



Quarterly Report Q1/2003

EL MOS
Semiconductor AG

- **Quarterly sales:**
EUR 29.2 million
(+14% vs. Q1/02)
- **Orders received:**
EUR 32.7 million
(+40% vs. Q1/02)
- **Gross margin:**
52% of sales
- **EBIT: EUR 5.9 million**
- **EPS: EUR 0.15**
(EUR 0.08 Q1/02)

Increase in sales and profits 2003 confirmed !

Dear shareholders,


at present numerous semiconductor manufacturers comment on the results achieved in the first quarter with mixed feelings. Statements are also restrained as to how the semiconductor markets will develop in the next quarters. There is talk at the moment that the hoped-for improvement in the mobile communications segment will be a long time in coming. In the pc segment as well, consumers seem to still show reserve, the spot market prices in the DRAM memory segment are still too low.


The only bright spot is the automotive semiconductor market! Be it Infineon, STMicroelectronics or Motorola, they all talk about positive trends in the automobile business. ELMOS is joining in with good figures: a total growth in sales of +14% in the first quarter as compared to last year's period at a gross margin of roughly 52% looks presentable. ELMOS clearly profits from the numerous new series starts this year. They are the basis for the equally numerous new releases of the automobile industry scheduled for introduction at this year's International Motor Show IAA in September in Frankfurt, Germany.

To ELMOS these volume starts mean that further increase in sales is to be reckoned with in the next quarters as well and that the objective for the whole year remains valid. With the conclusion of an initial sale & lease back transaction at an amount of EUR 8.6 million after the first quarter, the cash flow items will further improve in the second quarter as well. As a result of the customer specific orientation of ELMOS with its clear focus on the automobile industry, in the second quarter sales and profits will turn out significantly better than in last year's period, too.

Dortmund,
May 2003


Knut Hinrichs
Chairman of the Board


Dr. Klaus Weyer
Member of the Board


Dr. Peter Thoma
Member of the Board


Reinhard Senf
Member of the Board

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Consolidated balance sheets

| EUR, US-GAAP, 3 months unaudited, FY 2001 audited | as of Mar 31, 2003 | as of Dec. 31, 2002 |
|---|--------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | 2,404,115 | 9,038,828 |
| Marketable securities | 2,332,006 | 2,020,843 |
| Trade accounts receivable | 25,124,807 | 22,787,802 |
| Inventories | 24,800,967 | 24,080,701 |
| Prepaid expenses and other | 7,040,487 | 5,865,241 |
| Total current assets | 61,702,382 | 63,793,415 |
| Deferred taxes | 13,998,918 | 13,913,236 |
| Intangible assets: | | |
| Goodwill after depreciation | 7,622,344 | 7,622,344 |
| Software and construction in progress | 26,296,004 | 25,516,046 |
| Less accumulated depreciation | (6,907,971) | (6,232,719) |
| | 27,010,377 | 26,905,671 |
| Investments in unconsolidated subsidiaries | 452,397 | 468,792 |
| Property, plant and equipment: | | |
| Land | 4,432,392 | 4,432,392 |
| Buildings and improvements | 57,422,881 | 56,068,821 |
| Machinery, equipment and other | 115,673,764 | 112,869,248 |
| Construction in progress | 13,847,714 | 15,824,461 |
| Less accumulated depreciation | (88,437,141) | (85,754,221) |
| | 102,939,610 | 103,440,701 |
| Total assets | 206,103,684 | 208,521,815 |
| Liabilities and shareholder's equity | | |
| Current liabilities: | | |
| Amounts payable to banks | 22,365,948 | 22,156,828 |
| Trade accounts payable | 9,796,937 | 11,462,149 |
| Accrued payroll, benefits and taxes | 3,723,780 | 3,060,320 |
| Other accrued liabilities | 4,977,310 | 5,734,989 |
| Accrued income taxes | 8,966,729 | 11,944,904 |
| Current portion of long-term obligations | 3,007,497 | 2,909,167 |
| Total current liabilities | 52,838,201 | 57,268,357 |
| Long-term debt, less current portion | 36,223,456 | 37,157,851 |
| Non current liabilities | 1,500,245 | 1,560,607 |
| Minority interest | 115,832 | 93,914 |
| Shareholder's equity: | | |
| Share capital | 19,300,000 | 19,300,000 |
| Paid-in capital | 84,615,844 | 84,615,844 |
| Accumulated other comprehensive income (loss) | (10,704,092) | (10,734,523) |
| Retained earnings | 22,214,198 | 19,259,765 |
| Total shareholder's equity | 115,425,950 | 112,441,086 |
| Total liabilities and shareholder's equity | 206,103,684 | 208,521,815 |

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Consolidated statements of income

| EUR, US-GAAP, unaudited | Q1 / 2003 | Q1 / 2002 | Q4 / 2002 |
|---|-------------------|-------------------|-------------------|
| Net sales | 29,240,346 | 25,640,994 | 28,590,569 |
| Costs of sales | 14,126,748 | 13,779,089 | 13,838,706 |
| Gross profit | 15,113,598 | 11,861,906 | 14,751,863 |
| Research and development | 4,929,953 | 4,677,967 | 4,238,523 |
| Marketing and selling expenses | 1,588,751 | 1,306,003 | 1,771,700 |
| General and administrative expenses | 3,165,132 | 2,802,383 | 2,805,090 |
| Amortization of goodwill | 0 | 0 | 0 |
| Operating income | 5,429,762 | 3,075,552 | 5,936,550 |
| Interest expense | 942,583 | 740,087 | 1,148,775 |
| Foreign exchange (gain) loss - net | (216,213) | (46,436) | (42,507) |
| Other (income) expense - net | (224,595) | (185,788) | (45,958) |
| Income (loss) before income taxes, equity in loss of unconsolidated subsidiaries and minority interest | 4,927,987 | 2,567,689 | 4,876,240 |
| Income tax expense | 1,962,685 | 1,008,562 | 2,265,180 |
| Net income before equity in loss of unconsolidated subsidiaries and minority interest | 2,965,302 | 1,559,127 | 2,611,060 |
| Equity in profit of unconsolidated subsidiaries | 0 | 0 | 229,000 |
| Minority interest in earnings of consolidated subsidiaries | 10,869 | (32,701) | (151,253) |
| Net income | 2,954,433 | 1,591,828 | 2,533,313 |

Consolidated statements of changes in shareholder's equity

| EUR, US-GAAP, 3 months period unaudited, FY 2001 / 2002 audited | Shares | Share Capital | Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|--|-------------------|-------------------|--------------------|--|----------------------|--------------------|
| Balance at December 31, 2001 | 19,300,000 | 19,300,000 | 84,615,844 | (1,193,374) | 10,396,795 | 113,119,265 |
| Net income | | | | | 8,862,970 | 8,862,970 |
| Cash dividends | | | | | - | - |
| Change in unrealized gains (losses) on marketable securities (net of tax) | | | | (9,068,169) | | (9,068,169) |
| Foreign currency translation adjustment | | | | (472,980) | | (472,980) |
| Balance at December 31, 2002 | 19,300,000 | 19,300,000 | 84,615,844 | (10,734,523) | 19,259,765 | 112,441,086 |
| Net income | | | | | 2,954,433 | 2,954,433 |
| Cash dividends | | | | | - | - |
| Change in unrealized gains (losses) on marketable securities (net of tax) | | | | (113,510) | | (113,510) |
| Foreign currency translation adjustment | | | | 143,941 | | 143,941 |
| Balance at March 31, 2003 | 19,300,000 | 19,300,000 | 84,615,844 | (10,704,092) | 22,214,198 | 115,425,950 |

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Consolidated statements of cash flows

| EUR, US-GAAP, unaudited | Jan 1 st to Mar 31 st 2003 | Jan 1 st to Mar 31 st 2002 |
|--|--|--|
| Operating Activities: | | |
| Net income | 2,954,433 | 1,591,827 |
| Depreciation | 3,851,140 | 4,170,327 |
| Deferred income taxes | 124,476 | (677,630) |
| Goodwill amortization | 0 | 0 |
| Minority interest | 10,869 | (32,701) |
| Equity in losses of unconsolidated subsidiaries | 0 | 0 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,337,005) | (2,330,498) |
| Inventories | (720,267) | 2,310,680 |
| Prepaid assets and other | (1,168,850) | 1,731,333 |
| Accounts payable | (1,665,212) | 741,436 |
| Accrued liabilities | (94,218) | (1,004,732) |
| Accrued income taxes payable | (2,978,175) | 18,899 |
| Net cash provided by operating activities | (2,022,809) | 6,518,941 |
| Investing Activities: | | |
| Capital expenditures | (3,536,603) | (10,054,972) |
| Disposal of fixed assets | 81,846 | 4,976,236 |
| Proceeds from sale and purchase of marketable securities and investments | (490,000) | (341,051) |
| Net cash (used) provided in investing activities | (3,944,757) | (5,419,787) |
| Financing Activities: | | |
| Dividends paid | 0 | 0 |
| Repayment of cash to shareholder | 0 | (10,550,000) |
| Dividends paid by consolidated subsidiary to minority shareholder | 0 | 0 |
| Cash received by consolidated subsidiary from minority shareholder | 0 | 0 |
| Issuance of additional long-term debt | 174,312 | 0 |
| Repayments of long-term debt obligations | (1,070,739) | (1,801,517) |
| Proceeds (repayments) of notes payable | 209,120 | (136,431) |
| Net cash (used) provided in financing activities | (687,307) | (12,487,948) |
| Increase (decrease) in cash and cash equivalents | (6,654,873) | (11,388,794) |
| Cash and cash equivalents at beginning of the year | 20,160 | 0 |
| Effect of exchange rate changes in cash and cash equivalents | 9,038,828 | 18,280,808 |
| Cash and cash equivalents at the end of first half year | 2,404,115 | 6,892,014 |

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NOTES

Sales breakdown and incoming orders

| Sales | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|-------------|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| thereof | | | | |
| production | 28.203 | 24.999 | 12.8% | 26.099 |
| development | 0.801 | 0.636 | 25.9% | 2.143 |
| others | 0.236 | 0.005 | 4617.6% | 0.348 |

Figures in EUR million or %

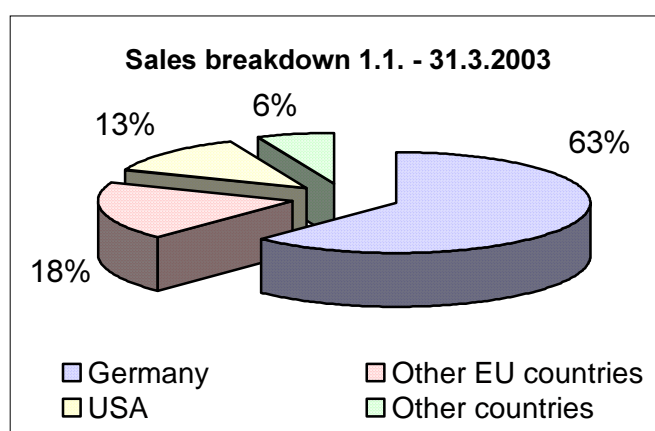
In the first quarter of 2003 the ELMOS Group achieved total revenue of EUR 29.2 million. This tallies with a growth of 14% in comparison to last year's given period. While production sales, increased by 12.8% in a very difficult overall economic situation, meet exactly the year's plan, the growth in development sales points to the great number of current development projects.

The sequential comparison with the fourth quarter of 2002 also shows a very pleasant increase in production by no less than 8% while design sales are lower than in the fourth quarter 2002 by approx. 60% due to seasonal differences resulting in a total growth of 2% compared to the fourth quarter. A very solid order situation since the end of last year made its contribution. With that, quarterly sales achieved are among the best in Company history.

Sales distribution according to regions affirms the trend towards Germany playing a central part in the automotive core business at present. Compared to the fourth quarter 2002 the share rose by roughly 30%. At the same time shares in the other EU countries and the United States decreased each by more than 30%. Germany's strength is founded on a solidly high demand for premium cars, especially those manufactured by BMW, as well as new product starts.

Sales of the ELMOS Group can be roughly divided into three segments. First of all, there is the semiconductor core business transacted by the various national branches in Germany, France, and the United States. In addition to that, third-party sales are made in the MEMS sensor segment up to now exclusively achieved by the subsidiary SMI in the U.S. The third segment is sales in the assembly segment achieved by the subsidiary eurasem.

The reporting on segmentation underlines the successful overall trend of the Group. The semiconductor business grows by roughly 6% compared to the first quarter of 2002, sequentially by another 3% compared the fourth quarter. The weak constitution of the export markets Western Europe and United States is overcompensated for with solid sales in Germany.



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| Segmental reporting | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|-------------------------------------|-----------|-----------|----------------------------|-----------|
| Orders received of the group | 32.669 | 23.285 | 40.3% | 31.743 |
| thereof | | | | |
| Semiconductor | 29.087 | 21.692 | 34.1% | 28.514 |
| MEMS, third party | 2.532 | 0.932 | 171.7% | 2.099 |
| Assembly, third party | 1.050 | 0.661 | 58.9% | 1.130 |
| Total sales of the group | 29.240 | 25.640 | 14.0% | 28.591 |
| thereof | | | | |
| Semiconductor | 25.515 | 24.102 | 5.9% | 24.795 |
| MEMS, third party | 2.598 | 0.854 | 204.2% | 2.890 |
| Assembly, third party | 1.128 | 0.685 | 46.0% | 0.906 |
| <i>Figures in EUR million or %</i> | | | | |
| Book-to-Bill of the group | 1.12 | 0.91 | | 1.11 |
| thereof | | | | |
| Semiconductor | 1.14 | 0.90 | | 1.15 |
| MEMS, third party | 0.97 | 1.09 | | 0.73 |
| Assembly, third party | 0.93 | 0.96 | | 1.25 |

The positive development in micro-mechanics is reflected in a total growth of EUR 1.7 million, equaling a plus of 204% compared to the first quarter 2002 owing, above all, to the acquisition of the ICS MEMS production line in last year's third quarter. The decrease in sales in comparison to the fourth quarter is exclusively due to a different exchange rate. The development of the assembly business has been pleasant as well. The upward trend already observed in the year 2002 has continued with third-party sales of EUR 1.1 million.

The receipt of orders in the first quarter of 2003 is also positive in comparison to last year's given period. A growth by 40% is recorded compared to the previous year. A positive trend is detectable in all three companies, with SMI showing special effects owing to the acquisition of the ICS MEMS production line. Even compared to the fourth quarter, by 8% the increase in the receipt of orders turns out notably high. This is due exclusively to the semiconductor segment.

Costs of sales and gross profit

| Costs of sales and gross profit | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|--|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Cost of sales | 14.127 | 13.779 | 2.5% | 13.839 |
| % of sales | 48.3% | 53.7% | | 48.4% |
| Gross profit | 15.114 | 11.862 | 27.4% | 14.752 |
| % of sales | 51.7% | 46.3% | | 51.6% |
| <i>Figures in million Euro or %</i> | | | | |

Cost-cutting measures put to practice successfully as well as an increased utilization of the manufacture segments lead to a disproportionately low rise in production costs of EUR 14.1 million, resulting in a gross operating result of EUR 15.1 million or 52% of sales.

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| Gross margin | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|---------------------------------------|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Semiconductor sales | 25.515 | 24.102 | 5.9% | 24.795 |
| Semiconductor gross profit | 14.259 | 11.697 | 21.9% | 14.480 |
| Gross margin semiconductor | 55.9% | 48.5% | 15.3% | 58.9% |
| MEMS, third party sales | 2.598 | 0.854 | 204.2% | 2.890 |
| MEMS, third party gross profit | 0.809 | 0.240 | 237.1% | 0.761 |
| Gross margin MEMS, third party | 31.1% | 28.1% | 10.7% | 26.3% |
| Assembly, third party sales | 1.128 | 0.685 | 46.0% | 0.906 |
| Assembly, third party gross profit | 0.119 | (0.123) | - | (0.300) |
| Gross margin Assembly, third party | 10.5% | -18.0% | - | -33.1% |
| <i>Figures in million Euro or %</i> | | | | |

The gross margin of the semiconductor segment is 56%, better by 15% than the comparative figure of the first quarter 2002. The sequential change from the fourth quarter 2002 is based above all on the annual price reduction of approx. 5% and exchange rate effects.

Micro-mechanics shows a significant upward trend. The gross margins of the fourth quarter of 2002 and the first quarter of 2003 are extremely pleasant since extraordinary charges had to be endured owing to the bringing together of the manufacture in the respective quarters.

With respect to the assembly segment, progress is recorded at eurasem with a positive development of margins (Q1 / 2002: -18%, Q4 / 2002: -33%, Q1 / 2003: +11%).

Research and development

| Research and development | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|-------------------------------------|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Research and development | 4.930 | 4.678 | 5.4% | 4.239 |
| % of sales | 16.9% | 18.2% | | 14.8% |
| <i>Figures in million Euro or %</i> | | | | |

Research and development expenditure of roughly EUR 4.9 million in the first quarter of 2003 tallies with approx. 17% of the revenue. Included are increased development expenses due to the expansion of design capacity, for instance the intensified cooperation with outside design firms.

Marketing, selling and general & administrative expenses

| Marketing, selling and general & administrative expenses | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|---|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Marketing and selling expenses | 1.589 | 1.306 | 21.6% | 1.772 |
| % of sales | 5.4% | 5.2% | | 6.2% |
| General and administrative exp. | 3.165 | 2.802 | 12.9% | 2.805 |
| % of sales | 10.8% | 10.9% | | 9.8% |
| <i>Figures in million Euro or %</i> | | | | |

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Marketing and distribution costs rose by approx. 22% as compared to the first quarter of the previous year, coming to roughly EUR 1.6 million. Expenses for the worldwide expansion are reflected in the increasing marketing and distribution costs. Separate quarters are distinguished by disproportionately large expenses for trade fair participation, for example in the Convergence 2002 in Detroit, U.S.A. With regard to the revenue, the level of marketing and distribution costs remained roughly comparable to last year's period.

General administration costs rose slightly to roughly EUR 3.2 million coming to about 11% of the revenue again. The proportionate increase is accompanied by an expanded consolidation to which now belong GED and ELMOS Süd, among others.

Operating income

| Operating income | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|-------------------------|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Operating income | 5.430 | 3.076 | 76.5% | 5.937 |
| <i>% of sales</i> | 18.6% | 12.0% | | 20.8% |

Figures in million Euro or %

The operating result reached roughly EUR 5.4 million or 19% of sales in the first quarter of 2003. With that, it rose by a total EUR 2.4 million or 77% compared to last year's period. This is an expression of the improved profits and sales situation of the whole Group which is reflected in the separate statements of the companies ELMOS, SMI, and eurasem. The decrease by 9% in comparison to the fourth quarter of 2002 is based on risen expenditure for research and development. At eurasem operating losses were further reduced; in 2003 the breakeven point will be reached.

Interest expenses, foreign exchange losses and other income

| Interest expense, foreign exchange losses & other income | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|---|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Interest expense | 0.943 | 0.740 | 27.4% | 1.149 |
| Foreign exchange losses | (0.216) | (0.046) | 365.6% | (0.043) |
| Other income | (0.225) | (0.186) | 20.9% | (0.046) |
| Subtotal interest expense, foreign exchange losses & other income | 0.502 | 0.508 | -1.2% | 1.060 |
| <i>% of sales</i> | 1.7% | 2.0% | | 3.7% |

Figures in million Euro or %

Rising interest expenditure in comparison to the previous year is due to liabilities incurred in the course of last year. Currently interest expenses were further reduced by the repayment of long-term liabilities: they decreased sequentially by almost 18% compared to the fourth quarter of 2002. With the conclusion of an initial sale & lease back transaction at an amount of EUR 8.6 million after the first quarter, the interest and cash flow items will improve further in the second quarter.

Exchange rate fluctuations concerning the U.S. dollar were overcompensated for with hedging. Under the item other income government subsidies in connection with research and promotion projects are listed, among others.

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Earnings before interest and taxes (EBIT)

| Earnings before interest and taxes (EBIT) | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|--|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| EBIT | 5.871 | 3.308 | 77.5% | 6.025 |
| <i>% of sales</i> | 20.1% | 12.9% | | 21.1% |

Figures in million Euro or %

In the first quarter of 2003, the income before interest and taxes (EBIT) reached a share of 20% of the revenue or roughly EUR 5.9 million. Compared to last year's period, the income before interest and taxes significantly rose by nearly 78%, illustrating the upward trend.

Pre-tax-profit (EBT)

| Pre-tax-profit (EBT) | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|-----------------------------|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| EBT | 4.928 | 2.568 | 91.9% | 4.876 |
| <i>% of sales</i> | 16.9% | 10.0% | | 17.1% |

Figures in million Euro or %

The income before taxes (EBT) came to a total EUR 4.9 million or roughly 17% of sales. In comparison to last year's first quarter result, about EUR 2.6 million, it nearly doubled.

Net income and earnings per share

| Net income and earnings per share | Q1 / 2003 | Q1 / 2002 | Δ Q1 2003 / 2002 | Q4 / 2002 |
|--|-----------|-----------|----------------------------|-----------|
| Total sales | 29.240 | 25.640 | 14.0% | 28.591 |
| Net income | 2.954 | 1.592 | 85.6% | 2.533 |
| <i>% of sales</i> | 10.1% | 6.2% | | 8.9% |
| Earnings per Share (EPS) in Euro | 0.15 | 0.08 | | 0.13 |

Figures in million Euro or %

The first quarter of 2003 showed a quarterly net income of roughly EUR 3.0 million. This tallies with almost a doubling of last year's period result. Earnings rose sequentially by almost 17% compared to the fourth quarter of 2002.

Earnings per share altogether increased from EUR 0.08 in the first quarter of 2002, to EUR 0.13 in the fourth quarter of 2002, and eventually to EUR 0.15 in the first quarter of 2003. The number of 19.3 million common shares was brought in as the basis of estimation.

Investments

In the first quarter investments in tangible assets were made only to a small extent. Investment in fixed assets came to about EUR 3.5 million in the first quarter of 2003 as compared to roughly EUR 10.1 million in last year's given period. Apart from smaller investments at the locations ELMOS Dortmund, eurasem, and ELMOS NA, expenses were made especially for the upgrade of the new MEMS manufacture of the subsidiary SMI in the United States.

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According to internal calculation of ELMOS, there is no reason for amortization of identified goodwill at present as the subsidiaries are still being expanded and upgraded as scheduled.

Directors dealings

The following members of the management board hold ELMOS' shares or stock options: Knut Hinrichs 41,776 shares, Dr. Klaus Weyer 16,206 shares, Dr. Peter Thoma 6,200 shares and Mr. Reinhard Senf 2,700 shares. The following members of the supervisory board hold ELMOS' shares: Mr. Sporea as a 6,665 shares and Dr Burkhard Dreher 1,900 ELMOS' shares. In the previous quarter, the following transactions took place:

Chairman of the board Knut Hinrichs bought 22,500 shares of the company at EUR 4.57 on March 28, 2003.

EFH ELMOS Finanzholding GmbH continues to hold approximately 11.1 million shares (57,7% of all shares) and is the dominating shareholder of the company. 8.2 million shares (42.3%) are free-floating and are traded at the FSE Prime Standard.

Events of particular significance

At the end of the fiscal year 2002, ELMOS founded the two companies ELMOS Central IT Services GmbH & Co. KG and ELMOS Facility Management GmbH & Co. KG. Starting at the beginning of the first quarter these two companies cover the IT and facility management sectors, respectively, for the ELMOS group. The new companies were provided with necessary staff and appropriate assets.

In February, Sergio Garue joined the company to become Deputy Managing Director and Corporate Vice President of the international Sales and Marketing activities of the ELMOS group. Before ELMOS he was Group Vice President and General Manager of the Audio & Automotive Division at STMicroelectronics. There he developed a wide product portfolio ranging from smart power ICs to dedicated automotive micro-controller and car multimedia system-on-chip products.

Sergio Garue, born 1950 in Milan, Italy, graduated in Theoretical Physics at the University of Milan in 1974. After two years with Honeywell Information Systems, he started his career at SGS-ATES in 1978 heading the New Technologies Group for bipolar processes and logic design. In 1987 he became Product Manager of the Automotive Dedicated ICs at SGS-Thomson, now STMicroelectronics.

Starting on March 24th 2003, ELMOS Semiconductor AG belongs to the "TecDAX", which is a selected index representing the 30 largest technology companies in Germany.

At the Annual General Meeting of the company on April 30th 2003 among other the following resolutions has been passed:

- The retained earnings of the ELMOS Semiconductor AG of EUR 20,461,439.96 are carried forward to new accounts. As a result no dividend for the year 2002 will be paid to the shareholders.
- Dr. Karl-Thomas Neumann, head of "electrics and electronics" at the Volkswagen Group, was elected as a new member of the supervisory board.

Human resources

As of March 31st, 2003 the ELMOS group employed 868 staff members, thereof 498 employees at ELMOS Dortmund, 141 employees at eurasem, 69 employees at SMI and 26 at GED.

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Accompanying notes to consolidated financial statements

The consolidated financial statements of March 31st are prepared according to the principles of the United States generally accepted accounting principles (US GAAP). This quarterly report has been limited reviewed by Ernst & Young AG, Dortmund. Some information and statements of the official annual US GAAP consolidated financial statements and annexes have been combined or left out. This document should be viewed in conjunction with the audited annual consolidated financial statement with the reporting date December 31st, 2003. For comparison, see accompanying notes to the consolidated financial statements of the Annual Report for the fiscal year ended December 31st, 2002.