

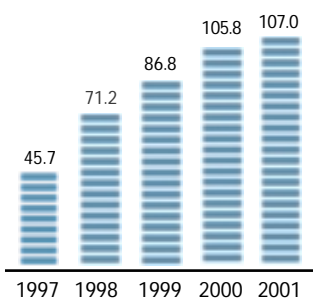


Annual Report | 2001

Company Figures according to US GAAP

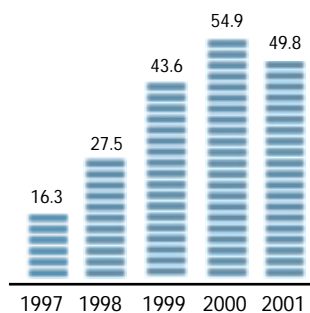
Net sales

in EUR millions



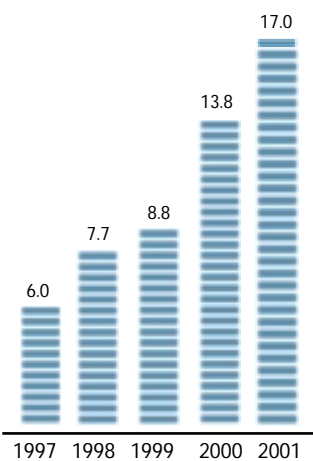
Gross margin

in EUR millions



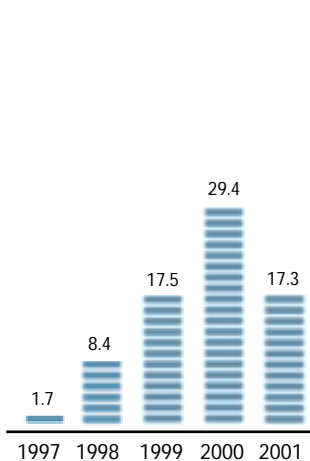
Research and development

in EUR millions



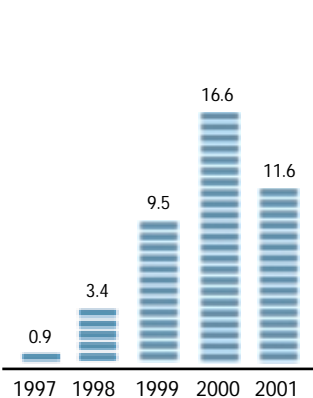
Income before income taxes

in EUR millions



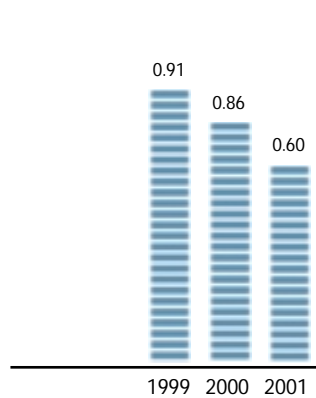
Net income

in EUR millions



Earnings per share

in EUR



Selected Company Figures according to US GAAP

	2001	2000	1999	1998	1997
Net sales in EUR millions	107.0	105.8	86.6	71.2	45.7
Cost of sales in EUR millions	57.3	50.9	42.9	43.7	29.4
Gross margin in EUR millions	49.8	54.9	43.6	27.5	16.3
Research and development in EUR millions	17.0	13.8	8.8	7.7	6.0
Operating income in EUR millions	17.0	27.7	23.3	9.0	2.5
Income before income taxes in EUR millions	17.3	29.4	17.5	8.4	1.7
Income tax expense in EUR millions	5.8	12.6	7.7	4.5	0.8
Net income in EUR millions	11.6	16.6	9.5	3.4	0.9
Total shareholder's equity in EUR millions	113.1	120.0	112.7	14.8	12.3
Balance sheet total in EUR millions	208.0	188.5	155.9	77.1	60,3
Earnings per share in EUR millions	0.60	0.86	0.91	-	-
Dividend per share in EUR	0.00*	0.91	0.45	-	-
Personnel average during the year	624	514	477	458	372
Share price as of 31. Dec. 01 in EUR	14.50	25.50	41.00	-	-
Common stock in millions	19.3	19.3	19.3	-	-
Market capitalization as of 31. Dec. 01 in EUR millions	280	492	791	-	-

* subject to the decision of the annual shareholders meeting

Company headquarters	Dortmund
Founded	1984
Capital stock as of 31. Dec. 01	19,300,000 Euro

Issue Data

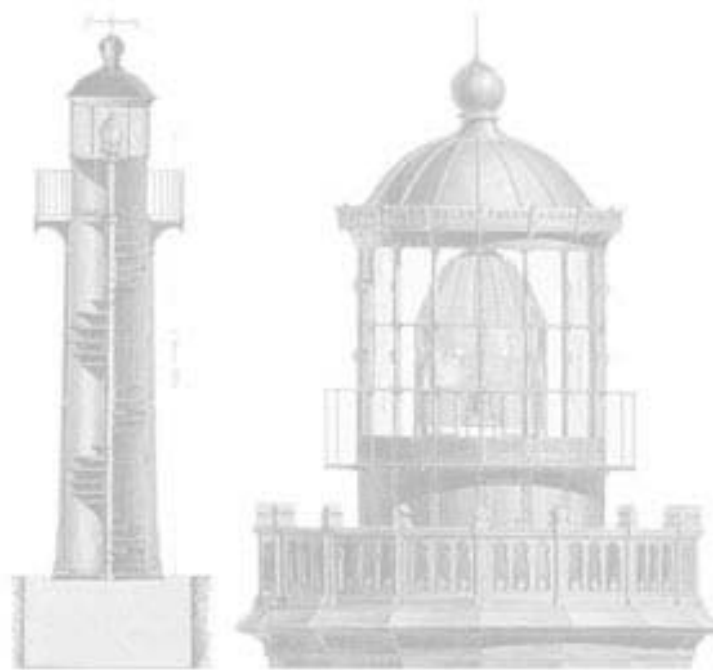
Type of share	Non-par value ordinary bearer shares
ISIN	DE0005677108
WKN	567 710
Stock exchange symbol	ELG
Home stock exchange	Frankfurt
Market segment	"Neuer Markt"
Syndicate banks	Joint global coordinators Crédit Suisse First Boston Deutsche Bank Co-lead managers Société Générale West LB
Issue rate	Euro 22
1. day of trading	11.10.1999
Number of shares on 31.12.2001	19,300,000
Share ownership	42.3 % free float 57.7% EFH ELMOS Finanzholding GmbH
Designated Sponsors	Crédit Suisse First Boston Deutsche Bank

Equity Research on ELMOS

Bank Vontobel	Dr Thomas Kindler
Berenberg Bank	Dr Oliver Wojahn
Concord Effekten	Adrian Phillips
Consors Capital	Gero Breuer
Crédit Agricole Indosuez Cheuvreux	Bernd Laux
Crédit Suisse First Boston	Jean Danjou
Deutsche Bank	Ben Lynch, William Wilson
Julius Bär	Ingo Queiser
M.M. Warburg & Co	Michael Bahlmann
Puilaetco de Laet, Poswick & Cie	Philippe Rochez
Société Générale	Marisa Baldo
UBS Warburg	Laura Baker
West LB	Dr Karsten Iltgen
W.P. Stewart & Co	Alexandre Stucki

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*» A lighthouse buffeted
by the stormy winds «*

ELMOS steering the right course

In classical antiquity it was regarded as one of the seven wonders of the world. Over 100 metres high, the Pharos of Alexandria guided seafarers safely into the harbour for more than 1600 years. This ancient lighthouse was built before 300 BC by the Egyptians on the island of Pharos in the Nile delta.

A lighthouse is more than just a tower.

It is more than a mere silver beam of light in the night. The best way of describing a lighthouse is probably to use comparatives: lighthouses are higher, more technically demanding, more difficult to build, lonelier, more striking than other structures. Lighthouses are luminous signposts, beacons, signals, indispensable directional landmarks. And lighthouses are particularly necessary when the weather is bad.

Lighthouses are essential.

There are some things in life about which you are doubtful, but one of the things you can believe in is a lighthouse lighting the way in a pitch black night. It is not surprising then that lighthouses have taken on an almost mystical meaning in human imagination.

A lighthouse is pointing the way.

In a lighthouse the engineer sees the fulfillment of his boldest vision, the poet associates it with the archetypal withdrawal into solitude, the psychoanalyst interprets it as a gigantic phallic symbol, the philosopher perceives the lighthouse as a source illuminating human experience, the optician admires it as one of the first brilliant achievements of his trade, the seaman regards it as sign of hope, that the safe haven is at last in sight.

Lighthouses of the present.

The new high-tech lighthouses are fitted out in compliance with the latest demands and requirements. In addition to the light beacon and the foghorn they are provided with radar systems installed at the top of the tower, control rooms full of monitors displaying sea charts, work stations for the navigational pilots, with measuring instruments consisting of laser and photo-cells as well as radio direction finder systems. It is not just shipping which is monitored, but also water levels, tide gauge curves, wind forces and directions. The navigators at their monitor screens keep a watch on shipping around the clock.

A lighthouse of modern times.

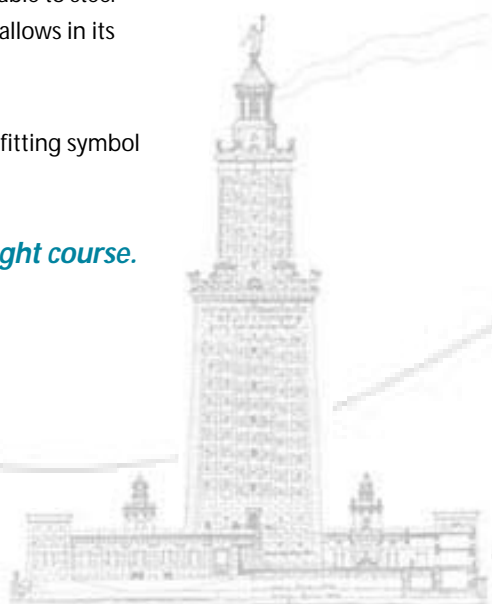
The "lighthouses" in our modern times cannot be seen with the naked eye. They float weightlessly hundreds of kilometres above the sea, the cliffs and the reefs. Position can now be pinpointed to the very metre with the aid of satellites.

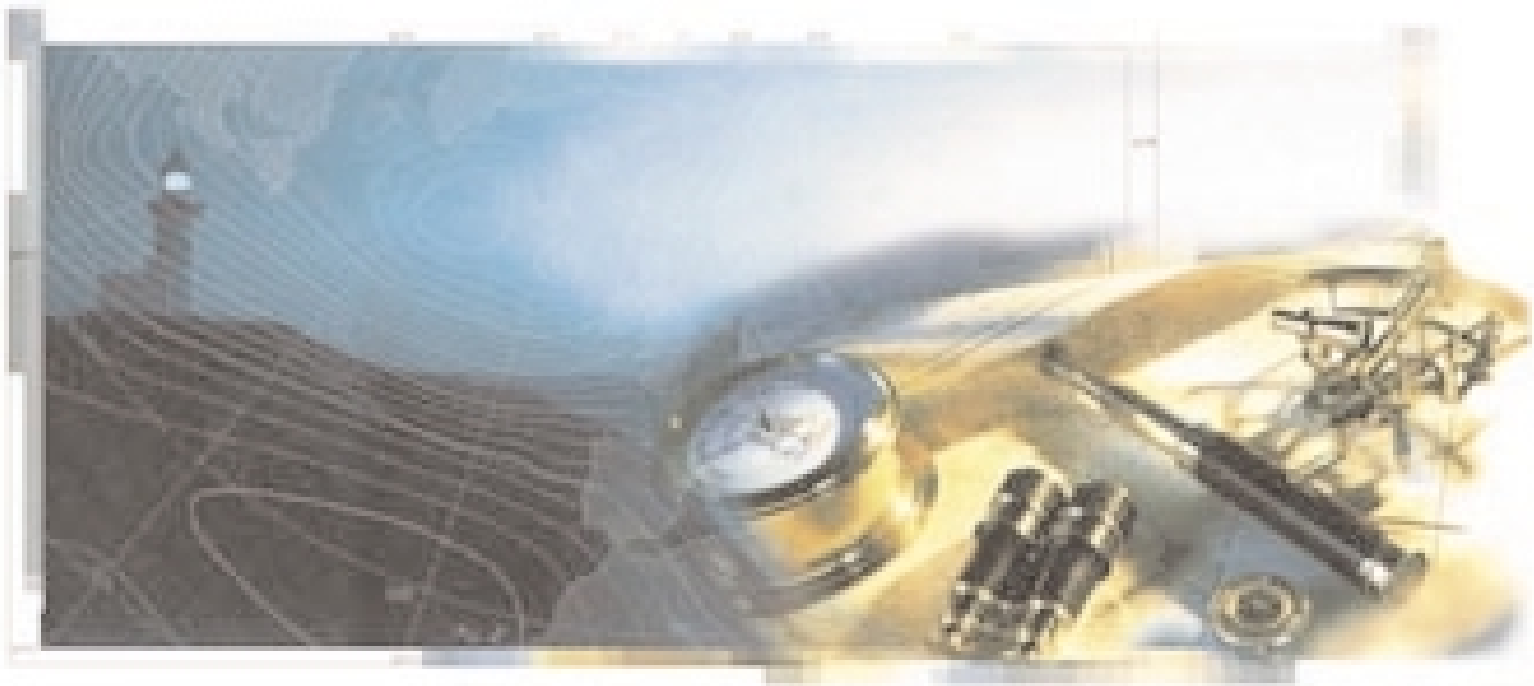
The lighthouse and ELMOS.

In the past fiscal year, ELMOS stood like a lighthouse in the stormy sea of the semiconductor market. ELMOS does not hide its light under a bushel. ELMOS has bright ideas and uses them to steer for new shores. Thanks to good navigation and orientation it has been able to steer clear of all the rocks and shallows in its path.

The lighthouse is thus a fitting symbol for our Annual Report.

ELMOS steering the right course.





*» Steering clear of the rocks
through skillful navigation «*

Letter to the Shareholders

Dear Shareholders,

A safe course can be recognised even in uncertain times. I am convinced that the strategy adopted by the company will provide us with long term success.

As opposed to numerous competitors, in 2001 ELMOS was able to furnish consistently favourable figures due to the fact that only profitable growth had been accepted in the past. 2002 is not going to be any easier than the past year, but we are certain that we will achieve a similar earnings situation.

In drawing up our business report we have expressed the long term focus envisaged, with the lighthouse symbolizing our being on the right course.

The corner stones of the ELMOS business model are

Semiconductor based customer specific integrated system solutions

We help our customers to save money in their application, to improve quality and protect their know-how. They reward us with a long-term supply contract and stable prices.

Analog / digital system design

Our development teams in Dortmund, Frankfurt/Oder, Munich, Paris and Detroit combine as many components as possible in the integrated circuit. ELMOS ICs meet the highest requirements and provide excellent profit margins.

Own technology and production basis

The combination of our own technology with our excellent circuit design in a production of the highest quality is unique. You only need to compare the numerous prestigious projects we were able to gain against the toughest competition to perceive how the automotive industry, our core market, values this.

The outcome of this business concept is that we trust in the vision and creativity of our engineers. The large number of customer specific products also means that we are likewise able to put us out of the reach of harmful confrontation with other global players. As this is beneficial to our customers, our business concept is based on a winning strategy focusing on the expansion of growth and earnings.

What good is the most splendid concept, the best plan, if you do not have the means to put it into effect. Our profitable growth, as far as can be seen, will however, permit us to cope with boom situations and more importantly to weather the times of crisis.

We do not need to "burn money" in order to enter markets, we have a solid equity capital ratio of 54 per cent in our corporate balance sheet. We are thus able to finance our growth from cash flow and to create our future independent of the unpredictable fluctuations of the financial markets. We will be continuing on our course as a successful semiconductor company under our own steam.

Accompany us on this course and you will come to the conclusion that you have made a good long term investment.

Knut Hinrichs
Chairman of the Management Board



» ***A man has three ways of acting wisely; firstly - by pondering, that is the noblest secondly - by imitating, that is the easiest thirdly - by experience, that is the bitterest!***

Confucius, 551 BC

» ***The only good and reliable strategy which is permanently effective is the one determined solely by yourself, deriving from your own strength and ability.***

Niccoló Machiavelli, 1469



Reinhard Senf

Knut S. Hinrichs

Dr. Peter Thoma

Dr. Klaus G. Weyer

Management Board

Knut S. Hinrichs studied business management at the University of Mannheim.

From 1977 to 1979 he was the managing director of a company producing industrial sensor electronics, after which he worked as a management consultant and subsequently as a self-employed commercial entrepreneur for hybrid electronic components.

He has been a managing director since 1987, a member of the Management Board since 1999 and its chairman since 2001.

Dr Klaus G. Weyer is one of ELMOS' founders. He studied physics in Cologne, subsequently obtaining a doctorate at the Ludwig-Maximilian University in Munich. He then worked as a management consultant in the field of micro-electronics for small and medium sized enterprises.

He has been a managing director since 1984 and on the company's Board since 1999.

Dr Peter Thoma studied physics at the Technical University in Munich graduating as a Dipl.-physicist, after which he obtained a doctorate in the field of plasma-physics specialising in spectroscopy in 1978 gaining the title Dr rer.nat.

From 1978 to 1982 he was a departmental head at Kienzle-Mannesmann.

From 1983 he worked for the BMW AG. Initially he built up a department for the development of electronic control devices for use in motor vehicles. He has been the head of the Electrical / Electronics Development Division since 1993.

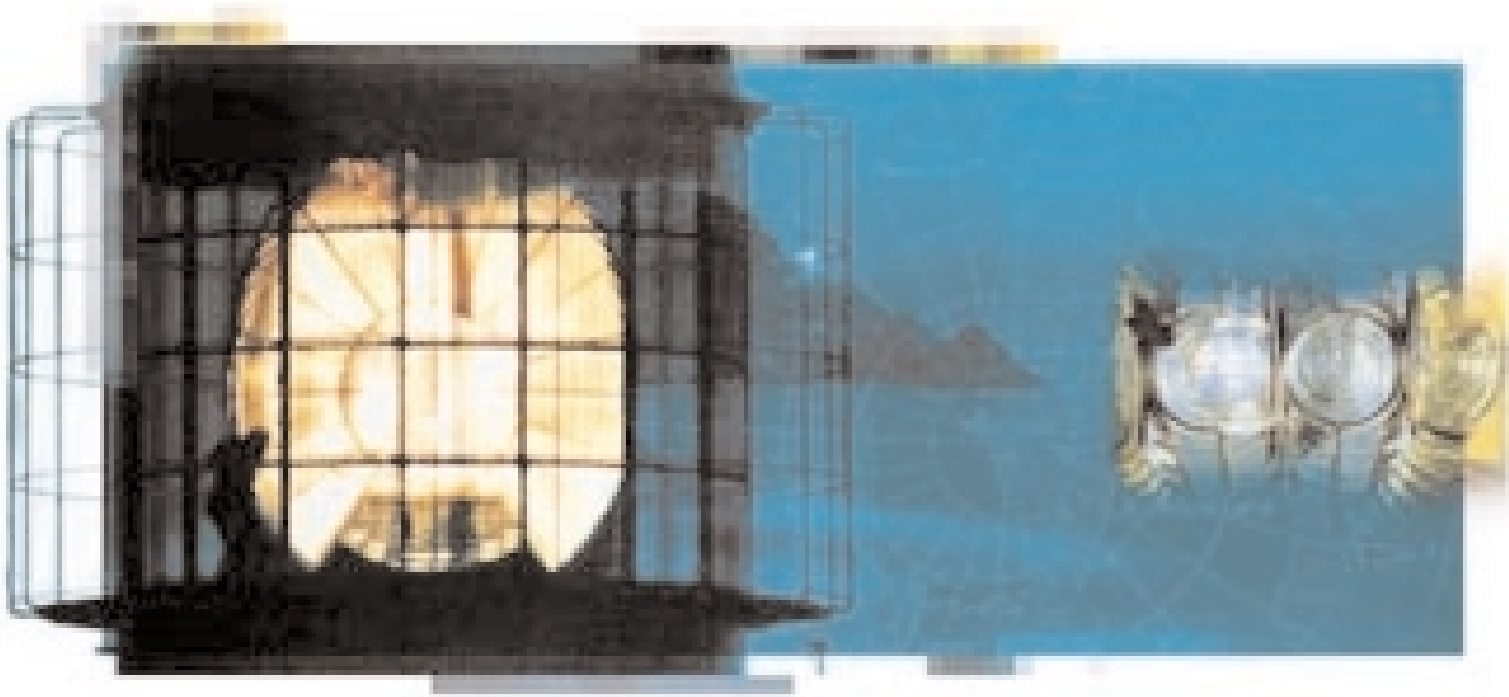
He has been a member of the ELMOS AG's Management Board since October 2000.

Reinhard Senf obtained 1974 his diploma in "Physics and the Technology of Electronic Components" at the Technical University of Ilmenau.

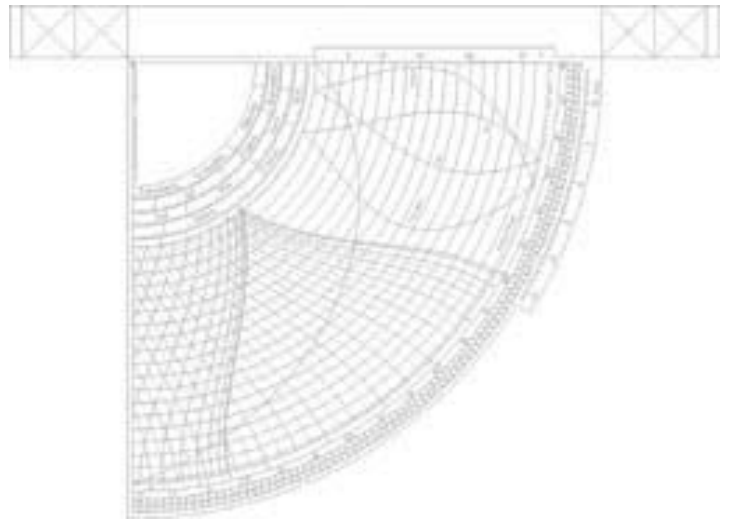
From 1974 till 1991 he was a production engineer and later managing director at VEB Funkwerk/Microelektronik in Erfurt.

He has been working for ELMOS since February 1992, initially as an assistant to the Management Board. He was the head of quality assurance from 1993 and has been in charge of the testing division since 1999.

Since 1st July 2001 he has been on the Management Board responsible for the production division.



» *Difficult routes mastered without going off course* «





Steering the right course

2001 was certainly one of the hardest years to date in the semiconductor industry. The record growth of 37 per cent in 2000 was followed by sharp crash of minus 33 per cent in 2001. In the wake of the supply bottle-necks experienced before, the headlines were now reporting excess capacity and attendant economic problems.

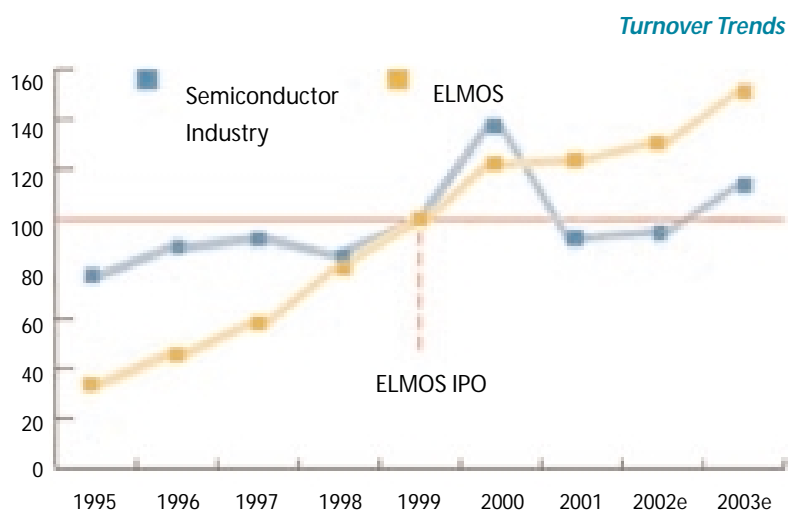
In addition to this, the world was shaken by dramatic political events leading to further uncertainty in the markets and a global economic downswing. ELMOS was, however, able to neutralize this adverse state of affairs to a large extent thanks to its focused strategy of customised products for selected markets and to still achieve a respectable result in 2001.

The acquisition of *Silicon Microstructures Inc. (SMI)* in the USA and *Eurasem B.V.* in the Netherlands meant that the ELMOS Group moved forward to become an enterprise operating internationally and was able to extend the range of electronic circuits on offer to silicon sensors and special assembly technologies. It proved possible to increase sales compared to the year before in contrast to the general trend in the branch.

Semiconductor Markets

The worldwide sales achieved by the semiconductor market in 2001 were around 137 billion dollars, thus lying below the level reached in 1999 in which 149 billion dollars were sales.

2000, the year between, had been one in which a historical peak of 204 billion dollars was achieved, exemplifying the sharp up- and downswings of more than a third of total annual turnover to which the market was subjected.



Source: JPMorgan / ELMOS

It subsequently emerged that the growth in 2000 had been stimulated by exaggerated expectations in the data processing and telecommunication markets and that the supply bottle-necks for components had been predominantly based on the customers having placed excessively high orders so as to fill their buffer stocks. The overstocking resulting by the end of 2000 inevitably led to a dramatic reduction in demand during the whole of 2001 with the attendant collapse in turnover endangering the very existence of the semiconductor industry. In 2000, production capacity had been extended rapidly and plans for the construction of new plants implemented, whereas in 2001 about 17 factories had to be closed down worldwide and building projects already under

Data Processing

Data processing with its 46 per cent share of the worldwide semiconductor market makes up the largest market segment. The weak growth in 2000 was explained with the advance purchases effected after 1999. The development in 2001 was recessive. Instead of increasing the total market shrank, the prices on the DRAM memory market collapsed, plunging from USD 15 to as low as USD 1 per memory chip. This did not even cover the variable manufacturing costs and the competition for markets reached a hitherto unknown intensity.

Consolidation is expected in 2002. However, significant revival will only occur if there is marked improvement in benefits to the customer due to new types of software, higher processing speeds or the provision of new services.

Telecommunication

The telecommunications sector making up 21 per cent of the whole, is the second largest section of the worldwide semiconductor market. In 2000, this market was in the grip of a real gold rush atmosphere with everyone attempting to stake their claim. To a certain extent the turnover could not be achieved in this highly competitive market towards the middle of 2000 because the semiconductor components for devices and chipcards were not available in sufficient quantities.

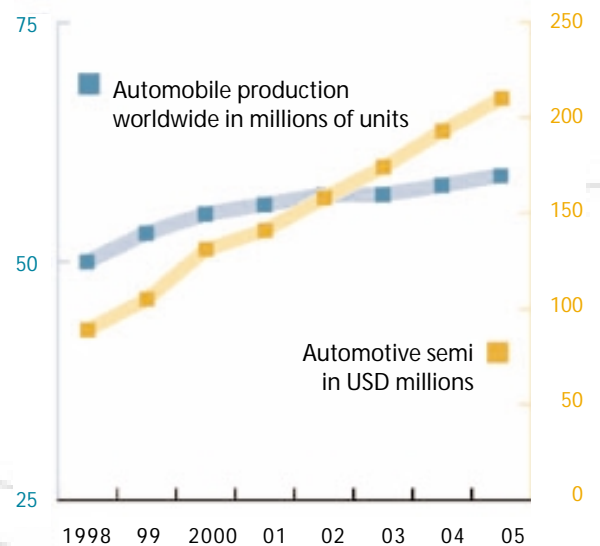
The supply situation was to improve in 2001. In the second half of 2000, generous orders had thus been placed in expectation of the boom in 2001 and the incoming orders had been far in excess of semiconductor manufacturers' expectations. They invested on an unprecedented scale so as to be able to at very least supply their major customers.

However, contrary to all the market prognoses, demand in the telecommunications market fell dramatically in 2001. Instead of the expected 500 - 550 million mobile telephones, only 330 - 350 million units were actually sold. This was basically attributable to the lack of innovation in the final products, the high financial burden incurred by the UMTS licences and mobile telecommunication operators refraining from extending the heavily loss-making pre-paid business.

ELMOS had also planned to participate in the telecommunications market with their LCD-driver chips. The development order placed in 2000 with an anticipated start of production in the second quarter of 2001 however failed to materialize into a production order as a result of the market recession. The preparations made for mass production scheduled for the second half of the year and the attendant investment thus came to naught and adversely affected the company's results due to the higher fixed costs and depreciation involved.

Automotive Market

The demand engendered by the dominating telecommunications and personal computer markets in 2000 had dramatic implications for the rest of the semiconductor market. The increasing scarcity in the supply of components meant that the major suppliers to the automotive industry had likewise built up precautionary stocks. As the supply situation became less acute for the manufacturers of these components, this in turn led to these reserve stocks being reduced during 2001 and thus to a drastic fall in the number of orders placed. The return to normal order levels expected by the second quarter of 2001 at the latest failed to materialise as the sheer volume of the buffer stocks was evidently so large that operations could continue using up these reserves. The relatively minor automotive semiconductor market (on average 7 per cent of the semiconductor world market) was thus also affected for the first time. In the past it had for the most part been consistently unaffected by developmental cycles within the semiconductor industry.



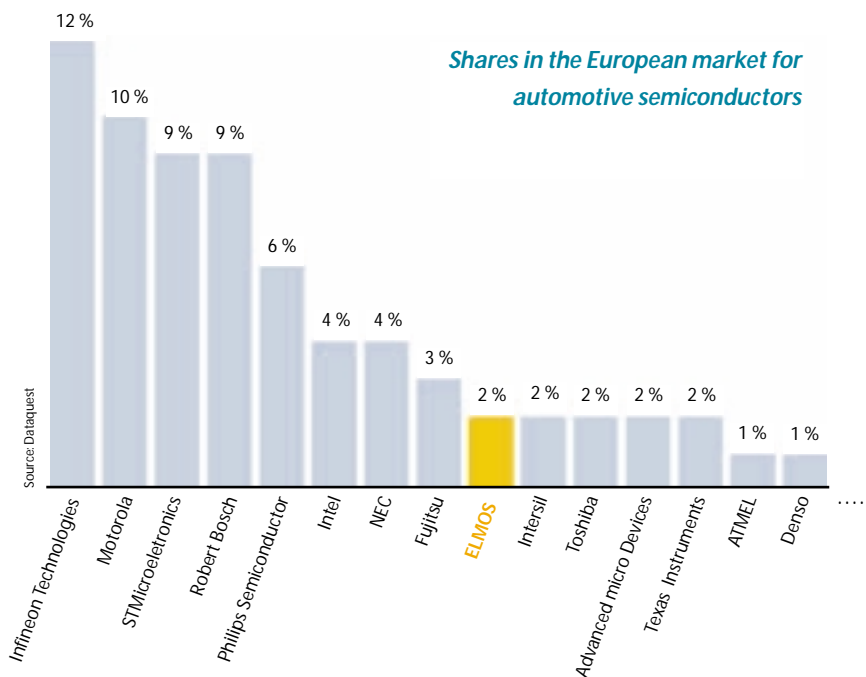
Source: Dataquest

In 2001, the worldwide automotive market was on a level comparable to that in the record-breaking year 2000. The licensing figures in the west European market displayed slight growth as opposed to minor reduction in the USA. An analysis of the German automobile market shows that the manufacturers of high-end cars, such as Audi, BMW, DaimlerChrysler and Volvo were able to increase their share of the market in Germany. Even the French manufacturers Peugeot, Citroën and Renault were likewise successful in increasing their sales in Germany.

The German automobile manufacturers were also successful abroad and were in part able to achieve significant growth. BMW increased production at their works in Spartanburg USA by 45 per cent. It was the successful X5 model which was mainly responsible for the increase in sales there. In the European factories the new Mini and the new 7 series had an auspicious marketing campaign. The success of the Mercedes C-class resulted in increased sales figures, as did the preparations for the new E-series which is to be launched in the spring of 2002.

Due to the availability of new process technology such as the silicon-on-insulator (SOI) process, ELMOS is equipped for the future requirements in automotive applications. The first projects involving this new technology were successfully ranged to serial production after some initial problems had been solved. The alternator regulator circuit manufactured especially for a French customer is developing into the basis for a whole family of products, as the features of the SOI regulator cannot be achieved by conventional technology and it thus provide users with advantages over their competitors.

The new BMW 7 series with its revolutionary one-button operation system "i-Drive" consciously relies on innovation. The new vehicle's safety concept is marked by an innovative approach to the linking of all the relevant safety systems.



In the first time a light-wave conductor has been used here in the electro-optic integration system in serial vehicle production. This ensures the highest rates of data transfer and security. The customised circuits for the electro-optical bus system are supplied by ELMOS.

ELMOS has already become an important factor in the European market for automotive electronics. In the Dataquest study ELMOS is ranked ninth among the European automotive semiconductor producers Top 15 for the year 2000.

Cooperation with Motorola

Motorola's microprocessors have emerged as the worldwide standard for automotive applications. The cooperation agreement concluded between Motorola and ELMOS is thus a matter of great importance. It provides ELMOS with access to and the utilisation of Motorola's high performance microprocessors from the HC12 and Star12 family and envisages adopting the Motorola Flash-Memory-Process proved in automotive applications in the ELMOS high-voltage CMOS process. This means that ELMOS is equipped for the next stage in the system integration which will combine the currently separate units microprocessor and peripheral components in a single circuit specifically designed to meet a customer's individual requirements. This will in turn enable customers to utilise software developed to date without having to alter it, thus enjoying the advantages of the system integration in the more highly integrated component without entailing additional development costs. These solutions are marked by smaller construction forms, greater reliability, better protection of the know-how and more favourable unit costs.



Company's Status and Future

ELMOS obviously did not remain totally unaffected by the onset of the dramatic downswing in the semiconductor market emanating from the market segments telecommunications and personal computers which occurred in the second half of 2000. The relaxation of the component supply situation attendant on this downswing made it obvious to many customers that the precautionary stocks built up were far too large in the light of the drop in demand. Consequently orders were cancelled and no new orders placed, so that in the first half of the year incoming orders fluctuated between book-to-bill values from 0.5 to 1.5 from month to month. The book-to-bill rate did not stabilize to a value above 1 until after the summer break 2001, albeit with a significantly lower sales level. A value of 1.01 was achieved in respect of the whole year 2001.

The effects on the ELMOS subsidiary *SMI* in the USA were much more severe. In the course of the year, the quarterly sales sank to 50 per cent of the sales in the first quarter. The ELMOS subsidiary *eurasem* was adversely affected by the crisis in the telecommunications branch as, at the beginning of 2001, their main telecommunications customer reduced the firm orders placed to zero.

Despite this, in the first part of 2001 it proved possible to increase sales by 10 per cent; gross margins and operating profits were likewise improved. However, there was a marked deterioration in the second half of the year. The anticipated expiry of products for the customers Autoliv (sales share in 2000: 19 per cent; 2001: 7 per cent) and Hella (sales share in 2000: 10 per cent; 2001: 6 per cent) occurred more abruptly than planned and could not be offset by the launch of the Sagem LCD-driver chips as had been envisaged.

In anticipation of the substantial production figures, ELMOS had invested around EUR 30 millions in the required extension of production facilities. The decrease in quantities produced for Autoliv and Hella and the absence of orders in respect of the Sagem chips thus led to the production capacities installed not being fully exploited and thus to a significant deterioration of the profit margins in the second half of the year.

Despite the negative experience made with the initial product in the telecommunications field, telecommunication applications continued to be of great interest to ELMOS. In the final analysis, no money was lost for the product development, as the development costs were mostly covered by an order from the customer. Moreover, the LCD-driver circuits are needed in virtually all fields of application so that the know-how acquired will be useful in other applications. The preparations for the production of the LCD-driver chips also acted in the manner anticipated, as they significantly accelerated the introduction of the sub-micron process technology.

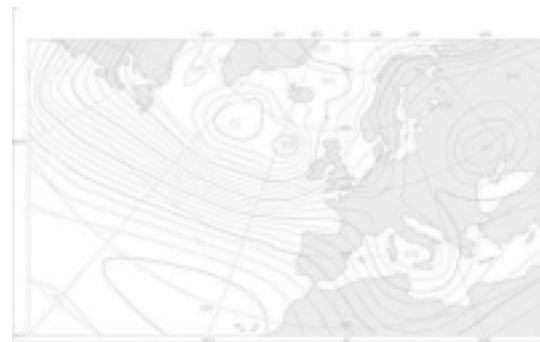
ELMOS will therefore continue to acquire a certain share of short-lived products from areas outside the field of automotive technology so as to act as a driver into the next generation of technology.

The first two serial products in the new SOI technology displayed differing behaviour in the manufacturing process. The starting phase of the Van-Bus ICs for the Peugeot / Citroën went smoothly as expected, however the start of the alternator regulator ICs proved to be more problematical. This relatively large and highly complex integrated circuit displayed effects in the closely packed logic which kept the yield to a low level. In the interim this product is also being manufactured with the expected yield now lying within the framework of the learning curve .

Due to the production facilities not being used fully and the resultant costing pressure exerted, short-time work was introduced at the plant in Dortmund with effect from November 2001 and a programme to reduce costs drawn up. The cutting of the working hours safeguarded the jobs of approximately 250 employees and ELMOS was able to retain the know-how of their experienced personnel.

Reorganisation was also undertaken as a further measure. This achieved more effective links between the areas of sales and product development as well as between process development and the process engineers of the wafer production line.

It proved possible to achieve the target values of 50 per cent for the gross margins and 25 per cent for the earnings before tax in the first half of the year. However, due to the drop in demand, the lack of telecom turnover and the expenditure for the subsidiaries, those values were reduced in respect of the whole year to 47 per cent and 16 per cent respectively. ELMOS thus achieved very good results in comparison with the rest of the branch.



Worldwide expansion

The planned opening up of the American market was followed by the specific build-up of the ELMOS subsidiary *ELMOS North America* based in Farmington Hills near Detroit. The team at Farmington Hills was increased and a group of development engineers in Cocomo Indiana were taken over from an electronics manufacturer based there and linked in a cooperative network to the Detroit team. It proved possible to acquire additional projects from American customers and these are still in the development stage. The expenditure in America is currently being pre-financed by ELMOS to the tune of approximately EUR 1.5 millions per annum. These costs will not be covered until the start of the serial production of the products developed there, which is scheduled for 2003 / 2004.

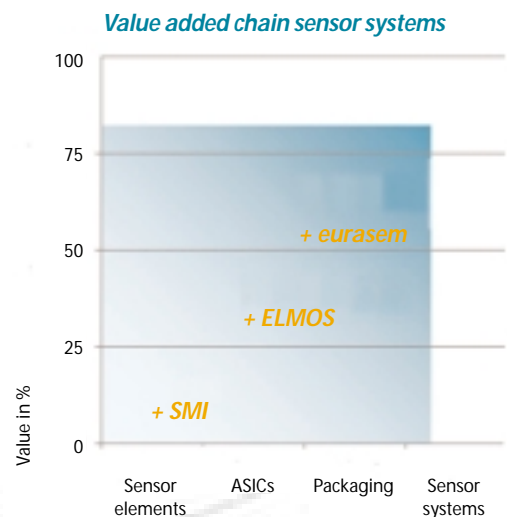
In December 2000, ELMOS took over the Dutch assembly specialist *eurasem B.V.* in Nijmegen. It is planned to equip *eurasem* so that it can take on a fundamental part of ELMOS' assembly work which has to date been effected solely in the Far East. The investment in equipment, process installations and customer qualification required took place in 2001. It had initially been anticipated that during this phase, sales would be made from old projects already in production at *eurasem* prior to December 2000. Due to the dramatic collapse in the telecommunications market however, this did not occur. At the beginning of 2001 one of *eurasem's* most important customers withdrew all the orders placed. This meant that the production was nowhere near the actual capacity available. The undercoverage of the costs amounting to approximately EUR 4 millions had to be borne by ELMOS.

In the interim it has been possible to carry out the required equipping of the *eurasem* works and obtain a large part of the necessary customer approvals, so that ELMOS' production load can be taken on step by step at *eurasem* in the course of 2002. Parallel to these activities *eurasem's* particular capabilities in the field of dedicated packages for numerous projects is being used for the purpose of obtaining new projects and the first of these projects has now been acquired jointly.

Dedicated packages of this type for the assembly of sensors is to be used likewise by the US firm *Silicon Microstructures Inc. (SMI)* acquired in April 2001. First and foremost *SMI* produces micro-mechanical pressure sensors and is regarded as a specialist for high-precision applications in the low-pressure field.

SMI was particularly hard hit by the collapsing US economy, with sales decreasing significantly from quarter to quarter, falling ultimately to 50 per cent of what was achieved in the first quarter by the last quarter of the year. The fall in sales was attributable to reasons similar to those already outlined the preceding text. Major customers in particular used up their excess stocks and reduced the amounts ordered drastically. One part of the sales lost from the two important customers Motorola-Automotive and Honeywell was offset by the acquisition of numerous smaller customers. Nevertheless, a loss in region of EUR 1.5 millions still remained and had to be borne by ELMOS.

Apart from pressure sensors *SMI* is capable of developing and producing acceleration and rotational movement sensors. Sensors of this type are of great interest for automotive applications such as electronic stability programs ESP, and active chassis control. An ASIC for sensor signal-processing is currently being developed jointly with ELMOS. In conjunction with the sensor element this can be combined to create an intelligent sensor module in a single package.



eurasem European Semiconductor Assembly B.V. is a company providing a highly qualified service to the semiconductor industry. The company is based in the Netherlands. It develops and produces packages for electronic semiconductor components and sensors. Apart from standard JEDEC (Joint Electron Devices Engineering Council) packages eurasem's portfolio of products also includes customer and application specific packages. The firm has the latest assembly lines for both prototype and serial production. Founded in Nijmegen in 1987, eurasem can look back on many years of experience in the industry. At the beginning of the 1990s, eurasem took over Philips' European assembly lines. At the end of the year around 85 staff were employed.



SMI Silicon Microstructures Inc., Fremont, California offers the development and production of intelligent MEMS (Micro Electronic Mechanical Systems) sensors.



SMI is well-established in the sensor business and is one of the technological leaders in the field of silicon-based high-precision pressure sensors. The current business is mainly in products for the automotive industry e.g. exhaust and engine control systems, brake systems and the like. However the company also produces components used in medical breathing apparatus and catheters as well as in industrial heating and ventilation systems.

Dr Jim Knutti and Dr Henry Allen are some of the pioneers of sensor technology based on MEMS.

On 31. December 2001 SMI employed around 34 personnel.



» We might not be able to influence the direction of the wind, but we can set the sails correctly«



Report of the Management Board

Research and Development

Despite the deterioration in the economic situation, expenditure for research and development remained on a very high level, in percentage terms it even rose to 16 per cent of the sales. This clearly demonstrates ELMOS' willingness to utilise the current under capacity usage of their plant to speed up the implementation of development work and emerge from the crisis in a stronger position than ever before.

The research and development tasks in the course of 2001 were focused on the implementation of the submicron process technology with multi-layered metallization. It is scheduled for use in LCD-driver circuits for mobile telephones as well as for automotive products. The SOI technology with the two products named above was transferred to serial production. The preparation required for the integration of the Motorola flash memory module in ELMOS' high-voltage CMOS process were carried out within the framework of the cooperation agreement with Motorola.

On the product side the basis for a new group of related products was laid by the purchase of the "HALIOS" patent package. HALIOS stands for "High Ambient Light Independent Optical System". This designation refers to a concept with which new contactless switches, slide valve regulators and touch sensitive keyboards or monitor screens can be realized. Initial production concepts have been worked out and implemented in conjunction with the group of inventors and a partner in the field of opto-electronics. The applications are widely distributed across the fields of automotive electronics, installation technology and telecommunications.

The integration of the Motorola HC 12 cell library and their design methods has been commenced within the framework of the cooperation agreement with Motorola.

The goal set is to integrate these complex logic circuit blocks in the ELMOS design-flow and thus implement system solutions comprising microprocessors and high-voltage periphery with analog capability.

Production

The current investment undertaken in extending the production areas and plant at the Dortmund location means that these represent the very latest state of the art in technology for processes with a structural range down to 0.4 micrometres. Their capacity is approximately 250 wafer starts per day, of which currently only 150 wafer starts are being utilised (60 per cent). This lies significantly below the target of 80 per cent. Capacity can be raised up to 500 wafer starts per day. This investment means that it is possible to extend the usage of the wafer production at the Dortmund plant for a duration of at least 10 years.

In conjunction with *eurasem* ELMOS now has at its disposal a continuous value added extending from the circuit development to packaged integrated circuits (IC) which is unique in this form in the whole of Europe. This is the consistent response to the high quality and reliability requirements set by automotive customers who expect more than certification in compliance with QS 9000 and VDA 6.1 standards. Quality assurance is effected parallel to production and is continuously monitored in our own laboratory facilities. If required, precise failure-analysis can be carried out. These facilities are of an extremely high standard in line with the company's objective of fulfilling its role as an integrated European supplier meeting the highest quality requirements set by the automotive industry.

In mid 2001 Reinhard Senf was appointed as the member of the Board of Directors responsible for the entire production area.

» **Expenditure for Research and Development increased by 23 per cent.**

» **Clean rooms and production facilities suitable for 0.4 µm**

» **500 Wafer starts per day possible.**

» **Own automotive package technology and production.**

This appointment duly takes into account the growing significance of the production division, which in the meantime employs half of the personnel at the Dortmund plant.

Human Resources

During the year 2001 ELMOS had an average of 624 employees, thereof 479 at the Dortmund location. As a high-tech enterprise ELMOS is particularly dependent on the specialist know-how of its staff. The long term success of the company relies heavily on their motivation, knowledge and flexibility. The company's human resources constitute the decisive criteria for growth and innovative power, particularly of course in the development of new products. Since its foundation ELMOS has always cooperated with the universities, colleges and educational institutes in the area. Many members of staff who started at ELMOS as students gaining practical working experience reached the boardroom. 19 young people are being trained at ELMOS for professions and trades ranging from micro-technology to the business side of industrial trading. The average age of the employees is 35.

ELMOS employees participate in the enterprise's success through the annual stock option scheme and the granted share program deriving from the company's going public in 1999. This means that for every share purchased by employees they are given a free share from the original shareholders package.

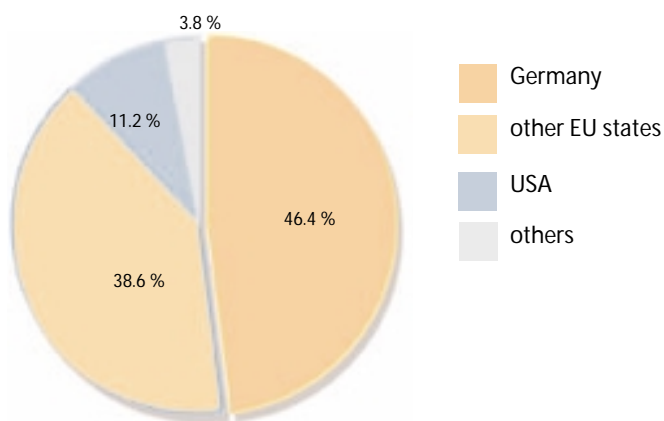
Financial Result

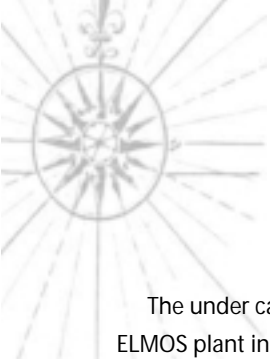
It proved possible to raise sales by 1 per cent to EUR 107.0 millions in 2001. A look at the sales structure shows that sales by development activities rose by 35 per cent. The subsidiaries acquired, i. e. *eurasem* and *SMI* contributed EUR 3.0 millions and EUR 2.9 millions towards sales.

The regional distribution of the sales developed from 42 per cent in Germany, 47 per cent in the rest of Europe and 7 per cent in the USA in 2000 to 46 per cent in Germany, 39 per cent in Europe and 11 per cent in the USA in the course of 2001. The decrease in Europe is essentially due to the expiry of the second generation of airbag products for the French market. The introduction of the next generation of airbag circuits is anticipated at the end of 2002.

The significant rise in sales from development activities on the one hand reflects the reinforcement of marketing activities and on the other the approval the market grants to ELMOS products. The number of development projects gained ("Design Wins") was increased from 24 in the preceding year to 27 in 2001. As the average sales volume of the lifetime per project increased, this also safeguards and increases sales for the coming years. The development orders deriving from past years add together to constitute substantial, additional sales. By the year 2005 this will probably be in the region of EUR 100 millions.

Regional distribution of sales





The under capacity utilisation of the ELMOS plant in Dortmund, at *eurasem* in the Netherlands and at *SMI* in the USA in conjunction with the higher amortization from investments led to the gross margin in 2001 falling to a value of 47 per cent of the sales (52 per cent in the preceding year). Short-time work was introduced at the Dortmund production site with effect from November 2001 to reduce the production personnel costs.

Administration costs remained virtually unaltered at EUR 10.1 millions. Increased expenditure for intensified research and development amounted to EUR 17.0 millions (EUR 13.8 millions in the year before) thus equating to 16 per cent of sales and increased expenditure for marketing and selling expenses (5 per cent of sales) resulted in the total costs rising by 20 per cent.

The company's earnings were thus reduced to EUR 17.0 millions, representing 16 per cent of sales as opposed to EUR 27.7 millions (26 per cent of sales) in the year before.

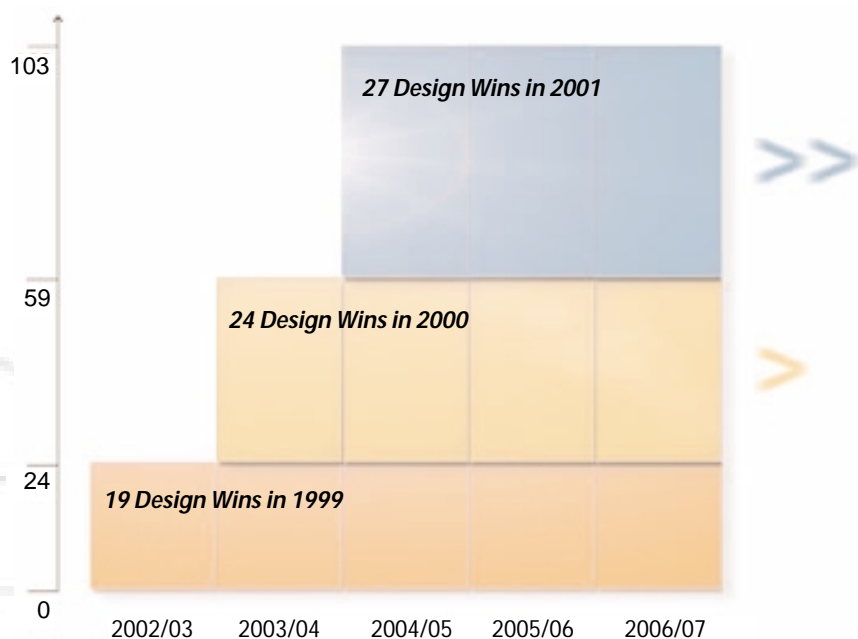
It proved possible to significantly lower fiscal charges by carrying forward *eurasem's* losses and thus to achieve a profit of EUR 11.6 millions after tax (11 per cent of sales).

In contrast to the preceding years the board proposes to leave the retained earnings in the company so as to have funds available for the growth planned. The strength of the company's revenue permits long-term the implementation of a long-term growth strategy independent of the conditions prevailing in the capital markets.

» *Investment in intensive research and development.*

» *27 Design Wins in 2001.*

Additional Sales from past Design Wins in EUR millions



Outlook

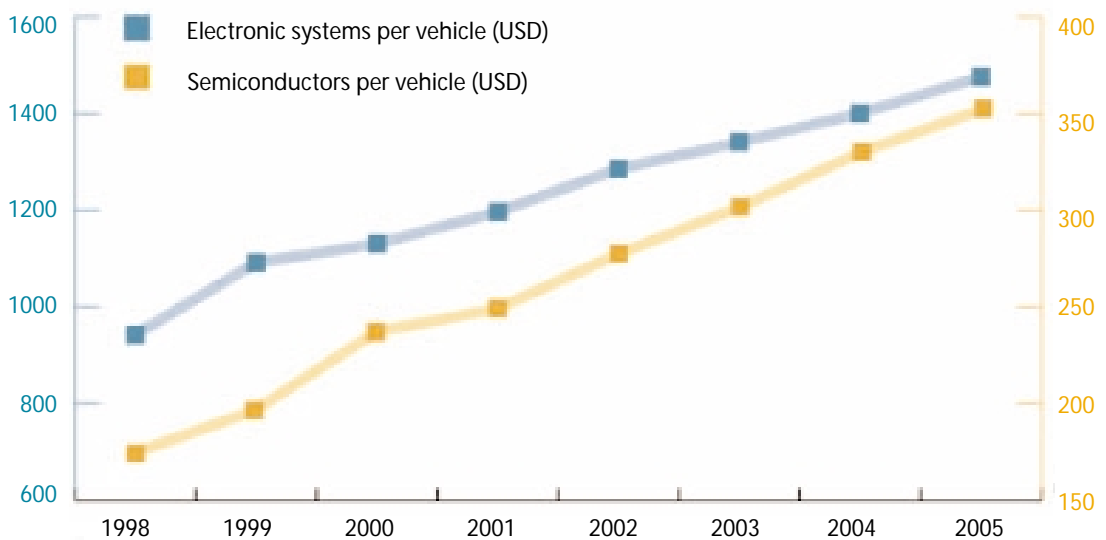
The substantial investment in production installations and subsidiaries made in 2001 provides ELMOS with a solid basis for future growth and new fields of business. The continuity and stability of ELMOS' niche of the market ensures a long term, upwards trend.

No significant improvement in the semiconductor market is anticipated for the year 2002. The automotive market is a very important factor for ELMOS and the prognosis for this market predicts a decrease of 5 to 6 per cent in vehicle registration worldwide. The most unfavourable development is foreseen for the American market 2001 as the sales figures there appear to be artificially high due to marketing campaigns and low pricing. However, this negative trend is not likely to affect the upper class vehicles fitted with high quality electronic systems as badly as the others and this is of course the sector which is particularly important for ELMOS.

Countercurrent to this decline in the market, the number of semiconductors per vehicle is rising steadily. Dataquest predicts that the content involved will increase from about USD 250 per vehicle in 2001 to USD 280 in 2002. This will to a large extent balance out the decrease in new vehicle registrations.

The replacement of conventional mechanical systems by electronic / electrical systems is moving forward inexorably. Starting with the radiator fan being fitted with an electrical motor instead of a V-belt drive and extending to the electrical fuel pump, the electrical hydraulic and electrical power assisted-steering systems, the throttle by wire and the break by wire, continuing to electrical steering and electrical valve operation. Experts predict that virtually all functions outside the actual combustion chamber - i.e. cylinders, pistons and crankshafts - will be replaced by electrical or electronic systems within the decade. Electrical systems can be switched off and on or finely adjusted as required. Energy can be saved and

Electronics and semiconductor content per vehicle



Source: Dataquest

fuel consumption reduced by means of these systems. The improvement in the safety factors were impressively demonstrated last year in the course of test drives in which the electro-hydraulic braking systems ended up with the braking distance being reduced by 20 per cent.

Following the enormous improvements in the passive safety features reflected in the increasingly sophisticated airbag systems, substantial progress in the area of active safety is thus expected in the coming years. All these solutions require highly dedicated microelectronics thus extending the scope of ELMOS' business.

The electrical auxiliary systems mentioned above are precisely the ones which accelerate the introduction of the 42-volt bordnet architecture. The unit voltage being three times as high means that the current can be scaled down to a third. The energy can thus be relayed by cable with a much smaller diameter which in turn reduces weight and fuel consumption. With its high-voltage CMOS technology and particularly with the new SOI technology ELMOS is well-positioned for 42-volt applications in future generations of motor vehicles.

By the end of 2002, the subsidiaries *eurasem* and *SMI* will probably be able to reach the break-even point. On conclusion of the customer approval programme, work can commence at *eurasem* with the ELMOS chips. *SMI* is anticipating that the demand from their main customers will have normalized and that there will be additional business from newly acquired customers. The pre-processed silicon wafers now ordered from American foundries which are then finalised at *SMI* using the etching process will also be supplied by ELMOS with effect from the end of 2002. Due to the larger diameter of the wafers (150 mm as opposed to 100 mm) this provides *SMI* with a more advantageous price, whilst at the same time ensuring additional utilization of the production capacity at ELMOS.

2002 will be initially marked by under capacity utilization of the front-end facilities. In the second half of the year volume production of new products will provide better utilization and thus an increase in profitability. All in all in 2002 we expect to achieve increased sales and a result from normal business operations at the same level as in the past business year.

Dortmund, February 2002

The Management Board

» ***New products and technology are changing the market and creating a solid foundation for ELMOS.***

» ***Increased marketing activities ensure a positive surge in sales.***



XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX



*» Distances don't count,
it is the first step which matters"*

ELMOS - The Share

The ELMOS Semiconductor AG shares quoted at the "Neuer Markt" in Frankfurt had a very turbulent year. The year started with a share price of EUR 24.89. The highest rate of EUR 33 was reached in January. Nevertheless the share was unable to counter the general downwards trend which had already commenced the year before. At the beginning of April the issue price fell below EUR 22 for the first time and in October plummeted to an all time low of EUR 8.70.

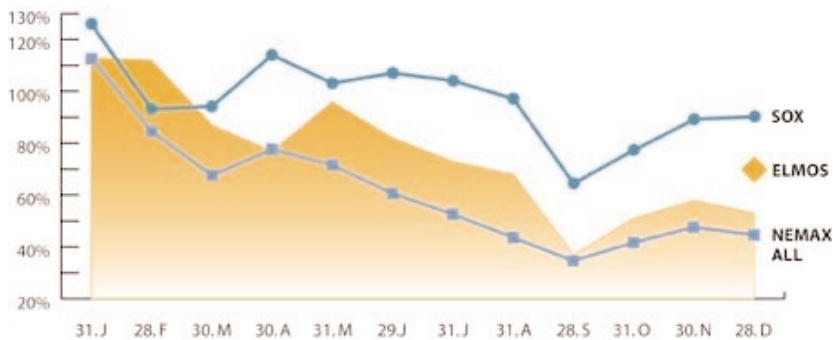
Since then the share price is once again displaying an upwards trend and finished the year at EUR 14.50. With reference to the whole year the average rate was thus around EUR 20 at an average trading volume of around 24,000 units per trading day. The market capitalisation consequently amounted to around EUR 390 millions on average; a value which had decreased significantly in comparison with the record level of over EUR 1.2 billions in the year before.

It is thus all the more astonishing that the demand from institutional investors for ELMOS' shares was specifically in the second half of the year higher than it had been for a long time. Numerous investors including foreign ones endeavoured to procure large blocks of shares going well beyond the daily trading volumes at "Neuer Markt". EFH as the major shareholder of the ELMOS Semiconductor AG then decided to make a block trade in September. This increased the free float to 42.3 per cent of the 19.3 million ordinary shares.

The great interest in ELMOS shares might well have been engendered at least in part by the publication of the Gartner-Dataquest Group in respect of the year 2000. This documented that ELMOS had surprisingly been placed at number 9 among the European ranking of semiconductor manufacturers for the automotive industry. Perhaps the key data, such as sales, profits, and price earning ratios showed financial experts that the company was significantly undervalued as opposed to other semiconductor enterprises.

The comparison of the trend in quotations for the ELMOS shares with the most index figures reveals that the ELMOS rate is developing parallel to the entire "Neuer Markt" segment.

The evaluation of the worldwide semiconductor branch also plays a significant role here. This industry had suffered the most severe collapse in sales of all time in the course of this year. The parallels to the price trends for the ELMOS shares is also shown by in comparison with the Philadelphia Semiconductor Index (SOX). Many semiconductor companies were subject to devaluation in the past year due to the recession in the communications and data processing sectors.



The main task in the investor relations field is thus to make prospective investors more aware of the ELMOS shares throughout intensive presentation of the companies outstanding business model. Discussions have therefore been held with numerous institutional investors in the course of over 20 roadshows and technology conferences in the world's financial centres. It has also proved possible to increase the number of banks whose analysts report at regular intervals about ELMOS from four at the time of going public to fourteen in the interim.



*» Steady as a rock.
ELMOS - well prepared for the future.«*



Report of the Supervisory Board of ELMOS Semiconductor AG, Dortmund, for the annual accounts of the Company as of 31st Dec. 2001

Two of the six members of the Supervisory Board were newly appointed in the course of the business year. Dave A. Ranhoff, who left with effect from 31.03.2001, was replaced by Dr Wolfgang Heinke. Dr Ing. Roland Mecklinger was elected by the annual general meeting of the shareholders to replace Dr Wolfgang Ziebart who left the board on 06.04.2001.

In the five Supervisory Board meetings on 16th February 2001, 06th April 2001, 20th September 2001, 14th December 2001 and 19th February 2002 as well as on the basis of the Management Board written and verbal reports, the board were advised in detail as to the developments in the fiscal year ending on 31st December 2001 and the current business policy decisions. These were discussed with the Management Board who were duly supervised.

The longer term development of business was discussed in detail with the Management Board at the meeting on 14th December 2001. Within the framework of these discussions in the Supervisory Board fundamental questions as to company policy and development of orders, capacity, profits and liquidity were consistently at the forefront. Outside the board meetings the chairman of the Supervisory Board was also kept informed about any essential business operations by the chairman of the Management Board.

In addition to this, the Supervisory Board concerned itself in the meeting of 19th February 2002 in details with the status as regards the company's fulfilling the requirements laid down by KonTraG. The Ernst & Young Deutsche Allgemeine Treuhand AG, Dortmund were called in to assist in this. The Supervisory Board reached the conclusion that the company currently fulfills the essential requirements stipulated by KonTraG.

At the annual general meeting on 06th April 2001 an authorization valid until 05th April 2006 was passed, whereby the company's nominal capital would be increased by up to EUR 9,650,000.00 by means of a one off or repeated issue of up to 9,650,000 units of new shares made out to the holder in return for cash or investment in kind (Authorized Capital I). At the same time authorizations formerly issued were revoked. This authorization was entered in the commercial register on 02nd August 2001. No use has been made of this authorization to date.

The company's capital was reduced by EUR 200,000.00 from EUR 19,500,000.00 to EUR 19,300,000.00 in line with the regulations governing the ordinary reduction of capital (§§237 section 2, 222 ff AktG) at the extraordinary general meeting on 30th August 2001. This reduction was effected to reverse the doubtful increase in the nominal capital stock of EUR 19,300,000.00 by a nominal EUR 200,000.00 to EUR 19,500,000.00 entered in the company's commercial register at the District Court in Dortmund (HRB 13698) on 24. July 2000. This reduction in capital was duly entered in the commercial register on 03. January 2002.



At the meeting on 20th June 2001, the Supervisory Board appointed Reinhard Senf as a further member of the Management Board with effect from 1st July 2001 for a duration of five years. Mr Senf is responsible for production.

At the meeting on 20th September 2001 the Supervisory Board appointed Mr Knut Hinrichs as the chairman of the Management Board.

The resolution passed by the Management Board on the issue of up to 160,000 stock options for non-board members of staff was authorized by the Supervisory Board at its meeting on 14th December 2001. At the same meeting the Supervisory Board passed a resolution to issue a total of 35,750 share options for the Management Board on the same conditions as those applying to employees, with the exception of the provision laid down in item 3 (own investment).

The report on relationships to the affiliated companies in line with § 312 AktG drawn up by the Management Board was duly examined by the auditors Ernst & Young Deutsche Treuhand AG, Dortmund. The auditors issued an unrestricted confirmation entry to the effect that actual data in the report was correct, that the performance by the company was not inappropriately high in the legal transactions specified in the report and that in respect of the measures listed in the report, no circumstances were involved which would indicate an essentially different assessment as that made by the Management Board. The report was submitted to the Supervisory Board. At the meeting on 19th February 2002 the Supervisory Board examined the report themselves and in line with the final outcome of that scrutiny did not raise any objections to the key declaration made by the Management Board and approved the result of the examination by the auditors.

The Management Board and the Supervisory Board have made substantial efforts to stabilize the company's income position in the past fiscal year. The annual financial statement submitted shows that despite the difficult position of the semiconductor market a good result was

attained. A balance sheet profit was achieved. This is to be carried forward in its full amount to safe guard the company's future tasks. The equity capital ratio is 65 per cent of the balance sheet's total.

The annual accounts and the status report for the fiscal year from 1st January – 31st December 2001, with the inclusion of the accounting, were examined by Ernst & Young Deutsche Allgemeine Treuhand AG, Dortmund, who were nominated by the general meeting on 6th April 2001 as auditors, and issued with the unrestricted audit certificate. The Supervisory Board and auditors attended the board of management accounting meeting on 19th February 2002. The audit report had been submitted to the Supervisory Board. The Supervisory Board agreed with the result of this examination.

The Supervisory Board examined and approved the annual accounts prepared by the Management Board, audited by Ernst & Young Deutsche Allgemeine Treuhand AG, Dortmund, and issued with the unrestricted audit certificate at its meeting on 19th February 2002. As a result the annual accounts are established. It has also examined the consolidated accounts and the consolidated status report. Objections will not be raised by the supervisory board following the concluding result of the examination. The Management Board and the Supervisory Board recommend that the balance sheet profit of EUR 10,335,695.42 be retained and carried forward.

The Supervisory Board thanks the Management Board and the company personnel for the work performed, the efforts made and the success achieved in the past business year.

Dortmund, 19th February 2002

Prof. Dr Günter Zimmer
Chairman of the Supervisory Board



Members of the Supervisory Board



*Prof. Dr Günter Zimmer
Prof. Dr Karsten Ehlers
Dr Roland Mecklinger
Herbert Sporea
Dr Wolfgang Heinke
Dr Burkhard Dreher*

Prof. Dr Günter Zimmer, chairman of the Supervisory Board, studied physics in Darmstadt. After gaining his doctorate at the Technical University in Munich, he worked for the Siemens AG in Munich. In 1973 he changed to the University of Dortmund as a chief engineer where he habilitated 1982 in the subject of semiconductor technology.

Since 1984 he has been a professor at the Gerhard-Mercator University Duisburg and the head of the Fraunhofer-Institute for Microelectronic Circuits and Systems in Duisburg.

In addition to this he has been the head of the Fraunhofer-Institute for Microelectronic Circuits and Systems in Dresden and Munich since 1991 and 1999 respectively.

Additional members of the Supervisory Board:

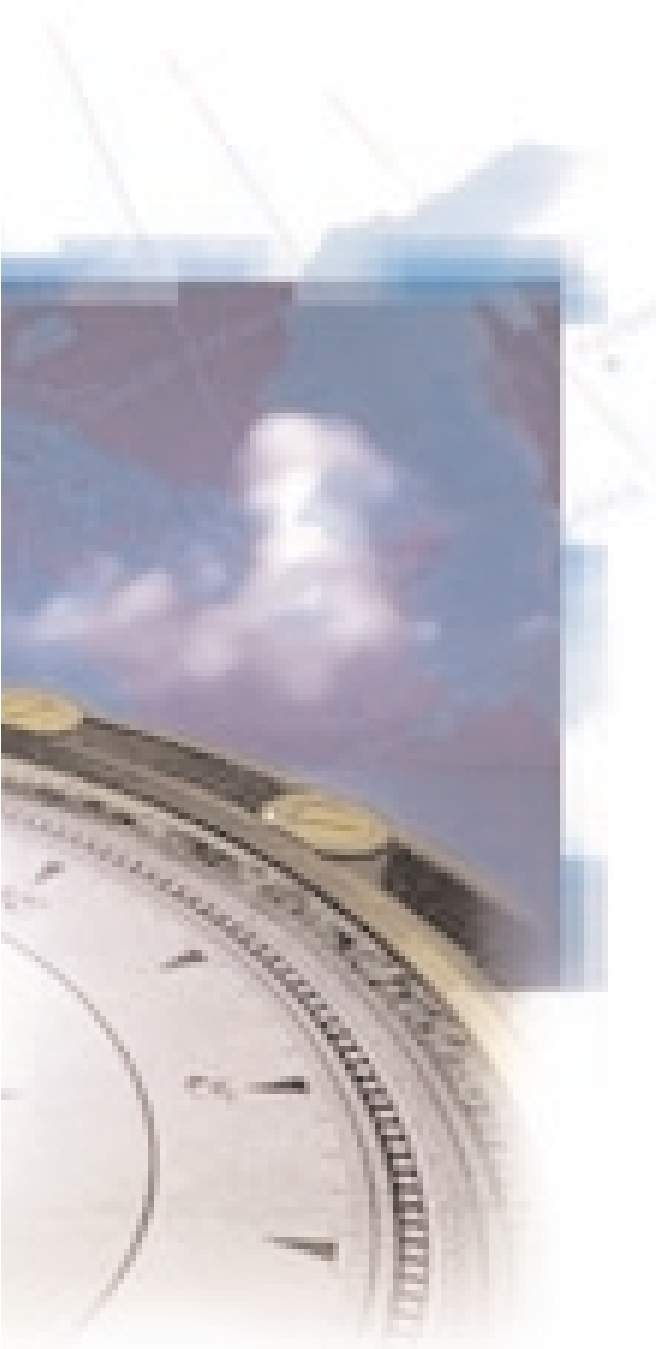
Dr Burkhard Dreher, Vice Chairman, Dortmund
Prof. Dr Karsten Ehlers, Wolfsburg
Dr Wolfgang Heinke, Reutlingen
Dr Roland Mecklinger, Steinfeld-Hausen
Herbert Sporea, Altwittenbek

» *Difficult situation worldwide,
but still a good result for ELMOS.*



»Direction determined and checked!«

Financial Statements HGB
for the Fiscal Year ended 31st December 2001
ELMOS Semiconductor AG, Dortmund



ASSETS

	31.12.2001	31.12.2000
	EUR	TEUR*
A. FIXED ASSETS		
I. Intangible Assets		
Software	1,918,780.52	1,014
II. Property, Plant and Equipment		
1. Land and buildings	2,269,107.81	4,418
2. Technical equipment, plant and machiners	30,259,401.09	21,384
3. Other equipment, furniture and fixtures	5,237,291.89	3,808
4. Advance payments and construction in progress	25,407,565.19	15,277
	63,173,365.98	44,887
III. Investments and Loans		
1. Investments in affiliated companies	24,334,859.27	335
2. Loans to affiliated companies	100,000.00	100
3. Investments	603,174.82	415
4. Loans to companies treated as an investment	766,937.82	0
	25,804,971.91	850
	90,897,118.41	46,751
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	7,192,020.50	5,254
2. Work in process	10,382,359.96	9,427
3. Finished goods and merchandise	5,040,117.80	5,423
	22,614,498.26	20,104
II. Receivables and Other Assets		
1. Trade accounts receivable	11,288,930.79	11,846
2. Receivables due from affiliated companies	28,943,262.28	3,723
3. Receivables due from investees	1,747,549.96	643
4. Other assets	2,792,835.51	5,361
	44,772,578.54	21,573
III. Securities		
Treasury stock	0.00	293
IV. Cash on Hand, Cash in Banks	17,230,318.73	72,863
	84,617,395.53	114,833
C. PREPAID EXPENSES AND DEFERRED CHARGES	700,505.59	143
	176,215,019.53	161,727

* TEUR: in EUR 000's

Balance Sheet HGB

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2001	31.12.2000
	EUR	TEUR*
A. SHAREHOLDERS' EQUITY		
I. Share Capital	19,300,000.00	19,300
II. Additional Paid-In Capital	84,000,000.00	84,000
III. Appropriated Retained Earnings		
1. Reserve for treasury stock	0.00	293
2. Other appropriated retained earnings	102,223.64	102
IV. Retained Earnings	10,335,695.42	17,565
	113,737,919.06	121,260
B. ACCRUED LIABILITIES		
1. Accrued pensions	1,023,200.38	978
2. Accrued taxes	8,622,331.79	8,945
3. Other accrued liabilities	4,220,703.78	6,338
	13,866,235.95	16,261
C. LIABILITIES		
1. Liabilities due to banks	15,144,390.05	7,245
2. Pre-payments received for orders	326,787.75	1,269
3. Trade accounts payable	6,997,353.87	6,235
4. Drafts and notes payable	3,600,000.00	0
5. Liabilities due to affiliated companies	20,601,260.23	8,331
6. Liabilities due to investees	157,634.32	0
7. Other liabilities	1,779,296.84	1,126
	48,606,723.06	24,206
D. DEFERRED INCOME	4,141.46	0
	176,215,019.53	161,727

Statement of Income HGB

	2001 EUR	2000 TEUR
1. Sales	88,295,528.40	96,022
2. Increase in finished goods and work in process	572,576.84	5,386
3. Other own costs capitalized	799,297.48	826
	89,667,402.72	102,234
4. Other operating income	5,841,151.55	8,107
5. Cost of materials		
a) Cost of raw materials, supplies and purchased goods	(11,198,986.49)	(11,009)
b) Cost for purchased services	(13,134,739.00)	(19,193)
6. Personnel expenses		
a) Wages and salaries	(21,145,449.27)	(20,128)
b) Social security, pension and other benefit costs thereof retirements obligations EUR 45,649.67 (prior year TEUR 83)	(3,843,855.89)	(3,484)
7. Amortization and depreciation of intangible assets and property, plant and equipment	(11,692,637.22)	(10,191)
8. Other operating expenses	(18,572,587.62)	(18,730)
	(73,747,103.94)	(74,628)
	15,920,298.78	27,606
9. Income from investments thereof from affiliated companies EUR 635,408.97 (prior year TEUR 387)	635,408.97	387
10. Other interest and related income thereof from affiliated companies EUR 872,683.73 (prior year TEUR 18)	2,074,123.39	3,143
11. Interest and related expenses thereof to affiliated companies EUR 0.00 (prior year TEUR 0)	(820,341.25)	(166)
	1,889,191.11	3,363
12. Income before taxes and extraordinary items	17,809,489.89	30,969
13. Extraordinary income	5,410,490.86	0
14. Extraordinary expenses	(10,877,392.45)	0
15. Extraordinary loss	(5,466,901.59)	0
16. Income taxes	(1,887,773.48)	(12,878)
17. Other taxes	(412,255.80)	(160)
	(2,300,029.28)	(13,038)
18. Net income	10,042,559.02	17,931
19. Deduction from retained earnings from reserve for treasury stock	293,136.40	0
20. Transfers to appropriated retained earnings		
a) to reserve for treasury stock	0,00	(293)
b) to other appropriated retained earnings	0,00	(73)
21. Retained earnings	10,335,695.42	17,565

General

The accompanying financial statements were prepared in accordance with Section 242 and subsequent sections as well as section 264 and subsequent sections of the German Commercial Code ("HGB"). They comply with the relevant provisions outlined in the Stock Corporation Law ("AktG"). The Company is subject to the requirements for large companies.

The statement of income was prepared in accordance with the total-cost method.

Accounting and Valuation Methods

The following accounting and valuation methods, which were applied on a basis consistent with prior years, were used for preparing the financial statements.

Acquired **intangible assets** are capitalized at acquisition cost and amortized over their useful lives (three years, straight-line method).

Property, plant and equipment are stated at acquisition or production cost and, if they have a limited life, are reduced by ordinary depreciation over their useful lives. Own work capitalized contains direct costs and parts of overhead expenses.

Tangible assets are depreciated over their expected useful lives on the basis of the maximum allowable tax depreciation rates. To the extent permissible under the tax law, the declining-balance method is used for moveable assets. Depreciation method is changed from declining-balance to straight-line method if the straight-line method leads to a higher amount of depreciation. Other assets are depreciated on the basis of the straight-line method. Low-value assets of a value up to EUR 410.00 are fully depreciated and assumed to be disposed of in the year of acquisition. Depreciation of additions to tangible assets is generally recognized straight-line starting in the month of acquisition. For movable assets, the simplification rule as defined in Income Tax Guideline 44 Paragraph 2 (EStR) is used.

Regional subsidies (2001: TEUR 834) are netted against additions to fixed assets

Under **inventories**, quantities of **raw materials and supplies** are capitalized at purchase cost subject to the lower of cost or market principle.

Finished goods and work in process are valued at production cost. In addition to direct cost of materials, direct labor and other identifiable direct costs, production cost includes production and material overheads at the maximum tax-allowable rates. In this year the charges for overhead expenses were calculated based on the six months period from July to Dezember for the first time instead on a twelve months period like in previous years.

All inventories are evaluated with the lower of cost or market value.

All known inventory valuation risks resulting from longer than average storage periods, reduced usability or lower replacement costs are provided for through adequate allowances.

Receivables and other assets are stated at their nominal value. All foreseeable valuation risks are provided for via adequate specific allowances. General credit risk is provided for through a general allowance.

Accrued pensions and early retirement obligations are disclosed at the maximum tax-allowable amounts. The present discounted values were determined on the basis of actuarial principles in accordance with Section 6a of the Income Tax Law ("EstG") and, applying the 1998 mortality schedules, are based on an interest rate of 6 %.

Accrued taxes and other accrued liabilities take into account all contingent liabilities and losses.

Liabilities are recorded at their repayment value.

Subsidies received in connection with development activities are disclosed under pre-payments **received for orders**.

Balances in **foreign currencies** are recorded at the exchange rate as of the transaction date or the lower or higher rate as of the balance sheet date.

Notes to the Balance Sheet

All amounts in the tables are in EUR thousands (TEUR).

Fixed Assets

The roll-forward of the individual fixed asset positions including current year amortization and depreciation is disclosed in the Roll-Forward of Fixed Assets.

Investments and Loans

A breakdown of investments is presented in the following overview:

<i>Analysis of Investments</i>	Currency	Equity in TEUR/LC	Investment %	Results in TEUR/LC
Domestic				
GED Gärtner Electronic Design GmbH, Frankfurt/Oder	EUR	185	49.00	24*
Exedra Grundstücksverwaltungs- gesellschaft mbH & Co. Vermietungs KG, Mainz	EUR	24	94.00	5
Attosensor GmbH, Penzberg	DM	(186)	10.00	(293)*
Gesellschaft für Halbleiterprüftechnik mbH, Dortmund	EUR	(42)	100.00	**
Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	EUR	10	100.00	**
Foreign				
ELMOS N.A. INC., Oak Forest (USA)	USD	(833)	75.00	(1,248)
ELMOS France S.A., Nanterre (F)	EUR	1,701	74.97	696
ELMOS Services B.V., Venlo (NL)	EUR	51	100.00	**
ELMOS USA	USD		100.00	0
European Semiconductor Assembly (Eurasem) B.V., Nijmegen (NL)	NLG	37,732	97.97	1,608
Silicon Microstructures Inc., Fremont (USA)	USD	(656)	100.00	(838)

* figures of the year 2000 ** there are no current financial statements available until now

Equity refers to the shareholder's equity disclosed in the balance sheets of the financial statements available as of the signature date of the report.

Receivables and Other Assets

With the exception of an amount of TEUR 709 (prior year TEUR 200), all receivables and other assets have a remaining term of up to one year.

Other assets include capitalized receivables due in connection with development costs of TEUR 561 (prior year TEUR 661) for which the Company will be reimbursed and pension assets in the amount of TEUR 302 (prior year TEUR 0).

Treasury Stock

Treasury Stock of 13,700 shares at par of EUR 1 each in the amount of EUR 13,700.00 (0.07 % of share capital) was sold in the current year. Total selling price was TEUR 350, leading to a gain on the sale of TEUR 57. The gain on the sale is shown as other income.

Shareholders' Equity

The share capital of EUR 19,300,000 (TEUR 19,300) disclosed in the balance sheet as of December 31, 2001 consists of 19,300,000 no par value shares of common stock made out to the owner. As will be explained in the following, this disclosure in the balance sheet as of December 31, 2000 does not agree with the amount submitted for filing in the trade register (EUR 19,500,000.00).

The Management Board was authorized, with the consent of the Supervisory Board, to increase the Company's share capital by a total of up to EUR 3,000,000.00 by issuing new no par value shares once or several times against contributions in cash or kind (so-called Authorized Capital II).

Pursuant to a resolution of the general shareholders' meeting on May 25, 2000, the management board was additionally authorized, with the consent of the Supervisory Board, to increase the share capital by up to (an additional) EUR 6,675,000.00 by issuing new bearer shares once or several times against contributions in cash or kind (so-called Authorized Capital I).

In the meantime, the resolutions passed by the general shareholders' meeting on May 25, 2000 in connection with the authorized capital have become increasingly doubtful as to their conformity with the applicable stock corporation law. According to the lawyers we consulted, the shareholders did not revoke the Authorized Capital II at the general shareholders' meeting on May 25, 2000. As a result, the total amount of authorized capital of EUR 9,675,000.00 (Authorized Capital I and II) newly created by the shareholders on May 25, 2000 exceeded 50% of the Company's total share capital at that time (EUR 19,300,000.00) and therefore violates the provisions outlined in Section 202 Paragraph 3 of the German Stock Corporation Law ("AktG"). According to the pertinent literature and the lawyers we engaged to review this matter a violation of Section 202 Paragraph 3 AktG invalidates the underlying resolutions in accordance with Section 241 No. 3 AktG. The fact that the Authorized Capital I and II were entered into the trade register did not remedy this situation.

On June 8, 2000, the management board, with the consent of the Supervisory Board given on June 14, 2000, resolved to increase the share capital by EUR 200,000.00 to EUR 19,500,000.00 based on the authorization by the general shareholders' meeting, and subsequently amended the articles of association to authorize the management board, with the consent of the Supervisory Board, to increase the share capital until May 24, 2005 by a total of up to EUR 6,475,000.00 by issuing new bearer shares once or several times against contributions in cash or kind (entered into the trade register on July 24, 2000). The management board, with the consent of the Supervisory Board, is, however, also authorized to exclude the pre-emptive rights of shareholders for up to 10% of the share capital or EUR 1,930,000.00 for the above reasons in accordance with Section 186 Paragraph 3 Sentence 4 AktG.

In line with our doubts in connection with the authorized capital as such, it is questionable whether the capital increase of EUR 200,000.00 based on the newly created authorized capital is in agreement with the existing German stock corporation law. If the authorized capital is invalid, the capital increase based on the Authorized Capital I will also be invalid. In accordance with Section 305 of the German Civil Code ("BGB"), shares issued in spite of the invalidity of the authorized capital and the underlying subscription contracts are invalid. Based on the pertinent literature, we believe that, as a result of this situation, these shares do not entitle the shareholder to voting or dividend rights.

As a result, the contribution by the majority shareholder (EUR 200,000.00) including the premium totalling EUR 10,550,000.00 was not disclosed under shareholders' equity as of December 31, 2000 but recorded as a repayment obligation under "liabilities due to affiliated companies". The disclosure of contribution made by the majority shareholder in the balance sheet therefore differs from the amount filed in the trade register.

The Company has reversed the above-mentioned capital increase by 200,000 shares to 19,300,000 shares at the general shareholders' meeting on August 30, 2001. The Company now has the financial obligation to return the capital increase to EFH Elmos Finanzholding GmbH.

The capital decrease was registered in the commercial register on January 3, 2002.

Due to the legal uncertainty mentioned above the Company has explicitly revoked all resolutions passed in connection with the authorized capital at the general shareholders' meeting on April 6, 2001.

At the same time the Company's management board was authorized, with the approval of the Company's Supervisory Board, at the general shareholders' meeting on April 6, 2001 to increase the share capital up to EUR 9,650,000.00 by issuing new no par value shares once or several times against contributions in cash or kind (so-called Authorized Capital I). In case of contributions in cash the Management Board is

authorized to exclude the pre-emptive rights of shareholders completely or partly if the capital increase against contribution in cash will not exceed 10 % of the share capital and the issue price of the new shares will not exceed the stock market price in a material way.

Stockholder's pre-emptive rights in accordance with Section 192 Paragraph 2 Number 3 AktG from a stock option plan for the management, officers and employees were issued, which grant the purchase of 235,650 shares.

Unappropriated retained earnings

Unappropriated retained earnings contain unappropriated retained earnings brought forward in the amount of TEUR 0.

Accrued Liabilities

Pensions were accrued for members of the Management Board.

Accrued taxes relate to income taxes.

Other accrued liabilities primarily relate to vacation claims, employee bonus stock, warranties and inventor compensation, outstanding invoices, bonuses as well as tax risks.

Liabilities

The remaining terms of and securities for the Company's liabilities are disclosed in detail in the analysis of liabilities.

Liabilities include liabilities due to shareholders of TEUR 9,384.

Analysis of Liabilities in TEUR

Type of liability	Total 12/31/2001	Remaining term of			Total 12/31/2000
		Up to 1 year	1 to 5 years	More than 5 years	
1. Liabilities due to banks	15,144	11,542	3,602	0	7,245
2. Pre-payments received for orders	327	327	0	0	1,269
3. Trade accounts payable	6,997	6,997	0	0	6,235
4. Drafts and notes payable	3,600	3,600	0	0	0
5. Liabilities due to affiliated companies	20,601	20,601	0	0	8,331
6. Liabilities due to investees	157	157	0	0	0
7. Other liabilities	1,779	1,779	0	0	1,126
(prior year)	(1,126)	(1,126)	(0)	(0)	
- thereof related to taxes	1,208	1,208	0	0	
(prior year)	(554)	(554)	(0)	(0)	
- thereof related to social security	540	540	0	0	
(prior year)	(517)	(517)	(0)	(0)	

The loans are secured by various acquired machinery and equipment. Except for the longer retention of title customary in the Company's line of business, trade accounts payable are generally not secured, nor are other liabilities.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent Liabilities

In connection with the cooperation agreement dated November 13, 1997 on the MWMTV-NRW joint project "Aufbau und Betrieb eines Zentrums für Aufbau- und Verbindungstechnik Dortmund (AVT-Zentrum Dortmund)", the Company issued a letter of guarantee over EUR 208,232.82 to the Interessengemeinschaft zur Verbreitung von Anwendungen der Mikrostrukturtechniken NRW e.V. (IVAM).

In addition, the Company has assumed, since April 1, 1998, a guarantee against loss of rent between approximately USD 35,000 (EUR 37,579.95) and USD 40,000 (EUR 42,948.52) p.a. for five years on behalf of ELMOS N.A. Inc.

Rental and Leasing Contracts

The Company has entered into leasing contracts for premises (operational and administrative). The underlying contracts expire between 2006, 2010 and 2020. Future minimum lease payments under non-cancelable contracts consisted of the following as of December 31, 2000:

Rental and Leasing Contracts	TEUR
2002	4,052
2003	4,049
2004	4,020
Thereafter	45,314

The Company additionally has leasing contracts in connection with its car pool and office equipment as is customary in the line of business.

Purchase commitments under investment orders amount to TEUR 12,634.

Notes to the Statement of Income

Sales

According to divisions	2001 TEUR	2000 TEUR
Production	84,196	92,991
Development	3,651	2,170
Others	449	861
Net sales	88,296	96,022

According to regions	2001 TEUR	2000 TEUR
Domestic	49,678	44,317
Other EU countries	26,425	39,865
USA	8,115	7,690
Others	4,078	4,150
Net sales	88,296	96,022

Extraordinary income

Extraordinary income results from gains on the sale of assets.

Extraordinary expenses

Extraordinary expenses results from losses on the sale of securities.

Income relating to other periods

The income relating to other periods contains gains on the sale of assets in the amount of TEUR 69 and income from the reversal of accruals in the amount of TEUR 974.

Other Disclosures

Management Board

Diplom-Kaufmann Knut Siegfried Hinrichs,
Glückstadt (Chairman)
Dr. Klaus Weyer, Schwerte
Dr. Peter Thoma, Unterschleißheim
Dipl.-Ingenieur Reinhard Senf, Iserlohn
(since June 20, 2001)

Supervisory Board

Prof. Dr. Günter Zimmer, Duisburg, Institute's Director
(Chairman)
Dr. Burkhard Dreher, Dortmund, Lawyer
(Deputy Chairman)
Prof. Dr. Karsten Klaus Heinrich Ehlers, Wolfsburg,
Diplom-Ingenieur
Dave A. Ranhoff, Alamo/USA, Executive Vice President
(until March 31, 2001)
Herbert Sporea, Kiel, Businessman
Dr. Wolfgang Ziebart, Starnberg, Diplom-Ingenieur
(until April 6, 2001)
Dr. Roland Mecklinger, Steinfeld-Hausen,
Diplom-Ingenieur (since April 6, 2001)
Dr. Wolfgang Heinke, Reutlingen, Diplom-Physiker
(since April, 1 2001)

Prof. Dr. Günter Zimmer is a member of two other supervisory boards (Wacker Siltronic AG, MANIA Technologie AG), Dr. Burkhard Dreher is a member of four other supervisory boards (MEAG Mitteldeutsche Energieversorgung AG, Deutsche Steinkohle AG, Harpen AG, Siepe AG), Prof. Dr. Karsten Klaus Heinrich Ehlers is a member of two other supervisory boards (Fastech technology AG, I&T AG), Mr. Herbert Sporea is a member of two other supervisory boards (PolyTrax Information Technology AG, TOP Business AG) and Dr. Roland Mecklinger is a member of one other supervisory board (OpenShop AG).

Total Management Board Remuneration

In the year ended December 31, 2001, total Management Board remuneration amounted to TEUR 1,108.

Total Supervisory Board Remuneration

In the year ended December 31, 2001, total Supervisory Board remuneration amounted to TEUR 280.

Total Remuneration of Former Members of the Supervisory Board

In the year ended December 31, 2001, total remuneration for former members of the Supervisory Board amounted to TEUR 50.

Employees

The average number of employees in the year ended December 31, 2001 was:

Employees	2001	2000
Hourly employees (including part time converted into full time)	166	172
Salaried employees	313	303
	479	475
Trainees and apprentices	19	24
	498	499

Recommendation on the Appropriation of Retained Earnings

The Management Board recommends to fully bring forward the unappropriated retained earnings.

Group Position

ELMOS Semiconductor AG's majority shareholder is EFH ELMOS Finanzholding GmbH, Dortmund, which is, in accordance with Section § 290 Paragraph 2 No. 2 HGB, required to prepare consolidated financial statements. EFH ELMOS Finanzholding GmbH, Dortmund, has not yet prepared consolidated financial statements as of and for the year ended December 31, 2001.

Dortmund, February 2002

The Management Board

Roll-Forward of Fixed Assets HGB

	1/1/2001 EUR	Acquisition and Production Cost			12/31/2001 EUR
		Additions EUR	Transfers EUR	Disposals EUR	
I. Intangible Assets					
Software	4,421,988.40	1,014,905.70	637,498.96	2,556.46	6,071,836.60
II. Property, Plant and Equipment					
1. Land and buildings	7,991,158.08	1,821,740.17	111,501.93	7,572,824.29	2,351,575.89
2. Technical equipment, plant and machinery	70,152,320.26	3,805,853.46	15,658,039.21	2,365,693.20	87,250,519.73
3. Other equipment, furniture and fixtures	7,676,052.95	1,137,877.69	1,729,437.16	314,730.91*	10,228,636.89
4. Advance payments and construction in progress	15,277,126.11	30,782,176.46	(18,136,477.26)	2,515,260.12	25,407,565.19
	101,096,657.40	37,547,647.78	(637,498.96)	12,768,508.52	125,238,297.70
III. Investments and Loans					
1. Investments in affiliated companies	335,204.67	35,112,780.65	0.00	11,113,126.05	24,334,859.27
2. Loans to affiliated companies	100,000.00	0.00	0.00	0.00	100,000.00
3. Investments	414,844.85	189,863.85	0.00	1,533.88	603,174.82
4. Loans to companies treated as an investment	0.00	766,937.82	0.00	0.00	766,937.82
	850,049.52	36,069,582.32	0.00	11,114,659.93	25,804,971.91
	106,368,695.32	74,632,135.80	0.00	23,885,724.91	157,115,106.21

* including low-value assets of EUR 143,960.17

1/1/2001 EUR	Accumulated Amortization and Depreciation		12/31/2001 EUR	Net Book Values	
	Additions EUR	Disposals EUR		12/31/2001 EUR	12/31/2000 TEUR
3,407,374.15	745,681.93	0,00	4,153,056.08	1,918,780.52	1,014
3,573,331.96	181,330.26	3,672,194.14	82,468.08	2,269,107.81	4,418
48,768,651.89	9,352,545.38	1,130,078.63	56,991,118.64	30,259,401.09	21,384
3,868,510.88	1,413,079.65	290,245.53*	4,991,345.00	5,237,291.89	3,808
0.00	0.00	0.00	0.00	25,407,565.19	15,277
56,210,494.73	10,946,955.29	5,092,518.30	62,064,931.72	63,173,365.98	44,887
0.00	0.00	0.00	0.00	24,334,859.27	335
0.00	0.00	0.00	0.00	100,000.00	100
0.00	0.00	0.00	0.00	603,174.82	415
0.00	0.00	0.00	0.00	766,937.82	0
0.00	0.00	0.00	0.00	25,804,971.91	850
59,617,868.88	11,692,637.22	5,092,518.30	66,217,987.80	90,897,118.41	46,751

Status Report of the Company and of the Group

Report on the situation of the company and of the group for the business year 01.01 - 31.12.2001 ELMOS Semiconductor Aktiengesellschaft, Dortmund

The economic environment

ELMOS Semiconductor AG develops, produces and sells ASICs (Application Specific Integrated Circuits), primarily for the automobile industry. Once again in the year 2001 approx. 85 % of sales went to this market segment. In the past 17 years ELMOS has built up for itself a leading market position in the European market for automobile electronics. Thus electronic circuits from ELMOS are used by virtually every European automobile manufacturer. The continuously growing requirements to reduce the fuel consumption and improve the environmental compatibility of motor vehicles as well as to increase the safety and comfort of vehicle occupants have led and are leading to ever more electronic systems being employed in cars. ASICs from ELMOS are ideally suited for building up such systems in a compact, reliable and cost-favourable manner.

Business development in 2001

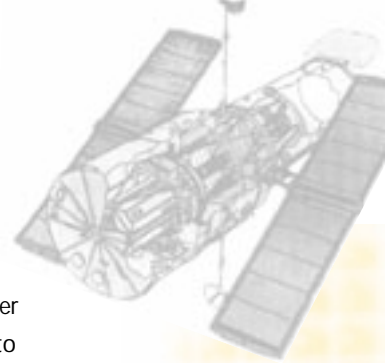
The business year 2001 was characterized by a fall in demand never previously experienced. After the boom in the year 2000, the market fell to below the level of the year 1999. Above all the mobile telecommunication market collapsed while in the memory module market segment there was a devastating fall in prices.

Although ELMOS was able to detach itself from these variations to a large extent by focussing on the automotive area, it was affected directly for the first time by the difficult economic conditions in Europe and the USA as well as and in particular through the safety stocks that had been built up by many customers in the year 2000. After considerable fluctuations in the first half year, the level of incoming orders stabilized in the second half year at a lower level. As a result the growth in sales achieved in the previous years could not be maintained.

The development order of a mobile telephone manufacturer issued in the year 2000, which it had been expected would lead to a production order in the 2nd quarter of 2001, was in fact not converted into a production order as a result of the collapse of the telecommunication market. Accordingly the preparations that had been made and the capital expenditure that had been incurred for the mass production planned for the second half year came to nothing and burdened the result through higher fixed costs and depreciation.

In the course of the business year 97.9 % of the shares of Eurasem B.V. ((NL) as well as 100 % of the shares of SMI (Silicon Microstructures Incorporated, USA) were taken over. Eurasem is specialized in the assembling (packaging) of semiconductor components in standard and special housings. SMI develops and produces micro-mechanical sensors for physical parameters such as pressure and acceleration. The US subsidiary of ELMOS North America in Farmington Hills near Detroit was expanded further as planned.

A co-operation contract and a licence agreement were concluded with Motorola.



Development of sales and profits

In the last business year and with sales of EUR 107.0 millions, the group was able to only slightly exceed the sales of the previous year of EUR 105.8 millions. The sales forecasts made for the year 2001 could not be fulfilled since the general market situation as well as the absence of production revenue in the telecommunication sector as already described made such increases in sales impossible.

However the significant increases of sales in the development services sector (ELMOS AG + 68 % versus the previous year, ELMOS group + 37 % versus the previous year) allow it to be expected that the production revenue that should result therefrom will increase significantly again in the years 2003 and 2004.

The regional distribution of sales in the group developed from 42 % in Germany, 47 % in other European countries and 7 % in the USA in the year 2000 to 46 % in Germany, 39 % in other European countries and 11 % in the USA in the year 2001. Of significance here is the fall in sales in France brought about by the scheduled phasing out of an old product.

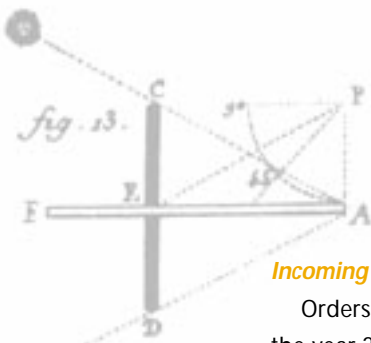
Profits fell relative to the previous year as a result of the decline in sales. At EUR 11.6 millions, the group annual result was well under that of the previous year (EUR 15.8 millions). In the individual accounts of ELMOS AG, the annual result fell by around EUR 7.9 millions and thus more than in the group accounts. Significant reasons for this difference lie in the differences in treating book profits from sale-and-lease-back transactions as well as in differences in valuing securities between in each case individual accounts drawn up in accordance with German commercial law and the group accounts prepared in accordance with the US GAAP.

The core business of our enterprise is directly related to the level of demand in the automobile industry for ASICs. On the one hand this demand depends on the number of cars manufactured while on the other hand it is driven by the continuing trend towards having more electronics in automobiles. Thanks to the increase in the electronic equipment in cars (e.g. air-bag systems, electronic chassis stabilization (ESP), comfort functions etc.), the number

of ASICs sold tends to increase even when the number of cars being produced is falling. Here it also has to be observed that - particularly at times of low sales - automobile manufacturers tend to offer their vehicles with a higher level of extras included in the basis price so that the number of ASICs sold does not inevitably fall when automobile production is stagnating or falling. Accordingly demand for ASICs is relatively robust and is only subject to a degree to variations in the numbers of motor vehicles being manufactured. According to a Dataquest prognosis, the semiconductor market for the automobile applications is forecast to grow continuously at an annual rate of approx. 13 %.

More detailed examination of the world semiconductor markets shows that only 7 % of the chips produced go into automobile electronics. This makes this market segment less interesting for the large semiconductor manufacturers active around the world. Nevertheless 7 % of the total semiconductor market, this being equal to USD 20 billions in the year 2004 according to a forecast by Dataquest, represents a huge potential for growth for ELMOS. Even after taking into account the fact that ELMOS products - i.e. customer-specific ASICs - make up only some 1/3 of this market, the world market that ELMOS can address will amount to around USD 7 billions in the year 2004.

Europe continues to be the dominating market for automobile electronics and accordingly ELMOS is well positioned in the centre of the innovation centres of the vehicle manufacturers.



Incoming orders and order book

Orders received for the production of ASICs in the year 2000 amounted to EUR 89.5 millions and thereby 19 % below the figure for the previous year. Considered annually, the book-to-bill rate fell from 1.15 in the previous year to 1.01.

By far the greatest part of the incoming orders were for series products whereby however there was a clear increase in revenue from development work. Here it has to be taken into account that - when a new order is being acquired - the one-off development costs can today generally no longer be recovered in full from the customer as a payment in advance. Although as a rule a considerable part of the development costs are reimbursed by the customer soon after they have been incurred, a certain part can generally no longer be recovered in advance and must accordingly be amortized via the series products manufactured subsequently. Here there is a certain risk that a development project may not turn into a delivery order and that the costs which could not be amortized remain to be covered by the company.

Production

Since the middle of business year 1999 ELMOS has been producing exclusively on the 150 mm wafer line in Dortmund. This was expanded as scheduled in the year 2001 in order to be ready for the expected start of series production of the circuit for mobile telephones.

The fact that this production order did not arrive as well as the phasing out of a number of series products led to lower utilization of the production capacity and thereby to a reduction of the gross margin. In addition the start-up costs for the acquired firms of Eurasem and SMI as well as the expansion of ELMOS North America had negative effects. Thus the gross margin in the group fell to about 47 % whereby at the same time the negative influences of the US dollar exchange rate, which remained high, had to be absorbed, this rendering more expensive the assembly work which had been commissioned in the Far East.

Costs have been and are being continuously matched to the fall in sales revenue through the

introduction of short-time in the production and other sectors of ELMOS (start in November, 2001) as well as by the cost-reduction programme that was started at the same time.

Procurement

The raw materials needed by ELMOS for the products it manufactures are available around the world at a variety of suppliers and are not subject to monopolies. As is typical for the sector, there accordingly exists a certain independence from individual Far East partners in the assembly area. Here, however, ELMOS has initiated steps to deepen the value-creation chain through its acquisition of the firm of Eurasem (NL). Eurasem is in a position to carry out the assembly process at competitive costs in Europe so that ELMOS will be less dependent on partners in the Far East and at the same time less subject to the effect of dollar exchange rate variations.

Capital investment

In the year 2001 the production systems in the Dortmund works were continuously expanded in order to be up to the growing demand and the technological requirements of future process generations. The capital expenditure amounted to EUR 37.5 millions. The investments were able to be financed in part from the write-downs of the year 2001 in the amount of EUR 11.7 millions.

The present manufacturing capacity of ELMOS can be regarded as being adequate for the growth planned for the present business year of 2002 as well as for the years 2003/2004. From the year 2004 it is however probable that an expansion of the production capacities will be necessary in order to be able to satisfy the further growth planned. Depending on the market situation, it is envisaged that a start will then be made on the setting up of an additional line for 8 inch (200 mm) wafers in Dortmund in a separate building that will have to be erected for this, this line to be in addition to the present production line for wafers with a diameter of 6 inches (150 mm).

Cashflow

As a result of the volume of investment at the Dortmund location as well as and in particular at

Eurasem in Nijmegen, the cashflow of the group changed clearly in the negative direction with EUR 55.4 millions in the business year that has just ended. At the end of the year the cash and cash equivalents amounted to EUR 18.3 millions. We are assuming that we will be able to finance our investments in the coming years primarily from our own funds.

Equity

As a result of the dividend payment made in the year 2001 and the considerably increased volume of investment, the equity in the group fell to 54 % of the balance sheet's total. Nevertheless it can be assumed that the company would be able to survive a number of difficult years with weak market demand. Accordingly the successful continuance of the enterprise is secured for the coming years.

As of 31.12.2001 the equity quota at ELMOS AG amounted to 65 % following a figure of around 75 % in the previous year. The subscribed share capital of the company amounts to EUR 19,300,000.00, this being divided up into 19,300,000.00 shares without a par value with a calculated value of one EUR. All the shares are fully paid in.

In the previous year legal misgivings arose in connection with the effectiveness of the increase to capital carried out on 25th May, 2000. The uncertainties resulting therefrom were eliminated by the resolution of the general meeting on 30th August, 2001 whereby the share capital of EUR 19,500,000.00 entered in the commercial register was reduced to EUR 19,300,000.00 to wind back the increase in capital entered in the commercial register on 24th July, 2000 and to correct at the same time the share capital figure entered there. The shareholder EFH ELMOS Finanzholding GmbH is freed from performing the contribution for the above-mentioned increase in capital. The reduction in capital was entered in the commercial register on 3rd January, 2002.

In addition both the capital funds I and II approved in the previous year were cancelled by the resolution of the general meeting on 6th April, 2001.

In its meeting on 14.12.2001, the Supervisory Board approved the resolution of the board on the

issuing of up to 160,000 share options for employees below board level as well as of 35,750 share options for the board at an issue price in each case of EUR 19.64. Of the share options authorized in December, 2000, 133,625 shares were subscribed for by employees and 29,700 by the board during the year 2001, in each case at an issue price of EUR 35.14.

Personnel and social area

In the business year 2001, ELMOS Semiconductor AG employed a total of 498 persons (thereof 19 apprentices) as compared with 499 persons (thereof 24 apprentices) in 2000. In total the ELMOS group was employing 643 persons at the end of 2001.

Research and development

The expenditure for personnel in the group employed in the development sectors continued at a significantly high level. Thus the expenditure for research and development (R&D) rose from EUR 13.8 millions in 2000 to EUR 17 millions in 2001. This figure has accordingly risen to 16 % of sales and is 23 % higher than in the previous year. The figure reflects the efforts of ELMOS to significantly accelerate the introduction of new technologies. In addition to the developing of numerous new products, a particular part of the expenditure was incurred for the activities to bring about further reduction in size of structures and the series production start-up of the silicon-on-insulator technology.

Here this highly development-intensive business area of the enterprise - in particular in the area of product and technology development - led to the building up of a strongly characterized and very specific fund of engineer-know-how but only in part to the registering of patents. Accordingly ELMOS is dependent to an increased extent on particular employees. The risk of fluctuation in personnel is reduced at ELMOS through the detectably high level of motivation of the employees and of their identification with the enterprise. This is demonstrated not least by the very satisfactory state of affairs that virtually all employees participate in ELMOS through the shares they hold, whereby good use was again made in the year 2001 of the share option schemes provided for employees.

Relationships with affiliated enterprises

In accordance with § 312 of the AktG (Company Law), we have prepared a report on the relationships with affiliated enterprises, this report concluding with the following declaration in accordance with § 312 Para. 3 AktG "We declare that our company has received a quid pro quo for each legal transaction that can be considered reasonable in accordance with the circumstances that were known to us at the time each of these was carried out and at the time the related measures were taken. No disadvantages in the sense of § 312 AktG resulted for us from our relationships with affiliated enterprises.

Risk management

ELMOS AG is presently engaged in fulfilling step by step the requirements of § 91 (2) AktG. In this connection measures and systems have been worked out through suitable weak-point analyses. These enable potential areas of risk for the enterprise to be identified and suitable counter-measure plans to be prepared to reduce these risks and to ward off the related dangers.

Comments on the risks inherent in future developments

1. Dependence on the automobile industry

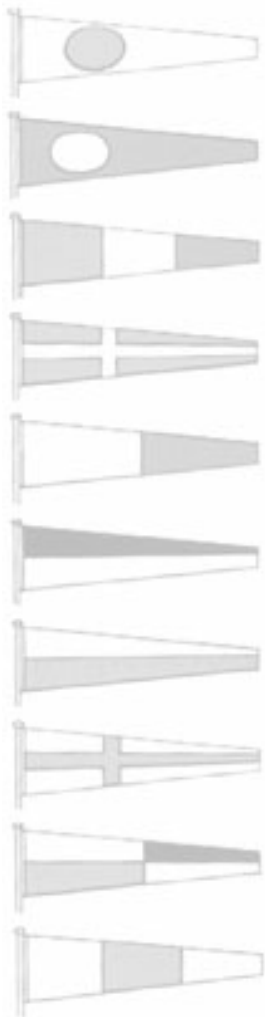
ELMOS earns the greatest part of its revenue from the sale of ASICs to the automobile industry. The automobile market has been subjected in the past to considerable fluctuations as a result of the merging of manufacturers, restrictive environmental legislation and other factors.

Certainly a certain dependence on a number of large automobile manufacturers can be detected in ELMOS's customer structure. However it has to be taken into account here that - as a result of the significance and specialization of the ASICs for the products of the automobile suppliers - it is a matter of mutual dependence, so that relatively large volumes of business with a number of large customers also indicate very promising long-term customer relationships with the appropriate potential in respect of sales. Since the suppliers to the automobile industry themselves are under considerable pressure in respect of costs and since the simultaneous development of one ASIC by two suppliers means considerable additional costs initially in the development phase and later also in the manufacturing phase as a result of lower numbers of units for the individual ASIC manufacturer, it is very rare for one and the same ASIC to be commissioned at the same time from two suppliers.

2. Competition

In the semiconductor market for automobile applications, there are a number of competitors offering products which are similar to those of ELMOS and which are based on similar technologies. In addition it cannot be excluded that one or more of the large semiconductor manufacturers, who up to the present time have not been active in the automobile semiconductor market or only to a limited extent, might in the future attempt to penetrate this market segment.

However, since these large producers are set up for large volume orders for their products, this risk appears comparatively small.





3. Development of new products and technologies

The market for ELMOS's products is characterized by the requirement for the continuous further development of and improvements to products. Accordingly the success of ELMOS is closely related to its ability to develop new, sophisticated and cost-favourable products, to introduce these on to the market at the right time and to ensure that these products are selected by leading suppliers to the automobile industry.

The future success of ELMOS also depends on its ability to come up with new development and production technologies. ELMOS develops analog and digital semiconductor structures and functions for our internally-developed, modular high voltage CMOS process technology. Like our competitors too, we have to be continuously improving and further improving our technology and developing new process technologies enabling continuous reduction in size in the submicron region.

Should in the future we not be able to develop, produce and sell new and improved products, then it is likely that this would have a significant effect on our assets, financial and earnings situation.

Thanks to ELMOS's ability to develop and manufacture ASICs for all the different types of electronic devices used in automobiles, our products are to be found in nearly all the electronic components used in cars so that the risks of losing individual orders for individual electronic components are widely spread and in practical terms do not exist. Although a downturn in business in the automobile industry, which extended over a number of years and which caused the automobile manufacturers to cease development of new electronic products, would impair the development of the enterprise in a long-term manner, such a downturn is not to be foreseen according to the present state of knowledge, particularly because - as has already been mentioned - the automobile industry tends in bad times to increase the technical equipping of its products. In addition customer-specific ASICs from ELMOS are displacing standard electronic components to an increasing extent so that ELMOS is able to grow at a greater rate than that of the market as a whole and increase its share of the

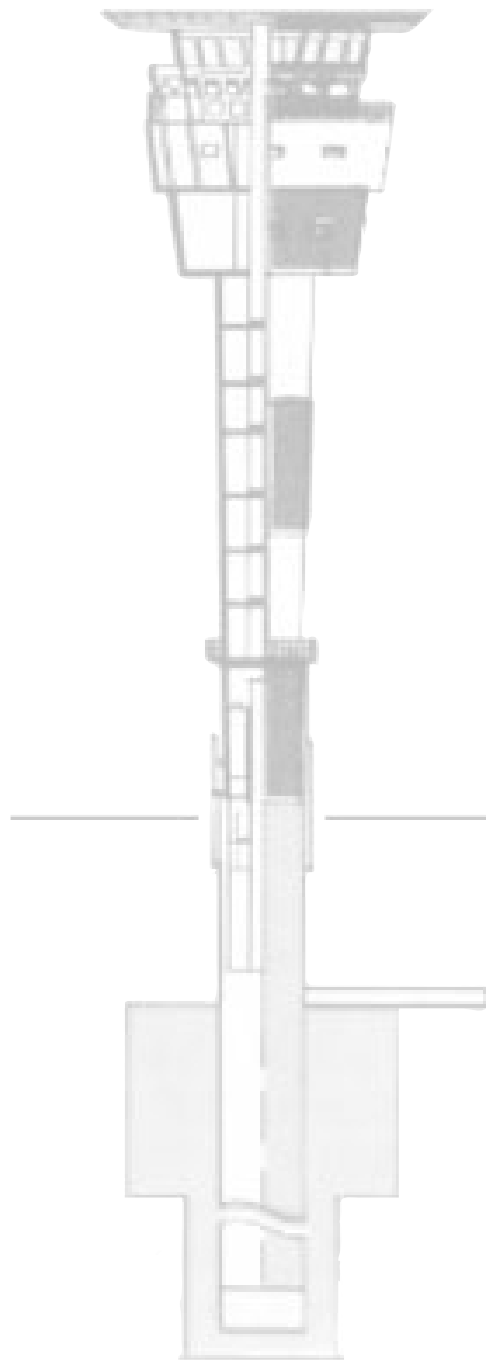
market. Accordingly even those risks, which are linked to the possible loss of development orders for ASICs in the automobile industry, can be reduced.

4. Product liability

The ASICs we produce are integrated into complex electronic systems as components of these. Faults or functional shortcomings of the ASICs produced by ELMOS or of the electronic systems in which they are integrated can impair the property, health or life of third parties. ELMOS is not in a position to reduce or exclude its liability vis à vis its customers and/or third parties via its sales contracts.

Accordingly ELMOS pursues in a consequent manner a zero-fault strategy and invests continuously in systems to detect and prevent sources of faults and faults. Thus, for example, the individual semiconductor chips are tested as a rule several times at different temperatures in respect of their quality and functions in our works. However, although the company follows quality assurance systems certified in accordance with ISO 9001, VDA 6.1 and QS 9000 as well as wide-ranging test processes, it is possible for product faults only to show up after the products have been installed and put into use by the final user.

When such product faults arise, it can lead to expensive and time-consuming product modifications, to disruptions to customer relationships and to the loss of market shares. A quality problem affecting a complete batch could in addition lead to claims for recourse of the customers of the order of millions although adequate insurance cover is held for this risk. All this could have negative effects on the assets, financial and earnings situation of our company.



5. Interruption to production operations

Apart from the business risks which have already been indicated and explained, the single entrepreneurial risk in our opinion capable of significantly impairing the development of the group and of endangering the continuance of the group is that of the manufacturing systems being destroyed by fire or some other catastrophe. Although the risk of manufacturing operations being interrupted by such an occurrence is adequately covered by insurance, such an occurrence would naturally bring with it the considerable risk of key customers being lost. This risk cannot be covered by insurance. It is planned to reduce this risk significantly by erecting an additional production line (200 mm line) in a separate building at the Dortmund location. ELMOS will then have two independent manufacturing lines and - in the case of a disruption to production on one production line - would at least be able to use the other one.

The other usual and insurable risks such as fire, interruption in firefighting services, water, storm, theft, third party liability and in particular product liability (also in the USA) as well as the costs of a possible product call-back are adequately insured. Further risks, which could significantly impair the development of the company/group or which could endanger the continuance of the company/group, cannot be detected at the present time.

Subsequent events of special significance taking place after the end of the business year

No events or transactions of special significance have taken place subsequent to the balance sheet day.

Dortmund, February 2002

"We have audited the financial statements, including the underlying accounting records of ELMOS Semiconductor AG, Dortmund ("the Company"), and the consolidated management report of the Company and its subsidiaries, for the year ended December 31, 2001. The accounting records as well as the preparation of the financial statements and the management report in accordance with accounting standards generally accepted in the Federal Republic of Germany as outlined in the German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, including the accounting records, and on the management report based upon our audit.

We conducted our audit of the financial statements in accordance with section 317 HGB, observing the generally accepted auditing standards issued by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance of identifying misstatements and irregularities which have a material effect on the presentation of the Company's net worth, financial position and net income as imparted through the management report and presented in the financial statements prepared in accordance with generally accepted accounting standards. When determining the scope of our audit procedures, we take into consideration the Company's business activities, its economic and legal structure as well as expected risks. An audit includes examining, primarily on a test basis, the evidence supporting the amounts and disclosures in the accounting records, the financial statements and the management report. An audit also includes assessing the accounting principles used and the significant estimates made by the Company's management as well as evaluating the overall presentation of the financial statements and of the management report. We believe that our audit provides a reasonable basis for our opinion.

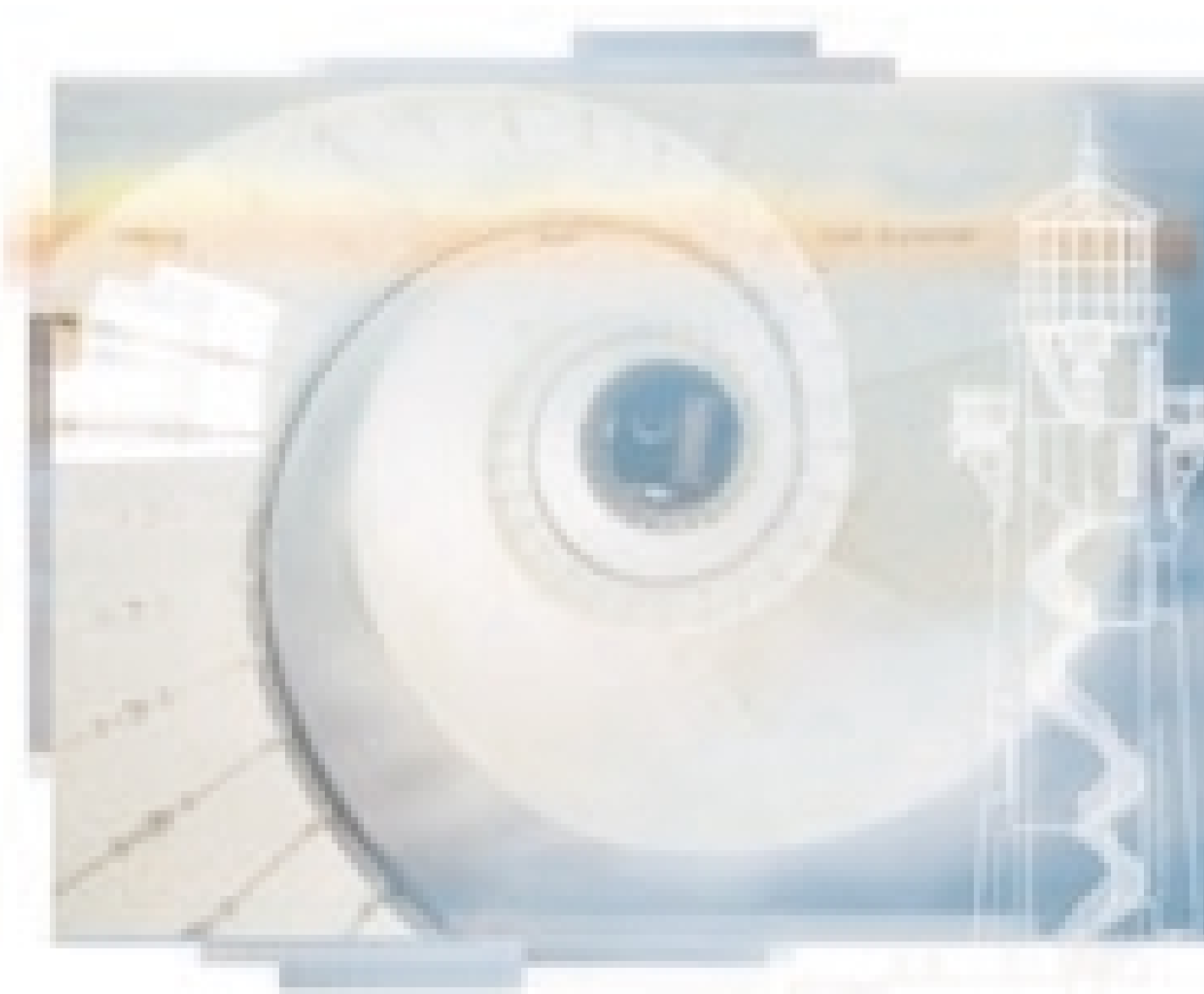
Our audit has not resulted in any objections.

In our opinion, the financial statements present fairly, in compliance with generally accepted accounting standards, the Company's net worth, financial position and results. The consolidated management report presents an overall appropriate picture of the state of the Company and its subsidiaries and fairly presents the risks in relation to its future development."

Dortmund, February 18, 2002

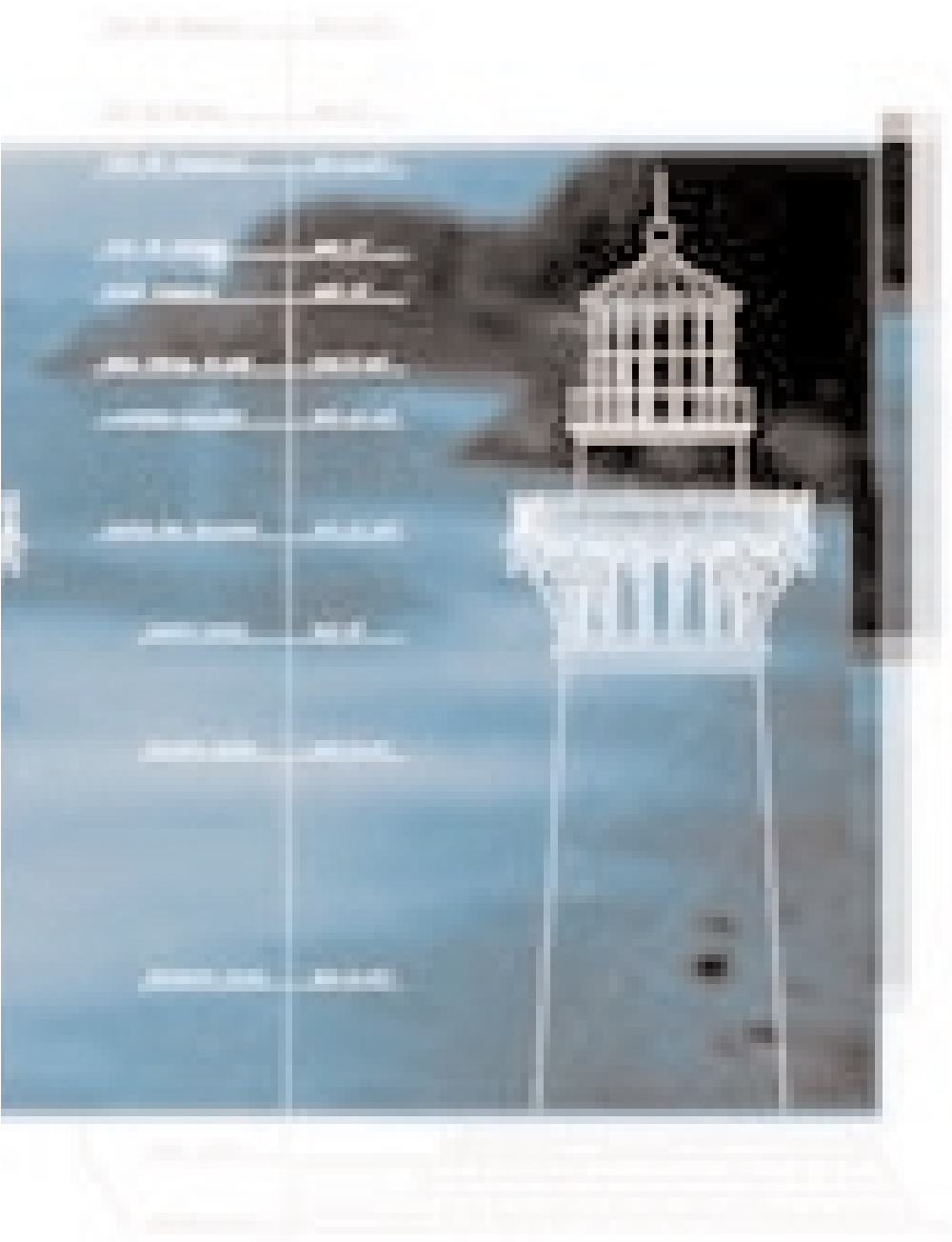
Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Brorhilker	Muzzu
Wirtschaftsprüfer	Wirtschaftsprüfer



» Step by step to our goal «

Consolidated Financial Statements US GAAP
ELMOS Semiconductor Aktiengesellschaft and Subsidiaries
for the years ended December 31, 2001 and 2000



	31.12.2001	31.12.2000
	EUR	EUR
ASSETS		
Current assets:		
Cash	18,280,808	73,704,145
Marketable securities (Note 2)	18,039,490	-
Trade accounts receivable, less allowance for doubtful accounts of EUR 450,244 and EUR 623,420 in 2001 and 2000, respectively	17,129,179	15,223,678
Inventories (Note 3)	25,582,964	21,115,830
Prepaid expenses and other	6,902,951	6,589,494
Total current assets	85,935,392	116,633,147
Deferred taxes (Note 7)	7,231,043	970,310
Goodwill (Note 2)	7,636,097	-
Investments (Note 4)	622,265	414,845
Property, plant and equipment:		
Land	4,864,019	2,303,629
Buildings and improvements	39,514,518	36,316,992
Machinery, equipment and other	108,110,792	78,747,199
Software	6,149,414	4,490,530
Construction in progress	27,092,940	15,277,126
Less accumulated depreciation	(79,193,595)	(66,603,929)
	106,538,088	70,531,547
Total assets	207,962,885	188,549,849

See accompanying notes to consolidated financial statements

Consolidated Balance Sheet

	31.12.2001	31.12.2000
	EUR	EUR
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	14,866,227	456,871
Trade accounts payable	9,138,369	7,023,767
Accrued payroll, benefits and taxes	2,170,131	2,710,323
Other accrued liabilities	6,831,045	4,141,469
Accrued income taxes	8,652,587	8,942,517
Advances from shareholder	10,550,000	10,550,000
Current portion of long-term obligations (Note 5)	2,728,776	2,375,076
Deferred taxes (Note 7)	(121,645)	135,786
Total current liabilities	54,815,490	36,335,809
Long-term obligations, less current portion (Note 5)	39,822,899	31,872,934
Minority interest	205,231	334,205
Shareholders' equity:		
Share capital	19,300,000	19,286,300
Paid-in capital	84,615,844	84,279,098
Accumulated other comprehensive income (loss)	(1,193,374)	30,542
Retained earnings	10,396,795	16,410,961
Total shareholders' equity	113,119,265	120,006,901
Total liabilities and shareholders' equity	207,962,885	188,549,849

See accompanying notes to consolidated financial statements

Consolidated Statements of Income and Comprehensive Income

	2001 EUR	2000 EUR
Net sales	107,028,792	105,826,775
Cost of sales	57,269,005	50,919,143
Gross margin	49,759,787	54,907,632
Research and development	16,979,063	13,791,954
Marketing and selling expenses	5,505,056	3,290,289
General and administrative expenses	10,130,628	10,103,235
Amortisation of Goodwill	134,735	-
Operating income	17,010,305	27,722,154
Interest expense (income)	1,536,517	(1,301,433)
Foreign exchange loss (income) - net	(405,697)	405,896
Other (income) expense - net	(1,378,109)	(776,534)
Income before income taxes, equity in loss of unconsolidated subsidiaries and minority interest	17,257,594	29,394,225
Income tax expense (benefit) (Note 8)		
Current	2,339,964	13,430,567
Deferred	3,500,629	(867,175)
	5,848,593	12,563,392
Net income before equity in loss of unconsolidated subsidiaries and minority interest	11,417,001	16,830,833
Minority interest in earnings of consolidated subsidiaries	(133,754)	229,578
Net income	11,550,755	16,601,255
Basic earnings per share	0.60	0.86
Diluted earnings per share	0.60	0.86

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

	Shares EUR	Share Capital EUR	Paid-in Capital EUR	Accumulated Other Comprehensive Income (Loss) EUR	Retained Earnings EUR	Total EUR
Balance at December 31, 1998	–	930,551	8,359,153	(10,144)	5,478,565	14,758,125
Cash dividends					(240,307)	(240,307)
Capital contribution			2,300,813			2,300,813
Return of capital			(2,300,813)			(2,300,813)
Conversion to AG-issuance of 15,300,000 shares of common stock	15,300,000	14,369,449	(8,359,153)		(6,010,296)	–
Net proceeds from initial public offering (IPO)	4,000,000	4,000,000	78,275,705			82,275,705
Tax effect of IPO costs			3,023,343			3,023,343
Stock grant by EFH			3,259,486			3,259,486
Net income					9,462,882	9,462,882
Unrealized gains on marketable securities, net of income taxes				134,050		134,050
Foreign currency translation adjustment				27,755		27,755
Balance at December 31, 1999	19,300,000	19,300,000	84,558,534	151,661	8,690,844	112,701,039
Net income					16,601,257	16,601,257
Cash dividends					(8,881,140)	(8,881,140)
Treasury Stock purchased	(13,700)	(13,700)	(279,436)			(293,136)
Change in unrealized gains on marketable securities				(134,050)		(134,050)
Foreign currency translation adjustment				12,931		12,931
Balance at December 31, 2000	19,286,300	19,286,300	84,279,098	30,542	16,410,961	120,006,901
Net income					11,550,755	11,550,755
Cash dividends					(17,564,921)	(17,564,921)
Treasury Stock sold	13,700	13,700	336,746			350,446
Change in unrealized gains on marketable securities				(1,241,278)		(1,241,278)
Foreign currency translation adjustment				17,362		17,362
Balance at December 31, 2001	19,300,000	19,300,000	84,615,844	(1,193,374)	10,396,795	113,119,265

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows

	2001 EUR	2000 EUR
Operating activities:		
Net income	11,550,755	16,601,255
Depreciation	17,538,224	11,028,105
Deferred income taxes	3,500,629	(867,175)
Goodwill amortization	134,735	-
Minority interest	(133,754)	229,578
Changes in operating assets and liabilities:		
Accounts receivable	(834,578)	2,259,236
Inventories	(3,378,720)	(8,048,632)
Prepaid assets and other	(259,678)	1,113,300
Accounts payable	(261,317)	(2,732,041)
Accrued liabilities	(2,792,557)	1,643,592
Accrued income taxes payable	(465,530)	8,942,518
Net cash provided by operating activities	24,598,209	30,169,736
Investing activities:		
Capital expenditures	(46,541,053)	(23,951,695)
Disposal of fixed assets	(2,138,354)	68,158
Purchase of marketable securities	(20,104,501)	-
Proceeds from sale of marketable securities	-	14,591,865
Proceeds from sale of investment	1,534	-
Purchase of investments	(12,626,521)	(352,791)
Net cash used in investing activities	(81,408,895)	(9,644,463)
Financing activities:		
Dividends paid	(17,564,921)	(8,881,140)
Deposits for shares to be issued to shareholder	-	10,550,000
Proceeds from stock of treasury shares	350,446	-
Dividends paid by consolidated subsidiary to minority shareholder	(212,142)	(128,819)
Cash received by consolidated subsidiary from minority shareholder	212,142	-
Issuance of long term debt	-	11,003,285
Repayments of long-term obligations	8,303,664	(1,549,976)
Proceeds (repayments) of notes payable	10,298,160	(1,280,577)
Net cash provided by financing activities	1,387,349	9,712,773
Decrease/Increase in cash and cash equivalents	(55,423,337)	30,238,046
Cash and cash equivalents at beginning of year	73,704,145	43,466,099
Cash and cash equivalents at end of the year	18,280,808	73,704,145

See accompanying notes to consolidated financial statements

1. Organization of Business

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 EUR 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 EUR 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.

The Company's fiscal year is the calendar year.

2. 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 ("US 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 US GAAP. The Company has recorded certain adjustments in order that these consolidated financial statements be presented in accordance with US 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 per cent but not in excess of 50 per cent are recorded using the equity method if material.

Cash Equivalents

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of acquired companies and is being amortized on a straight-line basis over forty years. The Company's goodwill results from the acquisition of Silicon Microstructures, Inc. The accumulated amortization is EUR 134,735.

Marketable Securities

Marketable securities consisted 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".

The Company had no marketable securities on hand as of December 31, 2000. The following is a breakdown of the Company's marketable securities as of December 31, 2001:

	Cost	Market Value
	EUR	EUR
Stock	20,104,503	18,039,490

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	5-10	years
Software	3	years

Cost incurred to establish patents and acquire product and process technology are capitalized. Capitalized costs are amortized on the straight-line method over the shorter of the estimated useful life of the technology, the patent term or the agreement, ranging up to 7 years. At December 31, 2001, the Company had approximately EUR 2,147,000 of acquired process technology included in property, plant and equipment.

Foreign Currency Translation and Transactions

Assets and liabilities of the Company's non-German operations are translated into EUR 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, 2001, the Company had 3 outstanding U.S. dollar forward exchange purchase contracts amounting to approximately USD 300,000.

Revenue Recognition

Revenues are recognized when products are shipped to the customers respectively with transfer of risk of loss 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 (EUR 925,089 and EUR 516,405 for the years ended December 31, 2001 and 2000 respectively), while the utilization of grants for tangible property acquisitions 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 the 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

On June 29 2001, the U.S. Financial Accounting Standards Board issued Statement No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets". Statement 141 changes the criteria to recognize intangible assets apart from goodwill. Under statement 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently if impairment indicators arise, for impairment. Goodwill is required to be tested for impairment between the annual tests if an even occurs or circumstances change indicating that more-likely-than-not reduce the fair value of a reporting unit below its carrying value. An indefinite lived intangible asset is required to be tested for impairment between the annual tests if an even occurs or circumstances change indicating that the asset might be impaired. Separable intangible assets that have finite lives will continue to be amortized over their useful lives, for which Statement 142 does not impose a limit.

The Company will be required to adopt these statements during the year ended December 31, 2002. Adoption of this statement will result in the Company not amortizing goodwill. In addition, an impairment review will be made in the first quarter of 2002. The Company currently has goodwill of EUR 7,636,097 and annual goodwill amortization expense of EUR 134,735.

3. Inventories

Inventories consisted of the following:

	December 31,	
	2001	2000
	EUR	EUR
Raw material	8,189,369	6,265,929
Work in progress	10,439,587	9,426,654
Finished products and goods	6,954,008	5,423,247
	25,582,964	21,115,830

4. Investments in Unconsolidated Subsidiaries

The Company had net investments in the following equity investees:

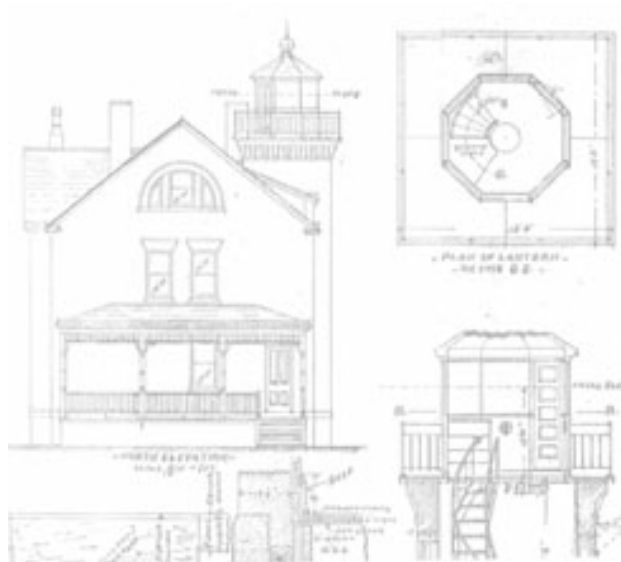
	December 31,	
	2001 EUR	2000 EUR
Investments		
GED Gärtner Electronic Design GmbH, Frankfurt/Oder (GED)- (49 per cent - December 31, 2000 and 2001)	386,724	386,724
attoSensor GmbH, Penzberg (attoSensor) (10 per cent interest)	169,039	-
Other	66,502	28,121
	622,265	414,845

attoSensor GmbH

On May 22, 2001 the Company purchased a 10% interest or EUR 7,669 stated value of the equity of attoSensor GmbH, a developer and producer of sensor technology located in Penzberg, Bavaria, Germany. The total price of the interest in the company was EUR 153,388. In addition, the Company issues a profit-participating loan of EUR 766,938 and will increase this loan by EUR 613,550 on January 31, 2002. The loan is due December 31, 2020. The company receives no interest on the loan but instead will receive 2% of the profit of the company and does not participate in any annual losses.

5. Amounts Payable to Banks and Long-Term Debt

At December 31, 2001, the Company had available various short term credit facilities approximating EUR 20,331,557, which the Company has used EUR 10,175,231 at December 31, 2001, with an average interest rate of 6.08%.



Long-term debt is summarized as follows:

	December 31,	
	2001	2000
	EUR	EUR
Dortmunder Volksbank eG Loan F		
Annual rate:	5.60 per cent	
Payment:	Monthly	
Interest:	EUR 7,132.52	
Maturity:	January 2002	
	862,683	898,855
Dortmunder Volksbank eG Loan G		
Annual rate:	5.60 per cent	
Payment:	Monthly	
Interest:	EUR 7,132.52	
Maturity:	December 2001	
	-	889,188
Deutsche Bank, Dortmund Loan EGKS		
Annual rate:	3.75 per cent	
Payment:	Monthly	
Maturity:	March 2005	
	3,888,888	5,000,000
Lease financing	37,800,105	27,459,967
Total	42,551,676	34,248,010
Less current portion	2,728,776	2,375,076
	39,822,899	31,872,934

Substantially all of the Company's properties, plants and equipments 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 EUR 23,008,135. 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 EUR 1,942,772 (EUR 1,121,180 - building improvements, EUR 821,592 - buildings and land) through 2006 and EUR 1,917,207 (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 recog-

nized in the accompanying consolidated financial statements. The amount financed is included in lease financing.

On July 7, 2000, the Company sold one of its office buildings (including the land and building improvements) for a total purchase price of EUR 6,287,853. Concurrent with the sale, the Company leased the property back for a period of 7.5 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 EUR 1,074,788 through 2007 and EUR 60,872 (buildings and land) through 2022. Since the Company has the option to repurchase the property beginning in 2020, 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 in lease financing.

On November 8, 2001, the Company sold one of its office buildings and its parking garage (including the land and building improvements) for a total purchase price of EUR 11,643,000. Concurrent with the sale, the Company leased the property back for a period of 20 years. Under the lease terms, the Company is committed to make annual, declining lease payments starting in the amount of EUR 1,016,125 through 2021. Since the Company has the option to repurchase the property beginning in 2021, 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 in lease financing.

Interest paid on amounts payable to banks and long-term debt was EUR 2,732,790 and EUR 1,789,522 during the year ended December 31, 2001 and 2000 respectively.

Maturities of long-term debt, including capital lease payments, at December 31, 2001 are as follows:

	Debt Maturities
EUR	
2002	2,728,776
2003	3,631,770
2004	2,932,938
2005	2,512,431
2006	2,102,108
Thereafter	28,643,652
	42,551,676

6. Leases

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

Total operating lease expenses amounted to approximately EUR 500,470 and EUR 58,799 during the year ended December 31, 2001 and 2000 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, 2001:

Operating Leases

	EUR
2002	597,197
2003	385,398
2004	159,220
2005	44,231
2006	43,702
Thereafter	0
	1,229,748

7. Income Taxes

Income taxes in Germany consist of trade, corporate and solidarity taxes. Corporation tax rates in the Federal Republic of Germany varied as to whether earnings are reinvested or distributed until end of 2000, since 2001 tax rates do not vary.

The Company paid EUR 7,454,055 and EUR 8,589,704, in income taxes during the year ended December 31, 2001 and 2000 respectively.

The provision (benefit) for income taxes consisted of the following:

	2001 EUR	2000 EUR
Current		
German	1,887,774	12,877,877
Foreign	452,190	552,690
	2,339,964	13,430,567
Defferred		
German	4,570,448	(867,175)
Foreign	(1,069,819)	-
	3,500,629	(867,175)
	5,840,593	12,563,392

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:

	December 31,	
	2001 EUR	2000 EUR
Deferred tax assets:		
Lease financing	12,918,681	10,955,967
Net operating loss carry forward	10,007,448	-
	22,926,129	10,955,967
Deferred tax liabilities:		
Accrued liabilities	343,871	409,433
Marketable securities	3,515,964	-
Property, plant and equipment	11,835,251	9,712,010
Others	(121,645)	-
	15,573,441	10,121,443
Net deferred tax assets (liabilities)	7,352,688	834,524

A summary of the differences between the statutory tax rate and the Company's effective income tax is as follows:

	2001	2000
Combined German statutory tax rate	39.9%	52.40%
Tax benefit from dividend distribution	-	(8.30%)
Non tax deductible goodwill	(0.50%)	-
Foreign tax rate differential	(4.92%)	(1.64%)
Other permanent differences	(0.90%)	0.62%
Effective tax rate	33.58%	43.08%

8. 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 EUR 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 EUR 82,275,705. 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.

13,700 of treasury shares repurchased by the Company during 2000 were sold in 2001 for an total amount of EUR 350,446, leading to gains in the total amount of EUR 57,310. After selling these treasury shares in 2001 19,300,000 of common stock are shown in the balance sheet as of December 31, 2001.

Excluding the 1,000,000 of shares reserved for the stock option plan, the Management Board was, with the approval of the Supervisory Board, authorized in May 1999 to issue 3,000,000 additional shares either at once or over time in several allotments in exchange for cash or contributions in kind. (Authorized Shares II).

During the May 25, 2000 annual shareholders meeting, the Company's Management Board was authorized, with the approval of the Company's Supervisory Board, to issue 6,675,000 additional shares either at once or over time in separate allotments in exchange for cash or contributions in kind. The authorization of these shares (Authorized Shares I) was registered with the commercial register on July 24, 2000.

The resolutions passed at the annual shareholders' meeting on May 25, 2000 in connection with the authorized shares have become increasingly doubtful as to their conformity with the applicable stock corporation law. The shareholders did not revoke the Authorized Shares II at the general shareholders' meeting on May 25, 2000. As a result, the 9,675,000 of authorized shares including those authorized by the shareholders on May 25, 2000 exceeded 50% of the Company's total shares at that time (19,300,000) and therefore violated the provisions outlined in Section 202 Paragraph 3 of the German Stock Corporation Law ("AktG"). According to the pertinent literature and the lawyers the Company engaged to review this matter, a violation of Section 202 Paragraph 3 AktG invalidates the underlying resolutions in accordance with Section 241 No. 3 AktG. The fact that the Authorized Shares I and II were entered into the trade register does not remedy this situation.

On June 8, 2000, the Management Board, with the approval of the Supervisory Board given on June 14, 2000, authorized to increase the share capital by 200,000 shares to 19,500,000 shares based on the

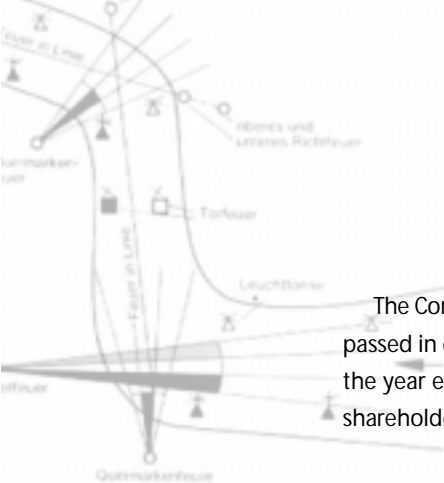
authorization by the annual shareholders' meeting, and subsequently amended the articles of association to authorize the Management Board, with the consent of the Supervisory Board, to increase the shares until May 24, 2005 by a total of up to 6,475,000 by issuing shares either once or over time in several allotments in exchange for contributions in cash or kind. The 200,000 shares were issued and entered into the trade register on July 24, 2000. The Management Board, with the consent of the Supervisory Board, is, however, also authorized to exclude the pre-emptive rights of shareholders for up to 10% of the shares or 1,730,000 for the above reasons in accordance with Section 186 Paragraph 3 Sentence 4 AktG.

In line with the doubts in connection with the authorized capital as such, it is questionable whether the capital increase of 200,000 shares based on the newly created authorized capital is in agreement with the existing German stock corporation law. If the authorized capital is invalid, the capital increase based on the Authorized Shares I will also be invalid. In accordance with Section 305 of the German Civil Code ("BGB"), shares issued in spite of the invalidity of the authorized capital and the underlying subscription contracts are invalid. Based on the pertinent literature and as a result of this situation, these shares do not entitle the shareholder to voting or dividend rights.

In the balance sheet a share capital of EUR 19,300,000 instead of EUR 19,500,000 is shown.

As a result, the EUR 10,550,000 paid by the majority shareholder for the 200,000 shares was not disclosed under shareholders' equity as of December 31, 2001, but recorded as a repayment obligation under "Advances from shareholder". The disclosure of contribution made by the majority shareholder in the balance sheet therefore differs from the amount filed in the trade register.

In addition, the lawyers believe that there is a discrepancy between the still existing Authorized Shares II of 3,000,000 shares and the authorized shares filed in the trade register as the Authorized Shares II was deleted from the trade register although the Management Board had not requested the deletion.



The Company has explicitly revoked all resolutions passed in connection with the authorized capital in the year ended December 31, 2000 at the general shareholders' meeting on April 6, 2001.

The Company has reversed the above-mentioned capital increase by 200,000 shares to 19,300,000 shares at the general shareholders' meeting on August 30, 2001. The Company now has the financial obligation to return the capital increase to EFH Elmos Finanzholding GmbH. The capital decrease was registered in the commercial register on January 3, 2002.

9. Stock Grant by EFH

In conjunction with the initial public offering, EFH granted the Company's existing employees the right to obtain a portion of the Company's common stock held by the selling shareholder as a token of appreciation for the employees' prior service to the Company. The monetary value of the award was based on the employees' years of service with the Company and current salary. The shares will be given to the employees by EFH in three equal installments over a three year period. In conjunction with this grant, the Company recognized EUR 3,259,486 of compensation expense.

10. 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 December 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, 2001, the Company had 106,025 options outstanding, none of which were exercisable, with an exercise price of EUR 34.89 from a first offering and 129,625 outstanding, none of which were exercisable, with an exercise price of Euro 35.14 from a second offering. During the year ended December 31, 2001, 10,900 stock option shares from the first offering and 4,000 from the second offering were forfeited and none were exercised.

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:

	2001	2000
Pro forma earnings:	EUR	EUR
Net income*	10,878,955	16,339,589
Net income* per common share basic and fully diluted	0.56	0.85

* considering FAS 123 effect

The average fair value of stock options was EUR 14.23. The fair value of options was calculated as of the date of grant using the Black-Scholes option pricing model using the following assumptions:

Fair Value Assumptions	
Dividend yield	1.4%
Expected volatility	61.7%
Risk free interest rate at grant date	6%
Expected life in years	5 years

Because additional awards in future years are anticipated the pro forma effects of applying this statement presented above are not indicative of future amounts.

11. Earnings Per Common Shares

The following table presents a reconciliation of the shares used to calculate basic and diluted earnings per common share.

	2001	2000
Reconciliation of Shares: weighted-average common shares outstanding	19,296,575	19,298,858
Effect of dilutive stock options	-	28,800
weighted-average common shares outstanding assuming dilution	19,296,575	19,327,658

12. Capital Contribution/Return of Capital

On April 30, 1999, the Company settled a dispute with the bankruptcy representative of a former shareholder who was forced to sell his shares in the early 1990's. The settlement amount of EUR 2,300,813 was paid by EFH on behalf of the Company. This was treated as a EUR 2,300,813 contribution of capital by EFH and a return of capital to the former shareholder.

13. Accumulated Other Comprehensive Income

Total comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders and such, includes net earnings. The main components of other comprehensive income that relate to the Company are foreign currency translation adjustments and unrealized gains or losses on the Company's available-for-sale securities. The components of accumulated other comprehensive income are as follows:

	2001 EUR	2000 EUR
Foreign currency translation adjustment	47,904	30,542
Unrealized gain on available-for-sale securities net of income taxes	(1,241,278)	-
Accumulated other comprehensive income (loss)	(1,193,374)	30,542

14. Geographic Data

Total sales to unaffiliated companies were broken down as follows for the year ended December 31, 2001 and 2000:

	2001	2000
	EUR	EUR
Germany	49,678,171	44,318,269
EU-Countries	41,318,544	49,668,427
U.S.A	11,955,034	7,690,341
Rest of World	4,077,043	4,149,738
Total Sales	107,028,792	105,826,775

The Company had approximately EUR 11,782,170 of property, plant and equipment as of December 31, 2001 related to its operations in France, the Netherlands and the U.S.A.

15. Employees

During the year ended December 31, 2001, the Company had an average of 624 employees.

16. Acquisitions

European Semiconductor Assembly (Eurasem) B.V.

On January 8, 2001 the Company purchased 95.84% or 8,658,365 shares of European Semiconductor Assembly (Eurasem) B.V., an assembler of semiconductors located in Nijmegen, Netherlands. The seller is to acquire the remaining 4.16% from private shareholders and transfer these shares also to ELMOS. The total price for 100% of the shares was NLG 12 millions (EUR 5.45 millions). The Eurasem financial results and balance sheet have been consolidated in the Company's financial statements ended December 31, 2001. The Company has included the full twelve months activity of Eurasem within its income statement. The Company used purchase accounting to account for the acquisition. This business combination resulted in no goodwill.

Silicon Microstructures, Inc. (SMI)

On March 31, 2001 the Company purchased 100% or 1,000,000 common shares and 190,909 preferred shares of Silicon Microstructures, Inc. (SMI), a developer of sensor technology located in Fremont, California, USA. The total price of the shares was USD 6.0 millions (EUR 6.8 millions). The SMI financial results and balance sheet have been consolidated in the Company's financial statements starting April 1, 2001. The Company has included nine months activity of SMI within its income statement. The Company used purchase accounting to account for the acquisition. This resulted in goodwill of approximately EUR 7,590,639, which is being amortized over 40 years.

Pro Forma Results

The following unaudited pro forma data summarize the results of operations for the periods indicated as if the Eurasem and SMI acquisitions had been completed as of the beginning of the periods presented. The pro forma data give effect to actual operating results prior to the acquisitions, adjusted to include the pro forma effect of amortization of goodwill. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions occurred as of the beginning of the periods presented or that may be obtained in the future.

	2001	2000
	EUR	EUR
Net sales	107,419,338	115,422,509
Net income	11,460,961	15,195,186
Net income per common share basic and fully diluted	0.59	0.79



Report of the Independent Auditors US GAAP

To the Shareholders of 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, 2001 and 2000 and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years then ended. The preparation of, and disclosures in, the consolidated financial statements prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) are the responsibilities of the management. Our responsibility is, based on our audit, to express an opinion on the consolidated financial statements and management report, as well as on whether the prerequisites for the exemption from statutory group accounting pursuant to Art. 292A German Commercial Code (HGB) has been satisfied.

We conducted our audit in accordance with auditing standards generally accepted by the German "Institut der Wirtschaftsprüfer". 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, the effectiveness of the internal control system as well as evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the consolidated financial position of ELMOS Semiconductor Aktiengesellschaft and Subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with US GAAP.

Our audit, which also covered the consolidated management report as prepared by the Company's Management Board for the fiscal year ended December 31, 2001, has not resulted in any objections or exceptions. It is our opinion that the consolidated management report, in combination with the other disclosures in the consolidated financial statements, present fairly the Company's overall position and the risks inherent in its future development.

In addition, we confirm that the consolidated financial statements and management report for the years ended December 31, 2001 and 2000, satisfy the requirements to exempt the Company from preparing consolidated financial statements and a consolidated management report in accordance with German law. We conducted our audit of the required consistency of the consolidation accounting compliance with the 7th EU Directive for exemption from the requirement for consolidation accounting under German Commercial Code provisions, on the basis of the interpretation of this directive by the European Commission's Contact Committee on Accounting Directives."

Dortmund, February 18, 2002

Ernst & Young
Deutsche Allgemeine Treuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Brorhilker
Wirtschaftsprüfer

Muzzu
Wirtschaftsprüfer

Glossary

Analog · analog electronic components register circumstances such as movement, temperature and sound converting these into proportional electrical signals

Assembly · further fitting to a packaged chip

ASIC · Application Specific Integrated Circuit, refers to a chip developed for a specific customer or for a special purpose

Back-end · semiconductor production area in which the electrical function is tested at wafer level or on packaged chips

BCD · Bipolar CMOS, DMOS, BCD links the basic elements Bipolar, CMOS and DMOS (double diffused MOS) process technologies to a complex and universal semiconductor technology

Burn-in · method for artificial ageing of electronic circuitry and components to detect faults at an early stage.

Bus · a jointly utilised communications system permitting the exchange of electronic or optical information.

Chip · an electronic circuit implementing functions in the semiconductor material

Clean room · a closed off section of the building in which humidity, temperature and dust particle counts are precisely monitored and maintained at the required levels

CMOS · Complementary Metal Oxide Semiconductor, basic technology for the production of highly integrated and low energy consumption microchips

Digital · digital signals are made up of binary information (zeros and ones)

DRAM · Dynamic Random Access Memory the most commonly used memory type in computers etc. DRAM components lose their data content when the electricity is switched off

Electronic circuits · an amalgamation of various electrical components for a specific function in an electrical system

Front-end · semiconductor area in which systems and processes for the production of the individual elements in an integrated circuit on a wafer are effected

Semiconductor · a solid material which when physically modified can alter its electrical properties

Integrated circuit, IC · an electronic circuit comprising various miniaturized electronic components integrated in semiconductor material

Interface · boundary between different systems controlling the connection, the actions and the transfer of information between the system parts

JEDEC · Joint Electron Devices Engineering Council, standardization panel for packaging construction

Layout · describes the information required for the production of integrated circuits deriving from the circuit development expressed in simple geometric forms

LCD · Liquid Crystal Display, power saving display of information e.g. in mobile phone

Logic · a collection of transistors and other components in a circuitry representing Boole logic operations eg. AND, OR; NOT, IF etc

MEMS · Micro-Electronic-Mechanical-System

Micrometer · $1\mu\text{m} = 10^{-6}\text{m}$ = one millionth part of a metre

Microprocessor · an integrated electronic unit controlling and operating an electronic system. Microprocessors are the brains of complex systems such as computers.

Mixed signal · a combination of analog and digital signals generated, controlled or modified on one and the same chip

MOS · Metal Oxide Semiconductor, describes the structure of the central control element for the field effect in a special class of semiconductor transistors

OEM · Original Equipment Manufacturer, a supplier of systems (or parts thereof) for resale.

ppm · parts per million

Sensor · an electrical device measuring or registering a real physical phenomenon such movement, heat or light, converting this into an analog or digital impulse for instance an electrical signal

Silicon, Si · the most widely used semiconductor material utilised in about 95% of all chips manufactured

Smart Power · symbolises the intelligent usage of higher voltage and currents in an electrical circuit. Voltage of up to several 100V and currents up to several 10V can be achieved on the chip

SOI · Silicon-on-insulator, special basic material for semiconductor manufacture, enabling perfect vertical insulation by means non-conductive interim layers

Transistor · Transfer Resistor, basic component part of the semiconductor circuit technology, amplifying or controlling electrical signals

UMTS · Universal Mobile Telecommunications System, standard which in future enables transmission of photographs, road maps and even films over mobile phones.

Wafer · initial material in chip manufacture an approximately 0.3 to 1 mm thick silicon crystal disc, sawn and then polished. Typical diameters are 150, 200 or 300 mm.



Financial Calendar 2002

Provisional Results 2001	13.02.2002
Final Results 2001	13.03.2002
Press conference in Düsseldorf	13.03.2002
Analyst's conference in Frankfurt	13.03.2002
Annual Meeting, Dortmund	26.04.2002
Quarterly Report Q1/2002	06.05.2002
Quarterly Report Q2/2002	01.08.2002
Quarterly Report Q3/2002	04.11.2002

Trading Rate and Volume 2001



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