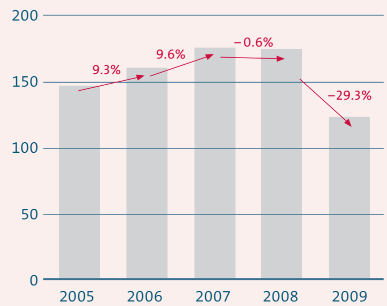
ANNUAL REPORT 2009

Mastering challenges[1]

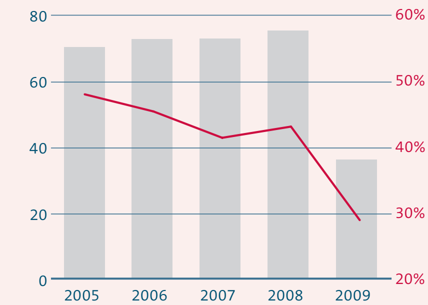
Seizing opportunities[2]

[1] *Chal•lenge* to rise to a challenge, to bear a challenge, Inflected Form(s): challenged; challenging, *defiance,* provocation, [2] Op|por|tu|ni|ty <Funct.: noun>, a favorable juncture of circumstances, the halt provided an opportunity for rest and refreshment, *a good chance* for advancement or progress

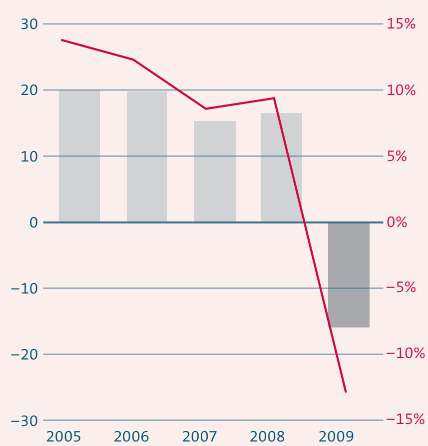
SALES IN MILLION EURO
AND GROWTH RATE



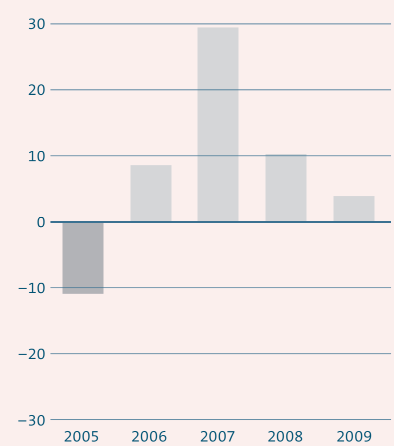
GROSS PROFIT IN MILLION EURO
AND GROSS MARGIN



EBIT IN MILLION EURO
AND EBIT MARGIN

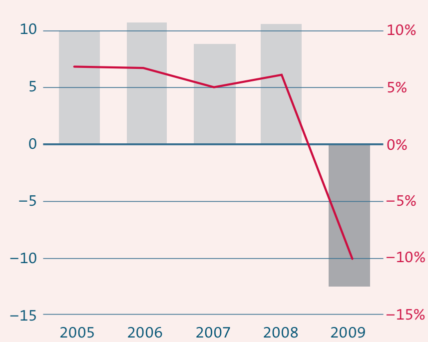


FREE CASH FLOW*
IN MILLION EURO

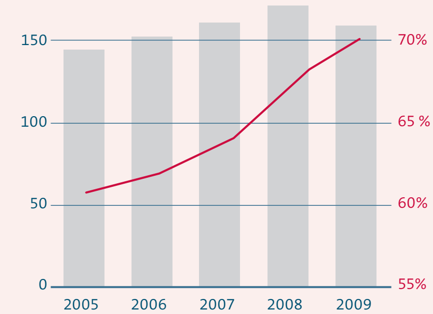


* *Cash flow from operating activities less cash flow from investing activities*

NET INCOME IN MILLION EURO
AND NET INCOME MARGIN



SHAREHOLDERS' EQUITY IN MILLION
EURO AND EQUITY RATIO



FIVE-YEAR OVERVIEW ELMOS GROUP (IFRS)

<- FIGURES

in million Euro unless otherwise indicated	2005	2006	2007	2008	2009
Sales	147.0	160.7	176.1	175.1	123.8
Sales growth	2.6%	9.3%	9.6%	– 0.6%	–29.3%
Gross profit	70.6	73.0	73.1	75.6	35.9
Gross margin	48.1%	45.5%	41.5%	43.2%	29.0%
Research and development expenses	28.1	29.6	30.9	31.6	25.3
Research and development expenses in % of sales	19.1%	18.4%	17.5%	18.1%	20.4%
EBIT	20.0	19.8	15.2	16.5	–15.8
EBIT in % of sales	13.6%	12.3%	8.6%	9.4%	–12.8%
Income before income taxes	16.4	17.3	12.2	14.7	–17.3
Income before income taxes in % of sales	11.2%	10.8%	6.9%	8.4%	–14.0%
Net income / (Net loss)	10.0	10.7	8.8	10.6	–12.2
Net income margin	6.8%	6.7%	5.0%	6.1%	–9.9%
Earnings per share in Euro	0.52	0.55	0.45	0.55	– 0.63
Total assets	237.0	245.3	249.3	250.1	226.4
Shareholders' equity	144.3	152.3	160.0	171.2	159.1
Equity ratio	60.9%	62.1%	64.2%	68.5%	70.3%
Financial liabilities	67.9	65.0	54.0	40.6	40.8
Cash, cash equivalents and marketable securities	16.8	16.6	42.9	42.5	46.8
Net debt / (Net cash)	51.2	48.4	11.1	– 1.8	– 6.0
Cash flow from operating activities	19.7	28.5	30.8	22.5	9.4
Capital expenditures	29.6	26.4	24.5	20.8	7.4
Capital expenditures in % of sales	20.1%	16.4%	13.9%	11.9%	6.0%
Cash flow from investing activities	– 30.4	– 19.9	– 1.4	– 12.2	–5.5
Free cash flow*	– 10.7	8.6	29.4	10.3	3.9
"Clean" free cash flow**	– 9.9	2.2	6.3	1.7	2.1
Dividend per share in Euro	0.00	0.00	0.00	0.00	0.00***
Employees on annual average	1,028	1,131	1,177	1,117	1,038

** Cash flow from operating activities less cash flow from investing activities*

*** Cash flow from operating activities less capital expenditures*

**** Subject to shareholders' resolution at the Annual General Meeting in May 2010*

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

Content

Mastering challenges – Seizing opportunities

2009 was a year of challenges.
… drastic sales decline in the automotive industry … problem aggravated due to logistics effects … extensive cost-saving measures for the entire group … roller coaster ride: the steep slump was followed by a drastic increase in demand … banks cause credit crunch for medium-sized companies yet we finance product developments and the expansion into new markets …

2009 was also a year of opportunities.
… our application specific standard products are going to be the next years' major growth driver … Asia joins the top ten … we have seized the opportunities in micromechanics … customer confidence rewarded and customers' competitiveness strengthened … conservative financial management … seizing the crisis as a productive situation … creating the foundations for future growth …*

You will find more on challenges and opportunities on the following pages …

**Paraphrasing a quote from Max Frisch (1911–1991)*

Definition | *The challenge*

http://www.merriam-webster.com/dictionary/challenge: [1] challenge: (verb), [2] challenge: (noun), peremptory challenge (noun), Main Entry: *chal•lenge,* Function: verb Inflected Form(s): chal·lenged; chal·leng·ing, *Etymology:* Middle English chalengen to accuse, from Anglo-French chalenger | ***http://dictionary.reference.com/browse/rechallenge:*** chal•lenge, Show Spelled ['cha-lənj] Show IPA noun, verb, -lenged, -leng-ing, [1] a call or summons to engage in any contest, as of skill, strength, etc., [2] something that by its nature or character serves as a call to battle, contest, special effort, etc.: Space exploration offers a challenge to humankind., [3] a call to fight, as a battle, a duel, etc., [4] a demand to explain, justify, etc.: a challenge to the treasurer to itemize expenditures., [5] difficulty in a job or undertaking that is stimulating to one engaged in it., [6] Military: the demand of a sentry for identification or a countersign. | ***K Dictionaries Ltd.:*** challenge verb, to ask (someone) to take part in a contest: He challenged his brother to a round of golf., noun, [1] an invitation to a contest, He accepted his brother's challenge to a fight., [2] the act of questioning someone's right, a statement etc., (n) challenger, adj challenging, demanding effort; a challenging job/idea. | ***http://dict.leo.org:*** to accept a challenge, to bear a challenge, to challenge so. to do sth., to challenge so. to a duel, to meet a challenge, to pose a challenge, to rise to a challenge | ***http://www.collinslanguage.com:*** [1] to invite or call (so.) to take part in a contest, fight, or argument, [2] to call (a decision or action) into question, [3] to order (a person) to stop and be identified.

Definition | *The opportunity*

http://dict.leo.org: to avail oneself of an opportunity, to grasp an opportunity, to jump at the opportunity, to provide an opportunity, to seize an opportunity, to take an opportunity, to use an opportunity, business opportunity, ample opportunity, career opportunity, educational opportunity [educ.], golden opportunity, growth opportunity [econ.], market opportunity [comm.], opportunity for promotion, profit opportunity, job opportunity, May I use this opportunity to …? | ***http://www.etymonline.com:*** Main Entry: op•por•tu•ni•ty, Pronunciation: [ä-pər-'tü-nə-tē, -'tyü-] Function: noun Inflected Form(s): plural, Date: 14th century, [1] a favorable juncture of circumstances <the halt provided an opportunity for rest and refreshment>, [2] a good chance for advancement or progress | ***http://www.thefreedictionary.com/opportunity:*** n. pl. *op•por•tu•ni•ties,* [1. a] A favorable or advantageous circumstance or combination of circumstances., [1.b] A favorable or suitable occasion or time., [2] A chance for progress or advancement., Synonyms: opportunity, occasion, opening, chance, break., These nouns refer to a favorable or advantageous circumstance or combination of circumstances., Opportunity is an auspicious state of affairs or a suitable time: "If you prepare yourself … you will be able to grasp opportunity for broader experience when it appears" (Eleanor Roosevelt) | Thesaurus Legend: Synonyms Related Words Antonyms: Noun: opportunity – a possibility due to a favorable combination of circumstances; "now is your chance", possibleness, possibility – capability of existing or happening or being true.

Mastering challenges

After a significant downswing in the market that began already in the fourth quarter of 2008, the automotive industry crisis struck with full force at the beginning of the year 2009. While several federal governments provided governmental incentives for the purchase of new cars, the numbers of new registrations *reached new record highs in these countries and customers had to wait up to one year for their new vehicles, there was a completely different reality beyond the sphere of the car* scrap bonus. *Car registration numbers in countries where no car-scrap bonus schemes had been initiated were more than bleak. A few examples: Netherlands –23%, Greece –18%, and Belgium –11%. Sales were also weak in the U.S. (–21%) despite a bonus scheme ("cash for clunkers"). Outstanding was only the strong economy of the* emerging markets, *particularly the growth of China (+54%). The sales decline of the automotive industry had a twofold effect on ELMOS. On the one hand, customers ordered considerably smaller* volumes, *canceled entire orders in several cases, and were very reserved with respect to new orders. On the other hand, the customers emptied their warehouses first before placing new orders. This meant for us: The* problem *was aggravated due to logistics effects. The bottom line was a 47% decrease in sales in the 1st half-year 2009 compared to the 1st half-year 2008; the gross profit even dropped 81% over the same period due to fixed costs of semiconductor manufacturing. Extensive* cost-saving *measures prevented an even worse result.*

The drastic slump was followed by the next challenge: Managing a 41% sales growth from the second to the third quarter of 2009, considering a production period of three months. How this is possible? With anticipatory planning that even scans new horizons from time to time and with a production team that is able to adapt to new conditions with commitment and flexibility. Thus ELMOS managed to achieve where most competitors failed: We supplied our customers with the required volumes at any time. Others could do this only partly or with regard to individual products. In the crisis we have rewarded our customers' confidence and strengthened their competitiveness.

One more example for a challenge mastered: While other companies were struggling with the credit crunch, forced to have long conversations and discussions with banks, neglecting their customers and their business, their equity melting away, hoping for help from politicians, we could focus on our operations and our customers and push our strategy, finance series launches in Asia, and start new product developments – regardless of banks, external financing, or politicians' promises. Our financial management is conservative. We had reorganized our financial structures toward long-term orientation a long time before the downturn. Our equity ratio remains at a very high level of about 70% even in this time of crisis. A secure basis, a planned success.

Seizing opportunities

Challenges mastered create room *to maneuver. We use this room in order to prepare for the time after the crisis – to model our future. Our application specific standard products are going to be the next years' major growth driver. We have made suggestions to our existing customers and many potential ones for new product ideas. Over intensive discussions we have come to understand the requirements even better, specified definitions, and finally determined the* starting point *for the launch of new products. On the basis of this information we have kicked off more than 25 development projects for new ASSPs. We have created the internal structures for this consistent course of action, concentrated the know-how, and seized the opportunity of a new path. As an opportunity for new* products, *new* customers, *new* sales *volumes.*

We gave special attention to the markets in Asia *in 2009. The first series products were launched in the second half-year 2009. Our focus, the* drive *of our employees on the spot, and our determination have convinced our customers in the Far East. This seized opportunity will have the result that one Asian customer will join the* top ten *of our customer list in 2010 already – with others to follow.*

Comparing the segments' reported performances, it is striking that the decrease in micro-mechanics over the year, at –6.3%, is muss less pronounced than in the semiconductor segment (–31.0%). One reason is that we are less dependent on the automotive market in this segment; on the other hand, the success is accounted for by the facts that we managed to agree on higher shares of supply with our existing customers and to sell our standard products to a broader customer base. In development we passed milestones defined for our newly patented pressure sensor concept right on schedule. We realize and we seize the great opportunities in micromechanics.

These examples show: We seize the crisis as a productive condition and create the foundations for growth.

MANAGEMENT BOARD

CEO letter

Dear Shareholders,

in 2009, the year of crisis, I do not want to begin my letter to you by reporting the problems we faced and how bad everything was. I would like to do quite the opposite and report the good news, namely ...

... that we have survived the deepest crisis ELMOS has yet had to endure, with an approximate 50% sales drop over the first half-year 2009, with sufficient cash at our disposal at any time so that the company's continued existence was never at stake.

... that the entire ELMOS Group has resolutely implemented a cost cutting scheme since the beginning of the year 2009, involving all employees – even the staff of our subsidiaries –, that resulted in savings of roughly 15 million Euro by the end of the year.

... that the cost savings together with strict cash management had the effect that we managed to generate a positive free cash flow of roughly 3.9 million Euro in 2009 despite the sales drop of about 50 million Euro.

... that the created room to maneuver financially enabled us even in the third quarter 2009 to resume the 8-inch expansion and to continue the modernization of our Dortmund production lines.

... that we achieved an increase in volume/sales of roughly 40% from the second to the third quarter 2009, completely fulfilling each customer's order.

...that we broke even again in the third quarter already – one quarter ahead of our forecast – and that our earnings were clearly positive in the fourth quarter once again.

... and last but not least, that we have made progress with our strategy despite the crisis, especially with respect to standard products (ASSPs), the focus on microsystems, and the market expansion in Asia.

"It is important to make a note of the fact that this was possible only because all the people involved pulled together, communication was working, and the work was done with understanding and professionalism."

These successes show that we have not merely overcome the crisis but rather turned it to use to get better in many respects. This will be of benefit to us during the upswing, too.

It is important to make a note of the fact that this was possible only because all the people involved pulled together, communication was working, and the work was done with understanding and professionalism. This holds true for our customers as well as for all of our employees.

We perfectly understood the situation of our customers, even when it meant that orders were canceled and volumes were significantly reduced in the first half-year. But we were ready and delivered promptly when the order books filled up faster than expected; this was anything but a matter of course as our customers had to learn from other suppliers. When things went uphill again, ELMOS was one of the very few if not indeed the only semiconductor manufacturer able to meet all customer demands. We responded faster and more consistently to the upswing than others and acted with foresight. Thus we managed to tighten relationships and reward the confidence placed in us. We notice this in our everyday business now, for instance when contracts for new projects are awarded or when we present our standard applications to a customer. The industry knows that ELMOS offers outstanding know-how for mixed-signal ICs and system solutions. When it comes to manufacturing and delivery on schedule, ELMOS is a reliable partner – even in times of crisis.

Our employees look back on a difficult year as well. At the beginning of the year 2009 we had to introduce short-time work worldwide. Even in countries that did not provide the required legal framework we realized specific solutions in agreement with the respective national authorities, e.g. at our subsidiaries SMI in California/U.S.A. and ELMOS Advanced Packaging in the Netherlands. Employees who could not participate in short-time work for operational reasons, and of course the members of the Management Board, volunteered for considerable cuts of their salaries or remuneration. All taken together, this had a great share in our cost cutting scheme of roughly 15 million Euro. It gives evidence not only of our employees' commitment but their identification with the company as well.

Only with an excellent team is it possible to master the challenges caused by volatile markets.

With regard to the future, I am cautiously optimistic due to the economic framework. The present upswing is not stable yet, the overall economic situation still holds risks. We are expecting an increase in sales of more than 15% for the whole year 2010. While orders reach well into the second quarter of 2010, it remains unclear whether the market demand will stabilize beyond that. ELMOS will resolutely continue the structural saving measures that make us more productive and more competitive. The crisis made us refocus on costs once more while keeping our growth in view. We will not rest on past achievements. Bringing about change is a permanent challenge. We have the courage for it and will seize our opportunities – and that is what counts.

For the past year I would like to thank everyone involved in the enterprise that is ELMOS on behalf of the entire Management Board once again: our customers and partners, our employees, and our Supervisory Board. Everyone had a share in our successful effort to seize the crisis as a productive condition.*

Sincerely

Dr. Anton Mindl
CEO of ELMOS Semiconductor AG

* *Borrowing a phrase / Paraphrasing a quote from Max Frisch (1911–1991): "A crisis is a productive condition. One must only take away its taste of disaster."*

Reinhard Senf,
Nicolaus Graf von Luckner,
Dr. Anton Mindl,
Jürgen Höllisch (from left)

Dr. Anton Mindl

- CEO | Graduate physicist (born 1957)
- Management Board member since 2005 | ... appointed until 2015
- **Key areas of responsibility:** strategy, quality, human resources, and micromechanics

Nicolaus Graf von Luckner

- Graduate economist (born 1949)
- Management Board member since 2006 | ... appointed until 2011
- **Key areas of responsibility:** finances, controlling, investor relations, corporate governance, administration, purchasing, information technology

Jürgen Höllisch

- Engineer (born 1971)
- Management Board member since 2008 | ... appointed until 2013
- **Key areas of responsibility:** sales, design, product lines, projects, optoelectronics

Reinhard Senf

- Graduate engineer (born 1951)
- Management Board member since 2001 | ... appointed until 2011
- **Key areas of responsibility:** manufacturing, assembly, technology development

SUPERVISORY BOARD

Chairman's letter

Dear Shareholders,

the Supervisory Board carefully attended to its duties and responsibilities as established by law and the articles of incorporation in fiscal year 2009. Its members advised the Management Board in running the company and supervised management activity. In oral and written reports, the Management Board supplied the Supervisory Board regularly and timely with comprehensive information on the company's situation. The Supervisory Board was directly involved in all decisions of substantial importance. The Management Board consulted the Supervisory Board on the company's strategic orientation and analyzed divergences of the course of business in detail. The Management Board's reports on all business transactions of relevance to the company were discussed at length and examined in the Supervisory Board meetings. Insofar as stipulated by law or the articles of incorporation, the Supervisory Board gave its opinion on the Management Board's reports and resolutions following diligent examination and exhaustive discussion. Even outside the Supervisory Board meetings, the chairman and other members of the Supervisory Board were informed about essential business transactions by the chairman of the Management Board. Conflicting interests of Management Board and Supervisory Board members subject to mandatory disclosure to the Supervisory Board or the General Meeting did not develop.

In five meetings held on May 6, 2009, July 30, 2009, October 29, 2009, December 18, 2009, and March 17, 2010, the Supervisory Board was informed in detail about the development of the fiscal year ended December 31, 2009, the company's situation, and current business policy decisions on the basis of the Management Board's oral and written reports. Based on this comprehensive body of information, the Supervisory Board passed the required resolutions in its meetings. The Supervisory Board concerned itself regularly with the current development of the company with regard to sales, earnings and liquidity. Situation and structure of the group companies and the group's strategic development were discussed in detail in the Supervisory Board meetings. The Supervisory Board was informed of the issues of relevance with regard to the present economic situation such as short-time work, liquidity, and cost reduction. The status of the subsidiaries, the stock option plan for employees and Management Board members, the change on the Supervisory Board, employment contracts of the Management Board

Prof. Dr. Günter Zimmer

- Chairman of the Supervisory Board
- Graduate physicist (Duisburg)

members with respect to the new arrangement of Management Board remuneration, and the preparation of the next Annual General Meeting were other topics of exhaustive debate. Another issue concerned the effects of new laws on the group. In addition, the risk management system, the compliance program, and the company's compliance with the recommendations of the German Corporate Governance Code (DCGK) were dealt with. Furthermore, the Supervisory Board addressed the nomination of the auditor and monitored the auditor's independence. The Supervisory Board also concerned itself with the efficiency of its own work and assessed it. All of the Supervisory Board's meetings were attended by all of the board's members.

SUPERVISORY BOARD COMMITTEES

In its meeting of March 3, 2010 the Supervisory Board's ***audit committee*** concerned itself intensively with the preliminary financial statements and the preliminary consolidated financial statements of ELMOS Semiconductor AG. The auditor was present at a part of this meeting. In addition, the company's material risks as identified by its risk management were addressed, and the measures decided by the Management Board were discussed. Other focal issues for the audit committee related to the proposal for the nomination of the auditor. The audit committee met once in the year under report.

The ***human resources committee*** deals with and advises the Supervisory Board on the form of employment contracts of Management Board members and other issues concerning the Management Board. Focal topics were the adjustment of Management Board contracts to new legal stipulations and target agreements as well as the extension of the CEO's contract. The human resources committee convened three times in the year under report.

The ***nomination committee,*** responsible for supplying the Supervisory Board with suitable candidates for its election proposals to the General Meeting in case of impending elections, held one meeting. The committee suggested Dr. Klaus Egger to the Supervisory Board as a candidate for the Supervisory Board. Dr. Egger was appointed Supervisory Board member by court order on June 25, 2009.

The ***strategy committee*** discusses the group's strategic development. The committee met once in the year under report.

The committee chairmen or the committees' members gave account of their work in the Supervisory Board meetings and prepared the Supervisory Board's resolutions. All committee meetings were attended by all their respective members in the year under report.

AUDIT AND GROUP AUDIT

By consulting the certified accountants of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Dortmund, the Supervisory Board concerned itself in its meeting of March 17, 2010 with the audit of the financial statements and consolidated financial statements for the fiscal year ended December 31, 2009. According to shareholders' resolution of May 6, 2009 and the ensuing commission given by the Supervisory Board to the auditor, the financial statements prepared in accordance with HGB regulations (German Commercial Code) for the fiscal year ended December 31, 2009 and the management report of ELMOS Semiconductor AG were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Dortmund, as auditor. The auditor issued an unqualified auditor's certificate. The consolidated financial statements of ELMOS Semiconductor AG were prepared in accordance with the International Financial Reporting Standards (IFRS) and completed with the statements required by Section 315 a (1) HGB. The consolidated financial statements according to IFRS and the group management report also received an unqualified auditor's certificate. The financial statement documents, the annual report, and the auditor's reports were handed over to all Supervisory Board members in due time. In the Supervisory Board's financial meeting on March 17, 2010, the statements and reports were also explained by the Management Board. The undersigned certified accountants reported on the results of their examination. After its own examination of financial statements and management report, consolidated financial statements and group management report, and the Management Board's proposal for the appropriation of profits, the Supervisory Board approved the result of the auditor's examination and, in its meeting of March 17, 2010, approved of the financial statements and the consolidated financial statements. The financial statements are hereby adopted. Management Board and Supervisory Board propose to the Annual General Meeting to carry forward the complete retained earnings of 42.7 million Euro (HGB) to new accounts.

CORPORATE GOVERNANCE

Management Board and Supervisory Board cooperate closely to the company's benefit, and both boards are committed to the sustainable increase of the shareholder value. In February 2010 the company released an updated declaration in accordance with Section 161 AktG (German Corporations Act) on the company's compliance with the recommendations of the

German Corporate Governance Code and made it permanently accessible to the shareholders on the company's website. It can also be found in this annual report on page 18. The joint corporate governance report provided by Management Board and Supervisory Board can also be found on page 18 et seq.

LINE-UP OF SUPERVISORY BOARD AND MANAGEMENT BOARD

As already announced in last year's annual report, Dr. Peter Thoma has resigned from his position as Supervisory Board member. His term ended with the conclusion of the Annual General Meeting of May 6, 2009. On June 25, 2009 Dr. Klaus Egger was appointed member of the Supervisory Board by court order. There were no further changes in the line-up of Management Board and Supervisory Board. The terms of all Supervisory Board members end with the conclusion of the next Annual General Meeting to be held on May 4, 2010. The members of the Supervisory Board are introduced on page 17 of this annual report.

REPORT ACCORDING TO SECTION 314 AKTG

The Supervisory Board also examined the report on relationships with affiliated companies according to Sections 312|313 AktG, provided by the Management Board of ELMOS Semiconductor AG. The Supervisory Board came to the conclusion that the report's factual data is correct, the company's performances resulting from the legal transactions specified in the report were not inappropriately high, and, with respect to the measures listed in the report, no circumstances indicate an evaluation that is materially different from the Management Board's evaluation. In addition, the auditor examined the report on relationships with affiliated companies according to Sections 312|313 AktG prepared by the Management Board of ELMOS Semiconductor AG and issued the following unqualified auditor's certificate: "After our due audit and assessment, we confirm that the factual data contained in the report is correct."

The Supervisory Board approves the result of this audit. According to the concluding result of the Supervisory Board's examination, no objections are to be raised against the Management Board's declaration at the end of its report on relationships with affiliated companies.

As of December 31, 2009 EFH ELMOS Finanzholding GmbH held an interest of roughly 52.9% in the company's share capital. In December 2009 the shareholders of EFH ELMOS Finanzholding GmbH, Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, decided a reorganization of EFH ELMOS Finanzholding GmbH by way of division in accordance with the German Transformation Act (Umwandlungsgesetz), as a consequence of which EFH ELMOS Finanzholding GmbH has ceased to exist as of January 26, 2010. In the course of the division, the company's shares formerly held by EFH ELMOS Finanzholding GmbH both directly and indirectly (through its 100% subsidiaries Dr. Weyer GmbH, ZOE-

BTG GmbH, and Makos GmbH) have become the property of companies controlled in turn by Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, respectively.

Upon coming into force of the division of EFH ELMOS Finanzholding GmbH as of January 26, 2010, the company's shares formerly held by EFH ELMOS Finanzholding GmbH directly and indirectly are thus divided between the shareholders of (defunct) EFH ELMOS Finanzholding GmbH as follows:

-> Dr. Weyer GmbH & Co. Vermögensverwaltung KG: 20.5%,
-> Jumakos GmbH & Co. KG: 16.7%,
-> ZOE GmbH & Co. KG: 15.7%.

The above-mentioned voting interests are held indirectly by the respective companies.

2009 was one of the most challenging years in company history. We thank all employees and the members of the Management Board for the loyalty they have shown in accepting financial losses through short-time work or voluntary salary cuts and for making a contribution to safeguarding the company's future through their commitment.

Dortmund, March 17, 2010

G. Zimmer

For the Supervisory Board

Prof. Dr. Günter Zimmer
Chairman of the Supervisory Board

SUPERVISORY BOARD MEMBERS AND COMMITTEES

SUPERVISORY BOARD MEMBERS

Prof. Dr. Günter Zimmer

Chairman, graduate physicist | Duisburg

Mandates

- Member of the board of directors of Dolphin Intégration S.A.

Dr. Burkhard Dreher

Vice chairman, graduate economist | Dortmund

Mandates

- Member of the supervisory board of Arcelor Mittal Eisenhüttenstadt GmbH
- Member of the supervisory board of Vattenfall Europe Mining AG

Dr. Klaus Egger *(since June 25, 2009)*

Graduate engineer | Steyr-Gleink, Austria

Jörns Haberstroh

Graduate economist | Kerken

Mandate

- Vice chairman of the supervisory board of Ehlebracht AG

Dr. Peter Thoma *(until May 6, 2009)*

Graduate physicist | Unterschleißheim

Mandate

- Member of the advisory board of Kromberg & Schubert GmbH & Co. KG

Jutta Weber

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

Dr. Klaus Weyer

Graduate physicist | Schwerte

Mandates

- Member of the supervisory board of Paragon AG
- Member of the project advisory board of MST Dortmund *(until November 2009)*

SUPERVISORY BOARD COMMITTEES

Audit committee

The audit committee concerns itself primarily with issues of accounting, risk management, and the auditor's independence.

Chairman

- Dr. Burkhard Dreher

Members

- Dr. Klaus Weyer, Prof. Dr. Günter Zimmer

Human resources committee

The human resources committee deals with the Management Board members' employment contracts and other issues concerning the Management Board.

Chairman

- Prof. Dr. Günter Zimmer

Members

- Dr. Burkhard Dreher, Dr. Klaus Weyer

Nomination committee

The nomination committee discusses suitable candidates in case of by-elections to the Supervisory Board.

Chairman

- Dr. Klaus Weyer

Members

- Dr. Peter Thoma *(until May 6, 2009),* Prof. Dr. Günter Zimmer

Strategy committee

The strategy committee discusses the group's strategic development.

Members

- Dr. Burkhard Dreher, Jörns Haberstroh, Dr. Klaus Weyer, Prof. Dr. Günter Zimmer

CORPORATE GOVERNANCE STATEMENT

According to new Section 289a HGB (German Commercial Code) introduced by the Bilanzrechtsmodernisierungsgesetz (BilMoG – Act on the Modernization of Accounting Law), ELMOS Semiconductor AG as a listed corporation is obligated to issue a statement on corporate governance. The corporate governance statement consists of the declaration according to Section 161 AktG (declaration of compliance), relevant statements on corporate governance practices, and a description of the working methods of Management Board and Supervisory Board.

1. Declaration of compliance

DECLARATION OF COMPLIANCE REGARDING CORPORATE GOVERNANCE CODE

Superseding the declaration of compliance of December 2009, Management Board and Supervisory Board of ELMOS Semiconductor AG declare in accordance with Section 161 AktG (German Corporations Act):

"I.

ELMOS Semiconductor AG complies with the recommendations of the "Government Commission Deutscher Corporate Governance Kodex" (in short: DCGK) in the version of June 18, 2009 with the following exceptions:

-> The currently valid D&O insurance of the Supervisory Board members does not provide for a deductible (DCGK No. 3.8). Motivation and responsibility cannot be increased by such a deductible.

-> For currently existing Management Board member contracts, no severance payment caps following DCGK No. 4.2.3 were defined. The Supervisory Board considers a limitation of the remuneration in case of a premature termination of a contract without a serious cause to a severance payment which is lower than the agreed upon contract duration as not appropriate in light of the company's interest to bind the Management Board members for the full contract duration (DCGK No. 4.2.3).

-> Even though the Management Board members' remuneration is stated on the Internet as well as in the annual report with reference to fixed components, success-dependent components and components with a long-term incentive effect, these statements are summarized and not individualized (DCGK No. 4.2.4). By resolution of the Annual General Meeting of May 19, 2006 the Company was exempted for a period of five years from the statutory obligation to publish the compensation of the members of the Management Board in an individualized manner.

-> The Supervisory Board members' remuneration consists of fixed components and success-dependent components as well. Supervisory Board remuneration is stated on the Internet as well as in the annual report with reference to its components but not individualized. Remuneration paid by ELMOS Semiconductor AG to Supervisory Board members for individually performed services, in particular consultations and mediation services, is not stated individually in the corporate governance report (DCGK No. 5.4.6). In order to assure equal treatment in the disclosure of the remuneration of Management Board and Supervisory Board, the Supervisory Board's remuneration is also not disclosed in a more extensive individualized form.

-> Supervisory Board committee chairs and memberships are not subject to special compensation (DCGK No. 5.4.6). For reasons of economy, Supervisory Board committee functions are regarded as compensated through the Supervisory Board's remuneration.

-> Half-year and quarterly financial reports will not be discussed with the Supervisory Board prior to publication in order to avoid delays (DCGK 7.1.2).

II.

1. The recommendations of the "Government Commission Deutscher Corporate Governance Kodex" (in short: DCGK) in the version of June 6, 2008 and announced by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on August 8, 2008 were complied with in the period between the release of the declaration of compliance in December 2008 and the announcement of the new version of the code on August 5, 2009 with the exceptions mentioned above under I.

2. The DCGK in the version of June 18, 2009 and announced by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on August 5, 2009 have also been complied with since their announcement with the exceptions mentioned above under I."

Dortmund, February 2010

G. Zimmer

Prof. Dr. Günter Zimmer
Chairman of the Supervisory Board

Dr. Anton Mindl
Chief Executive Officer

2. Relevant statements on corporate governance practices

The following corporate governance report prepared in accordance with the recommendations of the German Corporate Governance Code provides essential information on corporate governance practices at ELMOS.

CORPORATE GOVERNANCE REPORT

In February 2010 Management Board and Supervisory Board issued the declaration of compliance according to Section 161 AktG. ELMOS discloses in this declaration that the company complies with the recommendations of the German Corporate Governance Code in its version of June 18, 2009 with the exception of six counts. Explanations for these divergences are given in the declaration of compliance. It is quoted in this annual report on page 18 and also available on our company website, along with the declarations of compliance of the past years.

Management Board and Supervisory Board feel committed to responsible corporate governance. The Management Board governs the company on its own authority and to the benefit of the company with the objective of a sustainable increase in shareholder value. For this purpose, the board considers the interests of the shareholders, the employees, and the other parties associated with the company.

Transparency for our shareholders

Our shareholders exercise their rights in the Annual General Meeting (AGM). They receive our annual report, the agenda and participation requirements ahead of the event. All documents relating to the Annual General Meeting, current and past, as well as other information on the participation in the AGM and the exercise of voting rights are available on our website – in German and in English – and can also be requested in hardcopy from the company. Shareholders who cannot attend the AGM in person have the opportunity to entrust their voting rights to proxies nominated by ELMOS. The proxy is accessible over the entire length of the General Meeting. The AGM is also broadcast in its entirety on our website per webcast. Subsequent to the General Meeting we announce shareholder presence and voting results on our website. The next Annual General Meeting will be held on May 4, 2010 in Dortmund.

Dates of importance to the shareholders are listed annually in a financial calendar which is published on the Internet as well as in the annual report. All quarterly and annual reports are available on the corporate website. Within the framework of our investor relations work, routine meetings of our CEO and CFO with analysts and investors are conducted. Our shareholders are regularly provided with information about the present development of the company.

Anticipatory risk management

Efficient risk management contributes to the success of sound corporate governance. Risk management of this grade does its part in detecting risks at an early stage, assessing them, and initiating adequate countermeasures. All company divisions are involved in this process. Parameters for risk assessment are the probability of occurrence and the estimated amount of loss. This risk assessment is updated quarterly or at even shorter intervals if necessary. We give account of the principles of the risk management system as well as of current corporate risks in the group management report starting on page 60.

Audit conducted by Ernst & Young

Before submitting the proposal for the appointment of the auditor, the Supervisory Board obtained a declaration from the auditor on relationships between the auditor, its boards, and its audit manager with the company or the company's board members. This declaration furnished no doubts about auditor independence. The Supervisory Board will rely on the suggestion made by its audit committee for future decisions about the proposal for the auditor's appointment. Compliant with No. 7.2.3 of the German Corporate Governance Code, the Supervisory Board arranged for the auditor to give account without delay of any findings and incidents of relevance to the auditor's duties and responsibilities to occur during the performance of the audit. The Supervisory Board also determined that the auditor inform the Supervisory Board or make note in the auditor's report if the auditor establishes differences from the declaration of compliance as issued by the Management Board and the Supervisory Board. No inconsistencies of this kind were established.

Stock option plan

ELMOS has issued stock option plans for Management Board members, executives, and employees. Following the stock option plans 1999 and 2004, another stock option plan was decided in 2009. Stock options continue to represent an important and customary component of a modern payment system and a suitable means for incentive and the long-term commitment of employees. The share price is a central criterion for our shareholders to determine the return on an investment in the company. The link to the share price will therefore continue to be the beneficiaries' incentive within the framework of the new stock option plan. However, the previous performance hurdle and the absolute performance target of a minimum 5% have been raised to 50% so that options can only be exercised if the shareholder value has been increased considerably. In addition, the pecuniary advantage the beneficiaries can achieve by exercising their options is limited to a fourfold of the exercise price defined upon the issue of options.

These plans are explained in detail in the notes to the consolidated financial statements. Please refer to note 23 for more information.

Remuneration report

Total remuneration of the Management Board

The Supervisory Board decides and routinely reviews the remuneration system and the essential contract regulations for the Management Board members in full session. Total Management Board remuneration comprises a fixed monthly salary, a management bonus, stock awards, fringe benefits, and pension benefits. The company does not provide an individualized disclosure of the remuneration with respect to privacy protection. Management Board and Supervisory Board agree that such a disclosure would not contribute to greater transparency in the form of additional information relevant to the capital market. For this reason the Annual General Meeting of May 19, 2006 decided by shareholders' resolution to exempt the company from the legal obligation for individualized disclosure of Management Board remuneration for the period of five years.

In fiscal year 2009 the members of the Management Board received a total fixed remuneration of 1,141 thousand Euro (2008: 1,244 thousand Euro) and variable remuneration of 658 thousand Euro (2008: 525 thousand Euro). Management Board remuneration comprises fixed components and variable incentive components linked to target results and other key figures determined for the management of ELMOS. In the year 2009 altogether 99,000 stock options of ELMOS Semiconductor AG were issued to the members of the Management Board. The total present value of these options came to 69 thousand Euro at the time they were granted. There are indirect pension commitments to members of the Management Board of ELMOS Semiconductor AG for which no accruals are required because of the volume of these commitments and risk coverage provided by completely congruent pension plan reinsurance. In the year 2009 contributions to these pension plans amounted to 347 thousand Euro (2008: 366 thousand Euro). They are included in the fixed components of the remuneration.

Remuneration of former Management Board members or their surviving dependants amounted to 283 thousand Euro in fiscal year 2009 (2008: 255 thousand Euro). In addition, premiums of 300 thousand Euro for insurance were paid for this group of beneficiaries (2008: 275 thousand Euro).

Pension provisions of 2,557 thousand Euro were accrued as of December 31, 2009 (2008: 2,505 thousand Euro). Apart from pension commitments, no additional payments have been promised to any Management Board member in case of termination of occupation. Nor did any member of the Management Board receive payments or corresponding promises from third parties with regard to his position on the Management Board in the past fiscal year.

Total remuneration of the Supervisory Board

The Supervisory Board's remuneration is determined by Section 9 of the articles of incorporation. The Supervisory Board members receive fixed and incentive payments apart from the reimbursement of their expenses. The incentive remuneration is linked to the dividend and thus oriented towards the company's long-term success. The Supervisory Board members are granted neither stocks nor stock options of ELMOS Semiconductor AG.

Compliant with the recommendation of the German Corporate Governance Code with respect to Supervisory Board remuneration in consideration of chairmanship and vice chairmanship, the chairman receives twice the amount of the regular fixed payment and the vice chairman receives one and a half times of said amount. Chairmanship and vice chairmanship of the Supervisory Board committees are not subject to separate compensation. This divergence is listed in the declaration of compliance. The Supervisory Board members' remuneration is disclosed in summarized form, yet not individualized. This also applies to payments made to Supervisory Board members for individually performed services, particularly consultation and mediation services.

The fixed remuneration paid to members of the Supervisory Board amounted to the total sum of 84 thousand Euro in fiscal year 2009 (2008: 82 thousand Euro). This amount includes expenses and disbursements. As no dividend was paid to the shareholders in 2009, the members of the Supervisory Board did not receive variable remuneration in fiscal year 2009. The company paid 230 thousand Euro (2008: 342 thousand Euro) to members of the Supervisory Board for consultations, inventor fees, and other services.

Directors' dealings

Individuals who assume executive positions with the issuer of stocks and persons closely related to such individuals are obligated by law to disclose the purchase and sale of stock of ELMOS Semiconductor AG according to Section 15a WpHG (Securities Trading Act). We announce each of these so-called directors' dealings immediately upon notification Europe-wide and publicize the information on the company's website. For detailed information about directors' dealings please refer to the notes to consolidated financial statements (note 38).

Stocks and stock options

The disclosures of the company's stocks and options held by members of Management Board and Supervisory Board members are explained in detail in the notes to the consolidated financial statements. Please refer to note 35 for this information. The members of the Supervisory Board had combined direct or indirect holdings of 3% of the stocks issued by the company and the members of the Management Board had combined direct holdings of less than 1% (as of December 31, 2009).

INTEGRAL LABOR, SOCIAL AND ETHICAL STANDARDS

Employees

In May 2009 ELMOS employees participated in the first Dortmund Corporate Challenge. The team finished second in the race.

For ELMOS the employees are the most important part of the company. Their knowledge, motivation, flexibility, and team-mindedness are the basis of the company's success. Therefore we want to provide our employees with more than just a workplace. One component of this comprehension is the in-house fitness center. It is fully equipped and offers manifold opportunities for weight and endurance training, even in the form of fitness courses, e.g. for yoga and back/abdominal training. We also have a health team since the end of 2009. It aims at providing a whole package of health screenings. As its first activity, the team organized a health day in cooperation with partners in health care. In addition, regular instruction courses for sitting and working in a manner that is easy on the back have been held for years, promoting staff health on the job. Optional annual flu immunization and an analysis of the cardiovascular function for employees in production belong to the elaborate health protection program. Furthermore, a mole screening was offered in 2009 for the first time.

We regularly conduct specialist trainings with in-house and external experts, for instance project manager trainings and technology workshops. Thus we safeguard up-to-date know-how, efficient employment of labor, and our employees' continuous professional development. During the phase of short-time work in the year 2009, additional trainings were carried out e.g. in the areas design and quality control. These measures were promoted by the European Social Fund (ESF) and took place on days with reduced working hours.

We consider it our social obligation to offer young people the opportunity of qualified professional training. Even in difficult times we continued to provide training positions. Apart from classic jobs that require formal training such as industrial business management assistant or warehouse manager, ELMOS also trains future microtechnologists, preparing them specifically for work in clean room production. In addition to the theoretical basics of semiconductor technology, practical knowledge such as the operation of semiconductor manufacturing machinery is communicated as well. An additional microtechnologist training course took place within the scope of measures during the phase of short-time work.

We have defined the principles of interaction with employees in our Code of Conduct. In its pages we commit ourselves to a corporate culture that is based on mutual respect irrespective of sex, religion, nationality, ethnic background, disabilities, and age. The Code is available for download on our website and can also be requested in hardcopy free of charge.

Environmental protection

Special emphasis has been placed over the past years on energy and gas consumption.

We are just as committed to environmental protection. For more than fifteen years ELMOS has actively taken measures that reach beyond statutory eco and health protection. In order to communicate this special commitment, an integrated eco and health protection management system was implemented and certified according to ISO 14001:2004 in the year 2003. In 2009 a recertification audit was successfully conducted.

Special emphasis has been placed on energy and gas consumption over the past years. But in other areas such as the protection of resources or the transport of goods, in part considerable savings could be achieved as well in the last years. Environmental protection is a crucial factor in economically as challenging times as last year. On the one hand, we check each operating sequence for savings potential, resulting more or less automatically in improved environmental protection. On the other hand, our customers are increasingly looking for solutions enabling them to offer energy-saving products. Often our semiconductors prove to be the deciding factor.

More on the subject "our responsibility" can be found in the following publications:

-> Code of conduct

www.elmos.de/englisch/about-us/responsibility.html

3. Working methods of Management Board and Supervisory Board

The Supervisory Board has six members, the Management Board consists of four members. The line-up of Management Board and Supervisory Board is presented on pages 11 and 17 of this annual report respectively. Each elected for five years according to the articles of incorporation, the members of the Supervisory Board reflect the variety of the activities of ELMOS with their different professional backgrounds.

The Management Board governs the company on its own authority. The Supervisory Board advises and supervises the Management Board with respect to the company's management. The Supervisory Board appoints the members of the Management Board. Management Board and Supervisory Board work together closely and with mutual trust. The rules of procedure of the two boards define this cooperation, among other issues. The Management Board gives regular, extensive, and up-to-date reports to the Supervisory Board on all developments and events of relevance to the company. These are among others the general business development, planning and risk situation, as well as compliance measures introduced by the Management Board to safeguard the compliance with rules and regulations in the company. The Supervisory Board convenes without the Management Board's attendance if necessary. Each fiscal year the chairman of the Supervisory Board explains the work of the Supervisory Board and its committees in the Supervisory Board report and at the Annual General Meeting.

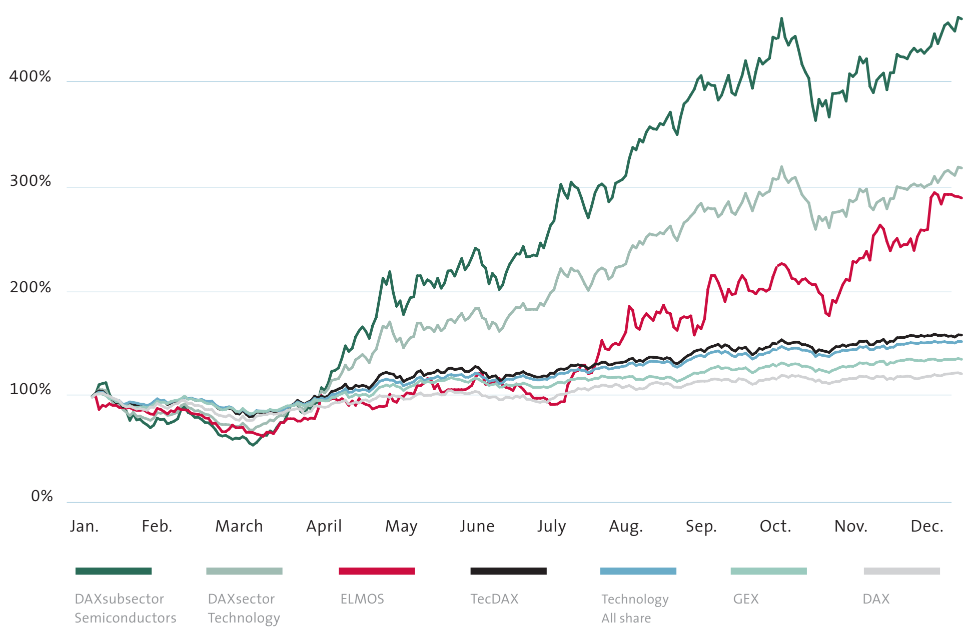
The Supervisory Board has established expert committees to increase the efficiency of its work. The respective committee chairmen or the committees' members provide regular reports on their work to the Supervisory Board according to the Supervisory Board's rules of procedure. The committees advise the Supervisory Board and prepare its meetings. The selection of committee members is made according to professional qualification and legal stipulations as well as the recommendations of the German Corporate Governance Code.

The line-up and area of responsibility of each committee can be found under "Supervisory Board committees" on page 17. Information on the committees pertaining to fiscal year 2009 including the numbers of meetings is included in the Supervisory Board report on page 13.

OUR SHARE

General stock market development

Relative price development 2009



In 2009 all relevant indices achieved partly significant increases. While the development of the first quarter of 2009 mostly showed downward or sideward motion still, considerable gains were recorded between the second quarter of 2009 until the end of the year. Within this overall development, technology indices came up with a much better performance than the general market indices. The DAX climbed 23.8% in the course of the year, the GEX increased by 37.7%. The technology indices showed registered even much higher increases. The TecDAX won 60.8% in 2009, the Technology All Share gained 54.7%. The DAXsector Technology even achieved a 219.9% increase, the DAXsubsector Semiconductors won 361.8%.

The ELMOS share almost tripled its value in 2009 with an increase of 191.3%, performing ahead of the shares of most relevant competitors. It reached its 52-week low at 1.41 Euro in the first quarter of 2009, on March 12. This mark also represents an all-time low. On December 16 the ELMOS share reached its 52-week high at 6.82 Euro. By the end of the year the share was quoted at 6.70 Euro.

PERFORMANCE OF THE ELMOS SHARE

Period until December 31, 2009	**Since 1/1/2008**	**Since 1/1/2009**
ELMOS (Xetra)	– 8.8%	191.3%
Industry indices		
TecDAX	– 16.1%	60.8%
DAXSector Technology*	6.6%	219.9%
Technology All Share*	– 22.2%	54.7%
DAXSubsector Semiconductors*	– 21.7%	361.8%
DAXSector Automobile	– 30.9%	6.8%
General market indices		
DAX	– 26.2%	23.8%
GEX**	– 33.3%	37.7%
Prime All Share*	– 27.7%	25.9%
CDAX*	– 28.0%	25.4%

** ELMOS is included in these indices*
*** ELMOS was included in this index for the most part of the year 2009*

The average daily trading volume of the ELMOS share (Xetra and Frankfurt/Main floor) came to roughly 27.4 thousand shares and was thus more than twice as high as the previous year (about 12.5 thousand shares a day). Roughly 90% of the shares continued to the traded through Xetra.

ELMOS KEY STOCK DATA

	2008	**2009**
Number of shares outstanding at the end of the year	19,414,205	19,414,205
52-week high (Xetra)	7.30 Euro | Jan. 3	6.82 Euro | Dec. 16
52-week low (Xetra)	1.78 Euro | Dec. 19	1.41 Euro | March 12
Closing price (Xetra)	2.30 Euro	6.70 Euro
Annual performance	– 68.7%	191.3%
Market capitalization at the end of the year	44.7 million Euro	130.1 million Euro
Market value to book value* at the end of the year	0.3	0.8
Shares traded on daily average (Xetra and Frankfurt floor)	12.5 thousand	27.4 thousand
Earnings per share	0.55 Euro	– 0.63 Euro
Dividend per share	0.00 Euro	0.00 Euro**

** Shareholders' equity*
*** Proposal to the Annual General Meeting in May 2010*

The market capitalization of ELMOS amounted to 130.1 million Euro at the end of the year (December 31, 2008: 44.7 million Euro), based on 19.4 million outstanding shares. The number of shares outstanding at the end of the year did not change from December 31, 2008.

BASIC STOCK INFORMATION

Key data

ISIN	DE0005677108
German WKN	567710
Stock symbol	ELG
Reuters	ELGG.DE
Sector	DAXsector All Technology

The ELMOS share is a no par bearer share (unit share). It is traded on all German stock markets as well as on the Xetra system. As Prime Standard issuer of stocks, ELMOS meets the highest transparency requirements beyond the level of the General Standard and thus beyond the transparency standards as defined by European Union regulation.

Share details

Type of shares	No par common bearer shares
Transparency level	Prime Standard
Market segment	Regulated market
IPO	October 11, 1999
Designated sponsors	HSBC Trinkaus & Burkhardt WestLB
Index inclusion	CDAX, DAX International Mid 100 (since January 2010), DAX Plus Family (since January 2010), DAXSector All Technology, DAXSector Technology, DAXSubsector All Semiconductors, DAXSubsector Semiconductors, GEX (until December 2009), Prime All Share, Technology All Share

SHAREHOLDER STRUCTURE

The share capital of ELMOS Semiconductor AG is divided into 19,414,205 no par shares with a proportionate amount of 1.00 Euro of the share capital allotted to the single share.

As of December 31, 2009 EFH ELMOS Finanzholding GmbH had an interest in the company's share capital of roughly 52.9% (about 10.3 million shares). In December 2009 the shareholders of EFH ELMOS Finanzholding GmbH, Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, decided a reorganization of EFH ELMOS Finanzholding GmbH by way of division in accordance with the German Transformation Act (Umwandlungsgesetz), as a consequence of which EFH ELMOS Finanzholding GmbH ceased to exist as of January 26, 2010. In the course of the division, the company's shares formerly held by EFH ELMOS Finanzholding GmbH both directly and indirectly (through its 100% subsidiaries Dr. Weyer GmbH, ZOE-BTG GmbH, and Makos GmbH) have become the property of companies controlled in turn by Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, respectively. Upon coming into force of the division of EFH

ELMOS Finanzholding GmbH as of January 26, 2010, the company's shares formerly held by EFH ELMOS Finanzholding GmbH directly and indirectly are thus divided between the shareholders of (defunct) EFH ELMOS Finanzholding GmbH, namely Dr. Weyer GmbH & Co. Vermögensverwaltung KG (20.5%), Jumakos GmbH & Co. KG (16.7%), and ZOE GmbH & Co. KG (15.7%). These voting interests are held indirectly by the respective companies.

As of December 31, 2009, 47.1% of the shares (roughly 9.1 million shares) were free float. Subsequent to the reorganization of EFH in January 2010, 45.5% of the shares (roughly 8.8 million shares) are free float.

On July 23, 2009 FMR LLC (Boston, U.S.A.) exceeded the threshold of 3% of the voting rights, including the voting rights of its subsidiaries attributed to the company. By that time the company held 3.07% or 595,694 voting rights of ELMOS, including its subsidiaries' attributed voting rights. On September 2, 2009 FMR LLC exceeded the 5% threshold, including its subsidiaries' attributed voting rights. As of that date FMR LLC owned 5.03% or 976,190 ELMOS shares, including its subsidiaries' attributed voting rights.

On August 14, 2009 Fidelity Management & Research Company (Boston, U.S.A.), a 100% subsidiary of FMR LLC, crossed the voting rights threshold of 3%. The company reported in its announcement that it held 3.15% or 612.350 shares of ELMOS. On October 22, 2009 Fidelity Management & Research Company (Boston, U.S.A.) announced that it held 5.06% or 982,212 ELMOS shares.

All voting rights announcements were publicized Europe-wide according to legal regulations and are also available on our website at www.elmos.de.

INVESTOR RELATIONS

In the year 2009 ELMOS continued to inform investors about the current situation and corporate strategy within the framework of road shows, conferences, and company visits on location. We also informed analysts and investors, and upon request individual shareholders as well, by conducting conference calls subsequent to the announcement of results. Thus we enable our shareholders and other interested capital market participants to assess our business situation and, in particular, consider our prospects realistically. In doing this it is our objective to inform comprehensively and quickly and to be accessible at any time – for private and institutional investors, analysts, and other interested parties alike.

Aiming for both comprehensive and timely information provided equally to all target groups, we have compiled a large body of corporate information on our website. Interested investors may inform themselves in detail about the company and its products and technologies at www.elmos.de on the Internet. Apart from information about corporate governance, the section “Investor Relations” also offers financial reports, a financial calendar, the company’s articles of incorporation, information on the AGM, press releases, and directors’ dealings. We are also happy to send out information such as annual reports or quarterly reports by mail.

Research coverage

DZ Bank	Natixis Securities
fairesearch	SES Research
HSBC Trinkaus & Burkhardt	WestLB
Mirabaud Securities	

ANNUAL GENERAL MEETING

About 250 private and institutional investors participated in the 10th Annual General Meeting held on May 6, 2009 at the Casinosaal Hohensyburg in Dortmund. With a presence of 12,488,380 Euro or 64.3% of the share capital, each proposal to the separate items of the agenda was approved by a significant majority of votes. Apart from the usual agenda items, conditional capital was decided for the issue of convertible bonds and option loans on the one hand and for the implementation of a stock option plan on the other hand.

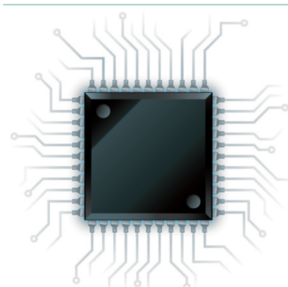
At the Annual General Meeting 2009, much use was made once again of the possibility to entrust one’s voting rights to the proxy nominated by the company. Shareholders who could not be present in person last year were able to watch the broadcast of the General Meeting on the Internet, either live or later as a recording. The upcoming Annual General Meeting on May 4, 2010 will also be broadcast live on the Internet for the convenience of shareholders and potential investors. In addition, shareholders can exercise their voting rights either directly, by use of a proxy of their choice, or by use of a company-nominated proxy according to their instructions.

CONTACT: ELMOS Semiconductor AG

Investor Relations, Heinrich-Hertz-Straße 1, 44227 Dortmund, Germany

Phone + 49 (0) 231 - 75 49 - 287, Fax + 49 (0) 231 - 75 49 - 549, invest@elmos.de, www.elmos.de

BUSINESS AND ECONOMIC FRAMEWORK



ELMOS develops, manufactures, and markets highly integrated microelectronic circuits. The company was founded in the year 1984 in Dortmund where it keeps its headquarters as well as its largest manufacturing site.

Business activity

ELMOS develops, manufactures, and markets highly integrated microelectronic circuits. The company was founded in the year 1984 in Dortmund where it keeps its headquarters and largest manufacturing site. The products – so-called semiconductors – find use primarily in two industries: roughly 85% of sales are generated with electronics for the automotive industry, the remaining 15% are accounted for by products for industrial and consumer goods electronics.

ELMOS: THE SPECIALIST FOR AUTOMOTIVE ELECTRONICS

The share of electronics in the automobile is constantly increasing: Comfort applications such as parking systems, air conditioning or power door locks are taken for granted today as features of contemporary vehicles. Safety electronics in particular have made a quantum leap over the last few years, from the first much-debated airbag to today's equipment with ABS, ESP, and many other functions. Over the next years lower gas consumption will be the focal point of attention. Further reductions are possible only through the intelligent use of electronics – this holds true especially for the use of electric powertrains.

ELMOS develops and manufactures semiconductor chips and sensors, in other words the brainpower behind automotive electronics. Our chips control and measure these systems. Example powertrain application: Our solutions are distinguished by highly precise analog input amplifiers, power amplifiers, and integrated microprocessors – everything up-to-date electronics require to make driving a car as eco-friendly and efficient as possible. Therefore ELMOS chips are used by virtually all auto brands worldwide.

One characteristic of semiconductors for the automotive market is the long product life cycle. New automotive projects usually require development periods between one and three years before being series-produced for about five to eight years. Sometimes the duration of the product life cycle changes considerably if car manufacturers put to use a similar technical platform for a family of new car models. Unlike many other semiconductor manufacturers, ELMOS is able to supply its customers with the same chip over a long period because of special manufacturing options. Other characteristics of our business are the very high quality requirements and the robust semiconductor technology.

Since its formation, ELMOS has achieved a leading market position as semiconductor manufacturer in the market for automotive electronics. Immediate competitors are austriamicrosystems, Melexis, and ON Semiconductor. When it comes to projects involving very high volumes, ELMOS also competes with major semiconductor manufacturers such as Freescale, Infineon, NXP, and STMicrolectronics.

CUSTOMER AND APPLICATION SPECIFIC COMPONENTS

ELMOS predominantly manufactures products by customer order for a specific application, exclusively for the respective customer. Apart from these customer specific circuits (ASICs), comprising more than 90% of the products, ELMOS also offers a portfolio of application specific standard products (ASSPs). ELMOS manufactures ASICs and ASSPs so far almost exclusively at the company's own production sites (wafer fabs) in Dortmund and Duisburg. Depending on capacity requirements, we are prepared to have service providers manufacture automotive semiconductors for us in the next years as well (so-called foundry services).

POTENTIAL IN THE MARKETS FOR INDUSTRIAL AND CONSUMER GOODS

Apart from the automotive market, ELMOS has been busy in the industrial and consumer goods markets, supplying semiconductors e.g. for applications in household appliances, photo cameras, medical, installation and facility technology, and machine control. This non-automotive sector, and the micromechanics area in particular, was not affected by the global crisis to the same extent as the automotive market in the past year. Deliveries for new projects were started as well. Against this backdrop, sales generated in the markets for industrial and consumer goods increased to a share of 15% of total group sales. The sales share is scheduled to rise to 20 to 30% in the medium term.

EXTENSIVE PRODUCT PORTFOLIO

Sales are in large part generated with semiconductors; this product portfolio is enhanced by micro-electro-mechanical components (MEMS). These are mainly silicon-based high-precision pressure sensors designed, manufactured, and marketed by our subsidiary Silicon Microstructures (SMI) in Milpitas, U.S.A. The manufacturing subsidiary ELMOS Advanced Packaging B.V. (ELMOS AP), based in Nijmegen in the Netherlands, supports the technology and product portfolio with the development and production of special packages for electronic semiconductor components and sensors. Development and marketing of application specific micro-mechatronic modules complete the range of products. These so-called microsystems combine the capabilities of the ELMOS Group and consist of signal processing semiconductor elements and micromechanical sensors in a functional package. This combination makes it possible for the customer to realize cost-effective system solutions.

Strategy

In the year 2009 we continued to work on the scheduled implementation of the strategy we have embarked on – in spite of the worldwide crisis. We remain convinced that the investments in the realization of our strategy will pay off even from an economic viewpoint. We are able to operate on the basis of a solid liquidity position and balance sheet strength. The strategic cornerstones and the progress made already are outlined in the following paragraphs.

FROM CUSTOM TAILOR TO TRENDSETTER

ELMOS has made a name for itself as specialist for solutions in the area of automotive and industrial semiconductors. These so-called application specific integrated circuits (ASICs) are based on the principle that exclusive customer requests and application requirements have been identified and suitable approaches to solutions have been developed – therefore these types of semiconductors are also called “customer specific semiconductors”. Over the past years we have seen a trend toward more standardized components. Driven by the general economic framework, many customers have decided to forgo exclusive solutions and to use application specific standard products increasingly – so-called ASSPs. ELMOS started early on to identify and develop such products. First ASSPs have been successfully brought to market already. Internal structures have been adjusted to the new market conditions in order to strengthen the market position with purpose and competence and to press ahead with trend setting products, made possible by the competent proximity maintained to many customers. In many cases this works even regardless of specific markets and regions, opening up additional marketing opportunities. Among the most important product lines are interface, motor control, sensors, and safety.

STRONGER ENTRY INTO MARKETS FOR INDUSTRIAL AND CONSUMER GOODS

Historically speaking, our strength resides in the automotive market. However, we recognize considerable, as yet unaddressed opportunities for our products in the markets for industrial and consumer goods. In order to seize our opportunities, we have increased our efforts in this area significantly. We have contracted additional distributors to address a global customer base. In addition, we are targeting key customers in these markets with our own sales team specialized in industrial and consumer goods markets. We were successful last year in winning a large number of new projects and bringing recent projects to series-production readiness. The fields of network systems, lighting concepts, sensorics, and power supply meet with great customer attention. In the medium term the non-automotive markets are scheduled to amount to 20 to 30% of sales of ELMOS.

DEVELOPMENT OF THE ASIAN MARKETS

So far we have assumed a strong position on the German market and the other European markets. We have gained a foothold in the U.S. market and established valuable contacts there. Over the past years we have forced the pace of developing the Asian market, particularly in Japan and South Korea. In support of this effort we have strengthened our marketing activities with our own staff and with representatives and entered into strategic partnerships with Asian companies. These activities resulted in recording a large number of design wins and receiving the release for the series production of new products. In consequence, a considerably bigger share of sales will be generated with Asian customers in 2010 than in 2009.

ESTABLISHING STRATEGIC PARTNERSHIPS

Through strategic cooperations with partners we can make useful additions to our own capabilities in order to offer a broader product portfolio in the long term and thus increase our competitiveness. In 2007 we concluded agreements for two partnerships. One cooperation agreement was signed with Korean foundry MagnaChip. Together we are developing a new technology generation, and this partnership also enables us to purchase processed wafers so that we can cut down on our expenditure requirements in the medium term and react more flexibly to heavily fluctuating unit numbers. We have transferred our automotive process to MagnaChip and will start production in 2010. These additional external production capacities in combination with the in-house manufacture make it possible for ELMOS to realize a so-called fab light concept. Another agreement was concluded with NEC Electronics, including joint development, mutual access to development and manufacturing services, and joint marketing of products for the automotive and industrial markets. Customers of both companies will benefit especially from the combination of the strengths of NEC Electronics in the realm of 8 to 32 bit microcontrollers with the robust and reliable, application specific analog/mixed-signal semiconductor chips made by ELMOS. One first product is a component for a new communication system used in industrial automation called IO-Link.

BIGGER SHARE OF MICROSYSTEMS

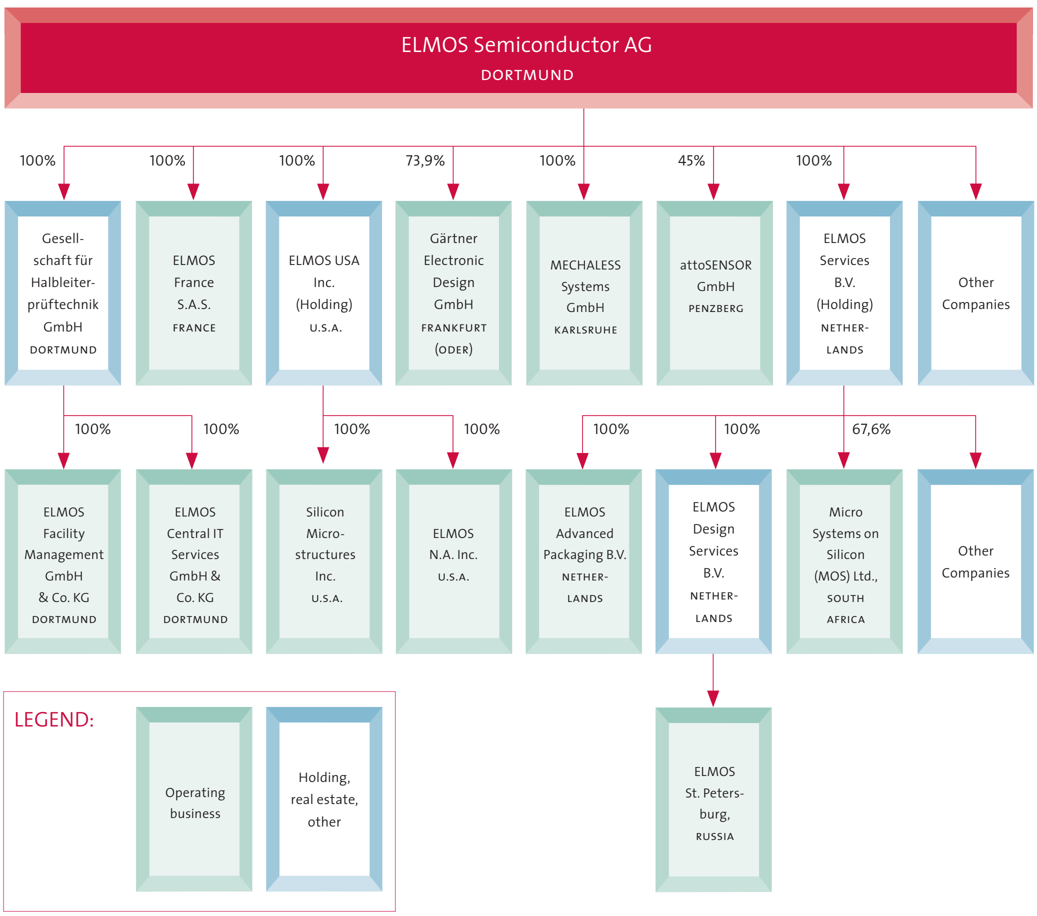
Microsystems, consisting of ASICs/ASSPs and MEMS in a customer specific package, will see rising demand in the next years. As one of only a few companies, ELMOS is able to develop and manufacture complete microsystems within its group of companies, the ELMOS Group. The development of microsystem projects has been pushed over the past fiscal years to the effect that in 2009 a microsystem for a safety application entered series production. In addition, a first standard microsystem, namely a pressure sensor system suited for applications for industrial, medical and automotive markets, is now available to the customers.

Organizational structure

The corporate structure of ELMOS responds to demands defined by the customers, particularly in the automotive industry, as well as the customers' requirements for innovation, quality, flexibility, and delivery reliability. The resulting tight customer-supplier relationship is reflected by the ELMOS Group's structural layout. The organizational structure of the ELMOS Group is constantly being reviewed and adjusted to the requirements.

Several branches, subsidiaries, and partner companies at various locations in Germany, Europe, and all over the world provide distribution and application support to the customer on the spot. Apart from the manufacturing locations in Dortmund, Duisburg, Nijmegen/Netherlands, and Milpitas/California, U.S.A., this network comprises among others the Munich branch and the subsidiary companies ELMOS France, ELMOS North America, MECHALESS, and GED. ELMOS France attends to the French and Southern European markets and provides customer service on location. For ELMOS, France is the most important regional market apart from Germany. ELMOS North America services the North American market from its headquarters in Farmington Hills near Detroit, U.S.A., the center of the American automobile industry. ELMOS is represented in Asia with offices in Japan and South Korea.

In the course of the increased sale of ASSPs and non-automotive products, ELMOS also markets its products through various distributors. The ELMOS Group collaborates with a large number of partners in Europe, U.S.A., and Asia. In 2009 we particularly expanded our activities on the Asian markets with additional distributors and representatives. The collaboration facilitates design wins and the logistic realization of new contracts for electronics used in automotive applications, industrial and consumer goods applications, and medical technology. The distributors are distinguished by a broad customer portfolio, great comprehension of applications, and high reliability.



ELMOS distinguishes in its segment reporting between the business sectors semiconductor and micromechanics. The micromechanics segment reflects the business operations of SMI. All other companies and activities are entered in the semiconductor segment.

RELATIONSHIPS WITH AFFILIATED COMPANIES

Until December 31, 2009 ELMOS Finanzholding GmbH (EFH) was the largest single shareholder of ELMOS, with indirect and direct shareholdings of 52.9%. Therefore the Management Board prepared a report on relationships with affiliated companies according to Sections 312/313 AktG, concluding with the following declaration in accordance with Section 312 (3) AktG: “We declare in accordance with Section 312 (3) AktG that no reportable events took place in fiscal year 2009.”

After the balance sheet date, the shareholders of EFH decided a reorganization of EFH as a result of which EFH ceased to exist. More information about this can be found in the report on subsequent events.

General economic framework

The market for semiconductor chips for the automotive industry, a niche market of the global semiconductor industry, is the most important market for ELMOS. It comprises a share of between 7% and 8% of the entire worldwide semiconductor market.

AUTOMOTIVE INDUSTRY

In **Germany** numbers of new car registrations showed a positive development as a consequence of the car-scrap bonus for old vehicles ("Abwrackprämie"). Over the whole year 2009, 3.8 million cars were newly registered in Germany (+23%), according to the German Association of the Automotive Industry (VDA). Only two other Western European markets recorded higher figures than the year before: France (+10.7%) and Austria (+8.8%). In all other Western European countries, the car registration numbers were down, e.g. Italy (–0.2%), Great Britain (–6.4%), and Spain (–17.9%). Taken as a whole, the market in Western Europe remained stable in comparison with 2008, with a volume of 13.6 million new vehicles (+0.5%).

The **U.S. market** collapsed in 2009 considering the whole year – despite a subsidy program in place ("Cash for Clunkers"). According to the VDA, 21% fewer cars were sold than the year before. On the whole, the U.S. market had a volume of 10.4 million automobiles. The extent of the decline becomes even more apparent by two-year-comparison. Compared to the sales volume of the year 2007 (16.1 million cars), about 5.7 million fewer cars were sold in 2009. This means a decline by more than one third.

The **Asian markets** were the growth drivers of the global automotive industry in 2009. Sales generated in the Chinese market spearheaded this trend. Fueled by official purchase incentive schemes, car sales gained 54% in the year 2009 to roughly 13.6 million vehicles. Thus China has surpassed the U.S. as the world's largest sales market. India also showed a remarkable 17% growth to about 2 million cars in 2009.

For Germany the VDA anticipates a considerable decline in 2010 after the extraordinary year 2009 for registrations due to special effects such as the car-scrap bonus. The domestic car market is supposed to go down to between 2.75 and 3.0 million new registrations in 2010. However, the VDA considers this probable development merely a return to German normalcy, or rather an amount only slightly below the German car market's average of many years. For the global market a slight recovery can be anticipated. The Chinese market is expected to increase significantly once more, by at least 10% compared to 2009. The VDA also sees a 10% increase over the previous year for the U.S. The worldwide auto production is expected to amount to roughly 55 million cars in 2010 (2009: 53 million cars).

AUTOMOTIVE SEMICONDUCTOR MARKET

Usually the automotive semiconductor market grows even if car production stagnates. This is due to the constantly rising share of electronic systems in the automobile. A trend analysis conducted by the German Electrical and Electronic Manufacturers' Association (ZVEI) assumes that microelectronics, particularly for powertrain applications, will record double digit growth rates over the next five years worldwide. Passenger safety is another area that shows high growth rates.

According to the ZVEI trend analysis, the global automotive semiconductor demand will keep growing. In 2008 semiconductors worth roughly 300 U.S. dollars were installed per car; in 2013 this volume is supposed to be up to 400 U.S. dollars. For the niche market of automotive semiconductors, the market research institute Semicast predicts a growth of 16% in 2010 over 2009.

ELECTRONICS INDUSTRY

The German electronics industry's production output will probably rise in 2010 between 3 and 4%. In the year of crisis 2009 the production volume dropped 22% according to the ZVEI. Sales are expected to increase from 145 billion Euro to 150 billion Euro. The global trends that push the industry are increasing requirements for energy efficiency and a growing demand for infrastructure equipment as well as up-to-date medical technology.

GENERAL SEMICONDUCTOR MARKET

There is not a single market research institute that does not predict a double digit growth for the global semiconductor market in 2010. With a sales plus of 12.2%, World Semiconductor Trade Statistics (WSTS) defines the minimum growth for 2010. The forecast of Future Horizons represents the upper limit with a predicted growth of 22%. On the average, a 15% increase is expected (source: Natixis Securities).

Production

ELMOS Semiconductor AG operates semiconductor manufacturing sites in Dortmund and Duisburg.

ELMOS Semiconductor AG operates semiconductor manufacturing sites in Dortmund and Duisburg. The manufacture at the headquarters in Dortmund produces on 150mm wafers (six inches), the Duisburg manufacturing plant produces semiconductors on 200mm wafers (eight inches). In the Dortmund test area, wafers and packaged components are subjected to electric tests in order to make sure that only products in line with the specifications are delivered to the customers. ELMOS has other manufacturing sites in addition to the two semiconductor plants: At the production location Nijmegen in the Netherlands, the subsidiary ELMOS Advanced Packaging focuses primarily on the business areas package development and manufacture of special packages for micromechanical systems (MEMS) as well as taping and packing (tape & reel). At the location of the subsidiary SMI in Milpitas, California, MEMS pressure sensors are manufactured on 6-inch wafers.

Sales generated by the ELMOS Group were on a significant decline, particularly in the first half-year 2009, due to the worldwide crisis. At both chip manufacturing locations Dortmund and Duisburg, the number of wafers-in was reduced for economic reasons. The number of chips produced accordingly went down in comparison to the previous year. Production costs were reduced because of the introduction of short-time work, stringent cost-cutting measures, and the implementation of efficiency increasing measures; however, they did not go down to the same extent as the number of chips produced, due to the high level of a semiconductor manufacture's fixed costs. As part of the bundle of cost-saving measures, investments in capacity expansion were postponed. The scheduled conversion of part of the manufacture in Dortmund from 150mm to 200mm was resumed with structural work in the second half-year. This includes for instance the initial operation of equipment required for new processes or new 8-inch wafers. We integrate our know-how and the experience gained at our 8-inch wafer fab in Duisburg intensively into planning and activities; we have e.g. already established a few back-up solutions for Duisburg at the Dortmund location. With the partial changeover we safeguard the competitiveness of the Dortmund manufacturing site even on an international scale.

The group's own manufacturing sites are completed by cooperations with contract manufacturers (foundries). In the future these foundries will make additional capacities available if necessary, thus enabling ELMOS to respond flexibly even to heavily fluctuating demand. The production opportunity at a foundry partner is intended to be seized especially for ASSPs as well as for products intended for industrial and consumer goods markets.

Research and development

The ever increasing use and complexity of electronic components in the automobile lead to the automotive industry's constantly rising demands on quality and reliability of automotive electronics. In order to guarantee the auto industry's high quality level, the electronic components are tested according to in-house qualification procedures in addition to the qualifications defined by international standards. Parallel to that, ELMOS makes use of the know-how gained with automotive electronics for the expansion of activities in the market of industrial electronics.

The development activity of ELMOS centers on the market-oriented expansion of the product portfolio. The majority of the company's product development costs are pre-financed by ELMOS, to be amortized through series production. This especially applies for the development of application specific standard products which are going to come to a larger share of the total sales of ELMOS in the future. The provision of financial resources for these future-oriented projects had a very special significance during the economic crisis.

The focal point of process development was the expansion of the 0.35µm process family.

Research and development expenses were reduced by 20.0% to 25.3 million Euro in the year under report (2008: 31.6 million Euro). This corresponds with a ratio of 20.4% of sales, slightly higher than the prior-year ratio (2008: 18.1%) because of the heavy sales decline.

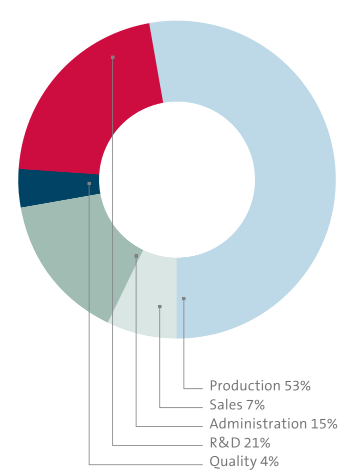
Employees

ELMOS offers professional training for a variety of commercial and technical professions, with an emphasis on the training of microtechnologists.

For ELMOS as a technology company, the employees' know-how is a particularly crucial factor. Their motivation, expert knowledge, and flexibility are the prerequisite to the company's long-term success. Especially with regard to the development of new products and processes, the employees represent the deciding criterion for growth and innovation. At the locations in Dortmund and Duisburg, in Germany's most-populated federal state North Rhine-Westphalia, ELMOS is able to recruit from a great number of well-trained young engineers as there are more than 50 universities and colleges in the vicinity. ELMOS has maintained a close cooperation with these institutions ever since the company's foundation and holds a singular position as the sole semiconductor manufacturer in the region. ELMOS offers professional training for a variety of commercial and technical professions, with an emphasis on the training of microtechnologists. By the end of 2009 there were 36 trainees in Dortmund (2008: 46).

Employee development
ELMOS Group (year-end)

Employees by functions
ELMOS Group (annual average)



The total headcount at the North Rhine-Westphalian locations Dortmund and Duisburg dropped to 759 as of December 31, 2009 (December 31, 2008: 803), the number of employees throughout the ELMOS Group went down to 1,009 as of the balance sheet date (December 31, 2008: 1,093). This decline by altogether 7.7% took place to different extent at all ELMOS locations. The number of ELMOS Group employees on annual average went down as well, to 1,038 (2008: 1,117). The average age of the staff was 39 years in 2009 (2008: 37 years).

In Dortmund Management Board and employees work together in a trusting partnership, supported by an employee representative committee. The employees' interests among each other and towards the management are discussed and monitored in subcommittees. There are subcommittees for social issues, human relations, employee promotion, and economic issues.

STAFF PARTICIPATION

In 2009 another stock option plan was decided, following the stock option plans 1999 and 2004. Stock options continue to represent an important and customary component of a modern payment system and a suitable means for incentive and the long-term commitment of employees. The share price is a central criterion for our shareholders to determine the return on an investment in the company. The link to the share price will therefore continue to be the beneficiaries' incentive within the framework of the new stock option plan. However, the previous performance hurdle and the absolute performance target of a minimum 5% have been raised to 50% so that options can only be exercised if the shareholder value has been increased considerably. In addition, the pecuniary advantage the beneficiaries can achieve by exercising the options is limited to a fourfold of the exercise price defined upon the issue of options.

Based on the authorization for the implementation of a new stock option plan given by the Annual General Meeting 2009, Supervisory Board and Management Board decided in June 2009 to issue altogether 495,000 options. The exercise price is 150% of the average closing prices of the share of ELMOS Semiconductor AG at the Frankfurt Stock Exchange on the Xetra trade of the last ten trading days prior to the resolutions and comes to 3.68 Euro. The blocking period is three years from the issue date. The company is authorized to offer compensation in cash to the beneficiaries instead of handing out shares.

As of December 31, 2009 altogether 627,106 options from the stock option plans of the years 2005 and 2009 are outstanding (December 31, 2008: 409,916 options from stock option plans 2004 and 2005). More information on the option plans' various tranches can be found under note 23 in the notes to the IFRS consolidated financial statements.

Quality

Within the framework of continuous improvement processes, ELMOS forcefully implements its first-time-right and zero-defect strategy. ELMOS thus achieves an outstanding quality level with its products as well as in its operational and manufacturing processes. Due to anticipatory quality planning and monitoring of customer requirements even during the development stage, quality is achieved not by subsequent selection but rather from the beginning, with full competitiveness and a minimum of rejects.

Within the framework of continuous improvement processes, ELMOS forcefully implements its first-time-right and zero-defect strategy.

Regular examinations of the tools and processes put to use, close attention to the series products from acquisition and development up to manufacture and delivery, constant analyses, and cutting-edge statistical procedures make this high quality level possible. By means of a sophisticated traceability system, ELMOS is able to detect the reasons for slightest quality fluctuations early on and to minimize their effects in an effective and sustained manner in order to provide even more efficient customer support. In-house laboratories examine not only possible defect mechanisms of the semiconductor manufacture but sensor and packaging specific features as well, thus closing the loop system for the continuous improvement of ELMOS' manufacturing processes.

The ELMOS quality management system is audited annually in accordance with the requirements of DIN ISO 9001 and the standards QS 9000 and VDA 6.1. These standards have been subsumed under ISO/TS 16949:2002 with worldwide validity. The essential locations of the ELMOS Group were audited and certified according to this standard in 2009.

PROFIT, FINANCIAL AND ECONOMIC SITUATION

Financial statements according to IFRS

The consolidated financial statements of ELMOS Semiconductor AG for fiscal year 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

ELMOS GROUP KEY FIGURES ACCORDING TO IFRS

in million Euro or %, unless otherwise indicated	**2008**	**2009**	**Change**
Sales	175.1	123.8	−29.3%
Gross profit	75.6	35.9	−52.5%
in %	43.2%	29.0%	
Research and development expenses	31.6	25.3	−20.0%
in %	18.1%	20.4%	
Distribution costs	12.1	10.6	−12.0%
in %	6.9%	8.6%	
Administrative expenses	16.5	14.7	−10.6%
in %	9.4%	11.9%	
Operating income before other operating expenses/(income)	15.4	−14.8	n/a
in %	8.8%	−11.9%	
EBIT	16.5	−15.8	n/a
in %	9.4%	−12.8%	
Income before taxes	14.7	−17.3	n/a
in %	8.4%	−14.0%	
Net income/(Net loss) after minority interest	10.6	−12.2	n/a
in %	6.1%	−9.9%	
Earnings per share (basic) in Euro	0.55	−0.63	n/a
Dividend per share in Euro	0.00	0.00*	

** Proposal to the AGM in May 2010*

Sales development

The worldwide crisis of the automotive industry and the financial sector reached ELMOS at the end of 2008 and continued through 2009. Sales were particularly affected by the crisis in the first half-year 2009. Stock in the supply chain was reduced massively during this period. However, in the course of the first half-year repeat orders were made at an increasing rate as well, suggesting a gradual clearance of the customers' warehouses or an effect of the car-scrap bonus schemes introduced in various markets. The expected upturn of the market started at the beginning of the second half-year 2009 and kept up until the end of the year.

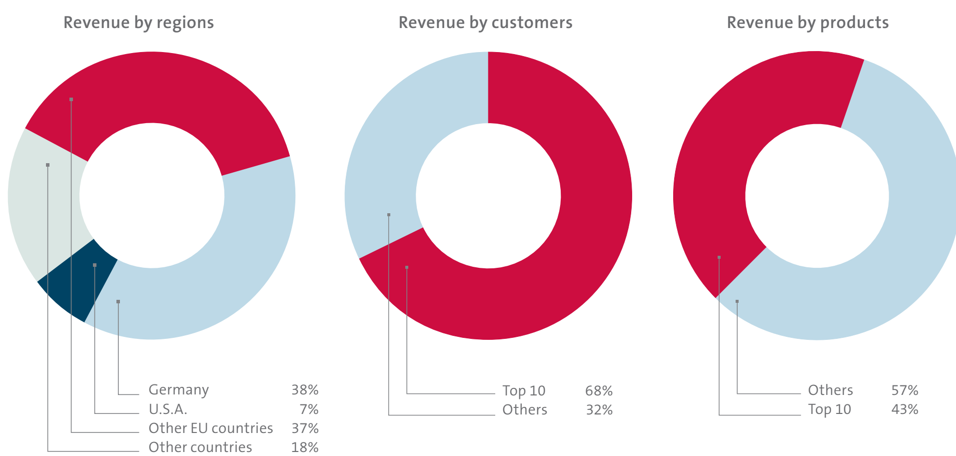
The two-facedness of the year clearly shows in figures: While sales of the first half-year came to 47.8 million Euro (HY 1/2008: 90.8 million Euro), they amounted to 76.0 million Euro in the second half-year (HY 2/2008: 84.3 million Euro). The following aspects are especially worth mentioning with respect to the second half-year: The core business recorded an increase, the launch of new projects turned out positively, and ELMOS was able to supply the customers according to their requirements. This was not a matter of course, considering the volatile sales development – many semiconductor companies could not completely meet the fast-growing demand in the second half-year – and further strengthened customer confidence in ELMOS as a partner.

ELMOS generated total sales of 123.8 million Euro (2008: 175.1 million Euro). ELMOS thus performed ahead of many direct competitors.

SALES BY REGION

The worldwide crisis led to declining sales in all regions. The sales slump was particularly severe in the U.S.A., with a 38.9% decrease compared to 2008. This is accounted for primarily by the weak U.S. automotive market. In contrast to this we started recording growth stimuli from the Asian regions in the 3rd quarter of 2009, based on the one hand on better market conditions in comparison with Europe and the U.S. and on the successful start of new projects on the other hand.

This trend is reflected by the regional breakdown of sales. While sales generated with customers in Germany (38.1% in 2009 versus 38.5% in 2008) and the other EU countries (36.8% in 2009 versus 37.6% in 2008) essentially remained unchanged, the sales share of the U.S. market went down (7.1% in 2009 versus 8.2% in 2008), and the share contributed by other countries went up (18.0% in 2009 versus 15.6% in 2008). Among the latter, we achieved an increase in sales particularly in the Asian countries.



SALES BY CUSTOMERS AND PRODUCTS

ELMOS supplies more than 100 customers. These are predominantly suppliers to the automotive industry and to a lesser extent industrial customers and manufacturers of consumer products. Four of our customers contributed a volume of more than 10% of group sales each in 2009. Sales generated with our top customers are usually accounted for by a great many different products at different stages of their respective life cycles. Our top ten customers amounted to roughly 68% of our 2009 sales (2008: 66%). The ten best selling products together came to roughly 43% of sales in 2009 (2008: 39%).

ORDER BACKLOG

At the end of December 2009, the book-to-bill ratio for the semiconductor segment was above one. To determine the book-to-bill, we compare the orders received for the next three months with sales of the past three months. Order backlog is usually recorded upon receiving the customer's order. It is influenced by different factors such as demand, order behavior, production lead time, etc. Order backlog may vary between the time of placing the order and delivery due to changes in customer demand or market conditions. As soon as production starts, an order usually cannot be canceled anymore. However, there is no guaranty that order backlog will automatically turn into future sales.

Even though the reliability of orders had increased significantly by the end of the year 2009 compared to the end of 2008 and the beginning of 2009, it has not reached the prior-crisis level yet. Effects from the car-scrap bonus schemes introduced in several countries, discontinued by the end of 2009 in important markets, must be taken into consideration as well.

NEW PROJECTS (DESIGN WINS)

The competition for projects tightened in 2009. Due to the crisis, the number of contracts to be awarded was on the decline as well. The customers' trend toward ASSPs, development expenses for which are usually not paid by customers in advance, has gained further momentum. However, we still managed to achieve a number of successes in 2009 with the acquisition of new projects. Among them are new or repeat orders for airbag ICs, network components, and the powertrains of motor vehicles. We also made good progress in the development of ASSPs in 2009. Some 25 new projects were started, and the internal structures were created for success in the market. The customers' interest in standard products for use in the automobile as well as in industrial and consumer goods remains high and has even grown in the course of the year.

Profit situation

The profit situation is essentially determined by the worldwide crisis and the corresponding sales decline. As the downswing had been anticipated early on, cost-saving measures were initiated in the fall of 2008 already in order to cushion the effects of the sales slump on profitability. Measures taken involved the cutback and postponement of capital expenditures, reductions concerning all cost items, short-time work at many locations, the termination of a majority of temporary employment contracts, the postponement of the conversion of production from 6-inch to 8-inch wafers (Dortmund location), and considerable savings at the subsidiaries. Owing to these extensive measures, roughly 15 million Euro were saved in 2009.

GROSS PROFIT

Compared to the prior-year period, the gross profit dropped 52.5% to 35.9 million Euro in the reporting period, corresponding with a gross margin of 29.0% (2008: 75.6 million Euro or 43.2%). Despite a considerable reduction of the cost of sales, the gross profit's decrease was larger than the sales loss in percent, due to the high share of fixed costs in semiconductor production. In addition, the stock reduction placed a burden on the gross profit for long periods of the year, especially so in the second quarter of 2009. By the end of the year 2009, the relation of production output to sales had substantially normalized.

OPERATING INCOME BEFORE OTHER OPERATING EXPENSES/(INCOME) AND EBIT (EARNINGS BEFORE INTEREST AND TAXES)

Research and development expenses dropped 20.0% to 25.3 million Euro in the year under report (2008: 31.6 million Euro). Their share of sales made up 20.4%, slightly above the prior-year level due to the large sales decline (2008: 18.1%). These high expenses – even in times of a weak economy – keep reflecting the great importance of research and development activities for ELMOS as a technology company. In 2009 the R&D effort focused on the development of standard products (ASSPs) and the advancement of production technologies.

Marketing and distribution costs fell slightly to 10.6 million Euro in the year under report (2008: 12.1 million Euro). They came to 8.6% of sales (2008: 6.9%). These expenses also reflect the consistent development of activities for marketing ASSPs in Asia, Europe and the U.S. as well as the acquisition of projects in the sector of industrial and consumer goods.

General administrative expenses were reduced by 10.6% to 14.7 million Euro (2008: 16.5 million Euro), amounting to 11.9% in relation to sales (2008: 9.4%). Because of the fixed costs necessary for maintaining readiness for operation, total costs could not be reduced in proportion to the sales drop. Therefore the operating income before other operating expenses/(income) went down to –14.8 million Euro (2008: 15.4 million Euro).

The EBIT (earnings before interest and taxes) fell to –15.8 million Euro in line with the operating income, resulting in an EBIT margin of –12.8% (2008: 16.5 million Euro or 9.4%).

INCOME BEFORE TAXES, GROUP NET INCOME AND EARNINGS PER SHARE

Finance income/expenses came to –1.5 million Euro in 2009 after – 1.8 million Euro in 2008. The income/loss before income taxes was – 17.3 million Euro (2008: 14.7 million Euro). The pretax loss led to tax refund claims of 5.1 million Euro (tax load 2008: 4.3 million Euro). The group's net loss after minority interest is 12.2 million Euro (2008: net income of 10.6 million Euro). The loss per share was 0.63 Euro (2008: earnings per share of 0.55 Euro).

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

The net income of ELMOS Semiconductor AG* according to HGB came to 6.0 million Euro in 2009. Retained earnings carried forward from the year 2008 amount to 36.7 million Euro. Management Board and Supervisory Board propose to the Annual General Meeting to decide on May 4, 2010 per shareholders' resolution that the retained earnings of 42.7 million Euro be carried forward to new accounts entirely.

Over the past years the company has defined as prerequisite to the payment of a dividend that the developments of earnings and cash flow must be positive and sustainable. In view of the worldwide crisis and the corresponding cutback in profitability, Management Board and Supervisory Board consider it the right course of action to leave the liquid funds within the company.

* *The financial statements of ELMOS Semiconductor AG have received an unqualified auditor's certificate. It is publicized in the electronic Federal Gazette, deposited with the business register, can be requested from the company as a special print publication, and is available on the company's website.*

SALES AND PROFITS BY SEGMENTS

	Segment	2008	2009	Change
Sales in million Euro				
	Semiconductor	163.6	113.0	−31.0%
	Micromechanics	11.5	10.8	−6.3%
Gross Profit in million Euro				
	Semiconductor	73.4	33.7	−54.1%
	Micromechanics	2.2	2.2	2.2%
Gross margin in %				
	Semiconductor	44.9%	29.8%	
	Micromechanics	18.7%	20.4%	
Segment earnings in million Euro				
	Semiconductor	19.2	−14.4	n/a
	Micromechanics	−2.7	−1.4	n/a
Segment earnings margin in %				
	Semiconductor	11.7%	−12.7%	
	Micromechanics	−23.4%	−13.2%	

SEMICONDUCTOR

The ELMOS Group's semiconductor core business is operated through the various group companies in Germany, France, the Netherlands, and the U.S. Sales of the semiconductor segment dropped 31.0% to 113.0 million Euro (2008: 163.6 million Euro). As semiconductor sales are highly dependent on automotive customers, the sales decline was particularly severe in this segment. The gross profit went down 54.1% from 73.4 million Euro to 33.7 million Euro, resulting in a gross margin of 29.8% (2008: 44.9%). The segment recorded a loss of 14.4 million Euro (2008: segment income of 19.2 million Euro).

MICROMECHANICS

The micromechanics segment comprises the activities of subsidiary company SMI. In contrast to the semiconductor business, customers of the micromechanics segment belong for the most part to the industrial, consumer goods and medical sectors. These sectors were considerably less affected by the crisis than the automotive industry. SMI generates its third-party sales almost exclusively in U.S. dollars. In combination with a consistent development of structures and products in these fields, sales of the micromechanics segment merely lost 6.3% to 10.8 million Euro (2008: 11.5 million Euro). Due to the change of internal structures, the quality of earnings was even improved; the gross margin climbed from 18.7% in 2008 to 20.4% in 2009. The result for this segment was still negative (−1.4 million Euro), yet it gained considerably on the prior-year result (2008: −2.7 million Euro).

Financial position

ELMOS GROUP KEY FIGURES ACCORDING TO IFRS

in million Euro unless otherwise indicated	2008	2009	Change
Net income/Net loss after minority interest	10.6	−12.2	n/a
Depreciation/appreciation	19.3	16.9	−12.5%
Changes in net working capital*	−1.2	10.1	n/a
Other items	−6.1	−5.3	−13.4%
Cash flow from operating activities	**22.5**	**9.4**	**−58.2%**
Capital expenditures for property, plant and equipment	−20.8	−7.4	−64.6%
in % of sales	11.9%	6.0%	
Other items	8.6	1.9	−78.4%
Cash flow from investing activities	**−12.2**	**−5.5**	**−54.9%**
Cash flow from financing activities	**−11.0**	**0.0**	**−99.6%**
Changes in cash and cash equivalents	−0.6	3.9	n/a
Free cash flow**	**10.3**	**3.9**	**−62.0%**
“Clean” free cash flow***	**1.7**	**2.1**	**20.2%**

* *Net working capital in the narrow sense (trade receivables plus inventories less trade payables)*
** *Cash flow from operating activities less cash flow from investing activities*
*** *Cash flow from operating activities less capital expenditures*

CASH FLOW FROM OPERATING ACTIVITIES

The extent of the drop of the net result, 22.8 million Euro lower than the previous year, was cushioned considerably in the operating cash flow. The cash flow from operating activities was 9.4 million Euro in 2009, thus only 13.1 million Euro below the 2008 amount (22.5 million Euro). That the decrease in the operating cash flow was not that large is essentially due to the rigid working capital management applied in 2009. Receivables were reduced by 9.7 million Euro and inventories were scaled down by 5.8 million Euro compared to the previous year. On the other hand, the reduction of trade payables, still on the increase by prior-year comparison, burdened the operating cash flow in 2009 to the amount of 5.5 million Euro.

CASH FLOW FROM INVESTING ACTIVITIES

Strict investment discipline had the consequence that capital expenditures only came to 7.4 million Euro or 6.0% of sales in 2009 (2008: 20.8 million Euro or 11.9%). The cash requirement from investing activities amounted to 5.5 million Euro in 2009 (2008: 12.2 million Euro). It was covered by the operating cash flow despite the group's high net loss caused by the crisis, so that a positive free cash flow in the amount of 3.9 million Euro was achieved. Thus the target of a positive free cash flow was clearly reached even in the year of crisis 2009. Even not considering the cash inflow from the sale of assets and other factors with an impact on the cash flow from investing activities (so-called "clean" free cash flow), 2.1 million Euro were generated (2008: 1.7 million Euro).

Thus the target of a positive free cash flow was clearly reached even in the year of crisis 2009.

CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities was essentially balanced in 2009. Cash and cash equivalents of 46.8 million Euro as of December 31, 2009 were even up compared to the prior-year balance sheet date (December 31, 2008: 42.5 million Euro). The share of cash and cash equivalents in total assets climbed to 20.7% as of December 31, 2009 (December 31, 2008: 17.0%).

OTHER FINANCIAL OBLIGATIONS AND INFORMATION ON OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

In addition to classic credit facilities, the company finances its investments in real estate, technical equipment and machinery, factory and office equipment, and the use of development capacities and a production line through lease contracts and service agreements. The respective relation of advantages to risks is balanced, and the arrangements are customary in the market. The resulting repayment obligations are entered in "other financial obligations". They came to 119.6 million Euro as of December 31, 2009 (December 31, 2008: 139.2 million Euro).

Economic situation

ELMOS GROUP KEY FIGURES ACCORDING TO IFRS

in million Euro unless otherwise indicated	12/31/2008	12/31/2009	Change
Intangible assets	40.2	38.3	−4.7%
Property, plant and equipment	80.7	72.8	−9.8%
Other non-current assets	7.1	8.3	16.8%
Inventories	37.4	31.5	−15.6%
Trade receivables	29.7	20.0	−32.7%
Cash and cash equivalents	42.5	46.9	10.4%
Other current assets	12.5	8.6	−31.2%
Total assets	**250.1**	**226.4**	**−9.5%**
Equity	171.2	159.1	−7.1%
Non-current liabilities	47.5	43.0	−9.4%
Trade payables	18.4	12.9	−29.8%
Other current liabilities	12.9	11.4	−12.2%
Total equity and liabilities	**250.1**	**226.4**	**−9.5%**

Total assets went down 9.5% to 226.4 million Euro as of December 31, 2009 (December 31, 2008: 250.1 million Euro).

With regard to assets, this development is accounted for essentially by the reduction of trade receivables (−9.7 million Euro), inventories (−5.8 million Euro), and property, plant and equipment (−7.9 million Euro). The latter item decreased because depreciation considerably exceeded new investments in the year 2009.

With regard to equity and liabilities, the deciding factors of the decrease were reduced trade payables (−5.5 million Euro) and the lower equity (−12.2 million Euro).

NET WORKING CAPITAL

The net working capital fell from 48.7 million Euro as of December 31, 2008 to 38.6 million Euro as of the balance sheet date in the year under report. Inventories dropped 15.6% to 31.5 million Euro as of December 31, 2009; inventory turnover was slightly increased to 2.8x (2008: 2.7x). Trade receivables were down 32.7% to 20.0 million Euro; the receivables turnover came to 6.2x, also higher than the comparable prior-year value (2008: 5.9x). Trade payables dropped about one third, namely 29.8%, to 12.9 million Euro; the payables turnover was 6.8x (2008:

5.4x). These key figures signify that placing the focus on the working capital management in 2009 – especially on the management of receivables and the reduced capital tie-up in the form of inventories through a reduced number of wafers-in – has paid off.

ELMOS GROUP KEY FIGURES

	Calculation	Unit	2008	2009
Net working capital	Trade receivables + inventories – trade payables	million Euro	48.7	38.6
of sales		%	27.8%	31.2%
Inventory turnover	Cost of sales /inventories	x	2.7x	2.8x
Receivables turnover	Sales /trade receivables	x	5.9x	6.2x
Payables turnover	Cost of sales /trade payables	x	5.4x	6.8x
Cash cycle	Inventory days + debtor days – creditor days	days	132	136
Net debt/(Net cash)	Financial liabilities (current and non-current) – cash and cash equivalents – marketable securities	million Euro	−1.8	−6.0
Gearing	Net debt/equity	%	−1.1%	−3.8%
Equity ratio	Equity/total assets	%	68.5%	70.3%

OTHER KEY FIGURES OF THE BALANCE SHEET STRUCTURE

The net cash position, amounting to 1.8 million Euro as of December 31, 2008, was even improved despite 2009 being the year of crisis. Net cash came to 6.0 million Euro as of December 31, 2009. The decrease in equity, lower than the reduction in total equity and liabilities, resulted in an increase of the equity ratio from 68.5% as of December 31, 2008 to 70.3% as of the balance sheet date of the year under report.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The company's solid financing has proved its worth very clearly – especially in economically challenging times. The majority of credit facilities is non-current, to be paid back in the years 2012 and 2013. Despite the heavy sales drop in 2009, the company managed to even increase the net cash position as well as cash and cash equivalents in comparison to the end of the previous year. The company's independence based on its financing and liquidity creates a solid foundation for further strengthening its competitiveness once the crisis is overcome.

REPORT ACCORDING TO SECTION 315 (4) HGB

and explanatory report according to Section 176 (1) sentence 1 AktG

COMPOSITION OF SUBSCRIBED CAPITAL

The share capital stated in the balance sheet as of December 31, 2009 at 19,414,205 Euro consisting of 19,414,205 no par common bearer shares is fully paid up. Each share grants one vote in the Annual General Meeting.

LIMITATIONS WITH REGARD TO VOTING RIGHTS OR THE TRANSFER OF SHARES

Limitations with regard to voting rights or the transfer of shares do not apply for the company.

DIRECT OR INDIRECT SHARES IN EQUITY

As of December 31, 2009 the breakdown of ownership is as follows:

	Registered office/country	**Euro**	**%**
EFH ELMOS Finanzholding GmbH	Dortmund/Germany	1,485,789	7.7
Makos GmbH	Dortmund/Germany	3,236,584	16.7
Dr. Weyer GmbH	Schwerte/Germany	3,236,584	16.7
ZOE-BTG GmbH	Duisburg/Germany	2,306,833	11.9
Free float		9,148,415	47.1
		19,414,205	100.0

The three companies Makos GmbH, Dr. Weyer GmbH, and ZOE-BTG GmbH are 100% subsidiaries of EFH ELMOS Finanzholding GmbH. Thus EFH ELMOS Finanzholding GmbH has combined direct and indirect ownership of 52.9% of the shares of ELMOS Semiconductor AG as of December 31, 2009.

In December 2009 the shareholders of EFH ELMOS Finanzholding GmbH, Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, decided a reorganization of EFH ELMOS Finanzholding GmbH by way of division in accordance with the German Transformation Act (Umwandlungsgesetz), as a consequence of which EFH ELMOS Finanzholding GmbH has ceased to exist as of January 26, 2010. In the course of the division, the company's shares formerly held by EFH ELMOS Finanzholding GmbH both directly and indirectly (through its 100% subsidiaries Dr. Weyer GmbH, ZOE-BTG GmbH, and Makos GmbH) have become the property of companies controlled in turn by Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, respectively. Upon coming into force of the division of EFH ELMOS Finanzholding GmbH as of January 26, 2010, the company's shares formerly held by EFH ELMOS Finanzholding GmbH directly and indirectly are thus divided between the shareholders of (defunct) EFH ELMOS Finanzholding GmbH, namely Dr. Weyer GmbH & Co. Vermögensverwaltung KG (20.5%), Jumakos GmbH & Co. KG (16.7%), and ZOE GmbH & Co. KG (15.7%). These voting interests are held indirectly by the respective companies.

OWNERS OF PRIVILEGED SHARES

No privileged shares have been issued.

FORM OF VOTING RIGHT CONTROL IN CASE OF EMPLOYEE SHAREHOLDINGS

This issue does not apply to the company.

LEGAL STIPULATIONS AND PROVISIONS OF THE ARTICLES OF INCORPORATION FOR THE APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS AND AMENDMENTS TO THE ARTICLES

We refer to the respective legal stipulations for the appointment and dismissal of management board members (Sections 84, 85 AktG) and for amendments to the articles of incorporation (Sections 133, 179 AktG). The company's articles of incorporation do not provide amendatory provisions.

THE MANAGEMENT BOARD'S AUTHORIZATION TO ISSUE AND REPURCHASE OWN SHARES

The Management Board is authorized to increase the share capital until May 18, 2011 subject to the Supervisory Board's approval by up to 9,650,000 Euro through the singular or repeated issuance of up to 9,650,000 new no par bearer shares against contributions in cash or contributions in kind and to decide on the rights represented by the new shares and the conditions of their issuance with the Supervisory Board's approval in accordance with Section 204 AktG **(authorized capital I).**

The share capital is conditionally increased by up to 264,672 Euro **(conditional capital 1999).** The conditional capital increase exclusively serves the granting of stock options to Management Board members, other executives and employees of the company as well as to executives and employees of affiliated companies (stock option plan 1999). It is realized only insofar as options are issued within the framework of the company's stock option plan 1999 in observance of the shareholders' resolution of September 22, 1999 and as these options are exercised by their owners. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of options.

The share capital is conditionally increased by up to 145,244 Euro **(conditional capital 2004).** The conditional capital increase exclusively serves the granting of stock options to Management Board members, other executives and employees of the company as well as to executives and employees of affiliated companies (stock option plan 2004). It is realized only insofar as options are issued within the scope of the company's stock option plan 2004 in observance of the shareholders' resolution of April 27, 2004 and as these options are exercised by their owners. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of options.

The share capital is conditionally increased by up to 3,900,000 Euro **(conditional capital 2009/I).** The conditional capital increase is realized only insofar as the owners of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft pursuant to Section 18 AktG until May 5, 2014 based on authorization I given by the Annual General Meeting of May 6, 2009 under agenda item 7 b) make use of their conversion privileges or options or, if they are committed to conversion, realize this commitment to conversion, insofar as no cash compensation is granted or own shares are used for payment. The new shares are issued at the conversion price or option price to be determined in accordance with aforementioned authorization. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of conversion privileges or options or the fulfillment of conversion commitments. The Management Board is authorized to determine the further particulars of the realization of the conditional capital increase subject to the Supervisory Board's approval.

The share capital is conditionally increased by another amount of up to 3,900,000 Euro **(conditional capital 2009/II).** The conditional capital increase is realized only insofar as the owners of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft pursuant to Section 18 AktG until May 5, 2014 based on authorization II given by the Annual General Meeting of May 6, 2009 under agenda item 7 c) make use of their conversion privileges or options or, if they are committed to conversion, realize this commitment to conversion, insofar as no cash compensation is granted or own shares are used for payment. The new shares are issued at the conversion price or option price to be determined in accordance with aforementioned authorization.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of conversion privileges or options or the fulfillment of conversion commitments. The Management Board is authorized to determine the further particulars of the realization of the conditional capital increase subject to the Supervisory Board's approval.

The share capital is conditionally increased by up to 1,000,000 Euro **(conditional capital 2009/III).** The conditional capital increase serves the redemption of stock options issued to Management Board members and other executives and employees of the company as well as to executives and employees of affiliated companies until May 5, 2014 on the basis of the authorization given by the Annual General Meeting of May 6, 2009 (stock option plan 2009). The conditional capital increase is realized only insofar as options are issued within the scope of the company's stock option plan 2009 in observance of the shareholders' resolution of May 6, 2009 and as these options are exercised by their owners within the exercise period, insofar as no cash compensation is granted or own shares are used for payment. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of options.

The company is authorized to repurchase own shares until November 5, 2010. This authorization is limited to the purchase of shares representing a maximum of altogether 10% of the current share capital. The authorization may be exercised entirely or in several parts, once or several times, and for one or several purposes within the scope of the aforementioned limitation.

The Management Board's authorization to issue and repurchase own shares

AUTHORIZED CAPITAL I	CONDITIONAL CAPITAL	REPURCHASE OF OWN SHARES
-> 9,650,000 Euro *until May 18, 2011*	-> 264,672 Euro Conditional capital 1999 -> 145,244 Euro Conditional capital 2004 -> 3,900,000 Euro Conditional capital 2009/I -> 3,900,000 Euro Conditional capital 2009/II -> 1,000,000 Euro Conditional capital 2009/III	-> up to 10% of the share capital *until November 5, 2010*

MATERIAL AGREEMENTS ON THE CONDITION OF A CHANGE OF CONTROL AS A RESULT OF A TAKEOVER BID

There are no material agreements on the condition of a change of control as a result of a takeover bid.

COMPENSATION AGREEMENTS

In case of a change of control, the members of the Management Board are entitled to terminate their employment contracts within three months from the occurrence of change of control with six-month notice to the end of the month and to resign from their duties as of the termination of their employment contracts. In case of the exercise of this right of termination, each Management Board member is entitled to compensation in the amount of the remuneration for two years, limited by the amount of the remuneration to be paid for the remaining term of the respective employment contract. Applicable is the remuneration amount paid during the last fiscal year prior to the occurrence of the change of control.

Remuneration report

Total remuneration of the members of Management Board and Supervisory Board consists of a number of remuneration components. The details are explained in our remuneration report as part of this annual report's corporate governance report in the section "corporate governance statement". The remuneration report, reviewed by the auditor, is part of the group management report.

RISKS AND OPPORTUNITIES

Risk management system and explanatory report on the internal monitoring and risk management system according to Section 315 (2) no. 5 HGB

ELMOS Semiconductor AG unites the measures for risk management within the company in a comprehensive, universal risk management system. This risk policy is focused on safeguarding the company's continued existence and increasing the shareholder value systematically and continuously. The system complies with the legal stipulations for an anticipatory risk detection system as well as with the standards defined by the German Corporate Governance Code.

Based on the internal monitoring and risk management system, risks and opportunities are constantly identified, and their effects on the company's operating and financial targets are analyzed. The group deliberately assumes containable and controllable risks in areas of its core competence if adequate yields can be expected at the same time. Beyond that the assumption of risks is avoided if possible. It is altogether assured that the group is able to entirely cover the risks it has taken.

Binding standards and rules have been defined for risk identification and management. Speculative transactions or other actions of speculative nature are generally prohibited. The observance of these principles is monitored regularly. In addition, numerous and repeat training courses make sure that all employees are aware of the rules at any time.

The respective operational superiors are directly responsible for the early detection and monitoring of risks. The next levels of seniority see to the management of risks. The Management Board assumes the overall responsibility for the internal monitoring and risk management system throughout the group. In a well-established top-down process, the divisions report on the current status of material risks through risk inventory with defined gradual thresholds. Risks are valuated and classified according to the probability of occurrence and the estimated amount of loss. Measures for risk reduction are listed for each risk; early warning indicators are updated at regular intervals and discussed with the responsible teams. Quality system audits are regularly conducted by external experts and the results are analyzed.

Data relating to material risks for the group are systematically processed in a transparent manner and presented to the Management Board and the Supervisory Board of ELMOS Semiconductor AG. Ad hoc risks and realized damages are communicated immediately and outside the usual reporting channels in case of urgency. The continuous refinement of instruments and methods for risk detection and management is an ongoing process which is constantly reviewed for sources of error.

The internal monitoring system consists of a number of structures and processes for risk management with the aim of identifying risks as well as containing known risks and indicating them in the consolidated financial statements. It contains the principles, processes, and measures introduced by the management, oriented toward the organizational realization of the management's decisions for safeguarding the efficiency and economy of business activity, the reliability and the truth and fairness of internal and external accounting, and the compliance with the relevant legal stipulations. They are adapted to recent internal and external developments at regular intervals.

With respect to the financial accounting process of companies included in the basis of consolidation and the group, structures and processes have been implemented for safeguarding the truth and fairness of the consolidated financial statements. The Management Board assumes overall responsibility for the internal monitoring and risk management system including its focus on financial accounting. All companies and group divisions included in the consolidated financial statements are involved through the strictly defined organization of seniority levels and reporting. The principles, the organizational structure, the workflow management, and the processes of the internal monitoring and risk management system with respect to financial accounting are regulated throughout the group by specific guidelines and operating procedures that are adapted to internal and external developments whenever necessary. Material characteristics of the internal monitoring and risk management system with respect to financial accounting are (i) the identification of material areas of risk and monitored domains of relevance to financial accounting throughout the group, (ii) examinations for monitoring financial accounting and its results, (iii) preventive monitoring measures in finances and accounting and the areas where material information for the preparation of consolidated financial statements is generated, including defined authorization processes in relevant areas, and (iv) measures for the proper, EDP-supported processing of items and data relating to the group's financial accounting.

Essential elements of risk management and monitoring in accounting are the unambiguous assignments of responsibility and examinations during the preparation of financial statements, transparent standards for accounting and the preparation of financial statements through guidelines, appropriate regulations for the access to EDP systems relevant to financial statements, and the unambiguous arrangement of responsibilities for the involvement of external experts. The four-eye principle and the separation of functions are important control principles in the process of financial accounting, too.

In summary of the above information, it can be stated that the risk management system and the internal monitoring system introduced by the Management Board of ELMOS Semiconductor AG, particularly with respect to financial accounting, have proved efficient. Additional information on the risk management system can be found under note 30 in the notes to the consolidated financial statements.

Risks

DEPENDENCE ON THE AUTOMOTIVE INDUSTRY

The core business of ELMOS is linked directly to the automotive industry's demand for semiconductors. Roughly 85% of sales were made with chips for automotive electronics in the past fiscal year 2009. On the one hand, this demand depends on the number of cars produced, on the other hand, it is governed by the lasting trend toward more electronics in the automobile. A heavy decline in car production and sales figures – as registered in many countries in 2009 – represents a risk for ELMOS as semiconductor supplier, too. ELMOS counteracts this development by means of targeted cost cutting measures; however, a lasting decrease in demand on the part of the automotive industry would probably have significant effects on the financial position and results from operations.

The car market used to be subjected in the past to considerable fluctuations as a result of mergers of system manufacturers, restrictive environmental laws, and other factors. The customer structure shows a certain dependence on a few major suppliers to the automotive industry. However, it has to be taken into account that one customer usually purchases several products with different life cycles. Owing to the fact that ASICs are customer specific products, there is a particular mutual dependence between supplier and customer. However, it may happen with very high order volumes involved that a customer commissions two suppliers to develop one and the same ASIC at the same time. By the increased commitment of ELMOS to application specific standard products (ASSPs), this kind of customer dependence is reduced as such products can be marketed to several customers.

COMPETITION

A large number of competitors in the market for automotive semiconductors offer products similar to the ones ELMOS supplies, based on a similar technological foundation. Moreover, it cannot be ruled out that large semiconductor manufacturers not yet engaged in the automotive semiconductor market, or just to a limited extent, might try to penetrate this market segment in the future. Yet the probability of their commitment to such a niche market is relatively low, as is the corresponding risk for ELMOS. However, ELMOS competes increasingly with large manufacturers for high-volume contracts and is exposed to corresponding pricing pressure. Furthermore, ELMOS bears the risk that the customer's decision will favor a competitor in cases where parallel developments are commissioned.

DEPENDENCE ON INDIVIDUAL EMPLOYEES

The company's highly development–intensive business activity leads to a clearly pronounced and very specific engineering know-how, yet not necessarily to patents. The consequence for ELMOS as for any technology company is an increased dependence on individual employees.

DEVELOPMENT OF NEW PRODUCTS AND TECHNOLOGIES

The market for ELMOS products is characterized by the products' constant advancement and improvement. Therefore the success of ELMOS is closely related to the company's ability to develop new complex products economically, to introduce them to the market on time, and to achive that these products are chosen by the suppliers to the automotive industry.

Because ELMOS is able to develop and manufacture products for all kinds of electronic devices used in the automobile, products made by ELMOS are a presence in a great number of electronic car components so that the risk of order cancelation relating to an individual electronic component is widely spread.

One-off development costs incurred for the customer specific development of products are usually not paid anymore in their entirety by the customers. Development costs not covered in advance must be amortized through the later quantities in series production. There is the risk that not amortized expenses for product developments not resulting in a supplier relationship will remain with the company. Particularly with high-volume orders for which a greater number of suppliers are in competition, the customer is usually unwilling to pay development costs in advance and expects the supplier to pre-finance these expenses instead. This holds usually true as well for product developments initiated by ELMOS, e.g. all ASSPs, as there are no binding customer orders for these projects.

The future success of ELMOS is also dependent on the company's ability to come up with new development and production technologies. ELMOS develops analog and digital semiconductor structures and functions for its self-developed modular high-voltage CMOS process technology. Like all of its competitors, ELMOS is forced to continuously improve its technology and to develop new process technologies for the advancing minimization of structures in the submicron area. If ELMOS ceases to be able to develop, produce, and sell new products and product upgrades in the future, significant effects on the financial position and results from operations will likely be the result.

PURCHASING

The raw materials needed by ELMOS for its manufacture are available from different suppliers worldwide and are for the most part not controlled by monopolists. With regard to assembly, a certain dependence on individual Far Eastern partners is typical of the trade. ELMOS has spread this risk by cooperating with several partners.

PRODUCT LIABILITY

The products manufactured by ELMOS are integrated as components into complex electronic systems. Defects or malfunctions of the semiconductors produced by ELMOS or of the electronic systems they are integrated into can be directly or indirectly damaging to the property, health, and lives of third parties. ELMOS cannot exclude or reduce its liability with regard to customers or third parties in its sales contracts.

ELMOS consistently follows a zero-defect strategy and constantly invests in the detection and avoidance of sources of error and defects. The individual semiconductor chips are usually tested several times at different temperatures with regard to quality and functionality in production. Even though the company applies elaborate test procedures before delivering its products, product defects might still show not until the occasion of installation or the end consumer's use of the product.

If such product defects materialize, expensive and time-consuming product modifications might ensue, leading to disrupted customer relationships and the loss of market shares. A quality problem of whole batches might additionally result in customers' claims for compensation in the million Euro range. This risk is adequately covered by insurance. Yet these risks could affect the company's financial position and results from operations in a negative way.

INVESTMENTS

The high allocation of financial resources to the subsidiaries results in an increased obligation to detect and, if necessary, minimize potential risks by means of adequate controlling instruments and continuous target/actual analyses at the earliest possible stage. The implemented monitoring and risk management system is constantly being expanded and improved for this purpose. Still these risks could have negative effects on the company's financial position and results from operations.

INFORMATION TECHNOLOGY

For us, as for other globally operating companies, the reliability and safety of IT are of great importance. This applies increasingly to the utilization of IT systems in support of our operational processes as well as to the support of internal and external communication. Despite all technical precaution, each serious failure of these systems can lead to data loss and/or the disturbance of production or the interference with operational processes.

Therefore all critical IT systems are placed in infrastructure of high availability. These systems, outfitted with redundancies in different data centers, minimize or eliminate the consequences of hardware malfunctions. Constant automated monitoring of the IT infrastructure enables us to interfere swiftly in case of unforeseeable incidents.

Special precautionary measures are taken for blocking viral attacks. Internet access is for instance protected most elaborately. Additional measures are realized for systems used in manufacturing.

INTERRUPTION OF BUSINESS

According to company assessment, the single material business risk capable of significantly damaging the development of the ELMOS Group and jeopardizing its continued existence, apart from the business risks already described and explained, is the risk of the destruction of production facilities by fire or other disasters. Even though the risk of interruption of business by such an occurrence is adequately covered by insurance, a significant threat of losing key customers in such a case remains. This risk cannot be insured against.

The risk is reduced by the operation of a second manufacturing line for semiconductors at the Duisburg location – parallel to the manufacture at the Dortmund location. Thus ELMOS has self-contained production lines at its disposal which can be operated independently of each other. However, interruption of business at one of the production locations could still have negative effects on the company's financial position and results from operations.

The usual insurable risks such as fire, interruption during fire-fighting operations, water, storm, theft, third party liability, especially product liability including U.S. coverage, and costs of a possible recall action are adequately covered by insurance. Further risks capable of significantly damaging the development of the group or jeopardizing its continued existence are not discernable at present.

Opportunities

Apart from our core business, customer specific semiconductors for the automotive industry, opportunities are provided for the company by the further realization of our strategy. These opportunities lie in the increased development, production, and marketing of application specific semiconductors (ASSPs) and in the higher future share of sales to be realized in the sectors of industrial and consumer goods, implying a reduced dependence on the automotive industry in the process as well. We are also planning to expand our business in the Asian markets and to cooperate with partners that either enable us to expand our product portfolio or provide opportunities for external production. Furthermore, the share of microsystem projects – the combination of sensors and read-out electronics in an application specific package – is scheduled to increase.

SUBSEQUENT EVENTS

As of December 31, 2009 EFH ELMOS Finanzholding GmbH held an interest of roughly 52.9% in the company's share capital. In December 2009 the shareholders of EFH ELMOS Finanzholding GmbH, Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, decided a reorganization of EFH ELMOS Finanzholding GmbH by way of division in accordance with the German Transformation Act (Umwandlungsgesetz), as a consequence of which EFH ELMOS Finanzholding GmbH has ceased to exist as of January 26, 2010. In the course of the division, the company's shares formerly held by EFH ELMOS Finanzholding GmbH both directly and indirectly (through its 100% subsidiaries Dr. Weyer GmbH, ZOE-BTG GmbH, and Makos GmbH) have become the property of companies controlled in turn by Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, respectively. Upon coming into force of the division of EFH ELMOS Finanzholding GmbH as of January 26, 2010, the company's shares formerly held by EFH ELMOS Finanzholding GmbH directly and indirectly are thus divided between the shareholders of (defunct) EFH ELMOS Finanzholding GmbH as follows:

-> Dr. Weyer GmbH & Co. Vermögensverwaltung KG: 20.5%,
-> Jumakos GmbH & Co. KG: 16.7%,
-> ZOE GmbH & Co. KG: 15.7%.

The above-mentioned voting interests are held indirectly by the respective companies.

Other material subsequent events have not occurred.

OUTLOOK

ECONOMIC FRAMEWORK

The economic framework is overall satisfying. Prospects for growth are good to very good, though volatile. It must be taken into consideration that the starting position is humble due to the crisis. While a lower sales growth is predicted for the worldwide car market, the automotive semiconductor market is supposed to grow considerably again. A similar picture is drawn for the production of the German electronics industry, where a slight growth is anticipated. The worldwide semiconductor market is expected to generate high growth rates in 2010. In detail the basic economic conditions appear as follows.

For 2010 the VDA anticipates a significant decline of domestic car sales following the extraordinary year for registrations 2009 with special effects such as the car-scrap bonus. The German car market is supposed to go down to between 2.75 and 3.0 million new registrations in 2010. However, the VDA considers this development merely a return to German normalcy or rather a level just slightly below the average figures for the German auto market of many years. Worldwide a slight recovery can be expected. The Chinese market is supposed to grow considerably once again, by at least 10% compared to 2009. The VDA anticipates a 10% gain on the previous year's sales for the U.S., too. The worldwide car production in 2010 is expected to amount to some 55 million vehicles in 2010 (2009: 53 million vehicles).

The market research institute Semicast predicts for 2010 a 16% growth over 2009 in the niche market of automotive semiconductors.

The total production of the German electronics industry will probably rise between 3% and 4% in 2010. According to the ZVEI, the production volume dropped 22% in the year of crisis 2009. Sales are expected to increase from 145 billion Euro to 150 billion Euro.

There is not a single market research institute that does not predict a double digit growth for the global semiconductor market in 2010. With a sales plus of 12.2%, market researcher World Semiconductor Trade Statistics (WSTS) defines the minimum growth for 2010. The forecast of Future Horizons represents the upper limit with a predicted growth of 22%. A 15% increase is expected on average (source: Natixis Securities).

PROSPECTS FOR THE ELMOS GROUP

ELMOS has pushed and continued its strategy consistently even in times of worldwide crisis. Particularly against the backdrop of the sales decline in 2009, maintaining a strong financial base and providing the required resources was the focus of the company's management. Even in the most challenging market situation of the past year, the opportunities for the company's future development in connection with the strategic growth areas were seized. Therefore ELMOS is going to continue this strategy consistently in 2010 and the following years.

The strategic cornerstones are in detail:

- Increased definition, development, and distribution of ASSPs
- Increase of activities in the markets of industrial and consumer goods
- Expansion of the efforts in the Asian markets
- Increased cooperation with our partners toward the optimization of the product portfolio and the reduction of capital expenditures
- Increase of the sales share of microsystems

Flexibility and competitiveness of production are increased as well. A case in point, the modernization of the manufacture at the headquarters in Dortmund has been pressed ahead with again since around the third quarter of 2009, as the reluctance to invest due to the crisis has eased.

Due to the good start into the year 2010, we expect an increase in sales of more than 15% for the whole year 2010.

The main risk for the year 2010 is another decrease in worldwide car sales. This would probably lead to weaker demand for our semiconductor chips and accordingly a lower volume of orders. Owing to the experience of the end of 2008 and through 2009, the management directs special attention to first warning signals that might indicate the occurrence of such a scenario. If indication of that kind becomes obvious, further options will be available for additional cost savings, ready to be implemented on short notice according to requirements and market conditions.

The company is just as prepared for a fast upswing. On the basis of the experience of the past months, the management has implemented appropriate measures for this scenario as well, toward a successful realization and on-time delivery of our products to the customers.

Based on the experience of the past months with high volatility, we are cautiously optimistic for 2010. At the end of the year 2009, the relation of orders received to sales (book-to-bill ratio) was above one. Due to the good start into the year 2010, we expect an increase in sales of more than 15% for the whole year 2010. Because of the imponderables of the general economy and the resulting lack of visibility for the second half-year 2010, we cannot be more precise at present. EBIT and cash flow will be positive in 2010, and capital expenditures will remain considerably below 15% in relation to sales.

Dortmund, March 2010

The Management Board

Dr. Anton Mindl **Nicolaus Graf von Luckner** **Reinhard Senf** **Jürgen Höllisch**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS	Notes	12/31/2009 Euro	12/31/2008 Euro
Non-current assets			
Intangible assets	13	38,311,293	40,200,036
Property, plant and equipment	14	72,779,258	80,698,137
Investments accounted for at equity	15	1	1
Securities and investments	15	503,619	517,693
Deferred tax assets	16	7,831,575	6,619,684
Total non-current assets		**119,425,746**	**128,035,551**
Current assets			
Inventories	17	31,538,737	37,379,627
Trade receivables	18	20,008,220	29,735,847
Cash and cash equivalents	19	46,841,487	42,463,401
Other assets	20	8,249,972	10,236,365
Income tax assets	20	305,731	111,046
		106,944,147	**119,926,286**
Non-current assets classified as held for sale	21	0	2,104,679
Total current assets		**106,944,147**	**122,030,965**
Total assets		**226,369,893**	**250,066,516**

EQUITY AND LIABILITIES

	Notes	12/31/2009 Euro	12/31/2008 Euro
Equity			
Equity attributable to equity holders of the parent			
Share capital	22	19,414,205	19,414,205
Additional paid-in capital	22	89,001,006	88,736,563
Surplus reserve		102,224	102,224
Other comprehensive income	22	−5,414,047	−5,445,033
Retained earnings		56,193,375	68,410,785
		159,296,763	**171,218,744**
Minority interest		−242,098	−13,825
Total equity		**159,054,665**	**171,204,919**
Liabilities			
Non-current liabilities			
Provisions	24	791,895	911,450
Financial liabilities	25	40,237,034	40,433,714
Other liabilities	26	2,011,452	2,244,242
Deferred tax liabilities	16	0	3,935,323
Total non-current liabilities		**43,040,381**	**47,524,729**
Current liabilities			
Provisions	24	8,439,717	6,744,564
Income tax liabilities	26	199,741	3,862,368
Financial liabilities	25	576,497	186,032
Trade payables	27	12,917,877	18,403,799
Other liabilities	26	2,141,015	2,140,105
Total current liabilities		**24,274,847**	**31,336,868**
Total liabilities		**67,315,228**	**78,861,597**
Total equity and liabilities		**226,369,893**	**250,066,516**

Consolidated statement of comprehensive income

For the fiscal year ended December 31	Notes	2009 Euro	2008 Euro
Sales	5	123,774,111	175,138,962
Cost of sales	6	87,892,076	99,555,659
Gross profit		**35,882,035**	**75,583,303**
Research and development expenses	6	25,298,422	31,631,625
Distribution expenses	6	10,632,428	12,081,991
Administrative expenses	6	14,738,969	16,484,504
Operating income before other operating expenses/(income)		**−14,787,784**	**15,385,183**
Finance income	8	− 967,663	− 1,583,504
Finance expenses	8	2,434,139	3,392,522
Foreign exchange income	9	0	−242,648
Foreign exchange losses	9	680,560	0
Other operating income	10	−2,701,652	− 5,050,994
Other operating expenses	10	3,042,590	4,197,824
Income before taxes		**−17,275,758**	**14,671,983**
Income tax expenses			
Current taxes	11	250,153	3,359,523
Deferred tax expenses/(tax income)	11	−5,328,594	911,127
		−5,078,441	**4,270,650**
Net income/(Net loss)		**−12,197,317**	**10,401,333**
Other income			
Foreign currency adjustments without deferred tax effect		1,040,633	882,382
Foreign currency adjustments with deferred tax effect		−1,326,846	116,751
Deferred taxes (on foreign currency adjustments with deferred tax effect)	22	317,199	−36,870
Other income after taxes		**30,986**	**962,263**
Comprehensive income after taxes		**−12,166,331**	**11,363,596**
Net income/(Net loss) attributable to:			
Equity holders of the parent		−12,217,410	10,600,998
Minority interest		20,093	−199,665
		−12,197,317	10,401,333
Comprehensive income attributable to:			
Equity holders of the parent		−12,186,424	11,563,261
Minority interest		20,093	−199,665
		−12,166,331	11,363,596
Earnings per share			
Basic earnings per share	12	−0.63	0.55
Fully diluted earnings per share	12	−0.63	0.55

Consolidated cash flow statement

	Notes	2009 Euro	2008 Euro
Cash flow from operating activities			
Net loss/Net income after minority interest	7	−12,217,410	10,600,998
Depreciation		16,872,675	19,281,299
Finance result		1,466,476	1,809,019
Non-cash-effective income		−5,102,933	−1,748,841
Current tax expense	11	250,153	3,359,523
Stock option plan expense	23	65,077	0
Minority interest		20,093	−199,665
Changes in pension provisions	24	−119,555	−199,764
Changes in net working capital			
Trade receivables	18	9,727,627	−1,501,075
Inventories	17	5,840,889	−3,765,700
Prepaid expenses and other assets	20	1,986,393	−4,701,138
Trade payables	27	−5,485,921	4,056,685
Other provisions and other liabilities	24	1,696,632	−1,396,120
Income tax payments		−4,107,466	−1,245,423
Interest paid	8	−2,434,139	−3,392,522
Interest received	8	967,663	1,583,504
Cash flow from operating activities		**9,426,254**	**22,540,780**
Cash flow from investing activities			
Capital expenditures for intangible assets		−4,149,667	−5,319,314
Capital expenditures for property, plant and equipment		−3,216,117	−15,507,052
Disposal/Capital expenditures for non-current assets classified as held for sale		1,689,212	−1,540,760
Disposal of fixed assets		213,753	10,168,947
Disposal of investments		14,075	5,500
Acquisition of minority interest	33	−49,000	0
Cash flow from investing activities		**−5,497,744**	**−12,192,679**
Cash flow from financing activities			
Repayment of non-current liabilities		−419,391	−9,859,178
Taking out/Repayment of current liabilities to banks		379,817	−1,114,833
Cash flow from financing activities		**−39,574**	**−10,974,011**
Increase/Decrease in cash and cash equivalents		**3,888,936**	**−625,910**
Changes in cash and cash equivalents relating to exchange rates and basis of consolidation		489,150	233,694
Cash and cash equivalents at beginning of fiscal year	19	42,463,401	42,855,617
Cash and cash equivalents at end of fiscal year	19	**46,841,487**	**42,463,401**

Consolidated statement of changes in equity

	Notes	Equity attributable to equity holders of the parent		
		Shares Number	Share capital Euro	Paid-in capital Euro
January 1, 2008		**19,414,205**	**19,414,205**	**88,736,563**
Foreign currency adjustments	22			
Changes in the basis of consolidation				
Net income 2008				
December 31, 2008		**19,414,205**	**19,414,205**	**88,736,563**
Stock option expense	23			65,077
Acquisition of minority interest Mechaless				199,366
Foreign currency adjustments	22			
Net loss 2009				
December 31, 2009		**19,414,205**	**19,414,205**	**89,001,006**

Equity attributable to equity holders of the parent				Minority interest	Group
Surplus reserve Euro	Other comprehensive income (foreign currency adjustments) Euro	Retained earnings Euro	Total Euro	Total Euro	Total Euro
102,224	**−6,407,297**	**57,809,788**	**159,655,483**	**309,704**	**159,965,187**
	962,263		962,263		962,263
				−123,864	−123,864
		10,600,998	10,600,998	−199,665	10,401,333
102,224	**−5,445,033**	**68,410,785**	**171,218,744**	**−13,825**	**171,204,919**
			65,077		65,077
			199,366	−248,366	−49,000
	30,986		30,986		30,986
		−12,217,410	−12,217,410	20,093	−12,197,317
102,224	**−5,414,047**	**56,193,375**	**159,296,763**	**−242,098**	**159,054,665**

Development of the group's non-current assets as of December 31, 2009

	ACQUISITION AND PRODUCTION COSTS					
	1/1/2009 Euro	Foreign currency adjustments Euro	Additions Euro	Transfers Euro	Disposals Euro	12/31/2009 Euro
Non-current assets						
Intangible assets						
Goodwill	7,132,927	–123,695	0	0	0	7,009,232
Development projects	15,756,662	0	666,448	1,542,274	0	17,965,383
Software and licenses	39,243,976	–58,272	481,219	8,135,326	86,928	47,715,321
Advance payments incurred and projects under development	8,413,382	0	3,002,000	–9,677,600	0	1,737,782
	70,546,947	**–181,967**	**4,149,667**	**0**	**86,928**	**74,427,718**
Property, plant and equipment						
Land and buildings	1,498,673	0	0	0	0	1,498,673
Buildings and building improvements	27,556,614	–51,689	27,412	118,760	17,531	27,633,566
Technical equipment and machinery	148,771,051	–192,374	952,874	6,336,340	3,018,193	152,849,698
Advance payments and construction in process	11,386,334	– 5,791	2,425,636	–6,455,100	75,459	7,275,620
	189,212,672	**–249,854**	**3,405,922**	**0**	**3,111,183**	**189,257,557**
Investments accounted for at-equity	**67,637**	**0**	**0**	**0**	**0**	**67,637**
Securities and investments	**517,693**	**0**	**0**	**0**	**14,075**	**503,619**
	260,344,950	**–431,821**	**7,555,589**	**0**	**3,212,186**	**264,256,531**

ACCUMULATED DEPRECIATION					BOOK VALUE	
1/1/2009 Euro	Foreign currency adjustments Euro	Additions Euro	Disposals Euro	12/31/2009 Euro	12/31/2009 Euro	12/31/2008 Euro
0	0	0	0	0	7,009,232	7,132,927
8,848,745	0	2,685,800	0	11,534,545	6,430,838	6,907,917
21,498,166	−23,941	3,194,583	86,928	24,581,880	23,133,441	17,745,810
0	0	0	0	0	1,737,782	8,413,382
30,346,912	**−23,941**	**5,880,383**	**86,928**	**36,116,425**	**38,311,293**	**40,200,036**
0	0	0	0	0	1,498,673	1,498,673
9,839,580	−7,284	1,913,151	11,901	11,733,546	15,900,020	17,717,034
98,674,955	−123,815	9,079,141	2,885,528	104,744,753	48,104,945	50,096,096
0	0	0	0	0	7,275,620	11,386,334
108,514,535	**−131,099**	**10,992,292**	**2,897,429**	**116,478,299**	**72,779,258**	**80,698,137**
67,636	**0**	**0**	**0**	**67,636**	**1**	**1**
0	**0**	**0**	**0**	**0**	**503,619**	**517,693**
138,929,083	**−155,040**	**16,872,675**	**2,984,357**	**152,662,360**	**111,594,171**	**121,415,867**

Development of the group's non-current assets as of December 31, 2008

	ACQUISITION AND PRODUCTION COSTS					
	1/1/2008 Euro	Foreign currency adjustments Euro	Additions Euro	Transfers Euro	Disposals Euro	12/31/2008 Euro
Non-current assets						
Intangible assets						
Goodwill	6,884,803	248,124	0	0	0	7,132,927
Development projects	14,785,272	0	390,912	580,478	0	15,756,662
Software and licenses	36,583,141	125,015	1,621,462	1,028,836	114,478	39,243,976
Advance payments incurred and projects under development	7,183,038	0	3,306,940	−2,058,576	18,020	8,413,382
	65,436,254	**373,139**	**5,319,314**	**−449,262**	**132,498**	**70,546,947**
Property, plant and equipment						
Land and buildings	3,315,753	0	0	0	1,817,080	1,498,673
Buildings and building improvements	53,175,994	101,512	383,690	899,036	27,003,618	27,556,614
Technical equipment and machinery	142,952,596	402,346	3,133,206	8,310,346	6,027,442	148,771,051
Advance payments and construction in process	8,562,831	2,860	12,052,113	−9,209,382	22,088	11,386,334
	208,007,173	**506,718**	**15,569,009**	**0**	**34,870,228**	**189,212,672**
Investments accounted for at-equity	**67,637**	**0**	**0**	**0**	**0**	**67,637**
Securities and investments	**73,932**	**0**	**0**	**449,262**	**5,500**	**517,693**
	273,584,996	**879,857**	**20,888,323**	**0**	**35,008,226**	**260,344,950**

ACCUMULATED DEPRECIATION					BOOK VALUE	
1/1/2008 Euro	Foreign currency adjustments Euro	Additions Euro	Disposals Euro	12/31/2008 Euro	12/31/2008 Euro	12/31/2007 Euro
0	0	0	0	0	7,132,927	6,884,803
6,534,645	0	2,314,100	0	8,848,745	6,907,917	8,250,627
16,792,641	36,179	4,779,842	110,496	21,498,166	17,745,810	19,790,500
0	0	0	0	0	8,413,382	7,183,038
23,327,287	**36,179**	**7,093,942**	**110,496**	**30,346,912**	**40,200,036**	**42,108,968**
612,702	0	0	612,702	0	1,498,673	2,703,051
27,094,904	7,141	2,260,130	19,522,594	9,839,580	17,717,034	26,081,090
93,315,415	216,219	9,927,227	4,783,906	98,674,955	50,096,096	49,637,180
0	0	0	0	0	11,386,334	8,562,831
121,023,021	**223,360**	**12,187,357**	**24,919,202**	**108,514,535**	**80,698,137**	**86,984,152**
67,636	**0**	**0**	**0**	**67,636**	**1**	**1**
0	**0**	**0**	**0**	**0**	**517,693**	**73,932**
144,417,944	**259,539**	**19,281,299**	**25,029,698**	**138,929,083**	**121,415,867**	**129,167,053**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

General notes

ELMOS Semiconductor Aktiengesellschaft ("the company" or "ELMOS") has its registered office in Dortmund (Germany) and is entered in the register of companies kept at the District Court (Amtsgericht) Dortmund, section B, under no. 13698. The articles of incorporation are in effect in the version of March 26, 1999, last amended by shareholders' resolution at the Annual General Meeting of May 6, 2009.

The company's business is the development, manufacture, and distribution of microelectronic components and system parts (Application Specific Integrated Circuits, or in short: ASICs) and technological devices with similar functions. The company may conduct all transactions suitable for serving the object of the business directly or indirectly. The company is authorized to establish branches, acquire or lease businesses of the same or a similar kind or invest in them, and conduct all business transactions which are beneficial to the articles of association. The company is authorized to conduct business in Germany as well as abroad.

In addition to its domestic branches, the company maintains sales companies in France and the U.S. and cooperates with other German and international companies in the development and production of ASIC chips.

The company is listed on the stock exchange. Its shares are traded in the Prime Standard in Frankfurt.

The address of the company's registered office is:
44227 Dortmund, Heinrich-Hertz-Straße 1.

Accounting policies and valuation methods

1 Accounting standards

General notes

The consolidated financial statements have been prepared in Euro. Values stated in thousand Euro have been rounded up or down to thousand Euro according to financial rounding.

The consolidated financial statements of ELMOS have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as applicable in the European Union (EU) and the additional applicable regulations of German commercial law as stipulated by Section 315 a (1) HGB. All of the IFRSs released by the International Accounting Standards Board (IASB) in effect at the time of the preparation of the consolidated financial statements and applied by ELMOS have been adopted by the European Commission for application in the EU. The consolidated financial statements of ELMOS therefore also comply with the IFRSs released by the IASB. In the following, the uniform term IFRSs is therefore used.

The consolidated balance sheet and the consolidated statement of comprehensive income have been prepared according to IAS 1, "Presentation of Financial Statements". Individual items have been summarized for the improvement of clarity; those items are explained in the notes.

The consolidated financial statements will probably be released for publication by the Management Board in March 2010.

Estimates and assumptions

The most important future-related assumptions as well as other material sources of estimate uncertainty identified as of the balance sheet date, on the basis of which there is a considerable risk that a material adjustment of the book values of assets and liabilities will become necessary within the next fiscal year are explained in the following.

Impairment of goodwill

The group reviews the goodwill for impairment at least once a year. This requires an estimate of the values in use of the cash-generating units goodwill is allocated to. For an appreciation of the value in use, the company management needs to estimate the cash-generating unit's probable future cash flows and also choose an adequate discount rate in order to determine the cash value of these cash flows.

With respect to the assumptions on the basis of which the value in use is determined, uncertainties of estimates especially relate to gross margins and discount rates. Gross margins are estimated on the basis of historic values of the past years in consideration of expected changes in demand and increases in efficiency. Discount rates reflect the current market assessments and have been estimated on the basis of customary weighted average cost of capital.

The goodwill's book value was 7,009 thousand Euro as of December 31, 2009 (2008: 7,133 thousand Euro). More details can be found under notes 3 and 13.

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carry-forward to the extent it appears probable that taxable income will be available so that the loss carry-forward can in fact be used. For the determination of the amount of deferred tax assets, a material discretionary decision made by the company management on the basis of the expected time of occurrence and the amount of taxable future income as well as future tax planning strategies is necessary. More details can be found under note 16.

Pensions and other benefits after the termination of employment

Expenses for performance-oriented plans and other medical benefits after the termination of employment are determined according to actuarial calculations. The actuarial evaluation is made on the basis of assumptions with regard to discount rates, expected return on the pension plans' assets, future raises of wages and salaries, mortality, and future retirement pension raises. Due to the long-term orientation of those plans, such estimates are subject to material uncertainty. Provisions for pensions and other benefits amounted to 792 thousand Euro as of December 31, 2009 (2008: 911 thousand Euro). More details can be found under note 24.

Development expenses

Development expenses are capitalized in accordance with the accounting policies and valuation methods described under note 3. For the purpose of determining the values to be capitalized, the company management must make assumptions about the amount of the expected future cash flows from assets, the applicable discount rates, and the inflow period of expected future cash flows generated by the assets. According to best possible estimation, the book value of development expenses to be capitalized amounted to 7,827 thousand Euro as of December 31, 2009 (2008: 7,610 thousand Euro). More details can be found under note 13.

Accounting policies and valuation methods

The accounting policies and valuation methods applied generally correspond with the policies and methods applied in the previous year, with the following exceptions:

The group has applied the following new or revised IFRS Standards and Interpretations in this fiscal year.

IFRS 8: Operating Segments

IFRS 8 was released in November 2006 and is subject to mandatory application for fiscal years beginning on or after January 1, 2009 for the first time. IFRS 8 requires the disclosure of information about a company's operating segments and supersedes the obligation to determine primary (business segments) and secondary (geographical segments) segment reporting formats for a company pursuant to IAS 14. IFRS 8 follows the so-called management approach, according to which segment reporting only conforms to the financial information the company executives use for the company's internal management. Decisive are the internal reporting and organizational structure as well as the financial values considered for the decision making on the allocation of resources and the evaluation of profitability. The definition of the segments in accordance with IFRS 8 corresponds to the previous definition in accordance with IAS 14. Segment reporting is presented under note 4.

IAS 23: Borrowing Costs

Revised Standard IAS 23 was released in March 2007 and is subject to mandatory application for fiscal years beginning on or after January 1, 2009. In abolishing the previous optional model, the Standard requires borrowing costs that can be attributed to a qualified asset to be capitalized. An asset is defined as a qualified asset if a considerable period of time is necessary to put the asset in its intended condition for use or sale. The first-time application of this revised Standard had no effect on the financial position and results from operations. For more details please refer to note 3.

IAS 1: Presentation of Financial Statements

The revised Standard provides for two separate statements for changes in equity as a result of transactions with shareholders in their capacity as shareholders and other changes in equity. The reconciliation statement of changes in equity therefore only includes details on transactions with shareholders while other changes in equity are presented in total in the form of a reconciliation of separate equity items. The Standard also introduces a statement of comprehensive income, presenting all income and expense items included in the income statement as well as all other comprehensive income recognized in equity not affecting net income, either in one statement or two connected statements.

The Group decided to present two connected statements in the form of one statement of comprehensive income. This does not have an effect on the recognition and valuation of assets and liabilities in the consolidated financial statements.

Amendments to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to IFRS 1 and IAS 27 were released in May 2008 and are subject to mandatory application for fiscal years beginning on or after January 1, 2009. The amendments to IFRS 1 enable a company to determine the acquisition cost of investments in subsidiaries, jointly controlled entities, or associated companies in its IFRS balance sheet of first-time adoption even in application of amounts determined according to previously applied accounting regulations or in application of fair values as surrogate for acquisition cost (deemed cost). The amendments to IAS 27 solely concern the separate financial statements of a parent company and stipulate in particular that all dividends of subsidiaries, jointly controlled entities, and associated companies be recognized in the separate financial statements affecting the net income. The transitional regulations generally provide for a prospective application. The new requirements exclusively affect the parent's separate financial statements and have no effect on the consolidated financial statements.

Amendments to IFRS 2 – Vesting Conditions and Cancelations

The amendment to IFRS 2 was released in January 2008 and is subject to mandatory application for fiscal years beginning on or after January 1, 2009. On the one hand, the revision clarifies the term vesting conditions, and on the other hand, it regulates the accounting treatment of the cancelation of share-based payment plans by the employees. Transitional regulations provide for retrospective application of this new regulation. The group only maintains stock option plans that contain vesting conditions according to the above-mentioned definition, so that there were no effects on the accounting treatment of share-based payments.

Amendments to IAS 32 and IAS 1 – Puttable instruments and Obligations Arising on Liquidation

The amendments to IAS 32 and IAS 1 were released in February 2008 and are subject to mandatory application for fiscal years beginning on or after January 1, 2009. They introduce an exempting provision according to which puttable financial instruments are to be classified as equity if certain criteria are fulfilled. Disclosures regarding these financial instruments are called for as well. The amendments to the Standards did not affect the group's financial position and results from operations or the notes to consolidated financial statements as the group has not issued such instruments.

Improvements to IFRS 2008

The amendments from improvement project 2008 were released in May 2008 and are subject to mandatory application – with the exception of IFRS 5 (applicable as of July 1, 2009) – for fiscal years beginning on or after January 1, 2009. The primary objective of improvement project 2008 was to eliminate inconsistencies and to clarify definitions. The application of the following revisions did lead to a change in accounting policies but did not have a material effect on the group's financial position and results from operations.

–> *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* – It was clarified that all assets and liabilities of a subsidiary the planned sale of which will result in loss of control over the subsidiary must be recognized as held for sale even if the company will keep a non-controlling interest in the former subsidiary after the sale.

–> *IAS 1: Presentation of Financial Statements* – It was clarified that financial instruments classified as held for trading not necessarily have to be recognized in the balance sheet as current assets or current liabilities. The classification as "current" follows only the definition criteria according to IAS 1.

–> *IAS 10: Events After the Reporting Period* – It was clarified that dividends decided after the balance sheet date yet prior to the approval of the publication of the financial statements do not represent obligations as of the balance sheet date and are therefore not recognized as liabilities in the financial statements.

–> *IAS 16: Property, Plant and Equipment* – Revenue from assets of property, plant and equipment held for leasing purposes and usually sold after the lease term in the context of ordinary operations must be disclosed under sales.

–> *IAS 19: Employee Benefits* – Apart from the revision of several definitions, it is clarified that changes of benefit plans resulting in a reduction of benefits for job services to be rendered in future periods must be accounted as plan curtailments. Changes to plans resulting in a reduction of benefits for job services already rendered must be accounted as past service cost.

–> *IAS 20: Accounting for Government Grants and Disclosure of Government Assistance* – Loans at nil or low interest rates commit to the calculation of the interest benefit. The difference between received amount and discounted amount must be recognized as government grant or subsidy.

–> *IAS 23: Borrowing Costs* – The definition of borrowing costs was revised insofar as the guidelines in IAS 39 referring to the effective interest rate were adopted. The group has adjusted its accounting and valuation policies accordingly, with no effect on the financial position and results from operations.

–> *IAS 27: Consolidated and Separate Financial Statements According to IFRS* – It was clarified that the accounting treatment of a subsidiary in accordance with IAS 39 at fair value in the parent's separate financial statements must be continued even if the subsidiary is classified as held for sale.

–> *IAS 28: Investments in Associated Companies* – As the goodwill contained in the carrying value of an investment in an associated company is not stated separately, it is not reviewed separately for impairment, either. Instead the whole carrying value of the investment as one sole asset is subjected to the impairment test and impaired if necessary. It is now clarified that even a write-up of an investment in an associated company that had been impaired in previous reporting periods must be recognized as an increase of this investment altogether and not be allocated to the goodwill therein contained. Another amendment concerns mandatory reporting about such investments in associated companies balanced at fair values in accordance with IAS 39. In the future only the requirements of IAS 28 are applied for these investments, according to which the nature and extent of any significant restrictions on the associated company ability to transfer funds to the company in the shape of cash or repayments must be disclosed.

- *IAS 29: Financial Reporting in Hyperinflationary Economies* – It is clarified that in financial statements prepared on the basis of historic acquisition and production cost, assets and liabilities that are to be valuated or can be valuated at fair value do not have to belong to property, plant and equipment and financial investments.

- *IAS 31: Interests in Joint Ventures* – The amendment concerns mandatory reporting of such interests in joint ventures that are accounted at fair value in accordance with IAS 39. In the future only the requirements of IAS 31 are applied for these interests, according to which the obligations of the partner company and the joint venture as well as a summary of the financial information about assets, liabilities, and income and expenses must be disclosed.

- *IAS 34: Interim Financial Reporting* – It is clarified that the basic and diluted earnings per share must be stated in the interim report only if the company is subject to the regulations of IAS 33: *Earnings Per Share*.

- *IAS 36: Impairment of Assets* – Mandatory reporting was harmonized with regard to the determination of value in use and the determination of fair value less cost to sell, calculated on the basis of the *discounted cash flow* model.

- *IAS 38: Intangible Assets* – Cost incurred for goods and services used for advertising and promotional activities (including mail order catalogs) must be recognized as expenses if the company has been given the right of access to these goods or services. Furthermore, the application of the "units of production" depreciation method is admitted with no restrictions for intangible assets. This change does not affect the group as such measures for sales promotion are not carried out.

- *IAS 39: Financial Instruments : Recognition and Measurement* – After their first-time recognition, derivatives can be designated as measured at fair value affecting net income due to changed circumstances or removed from that category because this does not signify a reallocation for the purpose of IAS 39. Furthermore, the reference to a "segment" in connection with the statement whether an instrument fulfills the criteria of a hedging instrument was deleted. It is clarified in addition that the newly calculated effective interest rate is to be applied to the measurement of a debt instrument after the termination of accounting as *fair value hedge*.

- *IAS 40: Investment Property* – Property under construction built or developed for use as financial investment must be allocated not to property, plant and equipment but rather to property held as financial assets, measures at acquisition or production costs or fair value. If the company applies the fair value model and the fair value cannot be determined reliably, the property under construction is measured at acquisition and production costs until the fair value can be determined or the construction is completed.

IFRIC 13: Customer Loyalty Programs

IFRIC Interpretation 13 was released in June 2007 and is applicable for fiscal years beginning on or after July 1, 2008. According to this Interpretation, loyalty award credits granted to customers shall be accounted for as sales separate from the transaction in the scope of which they have been granted. Therefore a part of the fair value of the consideration received is allocated to the loyalty award credits and deferred as a liability. The realization of sales occurs in the period in which the customer loyalty award credits are executed or expire. As the group currently has no customer loyalty programs, no effects on the consolidated financial statements resulted from this Interpretation.

IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was released in July 2007 and is applicable for the fiscal years beginning on or after January 1, 2009. This Interpretation provides guidelines for the determination of the limit on the amount of the surplus from a defined benefit plan that can be capitalized as an asset according to IAS 19: *Employee Benefits*. As all of the group's pension benefit plans are generally underfunded, there were no effects from this Interpretation on the group's financial position and results from operations.

Amendment to IFRS 7: Financial Instruments : Disclosures
This revision was released in March 2009 and is applicable for the fiscal years beginning on or after January 1, 2009. The regulation defines additional disclosures on the determination of fair value and the liquidity risk considered in the information in the notes to consolidated financial statements (please refer to note 29). There were no further effects on the financial position and results from operations.

Amendments to IFRIC 9: Reassessment of Embedded Derivatives and IAS 39: Financial Instruments : Recognition and Measurement
These amendments to IFRIC 9 and IAS 39 were released in March 2009 and are applicable for the fiscal years beginning on or after January 1, 2009. The revisions require the company's assessment whether an embedded derivative can be separated from the host contract, if the company has reclassified a hybrid financial asset from the category "fair value through profit or loss". As there are no embedded derivatives throughout the group, there are no effects on the financial position and results from operations.

IASB and IFRIC have released the following Standards and Interpretations, already adopted by EU law within the framework of the comitology procedure but not subject to mandatory application in fiscal year 2009. The group does not apply these Standards and Interpretations ahead of schedule.

IAS 27: Consolidated and Separate Financial Statements
Amended Standard IAS 27 was released in January 2008 and is subject to mandatory application for fiscal years beginning on or after July 1, 2009. The Standard stipulates that a change in the amount of an interest in a subsidiary that does not lead to loss of control must be accounted as a transaction with shareholders in their capacity as shareholders. From such a transaction, neither goodwill nor income or loss may result. In the event of loss of control over a subsidiary, the remaining interest must be newly measured at fair value and recognized within the scope of the determination of the result of the sale. Losses incurred from the subsidiary must be allocated to the shareholders of the parent and non-controlling interest (previously called "minority interest") even if it has the consequence that the non-controlling interest shows a negative balance. Transitional regulations provide for prospective application. This revision therefore carries no changes for assets and liabilities resulting from such transactions prior to the first-time application of the new Standard.

Amendment to IAS 32 – Classification of Rights Issues
This amendment to IAS 32 was released in October 2009 and is subject to mandatory application for fiscal years beginning on or after February 1, 2010. The revision carries an adjustment of the definition of a financial liability for the purpose that certain rights can be classified as equity instruments. This applies if those rights are issued pro rata to current owners of the company's non-derivative equity instruments of the same class for the purchase of a determined number of the company's equity instruments for a fixed price regardless of the currency. The group assumes that this revision will not have an effect on the group's financial position and results from operations as the group has not granted any such rights.

Amendments to IAS 39: Eligible Hedged Items
The amendments to IAS 39 were released in July 2008 and are subject to mandatory retrospective application for fiscal years beginning on or after July 1, 2009. It is clarified that it is admissible only to designate a part of the changes in fair value or the cash flow fluctuations of a financial instrument as underlying transaction. This also applies for the designation of inflation as risk or part of a financial instrument in certain cases.

The group assumes that the revision will not affect the group's financial position and results from operations as the group has not made such transactions.

IFRS 1: First-time Adoption of IFRS

Amended Standard IFRS 1 was released in November 2008 and is subject of mandatory application for fiscal years beginning on or after January 1, 2009. The revision of the Standard consisted solely of editorial changes and the Standard's new structure. No changes of the accounting and valuation regulations result from this revision for first-time adoption of IFRS. The regulations of IFRS 1 are directed at first-time users of IFRS and therefore have no effect on the group.

IFRS 3: Business Combinations

Amended Standard IFRS 3 was released in January 2008 and is subject to mandatory application for fiscal years beginning on or after July 1, 2009. The Standard was extensively revised within the scope of a convergence project of IASB and FASB. The essential changes concern especially the introduction of an optional model for the measurement of non-controlling interest (previously called "minority interest"), either at fair value or at the proportionate identifiable net asset of the acquired business. Also noteworthy is the revaluation of existing investments as affecting net income upon first-time attainment of control (successive business acquisition), the mandatory recognition of a consideration linked to the occurrence of future events as of the date of acquisition, and the treatment of transaction cost as affecting net income. These revisions will have an effect on the valuation of goodwill, the result for the reporting period in which a business combination occurs, and future results. Transitional regulations provide for prospective application of this new regulation. As there are no changes for assets and liabilities resulting from business combinations prior to the new Standard's first-time adoption, effects on the group can only come from future business combinations.

Amendments to IFRS 5 within the Scope of Improvements to IFRS 2008

The amendments from improvement project 2008 were released in May 2008 and were – with the exception of IFRS 5 (applicable as of July 2009) – subject to mandatory application for fiscal years beginning on or after January 1, 2009. The amendments to IFRS 5 clarified that all assets and liabilities of a subsidiary the planned sale of which will result in loss of control over the subsidiary must be recognized as held for sale even if the company will keep a non-controlling interest in the former subsidiary after the sale.

IFRIC 12: Service Concession Arrangements

IFRIC Interpretation 12 was released in November 2006 and is generally subject to application for fiscal years beginning on or after January 1, 2008. This Interpretation has been adopted by EU law in March 2009 with the statement that the Interpretation is subject to mandatory application in the EU for fiscal years beginning on or after July 1, 2009. The Interpretation governs the accounting treatment of obligations and rights assumed within the framework of service concession arrangements in the financial statements of the concession operator. As no group company is a holder of concessions, this Interpretation has no effect on the group.

IFRIC 15: Agreements for the Construction of Real Estate

IFRIC Interpretation 15 was released in July 2008 and is generally subject to mandatory application for fiscal years beginning on or after January 1, 2009. This Interpretation has been adopted by EU law in July 2009 with the statement that the Interpretation is subject to mandatory application in the EU for fiscal years beginning on or after January 1, 2010. it provides guidelines with regard to the point in time and scope of the realization of revenue from projects for the construction of property. IFRIC 15 will have no effect on the consolidated financial statements as the group does not engage in such business activity.

IFRIC 16: Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was released in July 2008 and is generally subject to mandatory application for fiscal years beginning on or after October 1, 2008. This Interpretation has been adopted by EU law in June 2009 with the statement that the Interpretation is subject to mandatory application in the EU for fiscal years beginning on or after July 1, 2010. IFRIC 16 communicates guidelines for the identification of foreign currency risks that can be hedged within the scope of hedging a net investment, for the determination which group companies can hold hedging instruments for hedging the net investment, and for the determination of foreign currency gains or losses to be reclassified upon the sale of the net investment of the hedged foreign operation from equity to the income statement. This Interpretation provides for prospective application. The group is currently appraising which accounting policy and valuation method to use for the reclassification upon the sale of a net investment.

IFRIC 17: Distributions of Non-cash Assets to Owners
IFRIC Interpretation 17 was released in November 2008 and is subject to mandatory application for fiscal years beginning on or after July 1, 2009. This Interpretation defines guidelines for the accounting treatment and measurement of obligations committing to a payment of dividends in kind to shareholders. The Interpretation gives an opinion especially with regard to the point in time of the recognition of such a liability, the measurement of the liability and the assets involved, and the point in time of the write-off of those assets and the recognized liability. This Interpretation provides for prospective application. IFRIC 17 will have no effect on the consolidated financial statements as no payment of a dividend in kind is to be expected in the group.

IFRIC 18: Transfers of Assets from Customers
IFRIC Interpretation 18 was released in January 2009 and is subject to mandatory application for fiscal years beginning on or after July 1, 2009. This Interpretation provides guidelines for the accounting treatment of agreements based on which a company receives assets of property, plant and equipment or cash from a customer for the company to use for e.g. connecting the customer with a distribution network or/and to provide the customer with permanent access to the supply with goods or services. The Interpretation particularly gives an opinion on the recognition criteria of customer contributions and the point in time and scope of realization of revenue from such business transactions. This Interpretation provides for prospective application. IFRIC 18 will have no effect on the consolidated financial statements as the group does not conduct such business transactions.

IASB and IFRIC have released the following Standards and Interpretations that were not subject to mandatory application in fiscal year 2009. These Standards and Interpretations have so far not been adopted by the EU and are not applied by the group.

Amendment to IFRS 1 – Additional Exemptions for First-time Adopters
The amendment to IFRS 1 was released in July 2009 and is subject to mandatory application for fiscal years beginning on or after January 1, 2010. IFRS 1 was amended to provide for additional exemptions from complete retrospective application of IFRS for the measurement of assets in the area “oil and gas” as well as lease agreements. The provisions of IFRS 1 address first-time adopters of IFRS and do therefore not affect the group.

Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions
The amendment to IFRS 2 was released in June 2009 and is subject to mandatory application for fiscal years beginning on or after January 1, 2010. The revision of IFRS 2 modified the definition of share-based payments and the scope of IFRS 2, and new guidelines for the accounting treatment of group-internal share-based payment transactions were added. In this regard the regulation provides that a company treats goods and services received according to the provisions for share-based payment compensated by equity instruments if the company’s own equity instruments are granted in consideration or if the company has no obligation for the settlement of the share-based payment agreement. In all other cases, the agreement is treated as cash-settled share-based payment. These principles apply regardless of any group-internal redemption agreements. Within the scope of this amendment, regulations of IFRIC 8: *Scope of IFRS 2* and IFRIC 11: *Group and Treasury Share Transactions* were adopted by IFRS 2 and both Interpretations were withdrawn. No material effects on the group’s financial position and results from operations are expected from the amendment to IFRS 2.

Improvements to IFRS 2009
The Improvements to *IFRS 2009* represent a collection of amendments released in April 2009 and carrying modifications of several IFRS. The reporting periods subject to application and the transitional regulations are indicated for each amended Standard. Unless otherwise indicated in the following, separate regulations are subject to mandatory application for fiscal years beginning on or after January 1, 2010.

The primary objective of the *Improvements to IFRS* 2009 was to eliminate inconsistencies and to clarify definitions. While the application of the following revisions does lead to changes in accounting policies, it will probably not have material effects on the group’s financial position and results from operations:

- *IFRS 2: Share-based Payment* – It was clarified that contributions of a business upon formation of a joint venture and common control transactions are excluded from the scope of IFRS 2. First-time application is stipulated for fiscal years beginning on or after July 1, 2009.

- *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* – It was clarified that generally the disclosures required by IFRS 5 are exclusively applicable for non-current assets and disposal groups held for sale as well as for discontinued operations. Disclosures required by other IFRSs must be observed only if the respective Standards or Interpretations specifically require those disclosures for assets according to IFRS 5 and discontinued operations.

- *IFRS 8: Operating Segments* – It was clarified that segment assets and segment liabilities must be disclosed only if those assets and liabilities are reported regularly to the company's responsible decision making board.

- *IAS 1: Presentation of Financial Statements* – Assets and liabilities classified as held for trading in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* may not automatically classified as current in the balance sheet.

- *IAS 7: Statement of Cash Flows* – It was determined that only those expenditures that lead to an asset's recognition can be classified as cash flows from investing activities.

- *IAS 17: Leases* – The special guidelines for the classification of leases of land were withdrawn. They are superseded by the general guidance on lease classification.

- *IAS 18: Revenue* – The board has provided additional guidance for addressing the issue whether a company is acting as principal or agent. For this addition to the appendix to IAS 18, which is not part of the Standard, no effective date is provided for so that it came into effect upon release.

- *IAS 36: Impairment of Assets* – It is clarified that a cash-generating unit, to which goodwill acquired in the context of a business combination is allocated, may not be larger than an operating segment for the purpose of IFRS 8 prior to the aggregation according the criteria therein defined.

- *IAS 38: Intangible Assets* – If an intangible asset acquired in the context of a business combination is identifiable only together with another intangible asset, the acquirer may recognize the group of those intangible assets as one single asset if individual assets within this group have the same useful lives. It is further determined that the methods for the determination of the fair value of intangible assets acquired in the context of business combinations presented in the Standard are merely examples. The companies are free to use other methods. These amendments are subject to mandatory application for fiscal years beginning on or after July 1, 2009.

- *IAS 39: Financial Instruments : Recognition and Measurement* – A prepayment option is considered closely related to the host debt contract if the prepayment option's exercise price is calculated in such a way that the lender is compensated for the approximate cash value of the loss of interest over the remaining term of the host contract. It is also provided that the exemption for contracts between acquirer and vendor for a company's acquisition or sale at a future point in time only applies for binding forward contracts and not for derivative contracts which require additional measures. The third revision stipulates that gains or losses on the cash flow hedge of an anticipated transaction, which later leads to the recognition of a financial instrument, or on the cash flow hedge of recognized financial instruments must be classified in the period in which the hedged anticipated cash flows affect profit or loss.

- *IFRIC 9: Reassessment of Embedded Derivatives* – IFRIC 9 is not applied to the possible reassessment of embedded derivatives acquired in common control transactions or in the formation of a joint venture. This revision is subject to mandatory application for fiscal years beginning on or after July 1, 2009.

-> *IFRIC 16: Hedges of a Net Investment in a Foreign Operation* – Hedging instruments may be held by any company within the group if the conditions for designation, documentation, and effectiveness determined in IAS 39 are met. This revision is subject to mandatory application for fiscal years beginning on or after July 1, 2009.

The following amendments within the framework of Improvements to IFRS 2009 have no effect on the group's accounting policies and the presentation of financial position and results from operations:

-> IFRS 7: Financial Instruments : Disclosures
-> IAS 8: Accounting Policies, Changing in Accounting Estimates and Errors

IFRS 9: Financial Instruments : Classification and Measurement
The new Standard IFRS 9 was released in November 2009 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. The Standard was prepared by the IASB as the first part of a project for the comprehensive revision of the accounting treatment of financial instruments and contains new regulations for the classification and measurement of financial assets. Financial assets are thus to be measured either at amortized acquisition cost or at fair value affecting net income, depending on the respective characteristics and in consideration of the business model or models. Equity instruments must always be measured at fair value, but value changes of equity instruments may be recognized in other comprehensive income if thus elected upon acquisition within the scope of an instrument-specific option. In this case only certain dividend yields of equity instruments would be recognized affecting net income.

IFRS 9 provides for retrospective application. The assessment whether a financial instrument represented in the consolidated balance sheet shall be measured at amortized acquisition cost or at fair value must be based on facts and circumstances that exist as of first-time application, so that potential effects on the financial position and results from operations cannot be ultimately evaluated at present.

Amendment to IFRS 1 – Limited Scope Exemptions for IFRS 7 Disclosures
The amendment to IFRS 1 was released in January 2010 and is subject to first-time application for fiscal years beginning on or after July 1, 2010. The revision enables IFRS first-time adopters to make use of the transitional regulations that apply to the amendment to IFRS 7: *Improving Disclosures* about Financial Instruments, which was released in March 2009. The provisions of IFRS 1 address IFRS first-time adopters and therefore have no effect on the group.

Amendment to IAS 24: Related Party Disclosures
Revised Standard IAS 24 was released in November 2009 and is subject to mandatory reporting for fiscal years beginning on or after January 1, 2011. On the one hand, the definition of related parties is modified, and on the other hand, companies under government control are exempted from the disclosure of business transactions with the government or other government-controlled companies. The Standard provides for retrospective application. Potential changes must be considered for the presentation included in the notes to consolidated financial statements. There are no effects on the financial position and results from operations.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
The amendment to IFRIC 14 was released in November 2009 and is subject to mandatory application for fiscal years beginning on or after January 1, 2011. The application of Interpretation IFRIC 14 released in July 2007, aiming for the limitation of an asset resulting from a benefit plan to the asset's recoverable amount, had a few unintended consequences for companies in certain countries. The amendment is intended to enable companies to recognize an asset for prepayments of a minimum funding requirement. As no prepayments of minimum funding requirements are provided for in the group, the amendment to this Interpretation has no effect on the group's financial position and results from operations.

IFRIC 19 – Replacement of Financial Liabilities with Equity Instruments
IFRIC Interpretation 19 was released in November 2009 and is subject to mandatory application for fiscal years beginning on or after July 1, 2010. This Interpretation clarifies that if a debtor issues equity instruments to a creditor to replace a financial liability, the equity instrument must be treated as "consideration paid". The equity instruments are measured either at fair value or at the released liability's fair value, depending on which value can be determined with more reliability. Any difference between the released financial liability and the fair value of the issued equity instruments is recognized directly in profit or loss for the period. From today's perspective no issue of equity instruments to creditors to replace financial liabilities is intended, so that this Interpretation has no effect on the group's financial position and results from operations.

2 Principles of consolidation

Basis of consolidation and consolidation methods

In addition to ELMOS Semiconductor AG, the consolidated financial statements prepared for fiscal year 2009 include all companies whose voting rights ELMOS has the direct or indirect majority of, or based on other rights in cases of control over the company as defined by IAS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". The capital consolidation is based on the purchase method: The investments' acquisition values are set off against the proportionate balance of assets and liabilities acquired at their respective time values. As of the acquisition date, recognizable assets and liabilities are set at their respective time values entirely. The balance of a remaining asset difference is stated as goodwill.

The financial statements of the companies included in the consolidated financial statements of ELMOS are stated in correspondence with the balance sheet date of the consolidated financial statements.

All material payables and liabilities as well as transactions between the consolidated companies have been eliminated in the consolidated financial statements.

The group's investment in an associated company is assessed according to the equity method. An associated company is a company which is controlled by the group.

SIC 12 "Consolidation – Special Purpose Entities" clarifies the application of IAS 27 with regard to those companies to be consolidated whose equity provider does not exercise control according to the control concept. It requires the consolidation of companies whose expected losses and gains are taken over for the most part by the reporting group based on the terms of partnership or other contractual terms, or based on financial interests.

A list of the subsidiaries included in the consolidated financial statements can be found under note 33.

Foreign currency translation and currency transactions

The functional currency of ELMOS Semiconductor AG and its European subsidiaries is the Euro. The consolidated financial statements have been prepared in Euro.

Assets and liabilities in foreign currencies are generally translated at the closing rate as of balance sheet date.

With regard to subsidiaries whose functional currency is the national currency of the country in which the subsidiary keeps its registered office, assets and liabilities stated in foreign currency in the balance sheets of the international, economically independent subsidiaries are translated into Euro at the closing rate as of the respective balance sheet dates. Income and expenses are translated at average exchange rates over the underlying period. Differences resulting from the valuation of equity at historic rate and balance sheet date are recognized as changes in equity not affecting net income under other comprehensive income.

The company enters from time to time into forward exchange contracts and option transactions to hedge foreign currency transactions for periods consistent with committed exposures. These hedging activities minimize the impact of foreign exchange rate fluctuations on the company's profit situation. The company does not engage in speculative transactions. The forward exchange contracts do not pose a risk to the company's profit situation as the profits and losses from these transactions are usually offset by the profits and losses from the hedged assets and liabilities. No forward exchange contracts or options were in effect as of December 31, 2009 or December 31, 2008.

Cash flow statement

The cash flow statement shows how cash and cash equivalents have changed over the course of the fiscal year by additions and disposals. The effects of acquisitions and divestments as well as other changes of the basis of consolidation are eliminated in this statement. In accordance with IAS 7, the statement distinguishes between cash flows from operating activities, investing activities, and financing activities. Finance expenses and finance income recognized in the consolidated statement of comprehensive income essentially correspond with the amounts paid.

3 Accounting and valuation principles

Sales

The company generates sales by selling ASICs, ASSPs, and micromechanical sensor elements, as well as from their development. Sales are stated less value-added taxes and after deduction of discounts given.

Sales are realized either at the time products are shipped to the customer or at the time the risk of loss passes to the customer. Within the framework of consignment warehousing agreements, sales are realized either at the time of acceptance by the customer or at the time the consignment warehouse is stocked up, depending on the time of the passing of risk. Sales from development activities are realized upon reaching predefined so-called milestones, depending on the degree of the project's completion.

Goodwill

Goodwill from company acquisitions is not amortized on schedule but reviewed for its carrying value at least once a year. In addition, an impairment test is performed if special events or market developments indicate that the fair value of a reporting unit may have fallen below its book value. As of acquisition date, the acquired goodwill is allocated to the cash-generating unit (CGU) expected to benefit from the business combination's synergy effects.

The impairment is identified by determining the recoverable amount of the CGU the goodwill is allocated to. If the recoverable amount of the CGU is below its book value, the impairment of goodwill needs to be recognized. The recoverable amount is the higher of the two amounts of *fair value less cost to sell* and *value in use*.

All goodwill is allocated to the respective CGUs. Each subsidiary usually represents one CGU.

The determination of the CGU's recoverable amount is based on the *value in use*. For each CGU, future cash flows are determined on the basis of detailed long-term planning which involves a period of five years. Based on an assumed growth rate of 0.5%, the future cash flows' cash value or is then calculated by discounting.

Other intangible assets

According to IAS 38, intangible assets originating from development are capitalized only, among other criteria, if it is a) sufficiently probable that the company is going to derive the asset's future economic benefit and b) if the asset's costs can be valuated reliably. These criteria apply to the capitalized development projects for the development of ASICs. Depreciation is begun with after the development stage is completed, or at the start of the pilot series production.

Development expenses are capitalized after technological feasibility or realizability is provided and the engineering stage (so-called QB II status) is reached.

Those projects that do not correspond with customer orders yet (ASSPs) are capitalized as well. They are reviewed annually for recoverability by the company.

Expenses are amortized as of the start of production on a straight-line basis over the estimated useful life of seven years.

Expenses for the acquisition and in-house development of design and process technology are capitalized. Expenses are amortized under the straight-line method over the shortest respective period of the estimated useful life of the technology, the patent protection term, or the term of the contract, yet over a maximum of 20 years.

Acquired intangible assets are set at acquisition costs and amortized under the straight-line method over their estimated useful lives of 3 to 8 years.

The amortization is recorded in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are basically capitalized at acquisition or production costs.

Property, plant and equipment are depreciated on schedule over their estimated useful lives using the straight-line method as follows:

Buildings	25 to 50 years
Building improvements	8 to 10 years
Factory and office equipment	5 to 12 years

If the book value exceeds the probable recoverable amount, impairment is recognized for this asset in accordance with IAS 36 (revised 2004).

On sale or disposal of assets of property, plant and equipment, corresponding acquisition costs as well as corresponding accumulated depreciation are eliminated from accounts. Gains or losses from the disposal of assets of property, plant and equipment are stated as other operating income or expenses. Costs for maintenance and repair are recorded in the consolidated statement of comprehensive income as expenses.

In application of IAS 17, leased property attributable to the company as its economic proprietor is capitalized and depreciated over its estimated useful life (so-called finance lease). Accordingly, liabilities originating from the lease contract are recognized as liabilities and reduced by the discharge portion of repayments made.

Other lease agreements the company has entered into are considered operating leases. Repayments made are recognized in the consolidated statement of comprehensive income applying the straight-line method over the contract terms.

Financial instruments

The financial instruments assessed include cash and cash equivalents, marketable securities, trade receivables, trade payables, other outside financing, and finance lease.

Financial instruments are recognized according to IAS 39.14 as of the time the company becomes the financial instrument's contracting party. With respect to regular purchase and sales transactions, the recognition occurs as of settlement date.

Financial assets are classified as follows: financial assets held to final maturity, financial assets held for trading, and financial assets held as available-for-sale. Financial assets with determined or determinable payments and fixed terms which the company is willing and able to hold until final maturity are classified as held-to-maturity financial assets, with the exception of loans and receivables extended by the company. Financial assets acquired primarily to gain profits from short-term price fluctuations are classified as financial assets held for trading. All other financial assets except for loans and receivables extended by the company are classified as available-for-sale financial assets.

Held-to-maturity financial assets are balanced under non-current assets unless they mature within twelve months of the balance sheet date. Financial assets held for trading and available-for-sale financial assets are considered current if they are meant to be realized within twelve months of the balance sheet date.

Upon its first-time recognition, a financial asset is set at the fair value corresponding with the time value attributable to the consideration received; transaction costs are included. Available-for-sale financial assets and financial assets held for trading are subsequently stated at their fair values without deduction of any transaction expense incurred and under disclosure of their listed market prices as of the balance sheet date.

Gains and losses from the valuation of available-for-sale financial assets at fair value are recognized directly in other comprehensive income until the financial asset is sold, collected, or otherwise disposed of, or until the financial asset's impairment is determined, so that the cumulative gains and losses previously recognized in equity are included in the period net income at that point in time.

Changes of the fair values of financial assets held for trading are recognized in finance income/expenses. Held-for-maturity financial assets are valuated at amortized acquisition costs in application of the effective interest method.

Upon their first-time recognition, financial instruments are either classified as assets, liabilities, or equity according to the contractual agreement's economic matter.

Interest, dividends, and gains and losses in connection with financial instruments classified as financial liabilities are recognized as income or expenses in the statement of comprehensive income for the period in which they are incurred. Dividend payments to holders of financial instruments classified as equity are deducted directly from equity.

If rights and obligations relating to the kind of the financial instrument's realization depend on the occurrence or non-occurrence of future contingencies or the outcome of uncertain circumstances beyond the issuer's as well as the holder's control, the financial instrument is classified as liability unless it is highly improbable at the time of the issuance that the issuer is obligated to fulfill cash and cash equivalents or other financial assets. If the latter applies, the instrument is classified as equity.

The company has so far made no use of the option to designate financial assets as *financial assets at fair value through profit or loss* upon their first-time recognition.

With respect to financial liabilities, the group has so far made no use of the option to designate them as *financial liabilities at fair value through profit or loss* upon their first-time balance recognition.

Financial guarantee contracts issued by the group are contracts that commit to payments in compensation of a loss incurred by the holder because a specific debtor has not fulfilled its payment obligations on the due date according to the terms of a liability instrument. Financial guarantee contracts are stated upon first-time recognition as liabilities at fair value less transaction cost directly linked to the contract's issuance. Subsequently the liability is measured at the best possible estimate of expenses required for the fulfillment of the obligation as of the balance sheet or the higher stated amount less cumulative amortization.

Inventories

Inventories are measured at acquisition or production costs or the lower recoverable net amount as of the balance sheet date. In addition to directly attributable costs, production costs also include manufacturing costs and overhead as well as amortization. Overhead costs are recognized as fixed amounts on the basis of the production facilities' usual utilization. Costs of unused production capacity (waste costs) are disclosed in the statement of comprehensive income under cost of sales. Inventory allowances are made insofar as acquisition or production costs exceed the expected recoverable net amounts.

Trade receivables

Trade receivables as well as other receivables are basically set at nominal value in consideration of appropriate allowances.

According to IFRS 7.21/IAS 1.108, the allowance for bad debt includes estimates and assessments of individual receivables to a considerable degree, based on the respective customer's creditworthiness, current economic developments, and the analysis of historic bad debt loss on portfolio basis. Insofar as the allowance is deduced from historic loss rates on portfolio basis, a decrease in the order backlog leads to a corresponding reduction of such allowances and vice versa.

Cash and cash equivalents

For the purpose of preparing the financial accounts, cash and cash equivalents include cash on hand, checks, cash in banks, and available-for-sale securities.

Non-current available-for-sale assets and discontinued operations

According to IFRS 5, an operation is classified as discontinued at the time the operation meets the criteria for a classification as available-for-sale. Such an operation represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with the intent of resale. An asset is to be classified as available-for-sale if the attached book value is realized primarily by a sale transaction rather than by continued use.

Provisions

Provisions are made for legal or factual obligations with historic origins if it is probable that the fulfillment of the obligation will lead to a disposal of group resources and if a reliable estimate of the amount of the obligation can be made.

Recurring net pension benefits in accordance with IAS 19 are made up of different components, reflecting different aspects of the company's financial agreements as well as the expenses for the benefits received by the employees. These components are determined by applying the actuarial cost method on the basis of actuarial assumptions as stated under note 24.

The company's accounting principles provide that:

- all benefit improvements the company is committed to from the current valuation date are reflected in the planned benefit obligation,
- the cumulative actuarial gains and losses in excess of 10% of the planned benefit obligation are amortized through the expected future benefits of active employees included in the plan (so-called corridor method).

Provisions for warranty are set up from the time of sale, based on the ratio of warranty costs to historic sales. In addition, for individual cases appropriate provisions are made upon risk assessment with respect to the sales-oriented as well as the legal consequences.

Taxes

Current tax assets and tax liabilities for the current period and for previous periods are stated at the amounts expected for tax refunds to be received from the tax authorities or tax payments to be made to the tax authorities. The calculation of these amounts are based on the tax rates and tax laws in effect as of the balance sheet date in the countries where the group has operations and generates taxable income.

Deferred taxes are determined in application of the *liability method*. Deferred income taxes reflect the net tax expense/income of temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their respective tax values. The calculation of deferred tax assets and liabilities is carried out on the basis of the tax rates expected as applicable for the period in which an asset is realized or a debt is repaid. The valuation of deferred tax assets and liabilities considers the tax effects resulting from the way a company expects to realize its assets' carrying values or repay its debts as of the balance sheet date.

Deferred tax assets and liabilities are recognized regardless of the point in time at which the temporary accounting differences are expected to reverse. Deferred tax assets and liabilities are not discounted and are included in the balance sheet as non-current assets or liabilities.

A deferred tax asset is balanced for all deductible temporary differences to the extent it is probable that taxable income will be available against which the temporary difference can be offset. As of each balance sheet date, the company assesses unbalanced deferred tax assets anew. The company balances a previously unbalanced deferred tax asset to the extent it has become probable that future taxable income will allow the deferred tax asset's realization.

In the opposite case, the deferred tax asset's book value is reduced to the extent it appears no longer probable that there will be sufficient taxable income to make use of the deferred tax asset – either in its entirety or in part.

Current taxes and deferred taxes are charged or credited directly to equity if the tax relates to items credited or charged directly to equity in the same or in another period.

No deferred tax liabilities incur to the extent that non-distributed profits of foreign investments are to remain invested in that company for an incalculable period of time. Deferred tax liabilities are disclosed for all taxable temporary differences insofar as the deferred tax liability does not result from goodwill which does not allow for amortization for tax purposes.

Deferred tax assets also include tax relief claims resulting from the expected use of loss carried forward in the following years and the realization of which appears assured with sufficient reliability.

The deferred taxes are determined on the basis of the tax rates in effect at or expected for the time of realization according to the respective countries' current legal situation.

Income, expenses, and assets are recognized less sales tax. Exceptions are the following cases:

- If the sales tax incurred upon the acquisition of assets or the claiming of services cannot be claimed from the tax authorities by way of refund, the sales tax is recognized as part of the asset's acquisition costs or as part of the expenses.

- Receivables and payables are stated including sales tax.

The sales tax amount to be refunded by or paid to the tax authorities is recognized in the balance sheet under receivables or payables.

Government grants

Government grants or subsidies are recognized if it is sufficiently assured that the grants are given and that the company fulfills the corresponding conditions. Grants linked to expenses are recognized on schedule as income over the period that is required to offset them against the corresponding expenses they are meant to compensate. Grants for an asset are stated in the balance sheet as reduction of acquisition costs and amortized in equal installments over the corresponding asset's estimated period of use as affecting net income. More details can be found under note 31.

Borrowing costs

Borrowing costs directly attributable to an asset's acquisition, construction, or manufacturing, and for which a considerable period of time is required to put it into the intended state for use or sale, are capitalized as part of the respective asset's acquisition or production costs with respect to all qualified assets the construction or manufacturing of which has been started on or since January 1, 2009. All other borrowing costs are stated as expense in the period in which they incur. Borrowing costs are interest and other costs a company incurs in connection with borrowing outside capital. The group continues to recognize borrowing costs connected with projects started before January 1, 2009 as expenses.

Notes to segments

4 Segment reporting

Segments correspond with the ELMOS Group's internal organizational and reporting structure. The definition of segments considers the group's different products and services. The separate segments' accounting principles correspond with those applied by the group.

The company divides its business activity in two segments:

The semiconductor business is conducted through the various national subsidiaries and branches in Germany, the Netherlands, France, South Africa, and the U.S.A. Sales in this segment are generated primarily with automotive electronics. ELMOS is also active in the sector of industrial and consumer goods and supplies semiconductors e.g. for applications in household appliances, photo cameras, installation and building technology, and machine control.

Sales in the micromechanics segment are generated by subsidiary SMI in the U.S.A. The product portfolio contains micro-mechanical systems (MEMS), which are for the most part silicon-based high-precision pressure sensors.

Operations are organized and managed separate from each other with respect to the type of products, with each segment representing a strategic business unit that provides different products and services different markets. Inter-segment sales are based on cost-plus pricing or on settlement prices – less commission paid – that correspond to prices paid in transactions with third parties.

The following tables provide information on sales and earnings and specific information on assets and liabilities of the group's business segments for the fiscal years ended December 31, 2009 and December 31, 2008.

Fiscal year ended 12/31/2009	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Sales with third-party customers	112,951	10,823	0	123,774
Sales with other segments	386	176	−562[1]	0
Segment sales total	**113,337**	**10,999**	**−562**	**123,774**
Earnings				
Depreciation	15,455	1,418		16,873
Other material non-cash expenses	−433	0		−433
Income	153	0		153
Segment income/loss	−14,379	−1,430	0	−15,809
Finance income				967
Finance expenses				−2,434
Income before taxes				**−17,276**
Income taxes				5,079
Net loss including minority interest				**−12,197**
Assets and liabilities				
Segment assets	155,275	15,612	54,979[2]	225,866
Investments	504	0	0	504
Total assets				226,370
Segment liabilities/Total liabilities	24,702	1,600	41,013[3]	67,315
Other segment information				
Capital expenditures for intangible assets and property, plant and equipment	7,207	159		7,366

Other non-cash expenses are extraordinary depreciation of non-current assets and stock option expense, among others.

[1] *Income from inter-segment transactions is eliminated for consolidation purposes.*
[2] *Non-attributable assets as of December 31, 2009 include cash and cash equivalents (46,841 thousand Euro), income tax assets (306 thousand Euro), and deferred taxes (7,832 thousand Euro), as these assets are controlled on group level.*
[3] *Non-attributable liabilities as of December 31, 2009 include current financial liabilities (576 thousand Euro), non-current financial liabilities (40,237 thousand Euro), and current tax liabilities (200 thousand Euro), as these liabilities are controlled on group level.*

Fiscal year ended 12/31/2008	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Sales with third-party customers	163,593	11,546	0	175,139
Sales with other segments	402	3,838	−4,240[4]	0
Segment sales total	**163,995**	**15,384**	**−4,240**	**175,139**
Earnings				
Depreciation	16,750	1,463		18,213
Other material non-cash expenses	−1,127	0		−1,127
Income	3,119	0		3,119
Segment income/loss	19,178	−2,697	0	16,481
Finance income				1,584
Finance expenses				−3,393
Income before taxes				**14,672**
Income taxes				−4,271
Net loss including minority interest				**10,401**
Assets and liabilities				
Segment assets	183,546	16,809	49,194[5]	249,549
Investments	518	0	0	518
Total assets				250,067
Segment liabilities/Total liabilities	28,799	1,645	48,418[6]	78,862
Other segment information				
Capital expenditures for intangible assets and property, plant and equipment	20,569	257		20,826

Other non-cash expenses essentially include extraordinary depreciation of non-current assets.

[4] Income from inter-segment transactions are eliminated for consolidation purposes.
[5] Non-attributable assets as of December 31, 2008 include cash and cash equivalents (42,463 thousand Euro), income tax assets (111 thousand Euro), and deferred taxes (6,620 thousand Euro), as these assets are controlled on group level.
[6] Non-attributable liabilities as of December 31, 2008 include current financial liabilities (186 thousand Euro), non-current financial liabilities (40,434 thousand Euro), current tax liabilities (3,862 thousand Euro), and deferred tax liabilities (3,936 thousand Euro), as these liabilities are controlled on group level.

Geographic information

The geographic segment "other EU countries" basically includes, with the exception of Germany, all member states of the European Union as of the respective balance sheet date. Those European countries that are currently not members of European Union are included in the segment "Others". The breakdown of third-party sales is made according to the customers' locations.

Geographic information

Third-party sales	Fiscal year ended 12/31/2009 thousand Euro	Fiscal year ended 12/31/2008 thousand Euro
Germany	47,146	67,502
Other EU countries	45,593	65,828
U.S.A.	8,805	14,402
Others	22,230	27,407
Total sales reported in the statement of comprehensive income	**123,774**	**175,139**

Geographic breakdown of non-current assets	Fiscal year ended 12/31/2009 thousand Euro	Fiscal year ended 12/31/2008 thousand Euro
Germany	93,888	101,468
Other EU countries	8,426	9.050
U.S.A.	9,277	10,896
Others	3	2
Total sales reported in the statement of comprehensive income	**111,594**	**121,416**

Sale generated with the top four customers amount to 20.593 million Euro, 16.838 million Euro, 16.325 million Euro, and 13.292 million Euro, and correspond to sales in the semiconductor segment.

Notes to the statement of comprehensive income

5 Sales

The company generates sales with the sale of ASICs, ASSPs, and micromechanical sensor elements as well as with their development.

Sales of the group and its segments can be broken down as follows:

	2009 Euro	2008 Euro
Semiconductor	112,950,838	163,592,614
Micromechanics	10,823,273	11,546,348
Group	**123,774,111**	**175,138,962**

Sales dropped 29.3% to 123,774 thousand Euro. The semiconductor segment accounted of a disproportionately high share of the decline, dropping 31% to 112,951 thousand Euro in 2009.

6 Notes to the statement of comprehensive income according to the cost of sales method

Cost of sales

The cost of sales contains costs of performances toward the generation of sales. In addition to direct material costs, direct labor costs, and special direct costs, the cost of sales includes manufacturing and material overhead as well as depreciation. The cost of sales also contains changes in work in process and finished goods inventories and has developed as follows:

	2009 Euro	2008 Euro
Material expense	23,691,440	33,503,538
Personnel expense	23,916,770	29,628,246
Other overhead	35,736,375	39,648,535
Changes in inventories	4,547,491	−3,224,660
	87,892,076	**99,555,659**

The cost of sales went down from 99,556 thousand Euro in 2008 by 11.7% to 87,892 thousand Euro in the year under report. Due to the fixed costs for maintaining readiness for operation, the decrease in the cost of sales was disproportionately low compared to the sales decline. Adjusted by changes in inventories effects, the cost reduction was 18.9%.

Research and development expenses

Considerable expenses regularly incur with regard to research and development projects carried out in anticipation of future sales. Research expenses are charged to expenses according to the amount of work invested. Development expenses are capitalized depending on the project and then amortized on schedule or – insofar as capitalization requirements are not met – charged to expenses. In fiscal year 2009, R&D expenses of 25,298 thousand Euro (previous year: 31,632 thousand Euro) were charged to expense.

Distribution costs

Distribution costs essentially include personnel expenses and amortization.

Administrative expenses

Administrative expenses include personnel expenses for the administrative staff and proportionate personnel expenses for the Management Board members. Other material items are expenses for amortization as well as for legal consultations and administrative consultation.

7 Further information on the statement of comprehensive income according to the cost of sales method

Within the scope of the presentation of the statement of comprehensive income according to the cost of sales method, expenses are allocated with regard to functional areas. Manufacturing costs, distribution costs, administrative expenses, and research and development expenses contain the following cost types as indicated below:

Material expenses

Material expenses amounts to 31,228 thousand Euro in fiscal year 2009, down 25.9% from the previous year (2008: 42,132 thousand Euro). It includes expenses for raw materials, supplies and purchased goods, and claimed services.

Personnel expenses

Personnel expenses dropped 17.1% from 59,548 thousand Euro in fiscal year 2008 to 49,363 thousand Euro in fiscal year 2009. Over the same reporting period, the number of employees – based on an average employment ratio – went down from 1,117 in fiscal year 2008 to 1,038 in fiscal year 2009. The decrease in personnel expenses is due primarily to the reduced headcount as well as the effect of the introduction of short-time work at the companies ELMOS Semiconductor AG, GED Gärtner Electronic Design GmbH, ELMOS Facility Management GmbH & Co. KG, and ELMOS Central IT Services GmbH & Co. KG. At the international subsidiaries cost saving measures involving working hours regulations were taken as well. Further information on employees can be found under note 40.

Depreciation

The itemization of depreciation can be drawn from the development of the group's non-current assets.

Depreciation on schedule came to 16,873 thousand Euro in the year under report (2008: 18,213 thousand Euro).

Due to the application of the cost of sales method, depreciation for property, plant and equipment and other intangible assets are allocated in the statement of comprehensive income to the items cost of sales, research and development expenses, distribution costs, and administrative expenses.

8 Finance income and expenses

Finance expenses came to 2,434 thousand Euro in 2009 as compared to 3,393 thousand Euro in 2008. They essentially include interest expenses for liabilities to banks as well as for non-current liabilities.

Under the item finance income, essentially interest income was disclosed in fiscal year 2009. Finance income added up to 968 thousand Euro (previous year: 1,584 thousand Euro).

Finance expenses and finance income as stated in the consolidated statement of comprehensive income essentially correspond with the amounts paid.

The total amounts of interest income and interest expenses for financial assets and financial liabilities valuated at their fair values not affecting net income are as follows:

	2009 Euro	2008 Euro
Interest income	−961,028	−1,581,849
Interest expenses	2,267,153	3,232,167
Interest result	**1,306,125**	**1,650,318**

9 Foreign exchange losses and income

Losses from exchange rate differences included in the statement of comprehensive income amount to 681 thousand Euro in fiscal year 2009 (previous year: income of 243 thousand Euro).

Exchange rate differences not affecting the net income amount to 5,414 thousand Euro in fiscal year 2009 (previous year: 5,445 thousand Euro), deferred taxes considered. Further information on exchange rate differences not affecting the net income can be found under note 22.

10 Other operating expenses and income

Other operating income of 2,702 thousand Euro (2008: 5,051 thousand Euro) includes income from the reversal of provisions (519 thousand Euro) and reversals of allowances for receivables (531 thousand Euro), among other items.

Other operating expenses of 3,043 thousand Euro (2008: 4,198 thousand Euro) include, among other positions, expenses for performances pursuant to a warranty (including additions to provisions) in the amount of 1,073 thousand Euro and allowances for receivables in the amount of 225 thousand Euro.

11 Income taxes

Taxes on the income paid or owed as well as corresponding tax deferrals are disclosed as income taxes.

	2009 Euro	2008 Euro
Current income tax expense		
Germany	58,925	1,590,552
Other countries	191,228	1,768,971
	250,153	**3,359,523**
Thereof taxes from previous years	−294,421	1,355,108
Deferred taxes		
Germany	−5,401,552	−672,226
Other countries	72,958	1,583,353
	−5,328,594	**911,127**
	−5,078,441	**4,270,650**

Deferred taxes have been calculated according to the so-called liability method pursuant to IAS 12. For Germany, the combined income tax rate of 32.21% (previous year: 31.58%) has been applied. The company's combined income tax rate includes the trade tax collection rate of 468% (previous year: 450%), the corporation tax rate of 15.0% (previous year: 15.0%), and the solidarity surcharge of 5.5% (previous year: 5.5%).

Deferred taxes are determined for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax statement of the individual financial statements. The deferral of taxes shows tax assets and tax liabilities that result from the approximation of book value differences over time. Material components of the company's deferred tax assets and deferred tax liabilities are described under note 16.

The differences between the anticipated tax rate in application of the statutory tax rate on the group's net income and the company's effective income taxes are as follows:

	2009 %	2008 %
Statutory tax rate	31.58	31.55
Foreign tax rate differential	2.70	−3.30
Expenses disallowable against tax	−11.44	1.65
Capitalization of interest carry-forward	5.58	0.00
Previous years' taxes	1.70	9.24
Non-capitalization of deferred taxes from loss carry-forward	−6.37	0.00
Tax-free income	5.79	−9.51
Others	−0.18	−0.52
Effective tax rate	**29.36**	**29.11**

Due to the negative group result before taxes in 2009, the above-listed reconciling items were considered in 2009 compared to the previous year with the opposite +/- sign.

12 Earnings per share

The basic earnings per common share are calculated on the basis of the average number of common shares outstanding in the respective fiscal year. The diluted earnings per common share are calculated on the basis of the average number of common shares outstanding plus all stock options with dilutive potential according to the so-called *treasury stock method*.

Basic earnings and diluted earnings per common share have been determined as follows:

Reconciliation of shares

	2009	2008
Average number of common shares outstanding	19,414,205	19,386,725
Stock options with dilutive potential	0	0
Average number of common shares outstanding including dilutive effect	**19,414,205**	**19,386,725**

Calculation of earnings per share (in Euro)

	2009	2008
Group net income/(net loss) after minority interest	−12,217,410	10,600,998
Basic earnings per share	−0.63	0.55
Fully diluted earnings per share	−0.63	0.55

Outstanding stock options originating from the fifth and sixth tranche have not been included in the calculation of diluted earnings per share as they counteract the dilutive effect for the periods presented. Further information on the stock option plans can be found under note 23.

Notes to the balance sheet

13 Intangible assets

Goodwill

The development of goodwill was as follows:

	12/31/2009 Euro	12/31/2008 Euro
SMI		
Acquisition costs	7,567,365	7,567,365
Foreign currency adjustments	−2,924,372	−2,805,224
Book value	**4,642,993**	**4,762,141**
ELMOS NA		
Acquisition costs	554,617	554,617
Foreign currency adjustments	−9,126	−4,579
Book value	**545,491**	**550,038**
ELMOS France	**1,614,578**	**1,614,578**
ELMOS Services B.V.	**206,170**	**206,170**
	7,009,232	**7,132,927**

According to IFRS 3, goodwill is not amortized on schedule but reviewed for impairment at least once every year. Valuation is conducted on the basis of cash generating units, corresponding here to the legal entities the respective goodwill is attributed to. The impairment reviews carried out in 2009 did not result in allowances to be made.

The pre-tax interest rate applied was determined according to the capital asset pricing model (CAPM) and comes to 12.9% for SMI, 14.8% for ELMOS N.A., 15.2% for ELMOS France S.A.S., and 12.8% for ELMOS Services B.V. (all before growth rate deduction). This interest rate corresponds with the weighted average cost of capital. This so-called WACC is based on a risk-free interest rate (4.25%) plus the average market risk premium (5.0%), multiplied by a company-specific equity beta based on a so-called raw beta of 1.03. All stated amounts are derived from market data.

Other intangible assets

The breakdown of other intangible assets is as follows:

	12/31/2009 Euro	12/31/2008 Euro
Development projects	6,430,838	6,907,917
Software and licenses	23,133,441	17,745,810
Advance payments and projects under development	1,737,782	8,413,382
	31,302,061	**33,067,109**

Development projects

In 2009 expenses of 2,903 thousand Euro in connection with product developments were capitalized (previous year: 806 thousand Euro). Depreciation for capitalized developments amounted to 2,686 thousand Euro in 2009 (previous year: 2,314 thousand Euro). The carrying value of capitalized developments (including projects under development) is 7,827 thousand Euro as of December 31, 2009 (previous year: 7,610 thousand Euro).

Amounts recognized under “development projects” exclusively relate to the group’s in-house developments.

Software and licenses

In 2009 expenses of 907 thousand Euro for process technology were capitalized (2008: 2,598 thousand Euro). Amortization came to 1,105 thousand Euro in 2009 (2008: 421 thousand Euro). As of December 31, 2009 the capitalized carrying amounts for process technology capitalized as assets of property, plant and equipment added up to 13,461 thousand Euro; they amounted to 13,658 thousand Euro as of December 31, 2008.

Additions to “software and licenses” in 2009 resulted from acquisitions in the amount of 277 thousand Euro (previous year: 1,621 thousand Euro) and in-house efforts in the amount of 254 thousand Euro (previous year: 0 Euro).

Advance payments and projects under development

The item “advance payments and projects under development” registered additions due to acquisitions (766 thousand Euro; 2008: 1,664 thousand Euro) as well as additions due to in-house efforts in the fiscal year (2,236 thousand Euro; 2008: 1,643 thousand Euro).

Further information

Costs linked to research and development projects for new products as well as significant product upgrades are charged to expense to the extent they incur, included under research and development expenses. Research and development expenses of 685 thousand Euro were reimbursed by customers in 2009 (6,168 thousand Euro in 2008).

14 Property, plant and equipment

Property, plant and equipment

The breakdown of property, plant and equipment is presented in the development of the group's non-current assets.

	12/31/2009 Euro	12/31/2008 Euro
Property	1,498,673	1,498,673
Buildings and building improvements	15,900,020	17,717,034
Technical equipment and machinery	48,104,945	50,096,096
Advance payments and construction in process	7,275,620	11,386,334
	72,779,258	**80,698,137**

The depreciation expense came to 10,992 thousand Euro in fiscal year 2009 (previous year: 12,187 thousand Euro).

In fiscal year 2009 and in the previous year no borrowing costs were capitalized.

Lease agreements

On December 11, 2007 the company sold various pieces of installed equipment to Exedra for a total purchase price of 5,125 thousand Euro. Parallel to this sale transaction, the company leased these building improvements for a period of five years. Within the framework of this lease agreement with Exedra, the company is committed to total annual lease payments of 3,631 thousand Euro (including contribution to administrative expenses) until 2012. According to the contractual arrangements, additional payments are owed for loans extended to the lessee in the amount of 1,823 thousand Euro until the end of the lease term.

On December 11, 2007 the company also entered into a supplementary agreement to an existing finance lease agreement with Exedra, to the effect that the original agreement is restructured into an operating lease agreement in compliance with the accounting standards according to IAS/IFRS and extended to a building erected on the lessor's property to the amount of 4,816 thousand Euro. The leased assets to be subsumed under the existing contract were previously classified as finance lease and were disclosed accordingly under non-current assets. By the adjustment of the contract modalities, the contract was converted to operating lease in fiscal year 2007; thus the corresponding lease liabilities (December 28, 2007: 16,175 thousand Euro) as well as the leased assets are no longer included in the balance sheet. The profit resulting from this transaction was immediately recognized to the amount of 4,756 thousand Euro (disclosure under other operating income) and disclosed as so-called deferred income under other liabilities to the amount of 2,530 thousand Euro. It is amortized over the remaining term of 12.5 years until 2020. Within the framework of the newly negotiated lease contract, the company is committed to total lease payments of 23,050 thousand Euro (including contribution to administrative expenses) until 2020. According to the contractual arrangements, additional payments are owed for loans extended to the lessee in the amount of 7,330 thousand Euro until the end of the lease term.

Furthermore, on December 30, 2008 the company entered into a supplementary agreement to an existing finance lease agreement with Epigone, to the effect that the original agreement was restructured into an operating lease agreement in compliance with the accounting standards according to IAS/IFRS. The leased assets to be subsumed under the existing contract were previously classified as finance lease and were disclosed accordingly under non-current assets. By the adjustment of the contract modalities, the contract was converted to operating lease in fiscal year 2008; thus the corresponding lease liabilities (December 30, 2008: 10,862 thousand Euro) as well as the leased assets are no longer included in the balance sheet. The profit resulting from this transaction was immediately recognized to the amount of 2,565 thousand Euro (disclosure under other operating income). Within the framework of the newly negotiated lease contract, the company is committed to total lease payments of 11,873 thousand Euro (including contribution to administrative expenses) until 2020. According to the contractual arrangements, additional payments are owed for loans extended to the lessee in the amount of 4,033 thousand Euro until the end of the lease term.

15 Investments valued at-equity, securities and interests

attoSensor GmbH, Penzberg

As of December 31, 2009, ELMOS holds 45% of the shares. The company has a share capital of 40,000 Euro. attoSENSOR GmbH, Penzberg, is balanced according to the equity method. The investment valuation corresponds with a memo value of 1 Euro following impairment undertaken in 2006.

The company also holds interests in the following companies. Interests in subsidiaries or associated companies considered immaterial from the group's viewpoint are accounted according to IAS 39.

	12/31/2009 Euro	12/31/2008 Euro
GfH	0	0
Epigone	1,250	15,324
Advanced Appliances Chips	34,000	34,000
ELMOS USA Inc.	19,107	19,107
DMOS	449,262	449,262
	503,619	**517,693**

Gesellschaft für Halbleiterprüftechnik mbH, Dortmund (GfH)

As of December 31, 2009, ELMOS continues to hold 100% of the shares. This subsidiary, not included by way of full consolidation, amounts to less than 1% of the group's sales, earnings, and debt. The investment book value has been depreciated in the past years down to a memo value.

Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz

As of December 31, 2009, ELMOS still holds 6% (previous year 45%) of the shares. Due to the sale of a 39% interest, the investment book value was reduced by 14 thousand Euro.

Advanced Appliances Chips GmbH, Riedstadt

As of December 31, 2009, ELMOS continues to hold 33.33% of the shares. The company has a share capital of 102,000 Euro.

ELMOS USA Inc., Farmington Hills, USA

This company is a holding company for the ELMOS Group's U.S. subsidiaries. It conducts no independent business operations.

DMOS Dresden MOS Design GmbH, Dresden

As of December 31, 2009, ELMOS continues to hold 20% of the shares of DMOS. By the end of 2008, ELMOS waived the right to exercise an option on the acquisition of a majority interest irrevocably for a period of the next five years by notarial declaration. ELMOS has waived the right to exercise the option deliberately in order not to be able to control the company. The DMOS management governs the company's business independently and receives third-party business on its own authority. Thus control is not exerted over the company.

Summarized financial information

Company	Total assets th. Euro	Total liabilities th. Euro	Sales th. Euro	Net income For the period th. Euro
attoSensor[1]	177	114	249	2
GfH[2]	127	3	5	6
Epigone[1]	11,690	11,690	690	−9
Advanced Appliances Chips[1]	282	92	126	−51
ELMOS USA Inc.[3]	–	–	–	–
DMOS[1]	6,547	6,317	3,178	−53

[1] Presented figures are based on preliminary unaudited financial statements as of December 31, 2009.
[2] Presented figures are based on financial statements as of 12/31/2008.
[3] Presently no financial statements of the company are available.

16 Deferred taxes

	12/31/2009 Euro	12/31/2008 Euro
Deferred tax assets		
Intangible assets	260,361	0
Goodwill	3,896,699	4,676,039
Pension provisions	675,840	390,552
Advance payments/Accruals and deferrals	671,232	1,762,538
Loss carry-forward	8,911,167	5,369,533
Interest carry-forward	964,413	0
Others	95,648	370,844
Subtotal	15,475,360	12,569,506
Balancing	–7,643,785	–5,949,822
	7,831,575	**6,619,684**
Deferred tax liabilities		
Intangible assets	–5,110,843	–6,179,182
Property, plant and equipment	–1,891,892	–2,570,608
Special items with equity portion	–621,917	–884,818
Others	–19,133	–250,537
Subtotal	–7,643,785	–9,885,145
Balancing	7,643,785	5,949,822
	0	**–3,935,323**

To increase transparency, the presentation of the breakdown of deferred taxes was changed from the previous year with regard to balancing. This change in presentation does not have an effect on the volume of deferred taxes.

Balancing as stated above was carried out in accordance with IAS 12.74 a) and b), i.e. deferred tax assets and deferred tax liabilities were netted against each other insofar as they belonged to the same taxable entity and that taxable entity was entitled to offset current tax assets against tax liabilities.

The capitalization of deferred tax assets on taxable loss carry-forward or interest carry-forward was made on the basis of the involved companies' medium-term business planning. For ELMOS AG, deferred taxes were capitalized in the amount of 6,466 thousand Euro on taxable loss carry-forward and in the amount of 964 thousand Euro on interest carry-forward. Deferred taxes in the amount of 164 thousand Euro on interest carry-forward and in the amount of 1,103 thousand Euro on taxable loss carry-forward, probably not to be used within the planning horizon for tax planning of five years, were not capitalized.

For the tax entity in the U.S.A. (so-called tax consolidation), deferred taxes on taxable loss carry-forward were capitalized in the amount of 2,444 thousand Euro. No deferred tax assets were accrued for other loss carry-forward 146 thousand Euro, based on the U.S. companies' available business planning.

17 Inventories

The breakdown of inventories is as follows:

	12/31/2009 Euro	12/31/2008 Euro
Raw materials	6,099,051	7,606,275
Work in process	19,534,272	20,432,687
Finished goods	5,905,414	9,340,665
	31,538,737	**37,379,627**

The impairment of inventories assessed as expense comes to 449 thousand Euro (previous year: 928 thousand Euro). This expense is disclosed under the position cost of sales. The impairment expense includes devaluation of special spare parts attributable to the semiconductor segment in the amount of 400 thousand Euro. Devaluation is based on the limited usability of spare parts toward the end of the product life cycle.

18 Trade receivables

The breakdown of trade receivables is as follows:

	12/31/2009 Euro	12/31/2008 Euro
Trade receivables	20,269,266	30,583,781
Allowances	−261,046	−847,934
	20,008,220	**29,735,847**

The company conducts ongoing evaluations of its customers' creditworthiness and generally requests no collateral. The company has carried out allowances for potential credit loss. Credit loss incurred corresponded with the Management Board's estimates and assumptions and remain within customary limits.

The following table presents the changes in allowances on current and non-current receivables:

	2009 Euro	2008 Euro
Allowances as of January 1	847,934	537,957
Appropriation in the reporting period (expense for allowances)	224,908	551,359
Consumption	−156,342	−235,651
Reversals (write-up of originally written off receivables)	−530,720	−76,322
Currency translation effects	−124,734	70,591
Allowances as of December 31	**261,046**	**847,934**

The impairment of trade receivables is included for the most part in allowance accounts. The decision whether to recognize a contingency risk through an allowance account or a direct write-down of the receivable depends on the assessment of the probability of debt loss. If receivables are considered unrecoverable, the corresponding impaired asset is written off.

The following table provides information on the credit risk carried by financial assets and performances.

Euro	Carrying value	Neither impaired nor overdue as of the balance sheet date	Not impaired as of the balance sheet date and overdue within the following time bands: Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Trade receivables	12/31/2009	15,222,493	3,586,440	1,047,266	81,772	185,369	3,849	2,126
Other financial assets	12/31/2009	3,576,639	0	0	0	0	3,895	222,939
Trade receivables	12/31/2008	19,248,686	5,811,034	2,717,965	1,585,946	165,066	193,000	210,791
Other financial assets	12/31/2008	2,330,256	67,788	67,788	67,788	203,364	412,153	450,732

19 Cash and cash equivalents

The company recognizes all highly liquid investments purchased with a maturity of three months or less as of the date of purchase as cash equivalents.

For the purpose of the preparation of consolidated financial statements, cash and cash equivalents include cash on hand and cash in banks.

20 Other assets and income tax assets

The breakdown of other assets is as follows:

	12/31/2009 Euro	12/31/2008 Euro
Other tax assets	1,821,315	3,726,683
Receivables from associated companies	1,674,959	1,615,771
Deferrals and accruals	2,346,972	2,940,545
Current lending	439,564	565,502
Other current receivables	1,967,162	1,387,864
	8,249,972	**10,236,365**

Income tax assets amount to 306 thousand Euro (previous year: 111 thousand Euro) and essentially include tax refund claims from capital gains tax.

21 Non-current assets classified as held for sale

Assets held for sale were made up of auxiliary IT equipment and various technical equipment and machinery in the previous year.

This position has been reduced to zero particularly by the scheduled sale of technical equipment and machinery to various leasing companies within the framework of sale and leaseback transactions.

Certain expenses for incidental acquisition cost in the amount of 226 thousand Euro could not be integrated into the sale and leaseback transactions and were therefore included in the item “cost of sales” in fiscal year 2009.

Furthermore, auxiliary IT equipment and technical equipment were transferred from “assets classified as held for sale” to non-current assets in the fiscal year. The company had initially intended to sell further assets accounted at the total book value of 190 thousand Euro. The company changed its intention in fiscal year 2009 as the company’s own utilization of these assets appeared more beneficial. The consequences of this decision on the profit situation are limited to the depreciation to be considered from that point in time.

22 Equity

Share capital

The share capital recognized at 19,414,205 Euro in the balance sheet as of December 31, 2009 (December 31, 2008: 19,414,205), consisting of 19,414,205 no par common bearer shares (December 31, 2008: 19,414,205 Euro), is fully paid up.

The development of shares in circulation is as follows:

Shares as of January 1, 2009	19,414,205
Issue of shares due to stock options exercised	0
Shares as of Dezember 31, 2009	**19,414,205**

The distribution of ownership as of December 31, 2009 is as follows:

	Euro	%
EFH ELMOS Finanzholding GmbH	1,485,789	7.65
Makos GmbH	3,236,584	16.67
Dr. Weyer GmbH	3,236,584	16.67
ZOE-BTG GmbH	2,306,833	11.88
Free float	9,148,415	47.12
thereof FMR LLC (incl. affiliated companies) >5%		
	19,414,205	**100.00**

As of December 31, 2009, EFH ELMOS Finanzholding GmbH directly and indirectly holds 52.9% of the shares of ELMOS Semiconductor AG, Dortmund and is therefore regarded as controlling company.

For information of the reorganization of EFH ELMOS Finanzholding GmbH in the course of which the company ceased to exist in January 2010, please refer to note 41.

Authorized and conditional capital

The Management Board is authorized to increase the share capital until May 18, 2011 subject to the Supervisory Board's approval by up to 9,650,000 Euro through the singular or repeated issuance of up to 9,650,000 new no par bearer shares against contributions in cash or contributions in kind and to decide on the rights represented by the new shares and the conditions of their issuance with the Supervisory Board's approval in accordance with Section 204 AktG **(authorized capital I).**

The share capital is conditionally increased by up to 264,672 Euro **(conditional capital 1999).** The conditional capital increase exclusively serves the granting of stock options to Management Board members, other executives and employees of the company as well as to executives and employees of affiliated companies (stock option plan 1999).

The share capital is conditionally increased by up to 145,244 Euro **(conditional capital 2004).** The conditional capital increase exclusively serves the granting of stock options to Management Board members, other executives and employees of the company as well as to executives and employees of affiliated companies (stock option plan 2004).

The share capital is conditionally increased by up to 3,900,000 Euro **(conditional capital 2009/I).** The conditional capital increase is realized only insofar as the owners of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft pursuant to Section 18 AktG until May 5, 2014 based on authorization I given by the Annual General Meeting of May 6, 2009 under agenda item 7 b) make use of their conversion privileges or options or, if they are committed to conversion, realize this commitment to conversion, insofar as no cash compensation is granted or own shares are used for payment.

The share capital is conditionally increased by another amount of up to 3,900,000 Euro **(conditional capital 2009/II).** The conditional capital increase is realized only insofar as the owners of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft pursuant to Section 18 AktG until May 5, 2014 based on authorization II given by the Annual General Meeting of May 6, 2009 under agenda item 7 c) make use of their conversion privileges or options or, if they are committed to conversion, realize this commitment to conversion, insofar as no cash compensation is granted or own shares are used for payment.

The share capital is conditionally increased by up to 1,000,000 Euro **(conditional capital 2009/III).** The conditional capital increase serves the redemption of stock options issued to Management Board members and other executives and employees of the company as well as to executives and employees of affiliated companies until May 5, 2014 on the basis of the authorization given by the Annual General Meeting of May 6, 2009 (stock option plan 2009).

There are stock options according to Section 192 (2) no. 3 AktG originating from a stock option plan for Management Board members, executives and employees for the purchase of 627,106 shares. Each option entitles to the purchase of one no par share representing a proportional amount of the share capital of 1.00 Euro.

Additional paid-in capital

The breakdown of additional paid-in capital can be drawn from the following table:

	12/31/2009 Euro	12/31/2008 Euro
Premiums	84,983,954	84,784,588
Stock options	4,017,052	3,951,975
	89,001,006	**88,736,563**

The additional paid-in capital essentially contains share premiums from capital increases and the issuance of shares of ELMOS Semiconductor AG. In fiscal year 2009, the position was increased by 199,366 Euro due to the acquisition of minority interest in Mechaless Systems GmbH. In addition, the expense for the issuance of stock options to employees is offset under this item.

Other comprehensive income

Exchange rate translation effects relating to international subsidiaries are recognized directly in equity.

Other comprehensive income comprises the following items:

	12/31/2009 Euro	12/31/2008 Euro
Foreign currency adjustments	−6,169,908	−5,883,695
Deferred taxes (on foreign currency adjustments)	755,861	438,662
Other comprehensive income	**−5,414,047**	**−5,445,033**

The development of changes in equity not affecting net income in the years 2008 and 2009 is presented in the following table:

	Euro
Balance as of 1/1/2008	−6,407,297
Foreign currency adjustments	999,133
Changes in deferred taxes on foreign currency adjustments	−36,870
Balance as of 12/31/2008	−5,445,033
Foreign currency adjustments	−286,213
Changes in deferred taxes on foreign currency adjustments	317,199
Balance as of 12/31/2009	−5,414,047

23 Share-based payments

Stock option plans

ELMOS has issued stock option plans for Management Board members, executives, and employees aimed at safeguarding the company's success by enabling its employees to acquire the company's shares. Within the framework of these plans, the company is authorized to grant 264,672 new no par shares (conditional capital 1999), 145,244 new no par shares (conditional capital 2004), and 1,000,000 new no par shares (conditional capital 2009/III).

There are six tranches of stock option plans in total. The first four tranches of stock option plan 1999 expired in the years 2006 to 2009. The *fifth* tranche, based on stock option plan 2004, was issued in the year 2005 at an exercise price of 110% of the average amount of the company share's closing prices of the last ten trading days prior to the resolution on the issuance and the regulation of particulars. The sixth tranche, based on the authorization given by shareholders' resolution at the AGM of May 6, 2009 on the implementation of a stock option plan for the company's Management Board members, other executives and employees as well as executives and employees of affiliated companies, was issued in the year 2009 at an exercise price of 150% of the average amount of the last ten trading days' closing prices of the share of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade prior to the resolution.

Options can only be exercised if the closing price of the company's share equals or exceeds the exercise price. Options can be exercised against payment of the exercise price. The blocking period is two years for the fifth and three years for the sixth tranche from the issue date. The other particulars of the granting and exercise of stock options can be derived from the specifications provided by the shareholders' resolutions passed at the AGM of April 27, 2004 for the fifth tranche and at the AGM of May 6, 2009 for the sixth tranche. With respect to the tranche issued in 2009, the company is authorized to offer compensation in cash instead of shares to the beneficiaries.

In 2009 and 2008 no options were exercised.

As of December 31, 2009 a total of 627,106 stock options are outstanding. These are accounted for by the several tranches as follows:

	Tranche 4	Tranche 5	Tranche 6	Total
Year of resolution	2003	2004	2009	
Year of issue	2004	2005	2009	
Exercise price in Euro	11.59	13.98	3.68	
Blocking period ex issue (years)	2	2	3	
Exercise period after blocking period (years)	3	3	3	
Options outstanding as of 12/31/2008 (number)	264,672	145,244	n/a	409,916
Granted 2009 (number)	0	0	495,000	495,000
Exercised 2009 (number)	0	0	0	0
Expired 2009 (number)	264,672	4,938	8,200	277,810
Options outstanding as of 12/31/2009 (number)	0	140,306	486,800	627,106
Options exercisable as of 12/31/2009 (number)	0	140,306	0	140,306

The evaluation of stock options was conducted pursuant to the regulations of IFRS 2 for "equity-settled share-based payment transactions" as of the balance sheet date, December 31, 2009, according to the Black-Scholes method. The stock options' average attributable value was 5.07 Euro for the fourth tranche, 6.06 Euro for the fifth tranche, and 0.70 Euro for the sixth tranche. The value attributable at grant date was determined in applying the Black-Scholes method for option price calculation on the basis of the following assumptions:

Assumptions for the determination of attributed value

	Tranche 4	Tranche 5	Tranche 6
Dividend yield	2.0%	1.5%	0.0%
Expected volatility	59.1	85.0	75.0
Risk-free interest rate as of grant date	5.5%	2.76%	1.79%
Expected life in years	5 Jahre	5 Jahre	6 Jahre

The anticipated lives of stock options are based on historic data and current expectations and do not necessarily correspond with the eventual exercise behaviour of the beneficiaries.

The expected volatility is based on the assumption that the historic volatility over a period similar to the lives of options allows conclusions for future trends, while the actually occurring volatility may diverge from the assumptions made.

In fiscal year 2009 the company incurred expenses in the amount of 65,077 Euro for the stock option plan (2008: 0 Euro).

Stock awards

In the years 2007 and 2008, bonus stock plans (stock awards) were issued. The stock awards were granted to selected employees, executives, and members of the Management Board in recognition of their performances over the previous year. The plans involved 29,000 shares in 2007 and 50,000 shares in 2008, previously repurchased on the stock market. A holding period of two years applies for stock awards; exempt is the sale of shares in the number necessary for paying taxes on the pecuniary advantage. No stock award plan was issued in 2009.

24 Provisions

Non-current provisions/pension provisions

The development of net debt recognized in the balance sheet is as follows:

	12/31/2009 Euro	12/31/2008 Euro
Cash value of obligations	3,135,586	2,957,903
Time value of pension plan reinsurance	−2,514,366	−2,274,224
Unrecognized actuarial income	170,675	227,771
Net debt recognized in the balance sheet	**791,895**	**911,450**

The company provides pension plans for members of the Management Board of ELMOS Semiconductor AG and members of the subsidiaries' management boards. According to the pension plans, the benefits depend on the remuneration paid during the period of occupation.

The company has taken out pension plan reinsurance, the claims of which have been assigned to the beneficiaries.

During the terms of the pensions, these are adjusted by 1.5% per annum. The expected pay increase is determined at 0.0%.

Evaluation is carried out in accordance with IAS 19. The interest rate is 5.6% per annum in the fiscal year. For actuarial assumptions regarding the mortality and disability risks, the Heubeck mortality tables 2005 G have been applied.

Pension plan expenses are broken down as follows:

	12/31/2009 Euro	12/31/2008 Euro
Service costs	34,306	37,518
Interest	165,542	158,735
Net pension plan expense	**199,848**	**196,253**

Changes in the cash values of the defined benefit liabilities are as follows:

	2009 Euro	2008 Euro
Pension obligations as of 1/1	2,957,903	2,916,788
Pension plan expense	199,848	196,253
Pension benefits	−79,261	−79,261
Actuarial losses/(income)	57,096	– 75,877
Pension obligations as of 12/31	**3,135,586**	**2,957,903**

	2009 Euro	2008 Euro
Time value of pension plan reinsurance	2,514,366	2,274,224

Actuarial income recognized in the reporting period came to 0 thousand Euro in 2009 (2008: income of 79 thousand Euro).

Income from pension plan reinsurance amounts to 254 thousand Euro (previous year: 281 thousand Euro) including payments made in the event of death. Premiums of 318 thousand Euro were paid (previous year: 319 thousand Euro). Amounts of similar order are expected for 2010.

There are also indirect pension commitments to Management Board members of ELMOS Semiconductor AG which require no pension provisions according to IAS 19.1004D because of the volume of these commitments and risk coverage by completely congruent pension plan reinsurance. In 2009 the contributions to these pension plans amounted to 460 thousand Euro (previous year: 442 thousand Euro).

The employer's social security contributions made for employees amounted to 3,249 thousand Euro in 2009 (previous year: 3,951 thousand Euro). The contributions to employees' direct insurance came to 12 thousand Euro in 2009.

Respective amounts of the current reporting period and the four preceding reporting periods are as follows:

	2009 Euro	2008 Euro	2007 Euro	2006 Euro	2005 Euro
Pension commitments	3,135,586	2,957,903	2,916,788	3,229,159	3,006,721
Time value of pension plan reinsurance	−2,514,366	−2,274,224	– 2,036,152	– 1,923,742	– 1,749,405
Underfunding (–)	−621,220	– 683,679	– 880,636	– 1,305,417	– 1,257,316
Adjustments to plan liabilities based on experience	−6,954	– 9,784	– 12,878	124,078	173,540
Adjustments to plan assets based on experience	0	0	0	0	0

A change of 1% point in the assumption of the interest rate would have had the following effect in the year under report:

	Increase by 1% point	Decrease by 1% point
Effect on current service costs and interest expense (in Euro)	1,727	17,007
Effects on performance-oriented commitments (in Euro)	−396,256	378,662

Current provisions

	1/1/2009 Euro	Consumption Euro	Reversal Euro	Appropriation Euro	12/31/2009 Euro
Vacation bonus	333,423	333,423	0	672,028	672,028
Bonus payments	784,166	654,256	1,000	790,000	918,910
Trade association	326,042	270,336	55,705	331,250	331,251
Warranties	2,599,954	985,308	350,000	1,745,258	3,009,904
Licenses	756,917	201,623	0	430,130	985,424
Other provisions	1,944,062	880,195	112,114	1,570,447	2,522,200
	6,744,564	**3,325,141**	**518,819**	**5,539,113**	**8,439,717**

The warranty provision was calculated generally on the basis of sales as well as in consideration of special incidents of the past fiscal year.

The provision for licenses includes payment obligations to in-house and external inventors. This provision is calculated on the basis of existing payment agreements.

Other provisions essentially include various personnel-related provisions for e.g. bonus payment obligations, awards, and partial retirement.

The majority of current provisions will probably be consumed in the course of next fiscal year.

25 Financial liabilities

Non-current financial liabilities

The breakdown of non-current financial liabilities as of December 31, 2009 is as follows:

	12/31/2009 Euro	12/31/2008 Euro
Non-current financial liabilities from loans	30,433,714	30,619,746
Non-current financial liabilities from bonded loans	10,000,000	10,000,000
Less current portion with remaining terms of up to 12 months	−196,680	−186,032
	40,237,034	**40,433,714**

The effective interest rates of non-current loans and bonded loans range between 5.49% and 5.96%.

Current financial liabilities

As of December 31, 2009, the company had various current credit limits at its disposal, adding up to 24,617 thousand Euro. As of December 31, 2009, the company did not take advantage of these credit facilities. Current financial liabilities (December 31, 2009: 576,497 Euro; December 31, 2008: 186,032 Euro) represent the portion of non-current financial liabilities with remaining terms of up to twelve months and checks in circulation issued by the company.

Cash flows from financial liabilities

The following table lists all contractually framed payments for redemptions, repayments, and interest with respect to accounted financial liabilities as of December 31, 2009 and December 31, 2008, respectively. These are stated at undiscounted **cash flows including interest payment** for the next fiscal years. Also included are all cash flows from derivative financial instruments at positive and negative fair values.

December 31, 2009	2010 Euro	2011 Euro	2012-2014 Euro	from 2015 Euro
Liabilities to banks	2,227,393	1,776,548	32,640,521	0
Other finance debt	563,000	563,000	10,500,444	0
Trade payables	12,917,877	0	0	0
Other financial liabilities	247,134	0	0	0

December 31, 2008	2009 Euro	2010 Euro	2011-2013 Euro	from 2014 Euro
Liabilities to banks	1,847,576	1,847,576	34,407,538	0
Other finance debt	563,000	563,000	11,063,444	0
Trade payables	18,403,799	0	0	0
Other financial liabilities	563,083	0	0	0

The presentation of liquidity analysis is based on the following assumptions: With respect to financial instruments at variable interest rates, the statement of future interest payments is based on current fixing. Foreign currency amounts have been translated at the current balance sheet date's exchange rate; the resulting amount has been used for the determination of future payments.

26 Other current and non-current liabilities and income tax liabilities

Other liabilities include as of the balance sheet date:

	12/31/2009 Euro	12/31/2008 Euro
Other current liabilities	2,141,015	2,140,105
Other non-current liabilities	2,011,452	2,244,242
	4,152,467	**4,384,347**

Other current liabilities include, among other items, wage income tax liabilities and liabilities relating to social security contributions yet to be made and advance payments received on orders.

Furthermore, in connection with the lease agreement concluded with Exedra in 2007, the difference between the reversed finance lease liability and the determined fair value of the leased assets is disclosed under "other non-current liabilities" as in the previous year. The amount is treated as a deferred item proportionally over the term of the lease agreement.

Income tax liabilities amount to 200 thousand Euro (previous year: 3,862 thousand Euro) and liabilities of the domestic and international subsidiaries, originating in part from previous years.

27 Trade payables

Trade payables primarily concern the purchase of materials and claiming of services for maintaining operating activities. Trade payables mature in full within twelve months.

28 Derivative financial instruments

The company observes the performances of liabilities at fixed and variable interest rates and of current and non-current liabilities. In this context, business and other finance risks are reviewed.

In 2009 no interest rate hedges were transacted.

Derivative transactions for hedging are generally assessed on the basis of current price offers. If a price cannot be determined, the assessment is made in accordance with suitable valuation procedures. The fair value of derivative financial instruments corresponds to the amount ELMOS either would have to pay or would be paid upon the financial instrument's termination as of the balance sheet date. This amount is calculated in application of the relevant exchange rates, interest rates, and the contracting parties' creditworthiness as of the balance sheet date.

29 Additional information on financial instruments

Carrying values, valuation and fair values according to valuation categories

With respect to the classification of financial instruments, the company follows the categories defined by IAS 39, as the spreading of risks within these valuation categories is similar.

The carrying value of financial instruments such as trade receivables and trade payables essentially corresponds to the fair value due to current maturities.

The carrying value of liabilities to banks essentially corresponds to the fair value, based on market prices for the same or comparable issues and the interest rates presently offered to the company.

The following tables state carrying values and fair values of each category of financial assets and financial liabilities.

			Valuation according to IAS 39					Valuation according to IAS 39			
Euro	**Cat.**	**Carrying value 12/31/2009**	Amortized acquisition costs	Acquisition costs	Not affecting/ Affecting net income at fair value	**Fair value 12/31/2009**	**Carrying value 12/31/2008**	Amortized acquisition costs	Acquisition costs	Not affecting/ Affecting net income at fair value	**Fair value 12/31/2008**
Financial assets											
Other investments	AfS	503,619		503,619		503,619	517,693		517,693		517,693
Trade receivables	LaR	20,008,220	20,008,220			20,008,220	29,735,847	29,735,847			29,735,847
Cash and cash equivalents	LaR	46,841,487	46,841,487			46,841,487	42,463,401	42,463,401			42,463,401
Other financial assets											
Other receivables and assets	LaR	2,592,754	2,592,754			2,592,754	2,289,257	2,289,257			2,289,257
Other loans receivable	LaR	1,210,719	1,210,719			1,210,719	1,310,612	1,310,612			1,310,612
Total financial assets		**71,156,799**	**70,653,180**	**503,619**		**71,156,799**	**76,316,810**	**75,799,117**	**517,693**		**76,316,810**
Financial liabilities											
Trade payables	OL	12,917,878	12,917,878			12,917,878	18,403,799	18,403,799			18,403,799
Liabilities to banks	OL	30,813,531	30,813,531			31,192,858	30,619,746	30,619,746			29,909,428
Other finance debt (bonded loans)	OL	10,000,000	10,000,000			10,152,875	10,000,000	10,000,000			9,858,787
Other financial liabilities											
Sundry financial liabilities	OL	247,134	247,134			247,134	565,083	565,083			565,083
Total financial liabilities		**53,978,543**	**53,978,543**			**54,510,745**	**59,588,628**	**59,588,628**			**58,737,097**
Aggregated according to valuation category											
Loans and receivables (LaR)		70,653,180	70,653,180			70,653,180	75,799,117	75,799,117			75,799,117
Available for sale (AfS)		503,619		503,619		503,619	517,693		517,693		517,693
Held for trading (HfT)											
Held to maturity (HtM)											
Other liabilities (OL)		53,978,543	53,978,543			53,978,543	59,588,628	59,588,628			58,737,097

Hierarchy of fair values

The group applies the following hierarchy for the determination and statement of the fair values of financial instruments according to the respective valuation methods:

Stage 1: quoted (unadjusted) prices on active markets for similar assets or liabilities.

Stage 2: methods where all input parameters with material effect on the determined fair value are observable either directly or indirectly.

Stage 3: methods using input parameters that have material effect on the determined fair value and are not based on observable market data.

As of December 31, 2009, the group held the following financial instruments valued at fair value:

Available-for-sale financial assets	Stage 1 th. Euro	Stage 2 th. Euro	Stage 3 th. Euro
Investments (January 1, 2009)	0	0	518
Disposal Epigone	0	0	–14
Investments (December 31, 2009)	0	0	504

The disposal of interest held in Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, resulted in a loss of 10 thousand Euro, recognized in the position “other operating expenses” affecting net income.

As of December 31, 2009, there were no other financial instruments valued at fair value.

Notes to the statement of comprehensive income

The following table shows the net income and net loss from financial instruments recognized in the statement of comprehensive income.

	2009 Euro	2008 Euro
Loans and Receivables	593,993	392,184
Available for Sale	10,175	0
Other Liabilities	298,687	198,884

ELMOS recognizes allowances on trade receivables classifiable as “loans and receivables” under “other operating expenses”. Losses from foreign currency translations of financial assets classifiable as “loans and receivables” result from trade receivables for the most part. Net gains and losses contain allowances, debt loss, and interest and dividend income or expenses.

Expenses or income attributed to the category “other liabilities” result from exchange rate differences of trade payables.

Expenses or income attributed to the category “available for sale” include gains and losses from the disposal of non-current financial assets (investments).

Interest resulting from financial instruments is stated in interest income (please refer to note 8).

30 Financial risk management and financial derivatives

Basic principles of risk management

ELMOS Semiconductor AG unites the various risk managing measures within the company in a uniform and consistent risk management system. The system provides for the regular identification and assessment of new and known risks by the respective responsible employees and defines a closed loop reporting system.

In addition, the ELMOS Group’s business units deliver reports on the development of finances and operations on a monthly basis. By these measures, Management Board and Supervisory Board are informed about the risk situation regularly and in good time and are thus enabled to decide on appropriate measures for risk minimization and risk prevention.

The risk management system fulfills the requirements of Section 91 (2) AktG and has been reviewed by the auditing firm for its compliance with the provisions of the Commercial Code (HGB) and Corporations Act (AktG) and found suitable for detecting developments that could jeopardize the company’s continued existence at an early stage. The focus is directed on risks of the highest priority rating. The risk management system will be expanded continuously and advanced in response to changing basic conditions in the future.

With respect to its assets, liabilities, planned transactions, and firm commitments, ELMOS is particularly exposed to credit risks, liquidity risks, and risks from changes in exchange rates and interest rates. The financial risk management aims at detecting these market risks early on and limiting them if necessary through operational control measures. It is the strategy of ELMOS to hedge interest and exchange rate risks by applying suitable instruments such as corresponding derivative products. ELMOS enters from time to time into forward exchange contracts and options to hedge foreign currency transactions for periods consistent with committed exposures. These derivative transactions for price hedging minimize the impact of foreign exchange rate fluctuations on the company's profit situation. ELMOS does not use these hedging instruments for the purpose of speculative transactions.

The basic principles of finance policy are determined annually by the Management Board and monitored by the Supervisory Board. The implementation of finance policy and the operation of risk management are the responsibility of the Management Board.

Credit risk and contingency risk

Liquid assets are essentially cash and cash equivalents. With respect to the investment of liquid assets, the group is exposed to losses due to credit risk if banks do not fulfill their obligations. ELMOS contains the resulting risk position by a diversification of contracting parties.

Investments of liquid assets are usually current, non-risk-oriented or secured by deposit guarantee funds, and placed only with reputable parties of high credit ratings. Trade receivables primarily originate from sales activities involving microelectronic components and system parts as well as function-related technologic units. The customers are for the most part automotive suppliers, to a lesser extent companies of the industrial sector and the consumer goods industry.

Accounts receivable are monitored continuously and centralized for the most part. Contingency risks are met with specific allowances for bad debt and blanket allowances. The arrangement of the specific terms of payment also reflects the historic development of the respective customer-supplier relationship; the observation of the terms is monitored continuously. With respect to new customers, creditworthiness information is gathered in addition. Business transactions with major customers are subject to special contingency risk supervision. The maximum contingency risk is reflected by the carrying amounts of the financial assets stated in the balance sheet. The global financial market and economic crisis had the result that monitoring and reminding of outstanding debts have become even more discerning.

Liquidity risk

The liquidity risk ELMOS is exposed to addresses the contingency that the company might not be able to fulfill its financial obligations anymore, e.g. the payment of finance debt, the payment of trade payables, and the payment obligations arising from lease agreements. A liquidity reserve of cash and cash equivalents, investments of high fungibility and accounting liquidity, and sufficiently available free credit limits is provided so that this risk will not materialize and the liquidity and financial flexibility of ELMOS are assured at any time. In addition, the group's liquidity is constantly monitored and updated within the framework of short-term and long-term liquidity planning. Apart from respective self-financing power, liquidity of the domestic and international subsidiaries is provided through credit limits and loans extended by group companies and banks. Further information about available free credit limits can be found under note 25.

Financial market risks

Due to its international business activity, ELMOS is exposed to market price risks as a result of changes of exchange rates and interest rates. These market price risks may have a negative effect on the group's financial position and results from operations.

a) Exchange rate risk

Business operations as well as reported financial results and cash flows are exposed to risks from exchange rate fluctuations due to the international orientation. These fluctuations occur principally between the U.S. dollar and the Euro.

The exchange rate risks ELMOS is exposed to result from operating activities, investments, and financing measures. The individual group companies conduct business for the most part in their respective functional currencies. The exchange rate risk of ELMOS from operating activities is therefore regarded as low. Insofar as operating activities are conducted in foreign currencies by the individual group companies, the effect is usually balanced within the group. Furthermore, services are paid in U.S. dollar, such as assembly services from Southeast Asia or the acquisition of producer's goods, which are typically offered on the global semiconductor market in U.S. dollar. There are also group-internal commitments such as foreign-currency loans extended to group companies for funding purposes.

Apart from so-called natural hedging, i.e. when specific incoming U.S. dollar payments face corresponding outgoing payments within a short period of time, derivative transactions are made to hedge exchange rates if necessary. Foreign currency risks that do not affect the group's cash flows (i.e. risks resulting from the translation of foreign subsidiaries' assets and liabilities into the group's reporting currency) are generally not hedged. Due to insignificant order of magnitude, ELMOS was not exposed to material currency risks as of the balance sheet date.

Had the Euro been revalued (devalued) against the U.S. dollar by 10% as of December 31, 2009, the result from operations would have been 27 thousand Euro lower (33 thousand Euro higher) (December 31, 2008: 54 thousand Euro higher (65 thousand Euro lower)). The group's equity effect would have been the same amount via the result effect in consideration of income taxes incurred.

b) Risk of interest rate changes

The risk of interest rate changes borne by ELMOS as of the balance sheet date primarily results from interest on cash and cash equivalents and, potentially, from interest on current variable-interest finance debt (the latter as of December 31, 2009 and December 31, 2008; 0 Euro). ELMOS is exposed to interest risks primarily in the Euro area. The Management Board regularly determines the target mix between fixed and variable-interest liabilities, and the financing structure is realized on that basis. For non-current financing projects, fixed interest rates are usually determined. Interest derivatives are put to use if necessary.

Had the market interest level been higher (lower) by 10 basis points as of December 31, 2009, the income before taxes would have been 31 thousand Euro higher (lower) (December 31, 2008: 42 thousand Euro). The hypothetical effect on income results from the potential effects of original variable-interest assets and liabilities. The group's equity effect would have been the same amount via the result effect in consideration of income taxes incurred.

c) Other price risks

From the company's viewpoint there is no other material price risk as of December 31, 2009 (2008).

Capital management

It is the primary objective of the group's capital management to assure that a high credit rating, liquidity provision at any time, and a sound equity ratio are maintained in support of the company's business operations for the long term and for the protection of the interests of the shareholders, employees, and all other addressees of the annual report. The ELMOS Group pursues the strategy of a continuous, sustainable increase of the shareholder value.

The group controls its capital structure and makes adjustments in consideration of the economic framework as well as the risks carried by corresponding assets. For the maintenance or adjustment of the capital structure, the group may e.g. pay dividends to the shareholders or issue new shares. As of December 31, 2009 and December 31, 2008, no changes were made to the objectives, guidelines, or procedures.

The group monitors its capital based on the debt ratio which corresponds to the relation of net debt to equity (gearing) as well as the absolute amounts of net debt and equity ratio. Net debt includes current and non-current financial liabilities less cash and cash equivalents and securities, without consideration of discontinued operations. Equity includes the equity attributable to shareholders of the parent less unrealized gains. The equity ratio puts equity in proportion to total equity and liabilities.

	2009	2008
Net debt/(Net cash)	– 6.0 million Euro	– 1.8 million Euro
Debt ratio	– 3.8%	– 1.1%
Equity ratio	70.3%	68.5%

Other information

31 Subsidies

The company receives government grants or subsidies used for funding research and development projects as well as the acquisition of real estate and assets of property, plant and equipment. Subsidies are classified as “other liabilities” until utilized (248 thousand Euro as of December 31, 2009; 248 thousand Euro as of December 31, 2008). Subsidies granted for capital expenditures for property, plant and equipment are recognized as reduction of acquisition costs (0 thousand Euro in 2009, 493 thousand Euro in 2008). Subsidies used for research and development projects were offset against “research and development expenses” and recognized in that item (193 thousand Euro in 2009, 97 thousand Euro in 2008).

Short-time work was registered with the Bundesagentur für Arbeit (BA - Federal Employment Agency), and short-time allowance was requested, for companies ELMOS Semiconductor AG, GED Gärtner Electronic Design GmbH, ELMOS Facility Management GmbH & Co. KG, and ELMOS Central IT Services GmbH & Co. KG in accordance with the Sozialgesetzbuch III (Social Security Code III) in 2009. Subsequently, the BA paid short-time allowance (including proportionate social security contributions) in the amount of altogether 2,219 thousand Euro to those companies in the year 2009.

In addition to that, there are claims held by group companies against the BA from the year 2009 in the amount of 218 thousand Euro.

32 Other financial obligations and contingent liabilities

The company has entered into non-cancelable rental and lease agreements for a plant and an administration building, an employee center, a parking garage, and another office building, whose terms extend until 2014, 2019, 2020, and 2021. The company has also entered into lease agreements for technical equipment and machinery as well as furniture and office equipment, whose terms extend until 2019 in some cases. Furthermore, there are lease agreements for the car pool, office machines, and technical equipment and machinery to a customary extent.

On December 16, 2005, ELMOS concluded a real estate rental agreement for a service building with a cafeteria and recreation rooms with LABRUM Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Eins KG, Düsseldorf, over a term of nine years. The annual lease amounts to 570 thousand Euro. The lease is raised by 1.0% per annum each calendar year, for the first time on December 16, 2006. The agreement is not cancelable over the lease term. After the completion of the term of lease, ELMOS is entitled to demand the extension of the lease term for another five years.

Within the framework of the rental agreement with Exedra, ELMOS is committed to total lease payments of 23,050 thousand Euro (including contributions to administrative expenses) plus total payments of 7,330 thousand Euro for loans extended to the lessee until 2020 (see note 14).

Within the framework of the rental agreement with Epigone, ELMOS is committed to total lease payments of 11,873 thousand Euro (including contributions to administrative expenses) plus total payments of 4,033 thousand Euro for loans extended to the lessee until 2021 (see note 14).

SMI entered into a real estate lease agreement on January 26, 2006 for property including the factory erected on that property with McCarthy Manager LLC, Washington/U.S.A. The contract provides for a term of 15 years. The monthly lease is 60 thousand USD, with the provision of an annual adjustment according to the U.S. consumer price index, plus supplementary lease of currently 18 thousand USD. The agreement is not cancelable over the lease term. After the completion of the term of lease, SMI is entitled to demand the extension of the lease term for another ten years, and the lessor may demand an extension for another five years.

In 2005 ELMOS entered into an agreement for the provision of research and development services as well as the use of a production line with a contract term until 2015; the period of use of the production line has meanwhile been extended to 2017.

Total expenditure for rental and lease agreements amounted to 16,372 thousand Euro in 2009 and 14,978 thousand Euro in 2008.

As of December 31, 2009, future minimum payments owed from non-cancelable rental, lease and insurance agreements with initial or remaining terms of more than one year are as follows:

	Lease payments, insurance premiums Euro
2010	24,967,087
2011	17,294,673
2012	15,764,917
2013	11,430,937
2014	10,627,267
Later years	39,504,014
	119,588,895

The carrying value of assets pledged as security by a subsidiary for a bank loan comes to 360 thousand Euro. The security comes in the shape of first-ranking land charge on a building. This land charge amounts to 1,023 thousand Euro. The same subsidiary also reports collateral assignments for machinery in the amount of 947 thousand Euro. As of the balance sheet date, ELMOS has not furnished securities according to IFRS 7.14.

33 Group companies

According to IAS 27, the consolidated financial statements shall include the parent company and the subsidiaries under the parent's legal and effective control.

The following companies have therefore been included in the 2009 consolidated financial statements:

	Capital share (indirect and direct) in %
Parent	
ELMOS Semiconductor AG, Dortmund	
Subsidiaries	
ELMOS Advanced Packaging B.V., Nijmegen/Netherlands	100.0
ELMOS Central IT Services GmbH & Co. KG, Dortmund	100.0
ELMOS Design Services B.V., Nijmegen/Netherlands	100.0
ELMOS Facility Management GmbH & Co. KG, Dortmund	100.0
ELMOS France S.A.S., Levallois Perret/France	100.0
ELMOS Industries GmbH, Hanau	49.0
ELMOS N.A. Inc., Farmington Hills/U.S.A.	100.0
ELMOS Quality Services B.V., Nijmegen/Netherlands	100.0
ELMOS Semiconductor Süd GmbH, Munich	100.0
ELMOS Services B.V., Nijmegen/Netherlands	100.0
European Semiconductor Assembly (Eurasem) B.V., Nijmegen/Netherlands	100.0
GED Gärtner Electronic Design GmbH, Frankfurt/Oder	73.9
IndustrieAlpine Bauträger GmbH, Munich	51.0
Mechaless Systems GmbH, Karlsruhe	100.0
Micro Systems on Silicon (MOS) Limited, Pretoria/South Africa	67.6
Silicon Microstructures Inc., Milpitas/U.S.A.	100.0

By agreement of September 14, 2009 and with contractual effect as of January 1, 2009, ELMOS AG has taken over the remaining 49% of the shares of Mechaless Systems GmbH, Karlsruhe, in order to further expand the business area "optoelectronic circuit technology".

By agreement of December 18, 2009 and with legal effect as of December 31, 2009, ELMOS California Inc., Milpitas/U.S.A. was merged into Silicon Microstructures Inc., Milpitas/U.S.A.

As of December 31, 2009, the company held 49% of the shares of ELMOS Industries. Despite the lack of majority of voting rights, the holding was included due to the fact that ELMOS exerts economic control over the holding's business operations and its other shareholders.

Information on share ownership

	Currency	Interest %	Equity in th. Euro	Net result in th. Euro
Germany				
Advanced Appliances Chips GmbH, Riedstadt	Euro	33.33	190	– 51[1]
attoSENSOR GmbH, Penzberg	Euro	45.00	63	2[1]
DMOS Dresden MOS Design GmbH, Dresden	Euro	20.00	230	– 53[1]
ELMOS Central IT Services GmbH & Co. KG, Dortmund	Euro	100.00	173	122[2]
ELMOS Facility Management GmbH & Co. KG, Dortmund	Euro	100.00	92	57[2]
ELMOS Industries GmbH, Hanau	Euro	49.00	– 1,094	– 67
ELMOS Semiconductor Süd GmbH, Munich	Euro	100.00	176	0[2]
Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	Euro	6.00	– 6	– 9[1]
GED Gärtner Electronic Design GmbH, Frankfurt/Oder	Euro	73.90	1,472	212
Gesellschaft für Halbleiterprüftechnik mbH, Dortmund	Euro	100.00	124	6[3]
IndustrieAlpine Bauträger GmbH, Munich	Euro	51.00	– 1,079	– 82[1]
Mechaless Systems GmbH, Karlsruhe	Euro	100.00	430	– 74
Other countries				
ELMOS Services B.V., Nijmegen (NL)	Euro	100.00	4,708	4,692
ELMOS Advanced Packaging B.V., Nijmegen (NL)	Euro	100.00	–1,249	–2,233[2]
ELMOS Design Services B.V., Nijmegen (NL)	Euro	100.00	3,971	2,613[2]
ELMOS Quality Services B.V., Nijmegen (NL)	Euro	100.00	210	5[2]
European Semiconductor Assembly (Eurasem) B.V., Nijmegen (NL)	Euro	100.00	18	0[2]
Micro Systems on Silicon (MOS) Limited, Pretoria (RSA)	ZAR	67.60	– 168	–7[2]
ELMOS France S.A.S., Levallois Perret (F)	Euro	100.00	1,699	502
ELMOS USA Inc., Farmington Hills (U.S.A.)	USD	100.00	–	– [4]
ELMOS N.A. Inc., Farmington Hills (U.S.A.)	USD	100.00	567	48[2]
Silicon Microstructures Inc., Milpitas (U.S.A.)	USD	100.00	– 3,266	– 2,025[2]

[1] *Presented figures are based on preliminary, unaudited financial statements as of December 31, 2009.*
[2] *Indirect shareholding of ELMOS Semiconductor AG, Dortmund.*
[3] *Presented figures are based on the financial statements as of December 31, 2008.*
[4] *Financial statements of the company are not yet available.*

34 Information on Management Board and Supervisory Board

Remuneration of Management Board and Supervisory Board in 2009

	Fixed remuneration th. Euro	Variable remuneration th. Euro	Stock options (time value) th. Euro
Management Board	1,141	658	69
Supervisory Board	84	–	–

There are indirect pension commitments to Management Board members for which no pension provisions must be made because of risk coverage by completely congruent pension plan reinsurance. In 2009, the contributions to these pension plans amounted to 347 thousand Euro (previous year: 366 thousand Euro), included in the fixed remuneration components. Within the framework of stock option plan 2009, 99,000 stock options were assigned to the members of the Management Board.

Remuneration paid to former Management Board members or their dependants amounted to 283 thousand Euro in fiscal year 2009 (previous year: 255 thousand Euro). In addition, insurance premiums in the amount of 300 thousand Euro were paid to them (previous year: 275 thousand Euro).

The amount of pension provisions is 2,557 thousand Euro as of December 31, 2009 (previous year: 2,505 thousand Euro).

For other services, particularly consultation services, the company paid compensated members of the Supervisory Board in the total amount of 230 thousand Euro (previous year: 342 thousand Euro).

The Annual General Meeting of May 19, 2006 decided with the required three-quarter majority not to provide the disclosures stipulated by Section 285 (1) no. 9a sentences 5-9 HGB for the next five years.

35 Shares and stock options held by Management Board and Supervisory Board

As of December 31, 2009 the following numbers of ELMOS shares and stock options were held by Management Board and Supervisory Board members:

Management Board	Shares	Stock options
Dr. Anton Mindl	103,725	33,000
Reinhard Senf	16,923	32,000
Nicolaus Graf von Luckner	10,614	22,000
Jürgen Höllisch	0	22,000

Supervisory Board	Shares	Stock options
Prof. Dr. Günter Zimmer	29,027	0
Dr. Burkhard Dreher	5,000	0
Dr. Klaus Egger	0	0
Jörns Haberstroh	3,956	0
Jutta Weber	200	0
Dr. Klaus Weyer	72,500	10,000

36 Information on auditor fees

The companies of the ELMOS Group received the following services rendered by appointed group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, in fiscal year 2009:

	2009 th. Euro
Audit services	185
Other certifications services	108
Tax counseling	336
Other services	30
	659

The position “other certification services” includes fees for the review of the interim consolidated financial statements as of June 30, 2009, among other items.

37 Appropriation of retained earnings

The Management Board proposes (in agreement with the Supervisory Board) to carry forward the retained earnings of ELMOS Semiconductor AG of 42,715,514.53 Euro to new accounts.

38 Information according to Section 160 AktG

Listed are all directors' dealings of the year 2009 with respect to shares of ELMOS Semiconductor AG (ISIN DE0005677108). The issuer is ELMOS Semiconductor AG, Heinrich-Hertz-Str. 1, 44227 Dortmund, Germany.

Date Place	Name	Function	Transaction	Number	Price/Basic price (Euro)	Total volume (Euro)
2/26/2009 Xetra	ZOE Beteiligungs GmbH	Legal person closely associated with Supervisory Board Member	Purchase of ELMOS shares	27,416	1.52	41,625.71
6/30/2009 off-market	Dr. Klaus Weyer	Member of the Supervisory Board	Securities lending	10,000	free of charge	n/a
6/30/2009 off-market	Dr. Klaus Weyer	Member of the Supervisory Board	Securities lending	5,000	free of charge	n/a
12/21/2009 off-market	ZOE-VVG GmbH*	Legal person closely associated with Supervisory Board Member	Purchase of ELMOS shares	742,894	not quantifiable	not quantifiable
12/21/2009 off-market	Weyer Beteiligungs-gesellschaft mbH*	Legal person closely associated with Supervisory Board Member	Purchase of ELMOS shares	742,895	not quantifiable	not quantifiable

**The purchase of shares is effected upon execution of a division and acquisition agreement according to the Transformation Act, certified on 12/21/2009.*

39 Related party disclosures

According to IAS 24: Related Party Disclosures, individuals or companies in control of or controlled by the ELMOS Group must be disclosed, unless they have been included in the consolidated financial statements of the ELMOS Group as a consolidated company. Control is assumed if a shareholder holds more than half of the voting rights of ELMOS Semiconductor AG or if the shareholder is in a position, by the articles of incorporation or by contractual agreement, to control the financial and operating policies of the ELMOS Group's management.

Mandatory disclosure according to IAS 24 also includes transactions with associated companies and individuals of significant influence on the ELMOS Group's financial and operating policies, including close relatives or interconnected companies. Significant influence on the ELMOS Group's financial and operating policies may be based on an interest in the ELMOS Group of 20% or more, a position on the Management Board or Supervisory Board of ELMOS Semiconductor AG, or another key function in management.

In fiscal year 2009, the ELMOS Group is concerned by the mandatory disclosures of IAS 24 only with regard to business connections to associated companies, members of the Management Board and Supervisory Board of ELMOS Semiconductor AG, and other key executives in management.

The ELMOS Group maintains connections to closely related companies and individuals within the context of usual business activity. These supply and service relationships are transacted at market prices. In 2009, the ELMOS Semiconductor AG provided deliveries in the amount of 53 thousand Euro (previous year: 194 thousand Euro) to unconsolidated associated companies (AAC). The ELMOS Group received services from attoSensor in the amount of 0 thousand Euro in 2009 (previous year: 100 thousand Euro) and from DMOS in the amount of 3,090 thousand Euro in 2009 (previous year: 3,845 thousand Euro). Interest-bearing loans amounting to a nominal total of 1,000 thousand Euro were extended to DMOS by ELMOS Semiconductor AG and a subsidiary, used essentially for the advance lease payment for an office building. The loans can be canceled by both parties in observance of a 6-moth notice.

As of the end of the year, the principal including incurred interest comes to 1,122 thousand Euro altogether. The initially agreed annual repayment of the loans extended in 2008, with a 20% redemption including interest, was modified in 2009 against the backdrop of the effects of the financial and economic crisis within the scope of supplementary agreements, and an adjusted debt service schedule was agreed on, providing for annual interest/redemption payments from 2010. For the loan extended in 2007, a debt service schedule was concluded as well.

Apart from the remuneration of Management Board and Supervisory Board disclosed under note 34 (information on Management Board and Supervisory Board), there are no material relationships with related parties.

Beyond that, companies of the ELMOS Group did not engage in any material, reportable transactions with members of the Management Board or Supervisory Board of ELMOS Semiconductor AG, other key executives in management, or with companies whose managing or supervising bodies these individuals are represented in. This also applies for close relatives of said group of people.

40 Number of employees

In fiscal year 2009, the average number of employees throughout the group was 1,038 (2008: 1,117).

The average number of employees is split up as follows:

Group	2009 Number
Production	546
Sales	71
Administration	156
Quality control	40
Research & development	225
Total	**1,038**

41 Subsequent events

As of December 31, 2009 EFH ELMOS Finanzholding GmbH held an interest of roughly 52.9% in the company's share capital. In December 2009 the shareholders of EFH ELMOS Finanzholding GmbH, Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, decided a reorganization of EFH ELMOS Finanzholding GmbH by way of division in accordance with the German Transformation Act (Umwandlungsgesetz), as a consequence of which EFH ELMOS Finanzholding GmbH has ceased to exist as of January 26, 2010. In the course of the division, the company's shares formerly held by EFH ELMOS Finanzholding GmbH both directly and indirectly (through its 100% subsidiaries Dr. Weyer GmbH, ZOE-BTG GmbH, and Makos GmbH) have become the property of companies controlled in turn by Dr. Weyer GmbH & Co. Vermögensverwaltung KG, ZOE GmbH & Co. KG, and Jumakos GmbH & Co. KG, respectively. Upon coming into force of the division of EFH ELMOS Finanzholding GmbH as of January 26, 2010, the company's shares formerly held by EFH ELMOS Finanzholding GmbH directly and indirectly are thus divided between the shareholders of (defunct) EFH ELMOS Finanzholding GmbH as follows:

- Dr. Weyer GmbH & Co. Vermögensverwaltung KG: 20.50%,
- Jumakos GmbH & Co. KG: 16.67%,
- ZOE GmbH & Co. KG: 15.71%.

The above-mentioned voting interests are held indirectly by the respective companies.

Other material subsequent events or transactions have not occurred.

42 Declaration of compliance according to Section 161 AktG

In December 2009 and, superseding that declaration, in February 2010, Management Board and Supervisory Board of ELMOS Semiconductor AG, Dortmund, issued a declaration in accordance with Section 161 AktG and made it accessible to the shareholders on the company's Internet site.

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

We assure to the best of our knowledge that the consolidated financial statements provide, in accordance with applicable accounting standards, a presentation of the group's financial position and results from operations which corresponds with the actual conditions and that the group management report presents the course of business including the business result and the situation of the group in a way that corresponds with the actual conditions and describes the essential opportunities and risks of the probable future development.

Dortmund, March 2010

Dr. Anton Mindl **Nicolaus Graf von Luckner** **Reinhard Senf** **Jürgen Höllisch**

AUDITOR'S CERTIFICATE

We have audited the consolidated financial statements prepared by ELMOS Semiconductor AG, Dortmund – consisting of statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and notes to the consolidated financial statements –, as well as the group management report for the fiscal year ended December 31, 2009. The preparation of consolidated financial statements and group management report according to IFRS as applicable in the European Union and in compliance with the additional applicable provisions of commercial law according to Section 315 a (1) HGB are the responsibility of the company's legal representatives. It is our task to provide an assessment of the consolidated financial statements and the group management report on the basis of our audit.

In compliance with Section 317 HGB, we have conducted our audit in accordance with the German accounting principles established by the Institut der Wirtschaftsprüfer (IDW). These principles require the audit to be planned and performed in such a way that inaccuracies and violations which materially effect the presentation of financial position and results from operations as presented by the group management report and the consolidated financial statements with regard to applicable accounting provisions are identified with sufficient reliability. In establishing the audit procedures, knowledge of the business activity, the group's economic and legal framework, and an anticipation of possible mistakes are taken into consideration. Within the context of the audit, the effectiveness of the internal accounting control systems as well as proof for the disclosures made in the consolidated financial statements and the group management report are examined predominantly on the basis of random sampling. The audit contains assessments of the financial statements of the companies included in the consolidated financial statements, the definition of the basis of consolidation, the accounting and consolidation principles applied, and the legal representatives' material estimates, as well as an evaluation of the overall presentation of the consolidated financial statements and the group management report. It is our opinion that our audit provides a sufficiently reliable basis for our assessment.

Our audit has not resulted in any objections.

According to our assessment based on the conclusions from our audit, the consolidated financial statements are compliant with the IFRS as applicable in the EU and the additional applicable provisions of commercial law according to Section 315 a (1) HGB, and they communicate – with regard to these provisions – a presentation of the group's financial position and results from operations that corresponds with the actual conditions. The group management report is consistent with the consolidated financial statements, communicates an overall correct impression of the situation of the group, and describes the opportunities and risks of the future development correctly.

Dortmund, March 3, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Krebs	**Fürst**
Wirtschaftsprüfer	*Wirtschaftsprüfer*

GLOSSARY

ASIC An **A**pplication **S**pecific **I**ntegrated **S**ensor (ASIC) is a circuit developed individually for a specific application and a specific customer, as opposed to standard components that are not configured in a customer specific way, for example voltage regulators, memory, and processors.

ASSEMBLY The processing of components on a wafer toward a chip in a protective package.

ASSP An **A**pplication **S**pecific **S**tandard **P**roduct (ASSP) is an integrated circuit developed individually for a specific application. It can be marketed to several customers as an application standard.

BACKEND MANUFACTURE The backend manufacture is the part of the semiconductor manufacturing process that is carried out after the wafer has left the clean room. The inspection of the chips on the wafer, assembly, burn-in, the functional testing of the assembled components, and packing (tape&reel) are all part of this process.

BUS A communication system that allows the exchange of information between several participants on an electronical or optical basis. Among the standards used in automobiles are the following: LIN, CAN, MOST, and FlexRay™.

CHIP An electronic circuit which contains electric functions realized in semiconductor material.

CLEAN ROOM A sealed-off part of a building where humidity, temperature and dust particle contamination are monitored and maintained precisely.

CMOS **C**omplementary **M**etal **O**xide **S**emiconductor (CMOS) is the basic technology for the production of microchips with a high integration rate and low energy consumption.

DISTRIBUTOR Distributors are business partners responsible for pushing the marketing and distribution primarily of standard products.

ELECTRONIC CIRCUIT A combination of different electrical components, each taking over a specific function within an electrical system.

FOUNDRY A semiconductor manufacturing enterprise whose primary business objective is the production and sale of processed silicon wafers. The foundry's customers provide the development and distribution of the wafer-based products.

FRONTEND MANUFACTURE The production of electronic circuits on silicon wafers by means of physical and chemical processing methods under clean room conditions.

HALIOS® HALIOS® (**H**igh **A**mbient **L**ight **I**ndependent **O**ptical **S**ystem) is characterized by the detection of three-dimensional motion. Optical outside influences such as strong incidence of light do not affect the performance. The electronic compensation of external light influence is the technically deciding function.

INTEGRATED CIRCUIT, IC An electronic circuit consisting of different miniaturized electronic components (e.g. resistors, capacitors, transistors, etc.) integrated into semiconductor material.

IO-LINK IO-Link is the new open communication standard below field bus level realized by point-to-point connection between sensors/actuators and a control system. IO-Link was developed for use in industrial automation applications.

JEDEC The original **J**oint **E**lectron **D**evices **E**ngineering **C**ouncil has evolved into the Solid State Technology Association, the leading standardization panel in the semiconductor industry.

LAYOUT Describes the circuit development information required for the manufacture of integrated circuits by using simple geometric shapes.

MEMS **M**icro-**E**lectro-**M**echanical **S**ystems (MEMS) are in particular sensors based on semiconductor technologies. They can detect e.g. pressure, acceleration, or tilt.

MICROPROCESSOR/MICROCONTROLLER An integrated, complex electronic unit programmed to control and operate an electronic system. Microprocessors are the central brains of an electronic system such as a computer.

MICROSYSTEM A microsystem is the combination of sensorics and read-out electronics in a special package. Among other advantages, a microsystem requires very little constructed space due to its high integration level.

MIXED-SIGNAL A combination of analog and digital signals simultaneously generated, controlled, or modified on one and the same chip.

MOS **M**etal-**O**xide-**S**emiconductor (MOS) describes the setup of the central control device for the field effect in a particular category of semiconductor transistors.

OEM An **O**riginal **E**quipment **M**anufacturer (OEM) is a manufacturer that markets (partial) systems to a reseller. In the automotive industry, OEMs are the car manufacturers.

PPM **P**arts **P**er **M**illion (one in a million).

PRESSURE SENSOR The pressure sensor can detect low or high pressure, depending on the application, and transmit the data to read-out electronics. Pressure sensors find use for instance in medical applications (e.g. respirators, blood pressure meters) or automotive applications (e.g. tire pressure).

SEMICONDUCTOR A solid material (e.g. silicon or germanium) whose electrical characteristics can be changed towards positive and/or negative currents by deliberate doping (mostly with boron or phosphor).

SENSOR An electronic unit which measures or detects a real physical quantity, e.g. motion, heat or light, and subsequently converts it into an analog or digital electric signal.

SILICON The most common semiconductor material, used for the production of roughly 95% of all chips.

WAFER The basic material in chip production. A wafer is a polished disc, approximately 0.3 to 1 mm thick and sawn out of a single silicon crystal. Typical diameters are 150 (6 inches), 200 (8 inches), and 300 mm (12 inches).

INFORMATIVE MATERIAL

If you want to know more about ELMOS, we would be happy to send you the following documents by mail:

–> Annual report
–> Interim reports/Quarterly reports
–> Code of conduct
–> Our company
(image brochure/company profile)
–> Product catalog
–> Our technology brochure
–> Our manufacturing process brochure

All listed documents can also be found on our internet site at **www.elmos.de.** If you want to subscribe to our ad hoc announcements and press releases, please send an e-mail to **invest@elmos.de.**

This annual report is also available in German.

FINANCIAL CALENDAR 2010

Financial results 2009/Annual press conference/Analysts' conference	March 18, 2010
Quarterly results Q1/2010	April 28, 2010
Annual General Meeting in Dortmund	May 4, 2010
Quarterly results Q2/2010	August 11, 2010
Quarterly results Q3/2010	November 3, 2010
Analysts' conference at German Equity Forum in Frankfurt	November 2010

CONTACT | IMPRINT

Publisher

ELMOS Semiconductor AG
Heinrich-Hertz-Straße 1
44227 Dortmund | Germany
www.elmos.de

Contact

Janina Rosenbaum | Investor Relations
Phone +49 (0) 231 - 75 49 - 287
Fax +49 (0) 231 - 75 49 - 548
invest@elmos.de

ELMOS Semiconductor AG
Heinrich-Hertz-Straße 1
44227 Dortmund | Germany
Phone +49 (0) 231-75 49-0
Fax +49 (0) 231-75 49-149
info@elmos.de | www.elmos.de