

# Quarterly Report Q2/2004

## The strategy is right!

- Quarterly sales  
EUR 35.2 million  
(+16% vs. Q2/03)
- Gross margin  
51.3% of sales  
(50.1% in Q2/03)
- EBIT: EUR 7.4 million  
(+39% vs. Q2/03)
- Net profit margin:  
12.6% of sales  
(8.2% in Q2/03)
- Quarterly EPS:  
EUR 0.23  
(+79% vs. Q2/03)

Dear shareholders,

ELMOS was remarkably successful in the first half-year 2004. A growth in group sales of almost 18% was achieved in the half-year (16% in the second quarter), matching exactly the scheduled budget level. The fact that the semiconductor segment fully compensated for the negative exchange rate movement due to the low valuation of the dollar (semiconductor sales U.S. and micromechanics) is particularly pleasant. The book-to-bill ratio in the semiconductor core business of 1.13 in the second quarter of 2004 underlines our positive outlook for the third quarter.

The development of profits in the first half-year 2004 clearly went beyond our expectations. Together with internal increases in efficiency and higher utilization, the restructuring carried out in the second half-year 2003 made this extraordinary performance improvement possible. These measures led to an increase of the gross margin to 51.3% and an increase of the EBIT margin to 21.1% in the second quarter. With reference to the first half-year 2004, the EBIT margin rose to 20.3% from 18.9% in the previous year's period. The period's net income almost doubled to EUR 4.4 million. This results in earnings per share of EUR 0.23 as compared to EUR 0.13 in the previous year's quarter. The first quarter's positive development continued at the subsidiary companies *SMI* and *eurasem*. Both subsidiaries made positive contributions to the gross profit as well as the operating income.

The high number of new development projects, whose future sales volume surpassed the volume of the good year 2003 by half-year count already, indicates very clearly that our planned long-term growth of more than 20% p.a. has a solid foundation.

In July 2004 we managed to place an application featuring our patented HALIOS technology with our desired telecom customer. It is also extremely pleasant that this customer had us grant him exclusive options on further HALIOS applications. While this process proved more time-consuming than expected, it is important to note that we succeeded in positioning our strategy, convictions, and superior technology in the end. To ELMOS this means the penetration of another growth market ideally complementing the core business, the automobile industry.

We do not expect ELMOS to be affected by a sagging market in the second half-year. We will decide on the possible raising of the earnings targets after the third quarter.



Knut Hinrichs  
Chairman of the  
Management Board

Dortmund, August 11, 2004

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# Quarterly Report Q2/2004

## Consolidated balance sheet

EUR, US-GAAP, 6 month period unaudited, FY 2003 audited	as of June 30, 2004	as of Dec. 31, 2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	17,043,346	17,426,927
Marketable securities	7,257,297	8,438,742
Trade accounts receivable	29,937,406	26,566,875
Inventories	22,873,124	22,132,468
Prepaid expenses and other	9,809,574	8,757,505
<b>Total current assets</b>	<b>86,920,747</b>	<b>83,322,517</b>
Deferred taxes	12,917,634	12,709,374
Intangible assets:		
Goodwill after depreciation	7,622,344	7,622,344
Software	31,174,301	28,715,741
Less accumulated depreciation	(7,911,833)	(7,445,770)
	30,884,812	28,892,315
Investments in unconsolidated subsidiaries	436,239	342,739
Property, plant and equipment:		
Land	7,388,336	6,565,486
Buildings and improvements	62,522,187	60,185,797
Technical equipment and machinery	100,619,290	96,317,333
Construction in progress	5,997,912	6,219,503
Less accumulated depreciation	(95,029,361)	(89,226,962)
	81,498,364	80,061,157
<b>Total assets</b>	<b>212,657,796</b>	<b>205,328,102</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Amounts payable to banks	18,708,905	17,638,171
Trade accounts payable	8,763,634	7,945,390
Provisions for salaries and wages, social security benefits and taxes	4,010,596	3,758,365
Other accrued liabilities	4,000,753	4,255,810
Accrued income taxes	3,869,283	1,853,268
Current portion of long-term obligations	4,033,735	4,017,395
<b>Total current liabilities</b>	<b>43,386,906</b>	<b>39,468,399</b>
Long-term obligations, less current portion	36,955,964	38,898,265
Non current liabilities	2,043,979	2,104,340
Minority interest	134,907	178,496
Shareholders' equity:		
Share capital	19,300,000	19,300,000
Paid-in capital	84,800,644	84,716,644
Accumulated other comprehensive income (loss)	(8,800,150)	(8,613,429)
Retained earnings	34,835,546	29,275,387
<b>Total shareholders' equity</b>	<b>130,136,040</b>	<b>124,678,602</b>
<b>Total liabilities and shareholders' equity</b>	<b>212,657,796</b>	<b>205,328,102</b>

# Quarterly Report Q2/2004

## Consolidated statements of income

EUR, US-GAAP, unaudited	Q2 / 2004	Q2 / 2003	1.1. – 30.6. 2004	1.1. – 30.6. 2003
Net sales	35,193,669	30,317,461	70,170,527	59,557,807
Cost of sales	17,130,800	15,128,519	34,391,087	29,255,267
<b>Gross profit</b>	<b>18,062,869</b>	<b>15,188,942</b>	<b>35,779,440</b>	<b>30,302,540</b>
Research and development expenses	5,928,215	5,205,251	11,830,347	10,135,204
Marketing and selling expenses	1,708,067	1,694,075	3,355,994	3,282,826
General and administrative expenses	3,075,091	3,252,931	6,128,337	6,418,063
<b>Operating income</b>	<b>7,351,496</b>	<b>5,036,685</b>	<b>14,464,762</b>	<b>10,466,447</b>
Interest expense	843,390	1,119,587	1,621,195	2,062,169
Foreign exchange losses (gain), net	22,591	137,524	153,045	(78,690)
Other expense (income), net	(95,529)	(460,672)	100,396	(685,266)
<b>Income before income taxes, equity in losses of unconsolidated subsidiaries and minority interest</b>	<b>6,581,044</b>	<b>4,240,246</b>	<b>12,590,126</b>	<b>9,168,234</b>
Income tax expenses	2,112,439	1,711,922	4,385,833	3,674,607
<b>Net income before equity in losses of unconsolidated subsidiaries and minority interest</b>	<b>4,468,605</b>	<b>2,528,324</b>	<b>8,204,293</b>	<b>5,493,627</b>
Equity in losses of unconsolidated subsidiaries	0	54,000	0	54,000
Minority interest in earnings of consolidated subsidiaries	34,436	(86)	135,134	10,783
<b>Net income</b>	<b>4,434,169</b>	<b>2,474,410</b>	<b>8,069,159</b>	<b>5,428,844</b>

## Consolidated statements of changes in shareholders' equity

EUR, US-GAAP, 6 month period unaudited, FY 2002 / 2003 audited	Shares	Share Capital	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
<b>Balance as of December 31, 2002</b>	<b>19,300,000</b>	<b>19,300,000</b>	<b>84,615,844</b>	<b>(10,734,523)</b>	<b>19,259,765</b>	<b>112,441,086</b>
Net income					10,015,622	10,015,622
Cash dividends					-	-
Stock options granted			100,800			100,800
Change in unrealized gains (losses) on marketable securities (net of tax)				3,203,498		3,203,498
Foreign currency translation adjustment				(1,082,404)		(1,082,404)
<b>Balance as of December 31, 2003</b>	<b>19,300,000</b>	<b>19,300,000</b>	<b>84,716,644</b>	<b>(8,613,429)</b>	<b>29,275,387</b>	<b>124,678,602</b>
Net income					8,069,159	8,069,159
Cash dividends					(2,509,000)	(2,509,000)
Stock options granted			84,000			84,000
Change in unrealized gains (losses) on marketable securities (net of tax)				(529,713)		(529,713)
Foreign currency translation adjustment				342,992		342,992
<b>Balance as of June 30, 2004</b>	<b>19,300,000</b>	<b>19,300,000</b>	<b>84,800,644</b>	<b>(8,800,150)</b>	<b>34,835,546</b>	<b>130,136,040</b>

# Quarterly Report Q2/2004

## Consolidated statements of cash flow

EUR, US-GAAP, unaudited	Jan 1 to June 30, 2004	Jan 1 to June 30, 2003
<b>Operating Activities:</b>		
Net income	8,069,159	5,428,844
Depreciation	6,781,419	7,914,389
Deferred income taxes	(296,687)	1,638
Minority interest	135,134	10,783
Equity in losses of unconsolidated subsidiaries	0	54,000
Stock options granted	84,000	0
Changes in operating assets and liabilities:		
Accounts receivable	(3,370,531)	(5,827,990)
Inventories	(740,656)	(784,014)
Prepaid expenses and other	(1,052,069)	(1,490,137)
Accounts payable	818,244	(1,573,696)
Accrued liabilities	(2,826)	838,508
Accrued income taxes payable	2,016,015	(6,207,619)
Net cash provided by (used for) operating activities	<b>12,441,202</b>	<b>(1,635,294)</b>
<b>Investing Activities:</b>		
Capital expenditures	(10,103,993)	(10,165,099)
Disposal of fixed assets	348,315	10,688,641
Proceeds from sale and purchase of marketable securities and investments	206,707	(990,000)
Net cash provided by (used for) investing activities	<b>(9,548,971)</b>	<b>(466,458)</b>
<b>Financing Activities:</b>		
Dividends paid	(2,509,000)	0
Dividends paid by consolidated subsidiary to minority shareholder	(170,000)	(75,000)
Issuance of additional long-term debt	71,722	0
Repayments of long-term obligations	(2,058,045)	(396,300)
Proceeds (repayments) of notes payable	1,070,734	1,801,718
Net cash provided by (used for) in financing activities	<b>(3,594,589)</b>	<b>1,330,418</b>
Increase (decrease) in cash and cash equivalents	(702,358)	(771,334)
Effect of exchange rate changes in cash and cash equivalents	318,777	142,340
Cash and cash equivalents at beginning of the year	17,426,927	9,038,828
Cash and cash equivalents at end of the period	17,043,346	8,409,834

# Quarterly Report Q2/2004

## NOTES

### Sales breakdown

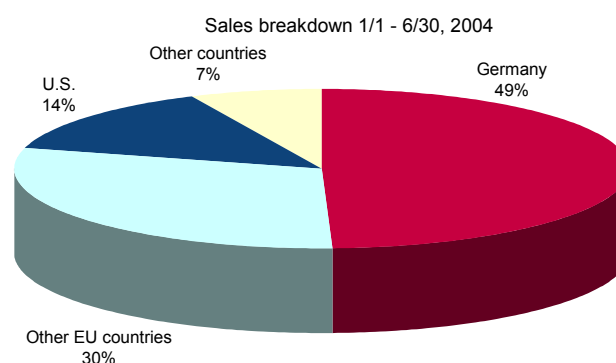
<b>Net Sales</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Thereof						
production	33.438	28.578	17.0%	67.267	56.782	18.5%
development	1.661	1.660	0.0%	2.705	2.461	9.9%
others	0.095	0.079	20.8%	0.199	0.315	(36.7%)

*Figures in EUR million or %*

The ELMOS Group achieved record sales of EUR 35.2 million in the second quarter of 2004, thus surpassing this year's extraordinarily successful first quarter. In comparison with last year's second quarter, sales were increased by roughly 16%. Sales from production were the principal driving force behind this growth, while development sales remained on a similarly high level as in the previous year.

Compared to the first half-year 2003, the revenue was increased by 17.8%. Again, production sales made the decisive contribution to this growth. By semi-annual comparison, development sales rose by roughly 10% to EUR 2.7 million.

The regional distribution of sales in the first half-year 2004 more or less corresponds to the first quarter's sales breakdown. In comparison with the first half-year 2003, Germany's relative share decreased in favor of the other EU countries. This is primarily due to higher sales proceeds achieved with the French key customers Autoliv and Valeo. The U.S. sales share was increased slightly from 13% to 14% of the total revenue despite the weak U.S. dollar.



The first quarter's positive trend regarding the acquisition of new development projects continued. In the first half-year 2004, altogether 16 new development projects with a future series sales volume of more than EUR 230 million were won. This sales volume already exceeds the volume of the entire year 2003.

### Costs of sales and gross profit

<b>Costs of sales and gross profit</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Cost of sales	17.131	15.129	13.2%	34.391	29.255	17.6%
% of sales	48.7%	49.9%		49.0%	49.1%	
Gross profit	18.063	15.189	18.9%	35.779	30.303	18.1%
% of sales	51.3%	50.1%		51.0%	50.9%	

*Figures in EUR million or %*

In comparison to the previous year's quarter, costs of sales grew disproportionately low to the revenue at 13.2%, finding expression in a significantly improved gross margin of 51.3%. Without the sale & lease-back transactions carried out in 2003, the gross margin of the second quarter of 2004 would have been even higher by more than three points (54.9%). The clearly reduced costs of sales result from the production's restructuring in the second half-year 2003 as well as the rising utilization of production facilities. Because of its clear improvement in the second quarter of 2004, the gross margin remained stable at about 51% by semi-annual comparison.

# Quarterly Report Q2/2004

## Research and development

<b>Research and development</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Research and development	5.928	5.205	13.9%	11.830	10.135	16.7%
<i>% of sales</i>	16.8%	17.2%		16.9%	17.0%	

*Figures in EUR million or %*

Research and development expenditure grew at a lower rate than sales did. However, total research and development expenses increased to EUR 5.9 million in the second quarter of 2004, continuing to equal roughly 17% of the revenue. The same picture is evoked by semi-annual comparison. On the whole, EUR 11.8 million were expensed for research and development in the first half-year 2004; this tallies with an increase of 16.7% compared to the first half-year 2003. Here as well, efficiency measures taken in 2003 had a cost-reducing effect, resulting in a disproportionately low increase in costs considering the numerous new projects.

## Marketing, selling, and general and administrative expenses

<b>Marketing, selling and general &amp; administrative expenses</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Marketing and selling expenses	1.708	1.694	0.8%	3.356	3.283	2.2%
<i>% of sales</i>	4.9%	5.6%		4.8%	5.5%	
General and administrative exp.	3.075	3.253	(5.5%)	6.128	6.418	(4.5%)
<i>% of sales</i>	8.7%	10.7%		8.7%	10.8%	

*Figures in EUR million or %*

Compared to both the second quarter of 2003 and the first half-year 2003, marketing and selling expenses as well as general and administrative expenses were clearly reduced in 2004 in terms of the percentage. While marketing and selling expenses remained at roughly EUR 1.7 million in the second quarter of 2004, general and administrative expenses even decreased to EUR 3.1 million owing to restructuring and cost-cutting measures. As in the first quarter of 2004, marketing and selling expenditure came to almost 5%, general and administrative expenses came to just under 9% of sales. These percentages are significantly below the previous year's.

## Operating income

<b>Operating income</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Operating income	7.351	5.037	46.0%	14.465	10.466	38.2%
<i>% of sales</i>	20.9%	16.6%		20.6%	17.6%	

*Figures in EUR million or %*

The operating income amounted to EUR 7.4 million in the second quarter of 2004, at 20.9% of sales even exceeding the first quarter's margin of 20.3%. In comparison with the second quarter of 2003, the margin rose by 4.3 percentage points. This also becomes apparent by the disproportionately high increase of 46% compared to the revenue. Semi-annual comparison supports the positive development with an improvement of the operating income to EUR 14.5 million or 20.6% of sales. The increased operating income reflects the improved production utilization and the cost structure made more efficient.

# Quarterly Report Q2/2004

## Foreign exchange losses and other expenses (income)

<b>Foreign exchange losses &amp; other income</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Foreign exchange losses	0.023	0.138	(83.6%)	0.153	(0.079)	(294.5%)
Other expenses (income)	(0.096)	(0.461)	(79.3%)	0.100	(0.685)	(114.7%)

*Figures in EUR million or %*

Foreign exchange losses markedly decreased in comparison to the previous year's quarter. In the first half-year 2004 they continued to range at a low level. The item "other expenses" comprises various smaller separate items.

## Earnings before interest and taxes (EBIT)

<b>Earnings before interest and taxes (EBIT)</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
EBIT	7.424	5.360	38.5%	14.211	11.230	26.5%
% of sales	21.1%	17.7%		20.3%	18.9%	

*Figures in EUR million or %*

Compared to the previous year, earnings before interest and taxes (EBIT) were increased significantly by 38.5% to EUR 7.4 million. Thus the EBIT margin of 21.1% of sales surpassed the targeted 20% mark for the first time since the first quarter of 2003. By semi-annual comparison, at 20.3% the EBIT margin was also clearly higher than the first half-year's margin of 2003, at 18.9%.

## Interest expense

<b>Interest expense</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Interest expense	0.843	1.120	(24.7%)	1.621	2.062	(21.4%)

*Figures in EUR million or %*

Due to the repayment of long-term liabilities and improved interest conditions, in the second quarter of 2004 interest expenses decreased to EUR 0.8 million as compared to the previous year's given period. The semi-annual comparison shows a similar development: Interest and similar expenses in the first half-year 2004 were lower by 21.4% than they were in the first half-year 2003.

## Earnings before taxes (EBT)

<b>Pre-tax-profit (EBT)</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
EBT	6.581	4.240	55.2%	12.590	9.168	37.3%
% of sales	18.7%	14.0%		17.9%	15.4%	

*Figures in EUR million or %*

Earnings before taxes (EBT) came to an amount of EUR 6.6 million, or roughly 19% of sales, in the second quarter of 2004. This equals an increase of more than 55% compared to the previous year's quarter. By semi-annual comparison, the margin was also clearly improved, from 15.4% in 2003 to 17.9% in 2004.

# Quarterly Report Q2/2004

## Net income and earnings per share

Net income and earnings per share	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
Total sales	35.194	30.317	16.1%	70.171	59.558	17.8%
Net income	4.434	2.474	79.2%	8.069	5.429	48.6%
% of sales	12.6%	8.2%		11.5%	9.1%	
Earnings per Share (EPS) in Euro	0.23	0.13		0.42	0.28	

Figures in EUR million or %

The low tax rate of about 32% favored the development of the second quarter's net income in comparison to the previous year, achieving a growth rate of almost 80%. For the medium term, we estimate a tax rate of about 37%. The second quarter's net income 2004 came to EUR 4.4 million or 12.6% of sales. Earnings per share rose to EUR 0.23 as compared to EUR 0.13 in the previous year's quarter.

By semi-annual comparison, the net income was increased by almost 50% to EUR 8.1 million. Earnings per share came to EUR 0.42 for the first half-year 2004. The number of 19.3 million common shares served as the basis for calculation.

## Liquidity

The positive cash flow provided by operating activities in the first quarter of 2004 was clearly increased to EUR 12.4 million in the half-year. This is juxtaposed by a negative cash flow from operating activities of EUR 1.6 million in the first half-year 2003. Capital expenditure on tangible assets amounted to EUR 10.1 million in the first half-year 2004; overall cash used for investing activities amounted to EUR 9.5 million. Capital expenditure in the second quarter concerned the semiconductor (EUR 3.6 million) and assembly segments (EUR 2.5 million) for the most part. In detail, capital expenditures benefited the extension of front-end and back-end in Dortmund, and at *eurasem* a plot of land was purchased and additional investments were made in buildings and fittings.

According to ELMOS evaluation, there is no reason at present for the amortization of identified goodwill, as the subsidiaries continue to develop as scheduled.

The free cash flow of the first half-year 2004 came to EUR 2.9 million in comparison with the negative EUR 2.1 million in the previous year's given period. This improvement was achieved in spite of capital expenditures on a comparable level and without any cash inflow from sale & lease-back transactions (first half-year 2003: EUR 10.7 million). Cash amounted to EUR 17.0 million as of June 30, 2004.

## Segmental reporting

The ELMOS Group's semiconductor core business is operated through the various group companies in Germany, France, and the U.S. The subsidiary *SMI* achieves sales in the micromechanical sensor segment (MEMS) in the United States. Third-party sales in the assembly segment are generated by the subsidiary *eurasem*.

The segmental reporting for the second quarter of 2004 shows a similar picture as in the first quarter of 2004. The second quarter's significant growth in comparison to the previous year's quarter primarily resulted from the semiconductor core business whose third-party sales rose by 19.6%. Third-party sales made in micromechanics were increased by 13.7% compared to the previous year's quarter despite the weak dollar. Based on the U.S. dollar, sales would have increased by roughly 19% in comparison with the previous year's quarter. The assembly segment showed falling sales due to the planned reduction of third-party sales. By semi-annual comparison, the semiconductor segment achieved a growth of 22.3% while micromechanics underwent a 6.1% decline because of the weak dollar.



# Quarterly Report Q2/2004

<b>Segmental reporting</b>	Q2 / 2004	Q2 / 2003	Δ Q2 2004 / 2003	1/1 – 6/30, 2004	1/1 – 6/30, 2003	Δ HY1 2004 / 2003
<b>Total sales of the group</b>	35.194	30.317	16.1%	70.171	59.558	17.8%
Thereof						
Semiconductor	31.869	26.641	19.6%	63.811	52.156	22.3%
MEMS, third party	2.552	2.245	13.7%	4.549	4.843	(6.1%)
Assembly, third party	0.773	1.431	(46.0%)	1.810	2.559	(29.3%)
<b>Book-to-Bill of the group</b>	1.12	1.11		1.08	1.11	
Thereof						
Semiconductor	1.13	1.11		1.08	1.12	
MEMS, third party	1.08	1.13		0.98	1.05	
Assembly, third party	1.00	1.04		0.99	0.99	
<b>Cost of sales of the group</b>	17.131	15.129	13.2%	34.391	29.255	17.5%
Thereof						
Semiconductor	15.094	12.634	19.5%	30.443	23.890	27.4%
MEMS, third party	1.456	1.250	16.4%	2.709	3.039	(10.9%)
Assembly, third party	0.581	1.246	(53.4%)	1.238	2.327	(46.8%)
<b>Gross profit of the group</b>	18.063	15.189	18.9%	35.779	30.303	18.1%
Thereof						
Semiconductor	16.774	14.007	19.8%	33.368	28.266	18.0%
MEMS, third party	1.096	0.995	10.2%	1.840	1.804	2.0%
Assembly, third party	0.193	0.186	3.6%	0.572	0.232	147.0%
<b>Gross margin of the group</b>	51.3%	50.1%		51.0%	50.9%	
Thereof						
Semiconductor	52.6%	52.6%		52.3%	54.2%	
MEMS, third party	43.0%	44.3%		40.5%	37.2%	
Assembly, third party	24.9%	13.0%		31.6%	9.0%	
<b>Operating income of the group</b>	7.351	5.037	46.0%	14.465	10.466	38.2%
Thereof						
Semiconductor	7.057	4.900	44.0%	13.777	10.266	34.2%
MEMS, third party	0.118	(0.056)	310.2%	0.236	0.048	396.3%
Assembly, third party	0.176	0.193	(8.4%)	0.452	0.153	195.9%
<b>Total assets of the group at the end of the period</b>	212.658	209.553	1.5%			
Thereof						
Semiconductor	152.084	153.842	(1.1%)			
MEMS, third party	25.903	25.274	2.5%			
Assembly, third party	34.671	30.437	13.9%			
<b>Capital expenditure of the group</b>	6.316	6.628	(4.7%)	10.104	10.165	(0.6%)
Thereof						
Semiconductor	3.564	4.585	(22.3%)	6.339	6.379	(0.6%)
MEMS, third party	0.216	1.232	(82.5%)	0.698	2.620	(73.4%)
Assembly, third party	2.536	0.811	212.8%	3.067	1.166	163.0%
<b>Depreciation of the group</b>	3.471	4.063	(14.6%)	6.781	7.914	(14.3%)
Thereof						
Semiconductor	2.704	2.991	(9.6%)	5.258	6.110	(13.9%)
MEMS, third party	0.240	0.213	12.7%	0.488	0.479	2.0%
Assembly, third party	0.527	0.859	(38.6%)	1.035	1.326	(22.0%)

Figures in EUR million or %

# Quarterly Report Q2/2004

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In comparison to the first quarter of 2004, the book-to-bill ratio rose in all three segments in the second quarter of 2004. In spite of increasing sales, the book-to-bill ratio in the semiconductor segment was improved beyond the prior year mark to 1.13. The most significant change of this ratio from the first quarter of 2004 is recorded in the micromechanical business, showing the book-to-bill ratio in the second quarter of 2004 at 1.08 close to the prior year level.

In spite of additional burdens stemming from sale & lease-back transactions, the semiconductor segment's gross margin reached 52.6% again, as it did in the second quarter of 2003. The gross margin's improvement at the subsidiary *eurasem* on the previous year's quarter led to a higher gross margin on group level. Compared to the first quarter of 2004, the assembly segment's gross margin declined because of the conversion of production due to rebuilding measures and the production's expansion.

## **Directors' dealings**

The following members of the Management Board held common shares of the company as of June 30, 2004: Dr. Klaus Weyer 16,206 shares, Dr. Peter Thoma 6,200 shares, and Reinhard Senf 1,948 shares. Of the members of the Supervisory Board, Mr. Herbert Sporea had 2,265 and Dr. Burkhard Dreher had 1,900 shares. No notifiable security transactions were carried out in the past period under report

In the second quarter of 2004, a fourth tranche of options was offered for subscription to employees and Management Board members. The options which are not exercisable yet have a strike price of EUR 11.59 at a waiting period of two years and a redemption period of three years. The number of options in circulation is thus increased to 815,357. Of these options, a total 30,000 each per Management Board member were subscribed for as part of the success-oriented remuneration system.

EFH ELMOS Finanzholding GmbH continues to hold about 11.1 million common shares and at roughly 57.7% remains the company's principal single shareholder. Roughly 8.2 million common shares (42.3%) are attributable free-float traded at the Prime Standard stock exchanges. ELMOS Semiconductor AG is part of the German technology index TecDAX 30.

## **Significant events**

After the conclusion of the second quarter of 2004, on July 22, 2004, ELMOS Semiconductor AG announced the penetration of a new market by the placement of the HALIOS principle for an information and telecommunication technology application with a telecommunication company. The customer had us grant him exclusive options on further HALIOS applications. In realizing this application, the subsidiary company Mechaless takes care of the development of hard- and software, and ELMOS manufactures the application specific integrated circuits at the Dortmund location. Finally, the system specific packaging is provided by *eurasem* in the Netherlands.

## **Human resources**

The ELMOS Group had 909 employees as of June 30, 2004. 583 of these were employed at the Dortmund location, 147 at *eurasem*, and 82 at *SMI*.

## **Notes to interim statements**

The consolidated interim statements as of June 30, 2004 have been prepared in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP). This quarterly report has been subject to a limited review by Ernst & Young AG, Dortmund. Certain information and notes included in official U.S. GAAP annual accounts have been summarized or left out. The consolidated interim statements are meant to be considered in connection with the consolidated statements as of December 31, 2004 to be audited. For comparison, the notes to the consolidated financial statements for the fiscal year ended December 31, 2003 shall be considered.

Dortmund, August 11, 2004



Knut Hinrichs  
Chairman of the  
Management Board



Dr. Klaus Weyer  
Board Member



Dr. Peter Thoma  
Board Member



Reinhard Senf  
Board Member