several years. Development orders, on the other hand, are settled in the form of single payments before the customer has obtained a return of investment through use of the series products. As a result, more and more customers are changing their mode of payment and apportioning development costs to parts prices, which in many cases means that ELMOS is having to pre-finance developments.

All development projects finalised in 1999 were successfully incorporated in series production. The development projects commenced last year mean ca. 200 mill. DM in sales volume for the coming years.

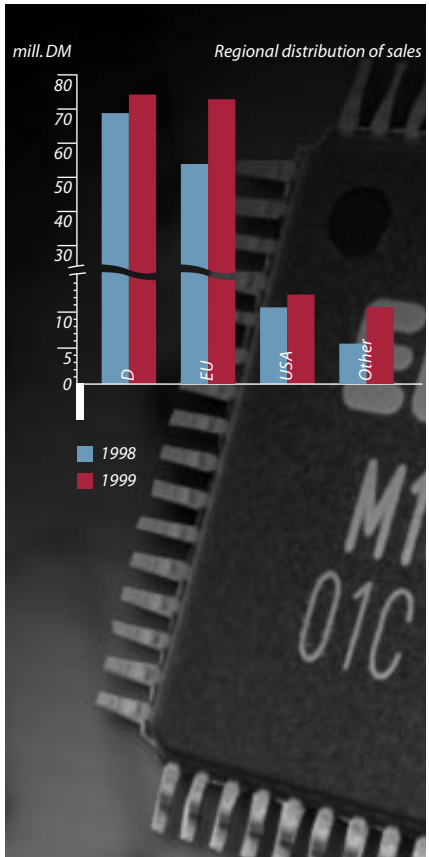
Sales development was positive. Parallel to the incoming orders, we also saw an increase in sales of over 20 % in the period under review. Sales in 1999 reached 169.3 mill. DM compared with 139.3 mill. DM in the previous year.

The following graph illustrates the sales trends in Manufacture and Development:



The trend towards greater internationalization of our activities continued in 1999. The European market, and in particular France, achieved a sales volume almost identical in size to our core market Germany.

The North American market grew by 17.9 %. Although other regions, such as South American and Asian countries, achieved the highest growth in percentage terms, sales was comparatively lower.



Developments in 1999

Initial Public Offering

In 1999, ELMOS passed a trend-setting milestone in its company history with its initial public offering. Since 11.10.1999, ELMOS stocks are being traded on the Neuer Markt, a place listing the stocks of innovative companies that can expect to see above-average growth in sales and profits.

Stock-exchange listing is the logical consequence of the company's success in recent years with mutual benefits. Shareholders are taking part in the success of the ELMOS Group as positive business development is reflected in the share price. For ELMOS, flotation on the stock exchange means an injection of capital and a considerably stronger image. Both of these factors mean lasting positive results for our company and the securing of our future. Whilst the influx of capital is enabling us to invest in new technology and break into international markets, the publicity surrounding the initial public offering brings higher customer expectations but also greater customer confidence. ELMOS AG will fully live up to these expectations and profit from this customer confidence in the form of even bigger contracts.

The Board of Management presented ELMOS's good starting position to a host of major institutional investors in several road shows, which toured through Europe and North America. The response was good and ELMOS now has an international shareholder structure.

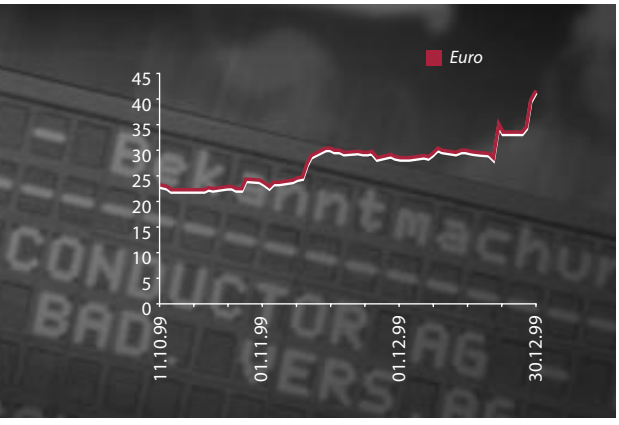
ELMOS employees as well as regular customers and suppliers were also involved in the IPO as part of a "Family and Friends Programme". Here, ELMOS offered its employees and hand-picked persons close to the company the opportunity to subscribe to stock with guaranteed allotment.

7.5 million stocks were released on the market at a unit price of 22 Euros. By December, this value had almost doubled. Market capitalization increased from 424.6 mill Euros to 791.3 mill. Euros by the end of the year.

Internationalization

We have set up and expanded Design and Support Centers close to our major foreign customers.

ELMOS France S.A. was strengthened in terms of personnel and equipment in order to perform the increasingly more extensive development tasks of their French customers. 1999 saw the development of ELMOS France from a pure selling agency into a Design and Support Center. The importance of the French market has increased significantly over the past financial year. Cars belonging to the PSA Group (Peugeot and Citroen) as well as a



large number of Renault models were exclusively fitted with ELMOS Airbag ICs. In recent years, ELMOS France has been able to record a steady increase in sales.

A large number of new customers were won in England, both for existing products as well as for impending new developments. Our English Sales and Support Center is a competent contact partner for these customers.

The "Big Three" American automobile manufacturers and their suppliers are advised in all ASIC issues by our design center near Detroit. The American market represents a huge source of potential growth for ELMOS for the future and we want to tap this potential by degrees.

New Technologies

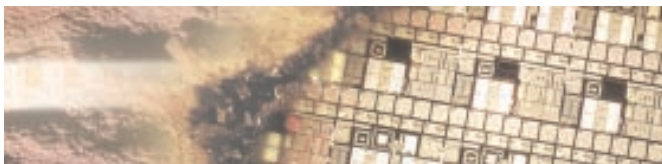
Consistent developments tailored to the needs of customers and the markets are crucial to the success of ELMOS AG. The capture of market niches and optimization of design know-how and our technology base are the keys to our success. Once again in 1999, we made considerable progress in expanding our modular semiconductor technology, the backbone of our ASIC manufacturing division.

Outstanding achievements included the further development of the 1.2 µm HV-CMOS Technology for new applications in the 42 volt on-board electrical system as well as successful reduction in the size of structures through the introduction of the Sub-micron Process Family.

ELMOS's technological developments have always focussed on a synthesis of classical CMOS process technology and high voltage capacity for automotive applications. The automobile industry is currently witnessing radical changes in the architecture of on-board electrical systems. The permanently increasing scope of electronics and the more efficient utilization of energy is requiring a switch from the present electrical-system voltage of 14 volts to 42 volts. This means that, in particular, greater demands are being made of the relevant semiconductors in terms of voltage stability. ELMOS HV-CMOS Technology offers excellent capabilities for applications in the 42 volt on-board electrical system as we have been using our most important circuit components for voltages of up to 100 volts for years. The portfolio of components was rounded off in 1999 with the result that ELMOS HV-CMOS Technology now provides full 42 volt functionality. Automobile manufacturers are currently gradually introducing the 42 volt on-board electrical system. ELMOS is one of the first ASIC manufacturers pushing this development. We are developing integrated semiconductor systems for consumption-controlled auxiliary units, which are currently being tested in automobiles. We plan the transition to series production in the year 2000.

A further highlight of our technological developments in 1999 was the reduction in the structure sizes of ICs, leading to a considerable reduction in chip surfaces and thus manufacturing costs per chip. Based on 1.2 µm HV-CMOS Technology, proven since years, a new process generation for the sub-micrometer range was developed in particular, which considerably reduces the structures in the chip without limiting high-voltage capacity. In 1999, development of a structure size of 0.8 µm was successfully completed and prototypes of new products were manufactured. The possibility of using further reduction potential by reducing structure sizes to 0.65 µm and 0.5 µm was proven on test chips. Based on this, ELMOS intends to accelerate the further development of such technologies to readiness for series production. A special feature of the Submicron Process Family is the compatibility of the high-voltage components with the proven 1.2 µm technology. Thus, the 42 volt capability of the new process family is also assured right from now on.

ASIC SILICATE ANALOG APPLICATION SPECIFIC INTEGRATED CIRCUIT



Cooperations and Joint Ventures

ELMOS AG has been working with BMW AG on the development of automotive electronics for over 10 years. This joint design and development work on future generations of electronic systems has always proven to be very advantageous for ELMOS and its technology know-how. Thanks to close collaboration with BMW's development engineers, ELMOS was able to acquire competence in the area of Electronic Design for automobiles, making us one of the leading manufacturers in this market today. These joint development activities are not the subject of a longer-term contract, however, but are traditionally agreed individually.

ELMOS has also concluded other cooperation agreements. For example, an agreement exists with Infineon AG to manufacture ELMOS ASICs at its plant in Villach in Austria. Here, Infineon manufactures semiconductor chips for ELMOS using its own production facilities and personnel yet according to our specifications. This collaboration guarantees ELMOS a second production source and has the advantage of direct exchange of experience with Infineon AG in the areas of process technology and manufacturing technics.

Finally, ELMOS's cooperation with the Fraunhofer Gesellschaft represents valuable, mutual transfer of knowledge. In the course of this collaboration, ELMOS develops process technologies and components together with the Fraunhofer Institutes for Microelectronic Circuits and Systems in Duisburg, Dresden and Munich.

Moreover, ELMOS has concluded agreements with IC design firms which have specialized in those segments of the ASIC market that are not yet incorporated in ELMOS's sphere of activities. These companies include Neutron Mikroelektronik GmbH in Hanau, specialising in industrial and consumer goods electronics, Gärtner Electronic Design GmbH in Frankfurt/Oder, a design specialist for consumer goods, and R&E Inc. in the USA, which develops industrial electronics and special ASICs for the computer industry.

Economic Developments

The business figures of ELMOS AG for the year 1999 underline the positive business development and the company's promising economic outlook for the future.
A number of significant figures leave no doubt that the stage is set for qualitative and quantitative growth.

Gross Margin

1999 saw a clear improvement in the gross margin over previous years. This margin jumped by 31.5 mill. DM to 85.3 mill. DM, corresponding to an increase of 58.5 %. With a gross margin of 50.4 % in 1999, ELMOS AG achieved an excellent result. This figure clearly sets ELMOS apart from its European competitors. This result is due to the excellent profits level of ELMOS products as well a reduction in costs thanks to conversion of production to the new production line for silicon wafer with a diameter of 150 mm (previously: 100 mm).

Operating Income

In 1999, the company's operating income increased from 17.7 mill. DM in 1998 to 45.5 mill. DM, representing a gain of 27,8 mill. DM or 157 %. Here, administrative costs, which increased less than proportionately in comparison with sales, also played a role.

Income Before Income Taxes

In the course of the initial public offering, ELMOS employees received bonus shares from the former shareholders. This had a negative effect on the result of ELMOS AG in accordance with US-GAAP principles with a cost volume of 6.4 mill. DM Nevertheless, this transaction does not represent any real financial and cost burden as it only requires listing as expenditure in accordance with US-GAAP principles. If we were to ignore this, the income before income taxes in accordance with US-GAAP would be 24 % of sales, and thus more than double the previous year's figure (+146 %).

Net income

ELMOS AG achieved a net income of 18.8 mill. DM. This represents an increase of 183 % over the previous year. The company intends to optimize taxes in accordance with the "pay out, take back" principle. Here the company will apply the corporation tax rate for distributed profits amounting to a total of 31.5 % (corporation tax and solidarity tax), which is considerably lower than the tax rate for retained profits of 42 %. Thus, the result shown in the accounts increases by 18 % net or 3.4 mill. DM.

Investments

A total of 35.8 mill. DM was invested last year, predominantly in the expansion of manufacturing capacities. Our good level of incoming orders means that we can expect to have to increase investments in this area once again in the future.

Cash Flow

Inflow of funds from ongoing commercial activities dropped from 28.1 mill. DM to 13.2 mill. DM. This trend emerged in spite of the clear increase in the net income and the lower depreciations. The fall off in funds inflow is mainly due to an increase in stocks and trade debtors as well as the issuance of employee shares by former shareholders, which requires mention here (see above).

Outflow of funds from investment increased in 1999 to 61.4 mill. DM.

Thanks to the initial public offering, inflow of funds from financing increased by some 101.5 mill. DM over the previous year. At the end of the financial year, ELMOS AG had over 85 mill. DM in liquid resources.

Equity Capital

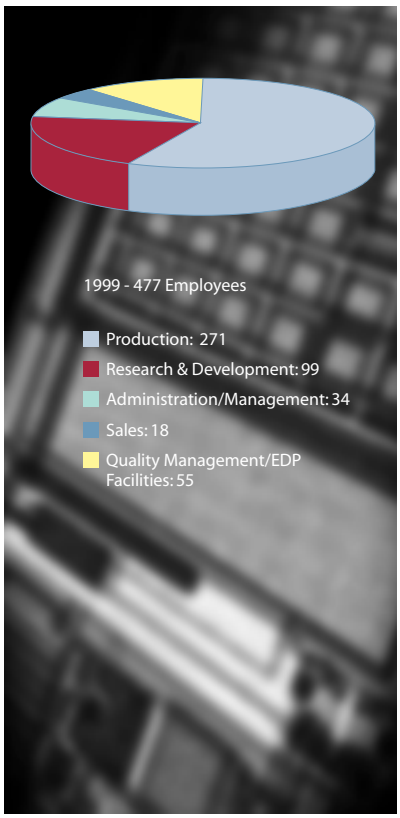
The balance sheet of ELMOS AG shows 220.4 mill. DM in equity capital at the end of the financial year – representing 72.3 % of the balance sheet total.

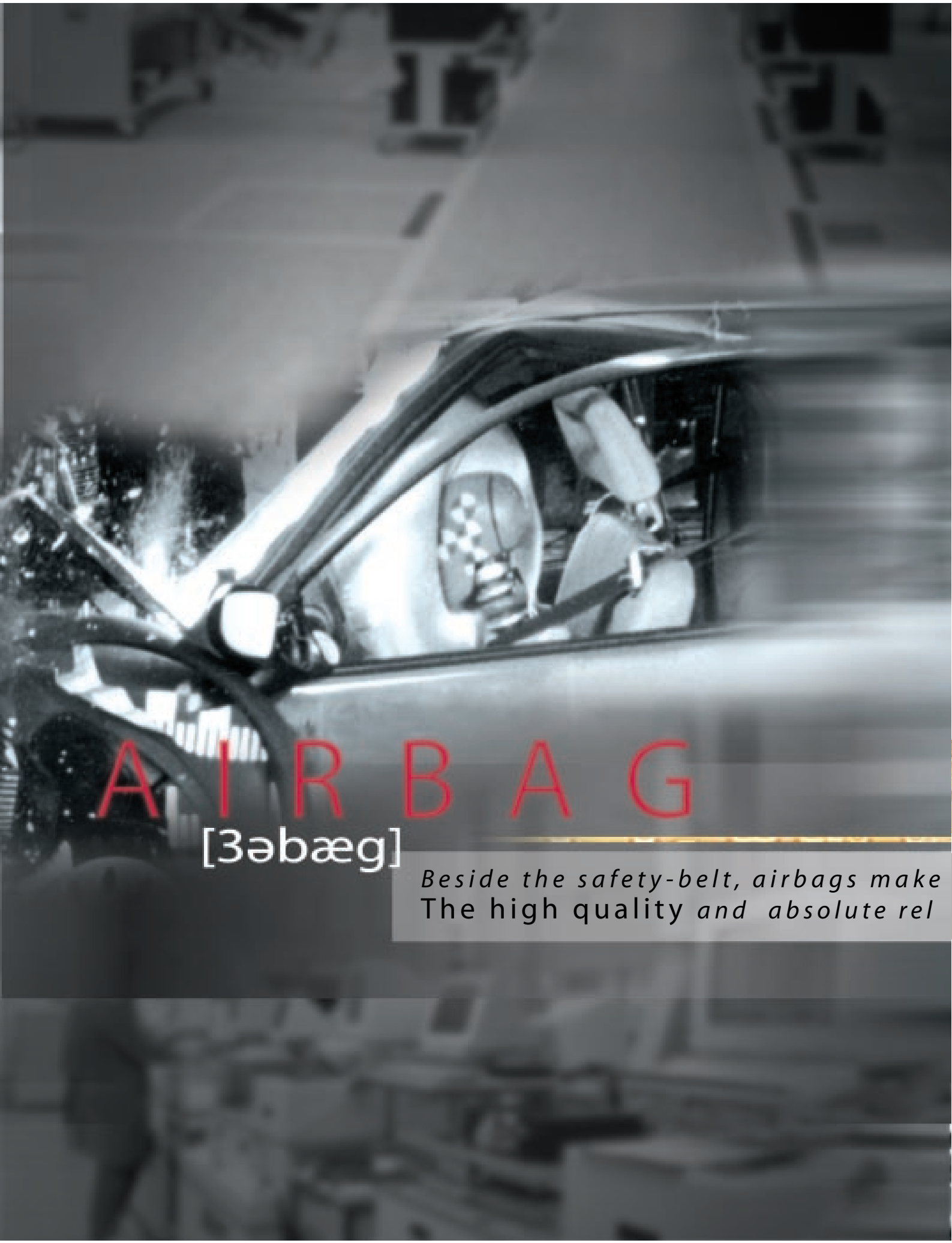
Employees

ELMOS is one of the biggest employers in the Dortmund Technology Park.
At 31.12.1999, the company and its subsidiaries employed a workforce of 477 persons. 271 of these were employed in Production, 99 in Research and Development and 34 in the areas of Administration and Management. Moreover, 18 persons were employed in Sales and a further 55 in the areas Quality Management, EDP and Facilities. The environment of the Technology Park and its proximity to universities in Dortmund and the surrounding area facilitate ELMOS's search for qualified personnel. Suitable future specialists are trained by ELMOS as "Microtechnologists". In addition, great importance is attached to the company's own employee qualification and further-training programmes.

Outlook

ELMOS achieved the highest net annual profit in the company's history during the last financial year – and future prospects are good. The fields of application for microelectronic automotive components are growing constantly. The areas of safety and comfort electronics, in particular, are taking over an increasing share of the overall value of the vehicle. In addition to these lines of business, ELMOS also develops and produces semiconductors for consumer goods electronics and industrial electronics. The constant development of new applications in this area likewise promises further growth. The positive overall situation makes us optimistic that we will achieve and maybe even exceed our sales and profit targets once again in the year 2000. We already have firm orders for a significant part of planned sales on the balance sheet.





AIRBAG

[ɜəbæg]

Beside the safety-belt, airbags make
The high quality *and absolute rel*

Sensors recognize the driving speed, the acceleration taking effect, mechanical shock and deformation of the bodywork, as well as other influences. These measurements are transformed into electric signals and are then evaluated in an electronic unit. In case of an accident, the electronic control sends the deciding initiation impulse to the correct airbags to protect the inhabitants from being hurt.

The central point of the information chain is the electronic control: here the information and action flow are monitored and controlled by application specific integrated circuits (ASICs). This is exactly where ELMOS semiconductors come into operation. They are developed individually and made to measure for these specific applications, and are the result of a joint development between ELMOS and the system manufacturers.

Automotive networks connect numerous electronic components. They replace cables and save weight and thus energy. They simplify communication between the systems and increase efficiency and functionality. Based on its CMOS-technology and design know-how, ELMOS already delivers important chips for these networks. Even as the demands on performance increase, and the data highways in the cars of tomorrow are based on optical bus systems: ELMOS already develops them today.

up for an important part of modern safety concepts in cars.
iability of ELMOS ASICs are guarantees for your safety.

10 years ago, airbags could only be found in luxury vehicles. Today, hardly a car rolls off the production belt that is not standardly equipped with at least two airbags. Today, many manufacturers advertise 4, 8, and even up to 20 airbags in a next-generation car.

A S I C

S I L I

C A T E

A N A

L O G

A P P L

I C A

T I O N

S P E C

I F I C

I N T E

G R A

T E D

C H I P

ASIC-TECHNOLOGY

ELMOS AG develops and manufactures Mixed-Signal ASICs that integrate analog and digital components on a single chip. Here, we rely on the following core competences.

- **Proven Design Know-How for ASICs:**

Our designers have been developing solutions for highly complex tasks for the past 15 years. Our own cell library, containing analog and digital switching elements as well as microprocessor cores, combined with our creative skills in the field of semiconductor system integration enables us to realize a multitude of applications on a single chip.

- **Own-Developed Modular High-Voltage CMOS Process Technology**

This technology permits the high degrees of integration of individual systems on our chips. Our ASICs require fewer mask layers than competing technologies such as BICMOS or BCD. This enables us to reduce unit costs whilst retaining full efficiency in terms of high-voltage capacity and low current consumption.

- **Reliable High-Tech Manufacture with Great Reliability of Supply:**

ELMOS has its own manufacturing plant (Front End) in Dortmund for semiconductor chips with structures in the sub-micron range on 150 mm silicon wafers. This plant also houses the Back End production with wafer testing, final testing of the semiconductor components using mixed-signal test equipment and burn-in systems.

- **QS 9000 Certification:**

The business activities of ELMOS AG are described in a quality management system based on the specifications of DIN EN 9001, QS 9000 and VDA 6.1. We perform our daily work "as described". This fact has been certified by a corresponding audit and certificate issued by TÜV (Association for Technical Inspection) CERT Rhineland.

Unlike the standard semiconductors produced by a large number of other manufacturers, ELMOS products cannot be described as "off the rack". "Tailor-made" is the right word to describe our products as we pay particular attention to the wishes of our customers - mainly suppliers to the automobile industry - in every development.

ELMOS's motto "one circuit per customer per application" means that our customers are supplied with products that meet their individual needs. Moreover, a product designed for a specific customer cannot be copied too easily, offering him optimum protection of his know-how.

C A M E R A

['kæmerə] ELMOS develops proprietary

with significant leverage for its non-autom

ELMOS is one of the biggest employers in the Dortmund Technology Park. Dortmund as former coal- and steelindustry town has been hit by unemployment well over average. ELMOS is a part of the structural change in this region and places high demands on the know-how of its employees. The environment of the Technology Park and its proximity to universities in Dortmund and the surrounding area facilitate ELMOS's search for qualified personnel.

1999 saw a clear improvement in the gross margin over previous years. This margin jumped by 31.5 mill. DM to 85.3 mill. DM, corresponding to an increase of 58.5%. With a gross margin of 50.4 % in 1999, ELMOS AG achieved an excellent figure, even compared with other international companies.

The business figures of ELMOS AG for the year 1999 underline the positive business development and the company's promising economic outlook for the future. A number of significant figures leave no doubt that the stage is set for qualitative and quantitative growth.

cell designs in its automotive electronics business

otive products.

The positive overall situation makes us optimistic that we will achieve and maybe even exceed our sales and profit targets once again in the year 2000. We already have firm orders for a significant part of planned turnover on the balance sheet.

Organization of Business

ELMOS Semiconductor AG has prepared consolidated financial statements in conformity with accounting principles generally accepted in the United States which are exempting in accordance with Section 292a (2) 2a of the German Commercial Code (HGB).

The complete financial statements as of December 31, 1999 and for the year then ended, prepared in accordance with accounting principles generally accepted in Germany, are available for inspection on the Company´s premises after prior consultation.

ELMOS Semiconductor Aktiengesellschaft (the Company or 'ELMOS') is engaged in the development, manufacturing and sale of Application Specific Integrated Circuits (ASICs). The Company has sales subsidiaries in France, United States and Netherlands and cooperates with other German companies concerning development and manufacture of ASIC chips.

Prior to May 12, 1999, the Company was a limited liability company (hereafter 'GmbH') under German law. Shareholders are generally not liable for the Company's obligations, except to the extent of their capital investment. Registered capital of a GmbH is not in the form of shares and does not represent negotiable securities. 100 % of the Company's registered capital was owned by EFH ELMOS Finanzholding GmbH (EFH).

Effective on May 12, 1999, the Company converted to an Aktiengesellschaft (AG) or a stock company. In conjunction with the conversion, the Company issued 15.300.000 shares of common stock with no par value for € 1 per share. No additional cash was invested into the Company.

On October 12, 1999, the Company sold, pursuant to an underwritten public offering on the Neuer Markt segment of the Frankfurt Stock Exchange, 6.500.000 shares of its no par value common stock at € 22 per share. The offering included 4.000.000 shares of additional no par value issued by the Company and 2.500.000 shares sold by EFH. Additionally, in conjunction with an over-allotment option, EFH sold an additional 1.000.000 shares on November 12, 1999.

Summary of Significant Accounting Policies

Basis of Consolidated Financial Statements
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Company maintains its financial records in Deutsche Mark (DM) in accordance with the German Commercial Code, which represents generally accepted accounting principles in Germany (German GAAP). German GAAP varies in certain aspects from U.S. GAAP. The Company has recorded certain adjustments in order that these consolidated financial statements be presented in accordance with U.S. GAAP.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Consolidation
The consolidated financial statements include accounts of majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated upon consolidation. Investments in affiliates where ownership by the Company is more than 20 percent but not in excess of 50 percent are recorded using the equity method.

Cash Equivalents
All highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents.

Marketable Securities
Marketable securities consists primarily of fixed-income securities. Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date. By policy, the Company invests primarily in high-grade marketable securities. All marketable securities are defined as available-for-sale under the provisions of Statement of Financial Accounting Standards No. (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities".

	Cost	Market Value
	DM	*DM*
Foreign government securities	29.112.529	29.668.181

Maturities of short-term investments at December 31, 1999 were as follows:

	Cost	Market Value
	DM	*DM*
Due within one year	19.370.540	18.896.448
Due after 5 years	9.741.989	10.771.733

Fair Value of Financial Instruments
The carrying value of financial instruments such as cash, accounts receivable and notes and accounts payable approximate their fair value based on the short-term maturities of these instruments. The carrying value of bank debt approximates fair value based on quoted market prices for the same or similar issues as well as the current rates offered to the Company.

The Company uses interest rate swaps to manage interest rate risk. The interest differentials from these swaps are recorded as interest expense.

Concentration of Credit Risk
The Company performs ongoing credit evaluations of its customers and generally requires no collateral. Reserves are maintained for potential credit losses and such losses have been within management's expectations.

Inventory
Inventories are stated at the lower of cost or market, with cost principally being determined on an average basis.

Property, Plant and Equipment
Property, plant and equipment are stated at cost.

Except for machinery and equipment, the assets are depreciated using the straight-line method over the following useful lives.

Buildings	25	years
Building improvements	10	years
Office furniture and fixtures	5 to 10	years
Software	3	years

Effective January 1, 1999, the Company changed its method of depreciation for machinery and equipment placed in service after December 31, 1998 to the straight-line method over a life of seven years. The Company's previous method of depreciation for machinery and equipment was the double declining method over a life of five years. Machinery and equipment placed into service prior to the effective date of the change continue to be depreciated using the existing life and the double declining method. The Company changed the method of depreciation and life based upon 1) management's belief that the straight-line method provides a better matching of costs and revenues and that seven years is a better reflection of the economic life of the machinery and equipment and 2) this method and life is the predominant industry practice. There is no cumulative effect of this change. The effect of this change on net income for the year ended December 31, 1999 was approximately DM 1.300.000.

Foreign Currency Translation and Transactions
Assets and liabilities of the Company's non-German operations are translated into DM at period-end exchange rates. Net exchange gains or losses resulting from such translation are excluded from net earnings and accumulated in a separate component of shareholders' equity. Income and expense accounts are translated at weighted average exchange rates for the period.

The Company from time to time enters into forward exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. This hedging minimizes the impact of foreign exchange rate movements on the Company's operating results. The Company does not engage in speculation. The Company's foreign exchange contracts do not subject the Company's results of operations to risk due to exchange rate movements because gains and losses on these contracts generally offset losses and gains on the assets and liabilities being hedged. As of December 31, 1999, the Company had 9 outstanding U.S. dollar forward exchange purchase contracts amounting to approximately DM 2.572.290.

Reclassifications
Certain reclassifications have been made to the prior year financial statements in order for them to confirm with the current year's presentation.

Revenue Recognition
Revenues are recognized when products are shipped to the customers.

Product Warranty
Provision for product warranty is recognized as a liability at the time of sale based on the historical relationship of warranty expense to sales.

Research and Development
Research and development expenditures are expensed as incurred.

Grants
The Company receives grants from the German government which are used to fund research and development activities and the acquisition of real estate and equipment. Grants are classified as other liabilities until utilized. The utilization of the grants for research and development are shown as other income (DM 2.020.000, DM 2.500.000, and DM 1.500.300 in 1999, 1998 and 1997), while the utilization of grants for research and development related acquisitions of tangible property are recorded as a reduction of the properties' historical cost.

Stock-Based Compensation
The Company records compensation expense for its employee stock based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Under APB No. 25, if the exercise prices of employee stock options equals or exceeds the estimated fair value of the underlying stock on the date of grant, generally no compensation expense is recognized.

Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" (Statement No. 123) encourages companies to recognize expense for stock-based awards based on their estimated value on the date of grant. Statement No. 123 requires the disclosure of pro forma net income or loss in the notes to the financial statements if the fair value method is not elected.

Income Taxes
The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which has been applied for all periods presented. Under this method, deferred tax assets and liabilities are based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

Earnings Per Common Share
Basic earnings per common share data are based on the weighted-average number of common shares outstanding during the respective periods. Diluted earnings per common share data are based on the weighted-average number of common shares outstanding adjusted to include the effects of potentially dilutive stock options.

Recently Issued Pronouncements
In June 1998, the U.S. Financial Accounting Standards Board issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Transactions*. Statement 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The new statement requires all derivatives to be recorded on the balance sheet at fair value and established "special accounting" for the following three types of hedges: hedges of change in the fair value of assets, liabilities or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of variable cash flows of net investments in foreign operations.

The Company will be required to adopt the statement during the year ended December 31, 2000. The Company is currently reviewing this statement to determine the potential effect, if any, this will have on the Company's financial condition or results of operations.

Inventories

Inventories consisted of the following:

	1999	**1998**	**1997**
	DM	*DM*	*DM*
Raw material	8.750.079	6.588.786	5.081.283
Work in progress	14.101.540	8.514.930	7.774.430
Finished products and goods	2.705.599	5.637.341	1.640.202
	25.557.218	**20.741.057**	**14.495.915**

Notes Payable and Long-Term Obligations

At December 31, 1999, the Company had available various short term credit facilities approximating DM 35.500.000. Under the provisions of the short term credit facilities, the Company's additional borrowing capacity approximated DM 32.750.000.

The weighted average interest rate on short-term borrowings outstanding as of December 1999 was 6,48 %.

Long-term obligations are summarized as follows:

		1999	**1998**	**1997**
		DM	*DM*	*DM*
Deutsche Centralbodenkreditbank Loan A				
Annual Rate:	7,57 %			
Payment:	Semi-annual			
Interest + Principal:	DM 210.540,00			
Maturity:	June 1999	-	3.293.615	3.456.086
Deutsche Centralbodenkreditbank Loan B				
Annual Rate:	7,57 %			
Payment:	Semi-annual			
Interest + Principal:	DM 86.130,00			
Maturity:	June 1999	-	1.347.388	1.413.854
Stadtsparkasse Dortmund Loan C				
Annual Rate:	5,40 %			
Payment:	Monthly			
Interest + Principal:	DM 28.585,00			
Maturity:	March 2002	-	1.020.231	1.299.910
Stadtsparkasse Dortmund Loan D				
Annual Rate:	7,58 %			
Payment:	Monthly			
Interest:	DM 11.496,33			
Maturity:	May 2000	1.820.000	1.820.000	1.820.000
Stadtsparkasse Dortmund Loan E				
Annual Rate:	5,60 %			
Payment:	Monthly			
Interest:	DM 15.120,00			
Maturity:	December 2001	-	2.054.685	2.119.092

		1999	1998	1997
		DM	*DM*	*DM*
Dortmunder Volksbank eG Loan F				
Annual Rate:	5,60 %			
Payment:	Monthly			
Interest:	DM 13.950,00			
Maturity:	January 2002	1.824.914	1.888.184	1.948.015
Dortmunder Volksbank eG Loan G				
Annual Rate:	5,60 %			
Payment:	Monthly			
Interest:	DM 13.950,00			
Maturity:	December 2001	1.807.032	1.871.273	1.932.023
Deutsche Bank AG, Dortmund - various		-	-	31.816
Lease Financing		43.042.276	44.052.362	38.250.000
Total		**48.494.222**	**57.347.738**	**52.270.796**
Less current portion		3.031.490	1.621.875	1.673.059
		45.462.732	**55.725.863**	**50.597.737**

Substantially all of the Company's assets are pledged to the Company's various lending institutions as collateral.

On December 22, 1997, the Company sold its office building (including the land and building improvements) for a total purchase price of DM 45.000.000. Concurrent with the sale, the Company leased the property back for a period of 9 years, related to the building improvements, and 22,5 years, related to the building and land. Under the lease terms, the Company is committed to making combined annual lease payments of DM 3.799.731 (DM 2.192.837 - building improvements, DM 1.606.894 - buildings and land) through 2006 and DM 3.749.731 (buildings and land) through 2020. Since the Company has the option to repurchase the property beginning in 2018, the transaction has been recorded as a financing transaction rather than as a sale, and the buildings and building improvements continue to be recognized in the accompanying consolidated financial statements. The amount financed, is included with long term debt.

Interest paid on notes payable and long-term obligations approximated DM 4.650.000, DM 4.729.437 and DM 3.620.378 in 1999, 1998 and 1997, respectively.

Maturities of long-term debt, including capital lease payments, at December 31, 1999 are as follows:

	Debt Maturities
	DM
2000	3.031.490
2001	2.957.452
2002	2.910.494
2003	1.303.845
2004	1.389.769
Thereafter	36.901.172
	48.494.222

Leases

The Company leases automobiles and equipment under non-cancelable operating leases.

Total operating lease expenses amounted to DM 114.680, DM 114.953 and DM 48.725 in 1999, 1998 and 1997, respectively. Future minimum lease payments under non-cancelable operating leases with initial or remaining terms in excess of one year consisted of the following at December 31, 1999:

	Operating Leases
	DM
2000	161.417
2001	147.402
2002	147.402
2003	73.287
2004	73.287

Income Taxes

Income taxes in Germany consist of corporate, trade and solidarity taxes. Corporation tax rates in the Federal Republic of Germany vary as to whether earnings are reinvested or distributed.

The Company paid DM 15.800.000, DM 8.823.620 and DM 3.847.508 in income taxes in 1999, 1998 and 1997, respectively. The provision (benefit) for income taxes consisted of the following:

	1999	**1998**	**1997**
	DM	*DM*	*DM*
Current			
German	11.284.978	9.041.477	4.241.888
Foreign	748.751	614.713	6.890
	12.033.729	9.656.190	4.248.778
Deferred			
German	3.072.286	(1.112.000)	(2.607.000)
Foreign	37.506	228.340	-
	3.109.792	(883.660)	(2.607.000)
	15.143.521	**8.772.530**	**1.641.778**

Deferred incomes taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and deferred tax liabilities are presented below:

	1999	**1998**	**1997**
	DM	*DM*	*DM*
Deferred tax assets:			
Equity in losses of unconsolidated subsidiary	-	188.000	-
Long-term obligations	22.734.103	25.487.000	26.036.000
	22.734.103	25.675.000	26.036.000
Deferred tax liabilities:			
Accrued liabilities	3.104.698	228.539	-
Unrealized gains on marketable securities	543.874	-	-
Property, plant and equipment	19.460.864	22.401.000	23.874.000
	23.109.436	22.629.539	23.874.000
Net deferred tax assets (liabilities)	**(375.333)**	**3.045.461**	**2.162.000**

A summary of the differences between the statutory tax rate and the Company's effective income tax (for 1999 without deferred taxes) is as follows:

	1999	1998	1997
Combined German statutory tax rate	52,42 %	57,12 %	57,86 %
Tax benefit from dividend distribution	(10,50 %)	-	(7,09 %)
Foreign tax rate differential	(1,00 %)	(1,88 %)	-
Change in corporate tax rate	1,54 %	-	-
Other tax-effects	(7,30 %)	1,55 %	(1,27 %)
Effective tax rate	**35,20 %**	**56,79 %**	**49,50 %**

Common Stock

On October 12, 1999, the Company sold, pursuant to an underwritten public offering on the Neuer Markt segment of the Frankfurt Stock Exchange, 6.500.000 shares of its no par value common stock at € 22 per share. The offering included 4.000.000 shares of additional no par value issued by the Company and 2.500.000 shares sold by EFH. On November 12, 1999, in conjunction with an over-allotment option, EFH sold an additional 1.000.000 shares.

The Company did not receive any of the proceeds from the sales of the shares sold by EFH. The net proceeds to the Company from the public offering, after deducting applicable discounts and offering expenses, were DM 160.917.292. These net proceeds to the Company will be used primarily for the further expansion of the Company's business, particularly in the areas of market penetration and the entering of new markets, including selective acquisitions, and research and development as well as to repay some long-term obligations.

As of December 31, 1999, the Company had 19.300.000 issued and outstanding shares of common stock. Including 1.000.000 of shares reserved for the stock option plan, the Company has 20.300.000 authorized shares of no par value stock. Each share of common stock carries one vote. There are no restrictions on such voting rights.

Stock Option Award Plan

The Company has a stock option plan that provides for the granting of stock options to officers and employees. The objective of this plan is to promote the success of the Company by providing employees the opportunity to acquire common stock. Under the plan, the Company is authorized to grant up to 1.000.000 new shares of which 116.525 shares were granted in 1999. Additionally, the exercise price of the stock option is equivalent to 120 % of the average closing share price of the Company on the ten business days prior to the management board granting the respective shares. The options can only be exercised if the closing price of the shares reaches the exercise price. The options vest after three years of continued employment and expire 7 years subsequent to the date of grant. As of December 31, 1999, the Company had 116.525 options outstanding, none of which were exercisable, with an exercise price of € 34,89. During 1999, none of these options were exercised or forfeited.

ASIC SILICATE ANALOG APPLICATION SPECIFIC INTEGRATED CIRCUIT

The Company applies Accounting Principles Board Opinion No. 25 (APB No. 25) in accounting for its plan. Accordingly, no compensation cost has been recognized in the Consolidated Statements of Income and Comprehensive Income from options issued under the Company's stock option plan. Pro forma earnings amounts prepared under the assumption that the stock options granted had been accounted for based on their fair value as determined under Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," are as follows:

Pro Forma Earnings	**1999**
	DM
Net income	18.824.251
Net income per common share	
Basic and fully diluted	1,78

The fair value of stock options granted during 1999 was € 14,23.

Contingency

The Company is involved in various claims and legal proceedings of a nature considered normal in its business. Additionally, the Company is involved in a dispute with Allmos Electronic GmbH, Plannegg ('Allmos') regarding the rights surrounding the Company's name. Allmos claims it has a right to require that the Company cease and desist in using the name 'Elmos'. Allmos seeks damages of DM 5.000.000 plus interest and legal expenses. The Company intends to vigorously defend this claim. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the present opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a material effect on the consolidated financial condition of the Company.

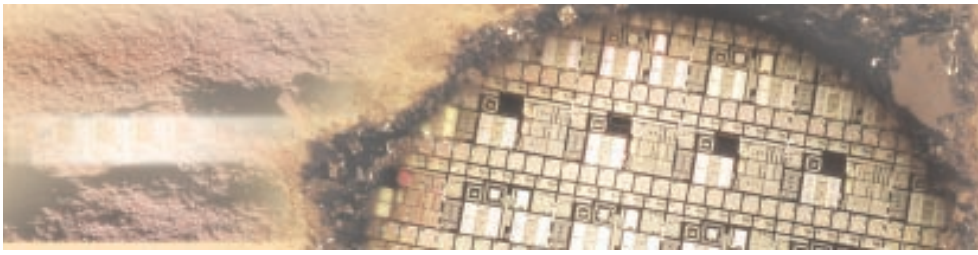
Geographic Data

Total sales (in 000's) to unaffiliated companies were broken down as follows for 1999, 1998 and 1997:

	1999	**1998**	**1997**
	DM	*DM*	*DM*
Germany	77.251	69.168	55.737
EU-Countries	70.480	54.271	20.961
U.S.A.	12.492	10.586	7.708
Rest of World	9.070	5.234	4.914
Total Sales	**169.293**	**139.259**	**89.320**

With the exception of approximately DM 561.326 of property, plant and equipment as of December 31, 1999 related to its operations in France and the U.S.A., all of the Company's long-term assets are maintained in Germany.

ASIC SILICATE ANALOG APPLICATION SPECIFIC INTEGRATED CIRCUIT



The Shareholders ELMOS Semiconductor Aktiengesellschaft and Subsidiaries

We have audited the accompanying consolidated balance sheets of ELMOS Semiconductor Aktiengesellschaft ('the Company') and Subsidiaries as of December 31, 1999, 1998 and 1997 and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ELMOS Semiconductor Aktiengesellschaft and Subsidiaries at December 31, 1999, 1998 and 1997, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Düsseldorf, March 10, 2000

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Lind	Brorhilker
Wirtschaftsprüfer	Wirtschaftsprüfer

Consolidated Balance Sheets

	1999	1998	1997
	DM	*DM*	*DM*
Assets			
Current assets:			
Cash	85.012.300	6.075.378	3.932.649
Marketable securities	29.668.181	-	-
Trade accounts receivable, less allowance for doubtful accountsof DM 2.496.370, DM 816.000and DM 735.000 in 1999, 1998 and 1997,respectively	34.193.611	15.367.669	14.282.080
Inventories	25.557.218	20.741.057	14.495.915
Prepaid expenses and other	15.032.798	3.152.088	2.704.360
Total current assets	189.464.108	45.336.192	35.415.004
Deferred taxes	2.459.119	3.274.000	2.162.000
Investments	121.366	1.319.640	2.139.000
Property, plant and equipment:			
Land	3.303.787	3.303.787	907.107
Buildings and improvements	58.695.349	55.658.770	41.016.849
Machinery, equipment and other	130.484.396	121.796.632	102.415.261
Software	7.354.898	6.249.494	4.892.075
Construction in progress	22.139.084	12.523.311	1.973.549
Less accumulated depreciation	(109.172.840)	(98.665.073)	(72.991.279)
	112.804.674	100.866.921	78.213.562
Total assets	**304.849.267**	**150.796.753**	**117.929.566**

	1999	1998	1997
	DM	*DM*	*DM*
Liabilities and shareholders' equity			
Current liabilities:			
Notes payable	3.398.152	33.598.040	11.225.979
Trade accounts payable	19.080.701	10.359.843	9.862.952
Accrued payroll, benefits and taxes	3.939.594	4.831.773	4.088.539
Other accrued liabilities	6.246.759	10.025.036	12.000.905
Accrued income taxes	-	5.237.233	4.404.670
Current portion of long-term obligations	3.031.490	1.621.875	1.673.059
Deferred taxes	2.816.452	228.539	-
Total current liabilities	38.513.148	65.902.339	43.256.104
Long-term obligations, less current portion	45.462.732	55.725.863	50.597.737
Minority interest	449.313	304.167	74.803
Shareholders' equity:			
Share capital	37.747.519	1.820.000	1.820.000
Paid-in capital	165.382.119	16.349.083	16.349.083
Accumulated other comprehensive	296.622	(19.841)	3.986
Retained earnings	16.997.814	10.715.142	5.827.853
Total shareholders' equity	220.424.074	28.864.384	24.000.922
Total liabilities and shareholders' equity	**304.849.267**	**150.796.753**	**117.929.566**

Consolidated Statements of Income and Comprehensive Income

	1999	1998	1997
	DM	*DM*	*DM*
Net sales	169.293.245	139.258.611	89.320.226
Cost of sales	83.967.227	85.430.069	57.503.632
Gross margin	85.326.018	53.828.542	31.816.594
Research and development	17.105.628	15.001.365	11.701.217
Marketing and selling expenses	6.455.083	5.750.965	4.087.662
General and administrative expenses	16.235.685	15.376.353	11.077.929
Operating income	45.529.622	17.699.859	4.949.786
Interest expense	3.439.545	4.729.437	3.637.512
Foreign exchange loss - net	79.394	67.741	271.500
Stock grant by EFH	6.375.000	-	-
Other (income) expense - net	1.410.707	(3.581.033)	(2.276.514)
Income before income taxes, equity in loss of unconsolidated subsidiaries and minority interest	34.224.976	16.483.714	3.317.288
Income tax expense (benefit)			
Current	12.033.729	9.656.190	4.248.778
Deferred	3.109.792	(883.660)	(2.607.000)
	15.143.521	8.772.530	1.641.778
Net income before equity in loss of unconsolidated subsidiaries and minority interest	19.081.455	7.711.184	1.675.510
Equity in losses of unconsolidated subsidiaries	319.503	824.360	-
Minority interest in earnings of consolidated subsidiaries	254.164	212.493	147
Net income	18.507.788	6.674.331	1.675.363
Changes in foreign currency translations	54.284	(23.827)	3.986
Unrealized gains on marketable securities net of income taxes	262.179	-	-
Comprehensive income	18.824.251	6.650.504	1.679.349
Basic and fully diluted earnings per share	1,78	7,17	1,80

Consolidated Statements of Changes in Shareholders' Equity

	Shares	Share Capital	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
		DM	*DM*	*DM*	*DM*	*DM*
Balance at December 31, 1996		1.820.000	16.349.083	-	6.094.890	24.263.973
Net income					1.675.363	1.675.363
Cash dividends					(1.942.400)	(1.942.400)
Foreign currency translation adjustment				3.986		3.986
Balance at December 31, 1997		1.820.000	16.349.083	3.986	5.827.853	24.000.922
Net income					6.674.331	6.674.331
Cash dividends					(1.787.042)	(1.787.042)
Foreign currency translation adjustment				(23.827)		(23.827)
Balance at December 31, 1998	-	1.820.000	16.349.083	(19.841)	10.715.142	28.864.384
Cash dividends					(469.999)	(469.999)
Capital contribution			4.500.000			4.500.000
Return of capital			(4.500.000)			(4.500.000)
Conversion to AG-issuance of 15.300.000 shares of common stock	15.300.000	28.104.200	(16.349.083)		(11.755.117)	-
Net proceeds from initial public offering (IPO)	4.000.000	7.823.319	153.093.973			160.917.292
Tax effect of IPO costs			5.913.146			5.913.146
Stock grant by EFH			6.375.000			6.375.000
Net income					18.507.788	18.507.788
Unrealized gains on marketable securities, net of income taxes				262.179		262.179
Foreign currency translation adjustment				54.284		54.284
Balance at December 31, 1999	19.300.000	37.747.519	165.382.119	296.622	16.997.814	220.424.074

Consolidated Statements of Cash Flows

	1999	1998	1997
	DM	*DM*	*DM*
Operating activities:			
Net income	18.507.778	6.674.331	1.675.363
Depreciation	20.957.436	28.610.471	18.415.311
Deferred income taxes	3.109.792	(883.660)	(2.607.000)
Minority interest	254.164	212.493	147
Equity in losses of unconsolidated subsidiaries	319.503	824.360	-
Gain on sale of investment	(394.000)	-	-
Stock grant by EFH	6.375.000	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(18.825.942)	(1.085.589)	(6.164.547)
Inventories	(4.816.161)	(6.245.142)	(4.572.034)
Prepaid assets and other	(11.126.079)	(115.559)	5.507.262
Accounts payable	8.720.858	496.891	(3.594.109)
Accrued liabilities	(4.670.456)	(1.232.635)	8.307.798
Accrued income taxes payable	(5.237.233)	832.563	401.270
Net cash provided by operating activities	13.174.670	28.088.524	17.369.461
Investing activities:			
Capital expenditures	(35.782.773)	(53.592.953)	(24.949.943)
Disposal of fixed assets	2.887.583	2.331.522	152.331
Purchase of marketable securities	(29.112.529)	-	-
Proceeds from sale of investment	575.000	-	-
Purchase of investments	-	(346.325)	(2.075.000)
Net cash used in investing activities	(61.432.719)	(51.607.756)	(26.872.612)

Financing activities:			
Dividends paid	(469.999)	(1.787.042)	(1.942.400)
Net proceeds from initial public offering	160.917.292	-	-
Tax effects of IPO costs	5.913.146	-	-
Dividends paid by consolidated subsidiary to minority shareholder	(190.080)	-	-
Cash received by consolidated subsidiary from minority shareholder	78.016	-	-
Increase in long-term obligations	-	6.750.000	43.930.000
Repayments of long-term obligations	(8.853.516)	(1.673.058)	(25.109.920)
Proceeds (repayments) of notes payable	(30.199.888)	22.372.061	(3.449.094)
Net cash provided by financing activities	127.194.971	25.661.961	13.428.586
Increase in cash and cash equivalents	78.936.922	2.142.729	3.925.435
Cash and cash equivalents at beginning of year	6.075.378	3.932.649	7.214
Cash and cash equivalents at end of the year	85.012.300	6.075.378	3.932.649

Investor Relation:

Phone: +49(0)231 / 7549-125
Fax: +49(0)231 / 7549-548
e-mail: invest @elmos.de

Imprint

Editorial:
ELMOS Semiconductor AG

Design and Layout:
Stitz+Betz GmbH, Dortmund

Photographs:
Stefan Raab, Josef Mahalek

Crashtest-dummy©:
auto, motor, sport

ELMOS Semiconductor AG

ELMOS Semiconductor AG, Heinrich-Hertz-Straße 1,
D-44227 Dortmund, Phone: +49 (0) 231 / 75 49-0,
Fax: +49 (0) 231 / 75 49-149, Internet: http://www.elmos.de