

# Quarterly Report Q1/2001



- **Sales growth +12.4% compared to Q1/2000: sales DM 56.2 million**
- **Gross margin 53.9% of sales within the core business, including EURASEM 52.1%**
- **Earnings before tax 25.6% of sales incl. costs of the re-construction of EURASEM**

## Profitable Growth

Dear Shareholders,

In turbulent times it is a pleasure for us to present to you again solid profitable financial figures. Indeed, the former quarter of the year has been one of the most interesting ones in the history of the ELMOS Semiconductor AG:

After careful preparation during the last year, we were able to realize a strategic acquisition just at the beginning of the year 2001. The takeover of the European Semiconductor Assembly (EURASEM) B.V. allows us to close the last gap in our production flow. EURASEM develops and assembles IC-packages. We therefore complete our individual customer-specific system solutions approach and the related know-how by additional key elements. This acquisition required investments for the restructuring of the company and resulted in a charge of about 1.8% of sales or DM 1 million.

Shortly thereafter – and matching perfectly to EURASEM – we purchased Silicon Microstructures Inc. (SMI) in Fremont, California. Together with SMI as an established technology leader in the sensor business, ELMOS will in the future offer intelligent sensor solutions in silicon. This acquisition will help us significantly to extend our position in the automotive market long-term.

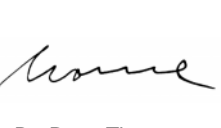
Also in March, we finalized a strategic co-operation with Motorola, that enables both companies to realize synergy effects in the automotive business. The world's leading supplier of powerful micro controllers and digital signal processors for automotive applications will open to us global markets and distribution channels.

Though we see the semiconductor market becoming more complex, we firmly believe that we will realize a growth of 10-15% in the core business of ELMOS and an additional 10% related to the ramping up of the LCD-driver for mobile hand sets. ELMOS is going to start the pre-series production of the newly developed LCD-driver circuit for mobile communications very soon.

Dortmund,  
March 2001

  
Knut Hinrichs  
Vorstandssprecher

  
Dr. Klaus Weyer  
Vorstand

  
Dr. Peter Thoma  
Vorstand

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## Sales

Sales	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	56.209	50.001	12.4%	50.867	10.5%
thereof					
Production	52.331	48.767	7.3%	48.110	8.8%
Development	3.744	0.620	503.8%	2.125	76.2%
Others	0.134	0.614	-78.1%	0.632	-78.7%

*Figures in million DM or %*

With a total sales exceeding DM 56.2 million, ELMOS once again has achieved an all time high. In comparison to the equivalent quarter of last year, ELMOS increased sales by 12.4%. This underscores the ELMOS success even in difficult market conditions. ELMOS presently focuses on upgrading its development capacity. This is absolutely necessary to satisfy requirements for new projects currently underway and will lead to corresponding increases in sales.

## Sales According to Regions

Sales according to regions	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	56.209	50.001	12.4%	50.867	10.5%
thereof					
Germany	28.705	20.000	43.5%	22.255	29.0%
Other EU countries	21.028	23.569	-10.8%	23.231	-9.5%
USA	3.859	4.537	-14.9%	2.688	43.6%
Other countries	2.617	1.895	38.1%	2.693	-2.8%

*Figures in million DM or %*

The strong domestic demand balanced the weakness of the export markets. These are temporarily fully saturated by overstocking of our customers and more difficult market conditions. In Germany, ELMOS was able to gain additional sales because more high-end cars have been equipped with extended options.

## Incoming Orders

Incoming orders	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	59.582	64.672	-7.9%	47.985	24.2%

*Figures in million DM or %*

In the first quarter of 2001 ELMOS received new orders reaching a total of DM 59.6 million. **In addition, ELMOS received several new projects for development with a total lifetime sales potential of about DM 220 million.** This amount – about four times higher than total sales – exceeds our internal expectation enormously. These new projects will support the long-term growth of ELMOS in 2003 and afterwards. The book-to-bill ratio of the first quarter was at 1.06.

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## Gross Profit

<b>Gross profit</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	29.289	25.050	16.9%	24.642	18.9%
of sales	52.1%	50.1%		48.4%	

*Figures in million DM or %*

ELMOS was able to stretch the gross margin by 2 percent points. This resulted in an over-proportional increase of gross profit by 16.9%, with a total of DM 29.3 million.

In its core business, ELMOS reached a gross margin of 53.9% exceeding the figures of the previous year significantly. This underlines the high competitiveness of the company. The restructuring of the recently acquired EURASEM B.V., however, impacted the gross margin by 1.8%. This influence will continue about the next two years until the restructuring is complete.

## Research and Development

<b>Research and development expenses</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	7.624	6.331	20.4%	8.682	-12.2
of sales	13.6%	12.7%		17.1%	

*Figures in million DM or %*

In the first quarter 2001, research and development expenses amounted to DM 7.6 million. This means a rise of 20.4% against the comparable period in 2000. ELMOS continues to increase its research and development activities to secure long-term growth through the development of new production technologies and products.

## Marketing and Sales

<b>Marketing and selling expenses</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	2.284	1.586	44.0%	1.329	71.8%
of sales	4.1%	3.2%		2.6%	

*Figures in million DM or %*

With DM 2.3 million the expenses for marketing and selling grew by 44% compared to the first quarter 2000. In particular, the additional funds have been used to establish the sales activities of ELMOS North America, Inc..

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## General Administration Expenses

<b>General administration expenses</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	4.726	4.523	4.5%	4.737	-0.2%
of sales	8.4%	9.0%		9.3%	

*Figures in million DM or %*

The expenditure for administration and for general costs rose in comparison to the same quarter of the previous year under proportionally by only 4.5%.

## Amortization of Goodwill

<b>Amortization of goodwill</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	0.276	-	-	-	-
of sales	0.5%	-		-	

*Figures in million DM or %*

The amortization of goodwill was connected with the purchasing of the EURASEM B.V..

## Operating Income

<b>Operating income</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	14.378	12.610	14.0%	9.894	45.3%
of sales	25.6%	25.2%		19.5%	

*Figures in million DM or %*

The operating income of the first quarter 2001 worked out to DM 14.4 million or 25.6% of sales. This solidly exceeds the targeted value of more than 25%. Comparison with the same quarter of the previous year results in an improvement of 14.0%. This is pleasing good news because - according to plan - the acquisition of the EURASEM B.V. put a financial burden on the operating income of about 1.8% of sales or DM 1 million.

## Net Income

<b>Net income</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Total	8.929	7.191	24.2%	7.669	16.4%
of sales	15.9%	14.4%		15.1%	

*Figures in million DM or %*

The profitable growth continued through to net income: the quarterly profit rose to DM 8.9 million during the first quarter 2001. In relation to the comparable period last year, this represents a 24.2% increase.

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## **Earnings per Share**

<b>Earnings per share</b>	Q1 / 2001	Q1 / 2000	Δ Q1 (2001 / 2000)	Q4 / 2000	Δ (Q1/01 - Q4/00)
Net income	8.929	7.191	24.2%	7.669	16.4%
Earnings per share*	0.46	0.37	24.3%	0.40	15.0%

*\* calculated on a base of 19.3 million ordinary shares*

*Figures in million DM or %, except earnings per share*

Earnings per share increased to DM 0.46.

The following members of the board of directors hold shares or stock options of the company: Dr. Klaus Weyer 10,000 shares and Dr. Peter Thoma 200 shares. Mr. Sporea as a member of the supervisory board holds 915 shares of the company. In the former period, the ELMOS Semiconductor AG sold 3,700 shares of the company at an average of Euro 27.334 on March, 21<sup>st</sup> 2001, and 10.000 shares at an average of Euro 24.931 on March, 22<sup>nd</sup> 2001. There were no other transactions.

## **Human Resources**

As of March, 31<sup>st</sup> 2001 the ELMOS group employed 588 staff members in contrast to 488 members of staff at March, 31<sup>st</sup> 2000. Primarily, this is a result of the recent acquisition of the EURASEM B.V. contributing 72 people to the personnel growth.

The following quarterly consolidated financial statement is according to the principles of the United States generally accepted accounting principles (US-GAAP) but unaudited. Some information and statements of the official annual US-GAAP consolidated financial statements and annexes have been combined or left out. This document should be seen in respect to the audited annual consolidated financial statement with the reporting date December, 31<sup>st</sup> 2001.

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## Consolidated Statement of Income

US-GAAP, unaudited	Q1 / 2001	Q1 / 2000	Q1 / 2001	Q1 / 2000
	DM		Euro	
Net sales	56,209,470	50,000,549	28,739,446	25,564,875
Costs of sales	26,920,652	24,950,295	13,764,311	12,756,883
<b>Gross profit</b>	<b>29,288,818</b>	<b>25,050,254</b>	<b>14,975,135</b>	<b>12,807,992</b>
Research and development	7,624,134	6,331,268	3,898,158	3,237,126
Marketing and selling expenses	2,283,914	1,586,237	1,167,747	811,030
General and administrative expenses	4,726,251	4,522,641	2,416,494	2,312,390
Amortization of goodwill	276,129	-	141,182	-
<b>Operating income</b>	<b>14,378,390</b>	<b>12,610,108</b>	<b>7,351,554</b>	<b>6,447,446</b>
Interest expense	-55,312	-688,957	-28,280	-352,258
Foreign exchange (gain) loss - net	273,514	493,575	139,845	252,361
Other (income) expense - net	-324,817	266,265	-166,076	136,139
<b>Income (loss) before income taxes, equity in loss of unconsolidated subsidiaries and minority interest</b>	<b>14,485,005</b>	<b>12,539,225</b>	<b>7,406,065</b>	<b>6,411,204</b>
Income tax expense				
Current	5,715,004	5,425,204	2,922,035	2,773,863
Deferred	-193,341	-165,913	-98,854	-84,830
	5,521,663	5,259,291	2,823,181	2,689,033
<b>Net income before equity in loss of unconsolidated subsidiaries and minority interest</b>	<b>8,963,342</b>	<b>7,279,934</b>	<b>4,582,884</b>	<b>3,722,171</b>
Minority interest in earnings of consolidated subsidiaries	34,595	89,044	17,688	45,527
<b>Net income</b>	<b>8,928,747</b>	<b>7,190,890</b>	<b>4,565,196</b>	<b>3,676,644</b>

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## Consolidated Statements of Cash Flows

US-GAAP, unaudited	Q1 / 2001	Q1 / 2000	Q1 / 2001	Q1 / 2000
	DM		Euro	
<b>Operating Activities:</b>				
Net income	8,928,747	7,190,890	4,565,196	3,676,644
Depreciation	6,578,929	4,820,654	3,363,753	2,464,761
Deferred income taxes	-193,341	-165,913	-98,854	-84,830
Goodwill amortization	276,129	0	141,182	-
Minority interest	34,595	89,044	17,688	45,527
Changes in operating assets and liabilities:				
Accounts receivable	-3,228,650	-3,964,991	-1,650,783	-2,027,268
Inventories	-6,272,598	2,070,602	-3,207,128	1,058,682
Prepaid assets and other	1,619,339	2,180,855	827,955	1,115,053
Accounts payable	837,910	-4,741,424	428,417	-2,424,252
Accrued liabilities	6,173,926	2,179,339	3,156,678	1,114,278
Accrued income taxes payable	4,039,467	3,117,717	2,065,347	1,594,064
Net cash provided by operating activities	18,794,453	12,776,773	9,609,451	6,532,659
<b>Investing Activities:</b>				
Capital expenditures	-15,959,284	-4,216,856	-8,159,852	-2,156,044
Disposal of fixed assets	805,940	7	412,070	4
Proceeds from sale of marketable securities	0	6,433,483	0	3,289,388
Purchase of marketable securities	-37,278,741	0	-19,060,318	0
Proceeds from sale of investments	-29,817,804	0	-15,245,601	0
Purchase of investments	-82,249,889	2,216,634	-42,053,701	1,133,348
<b>Financing Activities:</b>				
Proceeds from stock of treasury shares	685,413	0	350,446	0
Repayments of long-term obligations	-1,688,022	-295,762	-863,072	-151,221
Proceeds(repaysments) of notes payable	8,994,017	-2,551,854	4,598,568	-1,304,742
Net cash (used) provided in financing activities	7,991,408	-2,847,616	4,085,942	-1,455,963
Increase(decrease) in cash and cash equivalents	-55,464,028	12,145,791	-28,358,308	6,210,044
Cash and cash equivalents at December 31 <sup>st</sup> , 2000 and 1999	144,152,777	85,012,300	73,704,145	43,466,099
Cash and cash equivalents at March 31 <sup>st</sup> , 2001 and 2000	88,688,749	97,158,091	45,345,837	49,676,143