ELMOS

REPORT ON THE THIRD QUARTER
JULY 1 – SEPTEMBER 30, 2005

Highlights – third quarter of 2005

- Decline in sales of 6.0 percent compared to prior-year quarter
- Gross profit 46.1 percent of sales
- Net profit margin at 5.3 percent

- Solid book-to-bill at 1.03
- Five design wins with expected life cycle sales of 58.5 million Euro in the third quarter of 2005

Key figures

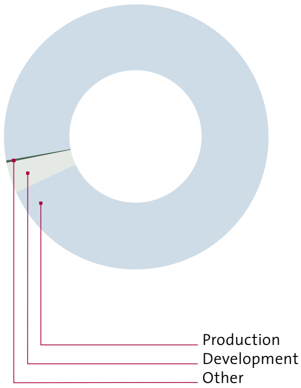
in million Euro or percent unless otherwise indicated	7|1-9|30|2005	7|1-9|30|2004	Change
Sales	**34.7**	**36.9**	**– 6.0%**
Semiconductor	32.5	34.5	– 5.7%
Micromechanics	2.1	2.4	– 9.7%
Gross profit	16.0	18.7	– 14.6%
in percent of sales	46.1%	50.7%	
R&D expenditure	7.0	6.3	11.0%
in percent of sales	20.2%	17.2%	
Operating income	3.5	7.1	– 51.3%
in percent of sales	10.0%	19.3%	
EBIT	**3.6**	**7.4**	**– 51.9%**
in percent of sales	10.3%	20.2%	
Net income	1.8	4.8	– 61.6%
in percent of sales	5.3%	13.0%	
Earnings per share in Euro	**0.09**	**0.25**	**– 61.8%**
Operating cash flow	– 3.6	13.6	– 126.5%
Capital expenditure (fixed assets)	3.5	12.8	– 72.9%
Design wins			
Number	5	6	
Expected life cycle sales (assumption: life of five years)	58.5	71.0	
Expected sales contribution p.a. (assumption: life of five years)	11.7	14.2	

	9|30|2005	12|31|2004	Change
Shareholders' equity	140.7	136.2	3.3%
in percent of total assets	61.3%	62.0%	
Employees as of accounting date	1,034	967	6.9%

▸ Sales development

At 34.7 million Euro, sales of the third quarter of 2005 turn out low and fall short of the prior-year quarter's amount by 6.0 percent. Both the semiconductor core business and the micromechanics segment showed decline by 5.7 and 9.7 percent respectively. This negative development and the reduction of the sales target for 2005 announced in September are due to sales contributions, regarded certain, failing to materialize. After the year 2005 had proven difficult in the spring already, the traditionally strong September was disappointing. Declining production and registration numbers of several relevant car models affected orders. Adding to that, existent orders keep showing an obvious tendency towards the customers' postponements of deadlines at short notice and quantity cuts. The fact that net sales turned out lower than expected reveals a general trend and is attributable neither to massive changes with regard to individual projects nor to separate regional markets. Altogether more than 30 projects are affected by substantial cuts or rescheduling.

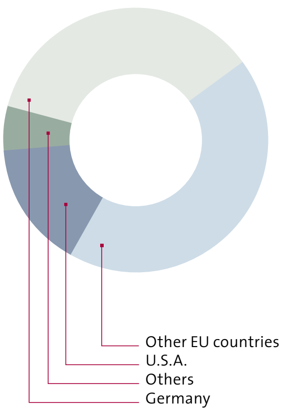
Sales according to origin 9M 2005



Group sales of the first nine months of 2005 came to 111.0 million Euro, thus exceeding the result achieved in the first nine months of 2004 by 3.7 percent due to a stronger first half-year in comparison to the third quarter.

Sales according to origin	1|1-9|30|2005 Thousand Euro	in percent of sales	1|1-9|30|2005 Thousand Euro	in percent of sales	Change
Production	106.3	95.7%	102.7	95.9%	3.5%
Development	4.2	3.8%	4.1	3.9%	2.3%
Other	0.5	0.4%	0.2	0.2%	1.2%
Group sales	**111.0**	**100.0%**	**107.0**	**100.0%**	**3.7%**

Sales according to regions 9M 2005



The breakdown of sales according to origin remains essentially unchanged.

Sales according to regions	1|1 - 9|30|2005 Thousand Euro	in percent of sales	1|1-9|30|2004 Thousand Euro	in percent of sales	Change
Germany	39.6	35.7%	54.2	50.6%	– 26.8%
Other EU countries	48.0	43.2%	30.2	28.2%	59.2%
U.S.A.	17.2	15.5%	14.5	13.6%	18.5%
Others	6.1	5.5%	8.2	7.6%	– 24.9%
Group sales	**111.0**	**100.0%**	**107.0**	**100.0%**	**3.7%**

There were no essential regional shifts of sales in the third quarter of 2005 as compared to the first half-year 2005. Due primarily to changes in the supply chains of several major customers, a shift of the German portion towards the other EU countries is discernible if comparing the first nine months of 2005 with the previous year's period. A gradual increase of the U.S. portion is also noticeable and can be traced back to the success ELMOS North America has achieved.

▸ Order situation

ELMOS refers to a new order won for the development of integrated circuits as a design win. The development of such a chip usually takes between three and four years before serial production can be started. At the time of signing the design win, a price and quantity structure with certain corridors is determined for future serial production.

LONG-TERM DEVELOPMENT: DESIGN WINS

Five new orders were won in the third quarter of 2005, four ASICs and an ASSP. The expected life cycle sales represented by these orders (assumption: life of five years) amount to 58.5 million Euro. Altogether 16 new projects were won in the first nine months of 2005, with expected life cycle sales of about 265 million Euro, as opposed to 22 new projects and 305 million Euro in the period of comparison 2004.

The ratio of orders received to sales (the so-called book-to-bill) serves as an indicator of the short-term orders received. Customers constantly issue release orders to ELMOS; minimum lead times vary depending on the product. According to demand and market situation, customers sometimes issue long-dated orders, sometimes they just observe the minimum lead times.

INDICATOR FOR THE SHORT-TERM ORDER SITUATION: BOOK-TO-BILL

In the third quarter of 2005, at 1.03 the core semiconductor segment's ratio of orders received to sales continued to range soundly above one, resulting in a book-to-bill of 1.03 for both the semiconductor segment and the ELMOS Group in the first nine months of 2005 as well. In 2004 the book-to-bill came to 0.86 in the third quarter and 1.00 with regard to the nine-month period.

▸ Profit situation

Due to lower sales, the gross margin declined in the third quarter of 2005 and only reached 46.1 percent as compared to 50.7 percent in the prior-year quarter. Reasons are sales proving much lower than initially calculated, a relatively large share of fixed costs in production which cannot be reduced significantly in the short term, and a shift of the product mix – outlined in earlier reports already – towards products of greater complexity. The massive changes in the product mix came into full effect only in the quarter under report. The micromechanics segment did not develop as expected due to delayed product qualifications and missing customer releases for individual products.

In the first nine months of 2005, the gross margin comes to 49.2 percent as opposed to 50.9 percent in the previous year's given period.

At 7.0 million Euro, research and development expenditure remain unchanged from the previous quarter, yet this figure now represents 20.2 percent of sales (second quarter 2005: 18.3 percent) because of lower sales achieved in the third quarter of 2005. In the first nine months, R&D expenditure amounts to 18.5 percent of sales.

In absolute numbers, marketing and selling expenses as well as general administrative expenses remained the size of the second quarter of 2005, but increased in relative terms to 6.7 and 9.2 percent of sales respectively. These two expenditure items came to respectively 4.9 and 9.4 percent in the third quarter of 2004. Marketing and selling expenses of the first nine months of 2005 amounted to 6.1 percent of sales, general administrative expenses of the same period were 8.4 percent of sales.

Owing to increased expenditure in relation to sales, the operating income of the third quarter of 2005 fell disproportionately from 7.1 million Euro in the prior-year quarter to 3.5 million Euro. The nine-month period 2005 also registers a decline from the previous year's given period, by 17.2 percent to 17.9 million Euro.

The EBIT shows a similar development. In the third quarter of 2005, the EBIT margin declined to 10.3 percent (third quarter 2004: 20.2 percent). At 15.8 percent, the EBIT margin of the first nine months of 2005 was roughly four percentage points below the prior-year margin (20.2 percent).

The net income came to 1.8 million Euro or 5.3 percent of sales, resulting in earnings per share of 0.09 Euro (based on 19,410,124 shares). In the previous year's quarter, earnings per share amounted to 0.25 Euro (based on 19,300,000 shares).

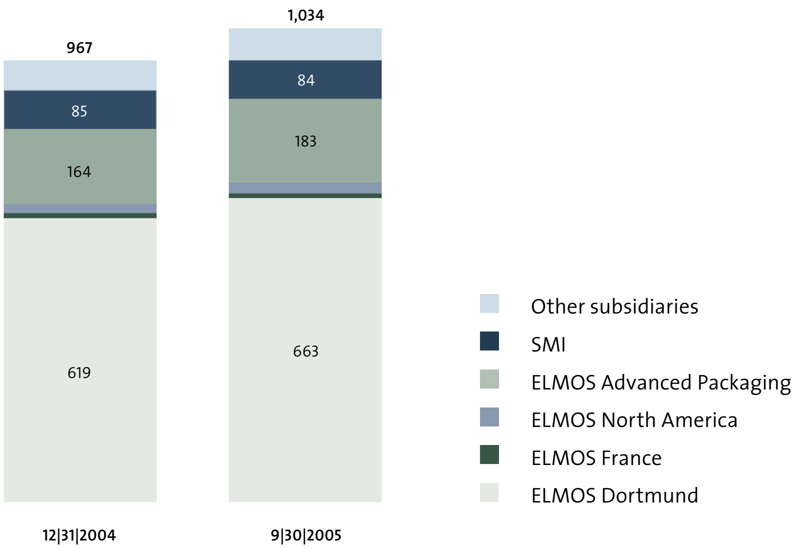
▸ Financial and assets situation

Trade accounts payable fell by 4.7 million Euro since June 30, 2005. This reduction is caused by the due payment of outstanding invoices for investments made in the past months, having its corresponding negative effect on the net cash provided by operating activities. The decline of accrued income taxes by 2.6 million Euro and the lower net income are further principal influences on the negative operating cash flow of the third quarter of 2005. In the first nine months of 2005, the net cash provided by operating activities came to 7.8 million Euro as opposed to 26.0 million Euro in the previous year's given period.

Capital expenditure on fixed assets amounted to 3.5 million Euro in the third quarter of 2005. As expected, capital expenditure was much lower in the third quarter 2005 than in the preceding two quarters. Cash and cash equivalents dropped by 2.7 million Euro to 9.9 million Euro as of September 30, 2005. The net debt rose slightly from 49.2 million Euro to 53.0 million Euro.

▸ Staff development

ELMOS had 1,034 employees worldwide as of September 30, 2005, 663 of which at the Dortmund location. By comparison with December 31, 2004, the number of employees rose altogether by 67, and by 24 compared to June 30, 2005.



▸ Directors' dealings

The following directors' dealings were carried out in the third quarter of 2005. All transactions refer to shares of ELMOS Semiconductor AG (ISIN DE0005677108). The issuer is ELMOS Semiconductor AG, Heinrich-Hertz-Str. 1, 44227 Dortmund, Germany.

Date Place	Name	Capacity	Transaction	Number of shares	Price/ basic price Euro	Total volume Euro
August 10, 2005 Xetra	Dr. Klaus Weyer	CEO of ELMOS Semiconductor AG	Sale of ELMOS shares in exercising share options based on contract of employment (options' exercise price: 7.87 Euro)	15,000	12.808	192,120.00
September 12, 2005 Xetra	Herbert Sporea	Member of the Supervisory Board of ELMOS Semiconductor AG	Purchase of ELMOS shares	1,900	13.128684	24,944.50

▸ Shareholdings, share options and share capital

Members of the Management Board and the Supervisory Board of ELMOS Semiconductor AG hold the following numbers of shares and options as of September 30, 2005:

Management Board	Shares	Options
Reinhard Senf	1,948	40,000
Dr. Peter Thoma	9,200	40,000
Dr. Klaus Weyer	10,000	25,000

Supervisory Board	Shares	Options
Dr. Burkhard Dreher	1,900	0
Jörns Haberstroh	3,956	0
Dr. Wolfgang Heinke	0	0
Herbert Sporea	4,165	0
Jutta Weber	200	0
Prof. Dr. Günter Zimmer	0	0

Through EFH Dr. Klaus Weyer and Prof. Dr. Günter Zimmer hold a significant stake in ELMOS.

As of September 30, 2005 a total 847,794 share options are outstanding. In August 2005, options from the tranche decided on in 2002 were exercised for the first time (110,124 options). The options outstanding are attributable to the separate tranches as follows:

Year of resolution	Year of issue	Exercise price Euro	Blocking period Years	Execution period after blocking period Years	Options outstanding as of September 30, 2005
1999	2000	34.89	3	3	99,922
2000	2001	35.14	3	3	127,150
2002	2003	7.87	2	3	169,767
2003	2004	11.59	2	3	291,122
2004	2005	13.98	2	3	159,833

By the execution of options, the share capital of ELMOS Semiconductor AG has been increased from 19,300,000 to 19,410,124 shares. The number of shares of ELMOS Semiconductor AG held by ELMOS Finanzholding GmbH (EFH) is unchanged from June 30, 2005. Due to the share capital's increase, its interest in ELMOS has fallen to 52.9 percent. The free-float consists of the remaining 47.1 percent.

▸ Events of particular importance

On July 12, 2005 ELMOS announced that it had received an **order for the development and production of a tire pressure monitoring system**. The customer for this product is one of the leading European manufacturers of tire pressure monitoring systems designed for automobiles. The multi-chip solution consists of a combined acceleration and pressure sensor and an ASIC inside a customized package.

On September 12, 2005 ELMOS introduced **two new members of the Management Board** as of October 1, 2005. A new addition is Dr. Anton Mindl (48), who will take the role of the CEO in the course of the year 2006 after a familiarization phase. Dr. Peter Thoma (59) has completed his term as Management Board member for Sales and Development as scheduled and handed over his area of responsibility to his successor, Dr. Frank Rottmann (47).

On September 27, 2005 ELMOS informed it will not reach the sales volume of 157 million Euro targeted for the year 2005 and **reduced its sales forecast to 145 to 148 million Euro**. ELMOS also announced that the targeted margins for gross profit (50 percent), EBIT (20 percent), and net income (ten percent) cannot be attained anymore. ELMOS is expecting a sales increase of at least ten percent in 2006 and a minimum 15 percent in the year 2007.

On September 28, 2005 ELMOS conducted the **Capital Markets Day** held annually in Dortmund. Some 50 visitors took the opportunity to inform themselves in talks on current developments, the reorganization of sales with the newly created divisions Applications & Systems and Microsystems, and to gain an insight into the production areas Frontend and Backend.

▸ Events of particular importance after the end of the quarter

Dr. Peter Thoma, who retired from the Management Board as of September 30, 2005, has been **appointed to join the Supervisory Board** effective October 12, 2005. This entry coincided with Dr. Wolfgang Heinke leaving the Supervisory Board as of the same day.

▸ Outlook

Changed market environment

We have experienced a distinct change of the market in the last couple of months. Consolidation and concentration in the automotive market have continued unabatedly, the number of suppliers has been declining. The average project volumes grow, and so does the pressure on prices. Within the framework of cost-cutting programs, the pricing pressure is handed on by the automobile manufacturers to the so-called tier 1 manufacturers, the direct suppliers to the automotive manufacturers. Naturally they in turn pass the pricing pressure down to their suppliers when it comes to negotiating new projects.

As product development periods in the automobile industry are supposed to become ever shorter, the deadline pressure in current projects rises, too. This situation often intensifies in cases of the delayed placing of an order after tough negotiations. On the other hand, today even the most insignificant exceeding of a project deadline can lead to an order not being transferred to production. If the system solution is not ready for use by the time of the scheduled start of production, at the worst a decision against the system over the entire production period of the car model is the result.

Changes effecting the assumption of development costs have also occurred. In the past the customer usually assumed about 50 percent of the development costs. But the customer’s willingness to assume development costs has been declining considerably, attributable to fiercer competition. Thereby the chance has also increased that a customer will abandon a project, e.g. if he has lost the contract with his end customer or because of emerging problems.

Particularly in very large projects, the customer demands an allocation of the development costs during serial production. In addition to that, high-volume projects tend to lead to parallel developments by two suppliers more often. Single-sourcing, which used to be the rule for ASICs, is thereby softened. This new situation and the high pricing pressure today make a change of suppliers possible even during a car’s serial production in projects like these.

Effects on our business model

Our business model is based on the assumption, still valid today, that the new automotive projects we have won usually take three to four years development time until they enter serial production for about five years. Sometimes this production period stretches considerably if an automobile manufacturer uses a similar or the same platform for new models. Prices and quantities are still calculated for the entire project’s duration at the time of the design win. However, the quantity’s variance today is higher than it used to be. And the conclusive effect of the assumption of development costs is weakened, as is the single-source situation in very large projects.

Therefore sales forecasts have been made more difficult. In the past, a new project just won could be scheduled for production with a very high degree of certainty (roughly 90 percent) because our customers in turn lost their projects only rarely. Today this certainty is less pronounced and can be estimated at 70 percent. These changes apply especially to new high-volume projects of the kind ELMOS has won increasingly in the last few years.

Although the old conditions still hold true for the smaller projects, we will discontinue our detailed reporting on design wins as of next year because the reliability of statements based on them has deteriorated. Only extraordinary new projects will be announced in the future.

Influences in the current year

The factors outlined above have lead to a weak third quarter and to a reduction of our initial sales target of roughly 157 million Euro for the year 2005 to between 145 and 148 million Euro. We hereby confirm this corridor as announced on September 27, 2005. The main reasons for the sales decrease are:

- **Postponement of projects**
  Turning away from the highly reliable time schedules of the past, there are currently stronger tendencies towards the customers' postponing intended serial production starts time and again.

- **Cancellations of some significant projects**
  As reported above, we see a recent trend towards an increasing number of cancelled projects. Partly these cancellations are due to the difficult economic situation of the customer or his automotive end customer. This concerned some high-volume projects as well, leaving a negative effect on our sales figures.

- **Customers' numerous rescheduling and order cuts**
  Orders already placed or advised are rescheduled for later target dates and reduced in volume because of lower required quantities. This occurs either due to existing stock or declining sales volumes.

- **Faster shift in product mix towards more complex products**
  In addition to sales staying behind previous calculations, the radical change of the product mix has put a strain on the margins. For ELMOS the year 2005 is characterized by numerous product discontinuations and product ramp-ups. The new products are basically distinguished by a higher degree of complexity, based on the average number of reticles, therefore allowing for weaker margins at first. Because products with better average margins which have been in production for some time ceased to be ordered earlier than scheduled due to customers' well-stocked inventories, this shift has taken place more abruptly than expected.

- **Additional costs**
  Costs of the quality program started in the third quarter and of the start-up of the production line at the IMS in Duisburg have also put a strain on the margins.

For the current year, we are therefore expecting a gross margin between 47 and 49 percent, an EBIT margin of 14 to 15 percent, and a net profit margin between seven and eight percent.

OUTLOOK 2006 AND 2007

Sales

The factors mentioned above also have an influence on the target figures of the next years. Based on the targeted sales for 2005, we are expecting a sales increase for the years 2006 and 2007 of at least ten and at least 15 percent respectively. We hereby confirm these figures already announced on September 27, 2005.

Margins

For the year 2006, we are expecting a gross margin of at least 46 percent, an EBIT margin of approximately 15 percent, and a net profit margin of about eight percent, taking into account the targeted sales increase. We will announce specific margin targets for the year 2007 in the second half-year 2006.

Capital expenditure

We continue to schedule capital expenditure of about 30 million Euro p.a. for the years 2005 through 2007 (including investments in the IMS in Duisburg). Capital expenditure of this size is necessary because utilization of our production capacity is very high owing to the targeted growth in sales and increased product complexity.

In order to safeguard these targets, we have initiated the following measures:

- **Transfer of production to 200mm wafers**
  Within the framework of the cooperation with the IMS in Duisburg, current manufacturing processes and selected products are transferred to 200mm (eight-inch) wafers. The gradual change-over of production in Dortmund from 150mm (six-inch) to 200mm wafers is planned for a later time.

- **Continuation of the quality initiative**
  The projects for product and process quality improvement and yield increase are pushed in line with our quality initiative.

- **Accelerated introduction of new process technologies**
  Process technologies with higher packing density make it possible to raise the number of circuits per wafer and thereby to reduce production costs. Combined with the larger wafer diameter of 200mm, a high savings potential is the result. Because of this, the next process generation is going to be developed directly on the IMS production line in Duisburg.

- **Aiming for a balanced product mix**
  A reasonable combination of high-volume orders and profitable projects with moderate quantities is being aimed for.

In addition to these measures, ELMOS is preparing a special program aiming at the fast and sustainable return to the old profitability.

Focal points are:

- Increase of investment efficiency
- Improvement of cash position
- Increased use of the innovation potential within the ELMOS Group for high-margin products
- Boosting project organization and performance
- Focused use of the new sales organization in order to systematically seize new chances for growth
- Sustained focus on quality and production efficiency
- Mobilization of every single employee for this program

► ELMOS share

The ELMOS share closed the third quarter of 2005 at 11.20 Euro (Xetra), losing 8.6 percent in the quarter under report. Thereby the share lost 5.1 percent in the first nine months of 2005. It hence performed significantly worse than the TecDAX, which gained 11.3 percent in the third quarter of 2005 and 17.5 percent in the first nine months of 2005. The Philadelphia Semiconductor Index (SOX), relevant to semiconductor stocks, also showed a much better performance with gains of 13.4 percent and 9.7 percent respectively in the two periods of comparison.

The average daily trading volume of the ELMOS share (Xetra and Frankfurt floor) in the third quarter of 2005 of roughly 106,000 shares was considerably higher than in the first half-year 2005 (60,000 shares), adding up to approximately 76,000 shares traded on daily average in the first nine months of 2005.

▸ Company boards

MANAGEMENT BOARD

Dr. rer. nat. Klaus G. Weyer, *chairman*
Graduate physicist | Schwerte

Dr. rer. nat. Anton Mindl *(from 10/1/2005)*
Graduate physicist | Lüdenscheid

Dr. Frank Rottmann *(from 10/1/2005)*
Graduate engineer | Dortmund

Reinhard Senf
Graduate engineer | Iserlohn

Dr. rer. nat. Peter Thoma *(until 9/30/2005)*
Graduate physicist | Unterschleißheim

SUPERVISORY BOARD

Prof. Dr. Günter Zimmer, *chairman*
Institute director | Duisburg

Dr. Burkhard Dreher, *deputy chairman*
Graduate economist | Dortmund

Jörns Haberstroh
Business management graduate | Kerken

Dr. Wolfgang Heinke *(until 9/30/2005)*
Graduate physicist | Reutlingen

Herbert Sporea
Businessman | Altwittenbek

Dr. rer. nat. Peter Thoma *(from 10/1/2005)*
Graduate physicist | Unterschleißheim

Jutta Weber
Graduate educationist | Tarrytown, New York, U.S.A.

The quarterly report as of September 30, 2005 has been prepared in accordance with accounting principles generally accepted in the United States of America (US-GAAP), as were the quarterly report as of September 30, 2004 and the financial statements for the fiscal year 2004. In preparing the interim report, the same accounting, valuation and consolidation methods have been applied upon which the financial statements of 2004 were based. A representation of the methods of accounting, valuation and consolidation is discussed in detail in the notes to the consolidated financial statements as of December 31, 2004. The quarterly report has not been audited.

▸ Consolidated income statement | January to September 2005

	1|1-9|30|2005 Euro	in percent of sales	1|1-9|30|2004 Euro	in percent of sales	Change
Net sales	**110,995,911**	**100.0%**	**107,047,753**	**100.0%**	**3.7%**
Cost of sales	56,380,778	50.8%	52,553,816	49.1%	7.3%
Gross profit	**54,615,133**	**49.2%**	**54,493,937**	**50.9%**	**0.2%**
Research and development expenses	20,585,966	18.5%	18,157,156	17.0%	13.4%
Marketing and selling expenses	6,822,188	6.1%	5,157,105	4.8%	32.3%
General administrative expenses	9,343,480	8.4%	9,603,356	9.0%	– 2.7%
Operating income	**17,863,499**	**16.1%**	**21,576,320**	**20.2%**	**– 17.2%**
Interest expense / (income)	2,760,219	2.5%	2,344,279	2.2%	17.7%
Foreign exchange net loss / (income)	109,620	0.1%	99,226	0.1%	10.5%
Other net (income) / expenses	161,684	0.1%	– 172,523	– 0.2%	– 193.7%
Income before income taxes and minority interest	**14,831,976**	**13.4%**	**19,305,338**	**18.0%**	**– 23.2%**
Income tax expenses					
Current	3,652,569	3.3%	6,792,375	6.3%	– 46.2%
Deferred	1,480,489	1.3%	– 331,684	– 0.3%	– 546.4%
	5,133,058	**4.6%**	**6,460,691**	**6.0%**	**– 20.5%**
Net income before equity in loss of unconsolidated subsidiaries and minority interest	**9,698,918**	**8.7%**	**12,844,647**	**12.0%**	**– 24.5%**
Equity in losses of unconsolidated subsidiaries	0	0.0%	– 166,090	– 0.2%	NA
Minority interest in earnings of consolidated subsidiaries	265,606	0.2%	160,410	0.1%	65.6%
Net income	**9,433,312**	**8.5%**	**12,850,327**	**12.0%**	**– 26.6%**
Number of shares outstanding as of September 30	**19,410,124**		**19,300,000**		
Basic earnings per share	**0.49**		**0.67**		

▸ Earnings before interest and taxes (EBIT) | January to September 2005

	1|1-9|30|2005 Euro	in percent of sales	1|1-9|30|2004 Euro	in percent of sales	Change
Operating income	**17,863,499**	**16.1%**	**21,576,320**	**20.2%**	**– 17.2%**
Foreign exchange net loss / (income)	109,620	0.1%	99,226	0.1%	10.5%
Other net (income) / expenses	161,684	0.1%	– 172,523	– 0.2%	– 193.7%
EBIT	**17,592,195**	**15.8%**	**21,649,617**	**20.2%**	**– 18.7%**

► Consolidated income statement | 3rd quarter of 2005

	7|1-9|30|2005 Euro	in percent of sales	7|1-9|30|2004 Euro	in percent of sales	Change
Net sales	**34,679,706**	**100.0%**	**36,877,226**	**100.0%**	**– 6.0%**
Cost of sales	18,696,416	53.9%	18,162,729	49.3%	2.9%
Gross profit	**15,983,290**	**46.1%**	**18,714,497**	**50.7%**	**– 14.6%**
Research and development expenses	7,021,267	20.2%	6,326,808	17.2%	11.0%
Marketing and selling expenses	2,323,986	6.7%	1,801,111	4.9%	29.0%
General administrative expenses	3,176,739	9.2%	3,475,020	9.4%	– 8.6%
Operating income	**3,461,298**	**10.0%**	**7,111,558**	**19.3%**	**– 51.3%**
Interest expense / (income)	903,832	2.6%	723,085	2.0%	25.0%
Foreign exchange net loss / (income)	– 104,872	– 0.3%	– 53,819	– 0.1%	94.9%
Other net (income) / expenses	– 13,355	0.0%	– 272,920	– 0.7%	– 95.1%
Income before income taxes and minority interest	**2,675,693**	**7.7%**	**6,715,212**	**18.2%**	**– 60.2%**
Income tax expenses					
Current	559,736	1.6%	2,109,854	5.7%	– 73.5%
Deferred	275,159	0.8%	– 34,997	– 0.1%	– 886.2%
	834,895	**2.4%**	**2,074,857**	**5.6%**	**– 59.8%**
Net income before equity in loss of unconsolidated subsidiaries and minority interest	**1,840,798**	**5.3%**	**4,640,355**	**12.6%**	**– 60.3%**
Equity in losses of unconsolidated subsidiaries	0	0.0%	– 166,090	– 0.5%	NA
Minority interest in earnings of consolidated subsidiaries	4,985	0.0%	25,276	0.1%	– 80.3%
Net income	1,835,813	**5.3%**	**4,781,169**	**13.0%**	**– 61.6%**
Number of shares outstanding as of September 30	**19,410,124**		**19,300,000**		
Basic earnings per share	**0.09**		**0.25**		

► Earnings before interest and taxes (EBIT) | 3rd quarter of 2005

	7|1-9|30|2005 Euro	in percent of sales	7|1-9|30|2004 Euro	in percent of sales	Change
Operating income	**3,461,298**	**10.0%**	**7,111,558**	**19.3%**	**– 51.3%**
Foreign exchange net loss / (income)	– 104,872	– 0.3%	– 53,819	– 0.1%	94.9%
Other net (income) / expenses	– 13,355	0.0%	– 272,920	– 0.7%	– 95.1%
EBIT	3,579,525	**10.3%**	**7,438,297**	**20.2%**	**– 51.9%**

► Consolidated balance sheet

Assets	9|30|2005 Euro	12|31|2004 Euro
Current assets		
Cash and cash equivalents	9,889,849	15,286,595
Marketable securities	5,508,453	3,629,904
Trade accounts receivable	32,286,376	27,777,902
Inventories	27,341,253	25,147,734
Prepaid expenses and other assets	8,693,537	5,803,386
	83,719,468	**77,645,521**
Deferred taxes	**6,369,513**	**13,274,744**
Intangible assets		
Goodwill after depreciation	9,928,977	8,314,399
Software and licenses	37,625,549	35,138,106
Less accumulated depreciation	– 12,177,261	– 9,280,575
	35,377,265	**34,171,930**
Investments	**686,699**	**559,828**
Property, plant and equipment		
Land	7,345,714	7,202,876
Buildings and improvements	68,612,661	63,040,386
Technical equipment and machinery	122,596,029	107,992,133
Construction in progress	11,570,604	14,253,989
Less accumulated depreciation	– 106,646,691	– 98,360,743
	103,478,317	**94,128,641**
Total assets	**229,631,262**	**219,780,664**

Liabilities and shareholders' equity	9|30|2005 Euro	12|31|2004 Euro
Current liabilities		
Amounts payable to banks	31,455,144	17,750,354
Trade accounts payable	7,240,622	11,039,224
Provisions for salaries and wages, social security benefits and taxes	4,237,398	4,015,427
Other accrued liabilities	6,282,649	4,597,720
Accrued income taxes	624,812	4,072,637
Current portion of long-term obligations	3,328,519	3,749,038
	53,169,144	**45,224,400**
Long-term obligations less current portion	**33,610,857**	**36,127,507**
Non-current obligations	**1,631,148**	**1,608,986**
Minority interest	**512,953**	**608,040**
Shareholders' equity		
Share capital	19,410,124	19,300,000
Paid-in capital	85,739,806	84,918,244
Accumulated other comprehensive income	– 12,897,969	– 11,081,400
Retained earnings	48,455,199	43,074,887
	140,707,160	**136,211,731**
Total liabilities and shareholders' equity	**229,631,262**	**219,780,664**

► Consolidated statement of cash flow

	1|1-9|30|2005 Euro	1|1-9|30|2004 Euro	7|1-9|30|2005 Euro	7|1-9|30|2004 Euro
Net cash provided by operating activities				
Net income	9,433,312	12,850,327	1,835,813	4,781,169
Depreciation less appreciation	11,472,327	10,617,401	3,964,228	3,835,982
Non-cash effective expense	1,480,489	– 331,684	275,159	– 34,997
Minority interest	265,606	160,410	4,985	25,276
Equity in losses of unconsolidated subsidiaries	0	– 166,090	0	– 166,090
Share options granted	65,010	126,000	18,900	42,000
Changes in net working capital:				
Accounts receivable	– 4,508,474	– 5,341,335	– 146,366	– 1,970,804
Inventories	– 2,193,519	– 1,325,987	– 551,946	– 585,331
Prepaid expenses and other assets	– 2,890,152	177,282	35,847	1,229,350
Accounts payable	– 3,798,601	4,880,913	– 4,702,687	4,062,669
Accrued liabilities	1,906,900	294,906	– 1,742,283	297,732
Accrued income taxes payable	– 3,447,823	4,051,933	– 2,587,186	2,035,918
	7,785,075	**25,994,076**	**– 3,595,536**	**13,552,874**
Net cash used in investing activities				
Capital expenditure on fixed assets	– 21,408,270	– 22,905,968	– 3,474,612	– 12,801,975
Capital expenditure in goodwill	– 1,614,578	0	0	0
Disposal of fixed assets	2,606,197	500,957	724,219	152,642
Purchase / disposal of marketable securities and investments	– 417,563	129,007	– 233,268	– 77,700
	– 20,834,214	**– 22,276,004**	**– 2,983,661**	**– 12,727,033**
Net cash provided by financing activities				
Dividends paid	– 4,053,000	– 2,509,000	0	0
Deposits for realization of capital increase	866,676	0	866,676	0
Dividends paid by consolidated subsidiaries to minority shareholders	– 270,000	– 170,000	0	0
Proceeds of long-term obligations	0	71,722	0	0
Repayment of long-term obligations	– 2,915,007	– 3,146,316	– 1,170,357	– 1,088,271
Proceeds / Repayment of notes payable	13,704,789	1,083,789	4,264,146	13,055
	7,333,458	**– 4,669,805**	**3,960,465**	**– 1,075,216**
Decrease / Increase of cash and cash equivalents	**– 5,715,681**	**– 951,733**	**– 2,618,732**	**– 249,375**
Effect of exchange rate changes in cash and cash equivalents	318,935	261,573	– 126,189	– 57,204
Cash and cash equivalents at beginning of period	15,286,595	17,426,927	12,634,770	17,043,346
Cash and cash equivalents at end of period	**9,889,849**	**16,736,767**	**9,889,849**	**16,736,767**

Consolidated statement of changes in shareholders' equity

	Shares	Share capital Euro	Paid-in capital Euro	Accumulated other comprehensive income / loss Euro	Retained earnings Euro	Total Euro
Balance as of December 31, 2003	**19,300,000**	**19,300,000**	**84,716,644**	**– 8,613,429**	**29,275,387**	**124,678,602**
Net income					16,308,500	16,308,500
Dividends paid					– 2,509,000	– 2,509,000
Share option expense			201,600			201,600
Change in unrealized gains on marketable securities after taxes				– 985,515		– 985,515
Foreign currency adjustments				– 1,482,456		– 1,482,456
Balance as of December 31, 2004	**19,300,000**	**19,300,000**	**84,918,244**	**– 11,081,400**	**43,074,887**	**136,211,731**
Deposit from capital increase	110,124	110,124	756,552			866,676
Net income					9,433,312	9,433,312
Dividends paid					– 4,053,000	– 4,053,000
Share option expense			65,010			65,010
Change in unrealized gains on marketable securities after taxes				– 3,280,955		– 3,280,955
Foreign currency adjustments				1,464,386		1,464,386
Balance as of September 30, 2005	**19,410,124**	**19,410,124**	**85,739,806**	**– 12,897,969**	**48,455,199**	**140,707,160**

Segments

Segmental reporting on the assembly segment was discontinued as of December 31, 2004. This segment has been included in the semiconductor segment as of January 1, 2005. The previous year's period has been adjusted accordingly for the purpose of comparison.

	Semiconductor segment			Micromechanics segment			Group		
in thousand Euro or percent unless otherwise indicated	1|1-9|30 2005	1|1-9|30 2004	Change	1|1-9|30 2005	1|1-9|30 2004	Change	1|1-9|30 2005	1|1-9|30 2004	Change
Sales	104,465	100,124	4.3%	6,531	6,924	– 5.7%	110,996	107,048	3.7%
Book-to-bill	1.03	1.01		1.02	0.91		1.03	1.00	
Gross profit	52,333	51,920	0.8%	2,282	2,574	– 11.3%	54,615	54,494	0.2%
in percent of sales	50.1%	51.9%		34.9%	37.2%		49.2%	50.9%	
Operating income	17,685	21,206	– 16.6%	179	371	– 51.8%	17,863	21,576	– 17.2%
in percent of sales	16.9%	21.2%		2.7%	5.4%		16.1%	20.2%	
Total assets	202,669	196,207	3.3%	26,962	25,847	4.3%	229,631	222,054	3.4%
Depreciation	10,780	9,816	9.8%	692	801	– 13.6%	11,472	10,617	8.1%
Capital expenditure	22,406	21,569	3.9%	617	1,337	– 53.8%	23,023	22,906	0.5%

in thousand Euro or percent unless otherwise indicated	7|1-9|30 2005	7|1-9|30 2004	Change	7|1-9|30 2005	7|1-9|30 2004	Change	7|1-9|30 2005	7|1-9|30 2004	Change
Sales	32,536	34,503	– 5.7%	2,144	2,374	– 9.7%	34,680	36,877	– 6.0%
Book-to-bill	1.03	0.87		1.06	0.77		1.03	0.86	
Gross profit	15,268	17,981	– 15.1%	715	734	– 2.5%	15,983	18,714	– 14.6%
in percent of sales	46.9%	52.1%		33.4%	30.9%		46.1%	50.7%	
Operating income	3,505	6,977	– 49.8%	– 43	135	– 132.3%	3,461	7,112	– 51.3%
in percent of sales	10.8%	20.2%		– 2.0%	5.7%		10.0%	19.3%	
Total assets	202,669	196,207	3.3%	26,962	25,847	4.3%	229,631	222,054	3.4%
Depreciation	3,729	3,523	5.8%	236	313	– 24.8%	3,964	3,836	3.3%
Capital expenditure	3,361	12,163	– 72.4%	113	639	– 82.2%	3,475	12,802	– 72.9%

FINANCIAL CALENDAR

November 3, 2005	Quarterly report Q3 2005
February 15, 2006	Preliminary result 2005
March 16, 2006	Result 2005, press conference, analysts' conference
May 3, 2006	Quarterly report Q1 2006
May 19, 2006	Annual General Meeting 2006
August 2, 2006	Quarterly report Q2 2006
October 31, 2006	Quarterly report Q3 2006

CONFERENCE CALL FOR ANALYSTS AND INVESTORS

On the occasion of their publication, the ELMOS management will comment on the results for the third quarter of 2005 in the course of a conference call (in English) for analysts and investors on November 3, 2005 at 5 p.m. (Central European Time).

CONTACT

ELMOS Semiconductor AG
Investor Relations
Heinrich-Hertz-Str. 1
44227 Dortmund
Germany
Phone +49 231 75 49 0
Fax +49 231 75 49 548
invest@elmos.de
www.elmos.de

This interim report was published on November 3, 2005 in German and English. Both versions are available for download on the Internet at www.elmos.de. You are welcome to ask for additional informative material sent to you free of charge.

This quarterly report contains statements directed to the future based on assumptions and estimates made by the ELMOS management. Even though we assume the underlying expectations of these statements are realistic, we cannot guarantee these expectations will prove right. The assumptions may carry risks and uncertainties, and as a result actual events may differ considerably from the current statements made with respect to the future. Among the factors which could cause material differences are changes in general economic and business conditions, changes in exchange and interest rates, the introduction of competing products, lack of acceptance of new products, and changes in business strategy. ELMOS does neither intend nor assume any obligation to update its statements with respect to future events.