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INVITATION TO THE ANNUAL GENERAL MEETING 2007

ANNUAL REPORT 2006 ABSTRACT

GROWING STRONG

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ANNUAL REPORT 2006 ABSTRACT

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ELMOS Semiconductor Aktiengesellschaft
44227 Dortmund | Germany
ISIN DE0005677108
WKN: 567 710

Invitation to the 8th Annual General Meeting of ELMOS Semiconductor AG, 44227 Dortmund, Germany (ISIN DE0005677108 / WKN: 567 710)

Dear Shareholders

Our 8th Annual General Meeting will be held on Thursday, May 10, 2007, at 10.00 a.m. at the Casino Hohensyburg, Dortmund, Hohensyburgstraße 200, 44265 Dortmund.

Agenda

1 Presentation of the approved annual financial statements and annual consolidated financial statements as of December 31, 2006, the management report for ELMOS Semiconductor AG and the group management report, and the Supervisory Board's report for the financial year 2006

2 Resolution on the appropriation of retained earnings

Management Board and Supervisory Board propose that the entire retained earnings of 44,937,751.06 Euro stated by ELMOS Semiconductor AG for the financial year 2006 be carried forward to new accounts.

3 Resolution on the formal discharge of the Management Board for the financial year 2006

Supervisory Board and Management Board propose that discharge be granted to the members of the Management Board.

4 Resolution on the formal discharge of the Supervisory Board for the financial year 2006

Management Board and Supervisory Board propose that discharge be granted to the members of the Supervisory Board.

5 Election of the auditor for the financial year 2007

The Supervisory Board proposes that Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Dortmund, be elected auditor for the financial year 2007.

6 Resolution on the authorization to acquire own shares

By resolution of the Annual General Meeting adopted on May 19, 2006, the Management Board was authorized to acquire the company's own shares. This authorization is limited until November 18, 2007. The proposal provides for this resolution to be canceled and for the Management Board to be authorized to acquire the company's own shares again.

Management Board and Supervisory Board propose that the following resolution be passed:

a) The company is authorized to acquire its own shares until November 9, 2008.

b) The authorization is limited to the acquisition of shares accounting for a total of up to 10% of the present share capital. The authorization may be exercised all at once or in several partial amounts, once or several times, and for one purpose or for several purposes within the framework of the above-mentioned limitation.

c) The acquisition is made on the stock market or by means of a public submission of a tender offer directed at all of the company's shareholders.

- If the acquisition of the shares is made on the stock market, the consideration paid by the company per share (not including additional purchase costs) may neither exceed nor undercut the opening price on the Xetra trade (or a functionally comparable successor system replacing the Xetra trade) of the Frankfurt/Main Stock Exchange by more than 10% on the day of purchase.

- If the acquisition of the shares is effected by a public submission of a tender offer directed at all of the company's shareholders, the purchase price bid or the limits of the purchase price range offered per share (not including additional purchase costs) may neither exceed nor undercut the average amount of the closing auction prices on the Xetra trade (or a functionally comparable successor system replacing the Xetra trade) of the Frankfurt/Main Stock Exchange of the last three trading days before the day of the tender offer's announcement by more than 10%. The tender offer's volume may be limited. To the extent that the total subscription to the tender offer exceeds its volume, the acceptance must occur in proportion to the shares offered. A privileged acceptance of small numbers of up to 100 shares offered to the company for purchase per shareholder may be provided for.

d) The Management Board is authorized to use the company's own shares acquired on the grounds of the preceding authorization for the following purposes:

aa) They may be signed over to executives and employees of ELMOS Semiconductor AG as well as to management members and employees of affiliated companies within the framework of the share option plans 1999 and 2004 in fulfillment of subscription rights. Insofar as own shares are to be transferred to members of the company's Management Board within this framework, the company's Supervisory Board is hereto authorized. The provisions of the share option plans 1999 and 2004 are applicable: The key provisions of the share option plans 1999 and 2004 as decided by shareholders' resolution are available for inspection at the commercial register in Dortmund as part of the notarial records of the respective Annual General Meetings. They may also be inspected on the premises of ELMOS Semiconductor AG at its headquarters, Heinrich-Hertz-Str. 1, 44227 Dortmund, Germany, and on the Internet at http://www.elmos.de/ir/corporate_governance/options/index.html. They will also be sent to the shareholders on request and they will be available at the Annual General Meeting.

bb) They may be realized against contribution in kind, particularly in order to offer them to third parties with regard to business combinations or acquisitions of companies, operations, investments, or other assets.

cc) They may be offered for purchase and signed over to executives and employees of ELMOS Semiconductor AG, management members and employees of affiliated companies, and freelancers.

dd) They may be offered and signed over to members of the Management Board of ELMOS Semiconductor AG as a share-based remuneration component in due consideration of the rule of remuneration adequacy (Section 87 (1) AktG) by the Supervisory Board. The particulars of the share-based remuneration of members of the Management Board are determined by the Supervisory Board.

ee) They may be retired without further shareholders' resolution on the retirement or its execution. They may also be retired in a simplified procedure without a capital decrease by adjusting the remaining non-par shares' pro-rated amount in the company's share capital. The retirement may be limited to a part of the acquired shares. If the retirement is effected in the simplified procedure, the Management Board is authorized to adjust the number of non-par shares in the Articles of Incorporation.

e) The shareholders' subscription right to these company shares are precluded insofar as these shares are used according to the authorizations granted in lit. d) aa), bb), cc), and dd).

f) The authorization to acquire own shares as based on the resolution of the Annual General Meeting adopted on May 19, 2006 and limited until November 18, 2007 is canceled effective with the new authorization's coming into force.

7 Resolution on a by-election to the Supervisory Board

Mr. Herbert Sporea, Altwittenbek, resigned from his Supervisory Board mandate effective December 31, 2006. In compliance with Section 104 (2) AktG, the District Court (Amtsgericht) Dortmund appointed Dr. Klaus Weyer member of the Supervisory Board until the conclusion of this Annual General Meeting at the request of the Management Board.

Because the term of the court-appointed Supervisory Board member is completed with the conclusion of this Annual General Meeting, the Supervisory Board proposes to the Annual General Meeting that

Herrn Dr. Klaus G. Weyer
Schwerte
former member of the Management Board
of ELMOS Semiconductor AG
member of the Paragon AG supervisory board
member of the MST project Dortmund advisory board

be elected to the Supervisory Board for the remaining original term of Mr. Herbert Sporea, i.e. until the conclusion of the Annual General Meeting 2010, in accordance with Section 6.3 of the Articles of Incorporation.

The Annual General Meeting is not bound by election proposals. Sections 96 (1), 101 (1) AktG and Section 6.1 of the Articles of Incorporation provide that the Supervisory Board is composed solely of the shareholders' six Supervisory Board members to be elected by shareholders' resolution.

8 Resolution on the Management Board's authorization for the issue of convertible bonds and bonds with warrants attached, the creation of conditional capital, and the corresponding amendment to the Articles of Incorporation

Supervisory Board and Management Board propose that the following resolutions be passed:

The resolution of the Annual General Meeting adopted on April 26, 2002 on the Management Board's authorization to issue convertible bonds and bonds with warrants attached is canceled. The following new resolution is passed:

a) The Management Board is authorized, with the Supervisory Board's approval, to issue bearer and/or registered convertible bonds and/or bonds with warrants attached, with a maximum term of 10 years, in one or several issues, in a total nominal amount of up to 75 mil. Euro until May 9, 2012, and to grant the holders of convertible bonds and/or bonds with warrants attached conversion or option rights, respectively, to the company's new non-par bearer shares with an arithmetical amount in the share capital of altogether up to 5 mil. Euro, subject to the particular conditions of the convertible bonds or bonds with warrants attached.

The convertible bonds and/or bonds with warrants attached may be issued in Euro or in the lawful currency of any OECD member country – limited to the equivalent amount of a maximum 75 mil. Euro.

The convertible bonds and/or bonds with warrants attached may also be issued by direct or indirect, domestic or international 100% subsidiaries of ELMOS Semiconductor AG; in this case the Management Board is authorized, with the Supervisory Board's approval, to assume the guarantee for the convertible bonds and/or bonds with warrants attached on behalf of the subsidiary and to grant the holders of convertible bonds and/or bonds with warrants attached conversion or option rights, respectively, to new non-par bearer shares of ELMOS Semiconductor AG.

In the case of the issue of bonds with warrants attached, each equal-ranking partial debenture ("Teilschuld-verschreibung") bears one or more warrants issued by ELMOS Semiconductor AG, entitling the holder to subscribe to new shares of ELMOS Semiconductor AG subject to option conditions to be determined by the Management Board. The pro-rated amount in the share capital of the shares to be acquired per bond with warrants attached may not exceed the nominal amount of the bond with warrants attached. In the case of the issue of convertible bonds, the holders are to be entitled to exchange their partial debentures for new shares of ELMOS Semiconductor AG subject to bond conditions to be defined by the Management Board. The exchange ratio is to be established by dividing the nominal amount of a partial debenture by the defined convertible-bond price of a new share of ELMOS Semiconductor AG. The exchange ratio may also follow from a division of the issue amount of a partial debenture which is below the nominal amount by the defined convertible-bond price for a new share of ELMOS Semiconductor AG. The exchange ratio may be rounded in any case to a conversion ratio with a full figure; also, any top-up cash payment may be defined. For the rest, provision may be made that any fractional amounts are added together and/or equalized in cash.

The conditions for convertible bonds may also provide for the case of conversion that the company will not give shares of ELMOS Semiconductor AG to those entitled to conversion but pay their countervalue in cash instead, whole or in part, which corresponds to the average share price of ELMOS Semiconductor AG in the closing auction in Xetra trading at the Frankfurt Stock Exchange on the ten trading days before the day of the resolution on the issue of convertible bonds, and in accordance with the bond conditions. The conditions for convertible bonds may also provide for a conversion obligation at the end of the term or at an earlier point in time. The pro-rated amount in the share capital of the shares to be issued in any conversion must not exceed the nominal amount of the convertible bonds. The convertible or option price to be defined in each case for a new share of ELMOS Semiconductor AG – even in any variable exchange ratio/conversion price – must either correspond with at least 80% of the average share price of ELMOS Semiconductor AG in the closing auction in Xetra trading at the Frankfurt Stock Exchange on the ten trading days before the day of the Management Board's resolution on the issue of convertible bonds or bonds with warrants attached, or with at least 80% of the average share price in the closing auction at the Frankfurt Stock Exchange during the days on which the subscription rights are traded at the Frankfurt Stock Exchange, with the exception of the last two trading days on which the subscription rights are traded.

Irrespective of Section 9 (1) AktG, the option or conversion price is to be reduced due to a dilution-protection clause as specified in the conditions for convertible bonds or bonds with warrants attached, by paying a corresponding cash amount when exercising the conversion right or by lowering the top-up payment, if the company, during the conversion or option term, while granting their shareholders subscription rights, increases its share capital, or issues further convertible bonds or bonds with warrants attached, or grants other option or conversion rights, and the holders of conversion and option rights are not granted any subscription rights to the extent that would be their due after exercise of their conversion or option rights. Instead of a cash payment or any lowering of the top-up payment, the exchange ratio may also – wherever possible – be adjusted by a division by the reduced conversion price. The conditions may also contain a provision that, in the case of a capital decrease or other extraordinary measures, value-retaining adjustments may be made to the conversion or option price.

The conditions for convertible bonds and bonds with warrants attached may also provide for the number of shares to be acquired in any exercise of the conversion or option rights or after fulfillment of any conversion obligation, or any exchange right in this connection, to be variable, and/or for the option or conversion price to be modified within a bandwidth to be set by the Management Board depending on the performance of the share or as a consequence of dilution-protection clauses within the term.

The convertible bonds or bonds with warrants attached are to be taken over by a credit institution or a consortium of credit institutions with the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized, with the Supervisory Board's approval, to exclude fractional amounts resulting from the subscription right relationship from the shareholders' subscription right and also to preclude the subscription right insofar as is necessary to be able to grant holders of conversion or option rights corresponding to previously issued convertible bonds, or holders of option rights issued by the company subscription rights to the extent that would be their due after exercising any conversion or option rights.

The Management Board is also authorized, with the Supervisory Board's approval and in accordance with Section 186 (3) sentence 4 AktG, to preclude the shareholders' subscription right in the one-time or repeated issue of convertible bonds or bonds with warrants attached insofar as option or conversion rights or conversion obligations to new shares of the company are granted with a pro-rated amount in the share capital of up to 10% of the company's share capital as stated at the first-time preclusion of subscription rights according to Section 186 (3) sentence 4 AktG – even if based on other authorizations. For the determination of an exploitation of the 10% limit, the preclusion of subscription rights based on other authorizations in direct or indirect application of Section 186 (3) sentence 4 AktG is to be taken into consideration. If the Management Board makes use of this authorization in precluding subscription rights, the issue price must not materially undercut the theoretical market value of the convertible bonds or bonds with warrants attached as determined according to recognized methods of financial mathematics.

The company's Management Board is authorized, with the Supervisory Board's approval and, if applicable, in consultation with the company boards of the subsidiaries issuing the convertible bonds or bonds with warrants attached, to define the further details of the issue of the convertible bonds and/or bonds with warrants attached and its vestment, specifically the interest rate, issue price, redemption amount, term, denomination, conversion or option price, dilution-protection clauses, the conversion and option term, and exchange modalities in the case of exchange entitlement.

b) The company's share capital is to be conditionally increased by up to 5 mil. Euro by the issue of up to 5 mil. new non-par bearer shares. The conditional capital increase is to be used exclusively for the grant of option or conversion rights – subject to the conditions for convertible bonds or bonds with warrants attached – to the holders of convertible bonds or bonds with warrants attached which are issued by the company or by the company's direct or indirect, domestic or international 100% subsidiary according to the authorization stated above under letter a) until May

9, 2012. The new shares are to be issued at the option or conversion price to be determined in each case according to letter a). The capital is to be conditionally increased only to the extent that (i) the convertible bonds or bonds with warrants attached are issued and (ii) their holders make use of their conversion or option rights or fulfill their conversion obligation. The new shares resulting from the exercise of option or conversion rights or conversion obligations are to participate in the profits from the start of the financial year in which they are created by exercising conversion or option rights or by fulfilling conversion obligations.

The Management Board is authorized to define the futher details of the conditional capital increase and its procedure with the Supervisory Board's approval.

c) Section 3.6 of the Articles of Incorporation (share capital) is to be canceled in its previous version and to be revised as follows:

"The company's share capital is to be conditionally increased by up to 5,000,000.00 Euro (5 mil. Euro) by the issue of up to 5,000,000 non-par bearer shares (conditional capital II). The conditional capital increase shall be effected only to the extent that the holders of conversion rights or warrants issued until May 9, 2012 by the company or its direct or indirect, domestic or international 100% subsidiaries under the authorization granted by resolution of the Annual General Meeting adopted on May 10, 2007 exercise their conversion or option rights, or to the extent that holders subjected to mandatory conversion under the convertible bonds issued until May 9, 2012 by the company or its direct or indirect, domestic or international 100% subsidiaries fulfill their conversion obligation. The new shares are entitled to participate in the profits as from the start of the financial year in which they are issued as a result of the exercise of conversion or option rights or of the fulfillment of conversion obligations."

d) The Supervisory Board is authorized to adjust the version of Section 3.1 of the Articles of Incorporation according to each issue of new shares and to make all other amendments to the Articles of Incorporation in this context which only concern this version. This applies accordingly in the case of not making use of the authorization to issue convertible bonds and bonds with warrants attached after the completion of the authorization term and in the case of not making use of the conditional capital after the completion of the terms for the exercise of conversion or option rights.

9 Resolution on the amendment to Section 14 of the Articles of Incorporation (notifications)

The Act on Corporate Integrity and Modernization of the Right of Rescission (UMAG), in force since January 20, 2007, subjects the communication of information, e.g. the shareholders' invitation to the Annual General Meeting by means of data transmission, to the Annual General Meeting's approval, among other things, even if a shareholder has explicitly agreed to this form of information communication. In order to be able to communicate information to our shareholders electronically further on, Section 14 of the Articles of Incorporation shall be amended accordingly.

Management Board and Supervisory Board therefore propose the following resolution to be passed:

Section 14 is amended insofar as its heading is changed, its former sentence 1 becomes paragraph 1, and the following second paragraph is amended:

"Section 14 Notifications and information

14.1 The company's notifications are made exclusively in the "elektronischer Bundesanzeiger" (Electronic Federal Gazette) unless there are other compulsory stipulations by law in the individual case.

14.2 Information meant for the holders of the company's registered securities may be also transmitted via electronic media."

Management reports for the Annual General Meeting on May 10, 2007

Management report on agenda item 6 (authorization to acquire own shares) in accordance with Section 71 (1) no. 8 AktG (Corporations Act) read in conjunction with Section 186 (3) sentence 4, (4) sentence 2 AktG

In the past Annual General Meetings, the company passed resolutions authorizing share repurchase and the subsequent disposal of acquired own shares, the most recent of which is limited until November 18, 2007. Because of the authorization term's expiration in the current financial year, the resolution proposal at hand is intended to replace the authorization currently in force, which was decided by resolution of the Annual General Meeting adopted on May 19, 2006.

In addition to an acquisition on the stock market, the company shall be given the opportunity to purchase its own shares by the public submission of a tender offer (tender procedure). With this alternative, each of the company's shareholders with the intent to sell can decide how many shares he or she wants to offer and, if a price range is determined, at which price. If the volume of shares offered at the determined price exceeds the number of shares requested by the company, the acceptance must occur in proportion to each parcel of shares offered. The resolution shall make it possible to provide for a privileged acceptance of small offers or small contingents of offers of up to 100 shares. This possibility helps avoid fractions occurring in determining the quota to be acquired and small remaining parcels, thereby simplifying the technical procedure.

The ELMOS share option plans 1999 and 2004 for members of the Management Board, other executives and employees of ELMOS Semiconductor AG as well as for management members and employees of affiliated companies are each safeguarded by conditional capital. The resolution as proposed under agenda item 6 is intended to make it possible for the company to service the share option plans 1999 and 2004 by the prior acquisition of its own shares as well. By this proceeding, a dilution of existing shareholdings by an otherwise necessary capital increase is avoided in particular. The decisions on how the options are serviced in the individual case are made by the company boards; they will let themselves be governed only by the interests of shareholders and company and will report on their decisions at each next Annual General Meeting.

By the authorization granted, the company is meant to be able to have own shares to dispose of against contributions in kind, especially as consideration with regard to business combinations or acquisitions of companies, operations, or investments in companies. Domestic and international competition as well as a globalized economy increasingly require this kind of acquisition financing. The proposed authorization is intended to provide the company with the necessary range of options to seize any opportunities for the acquisition of companies or investments swiftly and in a flexible manner. This concern is met by the proposed preclusion of subscription rights. There are no specific plans for making use of this authorization. In determining the valuation proportions, the Management Board will make sure that the shareholders' interests are duly considered. In calculating the value of shares disposed of as consideration, the Management Board will orient itself towards the market price of the share of ELMOS Semiconductor AG as a general rule. The Management Board will report to the Annual General Meeting on each use of this authorization.

Moreover, the company is intended to be able to offer and sign over shares to executives and employees of the company, management members and employees of affiliated companies, freelancers, and members of the company's Management Board. By the issue of shares to the company's employees, an additional kind of share-based payment is meant to commit employees to the company and to attract qualified new employees to the company. The objectives motivation and employee commitment to the company are in the company's interest. The preclusion of the shareholders' subscription right with regard to the disposal of acquired own shares is a prerequisite to this. Members of the company's Management Board shall also be given the opportunity to be offered and assigned shares as share-based remuneration by the Supervisory Board. The possibility to offer and sign over the company's own shares to the Management Board members as a remuneration component commits the members of the Management Board to the company and its economic success and is therefore in the company's interest as well. Members of the Management Board who receive shares as remuneration on these grounds have an additional motivation to work towards the company's increase in value as expressed by its share price. On the other hand, they bear the price risk. The decision on this is the sole responsibility of the Supervisory Board as the proper decision-making body, and the Supervisory Board also decides on the particulars of the share-based remuneration of Management Board members in compliance with the statutory provisions for remuneration adequacy (Section 87 (1) AktG). Thereby is it assured that the shareholders' subscription right is precluded not excessively and only in the company's interest.

Shares purchased on the grounds of the proposed resolution on the company's authorization are meant to be subject to retirement as decided by the company even without a new shareholders' resolution. According to Section 237 (3) no. 3 AktG, the Annual General Meeting can decide the retirement of non-par value shares without the necessity of a decrease of the share capital. The proposed authorization provides for this alternative besides the retirement with a capital decrease. By a retirement of own shares without a capital decrease, the remaining non-par value shares' pro-rated amount in the share capital automatically rises. Therefore the Management Board shall also be authorized to adjust the number of non-par shares reduced by the retirement in the Articles of Incorporation.

Management report on agenda item 8 in accordance with Section 221 (4) sentence 2 AktG read in conjunction with Section 186 (3) sentence 4, (4) sentence 2 AktG

Supervisory Board and Management Board propose to the Annual General Meeting that the Management Board be authorized, with the Supervisory Board's approval, to issue convertible bonds or bonds with warrants attached until May 9, 2012, in one or several issues, in a total nominal value of up to 5 mil. Euro with a maximum term of ten years and to grant the holders option rights or conversion rights, respectively, to new shares of the company with a pro-rated amount in the share capital of up to 5 mil. Euro.

The authorization to issue convertible bonds and/or bonds with warrants attached is meant to make it possible in the company's interest to issue preferably favorable bonds which are particularly well-suited to the requirements of the capital markets. If necessary and according to the market situation, the company shall also be able to draw on German or international capital markets, via the company's direct or indirect, domestic or international 100% subsidiaries, and to issue bonds in the lawful currency of any OECD member country, besides the Euro. As a basic principle, the shareholders have a subscription right. However, this right can be precluded with the Supervisory Board's approval. The possibility of subscription right preclusion gives the company the necessary flexibility to seize favorable stock market situations at short notice. According to Section 221 (4) sentence 2 AktG, Section 186 (3) sentence 4 AktG applies accordingly, stipulating that an issue price which is not materially below the market price must be determined. Therefore the authorization includes that the issue price of the convertible bonds and/or bonds with warrants attached must not materially undercut the partial debenture's theoretical market value as determined according to recognized methods of financial mathematics. In order to fulfill this requirement with the issue of convertible bonds and/or bonds with warrants attached as well, the Management Board will ask for a generally accepted investment bank's expertise for every preclusion of the shareholders' subscription right in compliance with Section 186 (3) sentence 4 AktG. Thus the shareholders' protection requirement with regard to the dilution of their shareholdings is accomodated.

In order to not exceed the subscription right preclusion limit of a maximum 10% of the share capital as stipulated by Section 186 (3) sentence 4 AktG, it is also provided that the possibility of the preclusion of the subscription right may only be made use of insofar as no other possible authorizations for the preclusion of subscription rights are made use of at the first-time preclusion in accordance with Section 186 (3) sentence 4 AktG. The preclusion of subscription rights based on other authorizations in direct or according application of Section 186 (3) sentence 4 AktG must be taken into consideration for the determination of an exploitation of the 10 % limit.

Furthermore, the provided preclusion of the shareholders' subscription right for fractional amounts makes it possible to use the authorization with smooth amounts and to thus make the realization of this capital measure easier. The preclusion of subscription rights in favor of the holders of option or conversion rights or the owners of convertible bonds subjected to conversion obligations carries the advantage that in the case of using the authorization the option or conversion price must not be reduced according to the prevailing option or conversion conditions for the owners of already existing option rights, conversion rights, or convertible bonds subjected to conversion obligations.

The conditional capital II (of 5,000,000.00 Euro) is necessary to make the issue of convertible bonds or bonds with warrants attached with corresponding option or conversion rights or conversion obligations to shares of ELMOS Semiconductor AG possible.

Participation in the Annual General Meeting

The company's share capital comes to 19,413,805.00 Euro as of the notification of the convening of the Annual General Meeting in the Electronic Federal Gazette and it consists of 19,413,805 non-par bearer shares with one vote accounted for by each non-par share. The total number of company shares and voting rights as of the notification of the convening of the Annual General Meeting in the Electronic Federal Gazette is therefore 19,413,805 each.

According to Section 11 of our company's Articles of Incorporation, shareholders are entitled to the participation in the Annual General Meeting and to the exercise of voting rights if they register with the company under the following address and submit special proof of their shareholder capacity, issued by their depositary bank, to the company under the following address

ELMOS Semiconductor AG
c/o Deutsche Bank AG
General Meetings
60272 Frankfurt am Main | Germany

The proof of shareholder capacity must refer to the beginning of April 19, 2007 and must be received by the company together with the registration before midnight of May 3, 2007 under said address. Registration and proof of shareholder capacity must be in writing and composed in German or English.

Upon the company's receipt of the registration and the proof of shareholder capacity, tickets of admission to the Annual General Meeting will be sent to the shareholders. In order to assure the timely receipt of admission tickets, we ask our shareholders to please request a ticket of admission to the Annual General Meeting from their depositary bank in good time. In this case, the required registration and the proof of relevant shareholder capacity are provided by the depositary bank.

Proxy voting

Shareholders who do not want to participate in the Annual General Meeting in person may have their voting rights exercised by a proxy, e.g. a credit institution or a shareholders' association.

As usual, shareholders may also have themselves represented in elections by proxies nominated by the company. These representatives must be provided with a signed form for proxy and voting instructions. The proxies are obligated to vote according to these instructions.

Shareholders who want to make use of this proxy voting procedure require a ticket of admission to the Annual General Meeting. Detailed information on the participation in the Annual General Meeting, proxy voting, and voting instructions are sent to the shareholders together with the admission ticket. Relevant information is also available on the Internet at www.elmos.de.

Internet broadcast of the annual general meeting

On the chairman's orders, all shareholders of ELMOS Semiconductor AG and the interested public may follow the entire length of the Annual General Meeting live on the Internet (www.elmos.de) on May 10, 2007, starting at 10.00 a.m. Unrestricted online access to the live broadcast will be made available under Investor Relations/Annual General Meeting.

Shareholder‘ motions and election proposals

Countermotions and election proposals for a specific item on the agenda are to be submitted to the address given below exclusively:

Hauptversammlungsstelle
ELMOS Semiconductor AG
Heinrich-Hertz-Straße 1
44227 Dortmund | Germany
Fax: +49 (0)231/7549-548

Otherwise addressed countermotions and election proposals will not be considered. Shareholders' countermotions and election proposals received under the above-mentioned address before midnight of April 25, 2007 will be made available to the other shareholders on the Internet at www.elmos.de without delay upon proof of the applicant's shareholder capacity. The countermotion or election proposal is to be submitted in German. If the countermotion or proposal is meant to be published in English as well, an English version is to be enclosed. Possible statements made by the administration will also be published at the same Internet address subsequent to April 25, 2007.

Dortmund, March 2007
The Management Board

Information

Admission

The doors to the Annual General Meeting will open on May 10, 2007 at 9.00 a.m.

Parking space

Parking space will be available to our visitors at the Casino Hohensyburg for the duration of our Annual General Meeting. Please present your parking ticket upon registration so that we can exchange it for a parking voucher for free parking.

Bus tranfer from/to Dortmund bus station

There will be a free bus transfer provided by the company Horn-Reisen from the Dortmund bus station – opposite the main station – to our Annual General Meeting at the Casino Hohensyburg and back, leaving at 9.00 a.m. This bus returns from the Casino Hohensyburg to the Dortmund bus station at 1.00 p.m.

Public transport

The casino bus connects the Casino Hohensyburg with the Dortmund bus station at hourly intervals beginning at 2.03 p.m.

Directions

On A1 from Köln (Cologne), take the exit Hagen-Nord. From there follow the signs to the Casino Hohensyburg.

On A 44 or A 2, head towards Dortmund-Zentrum (city center) first. From the city, you will get to the Casino Hohensyburg via B 54 South.

On A 45, take the exit Dortmund-Süd in the direction of Hohensyburg. From there follow the signs to the Casino Hohensyburg.

Casino Hohensyburg
Hohensyburgstraße 200
44265 Dortmund
Germany


Münster
AK
Kamen
Hannover
Oberhausen
AK
Do-Nordwest
Do-Nordost
Dortmund
AK
Castrop-
Rauxel-Ost
A45
B54
Ruhrschnellweg
AK
Do/Unna
AK
Do-West
B1
A1
Do-Süd
A44
AK
Do/Witten
AK
Westhofen
Witten
B54
Ruhr
A45
Ausfahrt
Hagen
Nord
Hagen-
West
Hagen
Lenne
A1
Köln

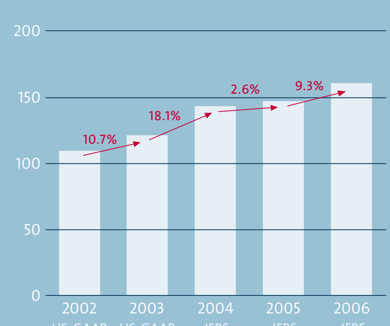
Five-year overview ELMOS Group

in million Euro unless otherwise indicated	2002 US-GAAP	2003 US-GAAP	2004 IFRS	2005 IFRS	2006 IFRS
Sales	109.7	121.4	143.3	147.0	160.7
Growth rate	2.5%	10.7%	18.1%	2.6%	9.3%
Gross profit	53.8	61.4	73.2	70.6	73.0
Gross margin	49.0%	50.6%	51.1%	48.1%	45.5%
Research and development expenses	17.5	20.4	24.7	28.1	29.6
Research and development expenses in % of sales	16.0%	16.8%	17.2%	19.1%	18.4%
EBIT	19.3	21.1	26.4	20.0	19.8
EBIT in % of sales	17.6%	17.4%	18.4%	13.6%	12.3%
Income before income taxes	15.7	17.3	22.9	16.4	17.3
Income before income taxes in % of sales	14.3%	14.2%	16.0%	11.2%	10.8%
Net income	8.9	10.0	14.2	10.0	10.7
Net income margin	8.1%	8.3%	9.9%	6.8%	6.7%
Earnings per share in Euro	0.46	0.52	0.74	0.52	0.55
Total assets	208.5	205.3	217.3	237.0	241.9
Shareholders' equity	112.4	124.7	133.8	144.3	152.9
Equity ratio	53.9%	60.7%	61.6%	60.9%	63.2%
Financial liabilities	62.2	60.6	57.6	67.9	65.0
Cash, cash equivalents and marketable securities	11.1	25.9	18.9	16.8	16.6
Net debt	51.2	34.7	38.7	51.2	48.4
Cash flow from operating activities	26.0	6.5	34.7	19.7	28.5
Capital expenditures	– 34.1	– 25.3	– 33.5	– 29.6	– 26.4
Capital expenditures in % of sales	31.1%	20.9%	23.4%	20.1%	16.4%
Cash flow from investing activities	– 29.3	3.4	– 31.2	– 30.4	– 19.9
Free cash flow*	– 3.3	10.0	3.5	– 10.7	8.6
Dividend per share in Euro	0.00	0.13	0.21	0.00	0.00**
Employees on annual average	830	874	928	1,028	1,102

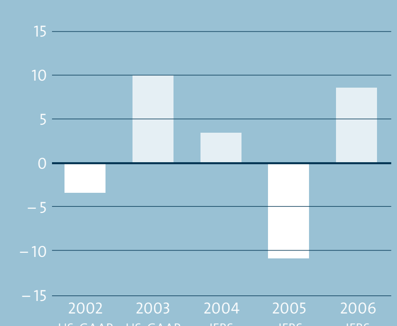
** Cash flow from operating activities minus cash flow from investing activities*

*** Subject to shareholders' resolution at the Annual General Meeting in May 2007*

Sales in million Euro and growth rate



Free Cash Flow in million Euro



Dear Shareholders

In the past year 2006 we made considerable progress in our operating activities and our strategic orientation. And we managed to do so despite a difficult starting position. In order to reach the targets defined in the last year, ELMOS made changes, substantial in part, on many company levels with regard to processes, organizational structures, and the strategic orientation. Thus we created the basis for continuing profitable growth.

Customer specific semiconductor solutions, so-called ASICs, for use in automotive applications remain our core business. However, we have begun to support this intact pillar of growth by the development of other business fields. These benefit from our core expertise and will contribute to its expansion. We are convinced these additional business fields are going to make deciding contributions to growth and income in the medium term. The overall focus of our efforts is directed to continued profitable growth. That is why our annual report's title takes up this slogan: Growing stronger.

Our financial targets for the past year were ambitious considering the starting position. The challenge was to regain our full strength after the disappointing year 2005 with a sales increase of only 2.6 percent. At that time we had lost contracts for different reasons, and high-volume projects had run out. Against this background it is good news that we achieved our goal of about ten percent growth in 2006.

The earnings before interest and taxes (EBIT) of 19.8 million Euro were burdened by considerable preparatory efforts for microsystem projects and the startup of the 8-inch production line. Nevertheless we reached our last pronounced EBIT target, 12 percent of sales. This was possible because the core operating activities' profitability compensated for a major portion of the charges brought on by preparatory efforts. The net income 2006 comes to 10.7 million Euro or 6.7 percent of sales, within the range of our forecast. The free cash flow of 8.6 million Euro had a very positive development and made us reach our target on that score as well.

Let me now point out some important aspects which characterize our achievements as well as our objectives for 2007:

- The new 8-inch production site in Duisburg turned out its first products to be delivered to customers in mid-2006. By the end of the year 2006 we introduced up to 50 wafers a day to the production line. We will keep expanding the production in 2007 with great commitment. On the customer side we will make the greatest efforts to achieve a faster inflow of our products manufactured on 8-inch wafers into current production runs.

- Parallel to the startup of the new Duisburg production site, we put the new testing area in Dortmund into operation right on schedule. We have provided the capacity we need to make our growth possible.

- With the formation of the subsidiary ELMOS Industries, we laid the foundations for growth in the markets for industrial and consumer electronics. The sales contribution of these markets of presently about ten percent of total sales is intended to be increased to 20 to 30 percent in the medium term.

- We gave the green light to six application specific standard product families (ASSPs). By increased direct marketing of such product lines and support provided by ELMOS Industries, we can expand partnerships with present customers on other business fields. The start of production for the first projects will be in 2007.

- Our microsystem projects produce a great deal of customer interest throughout. In 2007 we will show that our pioneering work on this field brings the customers great advantages with their applications. The successful launch of additional projects is another important issue for 2007.

- The extended cooperation with Freescale Semiconductor for system-in-package solutions opens up new vistas. The multi-chip products resulting from this cooperation combine the high-capacity 16-bit microcontroller lineups (MCU) made by Freescale with the application specific high-voltage CMOS chips made by ELMOS. This helps us in the development and production of intelligent solutions for automotive comfort and body electronics. In 2007 the first products will be presented.

- We have recently found a competent South Korean partner to support our marketing activities in the Far East. Together we are going to push our products in this market.

- In mid-2006 we started relocating the assembly of standard packages from our subsidiary in the Netherlands to external service providers in Asia to make use of cost advantages. In 2006 more than 40 percent of the revenue generated by ELMOS Advanced Packaging was attributable already to higher-value special packages. With the relocation of standard package assembly completed in the year 2007, our subsidiary will focus solely on the development and production of special packages.

- First pilot designs have been realized in highly integrated logic processes with foundry partners to secure our access to cutting-edge technologies without high expenditures for our own production facilities.

- We have been successful with our effective initiative for the quality improvement of our products and receive positive feedback from our customers.

As you can see we used the past year actively to advance crucial aspects of our strategy, achieve improvements in our operating activities, and set the course for growth. We will continue these efforts in 2007 with all our energy.

There has also been a welcome addition to our management team. Nicolaus Graf von Luckner has been responsible for Finances since July 1, 2006. After the death of longtime CEO Knut Hinrichs, the Management Board's financial department is run by an economist once again. New CFO Graf von Luckner has more than 27 years of experience in the automobile industry. His professional competence is a valuable asset to the company.

Dr. Klaus Weyer left the Management Board as of December 31, 2006. However, the company's co-founder and pioneer in the field of automotive electronics will stay on board as member of the ELMOS Supervisory Board. On behalf of all members of the Management Board, I express my deep gratitude to Dr. Klaus Weyer for his outstanding achievements.

I would also like to mention that the year 2006 was characterized by circumstances which brought about additional challenges for us. Because of the weakness of the American car manufacturers, our U.S. business fell short of our expectations by roughly ten percent. Prices for energy and raw materials rose significantly, and for our basic material, the silicon wafers, in particular. These high expenses are going to hold up through the year 2007.

The market conditions established by our automotive customers have changed faster than ever before. Our customers now demand much more support for the integration of our chips into their applications. This means additional expenses on the one hand but it is also a chance for market distinction. Above all this is the case when we use patented technologies in our products, e.g. the new concept for actuating brushless DC motors, named VirtuHall®.

In summarizing the above-mentioned aspects I want you to know that we will seize the year 2007 to keep realizing our strategy with greatest determination. The strategic targets will be flanked by focal operating issues supporting our competitiveness. For example, programs for incentive wages in the production, development, and sales divisions will lead to further improvements of process efficiency. We are expecting additional cost savings from the introduction of an advanced balanced scorecard to production. And the relocation of the standard package assembly to the Far East will also make positive contributions to the profitability.

Against the setting of the efforts described, the market environment, and the considerable preparatory efforts, we are expecting a solid sales increase of about ten percent in 2007 and a gross margin on last year's level of roughly 45 percent.

You see ELMOS makes great efforts not only to keep growing in 2007 but to lay the foundations for continued growth and profitability in the next years. What has been achieved so far makes us confident that we will realize further improvements. Last but not least, it is the feedback from our customers that shows me we are on the right track. They have paid respect to our achievements in numerous one-on-one conversations, and their ambitious project definitions stimulate us to keep delivering top performances.

Let me express at this point my personal and the entire Management Board's special gratitude to the three most important cornerstones of our business: to our customers, because without them we would not be here, to our employees, because we as a company are supported by them and their performances, and not the least portion of our gratitude is due to you, the shareholders, for your faith in our company.

Ahead of us is a year of advancement and further growth.

Sincerely

Dr. Anton Mindl
CEO of ELMOS Semiconductor AG

GROUP MANAGEMENT REPORT

Business and economic framework

Business activity

ELMOS develops, produces and sells highly integrated, mostly application specific microelectronic circuits, primarily for automotive use. Roughly 90 percent of the revenue originated from this market segment in 2006 once again. Within the past two decades, ELMOS has achieved a leading market position as semiconductor manufacturer on the European market for automotive electronics. According to the market research institute Gartner Dataquest, for the last years ELMOS has been the worldwide No. 3 in the segment ASICs (Application Specific Integrated Circuits) for the automotive market with a 12 percent share of the market in March 2006, ranking behind STMicroelectronics and NEC. The immediate competitors AMI Semiconductor and Melexis follow on ranks four and five.

ELMOS chips are used by almost all European car manufacturers. Ever-increasing demands on the reduction of fuel consumption and the environmental compatibility of an automobile, and especially on its passengers' safety and comfort, lead to more and more electronics inside the vehicle. Semiconductor components made by ELMOS are ideally suited to the compact, reliable and economical construction of those systems.

New automotive projects usually require three to four years of development time till they enter serial production for roughly five years. Sometimes the production period is extended considerably if car manufacturers put to use a similar technical platform in a family of new car models. By the time a new project is won, prices are usually determined for the entire project life cycle dependent on the scheduled volume.

ELMOS has served niche markets with its own know-how for more than 20 years. It is the company's strategy to excel with consistently optimized production technology in response to market demands and with customer specific product development. Therefore ELMOS usually develops products by the customer's order for a specific application and then manufactures these products for the customer exclusively. ELMOS directs its efforts at running a profitable business and growing ahead of the market with customized integrated circuits as the customers' competent partner.

Apart from customer specific circuits, comprising approximately 90 percent of all products, ELMOS also offers a portfolio of application specific standard products (ASSPs) as well as micromechanical sensors produced by the U.S. subsidiary company Silicon Microstructures Inc. (SMI), based in Milpitas, California. SMI develops, produces and sells micromechanical components (MEMS) and ranks among the technology leaders for high-precision silicon pressure sensors. In addition to pressure sensors, SMI also develops sensors for acceleration and rotary motion which are of special interest to the automobile industry. With its own production site in California, SMI has solid serial production facilities and capabilities. The producing subsidiary

Own production sites

ELMOS Advanced Packaging B.V. (ELMOS AP), based in Nijmegen in the Netherlands, completes the technology and product portfolio. ELMOS AP develops and manufactures packages for electronic semiconductor components and sensors. Apart from standard packages compliant with JEDEC regulations, customer and application specific special packages – partly standing out from the competition by patented know-how – are part of the product portfolio. The Nijmegen plant provides state-of-the-art technology. In 2006 ELMOS AP still covered roughly 40 percent of all assembly services for ELMOS. Besides assembly within the group, the company also manufactures special packages for third-party customers. In the future ELMOS AP will focus solely on the development and production of special packages. The assembly of standard packages will be transferred to longtime partners in Southeast Asia.

ELMOS produces all ASICs at its own production site for semiconductor components (wafer fab) in Dortmund and on the production line in Duisburg put into operation in the year under report. ELMOS distinguishes itself from most of its competitors by automotive-suited high-voltage CMOS technology as well as the system-compatible integration of analog and digital functions with on-chip driver performance.

The division ELMOS Microsystems, newly created in 2005, supports the portfolio with the development and sale of application specific, micro-mechatronic modules. These modules combine the capabilities of the three developing and producing companies within the ELMOS Group and consist of signal processing semiconductor components, micromechanical sensors, and functional packages. They make it possible for the customer to realize cost-effective system solutions.

Apart from the automotive market, ELMOS is also busy in the markets for industrial and consumer goods, supplying customer specific circuits for use in household appliances, cameras, installation and building technology, and machine control, among other fields of application. These non-automotive markets will be attended to intensively in the future by ELMOS Industries, founded in the year under report. They contributed roughly ten percent of sales in the past year, unchanged from the previous years.

Strategy

Focus on customer specific automotive applications

ELMOS started the year under report with a clear strategy and has made significant progress with its realization. The center of attention was the focus on customer specific automotive applications. With these ELMOS has gathered experience in the field of automotive semiconductors over decades. The startup of the second production site in Duisburg was a crucial step in this regard, both for supply guarantee and the use of cost reduction potential due to the larger wafer diameter. First customer releases were given in the third quarter, others followed near the end of the year.

Another focus was on the expansion of the development and sale of application standards (ASSPs). For this purpose, ELMOS created the division Applications & Systems (AS) to produce and sell application standards systematically. Application standards particularly involve procedures protected by patent law, such as HALIOS® and VirtuHall®, bringing about a competitive edge for

ELMOS. Such a family of application standards allows for the user's fast and simple realization of intelligent solutions, e.g. for sensor or driver applications.

Microsystems raise great market interest

Microsystems, consisting of ASICs and MEMS in a customer specific package, currently generate great interest in the market. With the ability to develop and produce those systems within the group consolidation, ELMOS clearly distinguishes itself from its competition and offers its customers a unique advantage.

Progress has also been made with the integration of third-party silicon into the company's own system solutions. First projects on the basis of non-company-produced components have been brought to prototype maturity. These purchased components are produced according to ELMOS construction plans either by strategic partner companies or large semiconductor foundries using technologies not provided by ELMOS. Thanks to the technical capabilities of ELMOS AP, own and purchased components are integrated into functional packages as multi-chip modules.

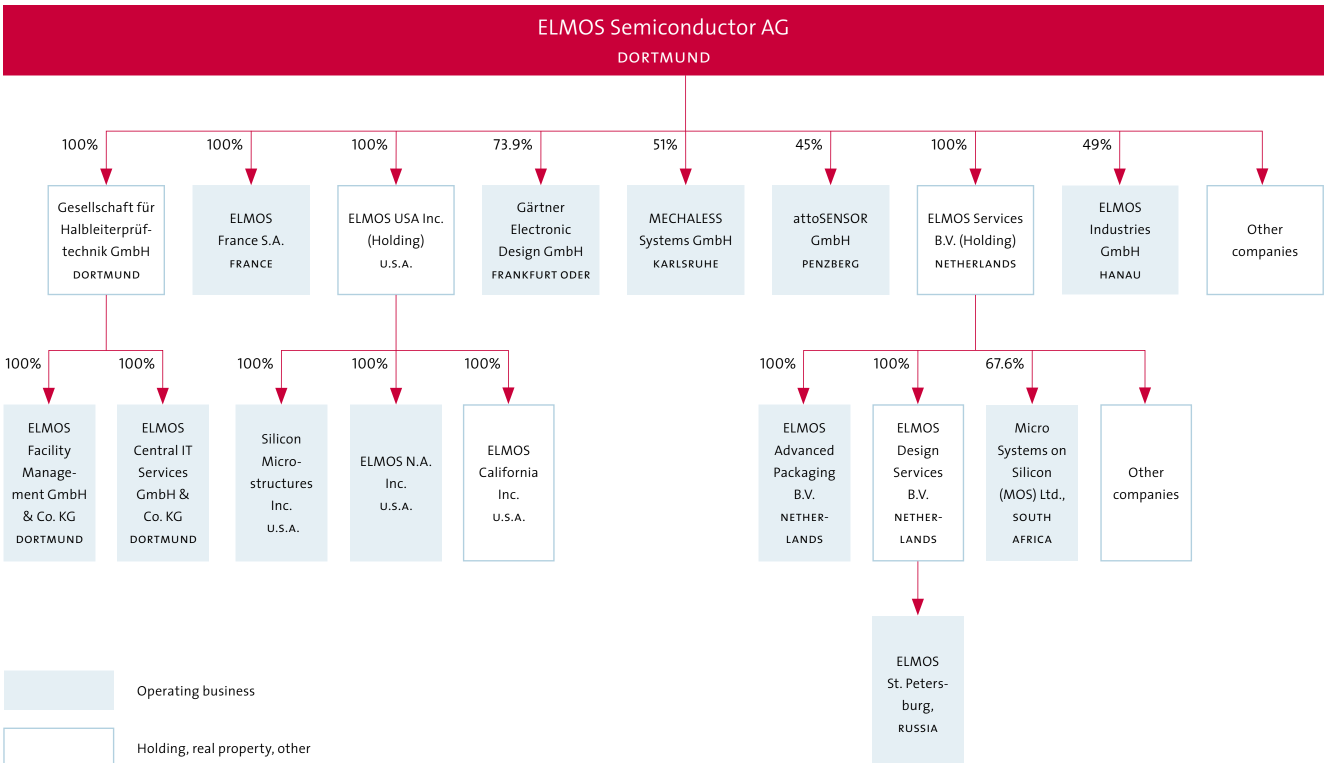
Finally, the planned targeting of new markets apart from the automobile market was realized by the foundation of ELMOS Industries. This subsidiary took up business in the fourth quarter of the year under report. For non-automotive markets, i.e. industrial and consumer markets, ELMOS aims at a sales contribution of 20 to 30 percent of total sales revenues in the medium term.

Organizational structure

Orientation towards the automobile industry

The ELMOS business model responds to the automobile industry's demands 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 diversified structural layout. Several branches, subsidiaries and partner companies at various locations in Germany, Europe and worldwide provide distribution and application support to the customer on the spot. This network comprises, among others, the Munich and Stuttgart branches, the subsidiary companies ELMOS France, ELMOS North America, MECHALESS, and GED, and cooperation partners attoSensor, DMOS, and MAZ. ELMOS France attends the French and southern European markets and provides application support and customer service on the spot. For ELMOS, France is currently the most important regional market apart from Germany. ELMOS North America serves the North American market from its headquarters in Farmington Hills near Detroit, U.S.A., center of the American automobile industry. In addition to the representation in Tokyo, a second Asian sales base was established in Seoul, South Korea, in the year under report.

Organizational structure overview



In its segment reporting, ELMOS makes a distinction between the segments semiconductor and micromechanics. The segment micromechanics reflects the business operations of SMI. The other companies and activities are recorded in the segment semiconductor.

Relationships with affiliated companies

With indirect and direct shareholdings of altogether 52.9 percent, ELMOS Finanzholding GmbH (EFH) is the major single shareholder of ELMOS Semiconductor AG. Therefore the Management Board has prepared a report on the relationships with affiliated companies according to Section 312 AktG (German Corporations Act), concluding with the following statement in compliance with Section 312 (3) AktG:

“We declare that, under the circumstances known to us at the time legal transactions were executed and measures were taken, our company received appropriate consideration for each legal transaction. Disadvantages as defined by Section 312 AktG did not result for us from our relationships with affiliated companies.”

General framework

Automotive semiconductor market

The market of relevance to ELMOS is the market for semiconductor chips for the automobile industry. This market is a niche market of the global semiconductor industry. It comprises a share of roughly seven percent of the entire worldwide semiconductor market. Due to the effect of the relatively steady car production and the increasing proportion of electronics used in vehicles, the automotive semiconductor market shows a significantly higher stability than the global semiconductor market, which is characterized primarily by the developments regarding memory and communication chips. It is expected that the portion of total higher-value car costs accounted for by electronics is going to rise from about 25 percent today to roughly 35 percent in 2010. The market for electronics and microelectronics for automotive use has grown, and will continue to grow in the long term, many times faster than the number of produced automobiles. A continuation of this trend can be expected at least for the next ten years.

Long-lasting customer relationships

The automotive semiconductor market's special distinguishing features are the product life cycles, atypically long for the semiconductor industry, and the resulting long delivery periods of more than ten years in some cases. The market is also characterized by long-lasting customer-supplier relationships and the extremely high demands on quality as well as especially tough ambient conditions requiring robust semiconductor technologies.

The global market for automotive semiconductors amounted to 19.1 billion USD in the year 2006. Experts forecast the automotive semiconductor market's growth of seven to eight percent per annum for the next years. The market research institute Semicast Estimates expects the market to grow to 36.5 billion USD by 2015.

Focus on the market for ASICs

The market primarily addressed by ELMOS is in itself just a part of the automotive semiconductor market, namely the market for predominantly customer specific semiconductors, the so-called ASICs.

The large semiconductor producers, giving top priority to the best possible utilization of their vast production capacity, do not focus upon these ASICs because of the comparably small number of annual units. Another distinguishing feature of the ASIC business is very close supplier relationships between the customer and one individual ASIC manufacturer, among other factors a result of the customer's wish for protection of his own know-how. With regard to typical medium-volume ASIC projects, ELMOS competes with companies of similar size, such as AMI Semiconductor, Melexis, austria micro systems, and Micronas. When it comes to very large unit numbers, ELMOS also competes with major producers such as Infineon, STMicroelectronics, and Freescale.

Economic environment

The trend of the year 2005 continued through the year 2006. The consolidation process on the automotive market has continued unabatedly, the number of suppliers has declined. Average project volumes rise, and so does the pressure on prices. Pricing pressure is handed on by the car manufacturers in the form of cost-cutting plans to the so-called "tier1" manufacturers, the suppliers on top of the supply chain. They pass the pressure down to their suppliers in negotiations for new projects.

Because product development periods in the automobile industry become shorter and shorter, deadline pressure increases as well. A delayed placing of an order after lengthy negotiations often enforces this situation additionally. On the other hand, even the slightest exceeding of a project deadline may have the result that the order cannot be transferred to production.

Changes have occurred to the worse concerning the acceptance of development costs as well. In the past, the customer usually paid about half of the development costs. Owing to increased competition, the customer's willingness to accept development costs at all is rapidly on the decline today. Therefore the risk increases that the customer will abandon a project, e.g. if his end customer cancels the order.

Especially where very large projects are concerned, the customer demands the allocation of development costs through serial production. Furthermore, parallel developments by two competing suppliers occur more often, replacing single-sourcing which used to be the rule in the ASIC business. This new situation and the high pricing pressure today make a customer's change of suppliers possible even during a car's serial production in projects like these.

Course of business in the year 2006

2006 was altogether a satisfactory year for ELMOS. After the distinct slump in the third quarter of 2005, a growth of sales and an improvement of the essential key figures have since been achieved quarter by quarter. In the year under report, total sales revenues of more than 160 million Euro were generated, corresponding with a growth rate between nine and ten percent starting from 147 million Euro prior-year sales. This is all the more remarkable as the American automobile market showed a significant weakness and our U.S. sales expectations fell short by more than ten percent.

The negative influences of the previous year such as pricing pressure, changed product mix, and postponements and cancellations of projects continued to affect the year under report. And the significantly increased prices for raw materials – above all silicon wafers but also precious metals – and higher energy costs had to be absorbed. Finally, the expenses for the startup of the second production line in Duisburg as well as preparatory efforts for microsystems and ASSPs burdened the gross margin, which remained at a mark of 45 percent in the course of the year.

Production

Increased product complexity

In 2006 15 percent more chips were produced than the year before. And the demands on the products and their complexity as measured by the number of reticles or layers to be structured have grown substantially.

The ASICs and ASSPs delivered to customers in 2006 originated predominantly from the 6-inch (150 mm) production line at the Dortmund headquarters. The first selected automotive ASICs produced on the 8-inch (200 mm) production line at the Duisburg location were ready for delivery in the second half-year.

The Dortmund line was further expanded in the year under report as scheduled in order to be prepared for the next technology generations and the rising capacity demand of production.

Machine capacity came to roughly 480 wafer starts a day by the end of the year 2006; at 430 wafer starts a day, the average utilization exceeded the prior-year level (about 400 wafer starts). Altogether more than 177,000 wafers were manufactured in 2006 (2005: about 131,000 wafers).

Fourth construction stage completed

The capacity of the present Dortmund production line can still be expanded by the recruitment of additional staff and further investments in machines and an expansion of production space. In the year 2006 the fourth construction stage was completed, providing new clean room space for production in the second half-year 2006. This building structure has been used for an expansion of our testing area and can also provide space for the frontend expansion at a later time, if necessary.

The second step to safeguarding future capacity is the cooperation with the Fraunhofer Institute for Microelectronic Circuits and Systems (IMS) in Duisburg. In 2006 ELMOS completed the transfer of first process technologies and the qualification of the existing 8-inch wafer line and also achieved the customer release for the first products. As planned, the first production batches could be started in Duisburg and delivered by mid-2006.

The cautious capacity expansion in Dortmund, the new production site in Duisburg, and the future use of foundry capacities provide the necessary production capacity for the medium-term future of ELMOS.

Relocation of standard package assembly

In the business domain assembly (ELMOS AP), the relocation of standard products to assembly partners in the Asian region was initiated in the financial year 2006. This provided internal capacity for higher-value special products and gave access to the cost advantages from the Eurodollar exchange rate. The relocation of standard packages is expected to be completed in the course of the year 2007.

Research and development

The automobile industry's high demands on quality and reliability lead to a decelerated introduction of new technology generations to semiconductors used in automotive electronics. However, industrial and consumer goods markets employ new technologies as innovation drivers. ELMOS makes use of this phenomenon insofar as e.g. innovations technically matured in consumer goods markets are later used in automotive applications. This results in the higher quality of new products for automotive use as well.

Main emphasis of research and development activity in the year under report was placed on the completion of the 0.8µm process transfer to the Duisburg location. The first customer releases were given on schedule in the summer. Later in the year the series startup of transferred products began. Work on the development of new process technologies with smaller structure sizes (0.35µm technology) and FLASH option made for another portion of the research and development expenditure. These activities were also carried out in Duisburg, directly on the 8-inch line, in order to achieve the greatest cost advantage with the highly integrated technologies and the large (8-inch) wafers. By the use of the company's own process technologies, ELMOS thus pursues its strategy for the provision of innovative solutions which are superior to the competition.

Apart from the development of new processes, by far the larger portion of the expenditure for research and development is accounted for by the development of new products. In the year 2006 the trend of recent years towards the customer's refusal to assume research and development costs for an ASIC intensified. This means that a majority of the product development costs must be pre-financed by the ASIC supplier – ELMOS – and amortizes only through serial unit production. Of course this especially goes for the development of ASSP families. As a result, research and development expenses rose by 1.5 million Euro from the previous year to reach 29.6 million Euro, corresponding with a ratio of roughly 18.4 percent of total sales.

Employees

As a technology company, ELMOS profits especially from the employees' know-how. Their motivation, expert knowledge and flexibility are the prerequisite to the company's long-term success. Particularly with regard to the development of new products and processes, the employees represent the deciding criterion for growth and innovation. At the Dortmund location, in Germany's most-populated federal state North Rhine-Westphalia, ELMOS is able to recruit from a great number of well-trained young engineers, as there are more than 50 universities and colleges in the vicinity. ELMOS has closely cooperated with these institutions ever since its foundation and holds a singular position as the sole semiconductor manufacturer in the region.

ELMOS continued to create new jobs in 2006. In the financial year 2006, the ELMOS Group had altogether 1,102 employees on the annual average, as compared to 1,028 employees in 2005. The new openings were provided primarily by Production due to the expansion of the Duisburg location. However, Development and Sales also received new additions in key positions. By the end of the year 1,127 people were in the employment of the different group companies (2005: 1,050 employees), 738 of which at the Dortmund and Duisburg locations (2005: 673). The average age of employees in the ELMOS Group is 36 years (2005: 36 years).

Roughly ten percent of all Dortmund employees are trainees. ELMOS offers training for a variety of commercial and technical professions, with an emphasis on training microtechnologists. By the end of 2006, 70 employees in Dortmund were in training (2004: 59).

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

Employee participation/share option plans

Employees participate financially in the company's success through share option plans at present. These programs provide for the issue of share options to employees below Management Board level and to Management Board members at identical conditions. As additional prerequisite to the Management Board members' share options, a limit ("cap") to the performance has been in effect since the 2004 tranche. Share options for Management Board members are also variable remuneration components with a long-term incentive effect.

As of December 31, 2006 altogether 715,201 share options originating from the share option plans of the years 2000 through 2004 were outstanding (12/31/2005: 843,359). In 2006 options from the tranche decided in 2002 and issued in 2003 were exercised. 1,381 new shares were the result. For in-depth information about the option plans' different tranches please refer to item 24 in the notes to the IFRS statements.

The Supervisory Board did not decide on a new share option plan in the past two years. Against the backdrop of higher share option costs compared to former US-GAAP accounting, resulting from accounting based on fair value as stipulated by IFRS 2, Management Board and Supervisory Board decided that other measures might be taken to offer an incentive to employees and Management Board members.

Quality, safety, and environmental protection

Consistent realization of the zero defect strategy

Within the context of continuous improvement processes, ELMOS consistently implements its zero defect strategy and thus achieves an outstanding automotive-suited quality level. Regular examinations of the tools put to use, close attention to the serial products from the development stage up to manufacture, constant analyses, and statistical procedures facilitate this high quality level. In-house laboratories scrutinize not only possible defect mechanisms of the semiconductor production but sensor and packaging specific features as well.

Since the mid-90s, ELMOS has had a quality management system in use which is audited annually in accordance with DIN ISO 9001 and the standards QS 9000 and VDA 6.1. These standards have been subsumed under ISO/TS 16949:2002 with worldwide validity. ELMOS Dortmund, ELMOS Advanced Packaging, GED, and, for the first time, SMI and the Duisburg production site were audited and certified in accordance with the new norm in 2006.

Workplace safety and environmental protection are considered equal in importance next to the other company objectives, product quality and profitability. The key principles governing the ELMOS environmental policy are compliance with the law, minimization of environmental damages, the employees' sense of responsibility, eco management, and continuous improvement and communication.

Effective prevention

The environmental protection management was certified in accordance with DIN EN ISO 14001 by TÜV Rheinland at the Dortmund location in the year 2003 and has been confirmed by supervision audits in the following years without divergences. The workplace safety and environmental protection divisions are set up directly below Management Board level. ISO 14001 systematically and permanently anchors environmental protection in the company management. In managing environmental protection, ELMOS emphasizes effective prevention and the efficient utilization of natural resources in particular.

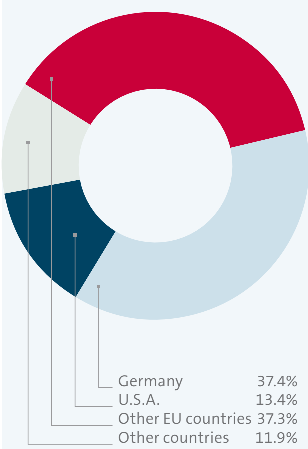
In addition to the publication of the eco report for 2005, which informs comprehensively about environmentally relevant activity, the resulting environmental effects, and the organization of workplace safety, ELMOS has described its ambitious social, ecological and economic claims in a "Code of Conduct" in 2005. The code gives detailed account of the responsibility for the company, the employees, the environment, and society. This code of conduct addresses all executives and employees within the ELMOS Group. With its help we want to promote irreproachable conduct in a way which is comprehensible to everyone, and create more transparency. This is rewarded by the capital market insofar as ELMOS has been commended by Kempen Capital Management and SNS Asset Management as a company which attaches special value to eco-friendliness and social concerns. Parallel to the award, ELMOS has been nominated as a candidate for the Kempen/SNS Smaller Europe Social responsibility Index.

Profit, financial and economic situation

Sales development

Even though the year 2006 was characterized by difficult market conditions, the company's development was satisfactory. The targeted sales growth of ten percent could just be achieved, yet not exceeded, because sales revenues had increased from quarter to quarter. The weakness of the U.S. automobile market was a substantial factor as it made our U.S. sales expectations fall short by roughly ten percent. The Euro-dollar exchange rate also had a negative effect. As expected, the margins were kept under pressure because of the high charges due to the startup of the Duisburg production site, the preparations for the launch of microsystem projects, and the disadvantageous product mix. Furthermore, the significantly increased costs for raw materials and energy had to be absorbed.

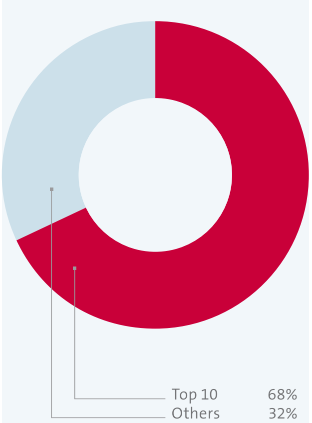
Revenue according to regions



Revenue according to regions

The regional revenue distribution changed only insignificantly in the year under report 2006. The German sales portion slightly increased over the previous year (35.2 percent) to 37.4 percent; the share of the other EU countries decreased marginally to 37.3 percent (2005: 42.9 percent). The U.S. share of the total revenue also went down and comes to 13.4 percent (2005: 16.6 percent). The declining revenue in the U.S.A. of the second half-year 2006 shows the weakness of this regional market in particular. A majority of changes is a consequence of the shift from the other EU countries and the U.S.A. towards the other countries. Above all, Canada, China, Mexico, Switzerland, and Taiwan are the countries with an increase in revenue. The changes are in part accounted for only by changes of individual customers' shipping addresses and do not necessarily mean a changed customer structure.

Revenue according to customers



Revenue according to customers

ELMOS supplies about 130 customers altogether. These are predominantly suppliers to the automobile industry and to a lesser extent industrial customers and manufacturers of consumer products. As in previous years, French supplier to the automotive industry Valeo, Swedish Autoliv, and the Swiss Saia group were our biggest customers in 2006, each with a contribution of more than ten percent of the revenue. Revenue generated with our top customers is usually accounted for many products at different stages of their respective life cycles. The top ten customers amounted to roughly 68 percent, or two thirds, of our revenue in 2006 (2005: 67 percent).

Profit situation

Gross profit

Increased cost of sales

The gross profit increased by 3.4 percent to reach 73.0 million Euro, thus turning out disproportionately low compared to the revenue. This is attributable above all to the determining factors raw material and energy costs as well as startup expenses for the Duisburg production and the preparations for microsystems and ASSPs, which altogether made the cost of sales rise 14.8 percent to reach 87.6 million Euro. The resulting gross margin came to 45.5 percent compared to 48.1 percent in 2005.

Operating income before other operating expenses/(income)

Because of the decreased gross result, the operating income declined by 2.8 percent to reach 19.6 million Euro, resulting in a margin of 12.2 percent (2005: 13.7 percent). The expenditure for research and development and the distribution expenses fell from together 34.4 percent to 33.3 percent of the revenue. Research and development expenses are affected by the great number of projects currently in development, including microsystems and ASSPs, as well as the development efforts for the next process generation. The R&D expenditure amounted to 29.6 million Euro or 18.4 percent of the revenue (2005: 19.1 percent). Distribution costs climbed to 9.7 million Euro or 6.0 percent of sales, and their amount is due to the new activities with regard to microsystems and ASSPs. General administrative expenses rose to 14.2 million Euro yet remained unchanged in relation to the revenue, at 8.8 percent.

EBIT

The earnings before interest and taxes (EBIT) decreased by 0.9 percent to 19.8 million Euro (2005: 20.0 million Euro), resulting in an EBIT margin of 12.3 percent of the revenue (2005: 13.6 percent). The EBIT differs from the operating income in the additional consideration of foreign exchange loss/(income), equity in losses of unconsolidated companies, and other operating expenses/(income).

Income before taxes, group net income, and earnings per share

At 2.5 million Euro in 2006, finance income/expenses were clearly below the previous year's level (2005: 3.6 million Euro). This is due primarily to favorable refinancing interest rates for non-current liabilities. Pre-tax income reached 17.3 million Euro or 10.8 percent of the revenue (2005: 16.4 million Euro or 11.2 percent). The income taxes of 6.6 million Euro rose from 2005 by 0.6 million Euro at a tax rate of 38.4 percent (2005: 37.0 percent). The higher tax rate results essentially from a change in Dutch tax law owing to which deferred taxes affect the net income. The group net income after minority interest comes to 10.7 million Euro in 2006 and is 6.6 percent higher than the previous year's amount of 10.0 million Euro. With 6.7 percent, the net income margin almost reached the prior-year level (2005: 6.8 percent). Earnings per share are 0.55 Euro as opposed to 0.52 Euro in 2005.

Proposal for the appropriation of retained earnings

ELMOS Semiconductor AG* generated retained earnings of 2.4 million Euro according to HGB (German Commercial Code). The retained earnings carried forward from 2005 according to HGB come to 42.5 million Euro. The Management Board and the Supervisory Board propose to the Annual General Meeting on May 10, 2007 to carry forward the entire retained earnings to new accounts. Despite the significant improvements over the previous year, Management Board and Supervisory Board see the necessity to keep the achieved liquidity within the company with respect to its long-term development and therefore propose not to pay a dividend, so that the necessary investments can be financed from company resources in the year 2007 and additional outside capital must not be taken up.

Cash flow from operating activities

Clearly increased cash flow

Compared to the previous year, the cash flow from operating activities rose clearly by almost nine million Euro. Essential reasons were the improvements achieved in the net working capital and significantly reduced tax payments. Furthermore, the deferred taxes' portion of the total tax load soared by 128 percent.

Cash flow from investing activities

ELMOS kept reducing its capital expenditures in 2006 and invested 26.4 million Euro in property, plant and equipment altogether. This amount falls below the prior-year amount (29.6 million Euro) and corresponds with roughly 16 percent of the revenue (2005: 20.1 percent). Investments were accounted for primarily by frontend and backend in Dortmund for machines and equipment as well as by the equipment of the clean room at the Duisburg location. The semiconductor segment accounted for the largest share of the capital expenditures, 2.6 million Euro were spent in the micromechanics segment. The assembly, included in the semiconductor segment, spent about 0.9 million Euro for machines for the production of special packages.

Cash flow from financing activities

The cash flow from operating activities more than covered the necessary investments in 2006. The remaining liquidity was used primarily for the repayment of non-current liabilities. Cash and cash equivalents rose from 11.4 million Euro to 16.6 million Euro in the year under report. The portion of cash and cash equivalents of the total assets comes to 6.9 percent (2005: 4.8 percent).

Assets

The total assets of the ELMOS Group increased from 237.0 million Euro in the year 2005 by 2.1 percent to 241.9 million Euro in 2006. Main factors were the decrease of deferred tax liabilities, the repayment of non-current liabilities, and the increase of assets held for sale. The latter is accounted for primarily by the expansion of the production building in Dortmund which is scheduled for sale in 2007 within the framework of a sale & leaseback transaction.

**The financial statements of ELMOS Semiconductor AG have received an unqualified auditor's certificate. It is published in the Federal Gazette ("Bundesanzeiger"), deposited with the register of companies and may also be ordered as a special print publication.*

Net working capital

Inventories increased from 27.7 million Euro at the beginning of the year under report to 31.1 million Euro as of December 31, 2006 on account of the revenue development. Compared with 2005, the inventories' share of the total assets rose from 11.7 to 12.9 percent. Owing to improved accounts receivable management, at rising sales numbers the trade receivables decreased by 4.4 percent from 29.1 million Euro to 27.8 million Euro. Trade payables rose by 20.4 percent from 10.6 million Euro in 2005 to 12.7 million Euro in 2006.

Liabilities

The net debt fell to 48.4 million Euro as of balance sheet date, a decrease of 5.5 percent compared with December 31, 2005. This is due essentially to the reduction of non-current liabilities.

Outlook

Group orientation

ELMOS will keep focusing on customer specific applications for the automobile industry as a niche supplier. In order to reach the targets defined in the year under report, ELMOS has made changes, substantial in part, on many company levels with regard to processes, organizational structures, and the strategic orientation. Thus we created the basis for continuing profitable growth. The ELMOS technology, the ELMOS design, and the production at ELMOS production sites are solid pillars of this strategy. The successful automotive ASIC business is completed by the opening of new business fields. We are convinced these fields will make deciding growth and result contributions in the medium term. On the whole, the focus of our efforts is on continued profitable growth. This outlook report is based on a diligent analysis of the significant factors.

The following aspects will characterize the course of business in 2007:

- The expansion of the new 8-inch production in Duisburg is pushed forward intensively so that it contributes significant quantities delivered at an increasing rate. On the customer side, we will make a concentrated effort to be able to supply our current-series products manufactured on 8-inch wafers more quickly.

- With the foundation of the subsidiary ELMOS Industries, we have laid the foundations for growth in the markets for industrial and consumer electronics. The revenue share of these markets, currently at roughly ten percent of the total revenue, is expected to come to 20 to 30 percent in the medium term.

- We started six application specific standard product families (ASSPs) in 2006. By enforced direct marketing of such product families and support provided by ELMOS Industries, the partnership with existing customers can be expanded on new business fields. In 2007 first projects will turn into series production.

- Our microsystem projects produce a great deal of customer interest throughout. In 2007 we will show with new products that our pioneering work on this field brings the customers great advantages with their applications.

Cooperation extended

- The extended cooperation with Freescale Semiconductor for system-in-package solutions opens up new vistas. The multi-chip products resulting from this cooperation combine the high-capacity 16-bit microcontroller lineups (MCU) made by Freescale with the application specific high-voltage CMOS chips made by ELMOS. This helps us in the development and production of intelligent solutions for automotive comfort and body electronics. In 2007 the first products will be presented.

- In mid-2006 the relocation of the standard product assembly from our subsidiary in the Netherlands to external service providers in Asia was begun to make use of cost advantages. In the past year more than 40 percent of the revenue generated by ELMOS AP originated from higher-value special packages already. With the completion of the relocation of standard package assembly in the second quarter of 2007, our subsidiary will focus solely on the development and production of special packages.

- First pilot designs have been realized in highly integrated logic processes with foundry partners in order to secure our access to cutting-edge technologies without high expenditures for our own production facilities. This project will be continued in 2007 with great commitment.

The strategic targets will be flanked by operating focal issues in support of our competitiveness. For example, the programs for incentive wages in the production, development, and sales divisions will lead to further improvements of process efficiency. We are expecting additional cost savings from the introduction of an advanced balanced scorecard to production. And the relocation of the standard package assembly to the Far East will also make positive contributions to the profitability in the medium term.

Market situation

Market growth of 7 to 8 percent for automotive semiconductor chips predicted

Expectations of the German Central Association of the Electronics Industry (ZVEI) for the year 2007 are cautiously positive for the whole semiconductor market. A prerequisite for appreciable growth would be a positive trend reversal to occur by the end of the first quarter at the latest. For the automobile industry the forecasts show no major changes in worldwide demand. However, the new EU regulations with respect to CO_2 exhaust have fueled the discussion about the luxury cars' right to exist; luxury cars as innovation platforms have given essential impulses to automotive electronics in the past. On the other hand, hybrid concepts are taken notice of increasingly. Thus the share of electronics per automobile will keep rising steadily in any case, and the market for automotive semiconductors will keep growing. An average growth rate of about seven to eight percent until 2015 is predicted for automotive semiconductor chips.

The market conditions have changed faster than ever before. Our customers now demand much more support for the integration of our chips into their applications. This means additional expenses on the one hand, but it is also a chance for market distinction. Above all this is the case when we use patented technologies in our products, e.g. the new concept for actuating brushless DC motors, named VirtuHall®.

The U.S. market environment will remain difficult. We are also not counting on relief in 2007 with regard to the high costs for raw materials and energy.

Expected financial situation

We confirm our forecast of December 2006. Accordingly we expect a sales increase of about ten percent. The gross margin will come to roughly 45 percent. We expect the EBIT to be at around twelve percent of sales. The net income margin's target is approximately seven percent of sales. The free cash flow is expected to show a pleasant development and therefore a positive result.

Forecast confirmed

Dortmund, March 2007
The Management Board

Dr. Anton Mindl   Nicolaus Graf von Luckner   Reinhard Senf   Dr. Frank Rottmann

Financial statements

Consolidated balance sheet according to IFRS

Assets	Notes	12/31/2006 Euro	12/31/2005 Euro
Non-current assets			
Intangible assets	13	39,023,949	34,844,237
Property, plant and equipment	14	95,556,490	101,959,587
Investments accounted for at equity	15	2	1
Securities and investments	15	126,154	645,795
Deferred tax assets	16	4,725,700	9,101,839
Total non-current assets		**139,432,295**	**146,551,459**
Current assets			
Inventories	17	31,142,235	27,704,590
Trade receivables	18	27,774,401	29,064,040
Securities	19	0	5,350,375
Cash and cash equivalents	20	16,634,086	11,418,640
Other assets	21	13,586,114	10,937,674
		89,136,836	**84,475,319**
Non-current assets classified as held for sale	22	13,343,658	5,997,193
Total current assets		**102,480,494**	**90,472,512**
Total assets		**241,912,789**	**237,023,971**

Equity and liabilities	Notes	12/31/2006 Euro	12/31/2005 Euro
Equity			
Equity attributable to equity holders of the parent			
Share capital	23	19,413,805	19,412,424
Additional paid-in capital	23	88,733,815	88,270,716
Surplus reserve		102,224	102,224
Accumulated other comprehensive income	23	– 4,991,418	– 2,943,060
Retained earnings		49,091,408	38,912,998
		152,349,834	**143,755,302**
Minority interest		505,088	528,190
Total equity		**152,854,922**	**144,283,492**
Liabilities			
Non-current liabilities			
Provisions	25	1,142,637	1,121,704
Financial liabilities	26	28,284,983	32,864,259
Other liabilities	27	354,307	1,488,110
Total non-current liabilities		**29,781,927**	**35,474,073**
Current liabilities			
Provisions	25	5,122,981	4,392,625
Income tax liabilities	27	280,169	1,245,929
Financial liabilities	26	36,712,756	35,060,684
Trade payables	28	12,731,544	10,574,161
Other liabilities	27	4,428,490	5,993,007
Total current liabilities		**59,275,940**	**57,266,406**
Total liabilities		**89,057,867**	**92,740,479**
Total equity and liabilities		**241,912,789**	**237,023,971**

Consolidated income statement according to IFRS

	Notes	2006 Euro	2005 Euro
Sales	5	160,673,887	146,963,437
Cost of sales	6	87,629,925	76,336,529
Gross profit		**73,043,962**	**70,626,908**
Research and development expenses	6	29,583,236	28,124,440
Distribution expenses	6	9,679,254	9,409,620
Administrative expenses	6	14,216,140	12,970,297
Operating income before other operating expenses/(income)		**19,565,332**	**20,122,551**
Finance income	8	– 452,319	– 3,973,355
Finance expenses	8	2,954,883	7,588,365
Foreign exchange losses/(income)	9	288,115	– 193,744
Equity in losses of unconsolidated subsidiaries		48,999	67,636
Other operating income	10	– 4,176,926	– 2,051,664
Other operating expenses	10	3,581,829	2,294,635
Income before taxes		**17,320,751**	**16,390,678**
Income tax expenses			
Current taxes	11	1,185,589	3,663,913
Deferred taxes	11	5,458,781	2,394,482
		6,644,370	**6,058,395**
Net income		**10,676,381**	**10,332,283**
Thereof:			
Minority interest		– 18,291	296,456
Attributable to equity holders of the parent		**10,694,672**	**10,035,827**
Earnings per share			
Basic earnings per share	12	0.55	0.52
Fully diluted earnings per share	12	0.55	0.52

Consolidated cash flow statement according to IFRS

	Notes	2006 Euro	2005 Euro
Cash flow from operating activities			
Net income after minority interest		10,694,672	10,035,827
Depreciation		16,287,270	15,499,930
Deferred taxes		5,458,781	2,394,482
Current tax expense		1,185,589	3,663,913
Minority interest		– 18,291	296,456
Equity in losses of unconsolidated subsidiaries		48,999	67,636
Changes in pension liabilities		20,933	– 416,888
Share option expense		453,611	1,289,725
Changes in net working capital			
Trade receivables		1,296,722	– 1,286,139
Inventories		– 3,437,645	– 2,556,856
Prepaid expenses and other assets		– 1,907,421	– 5,059,327
Trade payables		2,157,383	– 465,063
Other provisions and other liabilities		– 834,160	2,775,504
Income tax payments		– 2,886,707	– 6,565,582
Cash flow from operating activities		**28,519,736**	**19,673,618**
Cash flow from investing activities			
Capital expenditures for intangible assets		– 9,578,886	– 7,006,925
Capital expenditures for property, plant and equipment		– 16,772,554	– 22,604,502
Capital expenditures for non-current assets classified as held for sale		– 7,346,464	– 4,631,966
Disposal of fixed assets		10,198,918	4,070,876
Purchase/Disposal of marketable securities		3,629,862	42
Purchase/Disposal of investments		– 45,723	– 244,296
Cash flow from investing activities		**– 19,914,847**	**– 30,416,771**
Cash flow from financing activities			
Dividends paid/received		0	– 4,053,000
Payment from capital increase		10,868	884,777
Dividends paid by consolidated subsidiary to minority shareholders		0	– 270,000
Proceeds from non-current liabilities		325,000	0
Repayment of non-current liabilities		– 5,674,655	– 3,852,822
Proceeds/Repayment of current liabilities		1,266,460	14,029,988
Cash flow from financing activities		**– 4,072,327**	**6,738,943**
Decrease/Increase in cash and cash equivalents		**4,532,562**	**– 4,004,210**
Effect of exchange rate changes in cash and cash equivalents		682,884	136,255
Cash and cash equivalents at beginning of financial year		11,418,640	15,286,595
Cash and cash equivalents at end of financial year	**20**	**16,634,086**	**11,418,640**

Consolidated statement of changes in equity according to IFRS

	Shares Number	Share capital Euro	Paid-in capital Euro
As of January 1, 2005	**19,300,000**	**19,300,000**	**86,208,638**
Dividends paid			
Share option expense			1,289,725
Exercise of share options	112,424	112,424	772,353
Changes in unrealized gains on marketable securities after taxes			
Foreign currency adjustments			
Acquisition of minority interest in ELMOS France			
Net income 2005			
As of December 31, 2005	**19,412,424**	**19,412,424**	**88,270,716**
Share option expense			453,611
Exercise of share options	1,381	1,381	9,487
Changes in unrealized gains on marketable securities after taxes			
Foreign currency adjustments			
Changes of the basis of consolidation			
Net income 2006			
As of December 31, 2006	**19,413,805**	**19,413,805**	**88,733,815**

Surplus reserve Euro	Accumulated other comprehensive income Euro	Retained earnings Euro	Total Euro	Minority interest total Euro	Group total Euro
102,224	**– 5,307,063**	**32,930,171**	**133,233,970**	**592,427**	**133,826,397**
		– 4,053,000	– 4,053,000	– 270,000	– 4,323,000
			1,289,725		1,289,725
			884,777		884,777
	1,211,241		1,211,241		1,211,241
	1,152,762		1,152,762		1,152,762
				– 90,693	– 90,693
		10,035,827	10,035,827	296,456	10,332,283
102,224	**– 2,943,060**	**38,912,998**	**143,755,302**	**528,190**	**144,283,492**
			453,611		453,611
			10,868		10,868
	– 1,211,241		– 1,211,241		– 1,211,241
	– 837,117		– 837,117		– 837,117
		– 516,262	– 516,262	– 4,811	– 521,073
		10,694,672	10,694,672	– 18,291	10,676,381
102,224	**– 4,991,418**	**49,091,408**	**152,349,834**	**505,088**	**152,854,922**

Financial calendar 2007

03/14/2007	**Press conference** ELMOS Dortmund
03/14/2007	**Analysts' conference** DVFA, Frankfurt am Main
05/08/2007	**Interim report** January to March 2007
05/10/2007	**Annual General Meeting** Casino Hohensyburg, Dortmund
08/01/2007	**Interim report** January to June 2007
10/31/2007	**Interim report** January to September 2007

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