DGE BETWEEN GERMANY AND CHINA SUCCESSFULLY REQUIRES A LOT
D TO KEEP WORKING AT ELMOS ON THE SIDE. FOLLOWING MY DIRECT
IN MY JOB AS PROCESS ENGINEER. RECRUITMENT WILL INCREASINGLY
N SUCH A WAY THAT **WE** WILL CONTINUE OUR SUCCESS IN THE MARKE
MY SHARE OF RESPONSIBILITY FOR THE QUALITY OF OUR PRODUCTS A
OT AN EASY THING TO ACCOMPLISH. I **LOVE** TO SEE HOW INITIAL ROU
UL HAS BEEN PUT INTO IT. WITH FLEXIBLE WORKING HOURS AND A C
USHING OUR RESEARCH ACTIVITIES. JOB TRAINING, EXTRA-OCCUPATI
E MY PART IN DEVELOPING THE ENERGY SAVING PRODUCTS OF TOMO
TY. WE AT ELMOS ALWAYS WANT TO DEVELOP THE BEST SOLUTION F
ALITY, AND RELIABILITY. THIS IS **WHAT WE** AIM FOR EVERY SINGLE DAY.
TO MEETING THE TARGETS OF OUR CUSTOMERS AND GIVING THEM
D CREATE THE FUTURE OF OUR ELMOS MOTOR DRIVERS FOR MANY
BBY. AND THE CASUAL WORKING ENVIRONMENT MAKES MY TRAI
G NEW IDEAS TO LIFE: THAT DESCRIBES WHAT I **DO** IN PRODUCTIO
TS AS AN OPERATOR. TEN YEARS AGO, I STARTED MY CAREER IN PR
N MEMBERS OF MY TEAM ORIGINALLY HAIL FROM THE U.S., IND
ES. **ANNUAL REPORT 2011** AFTER MY TRAINING AT ELMOS I DECIDED TO

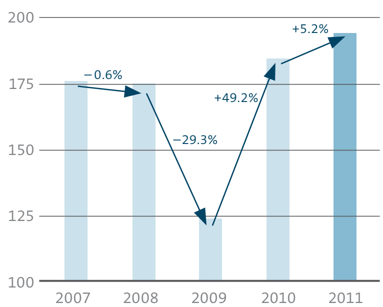
T OF PRODUCT KNOW-HOW AND CULTURAL EMPATHY. THAT'S MY
JOB ENTRY AND A STINT AT OUR CALIFORNIAN SUBSIDIARY, I AM
Y GAIN IN IMPORTANCE IN THE FUTURE. IT IS MY GOAL TO SHAPE
ET. ELMOS GIVES ME THE OPPORTUNITY TO KEEP DEVELOPING AS
ND PROCESSES. THIS DAILY CHALLENGE MAKES MY JOB TREMEN-
GH DRAFTS TURN INTO REAL PRODUCTS. SO, WHENEVER I GO TO
ONSIDERATION OF INDIVIDUAL NEEDS, ELMOS PROVIDES AN EX-
ONAL STUDIES AND A STAY ABROAD – ALL THIS I HAVE ACHIEVED
RROW. THIS IS HOW I AM MAKING MY CONTRIBUTION AT ELMOS
OR THE CUSTOMER. IT REQUIRES SPECIALIST KNOW-HOW TO SET
. AS AN AUTOMOTIVE SEMICONDUCTOR SPECIALIST, ELMOS HAS
M 100% SATISFACTION AT EACH AND VERY STEP. THE POSITIVE
Y YEARS NOW. AT ELMOS I STUDY THE BASICS OF IT AND APPLY
NING JUST AS MUCH FUN AS MY HOBBY DOES. INTERESTING
ON AT ELMOS. AFTER COMPLETING MY TRAINING, I AM NOW
RODUCTION IN DORTMUND. IN 2006 I TOOK CHARGE OF PRO-
IA, CHINA, VIETNAM, AND SEVERAL EUROPEAN COUNTRIES.
GO TO UNIVERSITY AND TO KEEP WORKING AT ELMOS ON THE SIDE.

Content

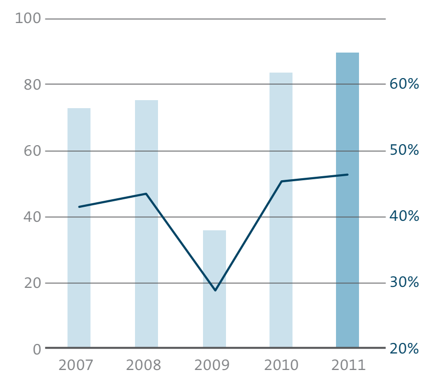
ELMOS IS A DEVELOPER AND MANUFACTURER OF SYSTEM SOLUTIONS ON SEMICONDUCTOR BASIS. FOR MORE THAN 25 YEARS NOW, OUR CHIPS AND SENSORS HAVE MADE CARS AND INDUSTRIAL AND CONSUMER GOODS SMARTER AND MORE EFFICIENT AND POWER SAVING. FROM AIRBAG AND PARKING ASSIST SYSTEM, LED LIGHTING AND HOME AUTOMATION UP TO MOTOR DRIVERS AND MANY MORE FIELDS OF USE. OUR SUCCESS IS BASED ON OUR EMPLOYEES. THEIR COMMITMENT, PASSION, QUALIFICATION, AND TEAM SPIRIT ARE THE KEY TO GROWTH. ALL **EMPLOYEES** HAVE MADE THEIR CONTRIBUTION TO THE SUCCESSFUL FISCAL YEAR 2011. THAT IS WHY WE WOULD VERY MUCH LIKE TO INTRODUCE EACH AND EVERY ONE OF THEM AND THEIR INDIVIDUAL MOTIVATION TO YOU. HOWEVER, THIS WOULD GO QUITE BEYOND THE SCOPE OF THIS REPORT. THERFORE WE PROVIDE YOU WITH JUST A SMALL IMPRESSION HERE – AN INSIGHT INTO THE COMPANY ELMOS AND THE PEOPLE BEHIND IT.

Five-Year Performance ELMOS Group

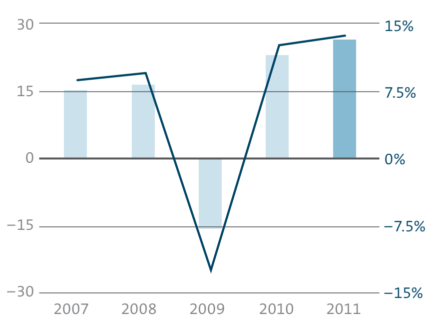
Sales in million Euro
and growth rate



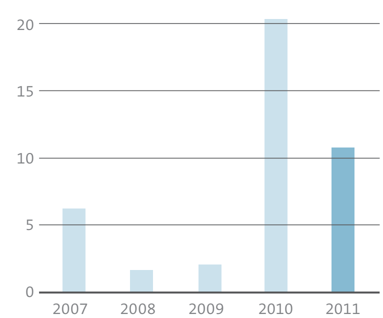
Gross profit in million Euro
and gross margin



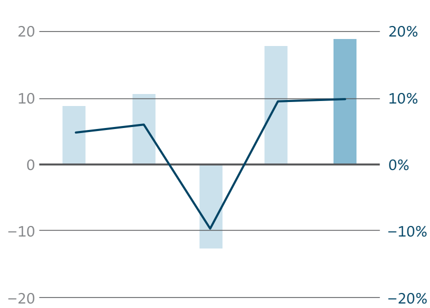
EBIT in million Euro
and EBIT margin



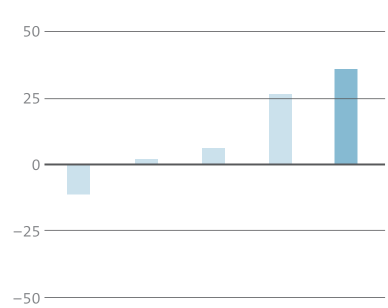
Adjusted free cash flow[3]
in million Euro



Net income in million Euro
and net income margin



Net cash / (Net debt)
in million Euro



Five-Year Overview ELMOS Group (IFRS)

in million Euro unless otherwise indicated	2007	2008	2009	2010	2011
Sales	176.1	175.1	123.8	184.7	194.3
Sales growth	9.6%	−0.6%	–29.3%	49.2%	5.2%
Gross profit	73.1	75.6	35.9	83.8	89.6
Gross margin	41.5%	43.2%	29.0%	45.3%	46.1%
Research and development expenses	30.9	31.6	25.3	29.6	32.5
Research and development expenses in % of sales	17.5%	18.1%	20.4%	16.0%	16.7%
EBIT	15.2	16.5	–15.8	23.1	26.6
EBIT in % of sales	8.6%	9.4%	–12.8%	12.5%	13.7%
Income before income taxes	12.2	14.7	–17.3	21.7	25.8
Income before income taxes in % of sales	6.9%	8.4%	–14.0%	11.7%	13.3%
Net income / (Net loss) attributable to owners of the parent	8.8	10.6	–12.2	17.8	18.9
Net income margin	5.0%	6.1%	−9.9%	9.6%	9.7%
Earnings per share in Euro	0.45	0.55	−0.63	0.92	0.98
Total assets	244.8	245.3	221.7	249.2	269.9
Shareholders' equity	155.4	166.4	154.4	172.3	187.9
Equity ratio	63.5%	67.9%	69.6%	69.1%	69.6%
Financial liabilities	54.0	40.6	40.8	40.5	40.7
Cash, cash equivalents and marketable securities	42.9	42.5	46.8	67.3	76.5
Net cash / (Net debt)	–11.1	1.8	6.0	26.8	35.7
Cash flow from operating activities	30.8	22.5	9.4	33.0[1]	33.2
Capital expenditures for intangible assets and property, plant and equipment	24.5	20.8	7.4	12.4	19.4
Capital expenditures in % of sales	13.9%	11.9%	6.0%	6.7%	10.0%
Cash flow from investing activities	–1.4	–12.2	–5.5	–20.5[1]	–28.7
Free cash flow[2]	29.4	10.3	3.9	12.5	4.4
Adjusted free cash flow[3]	6.4	1.7	2.1	20.2	10.7
Dividend per share in Euro	0.00	0.00	0.00	0.20	0.25[4]
Employees on annual average	1,177	1,117	1,038	990	988

[1] For adjustments of prior-year values please refer to note 1 in the notes to the consolidated financial statements
[2] Cash flow from operating activities less cash flow from investing activities
[3] Cash flow from operating activities less capital expenditures for intangible assets and property, plant and equipment, less payments for investments, plus disposal of investments
[4] Subject to shareholders' resolution at the Annual General Meeting in May 2012

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

Even today, balancing family and a career is not an easy thing to accomplish.

With flexible working hours and a consider-ation of individual needs, ELMOS provides an exciting working environment, enabling me to join my team in pushing our research activities.

Dr. Petra Rolfes-Gehrmann, development engineer

ELMOS gives me the opportunity to keep developing as a professional.

As manager of module process analysis, I have my share of responsibility for the quality of our products and processes. This daily challenge makes my job tremendously exciting.

Jean-Bernard Bukow, manager module process analysis

Asia is an important growth market for ELMOS.

To cross the bridge between Germany and China successfully requires a lot of product know-how and cultural empathy. That's my job.

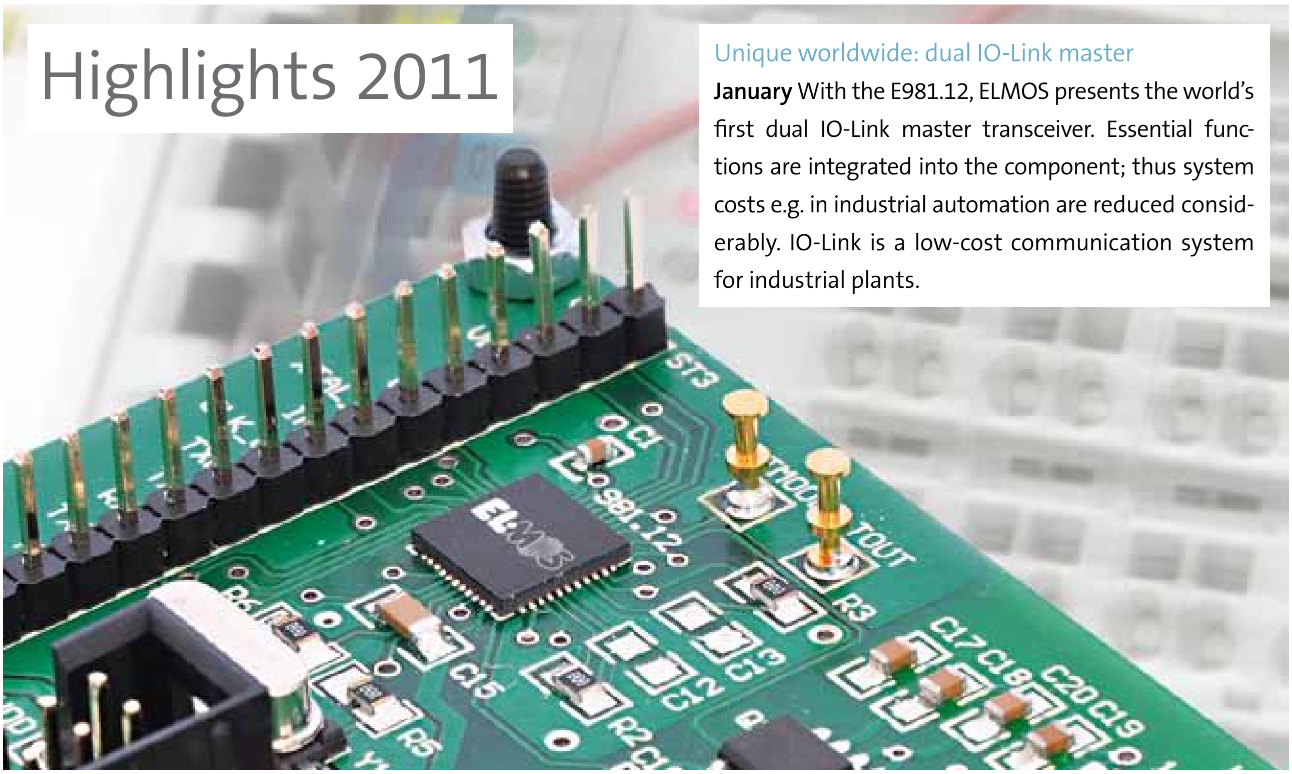
Ling Jun Wang, application engineer ELMOS Shanghai

Recruitment will increasingly gain in importance in the future.

It is my goal to shape the advanced training of our current and future employees in such a way that we will continue our success in the market.

Gudrun Ahlburg, HR development

Highlights 2011



Unique worldwide: dual IO-Link master

January With the E981.12, ELMOS presents the world's first dual IO-Link master transceiver. Essential functions are integrated into the component; thus system costs e.g. in industrial automation are reduced considerably. IO-Link is a low-cost communication system for industrial plants.

Unique worldwide: FlexRay™ star coupler

March ELMOS introduces the world's first component according to the new FlexRay™ specification. The ELMOS component meets the high requirements of the auto manufacturers with respect to electromagnetic compatibility (EMC) and electrostatic discharge (ESD). FlexRay™ is a fast and intelligent network for vehicles.

Research: On the road to electromobility

April ELMOS takes part in the research project RESCAR 2.0 ("robust design of new electronic components for applications in the field of electromobility"). Its goal is to optimize the entire development process of electric and electronic components of electromobility systems. The project is supported by the Federal Ministry of Education and Research (BMBF). Among the partners of ELMOS in this are Audi, BMW, and Bosch.

ELMOS donates to KITZ.do

April ELMOS donates 10,000 Euro to KITZ.do. KITZ.do wants to raise school kids' interest in technical and natural sciences. KITZ.do systematically supports the early orientation of kids and adolescents toward natural science and technology on a broad scale. It addresses all ages from kindergarten to seniors in high school and has established itself in Dortmund's educational scene since its establishment in the year 2007.

Automatic start-stop system in cars

May One way to advance CO_2 reduction in vehicles leads to the integration of an automatic start-stop system. With the ELMOS chip set, the voltage supply in the car's wiring system can be maintained while the engine stops in front of a red light or while passengers are getting in or out. The ELMOS system comprises an intelligent combination of step-up and buck converters, depending on the voltage required.

Success in sports at the business run

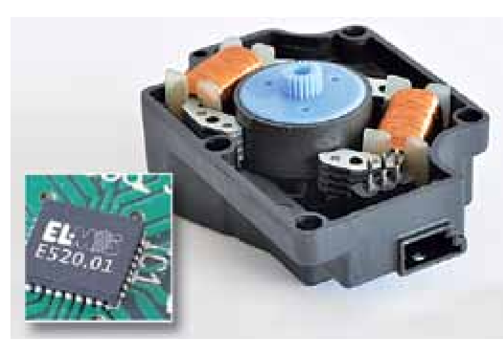
May The ELMOS men's team won the team challenge at the 3rd Dortmund Business Run. Thus the team defended last year's title and won the competition for the second time in a row. The women's team also achieved excellent results, recording personal best performances. Altogether more than 30 employees of ELMOS joined the race.

General Meeting decides dividend distribution

May There will be a dividend once again. The shareholders liked to hear this message at the Annual General Meeting. On the whole, they made active use of their voting rights and adopted all agenda items with large majorities. This included the distribution of a dividend in the amount of 0.20 Euro per share.

New stepper motor driver

June ELMOS has been a leading supplier of motor driver solutions for many years now. In June 2011, ELMOS introduced a new component: The semiconductor is suited for driving up to three stepper motors. The component is qualified for automotive and industrial applications. Potential fields of use are, in addition to stepper motors, DC motors, relay and LED applications, and switch system monitoring.



Partner foundry delivers first products

July The partner foundry of ELMOS, MagnaChip in South Korea, ramped up production and delivered the first series-produced, automotive-qualified 0.35µm wafers. ELMOS is now able to obtain wafers processed according to automotive standards from external manufacturing sites outside of Germany as well. In the context of the flexible manufacturing network and the regional diversification of production, this is a deciding edge.

For control units: sensor signal readout component

July ELMOS introduces a sensor signal readout chip. The chip's digital interface enables its use in the new generation of automotive control units. The measured data can comprise pressure, strain, load, and torque. Accordingly, the sensor can be used for processing data provided by the air-conditioning system or other automotive applications such as brake, emission control, or fuel level/internal tank pressure.

ELMOS joins solar start-up

July Investment with prospects for the future: ELMOS invests in California's TetraSun Inc. Another investor in the start-up, in addition to ELMOS and the TetraSun management, is a major Asian energy company. TetraSun develops a new kind of monocrystalline silicon solar cells for reaching high efficiency at low production cost.

ELMOS signs distribution agreements

July and October More power in Asia. ELMOS signed distribution agreements with WT Microelectronics and Technokey. WT Microelectronics is a semiconductor specialist with headquarters in Taiwan, maintains about 50 branches, and becomes a global distributor for ELMOS with an emphasis on Asian markets, especially China and Taiwan. With Technokey, the focus is on marketing proximity and gesture detection systems. Great importance is attached to customers in the Chinese market, too. Technokey has six offices in China and Hong Kong, and more in Taiwan and Japan. The distributor has more than 20 years of experience in addressing customers, providing technical support, and logistics.

Motor driver for fans and pumps

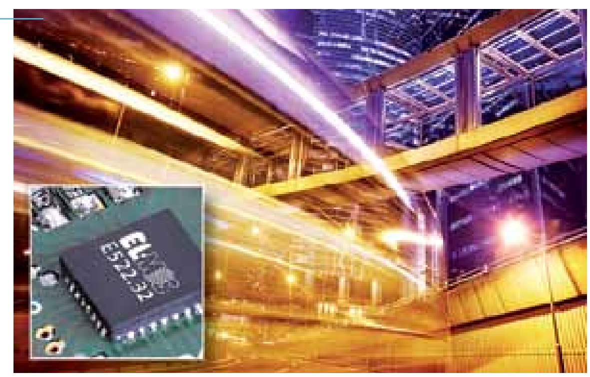
August News from the motor driver product line: ELMOS introduces another semiconductor as part of its already extensive motor driver product portfolio. The EC motor driver with all its functions is suited for setting up a complete, low-cost system. Target applications range from radiator fans and blowers, and fuel, hydraulic, oil and water pumps up to wiper applications and industrial drive systems (fans, pumps).

Unique worldwide: interface chip for safe sensor systems

September ELMOS presents another innovation. The interface chip for the automotive PSI5 network passed the consortium's conformity tests as the world's first component. Thus networks can be set up that have advantages over the conventional systems, particularly with respect to robustness, reliability, and costs. The chip can be applied e.g. in linking up distributed sensors for the control of airbag systems, chassis, and drivetrain.

Solutions for energy efficiency at the SPS/IPC/Drives

October Fall is the traditional season for trade fairs. At the trade show SPS/IPC/Drives 2011, Elmos presents solutions for energy efficient systems. The product portfolio ranges from LED drivers and current sensors to network semiconductors for partial network operation. The semiconductors and sensors have been strictly developed toward low energy consumption in connection with the highest precision. SPS/IPC/Drives is Europe's leading trade fair for electronic automation. The customer feedback was very positive.



High-voltage LED controller family

November With an ambient temperature range of –40°C to +125°C, the new ELMOS semiconductors for LED control are specially suited for use in rough environments such as the automobile or exterior lighting. Other fields of use are domestic interior lighting and TFT backlit displays. The chips provide all safety and control functions for assuring that the LEDs will live as long as possible.

New Management Board member for Development and Sales

December The Supervisory Board of ELMOS Semiconductor AG appointed Dr. Peter Geiselhart (54) new Management Board member effective January 1, 2012. He will assume responsibility for Development and Sales. Dr. Geiselhart has many years of experience in the industrial sector and the auto industry. Most recently he ran the automotive business unit "Car Entertainment Solutions" at NXP Semiconductors as senior vice president and general manager. Peter Geiselhart studied physics and earned his doctorate at TU Munich in 1988.

Research: "Energy efficient driving 2014"

December ELMOS is part of a joint research project for energy efficient driving supported by the Federal Ministry of Education and Research. Over the past two years, eleven partners (among them Audi, BMW, Bosch, and Continental) of the German auto industry did joint research on innovative technologies and concepts for the reduction of energy consumption and thus of CO_2 emissions. The measures developed by the joint project "energy efficient driving 2014" could decrease energy consumption overall by more than ten percent. The project's findings will now be introduced into series development of the partner companies involved and may come to life starting in the year 2015.

Management Board

Dr. Anton Mindl
CEO |
Graduate physicist | born 1957 |
Management Board member since 2005 |
appointed until 2015

Key areas of responsibility
Strategy, quality, human resources development, and micromechanics

Member of the General Assembly of Dortmund Chamber of Industry and Commerce

Nicolaus Graf von Luckner
Graduate economist |
born 1949 |
Management Board member since 2006 |
appointed until 2013

Key areas of responsibility
Finance, controlling, investor relations, corporate governance, administration, purchasing, information technology

Jürgen Höllisch
Engineer |
born 1971 |
Management Board member 2008 to 2012

Key areas of responsibility
Sales, design, product lines, projects, optoelectronics

Reinhard Senf
Graduate engineer |
born 1951 |
Management Board member since 2001 |
appointed until 2016

Key areas of responsibility
Manufacturing, assembly,
technology development

Dr. Peter Geiselhart
Graduate physicist |
born 1957 |
Management Board member since 2012 |
appointed until 2014

Key areas of responsibility
Sales, design, product lines, projects,
optoelectronics

CEO letter

Ladies and gentlemen,

"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."

These lines are taken from last year's annual report, and in 2011 they proved to be true once again. Without highly motivated employees, ELMOS would not have been able to record the success of the year 2011, and this applies for all areas: from research and development to design, production, and sales and logistics, to name but a few. Therefore we dedicated this annual report to the women and men who work with us. As we cannot introduce them all to you in the annual report at hand, we want to at least give you a small impression of who the people behind the company "ELMOS" are.

I would like to begin my report with a presentation of what our employees have worked at: topics such as power saving networking, energy efficient LEDs, the advancement of comfort and safety functions like automatic climate control, automatic parking, human machine interfaces (HMI) via gesture detection, tire pressure control systems, and pedestrian protection. Apart from these product and application developments, the Asian market often was the focus of our activities, as was the ongoing expansion of our production capacity by the conversion from 6-inch to 8-inch. While doing this, we always bear in mind that the requirements for the auto manufacturers and thus for ELMOS as a supplier of semiconductors and sensors is in a constant state of change: Conventional drive systems are being optimized and new technologies are being developed. Increasing urbanization and more renewable energy sources (and dealing with them in an efficient way) as well as more and more environmentally sound mobility demand new products and new ideas. ELMOS employees work at this every day and, with new approaches and innovations, finally create a product that you will use every day in the future.

Following this brief insight into the technical issues, I would like to direct the focus on the changes with a direct or indirect impact on our employees. Or, to put it another way: What was new or different from the year before?

For our employees in Asia, it was not a normal year – in a positive sense. Because in 2010, most of them did not belong to the ELMOS Group yet, and now, as we have our own locations in Singapore, Seoul, and Shanghai, we can proudly give account that we have erected – figuratively speaking – "lighthouses" that establish our basis for the future expansion in this region. The pace of business there is completely different than in other regions of this world: Asian customers often want a solution faster than European or U.S. customers do. While just a few years ago the manufacturers of the Asian region settled for second best solutions, they now directly aim for cutting-edge electronic solutions. This approach will become established in 2012. The opportunities for growth can only be seized if innovative solutions are brought to series production faster than before and if you are there on location and understand the language and the culture. The majority of our office staff in Asia therefore come from these regions.

Our expanded development activities form the basis for this expansion. The development teams have not only gained capacity but enhanced capabilities as well. Thus we can bring more innovations to market more quickly – even, and especially, to Asia. The new teams in Germany, China, Singapore, and South Korea have exactly the kind and degree of motivation that has made ELMOS successful for years now. For these new employees, 2011 was not a normal year after all.

Nor was 2011 a year like any other for our production. On the one hand, we pressed ahead with the conversion from 6-inch to 8-inch wafers successfully. On the other hand, our South Korean manufacturing and technology partner MagnaChip delivered automotive-qualified 0.35µm wafers to ELMOS in 2011 for the first time. Due to the cooperation with this contract manufacturer, we become more flexible within the manufacturing network “ELMOS”. Moreover, we have expanded our cooperation for testing semiconductors in Southeast Asia further in 2011. With the natural disasters in Japan and Thailand, the semiconductor industry came to realize anew in 2011 that regional single sourcing comes at a high risk. Strategies for an increase in delivery reliability will be more important than ever in 2012 and beyond – with our different production sites, we are well-prepared for that.

For a start-up company, every year is exciting. So 2011 was a special year for the solar start-up TetraSun based in California/U.S.A. TetraSun develops a new kind of monocrystalline silicon solar cells for reaching high efficiency at low production cost. ELMOS has secured itself a non-controlling interest in this promising enterprise.

That we would successfully complete 2011 even economically was not a matter of course, and it is essentially to the credit of our employees. The financials reflect this: Sales gained 5.2% to 194.3 million Euro, the gross margin was 46.1% (2010: 45.3%). The EBIT (earnings before interest and taxes) climbed to 26.6 million Euro (2010: 23.1 million Euro). This equals an EBIT margin of 13.7% of sales (2010: 12.5%). The group’s net income reached 18.9 million Euro, or a margin of 9.7% of sales, and thus corresponded with basic earnings per share of 0.98 Euro – yet another record since the IPO. The adjusted free cash flow showed a sustained positive performance at 10.7 million. We have thus reached our targets for 2011 to the full extent. Supervisory Board and Management Board therefore propose to the Annual General Meeting the distribution of a dividend in the amount of 0.25 Euro per share.

For the 2012 outlook, the one thing that can currently be considered certain is that it will not be an easy year. More and more indications suggest that the upswing will slow down worldwide. However, ELMOS is in a very good starting position: We respond quickly and flexibly to any positive or negative changes in the global economy. By the consistent implementation of its strategy over the past years, ELMOS has grown into a financially strong company with a broad range of know-how. Still the company remains dependent on the global economic framework. As a result of the economic uncertainty, we have observed a defensive order behavior of our customers for a few months now. Due to the slow start of the new fiscal year, ELMOS anticipates 2012 sales on the 2011 level. We will continue the increased commitment to sales and development particularly in Asia. This will affect profitability in 2012 compared to 2011. Capital expenditures are scheduled to be less than 15% of sales. The free cash flow will be positive.

I think the year 2012 will be another very exciting year, but ultimately another good year for ELMOS. I think we have the right people in all areas, employees who radiate **“we love what we do”** in their daily work, people who not only recognize the right thing to do based on their intelligence, empathy, team spirit, and openness – but who also go and do it.

In closing, and on behalf of the entire Management Board, I would once more like to give my heartfelt thanks to our customers and partners, our shareholders and our Supervisory Board, and to all who have contributed to the success of ELMOS – and especially to our employees.

Dr. Anton Mindl
CEO of ELMOS Semiconductor AG

Supervisory Board

(from left to right) Thomas Lehner, Prof. Dr. Günter Zimmer, Dr. Klaus Weyer, Dr. Klaus Egger, Dr. Burkhard Dreher, and Sven-Olaf Schellenberg

Prof. Dr. Günter Zimmer, *chairman*
Graduate physicist | Duisburg
-> Member of the Board of Directors of Dolphin Intégration S.A.

Dr. Burkhard Dreher, *vice chairman*
Graduate economist | Dortmund
-> Member of the Supervisory Board of Arcelor Mittal Eisenhüttenstadt GmbH
-> Member of the Supervisory Board of Vattenfall Europe Mining AG

Dr. Klaus Egger
Graduate engineer | Steyr-Gleink, Austria
-> Member of the Board of Hilite International Inc.

Thomas Lehner
Graduate engineer | Dortmund

Sven-Olaf Schellenberg
Graduate physicist | Dortmund

Dr. Klaus Weyer
Graduate physicist | Penzberg

as of December 31, 2011; for periods of membership, please refer to the **Supervisory Board report**

Supervisory Board report 2011

Dear shareholders,

the Supervisory Board diligently attended to its duties and responsibilities imposed by law and the articles of incorporation in fiscal year 2011. 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 individually. The Management Board's reports on all business transactions of relevance to the company were examined and discussed at length 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. Outside the framework of Supervisory Board meetings, the chairman and other members of the Supervisory Board were also informed about essential business transactions by the CEO. Conflicting interests of Management Board or Supervisory Board members subject to mandatory disclosure to the Supervisory Board or the General Meeting did not occur.

There were four meetings altogether in fiscal year 2011, namely on March 1, 2011, May 17, 2011, September 7, 2011, and December 16, 2011. The Supervisory Board meeting held on March 1, 2012 centered on the adoption and approval of the 2011 financial statements.

During the sessions, the Supervisory Board informed itself in detail about the development of the fiscal year ended December 31, 2011, the company's situation, and current business policy decisions on the basis of written and oral reports given by the Management Board. Based on these comprehensive explanations, the Supervisory Board passed the required resolutions. If necessary, resolutions were passed by Supervisory Board and Management Board together.

The Supervisory Board regularly discussed the current performance of the company with respect to sales, earnings, and liquidity in its sessions. In the individual meetings, the situation and structure of the group companies as well as the group's strategic development beyond the year under review were dealt with in detail. Central issues were the expansion of sales activities and the new development locations in Asia as well as the expansion of development activities in Europe. The Supervisory Board also gave close attention to the company's investment in California's solar enterprise TetraSun Inc. Other key topics were the ongoing conversion in production from 6-inch to 8-inch wafer diameters and the inclusion of MagnaChip as foundry partner, the stock option plan 2011 for employees and Management Board members, the risk management system, the present status of the compliance program, the strategic process, and the company's compliance with the recommendations and suggestions of the German Corporate Governance Code. Yet another issue of priority was the appointment of the new Management Board member for Development and Sales. Furthermore, the Supervisory Board prepared the upcoming Annual General Meeting to be held on May 8, 2012. It also discussed the appointment of the auditor and supervised auditor independence. Moreover, the Supervisory Board examined the efficiency of its own work and evaluated it.

In its session of March 1, 2012, the Supervisory Board concerned itself with the financial statements of both ELMOS Semiconductor AG and the group. The auditor was also present for a part of this discussion. At this meeting, the financial statements and the consolidated financial statements were adopted and approved by the Supervisory Board.

All of the regular meetings of the Supervisory Board were attended by all of its members.

Audit of financial statements and consolidated financial statements

Consulting the certified accountants of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Dortmund, the Supervisory Board concerned itself in its meeting of March 1, 2012 with the audit of the financial statements and consolidated financial statements for the fiscal year ended December 31, 2011. According to the resolution of the Annual General Meeting of May 17, 2011 and the ensuing commission given by the Supervisory Board to the auditor, the financial statements prepared in accordance with HGB provisions (German Commercial Code) for the fiscal year ended December 31, 2011 and the management report of ELMOS Semiconductor AG were audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Dortmund. The auditor issued an unqualified audit opinion. The consolidated financial statements of ELMOS Semiconductor AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and completed with the statements required under Section 315 a (1) HGB. The consolidated financial statements according to IFRS and the group management report also received an unqualified audit opinion. The financial statement documents, the annual report, and the audit reports were submitted to all Supervisory Board members in due time. In the Supervisory Board meeting held on March 1, 2012, the statements and reports were also explained by the Management Board. The certified accountants who had signed the audit reports also reported on the results of their audit in this session.

After its own examination of financial statements and management report of ELMOS Semiconductor AG, consolidated financial statements and group management report of the ELMOS Group, and the Management Board's proposal for the appropriation of profits, the Supervisory Board approved the auditor's findings based on the audit and approved the financial statements of ELMOS Semiconductor AG and the consolidated financial statements of the ELMOS Group. The financial statements are thus adopted. The net income of ELMOS Semiconductor AG in accordance with HGB amounts to 18.9 million Euro in 2011; the profit carried forward from the year 2010 comes to 55.5 million Euro after dividend distribution. Retained earnings thus add up to 74.4 million Euro. Supervisory Board and Management Board propose to the Annual General Meeting the resolution to pay a dividend of 0.25 Euro per share out of these retained earnings and to carry forward the remaining amount to new accounts.

Corporate Governance

Management Board and Supervisory Board cooperate closely to the company's benefit and are committed to the sustainable increase of shareholder value. The Supervisory Board informs itself regularly about the new standards of corporate governance. In September 2011, Management Board and Supervisory Board jointly released an updated declaration pursuant to Section 161 AktG (Stock Corporation Act) on compliance with the recommendations of the German Corporate Governance Code in the version of May 26, 2010. It can be found in this annual report on page 23. This and all previous declarations of compliance have been made permanently accessible to the shareholders on the company's website. The joint corporate governance report prepared by Management Board and Supervisory Board is also part of this annual report, starting on page 22.

Composition of Supervisory Board and Management Board

The Supervisory Board consists of six members and does not set up committees.

The Annual General Meeting of May 17, 2011 elected a new Supervisory Board. Due to the necessity of a new composition of the Supervisory Board in accordance with Sections 1 (1), 4 DrittelbG (One-Third Participation Act) and Sections 95, 96 (1) AktG (Stock Corporation Act), the mandates of all former Supervisory Board members expired on May 17, 2011. Furthermore, the Annual General Meeting of May 17, 2011 decided an amendment to the articles of incorporation, increasing the number of the members of the Supervisory Board from three to six. Up to the entry of this amendment to the articles of incorporation in the commercial register on June 27, 2011, the board consisted only of three acting members.

Compliant with the German One-Third Participation Act ("Drittelbeteiligungs-Gesetz"), the Supervisory Board consists of four shareholder representatives and two employees' representatives. Elected to represent the shareholders were Prof. Dr. Günter Zimmer, Dr. Burkhard Dreher, Dr. Klaus Egger, and Dr. Klaus Weyer. Thomas Lehner and Sven-Olaf Schellenberg were previously elected to the board as employees' representatives. The new Supervisory Board, initially consisting of Prof. Dr. Zimmer, Dr. Dreher, and Mr. Schellenberg, convened for the first time after the Annual General Meeting. In this constituent meeting, Prof. Dr. Günter Zimmer was elected chairman and Dr. Burkhard Dreher was elected vice chairman of the Supervisory Board. After the entry of the amendment to the articles of incorporation in the commercial register on June 27, 2011 for the purpose of an increase in the number of Supervisory Board members, Dr. Egger, Mr. Lehner, and Dr. Weyer also became members of the Supervisory Board.

Dr. Peter Geiselhart was appointed new member of the Management Board for Development and Sales effective January 1, 2012. Former Management Board member for Development and Sales, Jürgen Höllisch, left the company as of February 29, 2012. We thank Mr. Höllisch for his dedicated work on the Management Board and his successful contribution to the expansion of the product portfolio and the markets for ELMOS.

More information on the members of the Management Board and the Supervisory Board can be found on pages 14/15 and on page 18 of this annual report.

The Supervisory Board thanks all employees and all members of the Management Board for their commitment and their contribution to the success in fiscal year 2011.

Dortmund, March 1, 2012

On behalf of the Supervisory Board
Prof. Dr. Günter Zimmer
Chairman of the Supervisory Board

Corporate governance report

(including the statement on corporate governance)

In the following chapter, the Management Board – also on behalf of the Supervisory Board – reports on corporate governance at ELMOS Semiconductor AG pursuant to No. 3.10 of the German Corporate Governance Code. This chapter includes the statement on corporate governance in accordance with Section 289a HGB (German Commercial Code) and the remuneration report.

Implementation of the German Corporate Governance Code

For the Management Board and the Supervisory Board of ELMOS Semiconductor AG, corporate governance means the realization of responsible and sustainable company management with the necessary transparency in all areas of the group. Management Board and Supervisory Board have again concerned themselves intensively in fiscal year 2011 with the provisions of the German Corporate Governance Code in its last amended version of May 26, 2010. In September 2011, they jointly released the declaration of compliance in accordance with Section 161 AktG once again. Apart from the four reported deviations, all recommendations of the German Corporate Governance Code are complied with. All previously released declarations of compliance have been made permanently accessible on the ELMOS website.

Compliance

One of the essential tasks of the Management Board is the control and monitoring of compliance in the group. Compliance stands for the observance of applicable law as well as of all rules and guidelines that exist within the company. The compliance program at ELMOS provides the organizational foundations for this. The essential principles applied by ELMOS were put down in January 2011 in a code of conduct. It primarily includes guidance on the interaction with business partners and colleagues, dealing with information and data, and avoiding conflicting interests, and it addresses the issues workplace safety and environmental protection. All employees were given copies of the code of conduct for their information. Training courses have been held for particularly sensitive areas. The code of conduct is a binding component of every employment contract concluded after the code's introduction. It is available on the ELMOS website and is effective throughout the group.

Individuals with access to insider information find entry in an insider list and are informed about the applicable statutory provisions. They are regularly referred to trade restrictions due to their insider status.

Working methods of Management Board and Supervisory Board

Management Board and Supervisory Board feel jointly committed to responsible corporate governance. Their highest goal is to safeguard the company's existence and to increase the shareholder value.

The Management Board currently has four members. At the beginning of the year 2012, Dr. Peter Geiselhart joined the Management Board. He assumed responsibility for Development and Sales, taking over from Jürgen Höllisch, who left the company as of February 29, 2012. For an interim period from January 1 to February 29, 2012, the Management Board thus had five members.

The members of the Management Board are responsible for their respective key areas (overview on pages 14/15); together they assume responsibility for the entire management in accordance with the applicable law, the articles of incorporation, the board's rules of procedure, and the resolutions of the General Meeting of shareholders. The Management Board represents the company to the outside world. The board is responsible for the management of the group, the definition and monitoring of the group's strategic orientation and cor-

Declaration of compliance 2011

Management Board and Supervisory Board of ELMOS Semiconductor AG declare in accordance with Section 161 AktG (German Stock Corporation Act):

"I. Statements with respect to the future

ELMOS Semiconductor AG complies with the recommendations of the "Government Commission German Corporate Governance Code" (in short: GCGC) in its current version of May 26, 2010 with the following exceptions and will comply with them in the future with the exceptions here stated:

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

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

-> Remuneration of the Supervisory Board members is stated in the corporate governance report with reference to its components but not individualized (GCGC No. 5.4.6 sentence 6). Remuneration paid by ELMOS Semiconductor AG to Supervisory Board members for individually performed services, in particular consulting and mediation services, is also not disclosed individually (GCGC No. 5.4.6 sentence 7). In order to assure equal treatment in the disclosure of the remuneration of Management Board and Supervisory Board, the Supervisory Board's remuneration is not disclosed in a more extensive individualized form as well.

-> The Supervisory Board does not discuss each half-year or quarterly financial report prior to publication for the purpose of expeditious implementation (GCGC 7.1.2).

II. Statements with respect to the past

The GCGC in the version of Mai 26, 2010 and announced by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on July 2, 2010 have been complied with since the release of the declaration of compliance in December 2010 with the exceptions mentioned above under I."

Dortmund, September 2011

G. Zimmer

Prof. Dr. Günter Zimmer
Chairman of the Supervisory Board

Dr. Anton Mindl
Chief Executive Officer

porate targets, and group financing. The Management Board usually meets in full session once a week. The Management Board gives regular, extensive, and timely reports to the Supervisory Board on all developments and events of relevance to the company.

The Supervisory Board supervises the Management Board, appoints its members and advises them with respect to the company's management. Upon the nomination of candidates for the Management Board, the Supervisory Board examines the eligibility of women and men equally. However, finding the right person for the position according to his or her qualification for the benefit of the company remains the top priority.

Management Board and Supervisory Board work together closely and with mutual trust. The Management Board always involves the Supervisory Board in essential decisions. The rules of procedure of the two boards define this cooperation, among other issues. A detailed summary of the Supervisory Board's work can be found in the Supervisory Board report starting on page 19. The chairman gives a report to the shareholders on the board's work over the past fiscal year at each Annual General Meeting.

The Supervisory Board has six members, elected for five years in accordance with the articles of incorporation. The amendment to the articles of incorporation providing for an increase in the number of Supervisory Board members from three to six was decided by the Annual General Meeting on May 17, 2011. Pursuant to the provisions of the German One-Third Participation Act (Drittelbeteiligungsgesetz), the Supervisory Board consists of four shareholder representatives and two employees' representatives. The representatives of the shareholders are elected by the Annual General Meeting, the employees' representatives are elected by the staff. The most recent elections were held in 2011 so that the Supervisory Board is elected until the 2016 Annual General Meeting. The Supervisory Board does not set up committees as this would not lead to an increase in the efficiency of its work at present.

Based on the requirements defined by the German Corporate Governance Code, the Supervisory Board has established goals and principles with respect to the board's composition. Among them are international experience, technical and entrepreneurial expertise, strategic vision, knowledge of the company, industry specific know-how, and experience with accounting and internal control processes. Diversity and the avoidance of conflicting interests are part of these principles as is an adequate participation of women. The Supervisory Board has set itself the target that at least one woman shall be represented on the Supervisory Board in the future. It has also determined an age limit of 72 years for its members at the time of election.

These goals and principles – with the exception of the intended participation of women – are fully realized already with the present composition of the Supervisory Board of ELMOS Semiconductor AG and will also be considered for future nominations. At the last election, the pursued participation of women could not be realized yet; however, it remains the stated goal to consider women for these positions as well. The election proposals made by the Supervisory Board for the election of Supervisory Board members will primarily be oriented toward the company's benefit while considering these goals.

The composition of Management Board and Supervisory Board are described on pages 14/15 and on page 18 of this annual report.

Shareholders and General Meeting

Shareholders make use of their rights at the Annual General Meeting. Prior to the meeting, they receive the agenda, the conditions for participation, and upon request the annual report. All the documents relating to the upcoming and the past Annual General Meetings as well as further information on participation in and voting at the General Meeting are available on our website – also in English – and can be requested in print from the company.

Shareholders who cannot attend the Annual General Meeting in person have the option to assign their voting rights to proxies nominated by ELMOS. The proxy can be contacted throughout the entire length of the General Meeting. Furthermore, the Annual General Meeting is broadcast in its entirety per webcast on our website. After the General Meeting, shareholder presence and voting results will be announced on our website. The next Annual General Meeting will be held on May 8, 2012 in Dortmund.

Dates of importance to the shareholders are compiled annually in a financial calendar which is published on the Internet and in the annual report. All quarterly and annual financial reports are available on the website. The CEO and the CFO regularly provide information to analysts and investors within the framework of road shows and conferences. The investor relations team of ELMOS Semiconductor AG is also available for any questions the shareholders may have.

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 the risk management system implemented at ELMOS. 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.

Audit conducted by Ernst & Young

Before submitting the proposal for the appointment of the auditor, the Supervisory Board obtained a declaration from the auditor for fiscal year 2011 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. 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 material findings and incidents 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 audit 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 plans

ELMOS has issued stock option plans for employees, executives, and Management Board members. Stock options continue to represent an important and customary component of a modern remuneration 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 therefore is the beneficiaries' incentive within the framework of the stock option plan. The performance hurdle and the absolute performance target are 20% so that options can only be exercised if the shareholder value has been increased considerably. Moreover, 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.

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

Remuneration report

Total remuneration of the Management Board

The Supervisory Board decides and routinely reviews the remuneration system and the essential contract terms and conditions for the Management Board members in full session. Total Management Board remuneration comprises a fixed monthly salary, a management bonus, and stock options as well as 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 4, 2010 decided to exempt the company from its legal obligation for individualized disclosure of Management Board remuneration for the period of five years.

In fiscal year 2011, the members of the Management Board received a total fixed remuneration of 1,587 thousand Euro (2010: 1,318 thousand Euro) and variable remuneration of 1,051 thousand Euro (2010: 1,791 thousand Euro). Management Board remuneration comprises fixed components and variable incentive components which are linked to the group's current earnings before taxes on the one hand and personal, individualized targets, agreed on annually with the Supervisory Board, on the other hand. In the year 2011, 50,000 stock options (2010: 50,000 stock options) of ELMOS Semiconductor AG were issued altogether to the members of the Management Board. The total time value of these options came to 88 thousand Euro at the time they were granted (2010: 112 thousand Euro). 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 2011, contributions to these pension plans amounted to 520 thousand Euro (2010: 341 thousand Euro). They are included in the fixed components of the remuneration.

Remuneration of former Management Board members or their surviving dependants amounted to 268 thousand Euro in fiscal year 2011 (2010: 364 thousand Euro). In addition, insurance premiums of 271 thousand Euro were paid for this group of beneficiaries (2010: 347 thousand Euro). Pension provisions for former Management Board members or their surviving dependants came to 2,502 thousand Euro as of December 31, 2011 (2010: 2,533 thousand Euro). After setting off pension provisions against the time value of pension plan reinsurance, 364 thousand Euro (2010: 480 thousand Euro) remain as pension provisions and similar obligations altogether recognized for the group.

Apart from pension commitments and compensation agreements in case of a change of control, no additional benefits have been promised to any Management Board member in case of the termination of occupation. Nor did any member of the Management Board receive benefits 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 variable payments apart from the reimbursement of their expenses. The variable remuneration is linked to the dividend and thus oriented toward the company's long-term success. 25 percent of the fixed remuneration and 100 percent of the variable remuneration are paid in shares of the company at present. The Supervisory Board members are not granted stock options of ELMOS Semiconductor AG for their positions on the board. The employees' representatives receive stock options only in the context of their employment with 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. The Supervisory Board members' remuneration is disclosed in summarized form, yet not individualized. This also applies for payments made to Supervisory Board members for individually performed services, particularly consulting and mediation services.

The fixed remuneration paid to members of the Supervisory Board amounted to the total sum of 59 thousand Euro in fiscal year 2011 (2010: 85 thousand Euro). This amount includes expenses and disbursements. Payments of variable remuneration amounted to 89 thousand Euro (2010: 0 thousand Euro). The company paid 23 thousand Euro (2010: 140 thousand Euro) to members of the Supervisory Board for consulting and other services.

Directors' dealings

Individuals who hold 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 in accordance with Section 15a WpHG (Securities Trading Act). All such directors' dealings are announced immediately upon notification Europe-wide and publicized 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 stock 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. In accordance with No. 6.6 GCGC, the members of the Supervisory Board had combined direct or indirect holdings of approx. 40% of the stocks issued by the company and the members of the Management Board had combined direct or indirect holdings of less than 1% (as of December 31, 2011).

Integral labor, social and ethical standards

A high satisfaction level among the employees and the development of their full potential should be the objective for any company. For this reason, ELMOS offers its employees regular specialist **trainings and further education courses** in various formats in order to safeguard effective work and a continuous professional development of the staff. Since ELMOS is an internationally positioned company, employees are e.g. trained in English in economy, finance, and sales classes by an English tutor. This measure leads the students to the internationally acknowledged Cambridge Certificate.

ELMOS wants to be more than just a place to work and is aware of its social responsibility for its employees. Apart from an in-house gym for **health promotion,** the ELMOS health team provides a comprehensive and versatile portfolio of examinations and events for its employees. In addition to birthmark control and the annual flu shot, an event on the issue of breast cancer prevention was held in the year 2011. The most important event, however, was organizing a corporate typing session on the premises of ELMOS in cooperation with the German Bone Marrow Donor Center (DKMS) with the result that new donors for people suffering from leukemia were registered. Another very special project with respect to **social responsibility** is the Knut Hinrichs Relief Fund, initiated by ELMOS employees. The goal of this registered association is the granting of one-time financial aid or ongoing support in cases of need and indigence as well as providing health prevention and further education to acting or former employees as well as their spouses and children. Knut-Hinrichs-Unterstützungskasse e.V. is funded by voluntary grants contributed by ELMOS Semiconductor AG. In the year 2011, assistance could be provided by this association in three cases.

The issue of **compliance** is gaining more and more in importance against the backdrop of a globalizing economy. Compliance is regarded as the observance of laws and guidelines in companies. ELMOS has prepared a code of conduct which is binding for all employees. In this code, ELMOS commits itself to a corporate culture based on mutual respect, regardless of sex, religion, nationality, ethnical background, disabilities, and age. The code also deals with the principles of entrepreneurial conduct, the handling of information and data, donations, workplace safety, environmental protection, and leadership, responsibility and supervision. The code is available for download on our website and can be requested as a print copy.

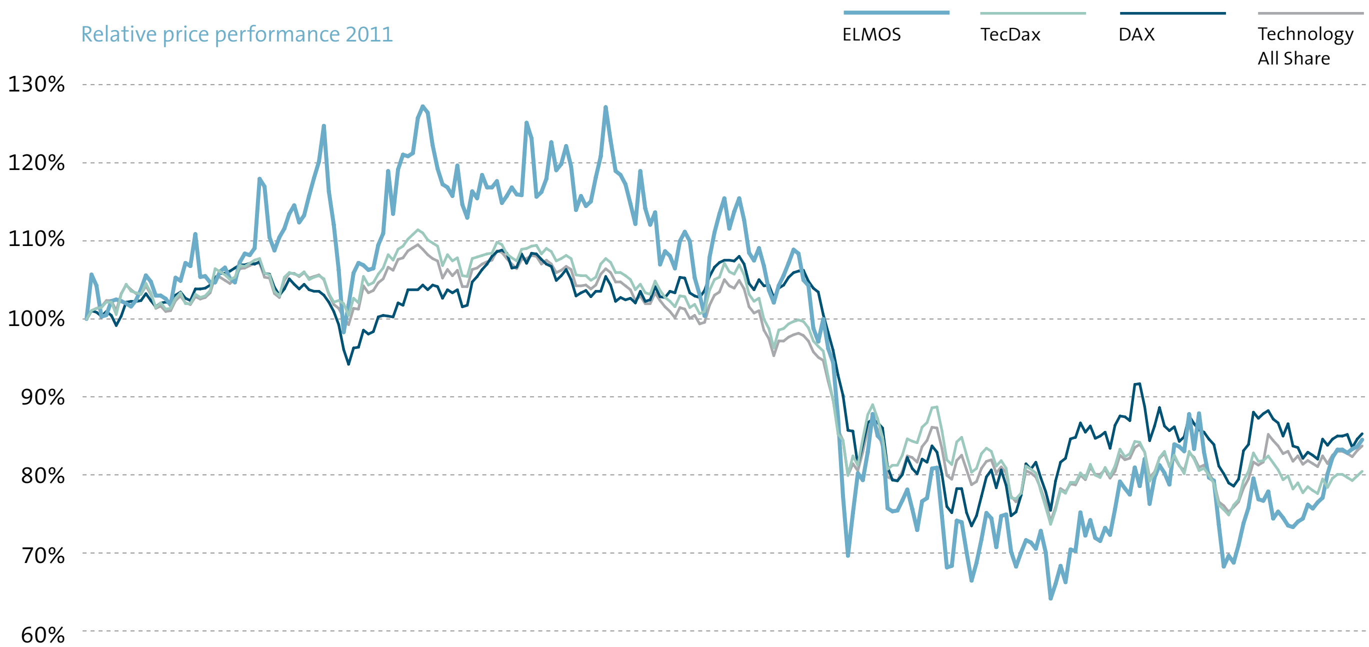
Environmental protection is one of our guiding corporate principles. For us, product quality, economy, occupational safety, and environmental protection are equally high ranking corporate goals and components of an integrated corporate philosophy. Acting responsibly today safeguards the future. Our commitment to the environment shows in our ISO 14001 certification. For more than 10 years, ELMOS has actively taken measures beyond statutory eco and health protection regulations. We want to make a contribution so that co-workers and neighbors can continue living in a healthy environment in the future. You can find all the data and facts on the issue of environment as well as information on eco targets both defined and reached in our eco report available on our website.

It is also important to us as a company to assume responsibility for society. **Youth and training promotion** is a part of it for us, as is the **support of charitable institutions.** In the context of our social responsibility, we therefore regularly donate to the charities. In 2011, ELMOS supported KITZ.do, among other projects, a center for raising the interest of school kids in technical and natural sciences. Over the past years, we tried to make a contribution to the remedy of urgent problems both domestically and abroad by a large number of different fundraising campaigns. In 2011, one of these measures was financing the corporate typing event for the German Bone Marrow Donor Center.

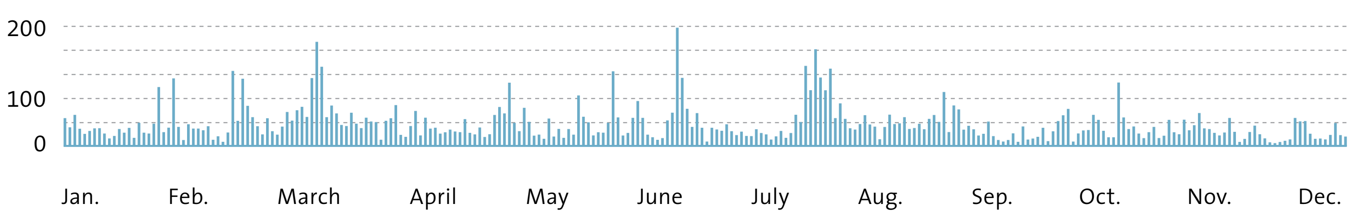
ELMOS share

General development in the stock markets

Relative price performance 2011



ELMOS trading volume (Xetra and Frankfurt floor) in thousand shares



The development in the stock markets was split in two in 2011. While the first half of the year – despite the natural disaster in Japan – predominantly recorded light upward and sideways movements, there was a stock price collapse at the end of July/beginning of August 2011. In view of the deteriorating economic data from the U.S. and the consequences of rising public debt – with a new austerity package for Greece, acquisitions of Italian and Spanish government bonds by the European Central Bank and concern about the state of the European banks –, the stock markets were under a lot of pressure. After grim losses, the stocks managed to recover a little by the end of the year. However, the high volatility of the markets did not let up and was fueled even more by fears of a worldwide economic downturn.

Therefore all indices lost value in 2011: The DAX fell by 14.7%, Technology All Share dropped 16.2%, the TecDax lost 19.5%, and the DaxSector Technology declined by 27.6%. The ELMOS share lost 15.4% in the year under review and thus performed better than most indices did. It reached its 52-week low of 6.03 Euro on October 4, 2011 and its 52-week high on April 6, 2011 at 11.98 Euro. At the end of the year, the ELMOS share was quoted at 7.96 Euro.

ELMOS share price performance

Period ended 12/31/2011	Since 1/1/2010	Since 1/1/2011
ELMOS (Xetra)	**18.8%**	**–15.4%**
Industry indices		
TecDAX	–16.2%	–19.5%
DAXSector Technology[1]	15.3%	–27.6%
DAXSector All Technology[1]	–31.7%	–40.5%
Technology All Share[1]	–8.6%	–16.2%
DAXSubsectorSemiconductors[1]	18.5%	–27.2%
DAXSector Automobile	26.7%	–19.0%
General market indices		
DAX	–1.0%	–14.7%
Prime All Share[1]	1.4%	–14.3%
CDAX[1]	0.9%	–14.8%

[1] ELMOS is included in these indices

The average daily trading volume of the ELMOS share (Xetra and Frankfurt/Main) kept up the satisfactory trend of the past years and recorded another slight increase over the previous year, now coming to 46.5 thousand shares (2010: 42.3 thousand shares). About 90% of the shares continued to be traded on Xetra.

The market capitalization of ELMOS amounted to 154.5 million Euro at the end of the year (December 31, 2010: 182.7 million Euro), based on 19.4 million shares issued.

ELMOS key stock data

	2010	2011
Number of shares outstanding at the end of the year	19,414,205	19,414,205
52-week high (Xetra)	9.54 Euro | (Dec. 13)	11.98 Euro | (April 6)
52-week low (Xetra)	5.60 Euro | (May 25)	6.03 Euro | (Oct. 4)
Year-end closing price (Xetra)	9.41 Euro	7.96 Euro
Annual performance	40.4%	–15.4%
Market capitalization at the end of the year	182.7 million Euro	154.5 million Euro
Market value to book value[1] at the end of the year	1.1	0.8
Shares traded on daily average (Xetra and Frankfurt floor)	42.3 thousand	46.5 thousand
Earnings per share (basic)	0.92 Euro	0.98 Euro
Dividende per share	0.20 Euro	0.25 Euro[2]

[1] Shareholders' equity
[2] Proposal to the Annual General Meeting in May 2012

Basic stock information

Key data	
ISIN	DE0005677108
WKN	567710
Stock symbol	ELG
Reuters	ELGG.DE
Sector	Technology

The ELMOS share is a no-par value bearer share (no-par share). It is traded on all German stock exchanges 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 value ordinary bearer shares
Transparency level	Prime Standard
Market segment	Regulated market
IPO	October 11, 1999
Designated sponsors	Close Brothers Seydler Bank, WestLB
Index inclusion	CDAX, DAX International Mid 100, DAXPLUS FAMILY, DAXSector All Technology, DAXSector Technology, DAXSubsector All Semiconductors, DAXSubsector Semiconductors, Prime All Share, Technology All Share

Shareholder structure

The share capital of ELMOS Semiconductor AG is divided into 19,414,205 no-par value shares with a proportionate amount of 1.00 Euro of the share capital allotted to each share. As of December 31, 2011, the company holds 105,931 treasury shares. In the year 2012, stock options from the tranche issued in 2009 can be exercised for the first time which might lead to an increase in share capital by a maximum amount of up to 458,230 Euro.

On January 7, 2011, **Fidelity** Management & Research Company fell below the voting rights threshold of 3%. As of that date, the company held 2.95% or 571,782 voting rights in ELMOS. On January 25, 2011, the parent FMR LLC also fell below the voting rights threshold of 3%, taking into consideration the voting rights held by its subsidiaries attributed to the parent. At that time, the company held 2.96% or 575,000 voting rights in ELMOS, including the voting rights held by subsidiaries and attributed to the parent.

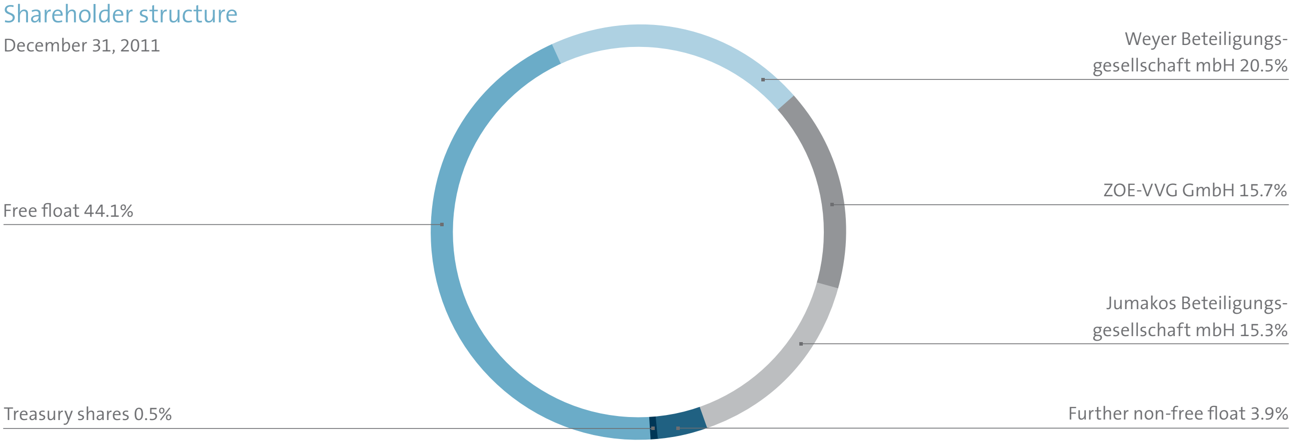
On March 3, 2011, **JP Morgan Asset Management** (UK) exceeded the voting rights threshold of 3% and held at that date 3.01% or 583,766 voting rights. On March 15, 2011, it fell below the voting rights threshold of 3% again. At that time, the company held 2.97% or 575,750 voting rights.

On March 4, 2011, **FPM Funds SICAV** (Luxembourg) exceeded the voting rights threshold of 3% and held 3.02% or 585,785 voting rights at that date. After FPM Funds SICAV fell below the voting rights threshold of 3% on May 26, 2011, holding at that time 2.98% or 579,100 voting rights, it reported that it had exceeded the voting rights threshold of 3% again on June 30, 2011, holding 3.01% or 584,531 voting rights at that date.

All voting rights announcements were made public Europe-wide according to statutory regulations and are also available at www.elmos.com.

Shareholder structure

December 31, 2011



Dividend

Management Board and Supervisory Board propose to the Annual General Meeting in May 2012 the payment of a dividend of 0.25 Euro per share for fiscal year 2011 out of the 2011 retained earnings of ELMOS Semiconductor AG in the amount of 74.4 million Euro. This equals a dividend increase per share by 25%. The total dividend payout would thus amount to approximately 4.8 million Euro.

Investor Relations

In the year 2011, ELMOS continued to inform investors about the current situation and the 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 realistically assess our business situation and, in particular, to consider our prospects. ELMOS pursues the goal 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.com on the Internet. Apart from information about corporate governance, the Investor Relations section also offers financial reports, a financial calendar, the company's articles of incorporation, information on the Annual General Meeting, press releases, directors' dealings, and the recordings of our conference calls on the occasion of quarterly and annual financial statements. ELMOS is also happy to send out information such as annual reports or quarterly reports by mail or e-mail. We maintain an e-mail distribution list to inform interested investors regularly about corporate news, and we are also active in social networks (Twitter, Xing, and YouTube).

Annual General Meeting

13,597,191 Euro or 70.04% of the share capital were represented at the twelfth Annual General Meeting held on May 17, 2011 at the Casinosaal Hohensyburg in Dortmund. Each agenda item was adopted with a large majority of the votes. The General Meeting decided the increase of the Supervisory Board from three to six members. Apart from the usual items on the agenda, the Management Board was also authorized to create new authorized capital due to the expiry of the previous authorization. At the Annual General Meeting 2011, 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 attend in person were able to watch the broadcast of the General Meeting on the Internet again last year, either live or as a recording later. The upcoming Annual General Meeting on May 8, 2012 will also provide shareholders and potential investors with the option to use the Internet broadcast. 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.

Research-Coverage

-> Close Brothers Seydler Research
-> DZ Bank
-> fairesearch
-> Natixis Securities
-> Mirabaud Securities
-> Warburg Research
-> WestLB

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.com, www.elmos.com

At ELMOS I study the basics of IT and apply them on the job.

This allows me to make a career of my hobby. And the casual working environment makes my training just as much fun as my hobby does.

Yannick Bockshecker, electronic technician trainee, information and telecommunication systems

As an automotive semiconductor specialist, ELMOS has high quality awareness.

As project manager, I pay attention to meeting the targets of our customers and giving them 100% satisfaction at each and every step. Their positive feedback proves that ELMOS is doing a good job.

Ravi Dhanaraj, project manager

Job training, extra-occupational studies and a stay abroad – all this I have achieved with ELMOS.

Now, after earning my graduate degree, I will have my part in developing the energy saving products of tomorrow. This is how I am making my contribution at ELMOS to creating a promising future, both for myself and for society.

Verena Mester, test engineer

After my training at ELMOS I decided to go to university and to keep working at ELMOS on the side.

Following my direct job entry and a stint at our Californian subsidiary, I am now able to share the full range of my knowledge and skills in my job as process engineer.

Sebastian Husemann, process engineer

Business and economic framework

Business activity

ELMOS was founded in the year 1984 in Dortmund where the company has its headquarters. The majority of sales (more than 90%) is generated with microelectronic circuits – so-called semiconductors. The smaller portion of shares is generated with micro-electro-mechanical systems (MEMS).

Extensive product portfolio

The core competence of ELMOS is the development, manufacturing and distribution of mixed-signal semiconductors. The mixed-signal technology ELMOS provides is distinguished by manufacturing high-voltage components, sophisticated analog functions, and complex digital circuits in one compact process. This combination of rather entirely different requirements in one process is the core of the mixed-signal technology of ELMOS. Semiconductor chips in mixed-signal technologies are particularly suited for applications where the chip must have high packing density and is at the same time required to work under extreme ambient conditions. With respect to the automobile, this means that a mixed-signal chip makes perfect sense wherever processes are analyzed and circuits are connected. An integrated sensor e.g. is capable of detecting and analyzing the yaw rate, acceleration, slope angle, pressure, and even light. There are many fields of use in industrial and consumer goods applications as well, for instance in motion detectors, gesture and proximity detection, smoke detectors, or products featuring electronic motors.

MEMS complete the product portfolio. At ELMOS, they come primarily in the form of high-precision pressure sensors in silicon, developed, manufactured and distributed by the subsidiary Silicon Microstructures (SMI) in Milpitas/U.S.A.

ELMOS: the specialist for automotive electronics

Roughly 85% of sales are generated with electronics for the automotive industry. The share of electronics in the automobile is constantly increasing: Comfort applications such as parking assist systems, air conditioning or power door locks are taken for granted today as features of contemporary vehicles. Safety and comfort electronics in particular have made a quantum leap over the last few years. Especially lower fuel consumption has recently moved to the center of attention. Further reductions are possible only through the intelligent use of electronics – this also holds true, and especially so, for the use of electric powertrains.

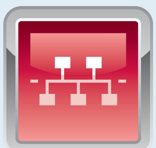
One characteristic of semiconductors for the automotive market is the long product life cycle. New automotive projects usually require development periods between one and three years before being series-produced for about three to eight years, while regional differences are noticeable. Sometimes the duration of the product life cycle changes considerably if car manufacturers put to use a similar technology platform for a family of new car models. ELMOS is able to supply its customers with the same chip over a long period because of special manufacturing options and its in-house manufacture. 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. ELMOS chips are used by virtually all automakers worldwide. Immediate competitors in certain sub-segments are austriamicrosystems, Micronas, Melexis, and ON Semiconductor. When it comes to projects involving very high volumes, ELMOS also competes with major semiconductor manufacturers such as Freescale Semiconductor, Infineon Technologies, NXP Semiconductors, and STMicroelectronics.

Potential in the markets for industrial and consumer goods

Apart from the automotive market, ELMOS is also busy in the industrial and consumer goods markets, supplying

Product portfolio



Interface components

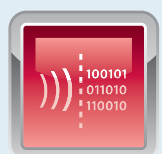
Interface products made by ELMOS facilitate communication between the separate electronic sub-assemblies. In addition to high requirements on reliability and robustness, these semiconductors must support different protocols – depending on respective application and market – so that all network participants understand each other. In vehicles for example, a so-called PSI5 interface transfers information required for reliably activating an airbag.

Motor drive systems

Motor drive systems contain integrated circuits used for operating and positioning electric motors. ELMOS semiconductors see to it that the motors are operated in an energy efficient way. With these components, actuators for power seats, AC flaps or wipers, and drivers for fans or pumps can be controlled. Apart from that, many components are also suited for industrial applications such as drive systems, blowers, and many others.

Voltage supply components

Special components made by ELMOS, so-called switching regulators, enable the energy efficient adjustment of different voltage levels, e.g. the supply of a 3.3V microcontroller from available 12V battery voltage. Similar switching regulators also serve for operating LED light sources. Depending on the number of LEDs per channel, the task is to multiply the supply voltage at constant currents. ELMOS LED driver products make this possible with high efficiency.



Sensors and safety

ELMOS has a broad product portfolio of so-called sensor readout ICs. They are utilized e.g. for reading out electric resistance sensors, recording physical quantities such as pressure, motion, and angle of light incidence, as well as for other special sensors. Ultrasonic sensor systems for example, used for parking assist systems in cars. In the realm of safety, a large number of products were developed together with customers, for the energy management of airbag systems, among other fields.

Optical sensors and HALIOS®

ELMOS components for optical sensor systems based on the HALIOS® principle facilitate innovative control systems of various applications using gestures. The components make touchless interaction with displays, smartphones, tablet PCs, or lighting applications possible. Power switch, dimming, selection, rotation and zoom functions are some of the options that can be realized. The HALIOS® principle applied is insensitive to external influences such as stray light, dirt, and wear.

Special products

The special products segment comprises many components made by ELMOS that meet a high requirements for system integration. From special energy efficient heating control, providing the operation of actuators in addition to sensor data analysis as well as taking over burner control and safety functions, up to controlling spark plugs in cars. A lot of the products are distinguished by ELMOS project experience of many years and were created in many cases in close cooperation with a customer.

semiconductors for applications e.g. in household appliances, photo cameras, medical technology, installation and facility technology, and machine control systems. The competence achieved in automotive applications can be transferred to industrial and consumer goods products in similar form. At present, the contribution to group sales amounts to roughly 15%.

Customer and application specific components

At present, ELMOS predominantly manufactures products by customer order for a specific application, exclusively for the respective customer. Apart from these customer specific circuits (ASICs), comprising about 85% of sales (2010: about 85%), ELMOS also develops and offers an ever-growing portfolio of application specific standard products (ASSPs). A majority of products currently in development are ASSPs; those will have an increasing significance for futures sales.

Strategy

In the year 2011 ELMOS continued to make progress on schedule in the implementation of its strategy. The strategic cornerstones and the progress made in their realization are outlined in the following paragraphs.

From custom tailor to trendsetter

ELMOS has made a name for itself as a specialist for solutions in the field 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 are identified and suitable approaches to solutions are developed – therefore this type of semiconductor is also called “customer specific”.

Over the past years there has been a continuing trend toward more standardized components. Many customers have decided to forgo exclusive solutions and to use application specific standard products increasingly – so-called ASSPs. Just like ASICs, they are tailored to an application, yet not developed exclusively for one customer. The internal structures are constantly being aligned in order to strengthen the position in the market for the long term. Due to the proximity to many customers, product ideas are identified and – in line with our motto, “Setting standards in innovation” – presented to the market first by ELMOS. The market success of the ASSP solutions is encouraging. In 2011, ELMOS informed the customers about the product portfolio, apart from direct customer contact in Europe, the U.S. and Asia also at the world’s leading trade fairs like SPS/IPC/Drives in Nuremberg and other trade shows, and has received positive feedback throughout.

Stronger entry into industrial and consumer goods markets

Historically speaking, our strength resides in the automotive market. However, we recognize considerable opportunities for our products and engineering services in the markets for industrial and consumer goods. In order to seize these opportunities increasingly, ELMOS has intensified its 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. The new design team members hired in 2011, e.g. for digital design, and the 50% investment in MAZ Brandenburg underline these targeted activities. The fields of network systems, lighting concepts, sensorics, and power supply meet with great customer attention.

Development of the Asian markets

Over the past years, the company has successfully taken on the development of the Asian markets, particularly in South Korea, Japan, and China, and made very good progress. Sales generated in 2011 with customers in Asia have gained considerably on the year before once again. In order to participate even more in the dynamic growth market, ELMOS opened new offices in Shanghai/China and Singapore in 2011 in addition to its location in Seoul/South Korea. Furthermore, ELMOS signed agreements with the two distributors WT Microelectronics and Technokey. Both companies are renowned specialists for the Asian countries.

Strategic partnerships

Through strategic cooperation with partners, ELMOS can make useful additions to its own capabilities in order to offer a broader product portfolio in the long term and thus to increase competitiveness. Within the framework of cooperation, we are developing a new technology generation together with the South Korean contract manufacturer MagnaChip and also use this company as partner foundry. In 2011 we obtained processed wafers for series production from MagnaChip for the first time. Thus ELMOS is able to cut down on expenditure requirements and respond more flexibly to heavily fluctuating volumes. Apart from MagnaChip, we work together with a large number of partners for assembly and testing.

Larger share of MEMS and microsystems

The development of MEMS projects has been pressed ahead with over the past fiscal years to the effect that a combination of MEMS and readout electronics (microsystem) for a safety application has entered series production. The next generation of this product is being prepared. MEMS pressure sensors for the automotive, medical and industrial markets are also in series production for customer projects. In the field of tire pressure sensorics (TPMS), the ELMOS Group has established itself as a leading supplier. Furthermore, pressure sensors increasingly find successful use in various market segments, particularly in the medical sector. MEMS will see continued rising demand over the next years and open up many new options for applications. According to recent market surveys conducted by Gartner Dataquest, pressure sensors will represent the best selling MEMS segment in 2014.

Research and development

The development activity of ELMOS centers on the market-oriented expansion of the product portfolio. The majority of the product development cost ELMOS incurs is pre-financed by the company and must be amortized through current series production. This applies in particular to the development of application specific standard products (ASSPs), currently a priority of development already and about to represent a larger share of the total sales of ELMOS in the future.

Product developments are strictly aligned with market requirements. ELMOS prioritizes in a multi-stage process different product ideas and takes into account unit numbers, information on competition, and feasibility, among other factors. Only those projects are realized that meet the targets defined by the company for market expectations, margin potential, and strategic orientation.

The result of those product developments is a number of new semiconductors and sensors. ELMOS continued to present worldwide unique innovations in 2011; among the products introduced are the following:

-> ELMOS presented the second generation of its series-produced active FlexRay™ star coupler. As the first component worldwide, it passed the certification according to the latest FlexRay™ Electrical Physical Layer (EPL) specification V3.0. The FlexRay™ network is used in time-critical and safety relevant car networks.

-> With the E981.12, ELMOS introduces the world's first dual IO-Link master transceiver. IO-Link is a low-cost communication system used in industrial automation.

- Moreover, part of the ELMOS portfolio is the world's first semiconductor that passed the conformity tests according to PSI5 specification V1.3. PSI5 is an open standard for bidirectional, digital sensor data transmission in vehicles. The standard is applied, among other fields of use, in airbag systems as well as in chassis and powertrain technology.

- A new LED controller family with an ambient temperature range between–40°C and +125°C was also presented to the customers. These ELMOS ICs are particularly designed for use in rough environments such as car headlights or exterior lighting of buildings. Other fields of use are interior home lighting and TFT backlit displays.

- A new chip set made by ELMOS enables automatic start-stop in automobiles. With the ELMOS chips, the voltage supply in the car's wiring system can be maintained while the engine stops in front of a red light or while passengers are getting in or out. This not only saves fuel but also improves the CO_2 footprint of the vehicle.

- Furthermore, ELMOS introduced a semiconductor for driving up to three unipolar stepper motors. This IC is qualified for automotive and industrial applications. Potential fields of use are stepper motors, DC motors, relay and LED applications, or switch system monitoring.

The new developments focus on energy-efficient and eco-friendly products. A majority of products have the goal of making the operation of the customer's application more efficient and thus reaching a competitive edge. In order to further expand the market position of ELMOS, research and development activities were intensified considerably in 2011. By adding additional design teams, ELMOS not only gained capacity but also enhanced its capabilities, thus equipped to address additional application fields in the future.

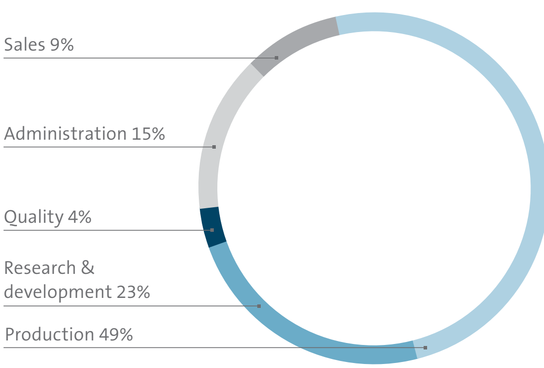
Other focal points were the continued development of the 0.35µm technology and the capacity expansion for current manufacturing processes. Furthermore, the development of a 0.18µm technology as a joint development with MagnaChip is setting the course for being able to offer competitive technologies for product development in the future, too.

Research and development expenses came to 32.5 million Euro or 16.7% of sales in 2011. In view of the company's growth, research and development activities will be continued on a high level in 2012.

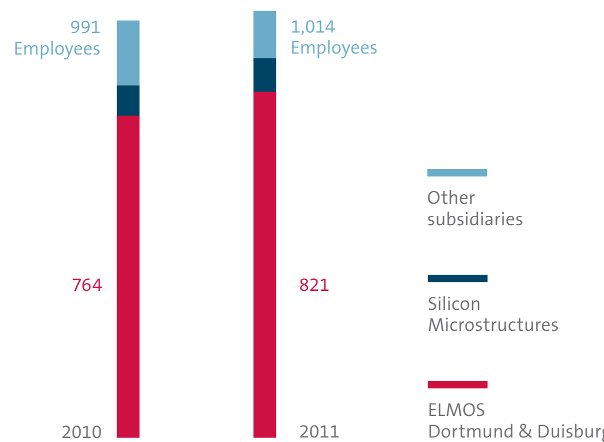
Employees

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 (NRW), ELMOS is able to recruit from a large 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. We have increased our efforts over the past years to find suitable applicants for vacancies. ELMOS is active in recruiting events, on the Internet (job search engines, Xing, our own website), cooperates with local institutions of education, and holds informative events for college students.

Employees by function
ELMOS Group (annual average)



Development of the number of employees
ELMOS Group (year-end)



ELMOS has enhanced both its competence and know-how with the targeted recruitment of new staff. Altogether, the number of employees has grown in 2011 compared to the end of the year 2010, despite the sale of the special packaging business as of December 31, 2010 and the corresponding staff reduction in the Netherlands by about 70 employees.

The strengthened activities toward product development and the marketing of new products led to a staff increase in the development and sales departments. The number of employees at the NRW locations Dortmund and Duisburg climbed to 821 as of December 31, 2011 (December 31, 2010: 764), the number of employees in the group gained 2.3% on year-on-year comparison to 1,014 as of the reporting date (December 31, 2010: 991). On annual average, the number of ELMOS Group employees remained stable at 988 (2010: 990). The average age of the staff was 39 years in 2011 (2010: 40 years).

ELMOS offers professional training for a variety of commercial and technical professions, with an emphasis on the training of microtechnologists. By the end of 2011, the Dortmund location was home to 39 trainees (2010: 29).

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 toward the management are discussed and supervised in subcommittees. There are subcommittees for social issues, human relations, personnel development, and economic issues. In accordance with the German One-Third Participation Act (Drittelbeteiligungsgesetz), the Supervisory Board of ELMOS has been composed to one third of employees' representatives since May 2011. Additional information can be found in the Supervisory Board report.

Production

ELMOS operates semiconductor manufacturing sites in Germany with 6-inch and 8-inch diameter wafers using various CMOS technologies. With investments in new equipment and the conversion from 6-inch machinery to 8-inch wafer diameter, the share of 8-inch wafers in the total manufacturing capacity has been gradually increasing. The utilization of production capacity was pleasantly high throughout the entire year 2011; nevertheless, the targeted conversion of some 60% of total capacity to 8-inch by the end of the year 2011 was achieved. The planned continuing conversion to 8-inch capacity will further increase total capacity. This safeguards the competitiveness of ELMOS wafer manufacturing. Apart from wafer production, the Dortmund location also includes a test area where whole wafers and packaged components are subjected to electric tests. In addition to the German semiconductor manufacturing sites, ELMOS has a production location at its subsidiary SMI in Milpitas/California/U.S.A., at whose 6-inch site MEMS pressure sensors are manufactured.

The in-house manufacturing sites are completed by cooperation with contract manufacturers (foundries). These foundries make additional capacity available, thus enabling ELMOS to respond flexibly even to heavily fluctuating demand. In 2011, ELMOS obtained the first processed wafers for series production from the partner foundry MagnaChip.

Organizational structure

The ELMOS organization is oriented toward internal demands and the target markets, 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.

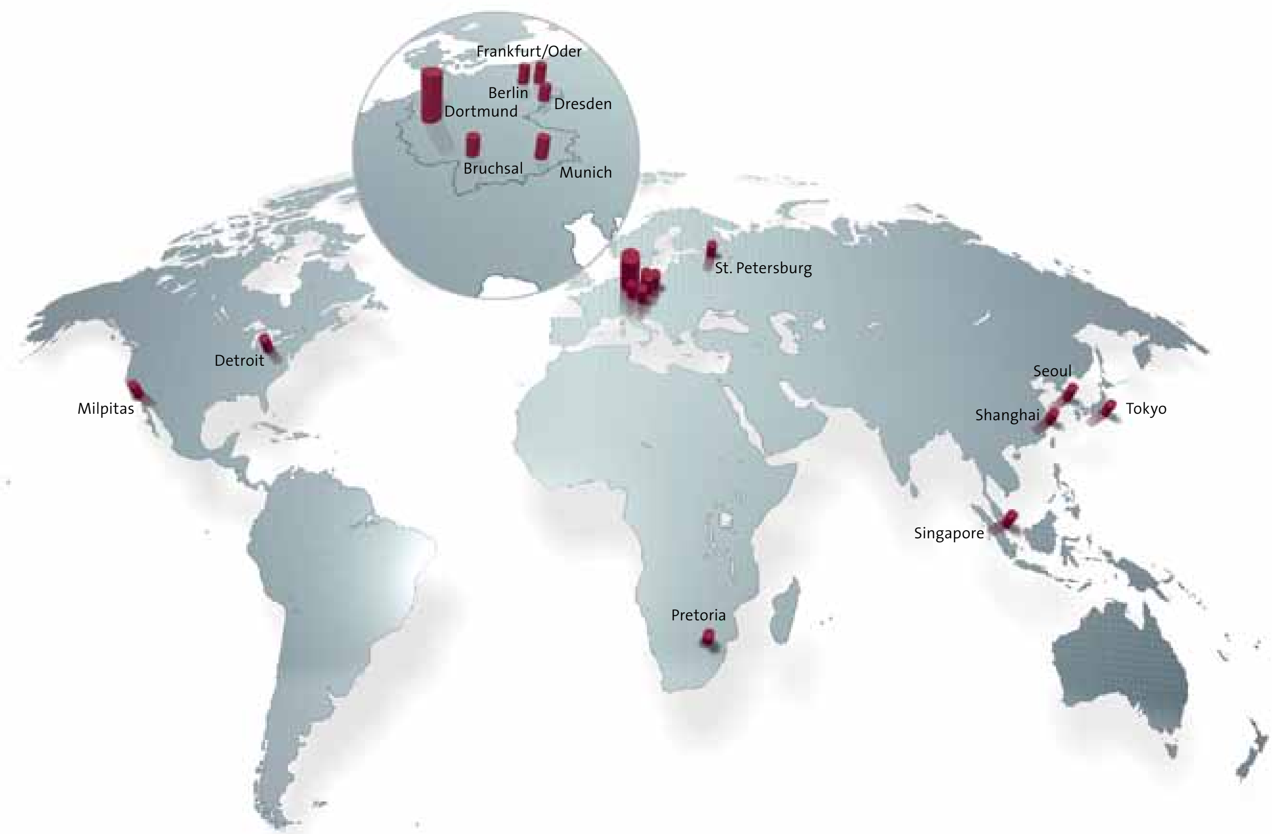
Several branches, subsidiaries, and partner companies at various locations in Europe, the United States, Asia, and Africa provide sales and application support to the customer on the spot. The main production site for semiconductors is located in Dortmund, the one for MEMS is located in Milpitas/California/U.S.A.

The Munich branch and the companies Mechaless (Bruchsal), GED (Frankfurt/Oder), MOS (South Africa), ELMOS France (Paris), and ELMOS North America (Detroit) provide sales support or development services on location. New additions in 2011 are the sales and design locations Berlin (50% investment in MAZ Brandenburg) and Bruchsal. In Asia, ELMOS maintains its presence with representatives and an office in Seoul/South Korea, and since most recently also with own offices and development capacity in Singapore and Shanghai/China. The subsidiary ELMOS France will be merged into ELMOS Semiconductor AG in 2012.

In the course of the increased sale of ASSPs and non-automotive products, ELMOS additionally brings its products to market through various distributors. The ELMOS Group collaborates with a large number of partners in Europe, U.S.A., and Asia. Cooperation facilitates design wins and the logistic realization of new contracts for electronics used in automotive, industrial and consumer goods applications and in medical technology. In 2011, distribution contracts were signed with WT Microelectronics and Technokey, both headquartered in Asia, among other arrangements.

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

Main locations of the ELMOS Group



EUROPE

- **Dortmund:** ELMOS Semiconductor AG | Development, production, sales
- **Bruchsal:** Design location and Mechaless Systems GmbH | Development
- **Munich:** Sales
- **Frankfurt/Oder:** Gärtner-Electronic-Design GmbH | Development
- **Dresden:** DMOS Dresden MOS Design GmbH | Development
- **Berlin:** MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg | Development, sales
- **St. Petersburg:** Development

U.S.A.

- **Milpitas, California:** Silicon Microstructures Inc. | Development, production, sales
- **Detroit, Michigan:** ELMOS N.A. Inc. | Development, sales

ASIA

- **Seoul, South Korea:** ELMOS Korea Co. Ltd. | Development, sales
- ***Seoul, South Korea:*** *Cooperation with MagnaChip Semiconductor | Development, production*
- **Shanghai, China:** ELMOS Semiconductor Technology (Shanghai) Co., Ltd. | Development, sales
- **Tokyo, Japan:** Sales
- **Singapore:** ELMOS Semiconductor Singapore Pte. Ltd. | Development, sales

AFRICA

- **Pretoria, South Africa:** Micro Systems on Silicon (MOS) Limited | Development, sales

Quality

Within the framework of continuous improvement processes, ELMOS puts its first-time-right and zero-defect strategy consistently into practice. ELMOS thus achieves an outstanding quality level with its products as well as in its business, manufacturing, and service processes. Due to anticipatory quality planning and monitoring of customer requirements as soon as in the development stage, quality is produced with full competitiveness and a minimum number of rejects and safeguarded through subsequent selection.

Regular examinations of the tools and processes put to use, closest attention to the series products from acquisition and development to manufacturing and delivery, constant analyses, and cutting-edge statistical processes make this high quality level possible. By means of a sophisticated traceability system, ELMOS is able to detect the reasons for the slightest deviations in quality early on and to minimize their effects in an effective and sustained manner in order to provide efficient customer support. In-house laboratories analyze and scrutinize not only potential defect mechanisms in semiconductor manufacturing 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 at the certified locations for compliance with the requirements of DIN ISO 9001 and ISO/TS 16949 in monitoring audits or repeat audits by our certifier.

General economic framework

Automotive industry

The global car market was in a robust state in the year 2011. The U.S., China, and India were its growth drivers. However, Western Europe's market for passenger cars declined slightly. The global market for new cars gained altogether 6% in 2011 to 65.4 million units, according to the German Association of the Automotive Industry (VDA).

In **Western Europe,** the passenger car market was virtually stable (–1%) at more than 12.8 million new registrations for the full year 2011 as expected. The performances of the national markets were decidedly heterogeneous, though. The majority of the significant markets showed a weak performance in the course of the year. The number of new passenger car registrations dropped 2% in France, 4% in Great Britain, 11% in Italy, and 18% in Spain. Germany was a positive exception in this respect, raising the number of new registrations by about 9%. With a total of some 3.1 million new registrations, Germany was once again the largest market in Europe, followed by France (2.3 million vehicles) and Great Britain (1.9 million vehicles).

The **U.S. market** for light vehicles (passenger cars and light trucks) increased over the full year 2011 to 12.7 million units, or by 10% compared to the prior-year level. For the first time ever, according to VDA data, the German auto makers sold more than 1 million light vehicles in the United States.

The growth rate recorded for the **Chinese market** has slowed down some after years of very strong growth. Still, the full year continues to show pronounced growth dynamics with a volume of 12.2 million passenger cars or 8% ahead of the prior-year record. **India** filed a satisfactory result at the end of the year. In spite of a more restrictive monetary policy and higher fuel prices, India's passenger car market gained 6% over the full year 2011 to reach 2.5 million new registrations. The market in Japan shows the impact of the natural disaster of March 2011. After a slump in the first quarter, however, the market managed to recover quickly in the course of the year. Yet the annual volume was still 16% below the prior-year amount at a total of 3.5 million vehicles in 2011.

General semiconductor market

In 2011, the global semiconductor market grew by 1% compared to 2010, according to market research company WSTS. Sales thus amounted to 302 billion U.S. dollars. Sensors were the fastest growing segment worldwide.

Automotive semiconductor market

Usually the automotive semiconductor market grows even if car production remains constant. This is due to the constantly rising share of electronic systems in the automobile. In the year 2011, drivetrain and safety systems as well as driver assistance applications continued to be the fastest growing segments. According to market researcher Strategy Analytics, the share of semiconductors per car has gone up 3.9% from 2010 to 2011, to 290 U.S. dollars per vehicle. For the market of automotive semiconductors, Strategy Analytics expects an average annual growth rate of 9% for the period from 2011 to 2016.

Profit, financial and economic situation

Financial statements according to IFRS

The consolidated financial statements of ELMOS Semiconductor AG for fiscal year 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU.

ELMOS Group key figures according to IFRS

in million Euro or % unless otherwise indicated	2010	2011	Change
Sales	184.7	194.3	5.2%
Gross profit	83.8	89.6	7.0%
in %	45.3%	46.1%	
Research and development expenses	29.6	32.5	9.8%
in %	16.0%	16.7%	
Distribution expenses	12.6	16.2	28.4%
in %	6.8%	8.3%	
Administrative expenses	17.8	16.7	−6.0%
in %	9.6%	8.6%	
Operating income before other operating expenses/income	23.8	24.2	1.8%
in %	12.9%	12.5%	
EBIT	23.1	26.6	15.1%
in %	12.5%	13.7%	
Income before taxes	21.7	25.8	18.9%
in %	11.7%	13.3%	
Net income attributable to owners of the parent	17.8	18.9	6.6%
in %	9.6%	9.7%	
Earnings per share (basic) in Euro	0.92	0.98	
Dividend per share in Euro	0.20	0.25[1]	25.0%

[1] Proposal to the Annual General Meeting in May 2012

Sales development

Sales of the year 2011 had a positive development in comparison with the year before and achieved a new record level. Sales grew 5.2% to 194.3 million Euro (2010: 184.7 million Euro). Adjusted by sales recorded for the special packaging business sold as of December 31, 2010, sales even gained 8.8% in 2011 (adjusted 2010 sales: 178.6 million Euro).

Sales by region

With respect to the breakdown of sales by region, the continuing positive development of the region Asia/Pacific is worth highlighting. Compared to 2010, sales generated in this region increased 47.1% to 34.8 million Euro. Its share in 2011 group sales thus climbed to 17.9% (2010: 12.8%). Moreover, the sales growth in the United States is good news as well. Compared to the prior-year period, sales went up 10.6% to 14.5 million Euro (2010: 13.1 million Euro) and thus contributed 7.5% (2010: 7.1%) to group sales. Germany and the other European countries were on the decline, accounting for 35.5% (2010: 38.0%) and 32.4% (2010: 34.5%) of group sales, respectively.

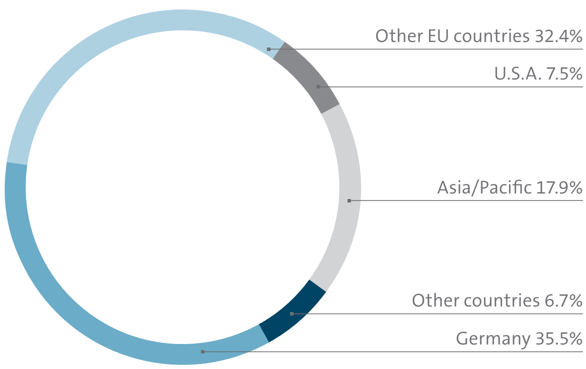
Sales by customer and product

ELMOS supplies more than 100 customers. Among them are predominantly suppliers to the auto industry and to a lesser extent industrial customers and manufacturers of consumer goods. In 2011, three of our customers accounted for more than 10% of group sales each. Sales generated with our top customers are usually attributable to a great many different products at different stages of their respective life cycles. Our top ten customers amounted to roughly 68% of 2011 sales (2010: 65%), the ten best selling products together came to roughly 44% (2010: 42%).

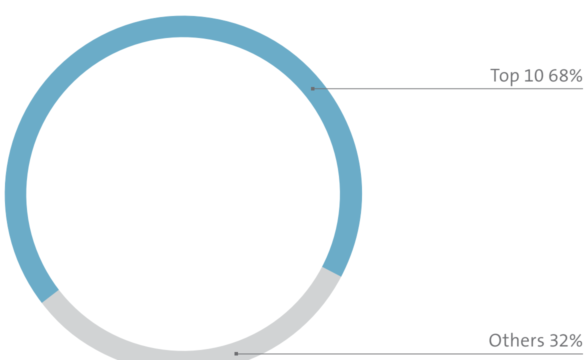
Order backlog

The development of orders received was stable in 2011. The customers' defensive order behavior, compared to the beginning of the year and setting in by mid-year 2011, kept up until and beyond the end of the fiscal year. The book-to-bill ratio was below one at the end of the year.

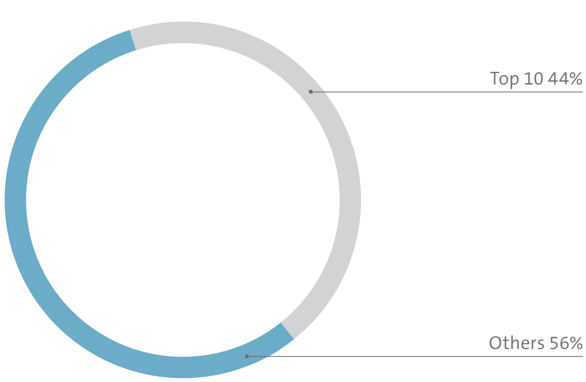
Sales by region



Sales by customer



Sales by product



To determine the book-to-bill, the orders received for the next three months are compared with sales of the past three months. Order backlog is usually entered 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 is started, an order usually cannot be canceled anymore. However, there is no guaranty for order backlog to turn automatically into future sales.

New projects (design wins)

The competition for new projects was intense, as it was in the past years. ELMOS managed to be quite successful in the market for design wins. Among them are ASIC as well as ASSP projects. Particularly worth mentioning are new acquisitions in the Asian region. They give proof of the growing demand for innovative products provided by a manufacturer with many years of experience in the semiconductor sector. The continued success with customers for industrial and consumer goods is satisfying. Here volumes are usually smaller than in the automotive market.

Profit situation

In spite of significant investments in sales and development, the quality of earnings was slightly raised in 2011 compared to the previous year once again.

Gross profit

The gross profit grew by 7.0% in the reporting period to reach 89.6 million Euro (2010: 83.8 million Euro). This is equivalent to a 2011 gross margin of 46.1% (2010: 45.3%). The disproportionate increase in gross profit in relation to sales is accounted for primarily by higher capacity utilization. It must be taken into consideration that this result was achieved despite negative effects on earnings such as price reductions for customers at the beginning of 2011, cost increases due to higher world market prices for materials, and the impact on manufacturing efficiency caused by the conversion from 6-inch to 8-inch manufacturing in Dortmund at high production capacity utilization. The improvement of the gross margin in the course of the year is primarily due to the increase in manufacturing efficiency based on the continued conversion from the 6-inch to the 8-inch production line.

Operating income before other operating expenses/income and EBIT (earnings before interest and taxes)

Research and development expenses grew by 9.8% in 2011, disproportionately in relation to sales, to 32.5 million Euro (2010: 29.6 million Euro). New staff in design is the main reason. This scheduled competence enhancement addresses new applications and new regional markets. In relative terms, R&D expenses climbed from 16.0% to 16.7% of sales. The increase in distribution expenses from 12.6 million Euro in 2010 by 28.4% to 16.2 million Euro in the reporting period is also principally accounted for by additional staff, particularly for expanding our presence in Asia. Administrative expenses dropped 6.0% in 2011 to reach 16.7 million Euro (2010: 17.8 million Euro).

The margin of operating income before other operating expenses/income did not quite reach the prior-year value at 12.5% because of the increase in operating expenses in the areas development and sales (2010: 12.9%). In absolute terms, however, the operating income before other operating expenses/income rose from 23.8 million Euro to 24.2 million Euro.

The EBIT (earnings before interest and taxes) climbed to 26.6 million Euro (2010: 23.1 million Euro), primarily based on exchange rate gains (instead of exchange rate losses incurred in 2010) and the higher other operating income at lower other operating expenses compared to the previous year. This results in a considerable improvement of the EBIT margin from 12.5% to 13.7%.

Income before taxes, net income, earnings per share

Net finance expenses decreased to 0.8 million Euro in 2011 (2010: 1.4 million Euro). After taxes in the amount of 6.6 million Euro (2010: 3.9 million Euro), the group's net income attributable to owners of the parent reached 18.9 million Euro in 2011, compared to 17.8 million Euro in the previous year. This result equals basic earnings per share of 0.98 Euro (fully diluted: 0.96 Euro), compared to earnings per share of 0.92 Euro in 2010 (fully diluted: 0.91 Euro).

Proposal for the appropriation of retained earnings

The net income of ELMOS Semiconductor AG* according to HGB amounts to 18.9 million Euro in 2011. The profit carried forward from the year 2010 comes to 55.5 million Euro after dividend distribution. As the condition for the payment of a dividend, the company determined in the past years that the development of earnings and the development of cash flows must both be sustainably positive. In view of the pleasant financial development in 2011, Management Board and Supervisory Board propose to the Annual General Meeting of May 8, 2012 to distribute a dividend of 0.25 Euro per share out of the retained earnings in the amount of 74.4 million Euro. This equals a dividend increase per share of 25% and a total dividend payout of 4.8 million Euro.

* The financial statements of ELMOS Semiconductor AG have received an unqualified audit opinion. They will be released in the electronic Federal Gazette, filed with the commercial register, can be requested as a special print publication, and are available on the company's website.

Sales and earnings by segment

in million Euro or %	Segment	2010	2011	Change
Sales				
	Semiconductor	170.1	177.4	4.3%
	Micro-mechanics	14.6	16.9	15.8%
Segment income				
	Semiconductor	22.1	24.1	9.1%
	Micro-mechanics	1.0	2.5	>100%
Segment income margin				
	Semiconductor	13.0%	13.6%	
	Micro-mechanics	6.9%	14.8%	

Semiconductor

Sales of the semiconductor segment climbed 4.3% to 177.4 million Euro (2010: 170.1 million Euro). The segment income of 24.1 million Euro came up with a margin of 13.6% that was another improvement on the previous year (2010: 13.0%). Semiconductor sales are generated primarily with automotive customers.

Micromechanics

The micromechanics segment comprises the activities of subsidiary SMI. Customers in the micromechanics segment belong for the most part to the automotive, industrial, consumer goods, and medical sectors. Sales in this segment climbed disproportionately from 14.6 million Euro in 2010 by 15.8% to 16.9 million Euro in 2011. Sales are generated almost exclusively in U.S. dollars. The 2011 sales growth would have turned out even higher in that currency. The segment income was more than doubled and reached 2.5 million Euro (2010: 1.0 million Euro). The increase in the margin from 6.9% in 2010 to 14.8% in 2011 is above all the consequence of the economies of scale.

Financial position

ELMOS Group key figures according to IFRS

in million Euro or %	2010	2011	Change
Net income	17.8	19.2	8.1%
Depreciation	16.3	17.9	9.3%
Changes in net working capital[1]	−3.7	−5.0	33.4%
Other items	2.6	1.1	−59.2%
Cash flow from operating activities	**33.0[2]**	**33.2**	**0.5%**
Capital expenditures for intangible assets and property, plant and equipment	−12.4	−19.4	56.9%
in % of sales	6.7%	10.0%	
Payments for investments / Disposal of investments	−0.4	−3.1	>100%
Payments for securities	−9.3[2]	−8.2	−12.1%
Other items	1.5	1.9	23.6%
Cash flow from investing activities	**−20.5[2]**	**−28.7**	**39.9%**
Cash flow from financing activities	**−1.4**	**−3.5**	**>100%**
Changes in cash and cash equivalents	11.0	0.9	−91.7%
Free cash flow[3]	**12.5**	**4.4**	**−64.5%**
Adjusted free cash flow[4]	**20.2**	**10.7**	**−47.1%**

[1] Net working capital in the narrow sense (trade receivables, inventories, trade payables)
[2] The prior-year value has been adjusted; please refer to the comments in the notes under 1.
[3] Cash flow from operating activities less cash flow from investing activities
[4] Cash flow from operating activities less capital expenditures for intangible assets and property, plant and equipment, less payments for investments, plus disposal of investments

Cash flow from operating activities

The cash flow from operating activities was essentially unchanged from the previous year at 33.2 million Euro in 2011 (2010: 33.0 million Euro). Compared to the prior-year period, the cash flow from operating activities was positively affected by the higher net income and the lower increase in trade receivables. Contrary to that, however, the lower increase in trade payables had a negative impact in comparison with the previous year. The additional capital lockup of 5.0 million Euro accompanying the expansion of the net working capital is accounted for on the one hand by the conversion of manufacturing from 6-inch to 8-inch wafers and the corresponding lower inventories turnover. On the other hand, it is due to the lower receivables turnover in the context of increased activities abroad and the customary longer payment terms there.

Cash flow from investing activities

In 2011, capital expenditures for intangible assets and property, plant and equipment came to 19.4 million Euro or 10.0% of sales. They turned out 56.9% above the level of 2010 (12.4 million Euro or 6.7% of sales). The main reason for this increase were investments in the conversion of production from 6-inch to 8-inch. Total cash requirements out of investing activities amounted to 28.7 million Euro in 2011 after 20.5 million Euro in 2010. It must be taken into consideration that in 2011 as well as in 2010 a part of this amount was invested in securities (2011: 8.2 million Euro and 2010: 9.3 million Euro) which are now reported entirely in cash flow from investing activities.

Free cash flow and adjusted free cash flow were both positive in 2011 again. The adjusted free cash flow (cash flow from operating activities less capital expenditures for intangible assets and property, plant and equipment, less payments for investments, plus disposal of investments) reached the amount of 10.7 million Euro (2010: 20.2 million Euro).

Cash flow from financing activities

The cash flow from financing activities came to –3.5 million Euro in fiscal year 2011 and was determined essentially by the dividend payout in the total amount of 3.9 million Euro.

Liquid assets

Cash and cash equivalents went up altogether by 1.0 million Euro to 59.0 million Euro (December 31, 2010: 58.0 million Euro. The share of liquid assets in total assets remained almost constant at 21.9% at the end of the year under review (December 31, 2010: 23.3%). In addition to that, the company holds long-term and short-term securities in the amount of 17.4 million Euro (December 31, 2010: 9.3 million Euro). Cash and cash equivalents plus marketable securities amount to 76.5 million Euro (December 31, 2010: 67.3 million Euro).

Other financial obligations and disclosures of financial instruments not accounted for

In addition to conventional loans, the company finances its investments in real estate, technical equipment and machinery, factory and office equipment, and the use of development capacities and one 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 94.5 million Euro as of December 31, 2011 (December 31, 2010: 106.0 million Euro).

Economic situation

ELMOS Group key figures according to IFRS

in million Euro	12/31/2010	12/31/2011	Change
Intangible assets	30.6	29.2	−4.4%
Property, plant and equipment	69.5	71.8	3.3%
Other non-current assets	8.0	9.1	13.8%
Securities (short-term and long-term)	9.3	17.4	87.5%
Inventories	35.8	40.0	11.5%
Trade receivables	25.3	28.7	13.4%
Cash and cash equivalents	58.0	59.0	1.7%
Other current assets	12.6	14.7	16.2%
Total assets	**249.2**	**269.9**	**8.3%**
Equity	172.3	187.9	9.1%
Financial liabilities (current and non-current)	40.5	40.7	0.6%
Other non-current liabilities	3.5	5.8	66.3%
Trade payables	18.8	21.3	13.5%
Other current liabilities	14.2	14.1	−0.1%
Total equity and liabilities	**249.2**	**269.9**	**8.3%**

Total assets went up by 8.3% or 20.7 million Euro to 269.9 million Euro as of December 31, 2011 (December 31, 2010: 249.2 million Euro). Relating to assets, this increase is accounted for essentially by the increase in securities (+8.1 million Euro), inventories (+4.1 million Euro), and trade receivables (+3.4 million Euro). The deciding factors for the increase in total equity and liabilities are the increase in equity (+15.1 million Euro) as a result of the higher generated net income, increased trade payables (+2.5 million Euro), and higher other non-current liabilities (+2.3 million Euro).

Net working capital

Net working capital climbed from 42.4 million Euro as of the prior-year reporting date to 47.3 million Euro, disproportionately in relation to sales. Inventories gained 11.5%, rising from 35.8 million Euro to 40.0 million Euro; inventory turnover thus went down to 2.6x. The main reason for this is the conversion of parts of manufacturing from 6-inch to 8-inch wafer diameters, taking place for the most part in 2011. Trade receivables were up 13.4% to 28.7 million Euro (December 31, 2010: 25.3 million Euro); the receivables turnover fell from 7.3x in 2010 to 6.8x in 2011. The increased activities abroad with corresponding longer payment terms account for that. Still the receivables turnover is much better than it was in the years before 2010. Trade payables grew 13.5% and thus faster than sales, from 18.8 million Euro as of December 31, 2010 to 21.3 million as of the reporting date. The trade payables turnover improved from 5.4x in 2010 to 4.9x in 2011. The capital lockup went up slightly altogether from 112 days on average in 2010 to 119 days.

Other key financials

Net cash went further up in comparison with December 31, 2010 (26.8 million Euro), to 35.7 million Euro. At 69.6%, the equity ratio reached a virtually unchanged level compared to the end of the year 2010 (December 31, 2010: 69.1%).

ELMOS Group key figures

	Calculation	Unit	2010	2011
Net working capital	Trade receivables + inventories - trade payables	million Euro	42.4	47.3
of sales		%	22.9%	24.4%
Inventory turnover	Cost of sales/inventories	x	2.8x	2.6x
Receivables turnover	Sales/trade receivables	x	7.3x	6.8x
Payables turnover	Cost of sales/trade payables	x	5.4x	4.9x
Capital lockup period/Cash conversion cycle	Inventory days + debtor days – creditor days	days	112	119
Net cash/(Net debt)	Cash and cash equivalents + securities – financial liabilities	million Euro	26.8	35.7
Gearing	Net cash/ equity	%	15.6%	19.0%
Equity ratio	Equity/total assets	%	69.1%	69.6%

Overall statement on the business situation

Despite the volatile markets and the political and economic uncertainty prevailing in 2011, ELMOS managed to expand its financial strength even further in 2011. Sales and the quality of earnings give proof of the positive performance, which is due to market and customer developments as well as to internal measures. ELMOS continued to improve structures, raise efficiency, and optimize the product lines and the portfolio. All this and the solid financial foundation with a focus on generating free cash flow strengthen the competitive position and create a sound basis for the further development of the company.

Disclosures required by takeover law

In the following chapter, information required by takeover law as stipulated under Section 315 (4) HGB (German Commercial Code) is disclosed as of December 31, 2011 (also representing the explanatory report in accordance with Section 176 (1) sentence 1 AktG (Corporations Act)).

Composition of subscribed capital

The subscribed capital (share capital) of ELMOS Semiconductor AG is unchanged at 19,414,205 Euro and is comprised of 19,414,205 no-par value bearer shares. Each share carries the same rights and grants one vote in the Annual General Meeting.

Limitations with regard to voting rights or the transfer of shares

There are no limitations with regard to voting rights or the transfer of shares.

Direct or indirect shares in equity

As of December 31, 2011, the following shareholdings are on record:

	Entity's registered office/ country	Euro/ shares	%
Weyer Beteiligungsgesellschaft mbH	Schwerte/ Germany	3,979,479	20.5
ZOE-VVG GmbH	Duisburg/ Germany	3,049,727	15.7
Jumakos Beteiligungs-gesellschaft mbH	Dortmund/ Germany	2,966,016	15.3
Treasury stock		105,931	0.5
Shareholders <10% shares		9,313,052	48.0
		19,414,205	**100.0**

Owners of privileged shares

No privileged shares have been issued.

Form of voting rights 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 for 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 for supplementary provisions.

The Management Board's authorization to issue and repurchase shares

The Management Board is authorized to increase the company's share capital up to and including May 16, 2016 subject to the Supervisory Board's approval by up to 9,707,100 Euro through the singular or repeated issue of new no-par value bearer shares against contributions in cash or in kind **(authorized capital 2011/I).** If the capital is increased against contributions in cash, subscription rights shall be granted to the shareholders. The shares may be taken over by banks under the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the Supervisory Board's approval, to exclude the shareholders' subscription rights. The total of the shares issued according to this authorization against contributions in cash or in kind under exclusion of the shareholders' subscription rights must not exceed a proportionate amount of the share capital of 4,853,551 Euro. The Management Board is further authorized, subject to the Supervisory Board's approval, to determine all other rights attached to the shares and the particulars of the issue.

The share capital is conditionally increased by up to 495,000 Euro **(conditional capital 2009).** The conditional capital increase serves the redemption of stock options issued to employees, executives, and Management Board members of the company as well as to employees and executives of affiliated companies up to and including May 5, 2014 on the basis of the authorization given by the Annual General Meeting (AGM) 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 resolution of the AGM 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 from 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 1,250,000 Euro **(conditional capital 2010/I).** The conditional capital increase serves the redemption of stock options issued to employees, executives, and Management Board members of the company as well as to employees and executives of affiliated companies up to and including May 3, 2015 on the basis of the authorization given by the Annual General Meeting (AGM) of May 4, 2010 (stock option plan 2010). The conditional capital increase is realized only insofar as options are issued within the scope of the company's stock option plan 2010 in observance of the resolution of the AGM of May 4, 2010 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 from 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 7,800,000 Euro **(conditional capital 2010/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 AG or a group company of

ELMOS Semiconductor AG within the meaning of Section 18 AktG (Stock Corporation Act) up to and including May 3, 2015 based on the authorization given by the Annual General Meeting (AGM) of May 4, 2010 under agenda item 10 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 or option price to be determined in accordance with the aforementioned authorization. The new shares are entitled to dividend from 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.

Based on the resolution of the AGM of May 17, 2011, the Management Board is authorized, subject to the Supervisory Board's approval, to **repurchase own shares** up to and including May 16, 2016. This authorization is limited to the purchase of shares representing a total of 10% of the current share capital altogether. The authorization may be exercised fully or in several parts, once or several times, and for one or several purposes within the scope of the aforementioned limitation.

Authorizations of the Management Board

Authorized capital I	**Conditional capital**	**Repurchase of own shares**
9,707,100 Euro *until May 16, 2016*	**2009:** **495,000 Euro** Stock option plan 2009 **2010/I:** **1,250,000 Euro** Stock option plan 2010 **2010/II:** **7,800,000 Euro** Option bonds or convertible bonds *until May 3, 2015*	Up to 10% of the share capital *until May 16, 2016*

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 respective employment contracts within three months from the occurrence of a 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 chapter "corporate governance". 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 control and risk management system in accordance with Section 315 (2) no. 5 HGB (German Commercial Code)

ELMOS Semiconductor AG unites the measures for risk management in the company in an integrated risk management system. This risk policy focuses on safeguarding the company's existence and increasing the shareholder value systematically and continuously. The system complies with the legal stipulations for an anticipatory risk detection system and the principles defined by the German Corporate Governance Code.

Based on the internal control 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, risks are avoided if possible. It is altogether assured that the group is able to entirely cover the risks it takes.

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

The respective operating superiors are directly responsible for the early detection and control of risks. The next levels of seniority see to the management of risks. The Management Board assumes the overall responsibility for the internal control and risk management system in the group. In a well-established top-down process, the divisions report on the current status of material risks through a 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 identified risk; early warning indicators are regularly updated 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 control system consists of a number of structures and processes for risk control 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 management, oriented toward the organizational implementation 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 compliance with the applicable legal stipulations. Structure and processes are adapted to recent internal and external developments at regular intervals.

With respect to the financial accounting process of the 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 control 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, workflow management, and the processes of the internal control 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 control 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 in the group, (ii) examinations for monitoring the financial accounting process and its results, (iii) preventive control measures in finance and accounting and those 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 control in accounting are the unambiguous assignments of responsibility and examinations during the preparation of financial statements, transparent provisions by way of guidelines for accounting and the preparation of financial statements, 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 also important control principles in the process of financial accounting.

In summary of the above information, it can be stated that the risk management system and the internal control system introduced by the Management Board of ELMOS Semiconductor AG, particularly with respect to financial accounting, have proved efficient. Further information on the risk management system can be found under note 30 in the notes to 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. The majority of sales was made with chips for automotive electronics in the past fiscal year 2011. On the one hand, this demand depends on the number of cars produced, on the other hand, it is governed by the lasting trend towards more electronics in the automobile. A collapse in car production and sales figures also represents a risk for ELMOS as semiconductor supplier. The demand for semiconductors and sensors made by ELMOS is also affected by the delivery capability of other suppliers as systems and cars can be manufactured only if all suppliers are capable of delivery. A lasting decrease in demand on the part of the automotive industry could have significant effects on the financial, profit and economic situation.

The auto market used to be subjected to considerable fluctuations in the past as a result of mergers of system manufacturers, restrictive environmental legislation, and other factors. The customer structure of ELMOS indicates certain degree of 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. Moreover, the products ELMOS manufactures are generally replaceable neither easily nor on short notice due to their technical design. 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; on the other hand, the risk of replaceability increases as the competition may offer comparable products, too.

Competition

A large number of competitors in the semiconductor market for automotive applications offer products similar to the ones ELMOS supplies, based on a similar technological foundation. ELMOS also competes with large manufacturers for high-volume contracts and is thus exposed to corresponding pricing pressure. Furthermore, ELMOS bears the risk that the customer will rely on 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 but not necessarily to patents. The consequence for ELMOS as for any other 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 innovative and complex products economically, to introduce them to the market on time, and to see to it that these products are chosen.

Because ELMOS is able to develop and manufacture products for virtually all kinds of electronic devices used in the automobile, products made by ELMOS can be found in a great number of electronic components of many different car models so that the dependence on individual products is low.

One-off development costs incurred for the customer specific development of products are usually paid for only in part by the customers. Those development costs not covered in advance must be amortized through the later volumes 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 for development costs in advance and instead expects the supplier to pre-finance these expenses. This holds usually true for product developments initiated by ELMOS, e.g. all ASSPs, as there are no binding customer orders for such projects. However, ELMOS also works together with one key customer in the development of ASSP components if possible. These key customers usually provide ELMOS with sales forecasts for the next years – similar to a customer specific project.

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 capable of developing, manufacturing, and selling new products and product upgrades in the future, significant effects on the financial, profit and economic position will likely be the result.

Purchasing

The raw materials ELMOS needs for manufacturing are available worldwide from different suppliers and are for the most part not controlled by monopolists. However, as a matter of course prices develop in correspondence with demand so that they typically rise in times of strong growth. 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. The natural disaster in Japan at the beginning of last year particularly shifted the focus on this risk. Due to the temporarily uncertain supply situation in the entire supply chain of the semiconductor industry, the commitment to regional risk distribution was intensified and the number of potential partners was increased accordingly.

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 into which they are integrated can be directly or indirectly damaging to the property, health, and lives of third parties. ELMOS cannot reduce or exclude 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 tested several times at different temperatures in production, usually in view of automotive applications, with regard to quality and functionality. Even though the company applies elaborate test procedures before commencing delivery of 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, profit and economic position in a negative way.

Investments

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

Information technology

For ELMOS 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 embedded in infrastructure of high availability. These systems, equipped with redundancies in different data centers, minimize or eliminate the consequences of hardware malfunctions. Constant automated monitoring of the IT infrastructure makes it possible to interfere swiftly in case of unforeseeable incidents.

Special precautionary measures have also been taken for blocking viral attacks. Internet access is for instance protected most elaborately. Additional measures are realized for systems used in manufacturing. IT failure or interferences could still have a negative effect on the manufacturing output or the company's financial, profit and economic position.

Interruption of business

According to ELMOS assessment, the single material business risk capable of significantly damaging the development of the group and jeopardizing the company's 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 remains in such a case. This risk cannot be insured against. Interruption of business could also occur by power outage. The production facilities are prepared for short-term power failures within the realm of possibilities; running processes are e.g. ramped down in a controlled way.

The risk of an interruption of business is reduced by the fact that ELMOS manufactures semiconductors at various locations. Furthermore, ELMOS has been obtaining processed wafers from a cooperation partner in South Korea since 2011. However, interruption of business at one of the production sites could have negative effects on the company's financial, profit and economic position.

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 of 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 a higher share of sales to be realized in the sectors of industrial and consumer goods in the future, implying a diminishing dependence on the automotive industry in the process as well. ELMOS also plans to expand its business in the Asian markets further and to cooperate with partners who either enable the company to expand the product portfolio or provide opportunities for external production. Furthermore, the share of MEMS is scheduled for increase.

Events after the reporting period

There have been no reportable events of special significance.

Outlook

Economic framework

The general economic conditions produce a mixed picture for 2012. The further development of the global and regional crises, for example the crisis of individual Euro states or the political situation in the Middle East, cannot be predicted so far. The resulting consequences for the financial and raw materials markets are equally hard to assess. The German Association of the Automotive Industry (VDA) expects a "year of hard work" for the auto industry. For the year 2012, the VDA expects – under favorable conditions – a global car market of 68 million units and thus a growth of 4%.

Yet much depends on how Western Europe will perform. The association currently assumes for the market to stabilize at the level of the year 2011. If the situation in the financial markets should remain tense, a slight decline is also conceivable. The VDA also anticipates a stable performance of the German market for passenger cars in 2012, at a volume of more than 3.1 million sold cars, thus equaling 2011 sales. The growth rates in China and India will turn out a little smaller in 2012 than before – yet they will still be considerably higher than the growth of the industrialized countries. For the United States, the VDA predicts a 5% gain to 13.4 million units.

The high level of uncertainty with respect to the future market development especially shows in the statements on the general semiconductor market 2012. The findings of the market research companies range from 2.2% (Gartner Dataquest), 2.6% (WSTS), and 3.2% (IHS iSuppli) up to 10% (Future Horizons). The assumption of predominantly low growth rates is based on moderate economic expectations with diminished demand for consumer goods electronics. The return to stronger growth is not to be expected before 2013, according to IHS iSuppli.

For the medium term, the market research company Strategy Analytics anticipates an average annual growth rate of 9% for automotive semiconductors in the period from 2011 to 2016. The share of automotive semiconductors is expected to rise to 319 U.S. dollars per car over the same period. This performance is equivalent to an average annual growth rate of 2%. The largest growth will be achieved with drivetrain and safety applications. With respect to the regional markets, the newly industrializing countries as well as the Asian/Pacific Rim will show the most dynamic growth.

The market for MEMS sensor components is expected to grow in the low double-digit percentage in 2012. According to IHS iSuppli, pressure sensors will become the best selling MEMS product in the next couple of years.

Outlook for the ELMOS Group

ELMOS has shown a solid business performance over the past years. As a result, ELMOS operates from a secure financial base. The equity ratio has been at a high level for years, the free cash flow has been clearly positive repeatedly, and the EBIT margin is pleasantly strong. Moreover, ELMOS has earned an excellent reputation among the customers; the deciding factors were innovation, the high quality level, and delivery reliability. These aspects of solid, sustainable corporate management will make us generate competitive advantages over the next years.

The following trends will have an effect on our business in 2012:

- **Increasing customer demands:** At the customer's end, 2012 will be the year where flexibility and innovation devoted to development, products, and manufacturing will become the deciding customer criteria.
- **Environmentally sound innovations:** End customers demand more functionality and comfort from one car generation to the next. This demand will be met more than ever with innovations in automotive electronics. Without taking countermeasures, however, the corresponding increased electric power input would lead to an increase in fuel consumption and thus in CO_2 emissions. To prevent this from happening is the common goal of all parties involved in the supply chain, and ELMOS shares this goal. There will not be the one solution that solves the problem at a single stroke, but many small steps will make their contributions. ELMOS aims at developing semiconductors and sensors as innovative as possible for this purpose and to push this trend for the sake of environmental protection.
- **Advanced developments:** Even with established systems, e.g. parking assist, the development is far from complete; it will rather be pressed ahead with in 2012 at full throttle. With new ELMOS semiconductors and sensors, more precise navigation of the car into the parking space is made possible, among other advantages. Many follow-up orders in high-volume projects secure us a solid basis, yet they also require constant improvements.
- **Breakthrough for MEMS:** MEMS sensors have made substantial progress over the past years. Even today, they are indispensable in many applications. Used in tire pressure monitoring systems, MEMS will have their breakthrough across all classes of vehicles. In addition, the legislators in the U.S. and in Europe see to it that a tire pressure monitoring system is or will be a mandatory feature of new cars. Our micromechanics segment will benefit from that.

- **Asia gives a boost:** Furthermore, Asia will remain a growth driver for the industry in 2012. Apart from the issue of growth pace, this market also increasingly determines the pace in parts of car development. Asian customers often want their solutions faster than European or U.S. customers do. Just a few years ago, the manufacturers in the Asian region still settled for second best solutions. Those times are over. ELMOS wants to earn a reputation in the Asian market as a supplier of established systems as well as market innovations.

- **Focus on delivery capability:** In 2012, the lessons are drawn throughout the industry from the natural disasters in Asia. The region's production sites and suppliers are state-of-the-art and provide very high quality. However, the industry had to learn in 2011 that regional single-sourcing makes one more vulnerable to risks as well. Strategies for increased delivery reliability will be more important than ever in 2012. With its manufacturing network of different locations, ELMOS has prepared for that very well.

While ELMOS has achieved a good starting position due to the solid financial basis and the large customer base, the company remains dependent on the global economic framework. As a result of the economic uncertainties, we have been observing a defensive order behavior of our customers since a couple of months.

Because of the slow start of the new fiscal year, ELMOS anticipates 2012 sales on the level of 2011. The increased commitment to sales and development particularly in Asia is being continued. Profitability in 2012 will thus be affected compared to 2011. Capital expenditures are scheduled to come to less than 15% of sales. The free cash flow will be positive.

Stable economic general conditions provided, it is expected that ELMOS will participate in a positive development of the automotive and industrial semiconductor markets in 2013. The electrification in these markets will hold up. Such a positive performance of ELMOS implies the success of our customers of today and tomorrow as well as our ability to place products with them. The market environment is currently determined by an intensifying international competition of the automotive suppliers, driven particularly by Asian market participants. Effects from resulting market changes or shifts in the portfolios of our customers can hardly be predicted. The growth of ELMOS would have the consequence that we would benefit from the economies of scale and that the margins would perform well. At the same time it is true that these expectations may be affected by market turbulence. The defined targets for capital expenditures not to exceed 15% of sales and for generating a positive free cash flow remain in place unchanged for 2013. This forecast applies for the semiconductor segment as well as for micromechanics.

ELMOS will benefit from the global megatrends in the medium and long term: increasing urbanization, more renewable energy sources (and dealing with them in an efficient way), and more as well as environmentally sound mobility. To all these dynamically growing market segments, ELMOS will make important contributions.

Dortmund, March 1, 2012

Dr. Anton Mindl **Nicolaus Graf von Luckner** **Reinhard Senf** **Dr. Peter Geiselhart**

Ten years ago, I started my career in production in Dortmund.

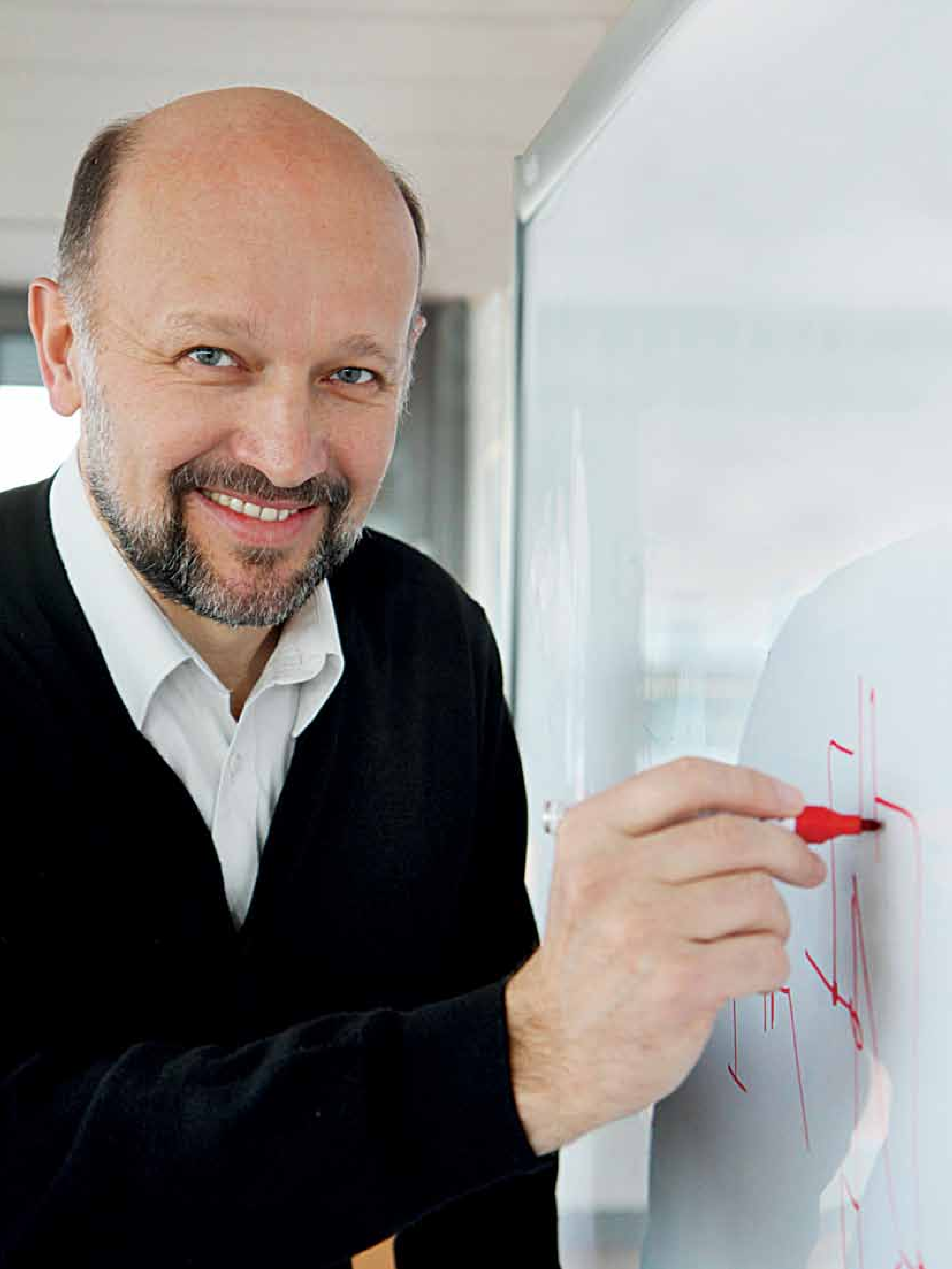
In 2006 I took charge of process engineering at our subsidiary in California. The eleven members of my team originally hail from the U.S., India, China, Vietnam, and several European countries. I enjoy managing such a diversity of products and cultures.

Marc Konradt, director of process, product and test engineering at SMI

Interesting assignments, nice colleagues, and the opportunity to bring new ideas to life.

That describes what I do in production at ELMOS. After completing my training, I am now responsible for the reliable manufacturing of our products as an operator.

Jenjilaporn Nor-Kaew, microtechnologist



We at ELMOS always want to develop the best solution for the customer.

It requires specialist know-how to set ourselves apart from the market through chip size, functionality, and reliability. This is what we aim for every single day.

Prof. Dr. Dr. habil. Anatoli Grigoriev, director ELMOS Russia/ design manager

I have helped create the future of our ELMOS motor drivers for many years now.

I love to see how initial rough drafts turn into real products. So, whenever I go to the customer with a product, I know how much heart and soul has been put into it.

Christian Tegethoff, business line manager

Consolidated financial statements

Consolidated balance sheet

Assets	Notes	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Non-current assets			
Intangible assets	13	29,240	30,589
Property, plant and equipment	14	71,770	69,494
Investments in associates	15	0	0
Securities	15	8,346	6,272
Investments in associates	15	3,917	911
Other financial assets	20	1,630	2,090
Deferred tax assets	16	3,579	5,015
Total non-current assets		**118,482**	**114,371**
Current assets			
Inventories	17	39,951	35,826
Trade receivables	18	28,714	25,328
Securities	15	9,102	3,033
Other financial assets	20	4,837	5,253
Other receivables	20	6,499	3,148
Income tax assets	20	2,989	2,926
Cash and cash equivalents	19	59,002	58,010
		151,094	**133,524**
Non-current available-for-sale assets	21	338	1,291
Total current assets		**151,432**	**134,815**
Total assets		**269,914**	**249,186**

Equity and liabilities	Notes	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Equity			
Equity attributable to owners of the parent			
Share capital	22	19,414	19,414
Treasury stock	22	–106	–119
Additional paid-in capital	22	88,516	88,486
Surplus reserve		102	102
Other equity components	22	–2,064	–1,740
Retained earnings		81,450	66,380
		187,312	**172,523**
Non-controlling interests		633	–227
Total equity		**187,945**	**172,296**
Liabilities			
Non-current liabilities			
Provisions	24	243	376
Financial liabilities	25	30,235	40,101
Other liabilities	26	1,540	1,781
Deferred tax liabilities	16	3,994	1,316
Total non-current liabilities		**36,012**	**43,574**
Current liabilities			
Provisions	24	9,376	9,568
Income tax liabilities	26	2,006	2,627
Financial liabilities	25	10,496	374
Trade payables	27	21,325	18,792
Other liabilities	26	2,754	1,955
Total current liabilities		**45,957**	**33,316**
Total liabilities		**81,969**	**76,890**
Total equity and liabilities		**269,914**	**249,186**

Consolidated income statement

For the year ended December 31, 2011	Notes	2011 thousand Euro	2010 thousand Euro
Sales	5	**194,346**	**184,723**
Cost of sales	6	104,752	100,962
Gross profit		**89,594**	**83,761**
Research and development expenses	6	32,541	29,637
Distribution expenses	6	16,163	12,593
Administrative expenses	6	16,680	17,753
Operating income before other operating expenses/income (–)		**24,210**	**23,778**
Share in profits of associates	8	30	0
Finance income	8	–1,676	–1,031
Finance costs	8	2,427	2,436
Foreign exchange gains (–) / losses	9	–275	291
Other operating income	10	–4,867	–3,405
Other operating expenses	10	2,762	3,789
Income before taxes		**25,809**	**21,698**
Taxes on income			
Current income tax expense	11	2,188	–345
Deferred taxes	11	4,420	4,282
		6,608	**3,937**
Net income		**19,201**	**17,761**
Net income attributable to			
Owners of the parent		**18,921**	**17,754**
Non-controlling interests		280	7
		19,201	17,761
Earnings per share			
Basic earnings per share (in Euro)	12	0.98	0.92
Fully diluted earnings per share (in Euro)	12	0.96	0.91

Consolidated statement of comprehensive income

For the year ended December 31, 2011	Notes	2011 thousand Euro	2010 thousand Euro
Net income		**19,201**	**17,761**
Other comprehensive income			
Foreign currency adjustments without deferred tax effect		55	–150
Foreign currency adjustments with deferred tax effect		468	1,130
Deferred taxes (on foreign currency adjustments with deferred tax effect)	22	–121	–284
Value differences with respect to hedges	22	–1,016	90
Deferred taxes (on value differences with respect to hedges)	22	327	–29
Available-for-sale financial assets	22	–37	0
Other comprehensive income after taxes		**–324**	**757**
Total comprehensive income		**18,877**	**18,518**
Net income attributable to			
Owners of the parent		18,597	18,503
Non-controlling interests		280	15
		18,877	**18,518**

Consolidated statement of cash flows

	Notes	2011 thousand Euro	2010 thousand Euro
Cash flow from operating activities			
Net income		19,201	17,761
Depreciation	7	17,850	16,327
Write-down on investments	15	34	0
Finance result	8	751	1,405
Other non-cash expenses		4,800	4,253
Current income tax expense	11	2,188	−345
Expenses for stock option plan and stock awards	23	315	207
Changes in pension provisions	24	−133	−416
Changes in net working capital:			
Trade receivables	18	−3,386	−5,320
Inventories	17	−4,125	−4,287
Other assets	20	−2,936	−2,150
Trade payables	27	2,533	5,874
Other provisions and other liabilities	24	−318	942
Income tax payments/refunds		−2,872	153
Interest paid	8	−2,427	−2,436
Interest received	8	1,676	1,031
Cash flow from operating activities		**33,151**	**32,999**
Cash flow from investing activities			
Capital expenditure for intangible assets	13	−3,341	−2,513
Capital expenditures for property, plant and equipment	14	−16,047	−9,847
Disposal of/Payments for non-current assets held for sale	21	901	−1,291
Payments for the acquisition of investments in joint ventures less acquired cash and cash equivalents		−557	0
Disposal of property, plant and equipment		1,177	2,821
Payments for securities	15	−8,179	−9,305[1]
Payments for investments	15	−3,058	−407
Payments from other non-current financial assets	20	370	0
Cash flow from investing activities		**−28,734**	**−20,542**
Cash flow from financing activities			
Repayment of non-current liabilities		−241	−427
Borrowing/Repayment of current liabilities to banks		256	−141
Issue of treasury shares		102	0
Share buyback	22	0	−841
Dividend distribution		−3,859	0
Newly created non-controlling interests		103	0
Other changes		136	0
Cash flow from financing activities		**−3,503**	**−1,409**
Increase in cash and cash equivalents		**914**	**11,048**
Effects of exchange rate changes on cash and cash equivalents		78	121
Cash and cash equivalents at beginning of reporting period	19	58,010	46,841
Cash and cash equivalents at end of reporting period	19	**59,002**	**58,010**

[1] The prior-year value has been adjusted; please refer to the comments in the notes under 1.

Consolidated statement of changes in equity

	Notes	Equity attributable to owners of the parent				
		Shares thousand shares	Share capital thousand Euro	Treasury stock thousand Euro	Additional paid-in capital thousand Euro	Surplus reserve thousand Euro
January 1, 2010		**19,414**	**19,414**	**0**	**89,001**	**102**
Net income						
Other comprehensive income for the period	22					
Total comprehensive income						
Stock option expense	23				207	
Share buyback	22			−119	−722	
December 31, 2010		**19,414**	**19,414**	**−119**	**88,486**	**102**
January 1, 2011		**19,414**	**19,414**	−119	88,486	102
Net income						
Other comprehensive income for the period	22					
Total comprehensive income						
Share-based payment	22			13	88	
Changes in the basis of consolidation						
Dividend payment	22					
Stock option expense	23				315	
Acquisition of non-controlling interests					−610	
Newly created non-controlling interests					103	
Other changes					134	
December 31, 2011		**19,414**	**19,414**	**−106**	**88,516**	**102**

Equity attributable to owners of the parent					Non-controlling interests	Group
Other equity components *Reserves for available-for-sale financial assets* thousand Euro	**Other equity components *hedges* thousand Euro**	**Other equity components *foreign currency translations* thousand Euro**	**Retained earnings thousand Euro**	**Total thousand Euro**	**Total thousand Euro**	**Total thousand Euro**
0	**0**	**−2,489**	**48,626**	**154,654**	**−242**	**154,412**
			17,754	17,754	7	17,761
	61	688		749	8	757
	61	688	17,754	18,503	15	18,518
				207		207
				−841		−841
0	**61**	**−1,801**	**66,380**	**172,523**	**−227**	**172,296**
0	61	−1,801	66,380	172,523	−227	172,296
			18,921	18,921	280	19,201
−37	−688	401		−324		−324
−37	−688	401	18,921	18,597	280	18,877
				101		101
			−80	−80		−80
			−3,859	−3,859		−3,859
				315		315
				−610	610	0
				103		103
			88	222	−30	192
−37	**−627**	**−1,400**	**81,450**	**187,312**	**633**	**187,945**

Notes to the consolidated financial statements

General information

ELMOS Semiconductor AG (“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 the Annual General Meeting of May 17, 2011.

The company’s business is the development, manufacture and distribution of microelectronic components and system parts (**A**pplication **S**pecific **I**ntegrated **C**ircuits 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 that 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, Asia and the U.S. and cooperates with other German and international companies in the development and production of ASIC chips.

The company is a listed stock corporation. The company's shares are traded in the Prime Standard in Frankfurt/Main.

The address of the company’s registered office is:

44227 Dortmund, Heinrich-Hertz-Straße 1.

Accounting policies and valuation methods

1 // Accounting principles

General information

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

The consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income have been prepared according to IAS 1, “Presentation of Financial Statements”. Individual items have been summarized to achieve higher clarity; those items are explained in the notes.

The consolidated financial statements will probably be released for publication by the Management Board in March 2012.

Adjustments in presentation compared to previous year

Deviating from the presentation in fiscal year 2010, comprehensive income 2011 is presented in two separate statements for the sake of higher clarity, a **consolidated income statement** and a **consolidated statement of comprehensive income.** In the previous year, the presentation was made in a single consolidated statement of comprehensive income, comprising the two elements.

The **statement of cash flows** shows changes in securities solely in the cash flow from investing activities. The prior-year presentation that included an amount of 3,033 thousand Euro as changes in securities in the cash flow from operating activities has insofar been adjusted, and said amount has been reclassified to cash flow from investing activities under the item "payments for securities".

Estimates and assumptions

The most important future-related assumptions as well as other material sources of estimate uncertainty identified as of the end of the reporting period, 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. Beyond the scope of the areas described below, assumptions and estimates are also necessary for allowances for bad debts as well as for contingent liabilities and other provisions. In accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors,* changes in estimates are recognized in profit or loss as of the time new information becomes available. Changes in estimates did not result in material consequences in the reporting period. Nor are such effects expected for future reporting periods.

Impairment of goodwill

The group reviews 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 assessment of the value in use, the company management needs to estimate the respective 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 have been 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 book value of goodwill was 2,919 thousand Euro as of December 31, 2011 (2010: 2,379 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-forwards to the extent it appears probable that taxable income will be available so that loss carry-forwards can in fact be used. For the determination of the amount of deferred tax assets, a material discretionary decision made by the company management is required, based on the expected time of occurrence and the amount of taxable future income as well as future tax planning strategies. 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 returns on pension plan 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 243 thousand Euro as of December 31, 2011 (2010: 376 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 7,391 thousand Euro as of December 31, 2011 (2010: 6,993 thousand Euro). More details can be found under note 13.

New and amended Standards and Interpretations

The accounting policies and valuation methods applied generally correspond with the policies and methods applied in the previous year. Exceptions were the following new and amended Standards and Interpretations, subject to first-time mandatory application for fiscal year 2011. The following Standards and Interpretations that had to be applied for fiscal year 2011 for the first time did not have any material consequences for the ELMOS Group.

- Amendment to IFRS 1 – *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
- IAS 24 – *Related Party Disclosures*
- Amendment to IAS 32 – *Classification of Rights Issues*
- Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*
- Improvements to IFRS 2010

The IASB has released the following amendment to a Standard which has already been adopted by EU law within the framework of the so-called comitology procedure, yet was not subject to mandatory application in fiscal year 2011. The group does not apply this amended Standard in advance.

Amendment to IFRS 7 – Disclosures: Transfers of Financial Assets

The amendment to IFRS 7 was released in October 2010 and is subject to mandatory application for fiscal years beginning on or after July 1, 2011. The amendment determines extensive new qualitative and quantitative disclosures on transferred financial assets that have not been derecognized and on the continued commitment with respect to transferred financial assets as of the reporting date. This amendment will probably expand the scope of required information on financial instruments further. However, it will have no effect on the recognition and measurement of assets and liabilities in the consolidated financial statements or on the earnings of future fiscal years.

The IASB has released the following Standards and Interpretations that were not subject to mandatory application in fiscal year 2011. These Standards and Interpretations have so far not been adopted by the EU and are not applied by the group.

IFRS 9 – *Financial Instruments: Classification and Measurement*

The first part of phase I in preparing IFRS 9: *Financial Instruments* was released in November 2009. The Standard includes new regulations for the classification and measurement of financial assets. Accordingly, debt instruments are to be recognized either at amortized cost or at fair value through profit or loss, depending on their respective characteristics and in consideration of the business model applied. Equity instruments are always to be accounted for at fair value. Changes in value of equity instruments, however, may be recognized in other comprehensive income due to the granted instrument-specific option exercisable as of the date of the financial instrument's addition. In that case only certain dividend returns on equity instruments would be recognized in profit or loss. One exception are financial assets held for trading, subject to mandatory recognition at fair value through profit or loss. In October 2010 the IASB completed the second part of project phase I. The Standard was thus amended by provisions for financial liabilities, and it determines that existing classification and measurement regulations for financial liabilities be maintained, with the following exceptions: Effects of changes in the inherent credit risk of financial liabilities that have been classified as measured at fair value through profit or loss must be recognized outside profit or loss, and derivative liabilities on unlisted equity instruments must not be recognized at acquisition cost anymore. IFRS 9 is subject to mandatory application for fiscal years beginning on or after January 1, 2015. The completion of the project is expected for 2012. The application of the first part of phase I will have effects on the classification and measurement of the group's financial assets. From the second part of this project stage, no material effects on the group's financial, profit and economic situation are expected. In order to present a comprehensive picture of potential effects, the group will quantify such effects only in connection with the other phases upon their release.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 was issued in May 2011 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. The new Standard supersedes the provisions of previous IAS 27: *Consolidated and Separate Financial Statements* on group accounting and Interpretation SIC 12 *"Consolidation – Special Purpose Entities"*. IFRS 10 establishes a consistent concept of control to be applied to all entities including special purpose entities. Compared to the previous legal situation, the changes introduced with IFRS 10 require considerable discretionary management decisions in assessing which entities are controlled in the group and whether those entities must therefore be included in consolidated financial statements by way of full consolidation.

IFRS 11 – *Joint Arrangements*

IFRS 11 was released in May 2011 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. The Standard supersedes IAS 31: *Interests in Joint Ventures* and Interpretation SIC 13 *"Jointly Controlled Entities – Non-Monetary Contributions by Venturers"*. With IFRS 11, the previous right to choose the application of the proportionate consolidation method for joint ventures has been eliminated. Such entities are henceforth to be included in consolidated financial statements by using the equity method of accounting exclusively. The first-time application of the new Standard will not lead to material changes. At present, ELMOS includes only one entity in the consolidated financial statements by way of proportionate consolidation (please also refer to note 33).

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 was issued in May 2011 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. The Standard governs consistent mandatory disclosures for group accounting and consolidates disclosures for subsidiaries, formerly stipulated in IAS 27, disclosures for joint arrangements and associates, previously regulated in IAS 31 and IAS 28 respectively, and for unconsolidated structured entities. As the new Standard establishes new requirements for disclosure of information in addition to previously effective mandatory disclosures, the group's information supplied on this group of entities will be more extensive in the future.

IFRS 13 – *Fair Value Measurement*

IFRS 13 was issued in May 2011 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. The Standard provides guidance for the determination of fair value and defines comprehensive quantitative and qualitative information on measurement at fair value. However, the question when assets and liabilities must, or may, be measured at fair value is not part of the scope of this Standard. IFRS 13 defines fair value as the price one party would receive for selling an asset or pay for transferring a liability in a regular transaction between market participants on the cutoff date. The group is currently looking into the effects the new Standard will have on the Group's financial, profit and economic situation.

Amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income*

The amendment to IAS 1 was released in June 2011 and is subject to mandatory application for fiscal years beginning on or after July 1, 2012. The amendment to IAS 1 regards the presentation of items of other comprehensive income. Accordingly, items designated for future reclassification through profit or loss (so-called recycling) must be presented separately from items to remain in equity. This amendment only addresses the method of presentation and therefore has no consequences for the group's financial, profit and economic situation.

IAS 19 – *Employee Benefits (amended 2011)*

The amended Standard IAS 19 was released in June 2011 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. The revisions include a wide range from essential changes, e.g. with respect to the determination of expected income from plan assets and the elimination of the so-called corridor method, which helped distribute and smooth the volatility resulting from pension obligations over time, to mere clarifications and rewording. The elimination of the corridor method had the consequence for the ELMOS Group that the amount of pension provisions will reflect the benefit obligation in the full amount and that actuarial gains and losses will no longer be recognized proportionately through profit or loss but in the full amount in other comprehensive income for the period in which they arise. On the whole, the first-time application of this amended Standard will have no material effects on the financial, profit and economic situation.

IAS 28 – *Investments in Associates and Joint Ventures (amended 2011)*

The amended Standard IAS 28 was issued in May 2011 and is subject to mandatory application for fiscal years beginning on or after January 1, 2013. With the adoption of IFRS 11 and IFRS 12, the scope of IAS 28 – in addition to associates – was expanded to application of the equity method to joint ventures as well. For its effects, we refer to our comment on IFRS 11.

Amendments to IAS 32 and IFRS 7 – *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 and IFRS 7 were issued in December 2011 and are subject to mandatory application for fiscal years beginning on or after January 1, 2013. The revision is intended to eliminate existing inconsistencies by introducing enhanced guidance. However, the essential provisions for offsetting financial instruments are retained. With the amendments comes a definition of additional disclosures. The amendments will not affect the accounting policies applied by the group, yet lead to additional information to be disclosed.

The following new or amended provisions do not apply to the group and will therefore have no effect on the group's financial, profit and economic situation:

- Amendment to IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- IAS 27 – *Separate Financial Statements (amended 2011)*
- IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*
- Amendment to IAS 12 – *Deferred Tax: Recovery of Underlying Assets*

2 // Principles of consolidation

Basis of consolidation and consolidation methods

In addition to ELMOS Semiconductor AG, the consolidated financial statements prepared for fiscal year 2011 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, identifiable assets and liabilities are fully accounted for at their respective time values. The balance of a remaining asset difference is stated as goodwill.

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

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

The group’s investments in associated companies are assessed using the equity method. An associate is a company over which the group has significant influence.

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 foreign 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 the reporting date.

With regard to subsidiaries whose functional currency is the national currency of the respective country in which the subsidiary keeps its registered office, assets and liabilities stated in foreign currency in the statements of financial position of the economically independent international subsidiaries are translated into Euro at the closing rates as of the respective reporting dates. Income and expense items are translated at average exchange rates over the underlying period. Differences resulting from the valuation of equity at historic rate and closing rate as of the end of the reporting period are recognized outside profit or loss as changes in equity under other equity components.

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. Beyond the reporting date December 31, 2011, ELMOS entered into USD forward exchange contracts in a total nominal amount of USD 3,000 thousand. All transactions fall due in the first quarter of 2012. For the accounting treatment of these transactions and exchange rate gains and losses from currency hedges realized during fiscal year 2011 altogether, please refer to note 30.

Statement of cash flows

The statement of cash flows shows how cash and cash equivalents have changed in the course of the fiscal year by inflows and outflows of funds. The effects of acquisitions and divestitures 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 income statement 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 by their development. Sales are stated net of sales tax and after deduction of discounts given.

Sales are realized either at the time that 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 business acquisitions is not amortized but reviewed for carrying value at least once a year. In addition, an impairment review is performed if special events or market developments indicate that the fair value of a reporting unit might have fallen below its book value. As of the 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. Beyond that period a growth rate of 0.5 % is assumed. After that the cash value of these future cash flows is calculated by way of 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 in connection with the development of ASICs. Depreciation is begun with after the development stage is completed or at the start of pilot series production.

Development expenses are capitalized after technological feasibility or realizability is provided and (pilot) series production (so-called PPAP status; until June 30, 2011: so-called QBII status) is launched.

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 three to seven years (depending on the classification of the projects to the areas automotive, industry, or consumer).

Expenses for the 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 recognized at cost and amortized over their estimated useful lives of 3 to 20 years under the straight-line method.

Amortization is entered in the consolidated income statement.

Property, plant and equipment

Items of property, plant and equipment are basically capitalized at acquisition or production cost.

Property, plant and equipment are depreciated 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 probably recoverable amount, impairment is recognized for this asset in accordance with IAS 36.

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

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 income statement using the straight-line method over the contract terms.

Investments in joint ventures

ELMOS has an investment in a jointly controlled company. A contractual agreement between the partner companies governs the joint management of that company's business activities. This agreement requires unanimous decisions of the partners on all issues of finance and operations. The group accounts for its investment in the joint venture using the method of proportionate consolidation. The group reports its proportionate share in the joint venture's assets, liabilities, income and expenses in the corresponding items of the consolidated financial statements. The separate financial statements of the joint venture are prepared as of the same reporting date as the consolidated financial statements are. If necessary, adjustments are made toward consistent group accounting policies.

Adjustments were made to the consolidated financial statements for eliminating the group's share in intra-group balances, business transactions, and gains and losses from such transactions between the group and its joint venture. The inclusion of the joint venture in the consolidated financial statements by way of proportionate consolidation ends at the point in time at which the group no longer participates in the joint management of the joint venture.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. Associates are entities over which the group can exert significant influence without having control. Significant influence is generally assumed if ELMOS has a direct or indirect share of the voting rights of at least 20% up to 50%. According to the equity method, investments in associates are initially recognized at cost at the time of acquisition plus post-acquisition changes in the group's share in the associate's net assets. The group's share in the profits and losses of associated companies is presented in the income statement under the item "share in profit/loss of associates" from the time of acquisition. Cumulative changes after the acquisition are set off against the investment's book value. If the group's share in losses of an associate equals or exceeds the group's investment in this associate, the group does not enter any further losses.

Investments

Investments represent investments in entities over which ELMOS has neither control nor significant influence. Investments for which there is a quoted market price are classified as "available for sale" and measured at that price. Investments for which there is no active market are classified as "available for sale" and measured at amortized cost. Insofar as there is no active market for those entities, it is assumed that the book value corresponds with the market value. A reliable determination of a market value would only be possible in the context of specific sales negotiations. At present there are no intentions of selling.

Financial instruments

According to IAS 39, a financial instrument is a contract that leads to the origination of a financial asset for one company and at the same time to the origination of a financial liability or an equity instrument for another company.

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 in accordance with IAS 39 in the following categories:

- financial assets held for trading
- financial assets held to final maturity
- loans and receivables originated by the enterprise
- available-for-sale financial assets
- financial liabilities measured at amortized cost and
- financial liabilities measured at fair value through profit or loss.

Financial instruments accounted for include liquid assets, securities, trade receivables, trade payables, forward loans including corresponding interest swap transactions (cash flow hedges), forward exchange contracts, and other outside financing.

Financial assets

Financial assets with determined or determinable payments and fixed terms which the company is willing and able to hold to final maturity are classified as held-to-maturity financial assets, with the exception of loans and receivables originated 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 originated by the company are classified as available-for-sale financial assets.

Held-to-maturity financial assets are accounted for under non-current assets unless they mature within twelve months of the reporting date. Financial assets held for trading and available-for-sale financial assets are regarded as current assets if they are meant to be realized within twelve months of the reporting date.

Upon their first-time recognition, financial assets are measured at fair value, corresponding with the time value attributable to the consideration received. With respect to financial assets classified at fair value outside profit or loss, transaction costs directly attributable to the asset's acquisition are also taken into account. Subsequent measurement of financial assets depends on their classification:

Available-for-sale financial assets and financial assets held for trading are subsequently measured at their fair values without deduction of any transaction costs incurred and under disclosure of their listed market prices as of the reporting date.

Gains and losses from the measurement of available-for-sale financial assets at fair value are recognized directly under other components of equity 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 or losses previously recognized in equity are included in income for the period as of that point in time.

Changes in fair value of financial assets held for trading are recognized in finance income/expenses insofar as there is a direct connection with the company's financing or its financial investments. Held-to-maturity financial assets are measured at amortized cost using the effective interest method.

Financial liabilities

Financial liabilities generally constitute a claim for return in cash or in the shape of another financial asset. This category particularly includes trade payables, financial liabilities, and other liabilities.

After their first-time recognition, financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading. Derivatives are classified as held for trading unless they are designated as hedging instruments and are effective as such. Gains and losses from financial liabilities held for trading are recognized in profit or loss.

Upon their first-time recognition, financial instruments are classified either 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 expenses or income in the consolidated income statement for the period in which they incur. Dividend payments to owners of financial instruments classified as equity are deducted directly from equity.

The company has so far made no use of the option to designate financial assets and financial liabilities as financial assets and liabilities at fair value through profit or loss upon their first-time 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 his payment obligations on the due date according to the terms and conditions of a liability instrument. Upon first-time recognition, financial guarantee contracts are recognized as liabilities at fair value less transaction costs 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 reporting date or the higher stated amount less cumulative amortization.

Derivative financial instruments

ELMOS makes use of derivative financial instruments exclusively for hedging interest and currency risks. On concluding hedges, certain derivatives are assigned to certain hedged items. The conditions stipulated by IAS 39 for the qualification of transactions as hedges are met at all times.

According to IAS 39, all derivative financial instruments are to be assigned to the category "at fair value through profit or loss" and to be accounted for at fair value, regardless of the purpose or intention for which they have been concluded. Changes in fair value of derivative financial instruments are recognized in profit or loss.

Insofar as derivative financial instruments applied are effective hedges within the framework of a hedging relationship in accordance with IAS 39 (cash flow hedges), changes in fair value do not have an effect on the income for the period during the term of the derivative. Changes in fair value are recognized outside profit or loss in equity. The amortized value in equity is considered in income for the period as profit or loss upon maturity of the hedged cash flow.

The fair value generally corresponds with the market value or stock market price. If there is no active market, the fair value is determined on the basis of established valuation models and bank valuation.

The ELMOS Group's hedging strategy is to exclusively enter into effective derivatives for hedging interest and currency risks. The conditions defined by IAS 39 as required for accounting treatment as hedging transactions were met upon conclusion of the hedging instruments as well as at the reporting date.

Inventories

Inventories are measured at acquisition or production cost or at the lower net recoverable value as of the reporting date. In addition to directly attributable cost, production cost also includes manufacturing cost 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 (idle capacity costs) are disclosed in the consolidated income statement under cost of sales. Inventory allowances are made insofar as acquisition or production cost exceeds the expected recoverable net sales proceeds.

Trade receivables

Trade receivables as well as other receivables are basically recognized at nominal value in consideration of adequate allowances.

The allowance for bad debt comprises to a considerable degree estimates and assessments of individual receivables 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 order backlog leads to a corresponding reduction of such allowances and vice versa.

Cash and cash equivalents (liquid assets)

For the purpose of preparing the financial accounts, cash and cash equivalents include cash on hand, checks, cash in banks, and marketable 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 to sell. An asset is to be classified as available for sale if the attached book value is realized primarily by a sale transaction and not 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 an outflow of group resources and if a reliable estimate of the amount of the obligation can be made.

Recurring net pension benefits according to IAS 19 are made up of different components, reflecting different aspects of the company's financial agreements as well as the expense for the benefits received by the employees. These components are determined by using 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 as of 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 made as of the time of sale, based on the historic ratio of warranty costs to sales. Furthermore, in individual cases adequate provisions are made upon risk assessment with respect to sales-oriented and legal consequences.

Taxes

Current tax assets and tax liabilities for the current period and for previous periods are measured 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 at the end of the reporting period in those countries where the group has operations and generates taxable income.

Deferred taxes are determined using 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 statement of financial position 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 measurement of deferred tax assets and liabilities considers the tax effects resulting from the way a company expects to realize its assets' carrying amounts or repay its debts as of the reporting 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 they are included in the statement of financial position as non-current assets or non-current liabilities.

A deferred tax asset is recognized 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 reporting date, the company assesses deferred tax assets not accounted for anew. The company recognizes a deferred tax asset previously unaccounted for 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 benefit 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 period 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 recognized 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 carry-forwards in the following years insofar as their realization 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 net of sales tax. Exceptions are the following cases:

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

- Receivables and liabilities are stated including sales tax..

The sales tax amount to be refunded by or paid to the tax authorities is recognized in the statement of financial position under receivables or liabilities.

Subsidies

Subsidies or government grants 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 recognized in the statement of financial position as reduction of acquisition cost and amortized in equal installments over the corresponding asset's estimated period of use through profit or loss. 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 cost with respect to all qualified assets the construction or manufacture 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 expense 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 the segments

4 // Segment reporting

The 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 accounting principles applied for the separate segments 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, Asia, and the U.S. Sales in this segment are generated primarily with automotive electronics. ELMOS is also active in the sector of industrial and consumer goods, supplying semiconductors e.g. for applications in household appliances, photo cameras, installation and building technology, and machine control systems.

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

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

The following tables provide information on sales and earnings and certain information on assets and liabilities of the group's business segments for the fiscal years ended December 31, 2011 and December 31, 2010.

Fiscal year ended 12/31/2011	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Third-party sales	177,427	16,919	0	194,346
Inter-segment sales	242	635	–877[1]	0
Total sales	**177,669**	**17,554**	**–877**	**194,346**
Earnings				
Depreciation	16,511	1,339	0	17,850
Other material non-cash expenses	–794	–39	0	–833
Other material non-cash income	133	0	0	133
Segment income	24,093	2,497	0	26,590
Share in profits of associates				–30
Finance income				1,676
Finance expenses				–2,427
Income before taxes				**25,809**
Income taxes				–6,608
Net income including non-controlling interests				**19,201**
Assets and liabilities				
Segment assets	186,404	14,024	65,569[2]	265,997
Investments	470	3,447	0	3,917
Total assets				269,914
Segment liabilities/Total liabilities	33,189	2,049	46,731[3]	81,969
Other segment information				
Capital expenditures for intangible assets and property, plant and equipment	19,236	687	0	19,923

Other non-cash expenses comprise extraordinary write-down on non-current assets and stock option expense, among other items.

[1] Sales from inter-segment transactions are eliminated for consolidation purposes.
[2] Non-attributable assets as of December 31, 2011 include cash and cash equivalents (59,002 thousand Euro), income tax assets (2,989 thousand Euro), and deferred taxes (3,579 thousand Euro), as these assets are managed on group level.
[3] Non-attributable liabilities as of December 31, 2011 include current financial liabilities (10,496 thousand Euro), non-current financial liabilities (30,235 thousand Euro), current tax liabilities (2,006 thousand Euro), and deferred taxes (3,994 thousand Euro), as these liabilities are managed on group level.

Fiscal year ended 12/31/2010	Semiconductor thousand Euro	Micromechanics thousand Euro	Consolidation thousand Euro	Group thousand Euro
Sales				
Third-party sales	170,114	14,609	0	184,723
Inter-segment sales	366	196	–562[1]	0
Total sales	**170,480**	**14,805**	**–562**	**184,723**
Earnings				
Depreciation	14,876	1,451	0	16,327
Other material non-cash expenses	–1,117	–17	0	–1,134
Other material non-cash income	451	0	0	451
Segment income	22,088	1,015	0	23,103
Finance income				1,031
Finance expenses				–2,436
Income before taxes				**21,698**
Income taxes				–3,937
Net income including non-controlling interests				**17,761**
Assets and liabilities				
Segment assets	168,837	13,487	65,951[2]	248,275
Investments	537	374	0	911
Total assets				249,186
Segment liabilities/Total liabilities	30,780	1,692	44,418[3]	76,890
Other segment information				
Capital expenditures for intangible assets and property, plant and equipment	12,182	178	0	12,360

Other non-cash expenses comprise extraordinary write-down on non-current assets and stock option expense, among other items.

[1] Sales from inter-segment transactions are eliminated for consolidation purposes.
[2] Non-attributable assets as of December 31, 2010 include cash and cash equivalents (58,010 thousand Euro), income tax assets (2,926 thousand Euro), and deferred taxes (5,015 thousand Euro), as these assets are managed on group level.
[3] Non-attributable liabilities as of December 31, 2010 include current financial liabilities (374 thousand Euro), non-current financial liabilities (40,101 thousand Euro), current tax liabilities (2,627 thousand Euro), and deferred taxes (1,316 thousand Euro), as these liabilities are managed on group level.

Geographic information

The geographic segment "other EU countries" basically includes all member states of the European Union as of the respective reporting date, with the exception of Germany. Those European countries that are currently not members of the European Union are included in the segment "other countries". Third-party sales are broken down by the customers' business locations.

Geographic information

Third-party sales	2011 thousand Euro	2010 thousand Euro
Germany	68,962	70,180
Other EU countries	62,923	63,706
U.S.A.	14,536	13,144
Asia/Pacific	34,807	23,658
Other countries	13,118	14,035
Group sales	**194,346**	**184,723**

Geographic breakdown of non-current assets	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Germany	99,060	95,758
Other EU countries	8,462	8,767
U.S.A.	7,360	4,829
Other countries	21	2
Non-current assets	**114,903**	**109,356**

Sales generated with the top three customers amount to 32.4 million Euro, 22.5 million Euro, and 20.2 million Euro, respectively, and result from sales in the semiconductor segment.

Notes to the consolidated income statement and the consolidated statement of comprehensive income

5 // Sales

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

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

	2011 thousand Euro	2010 thousand Euro
Semiconductor	177,427	170,114
Micromechanics	16,919	14,609
Group	**194,346**	**184,723**

Sales increased 5.2% to 194,346 thousand Euro. The micromechanics segment contributed disproportionately to the growth in sales, climbing 15.8% to 16,919 thousand Euro in 2011.

6 // Notes to the consolidated income statement prepared in accordance with the cost of sales method

Cost of sales

The cost of sales contains costs of performances rendered 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 lease expenses and depreciation. The cost of sales also contains changes in work in process and finished goods inventories and shows the following development:

	2011 thousand Euro	2010 thousand Euro
Material costs	44,552	37,909
Personnel expense	28,038	28,715
Other overhead	34,424	37,693
Changes in inventories	–2,262	–3,355
	104,752	**100,962**

Cost of sales climbed 3.8% from 100,962 thousand Euro in 2010 to 104,752 thousand Euro in the year under review. Due to the improved demand compared to the previous year and the resulting higher production output, an increase in material costs by the amount of 6,643 thousand Euro is noticeable. The reduced other overhead compared with the previous year is due essentially to lower lease expenses. Adjusted by effects of changes in inventories, the resulting increase in expenses amounts to 2.6%.

Research and development expenses

Substantial expenses regularly incur with regard to research and development projects carried out in anticipation of future sales. Research expenses are recognized in profit or loss according to the amount of work invested. Development expenses are capitalized depending on the project and then amortized or – insofar as capitalization requirements are not met – recognized in profit or loss. In fiscal year 2011, R&D expenses of 32,541 thousand Euro (previous year: 29,637 thousand Euro) were charged to expenses.

Distribution expenses

Distribution expenses in the amount of 16,163 thousand Euro (previous year: 12,593 thousand Euro) essentially include expenses for personnel, leases, and depreciation.

Administrative expenses

Administrative expenses of 16,680 thousand Euro (previous year: 17,753 thousand Euro) include personnel expense for the administrative staff and proportionate personnel expense for the Management Board members. Other material items are expenses for leases and amortization as well as for legal and consulting fees.

Due to the cost of sales method applied, lease expenses and amortization have been allocated to the items cost of sales, research and development expenses, distribution expenses, and administrative expenses in the consolidated income statement.

7 // Further information on the consolidated income statement prepared in accordance with the cost of sales method

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

Material costs

Material costs amounted to 54,233 thousand Euro in the year under review and are up 15.9% from the previous year (2010: 46,792 thousand Euro). They include expenses for raw materials, supplies, consumables, and for services claimed.

Personnel expense

Personnel expense climbed 4.1 % from 59,720 thousand Euro in fiscal year 2010 to 62,185 thousand Euro in fiscal year 2011. Over the same reporting period, the number of employees – based on an average employment ratio – went slightly down from 990 in fiscal year 2010 to 988 in fiscal year 2011 (further staff information can be found under note 40).

Depreciation and amortization

The itemization of depreciation and amortization can be drawn from the development of the group's non-current assets (please refer to notes 13 and 14).

Depreciation and amortization came to 17,850 thousand Euro in the year under report (2010: 16,327 thousand Euro), equivalent to an increase of 9.3%.

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

8 // Finance expenses, finance income, and share in profits of associates

Finance expenses came to 2,427 thousand Euro in 2011 compared to 2,436 thousand Euro in 2010. They essentially include interest expenses for liabilities to banks and for non-current liabilities.

Under the item finance income, essentially interest income was reported in fiscal year 2011. Finance income added up to 1,676 thousand Euro (previous year: 1,031 thousand Euro).

Finance expenses and finance income reported in the consolidated income statement essentially correspond with the amounts paid.

The total amounts of interest income and interest expenses for financial assets and financial liabilities measured at fair value outside profit or loss are as follows:

	2011 thousand Euro	2010 thousand Euro
Interest income	–1,676	–1,029
Interest expense	2,411	2,436
Interest result	**735**	**1,407**

The share in profits of associates (2011: proportionate loss in the amount of 30 thousand Euro; previous year: 0 thousand Euro) results from the accounting treatment of the investment in California's TetraSun Inc. as an associate in the reporting period. In the fourth quarter of 2011, ELMOS Semiconductor AG lost its significant influence over the company. Accordingly, as of December 31, 2011 the investment in TetraSun Inc. is accounted for as an available-for-sale financial asset in accordance with IAS 39 (please refer to note 29).

9 // Foreign exchange gains and losses

Gains from exchange rate differences recognized in profit or loss amount to 275 thousand Euro in fiscal year 2011 (previous year: losses of 291 thousand Euro).

Exchange rate changes attributable to the owners of the parent and recognized outside profit or loss amount to 1,400 thousand Euro in fiscal year 2011 (previous year: 1,801 thousand Euro), considering corresponding deferred taxes. Further information on changes in foreign currency exchange rates recognized outside profit or loss can be found under note 22.

10 // Other operating expenses and income

Other operating income in the amount of 4,867 thousand Euro (2010: 3,405 thousand Euro) includes income from the release of provisions (2,276 thousand Euro), among other items.

Other operating expenses in the amount of 2,762 thousand Euro (2010: 3,789 thousand Euro) include, among other items, expenses for performances pursuant to a warranty (including allocations to provisions) in the amount of 467 thousand Euro, allocations to allowances in the amount of 249 thousand Euro, and extraordinary write-down on a part of a building assigned to the semiconductor segment in the amount of 399 thousand Euro.

Other operating expenses include expenses of 323 thousand Euro relating to other reporting periods. In addition, extraordinary expenses arose in the amount of 185 thousand Euro linked to derecognition of development projects or projects under development reported under intangible assets (please refer to note 13). These assets were assigned to the semiconductor segment.

11 // Income taxes

Taxes on income either paid or owed as well as corresponding tax deferrals are reported as income taxes.

	2011 thousand Euro	2010 thousand Euro
Current income taxes		
Germany	1,718	2,165
International	470	–2,510
	2,188	**–345**
thereof taxes from previous years	196	–2,144
Deferred taxes		
Germany	3,075	2,401
International	1,346	1,881
	4,420	**4,282**
	6,608	**3,937**

Deferred taxes have been calculated in accordance with the so-called liability method pursuant to IAS 12. For Germany, the combined income tax rate of 32.21% (previous year: 32.21%) has been applied. The company's combined income tax rate includes the trade tax collection rate of 468% (previous year: 468%), the corporation tax rate of 15.0% (previous year: 15.0%), and the solidarity surcharge of 5.5% (previous year: 5.5%). With respect to the international group companies, respective country-specific tax rates have been applied for the calculation of deferred taxes.

Deferred taxes are determined for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax statements in the separate 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 amount in application of the statutory tax rate to the group's net income and the company's effective income taxes are as follows:

	2011 %	2010 %
Statutory tax rate	32.21	32.21
Foreign tax rate differential	–2.13	–1.57
Expenses disallowable against tax	0.76	0.43
Trade tax additions/cuts	1.26	2.08
Taxes from previous years	0.76	–9.88
Consumption of loss carry-forward	–0.01	10.36
Non-capitalization of deferred taxes from loss carry-forward	0.00	0.10
Capitalization of impaired loss carry-forward	–1.85	–10.78
Use of impaired interest carry-forward	0.00	–0.76
Tax-free income	–5.54	–4.91
Others	0.14	0.83
Effective tax rate	**25.60**	**18.11**

12 // Earnings per share

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

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

Reconciliation of shares

	2011	2010
Weighted average number of ordinary shares outstanding	19,302,994	19,351,378
Stock options with dilutive potential	344,556	234,859
Weighted average number of ordinary shares outstanding, including dilutive effect	**19,647,550**	**19,586,237**

Calculation of earnings per share

	2011	2010
Net income attributable to owners of the parent (in Euro)	18,920,962	17,754,373
Basic earnings per share (in Euro)	0.98	0.92
Fully diluted earnings per share (in Euro)	0.96	0.91

The weighted average number of shares in 2010 and 2011 includes the weighted average effect of changes from transactions with treasury shares in the course of the years 2010 and 2011.

Outstanding stock options originating from the 2010 tranche have not been included in the calculation of diluted earnings per share 2010 as they counteract the dilutive effect for the period presented. Further information on stock option plans can be found under note 23.

In the period between the reporting date and the preparation of the consolidated financial statements, no further transactions involving ordinary shares or potential ordinary shares took place.

Notes to the statement of financial position

13 // Intangible assets

in thousand Euro	Goodwill	Development projects	Software and licenses	Advance payments and projects under development	Total
Acquisition and production cost					
December 31, 2009	**2,366**	**17,965**	**47,715**	**1,738**	**69,784**
Foreign currency adjustments	13	0	182	0	195
Additions	0	870	633	1,010	2,513
Transfers	0	1,074	123	–1,197	0
Disposals	0	–1,805	–36	–102	–1,943
December 31, 2010	**2,379**	**18,103**	**48,617**	**1,449**	**70,548**
Foreign currency adjustments	6	0	82	0	88
Additions	534	1,536	682	1,124	3,876
Transfers	0	790	252	–1,042	0
Disposals	0	–509	–422	–1	–932
December 31, 2011	**2,919**	**19,920**	**49,211**	**1,530**	**73,580**
Depreciation and amortization					
December 31, 2009	**0**	**11,534**	**24,582**	**0**	**36,116**
Foreign currency adjustments	0	0	93	0	93
Additions	0	1,769	3,064	0	4,833
Disposals	0	–1,083	0	0	–1,083
December 31, 2010	**0**	**12,220**	**27,739**	**0**	**39,959**
Foreign currency adjustments	0	0	81	0	81
Additions	0	1,772	3,272	0	5,044
Disposals	0	–323	–421	0	–744
December 31, 2011	**0**	**13,669**	**30,671**	**0**	**44,340**
Book value December 31, 2011	**2,919**	**6,251**	**18,540**	**1,530**	**29,240**
Book value December 31, 2010	**2,379**	**5,883**	**20,878**	**1,449**	**30,589**

Goodwill

Changes in goodwill are as follows:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
ELMOS N.A.		
Acquisition cost	555	555
Foreign currency adjustments	9	3
Book value	**564**	**558**
ELMOS France S.A.S.	**1,615**	**1,615**
ELMOS Services B.V.	**206**	**206**
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg	**534**	**0**
	2,919	**2,379**

For the first time, goodwill is reported for MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg. This is a joint venture, consolidated on pro rata basis, in which ELMOS purchased 50% of the shares in fiscal year 2011.

In accordance with IFRS 3, goodwill is not amortized but reviewed for impairment at least once every year. Measurement is determined on the basis of cash generating units, corresponding here with the legal entities the respective goodwill is attributed to.

For the purpose of the impairment reviews to be conducted annually in accordance with IAS 36, the group determines the recoverable amount on the basis of value in use. The forecasts are based on free cash flows. They are in turn based on detailed planning adopted by management and consider the company's own empirical data as well as external general economic data. The forecasts are based both on historic values and the general market performance expected for the future. In determining the value in use, there is estimating uncertainty with respect to individual sales and cost planning as approved by management. Material parameters are established in the context of bottom-up planning by the subsidiaries and the business divisions. Methodically, the detailed planning phase comprises a five-year planning period from 2012 to 2016. For the value added from 2017, it is enhanced by the perpetual annuity, which is based on a growth rate of 0.5%, corresponding with a general expectation of the future business performance.

Further basic assumptions for determining the value in use

Gross margins – Gross margins are generally determined on the basis of the average values generated in the previous fiscal years before the beginning of the planning period. These margins are increased in the individual case by the expected efficiency increases in the course of the detailed planning period. For the individual cash generating units, gross margins with different bandwidths are taken as a basis. The budgeted annual performance of the gross margins was established individually for each cash generating unit, ranging from constant gross margins to double-digit percentage growth rates in the detailed planning period.

Price developments for raw materials – Raw material price developments of the past are regarded as indicative of future price developments. Forecast data are used only if they are accessible to the public.

Assumptions on market share – These assumptions are relevant insofar as management assesses – as in establishing assumptions for growth rates – how the positions of the individual companies might change in relation to their competitors during the budgeting period. Management anticipates steady market shares in probably growing markets. Market research institutes predict an average annual growth rate of 9% for automotive semiconductors in the next years.

Discount rates – The pre-tax interest rates applied were determined according to the capital asset pricing model (CAPM) and come to 13.05% for ELMOS N.A., 12.32% for ELMOS France S.A.S., 11.36% for ELMOS Services B.V., and 12.19% for MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg. These interest rates correspond with the weighted average cost of capital. This so-called WACC is based on a risk-free interest rate (2.75%) plus the average market risk premium (5.00%), multiplied by a company-specific equity beta based on a so-called raw beta of 1.19. All rates stated are derived from market data.

In 2011 impairment reviews were conducted that did not result in impairment. It was established that the recoverable amounts of the respective units exceeded the respective book values.

Management is of the opinion that no change in one of the basic assumptions made for determining the value in use of the cash generating units, while generally possible according to reasonable judgment, could result in the book value of those units exceeding their respective recoverable amounts. In this regard, ELMOS has carried out sensitivity analyses, examining the effects of the simultaneous reduction of the budgeted earnings before interest and taxes (EBIT) in all planning periods beginning in 2012 by 10% compared to the adopted corporate budgets, a weighted average cost of capital increased by another 1.0 percentage points, and a reduction of the growth rate to 0.0% with respect to the recoverability of goodwill in the business divisions. The sensitivity analyses have shown that from today's viewpoint there would be no need for the impairment of goodwill even under these changed assumptions.

Other intangible assets

Development projects

In 2011 expenses linked to product developments were capitalized as development projects and projects under development in the amount of 2,357 thousand Euro (previous year: 1,758 thousand Euro). Depreciation of capitalized developments amounted to 1,772 thousand Euro in 2011 (previous year: 1,769 thousand Euro). The book value of capitalized development expenses (including projects under development) is 7,391 thousand Euro as of December 31, 2011 (previous year: 6,993 thousand Euro).

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

Software and licenses

In 2011 as in the year before, no expenses for process technology were capitalized. Amortization came to 1,254 thousand Euro in 2011 (2010: 1,241 thousand Euro). As of December 31, 2011, the capitalized book values for process technology capitalized as non-current assets added up to 11,066 thousand Euro; they amounted to 12,219 thousand Euro as of December 31, 2010.

Additions reported under “software and licenses” in the year 2011 resulted from purchases in the amount of 476 thousand Euro (previous year: 293 thousand Euro) and in-house developments in the amount of 206 thousand Euro (previous year: 340 thousand Euro).

Advance payments and projects under development

The item “advance payments and projects under development” registered additions from purchases (9 thousand Euro; 2010: 0 thousand Euro) and from in-house developments in this fiscal year (1,115 thousand Euro; 2010: 1,010 thousand Euro).

Other information

Costs linked to research and development projects for new products as well as for significant product upgrades are charged to expenses to the extent in which they incur, included under research and development expenses. Research and development expenses of 3,003 thousand Euro were reimbursed by customers in 2011 (2,779[1] thousand Euro in 2010).

Due to derecognition of development projects or projects under development that will yield no economic benefit for the company, expenses of 185 thousand Euro incurred in 2011, reported under other operating expenses (please refer to note 10). The assets were assigned to the semiconductor segment.

[1] Prior-year value adjusted

14 // Property, plant and equipment

in thousand Euro	Property	Buildings and building improvements	Technical equipment and machinery	Advance payments and construction in process	Total
Acquisition and production cost					
December 31, 2009	**1,499**	**27,634**	**152,850**	**7,275**	**189,258**
Foreign currency adjustments	0	148	573	11	732
Additions	5	13	8,895	934	9,847
Transfers	0	0	5,024	–5,024	0
Disposals	0	–83	–7,096	–472	–7,651
December 31, 2010	**1,504**	**27,712**	**160,246**	**2,724**	**192,186**
Foreign currency adjustments	0	71	281	5	357
Additions	0	151	8,362	7,534	16,047
Transfers	0	284	1,558	–1,842	0
Disposals	0	–823	–2,811	–403	–4,037
December 31, 2011	**1,504**	**27,395**	**167,636**	**8,018**	**204,553**
Depreciation and amortization					
December 31, 2009	**0**	**11,734**	**104,745**	**0**	**116,479**
Foreign currency adjustments	0	24	384	0	408
Additions	0	2,362	9,132	0	11,494
Disposals	0	–83	–5,606	0	–5,689
December 31, 2010	**0**	**14,037**	**108,655**	**0**	**122,692**
Foreign currency adjustments	0	33	300	0	333
Additions	0	1,533	11,272	0	12,805
Disposals	0	–823	–2,224	0	–3,047
December 31, 2011	**0**	**14,780**	**118,003**	**0**	**132,783**
Book value December 31, 2011	**1,504**	**12,615**	**49,633**	**8,018**	**71,770**
Book value December 31, 2010	**1,504**	**13,675**	**51,591**	**2,724**	**69,494**

In fiscal year 2011 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 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 was restructured into an operating lease agreement in compliance with the accounting principles according to IAS/IFRS and extended to a building erected on the lessor's property in 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 recognized 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 accounted for. The profit resulting from this transaction was collected in the amount of 4,756 thousand Euro in 2007 (reported under other operating income) and recognized as so-called deferred income under other liabilities in the amount of 2,530 thousand Euro. This item 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 principles according to IAS/IFRS. The leased assets to be subsumed under the existing contract were previously classified as finance lease and were recognized 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 accounted for. The profit resulting from this transaction was collected in the amount of 2,565 thousand Euro in 2008 (reported 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 2021. 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.

The group did not generate material income from subletting in fiscal year 2011. Future minimum payments from non-cancelable subletting agreements are immaterial as well. For further information, please refer to note 32.

15 // Investments in associates, securities and other investments

a) Investments in associates

attoSENSOR GmbH i.L., Penzberg

As of December 31, 2011, ELMOS holds 45% of the shares. The company has a share capital of 40 thousand Euro. attoSENSOR GmbH i.L., Penzberg is accounted for in accordance with the equity method. The recognition of the investment corresponds with a memo value of 1 Euro following impairment loss recognized in 2006.

b) Securities

In fiscal years 2010 and 2011, the company purchased securities (bonds) from different banks. Insofar as the bonds' remaining terms to maturity are more than one year, they have been allocated to non-current assets (8,346 thousand Euro; previous year: 6,272 thousand Euro). Bonds maturing within one year have been allocated to current assets (9,102 thousand Euro; previous year: 3,033 thousand Euro).

c) Other investments

The company holds stakes in the following other companies listed below. Investments in subsidiaries or associates considered of minor significance from the group's viewpoint are accounted for in accordance with IAS 39.

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
GfH	0	0
Epigone	1	1
Advanced Appliances Chips	0	34
ELMOS USA Inc.	19	19
DMOS	450	450
TetraSun Inc.	3,447	374
ELMOS Korea Co. Ltd.	0	33
	3,917	**911**

Gesellschaft für Halbleiterprüftechnik mbH, Dortmund (GfH)

This subsidiary, not included by way of full consolidation in 2010, was renamed ELMOS Central IT Services GmbH in 2011 following reorganization efforts in the group. ELMOS Central IT Services GmbH is included in the basis of consolidation of ELMOS as a fully consolidated subsidiary.

Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz

ELMOS holds 6% of the shares as of December 31, 2011, unchanged from the previous year.

Advanced Appliances Chips GmbH i.L., Riedstadt

By partners' resolution of September 30, 2011, the liquidation of the company was decided, effective midnight of September 30, 2011. ELMOS continues to hold 33.33% of the shares as of December 31, 2011. The company has a share capital of 102 thousand Euro. In the fiscal year, the investment was written down by 34 thousand Euro to a memo value of 1 Euro.

ELMOS USA Inc., Farmington Hills/U.S.A.

This company is a holding company for the U.S. subsidiaries of the ELMOS Group in which ELMOS continues to hold 100% of the shares. The company does not conduct independent business operations.

DMOS Dresden MOS Design GmbH, Dresden

As of December 31, 2011, ELMOS continues to hold 20% of the shares in DMOS. By the end of 2008, ELMOS irrevocably waived the right to exercise a call option on the acquisition of a controlling interest for a period of the next five years by notarial declaration. ELMOS waived the right to exercise the option deliberately in order not to be able to exert significant influence. The DMOS management governs the company's business independently and acquires third-party business on its own authority. Thus there is no significant influence over the company.

TetraSun Inc., Santa Clara/U.S.A.

In July 2011, ELMOS increased its non-controlling interest in California's TetraSun Inc. through the U.S. subsidiary Silicon Microstructures Inc., Milpitas/U.S.A. Due to this investment the ELMOS Group gained significant influence over TetraSun Inc. according to the contractual arrangement. Therefore the company had to be included in the interim financial statements as of September 30, 2011 as an associate. After contractual adjustments made in December 2011, ELMOS lost its significant influence over TetraSun so that the company is reported as a mere investment as of the reporting date, as it was in the previous year. As of December 31, 2011, ELMOS holds an indirect interest in TetraSun Inc. of 8.14% through its subsidiary Silicon Microstructures Inc.

ELMOS Korea Co. Ltd., Seoul/South Korea

ELMOS founded ELMOS Korea Co. Ltd. in fiscal year 2010. This subsidiary, not yet included by way of full consolidation in 2010, was included in the basis of consolidation of ELMOS in the year 2011 for the first time.

Summarized financial information:

Company	Curr-ency	Total assets thousand	Total liabilities thousand	Sales thousand	Income for the period thousand
attoSENSOR[1]	EUR	74	29	106	–8
Epigone[2]	EUR	10.889	10,889	649	–8
Advanced Appliances Chips[2]	EUR	82	53	0	–46
ELMOS USA Inc.[3]	USD	–	–	–	–
DMOS[2]	EUR	6,610	6,083	3,536	308
TetraSun Inc.[4]	USD	4,176	221	0	–2,679

[1] Presented figures are based on the preliminary unaudited financial statements as of September 30, 2011.
[2] Presented figures are based on the preliminary, unaudited financial statements as of December 31, 2011.
[3] Presently no financial statements of the company are available.
[4] Presented figures are based on the audited financial statements as of December 31, 2010.

16 // Deferred taxes

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Deferred tax assets		
Intangible assets	286	374
Property, plant and equipment	1,175	15
Pension provisions	193	194
Other provisions	359	157
Advance payments/ Accruals and deferrals	554	620
Loss carry-forward	3,661	8,441
Tax Credits	294	252
Others	92	160
Subtotal	6,614	10,213
Balance	–3,035	–5,198
	3,579	**5,015**
Deferred tax liabilities		
Intangible assets	–4,505	–4,660
Property, plant and equipment	–2,295	–1,718
Other provisions	–102	0
Others	–127	–136
Subtotal	–7,029	–6,514
Balance	3,035	5,198
	–3,994	**–1,316**

The balances as stated above were determined in accordance with IAS 12.74 a) and b), i. e. deferred tax assets and deferred tax liabilities were netted against each other if assets and liabilities related to the same tax authority and if the taxable entity was entitled to offset current tax assets against tax liabilities.

Deferred tax assets include tax effects from changes in equity outside profit or loss.

The capitalization of deferred tax assets on taxable loss carry-forward was made on the basis of the involved companies' medium-term business planning.

Deferred tax assets were capitalized for loss carry-forward of domestic companies in the amount of 6,587 thousand Euro (corporate tax) or rather 656 thousand Euro (trade tax) (previous year: 15,641 thousand Euro (corporate tax) or rather 10,902 thousand Euro (trade tax)). Valuation allowances on loss carry-forward recorded in the past year (1,197 thousand Euro in corporate tax, 1,193 thousand Euro in trade tax) have been reversed in the current year.

For foreign companies, deferred tax assets were recognized in the amount of 2,506 thousand Euro (previous year: 4,179 thousand Euro) on taxable loss carry-forward and in the amount of 294 thousand Euro (previous year: 252 thousand Euro) on tax credits.

17 // Inventories

Inventories can be broken down as follows:

	12/31/2011 thousand Euro	**12/31/2010 thousand Euro**
Raw materials	7,900	6,709
Work in process	22,879	20,929
Finished goods	9,172	8,188
	39,951	**35,826**

The impairment of inventories recognized as expense amounts to 797 thousand Euro (previous year: 599 thousand Euro). This expense is disclosed under the item cost of sales. The impairment expense includes write-down on special spare parts attributable to the semiconductor segment in the amount of 407 thousand Euro. The write-down is based on the limited usability of spare parts toward the end of the product life cycle. In addition, inventories whose future sale has become improbable were written down in the amount of 348 thousand Euro. These assets are attributable to the micromechanics segment.

18 // Trade receivables

Trade receivables can be broken down as follows:

	12/31/2011 thousand Euro	**12/31/2010 thousand Euro**
Trade receivables	28,906	25,518
Valuation allowances	–192	–190
	28,714	**25,328**

The company constantly assesses its customers' creditworthiness and generally requests no collateral. The company has carried out allowances for bad debts. Bad debt loss incurred corresponded with the Management Board's estimates and assumptions and remains within customary limits.

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

	2011 thousand Euro	**2010 thousand Euro**
Allowances as of January 1	190	261
Additions in reporting period (impairment expense)	33	61
Consumption	0	–17
Reversals (appreciation in value of initially written-off receivables)	–1	–151
Currency translation effects	–30	36
Allowances as of December 31	**192**	**190**

The allowances made for trade receivables are 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 on the receivable depends on the assessment of the probability of debt loss. If receivables are considered unrecoverable, the corresponding impaired asset is derecognized.

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

thousand Euro	Book value	Neither impaired nor overdue as of the reporting date	Not impaired as of the reporting date and overdue in 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	12/31/2011	26,500	1,806	358	13	47	7	0
Other financial assets	12/31/2011	6,447	0	0	20	0	0	0
Trade receivables	12/31/2010	23,549	1,718	182	19	18	0	0
Other financial assets	12/31/2010	7,269	0	0	0	0	0	74

19 // Cash and cash equivalents

The company treats all highly liquid investments with a maturity of three months or less as of the date of acquisition 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 non-current and current financial assets, other receivables, and income tax assets

a) Other non-current financial assets

Other non-current financial assets include the following components:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Earn-out (cf. note 29)	530	500
Loan receivables from third parties	1,100	1,500
Market evaluation of hedges	0	90
	1,630	**2,090**

b) Other current financial assets

Other current financial assets include the following components:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Receivables from equity investments	1,425	1,848
Current loans	52	125
Market evaluation of forward exchange contracts (cf. note 29)	13	0
Loan receivables from third parties	400	0
Other financial assets	2,947	3,280
	4,837	**5,253**

c) Other receivables

Other receivables include the following components:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Other tax assets	4,592	1,415
Accruals and deferrals	1,476	1,507
Other current receivables	431	226
	6,499	**3,148**

d) Income tax assets

Income tax assets amount to 2,989 thousand Euro (December 31, 2010: 2,926 thousand Euro) and essentially include tax refund claims relating to corporate tax.

21 // Non-current assets held for sale

Non-current assets held for sale in the fiscal year are made up of IT equipment and various technical equipment and machinery as in the previous year.

These accounted-for assets, attributable to the semiconductor segment, are intended to be sold to various lease companies in 2012 within the framework of sale and lease-back transactions.

22 // Equity

Share capital

The share capital of 19,414 thousand Euro entered in the statement of financial position as of December 31, 2011 (December 31, 2010: 19,414 thousand Euro) and consisting of 19,414,205 no-par value bearer shares (December 31, 2010: 19,414,205) is fully paid up.

Treasury stock

As of December 31, 2011, the company holds 105,931 (December 31, 2010: 119,607) own no-par shares, adding up to a theoretical share in the share capital of 106 thousand Euro (December 31, 2010: 119 thousand Euro).

Additional paid-in capital

Additional paid-in capital is composed as follows:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Premiums	84,350	84,262
Stock options and stock awards	4,539	4,224
Others	–373	0
	88,516	**88,486**

Additional paid-in capital essentially includes premiums from capital increases and the issue of shares of ELMOS Semiconductor AG. In fiscal year 2010, this item was reduced by 722 thousand Euro due to the share buyback of 119,607 own shares at an average price of 7.034 Euro. In 2011, 13,676 of these shares were assigned as remuneration components. By this transfer of shares, premiums included in additional paid-in capital increased by 88 thousand Euro. The item stock options and stock awards increased by the expense for the issue of stock options and stock awards in 2011 (please refer to note 23). The item "others" comprises transactions with owners or rather changes in the context of the reorganization efforts made in 2011.

Other components of equity

Other equity components can be broken down as follows:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Foreign currency adjustments	–1,751	–2,273
Deferred taxes (on foreign currency adjustments)	351	472
Hedges	–925	90
Deferred taxes (on hedges)	298	–29
Changes in market value of available-for-sale financial assets	–37	0
Other components of equity	**–2,064**	**–1,740**

Reserves for foreign currency differences include differences from the currency translation of the financial statements of foreign subsidiaries. They also facilitate the recognition of translation differences relating to a net investment in a foreign business operation.

Reserves for hedges represent the recognition of the market value of hedges outside profit or loss as of the reporting date (please refer to notes 28 and 29). Changes in reserves for hedges in 2011 and 2010 solely result from changes in the market values of hedges.

Reserves for available-for-sale financial assets are made in order to cover changes in the fair values of selected financial instruments (please refer to notes 28 and 29).

The development of changes in equity outside profit or loss that are attributable to the owners of the parent is shown in the following table for the years 2010 and 2011:

	thousand Euro
Balance as of 1/1/2010	**–2,489**
Exchange rate changes	972
Changes in deferred taxes on exchange rate differences	–284
Changes in hedges	90
Changes in deferred taxes on hedges	–29
Balance as of 12/31/2010	**–1,740**
Exchange rate changes	522
Changes in deferred taxes on exchange rate differences	–121
Changes in hedges	–1,015
Changes in deferred taxes on hedges	327
Changes in available-for-sale financial assets	–37
Balance as of 12/31/2011	**–2,064**

Ownership

Ownership as of December 31, 2011 is as follows:

	thousand Euro	%
Weyer Beteiligungsgesellschaft mbH, Schwerte	3,979	20.5
ZOE-VVG GmbH, Duisburg	3,050	15.7
Jumakos Beteiligungsgesellschaft mbH, Dortmund	2,966	15.3
Treasury stock	106	0.5
Shareholders <10% of shares	9,313	48.0
	19,414	**100.0**

Authorized and conditional capital

The Management Board is authorized to increase the company's share capital up to and including May 16, 2016 subject to the Supervisory Board's approval by up to 9,707 thousand Euro through the singular or repeated issue of new no-par value bearer shares against contributions in cash or in kind **(authorized capital 2011/I).**

The share capital is conditionally increased by up to 495 thousand Euro **(conditional capital 2009).** The conditional capital increase serves the redemption of stock options issued to employees, executives, and Management Board members of the company as well as to employees and executives of affiliated companies up to and including May 5, 2014 on the basis of the authorization given by the Annual General Meeting of May 6, 2009 (stock option plan 2009).

The share capital is conditionally increased by up to 1,250 thousand Euro **(conditional capital 2010/I).** The conditional capital increase serves the redemption of stock options issued to employees, executives, and Management Board members of the company as well as to employees and executives of affiliated companies up to and including May 3, 2015 on the basis of the authorization given by the Annual General Meeting of May 4, 2010 (stock option plan 2010).

The share capital is conditionally increased by up to 7,800 thousand Euro **(conditional capital 2010/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 AG or a group company of ELMOS Semiconductor AG pursuant to Section 18 AktG up to and including May 3, 2015 based on authorization given by the Annual General Meeting of May 4, 2010 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.

There are stock options in accordance with Section 192 (2) no. 3 AktG from a stock option plan for employees, executives and Management Board members on the purchase of 946,993 shares. Each option entitles to the acquisition of one no-par value share with a theoretical share in the share capital of 1.00 Euro each.

Dividend

According to the German Stock Corporation Act, the dividend eligible for distribution is determined on the basis of the retained earnings ELMOS Semiconductor AG reports in its financial statements (separate financial statements) prepared in accordance with the provisions of the German Commercial Code. In fiscal year 2011, ELMOS Semiconductor AG distributed a dividend of 0.20 Euro per share from the retained earnings of the fiscal year 2010.

23 // Share-based payment plans

Stock option plans

ELMOS has issued stock option plans for employees, executives and Management Board members aimed at safeguarding the company's success by enabling this circle of people to acquire the company's shares. Within the framework of these plans, the company is authorized to grant 495,000 new no-par shares (conditional capital 2009) and 1,250,000 new no-par shares (conditional capital 2010/I).

As of December 31, 2011, altogether 946,993 options are outstanding. These are accounted for by the different tranches as follows:

	Tranche 2009	Tranche 2010	Tranche 2011	Summe
Year of resolution	2009	2010	2011	
Year of issue	2009	2010	2011	
Exercise price in Euro	3.68	7.49	8.027	
Blocking period ex issue (years)	3	4	4	
Exercise period after blocking period (years)	3	3	3	
Options outstanding as of 12/31/2010 (number)	465,950	244,415	n/a	710,365
Granted 2011 (number)	0	0	250,000	250,000
Exercised 2011 (number)	0	0	0	0
Forfeited 2011 (number)	7,720	4,552	1,100	13,372
Options outstanding as of 12/31/2011 (number)	**458,230**	**239,863**	**248,900**	**946,993**
Options exercisable as of 12/31/2011 (number)	0	0	0	0

The **2009 tranche,** based on the authorization given by the Annual General Meeting (AGM) of May 6, 2009 on the implementation of a stock option plan for the company's employees, executives and Management Board members as well as employees and executives of affiliated companies, was issued in the year 2009 with 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 Xetra trade prior to the resolution. The **2010 tranche,** based on the authorization given by the AGM of May 4, 2010 on the implementation of a stock option plan for the company's employees, executives and Management Board members as well as employees and executives of affiliated companies, was issued in the year 2010 with an exercise price of 120% of the average amount of the last ten trading days' closing prices of the share of ELMOS Semiconductor Aktiengesellschaft on Xetra trade prior to the resolution. The **2011 tranche,** based on the authorization given by the AGM of May 4, 2010 for the implementation of a stock option plan for the company's employees, executives and Management Board members as well as employees and executives of affiliated companies, was issued in the year 2011 with an exercise price of 120% of the average amount of the last ten trading days' closing prices of the share of ELMOS Semiconductor Aktiengesellschaft on Xetra trade prior to the resolution.

Options can be exercised only if the closing price of the company's share equals or exceeds the exercise price. Options can be exercised against payment of the issue price. The blocking period is three years for the 2009 tranche and four years for the 2010 and 2011 tranches from the issue date, respectively. The other particulars of the granting and exercise of stock options can be derived from the specifications provided by the resolutions passed at the AGM of May 6, 2009 for the 2009 tranche and at the AGM of May 4, 2010 for the 2010 and 2011 tranches. With respect to all three tranches, the company is authorized to offer compensation in cash to the beneficiaries instead of supplying shares.

No options were exercised in 2011 and in 2010.

The stock options' average attributable value was 0.70 Euro for the 2009 tranche, 2.24 Euro for the 2010 tranche, and 1.75 Euro for the 2011 tranche. The value attributable at grant date was determined using the Black-Scholes method for option price calculation on the basis of the following assumptions:

Assumptions for the determination of attributable value

	Tranche 2009	Tranche 2010	Tranche 2011
Dividend yield	0.0%	0.0%	3.0%
Expected volatility	75.0%	62.5%	52.25%
Risk-free interest rate as of grant date	1.79%	1.67%	1.69%
Expected term in years	3 years	4 years	4 years

In fiscal year 2011, the company incurred expenses of 277 thousand Euro for its stock option plans 2009, 2010, and 2011 (2010: 189 thousand Euro).

Stock award plan

In 2010, ELMOS Semiconductor AG promised stock awards to executives of its American subsidiary SMI. The stock award plan comprised the issue of 15,000 shares previously bought back on the stock market. The beneficiaries cannot demand the assignment of the shares before midnight of April 30, 2013. In fiscal year 2011, the group incurred expenses in the amount of 39 thousand Euro for this stock award plan. Basis for the determination of value is the stock market price of the shares at the time the transaction is granted. Expected dividends have not been considered for the determination of fair value.

24 // Provisions

Non-current provisions / Pension provisions and similar obligations

The development of net debt accounted for is as follows:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Cash value of the commitment	3,160	3,299
Time value of pension plan reinsurance	–2,972	–2,797
Unrecognized actuarial losses/ gains (–)	55	–126
Debt recognized in statement of financial position	**243**	**376**

The company provides pension plans for (former) members of the Management Board of ELMOS Semiconductor AG and for members of the management of subsidiaries. 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 policies, 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 increases are determined at 0.0%.

Evaluation is carried out in accordance with IAS 19. The interest rate was 5.5% per annum as of December 31, 2011 (December 31, 2010: 5.1% p.a.). For the purpose of actuarial assumptions with respect to mortality and disability risk, the Heubeck mortality tables 2005 G have been applied.

Pension plan expenses are allocated to the personnel expenses of the different business units (service cost) and financial result (interest) and can be broken down as follows:

	2011 thousand Euro	2010 thousand Euro
Service cost	42	38
Interest	166	168
Recognized actuarial gains	0	–9
Net pension expense	**208**	**197**

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

	2011 thousand Euro	2010 thousand Euro
Pension commitment as of 1/1	3,299	3,136
Pension expense	208	197
Pension benefits	–154	–154
Actuarial gains (–)/losses	–193	120
Pension commitment as of 12/31	**3,160**	**3,299**

	2011 thousand Euro	2010 thousand Euro
Time value of pension plan reinsurance	**–2,972**	**–2,797**

Actuarial gains or losses are recognized in the income statement only if they exceed the 10% corridor (maximum of 10% of the defined benefit obligation and 10% of plan assets). The exceeding amount is allocated over the average remaining term of employment of the active employees through profit or loss. Actuarial gains/losses recognized in profit or loss for the reporting period came to 0 thousand Euro in 2011 (2010: gains of 9 thousand Euro).

Income from pension plan reinsurance amounts to 175 thousand Euro (previous year: 433 thousand Euro), including payments made in the event of death. Premiums of 280 thousand Euro were paid (previous year: 313 thousand Euro). Amounts of similar order are expected for 2012.

There are also indirect pension commitments to (former) Management Board members of ELMOS Semiconductor AG which require no pension provisions according to IAS 19.104D because of the volume of these commitments and risk coverage by completely congruent pension plan reinsurance. In 2011, the contributions to these pension plans amounted to 569 thousand Euro (previous year: 455 thousand Euro).

The employer's social security contributions made for employees amounted to 3,805 thousand Euro in 2011 (previous year: 3,671 thousand Euro). The contributions to employees' direct insurance came to 0 thousand Euro in 2011 (previous year: 12 thousand Euro).

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

	2011 thousand Euro	2010 thousand Euro	2009 thousand Euro	2008 thousand Euro	2007 thousand Euro
Pension commitment	3,160	3,299	3,36	2,958	2,917
Time value of pension plan reinsurance	–2,972	–2,797	–2,514	–2,274	–2,036
Underfunding (–)	–188	–502	–622	–684	–881
Adjustments to plan liabilities based on experience	–8	–20	–7	–10	–13
Adjustments to plan assets based on experience	0	0	0	0	0

A change of 1 percentage point in the assumption of the interest rate would have had the following effect in the year under review and in the previous year:

		Fiscal year 2011		Fiscal year 2010
	Increase by 1% point	Decrease by 1% point	Increase by 1% point	Decrease by 1% point
Effects on current service costs and interest expense (in thousand Euro)	–7	6	–1	13
Effects on performance-oriented commitments (in thousand Euro)	–352	429	–386	473

Current provisions

	1/1/2011 thousand Euro	Consumption thousand Euro	Reversal thousand Euro	Allocation thousand Euro	12/31/2011 thousand Euro
Vacation provision	524	377	0	413	560
Bonus provision	1,401	1,194	207	1,206	1,206
Trade association	273	257	16	299	299
Warranty	2,961	402	574	459	2,444
Licenses	1,483	1,008	476	128	127
Other provisions for employee benefits	1,974	691	231	1,529	2,580
Other provisions	952	633	107	1,948	2,160
	9,568	**4,562**	**1,610**	**5,980**	**9,376**

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

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

Other provisions for employee benefits essentially include bonus payment obligations, awards, and partial retirement.

Other provisions comprise different identifiable individual risks and contingent obligations.

Current provisions will probably be drawn on in the course of the next fiscal year.

25 // Financial liabilities

Non-current financial liabilities

The breakdown of non-current financial liabilities as of December 31, 2011 is the following:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Loans	30,235	30,101
Bonded loans	0	10,000
	30,235	**40,101**

The effective interest rates of non-current loans range between 5.35% and 5.55%.

Current financial liabilities

As of December 31, 2011, the company had various current credit limits at its disposal, totaling 20,612 thousand Euro. As of December 31, 2011, the company took advantage of these credit facilities in the amount of 720 thousand Euro. Current financial liabilities (December 31, 2011: 10,496 thousand Euro; December 31, 2010: 374 thousand Euro) represent the portion of financial liabilities initially reported as non-current with remaining terms of one year or less (bonded loans) and checks in circulation issued by the company.

Cash flows from financial liabilities

The following table lists all contractually defined incoming payments (indicated as negative in the following table) from borrowing and payouts (indicated as positive in the following table) for redemption, repayment, and interest on financial liabilities accounted for. Payments are stated at undiscounted cash flows including interest payments for the next fiscal years. Also included are all cash flows from derivative financial instruments at positive and negative fair values.

December 31, 2011	2012 thousand Euro	2013 thousand Euro	2014-2016 thousand Euro	from 2017 thousand Euro
Liabilities to banks	–8,192	6,749	4,205	36,545
Other finance debt	10,500	0	0	0
Trade payables	21,325	0	0	0
Other financial liabilities	593	0	0	0
Hedged derivatives	5	128	1,001	293

December 31, 2010	2011 thousand Euro	2012 thousand Euro	2013-2015 thousand Euro	from 2016 thousand Euro
Liabilities to banks	2,015	–8,217[1]	9,281[1]	37,726
Other finance debt	563	10,500	0	0
Trade payables	18,792	0	0	0
Other financial liabilities	373	17	0	0
Hedged derivatives	0	6	939	739

[1] Prior-year amount adjusted

The presentation of the 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 as of the reporting date. Foreign currency amounts have been translated at the current reporting 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 reporting date:

	12/31/2011 thousand Euro	12/31/2010 thousand Euro
Other current liabilities	2,754	1,955
Other non-current liabilities	1,540	1,781
	4,294	**3,736**

Other current liabilities include, among other items, liabilities relating to wage income tax, 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 underlying lease agreement.

Income tax liabilities amount to 2,006 thousand Euro (December 31, 2010: 2,627 thousand Euro) and include 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 the claiming of services for maintaining business operations. Trade payables fully mature within one year.

28 // Derivative financial instruments

The company monitors 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 2010 the company entered into two variable-interest loan agreements (forward loans) to safeguard financing through fiscal year 2017 within the framework of a comprehensive and long-term financing strategy oriented toward solidity. These transactions are accompanied by the respective agreement of a forward interest rate swap in form of a payer swap that corresponds with the respective underlying transaction in terms of volume, term, currency, and reference interest, i. e. economically the variable interest rate of the forward loan is converted into a fixed interest rate. The agreed forward loan agreements in the amounts of 15 million Euro (term: August 1, 2013 to September 30, 2017) and 2.5 million Euro (term: November 20, 2012 to November 20, 2017) form a hedging relationship with the respective forward interest rate swap in accordance with IAS 39, with the forward loan being declared as hedged item and the respective corresponding forward interest rate swap being declared as hedge. The reverse cash flows of forward loans and corresponding forward interest rate swaps will probably balance each other completely over the respective terms. Due to the correspondence of the material parameters and terms and conditions of hedged item and hedge, the hedge is generally suited to provide effective protection for the hedged item. The hedge as forward interest swap is suited to adequately cover the risk of interest rate changes which affects the performance of the hedged item. The effectiveness of the hedging connection is regarded as highly effective for the beginning, the future, and the term of the hedging relationship. As the material terms and conditions and the parameters of hedged item and hedge are matching *(critical term match)* and as the transaction as a whole can also be referred to as a perfect *micro hedge,* the conditions for an assessment as "highly effective" are entirely provided. The assessment of effectiveness based on a comparison of the critical terms will be conducted as of the following reporting dates as well.

The interest rate swap is recognized at its *dirty fair value* (market value including accrued interest) in the statement of financial position (please refer to note 29). The cash flow hedge provision or the cash flow hedge market value corresponds with the *clean price*. Changes in the *clean price* of the hedge are adjusted outside profit or loss if changes in the hedged item are outside profit or loss or not yet to be recognized. A reversal of the equity item takes place if the hedged item must be recognized in profit or loss. Deferred taxes outside profit or loss are considered for the market value of the cash flow hedge recognized in the statement of financial position.

Within the framework of the comprehensive approach described above, the company also concluded two fixed-interest rate forward loans in 2010 with terms until 2017 (7.5 million Euro) and 2018 (10 million Euro) for which there are no corresponding hedges. These transactions represent follow-up financing of the financial liabilities reported under note 25 expiring in the years 2012 and 2013, respectively. The market values of the forward loans as of December 31, 2011 can be found under note 29. Compliant with IAS 39.2 (h) and IAS 39.BC16, the loan commitments are exempt from the scope of IAS 39 and are therefore not recognized in the statement of financial position as of the reporting date.

The measurement of the interest rate swap follows corresponding evaluation procedures or is based on evaluations provided by the banks involved. The market value of interest rate swaps accounted for is determined by applying the interest rates and credit ratings of the contracting parties as of the reporting date on the basis of a discounted cash flow model.

The company concluded various currency-related hedges in 2011. Those are forward exchange contracts for the currencies USD and JPY. With respect to the transactions expired by the end of the year, the effects on the financial position as of December 31, 2011 are limited to the exchange rate gains generated in the amount of 197 thousand Euro and exchange rate losses incurred at 36 thousand Euro, reported in the consolidated income statement under the item exchange rate gains/losses. With respect to six forward exchange contracts (total nominal value 3,000 thousand U.S. dollars), concluded with remaining terms of less than one year beyond the reporting date, the positive fair value as of December 31, 2011 amounts to 13 thousand Euro, accounted for under (current) other financial assets. The corresponding income from these transactions was reported under exchange rate gains. Measurement followed accepted valuation models (discounted cash flow method) on the basis of current yield curves as of the reporting date.

29 // Additional information on financial instruments

Book values, recognition and fair values according to measurement categories

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

The book value of financial instruments such as trade receivables and trade payables essentially corresponds with the market value due to the short-term maturities of these financial instruments.

The book value of short-term securities essentially corresponds with the market value due to the bonds' short-term maturities. The market value of short-term and long-term securities was determined on the basis of values provided by the involved banks as of the reporting date. With respect to the portfolio of long-term bonds, the market value of long-term securities on balance as of December 31, 2011 was slightly below the book value.

The forward interest rate swaps reported under the item hedged derivatives (please refer to note 28) were recognized at (negative) market value under current provisions outside profit or loss. The determination of the market values as of December 31, 2011 was based on a discounted cash flow model in consideration of current yield curves as of the reporting date.

The market value of those fixed-interest forward loans for which there are no corresponding hedges was determined on the basis of a discounted cash flow model in consideration of current yield curves as of the reporting date.

The market value of liabilities to banks was established on the basis of market prices determined for the same or comparable issues and of the interest rates currently offered to the company.

The following tables indicate book values and fair value of each category of financial assets and liabilities.

			Recognition in accordance with IAS 39						Recognition in accordance with IAS 39		
thousand Euro	Cat.	Book value 12/31/2011	Amortized cost	Acquisition cost	At market value through profit or loss	At market value outside profit or loss	Fair value 12/31/2011	Book value 12/31/2010	Amortized cost	Acquisition cost	Fair value 12/31/2010
Financial assets											
Investments	AfS	3,917		3,917			3,917	911		911	911
Securities (long-term)	HtM	8,346	8,346				8,064	6,272	6,272		6,213
Securities (short-term)	HtM	3,428	3,428				3,408	3,033	3,033		3,037
Securities (short-term)	LaR	1,500	1,500				1,500				
Securities (short-term)	AfS	4,174				4,174	4,174				
Trade receivables	LaR	28,714	28,714				28,714	25,328	25,328		25,328
Cash and cash equivalents	LaR	59,002	59,002				59,002	58,010	58,010		58,010
Other financial assets											
Other receivables and assets	LaR	2,889	2,889				2,889	4,077	4,077		4,077
Other loans	LaR	3,035	3,035				3,035	2,676	2,676		2,676
Forward exchange contracts	HfT	13			13		13				
Hedged derivatives	n/a							90			90
Fixed-interest rate forward loans	n/a							0			262
Earn-out[1]	LaR	530	530				530	500	500		500
Total financial assets		**115,548**	**107,444**	**3,917**	**13**	**4,174**	**115,246**	**100,897**	**99,896**	**911**	**101,104**
Financial liabilities											
Trade payables	OL	21,325	21,325				21,325	18,792	18,792		18,792
Liabilities to banks	OL	30,731	30,731				31,316	30,476	30,476		30,997
Other finance debt (bonded loans)	OL	10,000	10,000				10,172	10,000	10,000		10,242
Other financial liabilities											
Miscellaneous financial liabilities	OL	593	593				593	390	390		390
Hedged derivatives	n/a	926					926				
Fixed-interest rate forward loans	n/a	0					410				
Total financial liabilities		**63,575**	**62,649**	**0**	**0**	**0**	**64,742**	**59,658**	**59,658**		**60,421**
Aggregated by measurement category											
Loans and receivables (LaR)		95,670	95,670				95,670	90,591	90,591		90,591
Available for Sale (AfS)		8,091		3,917		4,174	8,091	911		911	911
Held to Maturity (HtM)		11,774	11,774				11,472	9,305	9,305		9,250
Other Liabilities (OL)		62,649	62,649				63,406	59,658	59,658		60,421
Held for Trading (HfT)		13			13		13				
n/a		926					1,336	90			352

[1] The classification of earn-out was adjusted compared to prior-year presentation.

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 in active markets for similar assets or liabilities

Stage 2: methods where all input parameters with material effect on the determined fair value can be monitored either directly or indirectly

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

As of December 31, 2011, the group held the following financial instruments measured at fair value:

Available-for-sale financial assets	Stage 1 thousand Euro	Stage 2 thousand Euro	Stage 3 thousand Euro
January 1, 2010	**0**	**0**	**504**
Addition shares in TetraSun Inc.	0	0	374
Addition shares in ELMOS Korea Co. Ltd.	0	0	33
December 31, 2010	**0**	**0**	**911**
Addition shares in TetraSun Inc.	0	0	3,073
Addition securities (short-term)	4,174	0	0
Disposal shares in ELMOS Korea Co. Ltd. (full consolidation)	0	0	–33
Write-down shares in Advanced Appliances Chips	0	0	–34
December 31, 2011	**4,174**	**0**	**3,917**

Hedged derivatives			
January 1, 2010	**0**	**0**	**0**
Addition hedged derivatives	0	90	0
December 31, 2010	**0**	**90**	**0**
Correction of valuation of hedged derivatives outside profit or loss	0	–1,016	0
December 31, 2011	**0**	**926**	**0**

Forward exchange contracts			
January 1, 2010	**0**	**0**	**0**
December 31, 2010	**0**	**0**	**0**
Addition forward exchange contracts	0	13	0
December 31, 2011	**0**	**13**	**0**

The securities reported under hierarchy stage 1 are bonds classified by ELMOS as available for sale. Plausible alternative assumptions would not result in material changes of the reported fair value.

The hedged derivatives allocated to hierarchy stage 2 comprise the company's interest rate swaps explained under note 28. The effects of a changed market interest rate level on fair value are discussed under note 30 in the context of the explanation of the interest rate risk.

The available-for-sale financial assets reported under hierarchy stage 3 are investments in various companies. With this respect, the book value essentially corresponds with the market value.

The additionally acquired shares in TetraSun Inc. (please also refer to note 15) were reported under non-current assets in the consolidated statement of financial position. Plausible alternative assumptions would not result in material changes of the reported fair value.

In fiscal year 2010, ELMOS founded ELMOS Korea Co. Ltd. This subsidiary, not yet fully consolidated in 2010, was included in the ELMOS basis of consolidation in 2011 for the first time.

Within the framework of the sale of assets and liabilities (disposal group) by subsidiary ELMOS Advanced Packaging B.V. in fiscal year 2010, the contracting parties agreed on an earn-out component. This implies that the company will receive a certain percentage of the gross margin achieved by the buyer in fiscal years 2013 and 2014 if the gross margin exceeds a previously defined amount. The payment of the due amounts will be made as of March 30, 2015 and March 30, 2016, respectively, fulfillment of the defined criteria provided. In fiscal year 2011, the earn-out component was accumulated by the amount of 30 thousand Euro. Plausible alternative assumptions would not lead to material changes in the fair value as stated.

Notes to the consolidated income statement

The following table shows the net gains and net losses from financial instruments recognized in the consolidated income statement.

Gains (–)/ Losses (+)	2011 thousand Euro	2010 thousand Euro
Loans and Receivables	–590	78
Other Liabilities	459	103
Held for Trading	–174	357

In fiscal year 2011, ELMOS realized exchange rate gains in the amount of 197 thousand Euro and incurred exchange rate losses in the amount of 36 thousand Euro from currency-related hedges (2010: exchange rate gains of 1 thousand Euro and exchange rate losses of 358 thousand Euro). These exchange rate gains and losses have been reported in the consolidated income statement under the item exchange rate gains/losses. For six forward exchange contracts (please refer to note 28), a positive fair value of 13 thousand Euro is stated as of December 31, 2011. The corresponding income from these transactions was disclosed under exchange rate gains. Plausible alternative assumptions would not lead to material changes in the fair value as stated.

ELMOS recognizes allowances on trade receivables classifiable as "loans and receivables" under other operating expenses. Gains from foreign currency translation of financial assets classifiable as "loans and receivables" result from trade receivables for the most part. Net gains and losses essentially comprise allowances, currency translation effects, and debt loss.

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

Interest relating to 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 finance 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, 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 and assessing these market risks early on in a continuous process and in close cooperation with the group’s operating business units and at limiting them if necessary through control measures in the operating business. It is part of the strategy in this respect to control and contain interest and exchange rate risks by utilizing suitable derivatives. 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 profitability. ELMOS exclusively uses these hedging instruments for non-speculative risk containing purposes in connection with the hedged items.

The basic principles of finance policy and its guidelines are determined annually by the Management Board and are 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 or issuers do not fulfill their obligations. ELMOS controls the resulting risk position by a diversification of products and contracting parties.

For the purpose of a portfolio approach, investments of liquid assets are usually short-term to medium-term in consideration of highest possible flexibility, essentially placed with banks with high credit ratings under the protection of the deposit protection fund. The investments are spread over several banks. In addition, ELMOS invests liquid assets in bonds of the minimum rating “investment grade” for an investment mix in line with the portfolio approach.

Trade receivables primarily originate from sales activities involving microelectronic components and system parts as well as function-related technological units. The customers are for the most part automotive suppliers, to a lesser extent companies of the industrial sector, the consumer goods industry, and other sectors. Accounts receivable are monitored continuously, for the most part centralized. Contingency risks are met with specific allowances for bad debt and blanket allowances. The arrangement of the specific terms of payment reflects the historic development of the respective customer-supplier relationship; observation of the terms is monitored continuously. With respect to new customers, creditworthiness information is also gathered in advance. Business transactions with major customers are subject to special contingency risk supervision. The maximum contingency risk is reflected by the book values of the financial assets reported in the statement of financial position.

Against the backdrop of the global financial market and economic crisis of the last years, outstanding receivables are monitored and reminded with scrutiny as part of a continuous operating process.

Within the framework of the sale of the operating business of ELMOS Advanced Packaging B.V. at the end of 2010, the contracting parties agreed on an earn-out component (please refer to notes 20 and 29). ELMOS is therefore exposed to the risk that targets of the operating business oriented toward budgeting will not be reached or payments in compensation of the claim cannot be made. The extent of this risk is limited to the book value of the financial asset.

Liquidity risk and financing risk

The liquidity risk of ELMOS addresses the contingency that the company might not be able to fulfill its financial obligations, e.g. the payment of finance debt, the payment of trade payables, and the payment obligations arising from lease agreements. A liquidity reserve in the form of cash and cash equivalents, investments of high fungibility and convertibility into cash, 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 internal 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 safeguarding medium-term financing can be found under note 28.

Financial market risks

Due to its international business activity, ELMOS is exposed to market price risks as a result of changes in exchange rates and interest rates. These market price risks could have a negative effect on the group's financial, profit and economic situation.

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 Euro and the U.S. dollar.

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. Therefore the exchange rate risk of ELMOS from operating activities is considered low. Insofar as operating activities are conducted in foreign currencies by the individual group companies, the effect is essentially 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 typically offered on the global semiconductor market in U.S. dollar. There are also group-internal financial commitments such as foreign-currency loans extended to group companies for financing purposes.

Apart from so-called natural hedging, i.e. when certain incoming U.S. dollar payments face corresponding outgoing payments within a short period of time, spot transactions or 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. ELMOS was not exposed to material currency risks as of the reporting date. In fiscal year 2011, ELMOS Semiconductor AG realized exchange rate gains in the amount of 197 thousand Euro and incurred exchange rate losses in the amount of 36 thousand Euro from currency-related hedges relating to the U.S. dollar.

Had the Euro been revalued (devalued) against the U.S. dollar by 10% as of December 31, 2011 with respect to the monetary financial instruments, the operating income (before taxes) would have been 91 thousand Euro higher (101 thousand Euro lower) (2010: 77 thousand Euro higher (94 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 of ELMOS as of the reporting date primarily results from the forward interest rate swaps concluded in fiscal year 2010 with respect to the forward loans entered into (please refer to note 28). Had the market interest rate level been higher (lower) by 100 basis points, equity would have been higher by 704 thousand Euro (decrease in equity by 755 thousand Euro) due to group accounting outside profit or loss (2010: increase (decrease) in equity by 672 thousand Euro). Deferred taxes on this amount would have to be considered.

There is also a risk of interest rate changes with respect to the securities classified as available for sale. Had the market interest rate level been higher (lower) by 100 basis points, equity would have been lower by 36 thousand Euro (increase in equity by 47 thousand Euro). There were no securities classified as available for sale in the previous year.

ELMOS is exposed to interest risks primarily in the Euro area. The Management Board regularly determines the target mix of fixed and variable-interest liabilities, and the financing structure is derived and implemented on that basis. For long-term financing projects, fixed interest rates are usually agreed on. Interest derivatives are also put to use if necessary.

Further information about securing long-term financing can be found under note 28.

c) Other price risks

As in the previous year, there is no other material price risk as of December 31, 2011 from the company's viewpoint.

Capital management

It is the primary objective of the ELMOS Group's capital management to assure that a high credit rating, liquidity provision at any time at high financial flexibility, and a solid capital structure 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. ELMOS stands for the strategy of a continuous, sustainable increase in shareholder value.

The Management Board actively controls the capital structure of the ELMOS Group and makes adjustments to it in consideration of the economic framework as well as the risks carried by the corresponding assets. For the maintenance or adjustment of the capital structure, e.g. dividends may be paid to the shareholders or new shares may be issued. As of December 31, 2011 and December 31, 2010, no changes were made to the objectives, guidelines, or procedures.

The group monitors its capital based on the gearing ratio which corresponds with the relation of net debt or net cash to equity as well as on the absolute amounts of net debt or net cash and the equity ratio. Net cash includes cash and cash equivalents as well as securities less current and non-current financial liabilities. The equity ratio puts equity in proportion to total assets.

	2011	2010
Net cash	35.7 million Euro	26.8 million Euro
Gearing	19.0%	15.6%
Equity ratio	69.6%	69.1%

Other information

31 // Subsidies

The company receives subsidies or government grants used for financing research and development projects. Subsidies are recognized as other liabilities until the performance date (24 thousand Euro as of December 31, 2011; 24 thousand Euro as of December 31, 2010). Subsidies used for research and development projects were offset against research and development expenses and recognized in that item (623 thousand Euro in 2011, 771 thousand Euro in 2010).

32 // Other financial obligations and contingencies

The company has entered into non-cancelable rental and lease agreements for the combined plant and administration building, an employee center, a parking garage, and another office building, the respective terms of which 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, the terms of which extend until 2019 in part. 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 as of 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 lease agreements with Exedra, ELMOS is committed to lease payments of 17,602 thousand Euro (including contributions to administrative expenses and sales tax) plus payments of 7,629 thousand Euro for loans extended to the lessee until 2020 (cf. note 14).

Within the framework of the lease agreements with Epigone, ELMOS is committed to lease payments of 10,285 thousand Euro (including contributions to administrative expenses and sales tax) plus payments of 3,287 thousand Euro for loans extended to the lessee until 2021 (cf. note 14).

SMI entered into a real estate lease agreement on January 26, 2006 for property and the plant 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

U.S. dollars with the provision of an annual adjustment linked to the U.S. consumer price index, plus supplementary lease of currently 18 thousand U.S. dollars. 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 for using the production line has meanwhile been extended to 2017.

Total expenditure for rental and lease agreements amounted to 13,059 thousand Euro in 2011 and 15,551 thousand Euro in 2010.

As of December 31, 2011, future minimum payments owed under non-cancelable rental, lease, maintenance, and insurance agreements with initial or remaining terms of more than one year are as follows:

	Rent and lease payments, maintenance, insurance premiums, etc. thousand Euro
2012	24,575
2013	15,715
2014	12,304
2015	10,546
2016	9,324
Later years	22,058
	94,522

The book value of assets pledged as security by a subsidiary for a bank loan comes to 305 thousand Euro. The security comes in the shape of a first-ranking land charge on a building. This land charge amounts to 1,023 thousand Euro. As of the reporting date, ELMOS has not accepted securities according to IFRS 7.14.

ELMOS Semiconductor AG is liable for the existing lease obligations of an associate in the maximum amount of 316 thousand Euro until the terms expire, which will occur in the years 2012 to 2017 depending on the individual contract. Moreover, the company has assumed joint liability with respect to lease liabilities transferred to a third-party company within the framework of an asset deal in the amount of 1,589 thousand Euro. This kind of collateral is generally granted for a period of twelve months while the hedging relationship is maintained by the contracting party for the term of the lease obligations (until 2017) against an annual payment of 100 thousand Euro. The risk of a claim on the company is considered low as there are currently no indications of such a scenario.

33 // Group companies

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

The following companies have thus been included in the consolidated financial statements at hand:

	Capital share (indirect and direct) in %
Parent	
ELMOS Semiconductor AG, Dortmund	
Subsidiaries	
ELMOS Central IT Services GmbH, Dortmund	100.0
ELMOS Design Services B.V., Nijmegen/Netherlands	100.0
ELMOS Facility Management GmbH, Dortmund	100.0
ELMOS France S.A.S., Levallois Perret/France	100.0
ELMOS N.A. Inc., Farmington Hills/U.S.A.	100.0
ELMOS Quality Services B.V., Nijmegen/Netherlands	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, Eching	51.0
Mechaless Systems GmbH, Bruchsal	100.0
Micro Systems on Silicon (MOS) Limited, Pretoria/South Africa	55.2
Silicon Microstructures Inc., Milpitas/U.S.A.	100.0
ELMOS Semiconductor B.V., Nijmegen/Netherlands	100.0
ELMOS Korea Co. Ltd., Seoul/Korea	100.0
ELMOS Semiconductor Singapore Pte. Ltd., Singapore	100.0
ELMOS Semiconductor Technology (Shanghai) Co., Ltd., Shanghai/China	100.0

Compared to the previous year, the following companies no longer belonged to the basis of consolidation as of December 31, 2011:

ELMOS Industries GmbH, Mainhausen was merged into ELMOS Semiconductor AG during the fiscal year. The reason for this measure is the pursuit of the goal of streamlining group structures.

ELMOS Advanced Packaging B.V. (indirect shareholding of ELMOS Semiconductor AG, Dortmund), **Nijmegen/Netherlands** was merged into its parent company ELMOS Services B.V. in the fiscal year. The reason for this measure taken in connection with the sale of the special packaging business in 2010 is the simplification of group structures.

ELMOS Central IT Services GmbH & Co. KG, Dortmund, and **ELMOS Facility Management GmbH & Co. KG, Dortmund,** formerly organized in the legal form of commercial partnerships, each have the legal form of a corporation after restructuring (contribution of the respective KG shares to the companies ELMOS Semiconductor Süd GmbH, Dortmund (formerly Munich) and Gesellschaft für Halbleiterprüftechnik mbH, Dortmund) and subsequent renaming. The companies are now named ELMOS Central IT Services GmbH and ELMOS Facility Management GmbH. By conclusion of profit and loss transfer agreements with ELMOS Semiconductor AG, the establishment of a tax consolidated group was made possible.

With economic effect on January 1, 2011, 50% of the shares in a joint venture were acquired. The company **MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg,** Berlin has since been included in the consolidated financial statements by way of proportionate consolidation. In the fiscal year, assets and liabilities as well as income and expenses of MAZ were included in the consolidated financial statements in accordance with IAS 31.56 as follows:

	2011 thousand Euro
Current assets	944
Non-current assets	24
Current liabilities	236
Non-current liabilities	236
Income	1,757
Expenses	1,627

The joint venture had no contingent liabilities or capital commitments as of December 31, 2011 or January 1, 2011.

Compared to fiscal year 2010, the basis of consolidation changed by the first-time inclusion of **ELMOS Korea Co. Ltd., Seoul/Korea,** founded in 2010, which was not included by way of full consolidation in the previous year.

The following companies were included by way of full consolidation as of the date of their establishment:

In March 2011, ELMOS Semiconductor AG founded the company **ELMOS Semiconductor Singapore Pte. Ltd., Singapore.** With this company, sales activity in Asia is intended to be facilitated and pushed.

In July 2011, ELMOS Semiconductor AG founded the company **ELMOS Semiconductor Technology (Shanghai) Co., Ltd., Shanghai/China** through the subsidiary ELMOS Semiconductor Singapore Pte Ltd. The new establishment is another step on the part of ELMOS for the expansion to full geographic coverage in Asia.

In December 2011, ELMOS Semiconductor AG founded the company **ELMOS Semiconductor B.V., Nijmegen/Netherlands** through subsidiary ELMOS Services B.V. The goal is to optimize the structures between the Dutch subsidiaries.

On the whole, the basis of consolidation has not changed materially compared with the previous year so that comparability with the prior-year consolidated financial statements is not materially compromised with respect to the financial, profit and economic situation.

Information on share ownership

	Currency	Shares %	Equity in thousand Euro	Net result in thousand Euro
Germany				
Advanced Appliances Chips GmbH i.L., Riedstadt	Euro	33.33	29	–46[1]
attoSENSOR GmbH i.L., Penzberg	Euro	45.00	45	–8[3]
DMOS Dresden MOS Design GmbH, Dresden	Euro	20.00	527	308[1]
ELMOS Central IT Services GmbH, Dortmund	Euro	100.00	373	0[1,5]
ELMOS Facility Management GmbH, Dortmund	Euro	100.00	221	0[1,5]
Epigone Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	Euro	6.00	–28	–8[1]
GED Gärtner-Electronic-Design GmbH, Frankfurt/Oder	Euro	73.90	2,032	338[1]
IndustrieAlpine Bauträger GmbH, Eching	Euro	51.00	–1,393	–164[1]
Mechaless Systems GmbH, Bruchsal	Euro	100.00	558	40[1]
MAZ Mikroelektronik-Anwendungszentrum GmbH im Land Brandenburg, Berlin	Euro	50.00	993	260[1]
International				
ELMOS Services B.V., Nijmegen (NL)	Euro	100.00	8,357	6,945[1]
ELMOS Semiconductor B.V., Nijmegen (NL)	Euro	100.00	42,187	2,243[1,2]
ELMOS Design Services B.V., Nijmegen (NL)	Euro	100.00	4,257	137[1,2]
ELMOS Quality Services B.V., Nijmegen (NL)	Euro	100.00	226	8[1,2]
European Semiconductor Assembly (eurasem) B.V., Nijmegen (NL)	Euro	100.00	18	0[1,2]
Micro Systems on Silicon (MOS) Limited, Pretoria (South Africa)	ZAR	55.20	4,725	5,517[1,2]
ELMOS France S.A.S., Levallois Perret (F)	Euro	100.00	1,119	19[1]
ELMOS USA Inc., Farmington Hills (U.S.A.)	USD	100.00	–	–[4]
ELMOS N.A. Inc., Farmington Hills (U.S.A.)	USD	100.00	2,191	13[1,2]
Silicon Microstructures Inc., Milpitas (U.S.A.)	USD	100.00	–2,129	1,526[1,2]
ELMOS Korea Co. Ltd., Seoul (Korea)	KRW	100.00	140,471	1,558[1]
ELMOS Semiconductor Singapore Pte. Ltd., Singapore	SGD	100.00	550	28[1]
ELMOS Semiconductor Technology (Shanghai) Co., Ltd., Shanghai (China)	CNY	100.00	1,792	61[1,2]
TetraSun Inc., Santa Clara (U.S.A.)	USD	8.14	3,955	–2,679[2,6]

[1] Presented figures are based on preliminary, unaudited financial statements as of December 31, 2011.
[2] Indirect investment of ELMOS Semiconductor AG, Dortmund.
[3] Presented figures are based on preliminary, unaudited financial statements as of September 30, 2011.
[4] Financial statements of the company are not yet available.
[5] Profit and loss transfer agreement.
[6] Presented figures are based on audited financial statements as of December 31, 2010.

34 // Information on Management Board and Supervisory Board

Remuneration of Management Board and Supervisory Board in 2011

	Fixed remuneration thousand Euro	Variable remuneration thousand Euro	Stock options (time value) thousand Euro
Management Board	1,587	1,051	88
Supervisory Board	59	89	0

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 2011, the contributions to such pension plans amounted to 520 thousand Euro (previous year: 341 thousand Euro), included in the fixed remuneration components. Within the framework of stock option plan 2011, 50,000 stock options were assigned to the members of the Management Board.

Remuneration paid to former Management Board members or their surviving dependants amounted to 268 thousand Euro in fiscal year 2011 (previous year: 364 thousand Euro). In addition, insurance premiums in the amount of 271 thousand Euro were paid for this group of beneficiaries (previous year: 347 thousand Euro).

The amount of pension provisions was 2,502 thousand Euro as of December 31, 2011 (previous year: 2,533 thousand Euro).

For other services, particularly consulting services, the company compensated members of the Supervisory Board in the amount of 23 thousand Euro (previous year: 140 thousand Euro).

The Annual General Meeting of May 4, 2010 decided with a majority in excess of the required three quarters not to provide the disclosures stipulated by Section 285 (1) no. 9a sentences 5-8 HGB (German Commercial Code) for the next five years.

35 // Shares and stock options held by members of Management Board and Supervisory Board

As of December 31, 2011, the following members of Management Board and Supervisory Board held ELMOS shares and stock options:

Management Board	**Shares**	**Stock options**
Dr. Anton Mindl	0	66,334
Reinhard Senf	20,247	44,222
Nicolaus Graf von Luckner	13,287	44,222
Jürgen Höllisch (until February 29, 2012)	0	44,222
Dr. Peter Geiselhart (since January 1, 2012)	0	0

Supervisory Board	**Shares**	**Stock options**
Prof. Dr. Günter Zimmer	29,027	0
Dr. Burkhard Dreher	5,000	0
Dr. Klaus Egger (since June 27, 2011)	0	0
Thomas Lehner (since June 27, 2011)	2,492	4,750
Sven-Olaf Schellenberg (since May 17, 2011)	0	1,650
Dr. Klaus Weyer (until May 17, 2011; since June 27, 2011)	77,500	0

36 // Information on group auditor fees

The companies of the ELMOS Group received the following services rendered by appointed group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, in fiscal year 2011:

	2011 thousand Euro
Audit services	150
Other certification services	61
Tax counseling	409
Other services	10
	630

The position "other certification services" includes fees for the review of the interim consolidated financial statements as of June 30, 2011, among other items. Tax counseling services primarily comprise consulting services in connection with the tax audit conducted at ELMOS in fiscal year 2011 as well as consulting services in connection with the group-internal reorganizing measures taken in 2011.

37 // Appropriation of retained earnings and dividend proposal

Management Board and Supervisory Board propose to the Annual General Meeting in May 2012 the payment of a dividend of 25 cents per share for fiscal year 2011 out of the 2011 retained earnings of ELMOS Semiconductor AG in the amount of 74.4 million Euro. The total dividend payout would thus amount to approx. 4.8 million Euro.

38 // Disclosure of directors' dealings in accordance with Section 15a WpHG

Listed below are all directors' dealings of the year 2011 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)
6/24/2011 Xetra	ZOE Beteiligungs GmbH	Legal entity closely related to the chairman of the Supervisory	Purchase of ELMOS shares	10,000	9.911	99,110
8/10/2011 Xetra	Alegra GmbH & Co. KG	Legal entity closely related to the CEO	Purchase of ELMOS shares	10,000	7.419	74,190
8/26/2011 Xetra	ZOE Beteiligungs GmbH	Legal entity closely related to the chairman of the Supervisory	Purchase of ELMOS shares	11,100	6.697	74,341

39 // Related party disclosures

Pursuant to IAS 24: Related Party Disclosures, individuals or companies in control of or controlled by the ELMOS Group must be disclosed unless they have already 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 in ELMOS Semiconductor AG or if the shareholder is in a position, by virtue of the articles of incorporation or contractual agreement, to control the financial and business policies of the ELMOS Group's management.

Mandatory disclosure in accordance with IAS 24 also includes transactions with associated companies and individuals who have significant influence over the ELMOS Group's financial and business policies, including close relatives or interconnected companies. Significant influence on the ELMOS Group's financial and business may be based on an interest in ELMOS Semiconductor AG 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 2011, the ELMOS Group is concerned by the mandatory disclosures of IAS 24 only with regard to business relationships with associates.

The ELMOS Group maintains relationships with closely related companies and individuals in the context of usual business activity. These supply and performance relationships are transacted at market prices. In 2011, ELMOS Semiconductor AG provided deliveries in the amount of 33 thousand Euro (previous year: 14 thousand Euro) to unconsolidated associates (AAC). ELMOS Semiconductor AG received performances from DMOS in the amount of 4,294 thousand Euro in 2011 (previous year: 3,573 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 one to six months notice.

As of the end of the year, the principal including incurred interest totals 760 thousand Euro (previous year: 1,047 thousand Euro). The initially agreed annual repayment of the loans extended in 2008 with 20% redemption including respective 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.

Except for 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 individuals.

Apart from 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 2011, the average number of employees in the group was 988 (2010: 990).

The average number of employees can be broken down as follows:

Group	2011 Number
Production	489
Sales	88
Administration	143
Quality control	37
Research & development	231
Total	**988**

Of this total number of employees, 12 employees are attributable to companies included in the consolidated financial statements only proportionately.

41 // Events after the reporting period

There have been no reportable events or transactions of special significance after the reporting period.

42 // Declaration of compliance in accordance with Section 161 AktG

In September 2011, Management Board and Supervisory Board of ELMOS Semiconductor AG released the declaration pursuant to Section 161 AktG (Stock Corporation Act) and made it permanently accessible to the shareholders on the company's website.

Responsibility statement

We assure to the best of our knowledge that the consolidated financial statements provide, in accordance with applicable accounting standards, a true and fair view of the group's financial, profit and economic situation 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 material opportunities and risks of the group's probable future development.

Dortmund, March 1, 2012

Dr. Anton Mindl **Nicolaus Graf von Luckner**

Reinhard Senf **Dr. Peter Geiselhart**

Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the ELMOS Semicondutor AG, Dortmund, comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as applicable in the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] and the articles of incorporation are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as applicable in the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Dortmund, March 1, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu	**Schlüter**
Wirtschaftsprüfer	Wirtschaftsprüfer

Glossary

ASIC An **A**pplication **S**pecific **I**ntegrated **C**ircuit (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.

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 manufacturing Backend manufacturing describes 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 electronic or optical basis. Among the standards used in automobiles are the following: LIN, CAN, MOST, and FlexRay™.

Chip An electronic circuit that 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 is the basic technology for manufacturing 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.

FlexRay™ The high-speed bus system FlexRay™ is a standard for time-critical applications e.g. in car networks. FlexRay™ is used for real-time communication in active chassis control, among other fields of use.

Foundry A semiconductor manufacturing enterprise whose primary business objective is the production and sale of processed silicon wafers. Development and distribution of the wafer-based products are provided by the foundry's customers.

Frontend manufacturing 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) technology is distinguished 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 is a 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.

Layout Describes the information gained from circuit development that is required for manufacturing 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. Among other quantities, they can detect 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 readout 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 distributes its manufactured (partial) systems to a reseller. In the automotive industry, the car manufacturers are referred to as OEMs.

Partial CAN/Partial network operation Partial CAN (**C**ontroller **A**rea **N**etwork) is a new option for communicating with the CAN Bus. Control devices whose function is not needed permanently can thus be "put to sleep" and reactivated quickly. In "sleep" mode, these control devices (e.g. for power seats) have a significantly reduced power input. This option is also referred to as partial network operation.

Pressure sensor The pressure sensor can detect low or high pressure, depending on the application, and transmit the data to readout 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 conductivity can be changed toward positive and/or negative currents by deliberate doping (mostly with phosphor or boron).

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

Silicon The most common semiconductor material, used for approx. 95% of all chips produced.

TPMS A **T**ire **P**ressure **M**onitoring **S**ystem monitors the pressure in car tires and notifies the driver in cases of too low pressure.

Wafer The basic material in chip production. A wafer is a polished disc sawn out of a single silicon crystal. Typical diameters are 150 (6-inch), 200 (8-inch), and 300 mm (12-inch).

Financial calendar 2012

Analysts' conference (conference call/webcast)	March 15, 2012
Quarterly results Q1/2012	May 3, 2012
Annual General Meeting in Dortmund	May 8, 2012
Quarterly results Q2/2012*	August 8, 2012
Quarterly results Q3/2012*	November 6, 2012

* Results are usually released after trading hours. Conference calls are usually made one day after the release of quarterly results.

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 financial reports/Quarterly reports
- Eco report
- Our company (image brochure/company profile)
- Code of Conduct
- Product catalog

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

This annual report is also available in German.

Social networks

Twitter: www.twitter.com/elmos_ag

Xing: www.xing.com/companies/elmossemiconductorag

YouTube: www.youtube.com/user/ELMOS1984

Of course you can visit our profiles on Twitter, YouTube, and Xing through our website (www.elmos.com) as well.

Contact | Imprint

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

Publisher:	ELMOS Semiconductor AG, Dortmund
Editors:	ELMOS Semiconductor AG, Dortmund
Designed by:	ELMOS Semiconductor AG, Investor Relations
Photography:	Anya Gürler, Dortmund, pages 2-9, 14-15, 18, 34-41, 68-75 Lutz Kampert, Dortmund, page 29 iStockphoto, pages 11, 12, 13 ELMOS Semiconductor AG, pages 10-13
Illustrations:	kukune mediendesign GbR, Markus Hadersbeck, Marzling, page 49 ELMOS Semiconductor AG, page 43
English translation:	Marc Donay, Cologne
Print:	Druckerei Lonnemann, Selm

carbon neutral
natureOffice.com | DE-162-558300
print production

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

This English translation is for convenience purposes only.

ASIA IS AN IMPORTANT GROWTH MARKET FOR ELMOS. TO CROSS THE
JOB. AFTER MY TRAINING AT ELMOS I DECIDED TO GO TO UNIVERSITY
NOW ABLE TO SHARE THE FULL RANGE OF MY KNOWLEDGE AND SKI
THE ADVANCED TRAINING OF OUR CURRENT AND FUTURE EMPLOYE
A PROFESSIONAL. AS MANAGER OF MODULE PROCESS ANALYSIS, I HA
DOUSLY EXCITING. EVEN TODAY, BALANCING FAMILY AND A CAREER I
THE CUSTOMER WITH A PRODUCT, I KNOW HOW MUCH HEART AND
CITING WORKING ENVIRONMENT, ENABLING ME TO JOIN MY TEAM I
WITH ELMOS. NOW, AFTER EARNING MY GRADUATE DEGREE, I WILL H
TO CREATING A PROMISING FUTURE, BOTH FOR MYSELF AND FOR SO
OURSELVES APART FROM THE MARKET THROUGH CHIP SIZE, FUNCTI
HIGH QUALITY AWARENESS. AS PROJECT MANAGER, I PAY ATTENTI
FEEDBACK PROVES THAT ELMOS IS DOING A GOOD JOB. I HAVE HE
THEM ON THE JOB. THIS ALLOWS ME TO MAKE A CAREER OF MY H
ASSIGNMENTS, NICE COLLEAGUES, AND THE OPPORTUNITY TO B
RESPONSIBLE FOR THE RELIABLE MANUFACTURING OF OUR PROD
CESS ENGINEERING AT OUR SUBSIDIARY IN CALIFORNIA. THE EL
I ENJOY MANAGING SUCH A DIVERSITY OF PRODUCTS AND CULT

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.com | www.elmos.com