

# Quarterly Report Q3/2004

## Goals for 2004 confirmed

- Quarterly sales  
EUR 36.9 million  
(+19% vs. Q3/03)
- Gross profit  
EUR 18.7 million  
(+18% vs. Q3/03)
- EBIT: EUR 7.4 million  
(+32% vs. Q3/03)
- EBIT margin:  
20.2% of sales  
(18.1% in Q3/03)
- Net profit margin:  
13.0% of sales  
(9.0% in Q3/03)
- Quarterly EPS  
EUR 0.25  
(EUR 0.15 in Q3/03)

Dear shareholders,

in the third quarter, ELMOS Semiconductor AG continued the successful development of the first half-year 2004. Sales of EUR 36.9 million in the third quarter of 2004 exceeded the previous year's quarterly sales by 19%. Within the first nine months of 2004, the turnover was raised to EUR 107.0 million.

The successful start of a large number of products diminished the gross margin only slightly to 50.7% compared to the third quarter of 2003 (51.3%). In the third quarter of 2004, the EBIT at EUR 7.4 million surpassed the EBIT of the third quarter of 2003 by 32.2%. The net profit margin increased by four points to 13.0% in comparison with the previous year's quarter. Earnings per share rose accordingly by 71% from EUR 0.15 to EUR 0.25.

Cash flow from operating activities reached a record level of roughly EUR 26.0 million in the first nine months. The favorable price situation of the third quarter of 2004 was used through production investments. Taking this into consideration, we are expecting higher capital expenditure than the originally budgeted EUR 25 million for the whole year 2004. The confidence we place in the ELMOS Group's future development is supported by the planned capital expenditure on extension regarding the Dortmund location's backend which has been clearly defined in the third quarter of 2004.

The first half-year's good design win record was further improved on in the quarter under report. Six additional new development contracts were won in the third quarter of 2004 indicating projected life cycle sales of approx. EUR 70 million.

In the automotive industry, too, the order intake in the third quarter of 2004 is characterized by orders from customers coming in at shorter notice. However, the book-to-bill of the first nine months of 2004 continues to range at one.

Our long-term strategy has turned out entirely right in the third quarter of 2004. Thus we are able to confirm our goals for the whole year 2004. With our proven policy we will achieve a comparably high growth in the year 2005 as well.



Knut Hinrichs  
Chairman of the  
Management Board

Dortmund, November 10, 2004

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# Quarterly Report Q3/2004

## Consolidated balance sheet

EUR, US-GAAP, 9 month period unaudited, FY 2003 audited	as of Sept 30, 2004	as of Dec. 31, 2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	16,736,767	17,426,927
Marketable securities	6,250,168	8,438,742
Trade accounts receivable	31,908,210	26,566,875
Inventories	23,458,454	22,132,468
Prepaid expenses and other	8,580,223	8,757,505
<b>Total current assets</b>	<b>86,933,822</b>	<b>83,322,517</b>
Deferred taxes	13,428,154	12,709,374
Intangible assets:		
Goodwill after depreciation	7,622,344	7,622,344
Software	33,578,945	28,715,741
Less accumulated depreciation	(8,656,759)	(7,445,770)
	32,544,530	28,892,315
Investments in unconsolidated subsidiaries	680,029	342,739
Property, plant and equipment:		
Land	7,371,835	6,565,486
Buildings and improvements	63,867,515	60,185,797
Technical equipment and machinery	104,448,259	96,317,333
Construction in progress	10,643,419	6,219,503
Less accumulated depreciation	(97,863,232)	(89,226,962)
	88,467,796	80,061,157
<b>Total assets</b>	<b>222,054,331</b>	<b>205,328,102</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Amounts payable to banks	18,721,960	17,638,171
Trade accounts payable	12,826,303	7,945,390
Provisions for salaries and wages, social security benefits and taxes	4,100,417	3,758,365
Other accrued liabilities	4,208,663	4,255,810
Accrued income taxes	5,905,201	1,853,268
Current portion of long-term obligations	3,492,086	4,017,395
<b>Total current liabilities</b>	<b>49,254,630</b>	<b>39,468,399</b>
Long-term obligations, less current portion	36,615,789	38,898,265
Non current liabilities	1,837,533	2,104,340
Minority interest	163,466	178,496
Shareholders' equity:		
Share capital	19,300,000	19,300,000
Paid-in capital	84,842,644	84,716,644
Accumulated other comprehensive income (loss)	(9,576,445)	(8,613,429)
Retained earnings	39,616,714	29,275,387
<b>Total shareholders' equity</b>	<b>134,182,913</b>	<b>124,678,602</b>
<b>Total liabilities and shareholders' equity</b>	<b>222,054,331</b>	<b>205,328,102</b>

# Quarterly Report Q3/2004

## Consolidated statements of income

EUR, US-GAAP, unaudited	Q3 / 2004	Q3 / 2003	1.1. – 30.9. 2004	1.1. – 30.9. 2003
Net sales	36,877,226	31,040,030	107,047,753	90,597,837
Cost of sales	18,162,729	15,129,575	52,553,816	44,384,842
<b>Gross profit</b>	<b>18,714,497</b>	<b>15,910,455</b>	<b>54,493,937</b>	<b>46,212,995</b>
Research and development expenses	6,326,808	5,201,330	18,157,156	15,336,534
Marketing and selling expenses	1,801,111	1,738,720	5,157,105	5,021,546
General and administrative expenses	3,475,020	3,167,905	9,603,356	9,585,969
<b>Operating income</b>	<b>7,111,558</b>	<b>5,802,500</b>	<b>21,576,320</b>	<b>16,268,946</b>
Interest expense	723,085	882,360	2,344,279	2,944,528
Foreign exchange losses (gain), net	(53,819)	155,649	99,226	76,959
Other expense (income), net	(272,920)	20,502	(172,523)	(664,763)
<b>Income before income taxes, equity in losses of unconsolidated subsidiaries and minority interest</b>	<b>6,715,212</b>	<b>4,743,989</b>	<b>19,305,338</b>	<b>13,912,222</b>
Income tax expenses	2,074,857	1,941,801	6,460,691	5,616,408
<b>Net income before equity in losses of unconsolidated subsidiaries and minority interest</b>	<b>4,640,355</b>	<b>2,802,188</b>	<b>12,844,647</b>	<b>8,295,814</b>
Equity in losses of unconsolidated subsidiaries	(166,090)	0	(166,090)	54,000
Minority interest in earnings of consolidated subsidiaries	25,276	(1,170)	160,410	9,613
<b>Net income</b>	<b>4,781,169</b>	<b>2,803,358</b>	<b>12,850,327</b>	<b>8,232,201</b>
<b>Earnings per share</b>	<b>0.25</b>	<b>0.15</b>	<b>0.67</b>	<b>0.43</b>

## Consolidated statements of changes in shareholders' equity

EUR, US-GAAP, 9 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
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					12,850,327	12,850,327
Cash dividends					(2,509,000)	(2,509,000)
Stock options granted			126,000			126,000
Change in unrealized gains (losses) on marketable securities (net of tax)				(1,135,098)		(1,135,098)
Foreign currency translation adjustment				172,082		172,082
<b>Balance as of September 30, 2004</b>	<b>19,300,000</b>	<b>19,300,000</b>	<b>84,842,644</b>	<b>(9,576,445)</b>	<b>39,616,714</b>	<b>134,182,913</b>

# Quarterly Report Q3/2004

## Consolidated statements of cash flow

EUR, US-GAAP, unaudited	Jan 1 to Sept. 30, 2004	Jan 1 to Sept. 30, 2003
<b>Operating Activities:</b>		
Net income	12,850,327	8,232,201
Depreciation	10,617,401	10,847,094
Deferred income taxes	(331,684)	117,130
Minority interest	160,410	9,613
Equity in losses of unconsolidated subsidiaries	(166,090)	54,000
Stock options granted	126,000	0
Changes in operating assets and liabilities:		
Accounts receivable	(5,341,335)	(3,561,458)
Inventories	(1,325,987)	451,943
Prepaid expenses and other	177,282	(5,400,226)
Accounts payable	4,880,913	(4,569,683)
Accrued liabilities	294,906	1,051,359
Accrued income taxes payable	4,051,933	(6,786,138)
Net cash provided by (used for) operating activities	<b>25,994,076</b>	<b>445,835</b>
<b>Investing Activities:</b>		
Capital expenditures	(22,905,968)	(14,402,924)
Disposal of fixed assets	500,957	25,040,602
Proceeds from sale and purchase of marketable securities and investments	129,007	(1,041,432)
Net cash provided by (used for) investing activities	<b>(22,276,004)</b>	<b>9,596,246</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	(3,146,316)	(2,218,730)
Proceeds (repayments) of notes payable	1,083,789	1,103,397
Net cash provided by (used for) in financing activities	<b>(4,669,805)</b>	<b>(1,190,333)</b>
Increase (decrease) in cash and cash equivalents	(951,733)	8,851,748
Effect of exchange rate changes in cash and cash equivalents	261,573	10,084
Cash and cash equivalents at beginning of the year	17,426,927	9,038,828
Cash and cash equivalents at end of the period	16,736,767	17,900,660

# Quarterly Report Q3/2004

## Notes

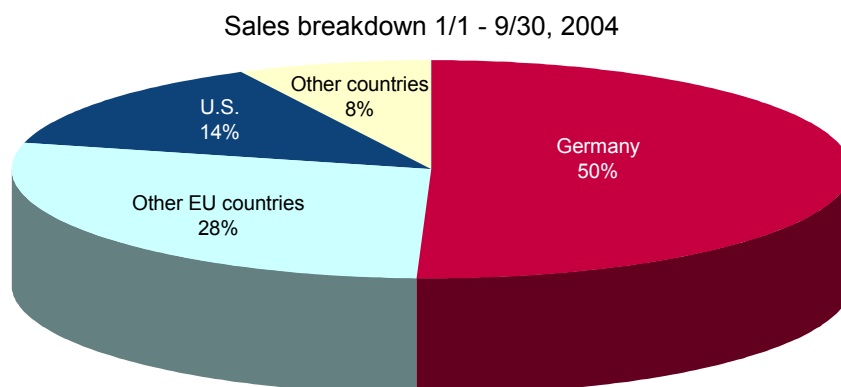
### Sales breakdown

Net Sales	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Thereof						
production	35.418	29.085	21.8%	102.685	85.866	19.6%
development	1.442	1.893	-23.8%	4.147	4.355	-4.8%
others	0.017	0.062	-72.6%	0.216	0.377	-42.7%

*Figures in EUR million or %*

At EUR 36.9 million in the third quarter of 2004, the ELMOS Group achieved record sales once again. In comparison with last year's third quarter, the turnover rose by roughly 19%. By quarterly comparison, sales from production grew by almost 22%. The falling development sales result from a low customer contribution to total development costs as well as from a growing portfolio of group developments (ASSP) containing special ELMOS know-how.

The regional distribution of sales in the third quarter of 2004 showed slight changes in favor of Germany. Correspondingly, the other EU countries recorded a gentle decrease to 28% in the first nine months of 2004. The U.S. sales share remained stable despite disappointing sales in the micromechanical segment.



The high volume of new development projects was even expanded in the third quarter. Within the first nine months of 2004, altogether 22 new development projects were won, representing a future series sales volume of more than EUR 300 million. These so-called design wins are the basis for the ELMOS Group's future growth.

### Costs of sales and gross profit

Costs of sales and gross profit	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Cost of sales	18.163	15.130	20.0%	52.554	44.385	18.4%
% of sales	49.3%	48.7%		49.1%	49.0%	
Gross profit	18.714	15.910	17.6%	54.494	46.213	17.9%
% of sales	50.7%	51.3%		50.9%	51.0%	

*Figures in EUR million or %*

The gross profit clearly surpasses the targeted 50% margin. This is even more remarkable as there were

- a large number of new product ramp-ups in the semiconductor segment with low initial yields and
- delays in ramping production to six inch wafers in the micromechanical segment.

# Quarterly Report Q3/2004

## Research and development

<b>Research and development</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Research and development	6.327	5.201	21.6%	18.157	15.337	18.4%
<i>% of sales</i>	17.2%	16.8%		17.0%	16.9%	

*Figures in EUR million or %*

By quarterly comparison, research and development expenses rose slightly from 16.8% to 17.2% of sales. The increase to EUR 6.3 million in the third quarter of 2004 is due to the large number of new projects won in the year 2003 and the first half-year 2004. Within the first nine months of 2004, research and development expenditure increased by 18.4% to EUR 18.2 million. We are aiming at an increase of this expenditure more or less in proportion to sales in order to provide products and technologies for future growth.

## Marketing, selling, and general and administrative expenses

<b>Marketing, selling and general &amp; administrative expenses</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Marketing and selling expenses	1.801	1.739	3.6%	5.157	5.022	2.7%
<i>% of sales</i>	4.9%	5.6%		4.8%	5.5%	
General and administrative exp.	3.475	3.168	9.7%	9.603	9.586	0.2%
<i>% of sales</i>	9.4%	10.2%		9.0%	10.6%	

*Figures in EUR million or %*

The clear percentage reduction of marketing and selling as well as general and administrative expenses was continued in the third quarter of 2004 as compared to the previous year's quarter. This is the result of the restructuring measures carried out in the last years.

Marketing and selling expenses rose disproportionately low by just 3.6% compared to sales in the third quarter of 2004 and came to 4.9% of sales, in comparison with 5.6% in the previous year's quarter. By nine-month comparison, this development becomes even more distinctive. In the first nine months of 2004, marketing and selling expenses amounted to 4.8% of sales compared to 5.5% in the previous year's given period.

With a reduction from 10.2% of sales in the third quarter of 2003 to 9.4% in the third quarter of 2004, the relative savings regarding general and administrative expenses are even more significant. This is especially true for the first nine months of 2004 when general and administrative expenses came to 9.0% of sales compared to 10.6% in the first nine months of 2003. In spite of a growth in sales of roughly 18%, at EUR 9.6 million general and administrative costs remained almost stable in absolute numbers through the nine-month period in comparison with the previous year.

## Operating income

<b>Operating income</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Operating income	7.112	5.803	22.6%	21.576	16.269	32.6%
<i>% of sales</i>	19.3%	18.7%		20.2%	18.0%	

*Figures in EUR million or %*

An operating income of EUR 7.1 million was achieved in the third quarter of 2004, exceeding the previous year's quarterly income by 22.6%. The margin improvement by 0.6% in comparison with the previous year's quarter is attributable primarily to cost savings affecting general and administrative as well as marketing and selling expenses. By nine-month comparison, the margin even improved by more than two points to above 20%.

# Quarterly Report Q3/2004

## Foreign exchange losses and other income (expenses)

<b>Foreign exchange losses &amp; other income</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Foreign exchange losses	(0.054)	0.156	NA	0.099	0.077	28.9%
Other expenses / (income)	(0.273)	0.021	NA	(0.173)	(0.665)	(74.0%)
<i>Figures in EUR million or %</i>						

In the third quarter of 2004, foreign exchange profits were made on a minor scale. Accumulated with the losses of the first half-year 2004, the result for the first nine months of 2004 is a foreign exchange loss of about EUR 0.1 million. The item "other expenses / (income)" comprises various separate items and mounts up to an income of EUR 0.2 million for the first nine months of 2004.

## Earnings before interest and taxes (EBIT)

<b>Earnings before interest and taxes (EBIT)</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
EBIT	7.438	5.626	32.2%	21.650	16.857	28.4%
% of sales	20.2%	18.1%		20.2%	18.6%	
<i>Figures in EUR million or %</i>						

Compared to the previous year, earnings before interest and taxes (EBIT) rose significantly by 32.2% to EUR 7.4 million. The EBIT margin (20.2%) surpassed the previous year's quarterly margin (18.1%) by more than two points in the third quarter of 2004. In the first nine months, an EBIT margin of 20.2% was achieved as well, equaling an improvement by 1.6 points.

## Interest expense

<b>Interest expense</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Interest expense	0.723	0.882	(18.1%)	2.344	2.945	(20.4%)
<i>Figures in EUR million or %</i>						

Owing to improved interest rate conditions, the interest expense continued to decrease in the third quarter of 2004 compared to the previous year's given period, to EUR 0.7 million. In the nine-month period, interest and similar expenses dropped as well, from EUR 2.9 million by 20.4% to EUR 2.3 million.

## Earnings before taxes (EBT)

<b>Pre-tax-profit (EBT)</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
EBT	6.715	4.744	41.6%	19.305	13.912	38.8%
% of sales	18.2%	15.3%		18.0%	15.4%	
<i>Figures in EUR million or %</i>						

Because of the reduced interest expense, earnings before taxes (EBT) developed even more positively than the EBIT. Compared to the previous year's period, the EBT rose by 41.6% to EUR 6.7 million in the third quarter of 2004. Within the first nine months of 2004, the EBT increased by 38.8% in comparison with the previous year's period. The margin improved by almost three points in the third quarter of 2004 as well as in the first nine months of 2004, to 18.2% and 18.0%, respectively.

# Quarterly Report Q3/2004

## Net income and earnings per share

Net income and earnings per share	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
Total sales	36.877	31.040	18.8%	107.048	90.598	18.2%
Net income	4.781	2.803	70.6%	12.850	8.232	56.1%
% of sales	13.0%	9.0%		12.0%	9.1%	
Earnings per Share (EPS) in Euro	0.25	0.15		0.67	0.43	

Figures in EUR million or %, except for EPS

Earnings per share in the third quarter of 2004 came to EUR 0.25, thus increasing earnings per share in the first nine months of 2004 by 56.1% compared to the previous year's period, to EUR 0.67. The ELMOS Group's internationalization leads to a reduction of the tax rate, from budgetary 40% initially to 35% now. In the quarter under report, additional one-off effects reduced the ratio by another four points.

## Liquidity and capital expenditure

The cash flow from operating activities amounted to EUR 13.6 million in the third quarter of 2004, thereby more than doubling the operating cash flow of the first half-year 2004 to EUR 26.0 million in the first nine months of 2004. This contrasts with an operating cash flow of EUR 0.4 million in the first nine months of the year 2003. Apart from the higher net income, increased trade accounts payable were amongst others a notable contributor to the higher operating cash flow in the third quarter of 2004. The growth of this item is for the most part due to liabilities because of capital expenditure made but not paid by the end of the third quarter.

The capital requirements for investing activities came to EUR 22.3 million in the first nine months of 2004. Capital expenditure in the third quarter 2004 amounted to EUR 12.8 million. At EUR 10.0 million, its majority affected the semiconductor segment. Due to the high production utilization rate, investments were moved forward in this quarter. These investments fill certain bottlenecks in the production process. The assembly segment accounted for EUR 2.2 million, micromechanics for EUR 0.6 million of the capital expenditure. Investments in assembly primarily concerned machines for the manufacture of special packages within the framework of ASIC<sup>plus</sup> projects and the continuing expansion of the acquired neighboring building destined to accommodate the production steps packaging and logistics in the future. At the micromechanics subsidiary SMI, investments were made mainly in machinery and equipment for the ongoing production conversion from 4 to 6 inches.

The operating cash flow more than covered the capital requirements from investing activities in the third quarter of 2004, and liquid assets could be used for the repayment of loans. Liquid assets came to EUR 16.7 million as of September 30, 2004.

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

## 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* in the Netherlands.



# Quarterly Report Q3/2004

<b>Segmental reporting</b>	Q3 / 2004	Q3 / 2003	Δ Q3 2004 / 2003	1/1 – 9/30, 2004	1/1 – 9/30, 2003	Δ 9M 2004 / 2003
<b>Total sales of the group</b>	36.877	31.040	18.8%	107.048	90.598	18.2%
Thereof						
Semiconductor	33.698	27.995	20.4%	97.509	80.151	21.7%
MEMS, third party	2.374	2.315	2.5%	6.924	7.158	(3.3%)
Assembly, third party	0.805	0.730	10.4%	2.615	3.289	(20.5%)
<b>Book-to-Bill of the group</b>	0.86	1.19		1.00	1.14	
Thereof						
Semiconductor	0.87	1.21		1.01	1.15	
MEMS, third party	0.77	1.00		0.91	1.03	
Assembly, third party	0.93	1.04		0.93	1.00	
<b>Cost of sales of the group</b>	18.163	15.130	20.0%	52.554	44.385	18.4%
Thereof						
Semiconductor	15.878	12.892	23.2%	46.321	36.781	25.9%
MEMS, third party	1.641	1.464	12.0%	4.350	4.504	(3.4%)
Assembly, third party	0.644	0.773	(16.6%)	1.883	3.100	(39.3%)
<b>Gross profit of the group</b>	18.714	15.910	17.6%	54.494	46.213	17.9%
Thereof						
Semiconductor	17.820	15.103	18.0%	51.187	43.370	18.0%
MEMS, third party	0.734	0.851	(13.8%)	2.574	2.655	(3.0%)
Assembly, third party	0.161	(0.043)	na	0.733	0.189	na
<b>Gross margin of the group</b>	50.7%	51.3%		50.9%	51.0%	
Thereof						
Semiconductor	52.9%	54.0%		52.5%	54.1%	
MEMS, third party	30.9%	36.8%		37.2%	37.1%	
Assembly, third party	20.0%	(5.9%)		28.0%	5.7%	
<b>Operating income of the group</b>	7.112	5.803	22.6%	21.576	16.269	32.6%
Thereof						
Semiconductor	6.903	5.673	21.7%	20.680	15.939	29.7%
MEMS, third party	0.135	0.222	(39.2%)	0.371	0.269	37.7%
Assembly, third party	0.074	(0.092)	na	0.526	0.060	773.2%
<b>Total assets of the group at the end of the period</b>	222.054	207.977	6.8%			
Thereof						
Semiconductor	160.064	151.098	5.9%			
MEMS, third party	25.847	25.785	0.2%			
Assembly, third party	36.143	31.094	16.2%			
<b>Capital expenditure of the group</b>	12.802	4.238	202.1%	22.906	14.403	59.0%
Thereof						
Semiconductor	9.994	2.394	317.5%	16.333	8.773	86.2%
MEMS, third party	0.639	0.705	(9.4%)	1.337	3.325	(59.8%)
Assembly, third party	2.169	1.139	90.5%	5.236	2.305	127.2%
<b>Depreciation of the group</b>	3.836	2.933	30.8%	10.617	10.847	(2.1%)
Thereof						
Semiconductor	2.825	2.615	8.0%	8.083	8.724	(7.3%)
MEMS, third party	0.313	0.248	26.5%	0.801	0.726	10.3%
Assembly, third party	0.698	0.071	889.3%	1.733	1.396	24.1%

Figures in EUR million or %

# Quarterly Report Q3/2004

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The semiconductor core business's positive situation continued in the third quarter of 2004. In comparison with the third quarter of 2003, third-party sales grew by 20.4%. By nine-month comparison, sales increased even by just under 22%. Third-party sales in the segments micromechanics and assembly rose by 2.5% and 10.4% in the third quarter of 2004, respectively, compared to the previous year's period. Because of delays in ramping up the production to six inch wafers and resulting initial problems with certain products, the segmental growth of micromechanics did not come up to our expectations. External sales of micromechanics slightly declined (-3.3%) by nine-month comparison while third-party sales of the assembly segment fell by 20.5% as scheduled.

The customers' order behavior is characterized by the general situation the semiconductor market is in. Accompanied by signs of overheating during the first half-year and corresponding „panic orders“, the market cycle lead to a more cautious order behavior in the third quarter of 2004, finding expression in a book-to-bill ratio of 0.87 in the semiconductor segment. The accumulated book-to-bill is still at one. Currently, ELMOS does not deem it necessary to adjust its sales projection for either 2004 or 2005.

The semiconductor segment's gross profit reached almost 53% in the third quarter of 2004, falling short of the previous year's quarter's margin by approx. 1%. This was due primarily to the numerous new product ramp-ups in the third quarter of 2004. However, the operating profit margin improved from 20.3% in the third quarter of 2003 to 20.5% in the third quarter of 2004 because of efficiency measures. In micromechanics, individual products' teething problems caused margins to deteriorate by quarterly comparison; in the first nine months of 2004, the margins improved slightly if compared to the previous year's period. Compared to the year before, the assembly segment achieved clear improvements in the third quarter of 2004 as well as in the first nine months into the year 2004. The third quarter's margins went down in comparison with the first half-year 2004 because of the holiday season.

## **Directors' dealings, shareholder structure, and options**

The following members of the Management Board held common shares of the company as of September 30, 2004: Dr. Klaus Weyer, 10,000 shares, Dr. Peter Thoma, 6,200 shares, 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 company shares. In the third quarter, Dr. Klaus Weyer reduced his holdings by 1,166 shares at EUR 13.84 and 5,040 shares at EUR 13.81.

The number of outstanding shares still remains 19.3 million. EFH ELMOS Finanzholding GmbH continues to hold about 11.1 million common shares and remains the company's principal single shareholder at roughly 57.7 percent of the shares. The EFH shareholders are three natural persons. For historical reasons, BMW has utilization rights to a part of the shares held by EFH. As of September 30, 2004, BMW received the equivalent for a part of these shares. Accordingly, the three individuals behind EFH raised their interest in ELMOS to 50% plus one share, privately financed. Approx. 8.2 million common shares (42.3%) are attributable to the free-float traded at the Prime Standard stock exchanges. ELMOS Semiconductor AG is included in the German technology index TecDAX 30.

There are 803,110 stock options in circulation as of September 30, 2004.

## **Human resources**

The ELMOS Group had 939 employees as of September 30, 2004. 605 of these were employed at the Dortmund location, 152 at *eurasem*, and 82 at *SMI*.



Knut Hinrichs  
Chairman of the  
Management Board



Dr. Klaus Weyer  
Board Member



Dr. Peter Thoma  
Board Member



Reinhard Senf  
Board Member

Dortmund, November 10, 2004