

INVITATION TO THE ANNUAL GENERAL MEETING 2009

ANNUAL REPORT 2008 ABSTRACT

THE ESSENCE: **OUR PRODUCTS**

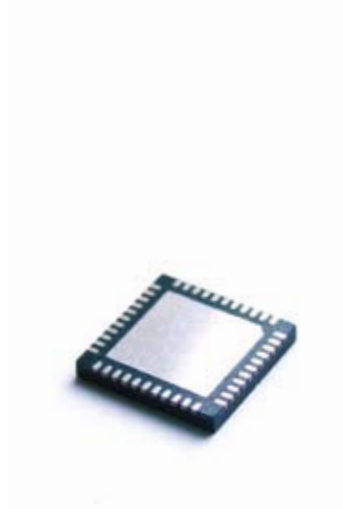


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10TH ANNUAL GENERAL MEETING ON MAY 6, 2009

Agenda at a glance

1. Presentation of the established financial statements and approved consolidated financial statements as of December 31, 2008, the management report for ELMOS Semiconductor Aktiengesellschaft and the group management report (including the respective explanatory reports of the Management Board on the statements required by takeover law according to Sections 289 (4), 315 (4) HGB), and the Supervisory Board's report for fiscal year 2008
2. Resolution on the appropriation of retained earnings
3. Resolution on the formal discharge of the Management Board for fiscal year 2008
4. Resolution on the formal discharge of the Supervisory Board for fiscal year 2008
5. Election of the auditor and group auditor for fiscal year 2009 and election of the auditor for the review of the interim report for the first half-year of fiscal year 2009
6. Resolution on the authorization to acquire and to use own shares (treasury stocks)
7. Resolution on the authorization to issue convertible or option bonds, profit participation rights or profit participating bonds, and the creation of conditional capital at the suspension of the respective authorization from the year 2007
8. Resolution on the creation of conditional capital for granting subscription rights to Management Board members, executives and employees of ELMOS Semiconductor Aktiengesellschaft and to members of the management and employees of affiliated companies based on a stock option plan 2009 and amendments to the articles of incorporation

ELMOS Semiconductor Aktiengesellschaft
44227 Dortmund, Germany
ISIN DE0005677108
German Securities Identification Number (WKN): 567 710

The German version of this document is the only legally binding version. This English translation is a convenience translation.

Invitation to the tenth Annual General Meeting of ELMOS Semiconductor Aktiengesellschaft, 44227 Dortmund (ISIN DE0005677108 / German Securities Identification Number (WKN): 567 710)

Dear Shareholders

our tenth Annual General Meeting will be held on Wednesday, May 6, 2009, at 10:00 a.m. at the Casino Hohensyburg, Hohensyburgstraße 200, 44265 Dortmund.

Agenda

1 Presentation of the established financial statements and approved consolidated financial statements as of December 31, 2008, the management report for ELMOS Semiconductor Aktiengesellschaft and the group management report (including the respective explanatory reports of the Management Board on the statements required by takeover law according to Sections 289 (4), 315 (4) HGB), and the Supervisory Board's report for fiscal year 2008

Abovementioned documents are available at the offices of ELMOS Semiconductor Aktiengesellschaft (Heinrich-Hertz-Straße 1, 44227 Dortmund, Germany) at customary business hours for the shareholders' examination and they are available on the Internet at www.elmos.de as well. The documents will also be sent to the shareholders by mail free of charge upon request.

2 Resolution on the appropriation of retained earnings
Management Board and Supervisory Board propose that the retained earnings of 36,713,349.40 Euro stated by ELMOS Semiconductor Aktiengesellschaft for fiscal year 2008 be carried forward entirely to new accounts.

3 Resolution on the formal discharge of the Management Board for fiscal year 2008

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

4 Resolution on the formal discharge of the Supervisory Board for fiscal year 2008

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

5 Election of the auditor and group auditor for fiscal year 2009 and election of the auditor for the review of the interim report for the first half-year of fiscal year 2009

The Supervisory Board proposes that Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Dortmund, be appointed auditor and group auditor for fiscal year 2009 as well as auditor for the review of the interim report for the first half-year of fiscal year 2009.

6 Resolution on the authorization to acquire and to use own shares (treasury stocks)

By shareholders' resolution of May 8, 2008 the Management Board was authorized to purchase company shares. This authorization is limited until November 7, 2009. The proposal provides for the suspension of this resolution and the Management Board's new authorization to acquire company shares.

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

- a) The company is authorized to acquire own shares of altogether up to 10% of the current share capital until November 5, 2010. Together with own shares acquired for the same or other reasons and either held by the company or attributed to the company in accordance with Sections 71a et seqq. AktG, the volume of own shares acquired on the basis of this authorization must not exceed 10% of the company's share capital at any time.
- b) The authorization may be exercised entirely or in several parts, once or several times, and for one or several purposes in the context of aforementioned limitation.
- c) The acquisition shall be made on the stock exchange or by means of a public submission of a tender offer directed at all of the company's shareholders.

- ▶ If the acquisition of shares is made on the stock exchange, the equivalent per share paid by the company (not including additional purchase costs) may neither exceed nor undercut the trading day's opening price of the Xetra trade (or a functionally comparable successor system) of the Frankfurt Stock Exchange by more than 10%.
 - ▶ If the acquisition of shares is made by means of the public submission of a tender offer directed at all of the company's shareholders, the purchase price tendered or the limits of the purchase price margin per share (not including additional purchase costs) – adjustments during the tender period notwithstanding – may neither exceed nor undercut the average of the closing prices of the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange during the last three trading days prior to the day of the public announcement of the tender by more than 20%. If material changes of the relevant stock price occur subsequent to the public announcement, the purchase price may be adjusted. In this case it will be referred to the average of the closing prices of the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange during the last three trading days prior to the day of the public announcement of a possible adjustment. The tender offer may provide for further conditions. The volume of the tender offer may be limited. If total subscription to the tender offer exceeds its volume, acceptance must occur in proportion to the respective number of shares offered. Privileged acceptance of low volumes of up to 100 shares per shareholder offered to the company for acquisition may be provided for.
- d) The Management Board is authorized to use company shares acquired on the basis of aforementioned authorization or previous authorization (treasury stocks) for the following purposes:
- aa) Shares may be assigned to executives and employees of ELMOS Semiconductor Aktiengesellschaft as well as to members of the management and employees of affiliated companies within the framework of stock option plans 1999, 2004, and 2009 in fulfillment of stock options. Insofar as own shares are to be assigned to members of the company's Management Board within this framework, the company's Supervisory Board is authorized to the assignment. Applicable are the provisions of existing stock option plans 1999 and 2004 and the provisions of new stock option plan 2009. The cornerstones of stock option plans 1999 and 2004 decided by shareholders' resolution are available for inspection at the Commercial Register in Dortmund as parts of the notarial records of the respective Annual General Meetings. They can also be examined at the offices of corporate headquarters of ELMOS Semiconductor Aktiengesellschaft, Heinrich-Hertz-Straße 1, 44227 Dortmund, Germany, or on the Internet at <http://www.elmos.de/englisch/investor-relations/corporate-governance/option-program.html>. They are also sent to shareholders by mail upon request and will be on display at the Annual General Meeting. Please refer to the presentation under agenda item 8 for the provisions of stock option plan 2009.
 - bb) Shares may be sold to third parties against cash payment if the sale is made at a price that does not materially undercut the stock market price and if the number of shares sold does not exceed 10% of the share capital at the time the shares are thus used. To be included in this 10% limit are shares, bonds with conversion privileges or option rights or rather conversion commitments as well as comparable financial instruments issued or sold during the term of this authorization under preclusion of the shareholders' subscription rights in direct or indirect application of Section 186 (3) sentence 4 AktG.
 - cc) Shares may be sold against payment in kind, particularly in order to offer them to third parties in the context of business combinations or acquisitions of companies, operations, investments, or other assets.
 - dd) Shares may be used for the redemption of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) linked to conversion privileges or option rights or rather conversion commitments, issued until May 5, 2014 by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG on the basis of one of the authorizations under agenda item 7 decided by shareholders' resolution at the Annual General Meeting of May 6, 2009.

ee) Shares may be offered for purchase and assigned to executives and employees of ELMOS Semiconductor Aktiengesellschaft, members of the management and employees of affiliated companies and freelancers.

ff) Shares may be promised and assigned to the members of the Management Board of ELMOS Semiconductor Aktiengesellschaft as share-based remuneration component in observance of the requirement for the appropriateness of remuneration (Section 87 (1) AktG) by the Supervisory Board. The particulars of share-based remuneration of the Management Board are determined by the Supervisory Board.

gg) Shares may be retired without further shareholder's resolution on the retirement or its execution. They may also be retired in a simplified procedure without capital decrease by adjustment of the remaining shares' proportionate arithmetical amount of the company's share capital. The retirement may be limited to a part of the purchased shares. If the retirement is carried out by way of the simplified procedure, the Management Board is authorized to adjust the number of shares in the articles of incorporation.

e) The shareholders' subscription rights to these company shares are precluded to the extent that these shares are used according to authorizations described in lit. d) aa) through ff).

f) The authorization to purchase own shares granted by shareholders' resolution of May 8, 2008, limited until November 7, 2009, is suspended as of the moment the new authorization comes into effect.

7 Resolution on the authorization to issue convertible or option bonds, profit participation rights or profit participating bonds, and the creation of conditional capital at the suspension of the respective authorization from the year 2007

The authorization to issue convertible bonds and option bonds given by shareholders' resolution of May 10, 2007 merely provides for a minimum price for the determination of the conversion and option price – in accordance with practiced company law at the time. According to recent rulings in some courts of law, such proceeding is deemed inadmissible for convertible or option bonds based on conditional capital. According to these rulings, it is required to provide for a specific conversion or option price or a formula for its calculation.

Against this backdrop, the existing authorization for the issuance of convertible bonds and option bonds cannot be used with legal certainty and shall therefore be suspended (agenda item 7 a)).

In order to be able to use this opportunity for raising capital in the future, however, this proposal provides for deciding two new authorizations for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds, and for creating corresponding conditional capital to safeguard conversion privileges or option rights or rather conversion commitments coming into being on the basis of these authorizations.

For reasons of legal caution, the authorization proposed under agenda item 7 b) thus provides – contrary to former practice – for a precisely calculated conversion or option price. In order to enable Management Board and Supervisory Board to make best possible use of the financial instruments possible under the authorization in the interest of the company's financing, agenda item 7 c) provides for another – otherwise identical – authorization to be decided, enabling the determination of a precisely calculated, yet higher conversion or option price.

The total volume of bonds to be issued on the basis of both authorizations is therefore limited to a total nominal value of up to 25,000,000 Euro so that said total nominal value can be used only once altogether by using authorization I and authorization II.

a) Suspension of the authorization of May 10, 2007 to issue convertible bonds and option bonds

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

The authorization for the issuance of convertible bonds and option bonds decided by shareholders' resolution at the Annual General Meeting of May 10, 2007 (2007 agenda item 8) is suspended effective as of the registration of the amendment to the articles of incorporation to be decided on under agenda item 7 b) lit. cc).

b) Authorization I for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds, and for the preclusion of subscription rights, the creation of conditional capital 2009/I, and for amendments to the articles of incorporation

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

aa) Authorization I for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments)

Term of authorization, nominal value

The Management Board is authorized, subject to the Supervisory Board's consent, to issue convertible bonds or option bonds, profit participation rights or profit participating bonds, or a combination of these instruments (collectively called "bonds"), made out to the holder, in one or several issuances until May 5, 2014 to the total nominal value of up to 25,000,000 Euro and to grant the holders of such bonds conversion privileges or option rights for bearer shares of the company with a proportionate amount of the share capital of altogether up to 5,000,000 Euro according to the particulars of the convertible bond or option bond provisions. To be included in the calculation of the aforementioned total nominal value of up to 25,000,000 Euro are bonds carrying conversion privileges or option rights or rather conversion commitments issued on the basis of the authorization given at the Annual General Meeting of May

6, 2009 on agenda item 7 c) („authorization II“), so that the total nominal value of up to 25,000,000 Euro may be used only once altogether by using authorization I and authorization II.

Other than in euro, the bonds may also be issued in the legal currency of an OECD member state in observance of the limit of the corresponding equivalent amount in euro.

The bonds may also be issued by a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG. For this case the Management Board is authorized, subject to the Supervisory Board's consent, to assume the guaranty for the bonds on behalf of that company and to grant the holders of the loans conversion privileges or option rights for shares of ELMOS Semiconductor Aktiengesellschaft or rather to impose conversion commitments on them.

Subscription right and preclusion of subscription rights

The statutory subscription right is granted to the shareholders in such a way that the bonds are taken over by a credit institution or a consortium of credit institutions with the obligation to offer them to the shareholders for subscription. If bonds are issued by a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG, the company must safeguard the granting of the statutory subscription right to the shareholders of ELMOS Semiconductor Aktiengesellschaft accordingly.

The Management Board is authorized, however, subject to the Supervisory Board's consent, to exclude fractional amounts from the shareholders' subscription right and also to preclude the subscription right insofar as is necessary to grant the holders of previously issued bonds carrying conversion privileges or option rights or rather conversion commitments a subscription right to the extent they would be eligible for subsequent to the exercise of their conversion privileges or option rights or in fulfillment of the conversion commitment as a shareholder.

The Management Board is also authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription right to bonds issued with conversion privileges or option rights or rather conversion commitments altogether if the Management Board arrives at the opinion after due examination that the issue price of the bonds does not materially undercut their hypothetical market value determined according to accepted methods of financial mathematics in particular.

If bonds with conversion privileges or option rights or rather conversion commitments issued in corresponding application of Section 186 (3) sentence 4 AktG under preclusion of the subscription right, the proportionate amount of the share capital attributable to the shares issued in redemption of conversion privileges and option rights or in fulfillment of conversion commitments must not exceed 10% of the share capital in total, neither at the time the authorization comes into effect nor at the time it is exercised.

To be included in this 10% limit are shares, bonds with conversion privileges or option rights or rather conversion commitments as well as comparable instruments issued or sold during the term of this authorization under preclusion of the shareholders' subscription right in direct or indirect application of Section 186 (3) sentence 4 AktG.

Insofar as profit participation rights or profit participating bonds without conversion privileges or option rights or rather conversion commitments are issued, the Management Board is authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription right altogether if these profit participation rights or profit participating bonds are shaped similar to obligations, i.e. if they do not establish membership rights in the company, grant no participation in liquidation proceeds, and the interest amount is not determined on the basis of the amount of net income, retained earnings, or the dividend. Furthermore, interest payment and face value of profit participation rights or profit participating bonds must correspond with the market conditions at the time of issuance in this case.

Conversion privileges and option rights, conversion commitments

In case of the issue of convertible bonds, the holders are granted the irrevocable right to convert their convertible bonds to bearer shares of ELMOS Semiconductor Aktiengesellschaft according to the provisions for convertible bonds determined by the Management Board. The conversion rate results from the division of the nominal value, or the issue amount below nominal value of a partial bond, by the determined conversion price for one share of the company and may be rounded up or down to a whole number; furthermore, a cash adjustment and merging or a compensation for non-convertible fractional amounts may be provided for. The same applies if the conversion privilege refers to a profit participation right or a profit participating bond.

In case of the issue of option bonds, one or more subscription warrants are enclosed with each partial bond that entitle the holder to the purchase of bearer shares of ELMOS Semiconductor Aktiengesellschaft according to the particulars of the provisions for options determined by the Management Board. For option bonds made out in euro and issued by ELMOS Semiconductor Aktiengesellschaft or a group company, the provisions for options may provide that the option price can also be paid by the assignment of partial bonds plus cash adjustment if necessary. Insofar as fractions of shares are resulting, it may be provided that these fractions can be added up to the purchase of whole shares against cash adjustment if necessary in accordance with bond provisions. The same applies if subscription warrants are enclosed with a profit participation right or a profit participating bond.

The conditions of bonds may also provide for a conversion commitment at the end of the term (or at another point in time) or the company's right to grant the holders of bonds shares of the company, entirely or partially instead of the payment of the due amount at the final due date of the bonds linked to a conversion privilege or option right (this includes due dates because of cancellation).

The proportionate amount of the share capital of shares to be issued upon the execution of conversions or options must not exceed the nominal value of the bonds. Section 9 (1) AktG read in conjunction with Section 199 (2) AktG must be observed.

Conversion or option price

In case of the issue of bonds with conversion privileges or option rights or rather conversion commitments, the conversion or option price is determined according to the following basic principles:

- ▶ In case of the issue of bonds granting a conversion privilege or option right yet not carrying a conversion commitment, the conversion or option price corresponds with 125% of the volume-weighted average price (VWAP) of the company's share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange in the period between the Management Board's passing of the resolution on the exercise of authorization I and the price determination of the bonds, or – in case of granting a subscription right – 125% of the volume-weighted average price of the company's share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange in the period during which the subscription rights to the bonds are traded at the Frankfurt Stock Exchange, with the exception of the last two trading days of the subscription right trade (the average price referred to will also be called "reference price" in the following).
- ▶ In case of the issue of bonds carrying a conversion commitment, the conversion price at the bond's due date or in the case of a takeover bid corresponds with the following amount:
 - ▶ if the volume-weighted average price of the company's share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange on the twenty trading days ending either with the third trading day prior to the due date of the bonds or, in case of a takeover bid, with the third trading day prior to the day of conversion ("average price")
 - ▶ is lower than or equals the reference price, the reference price,
 - ▶ is higher than the reference price and lower than 116% of the reference price, the average price,
 - ▶ is higher than or equals 116% of the reference price, 116% of the reference price.
 - ▶ 116% of the reference price regardless of aforementioned provisions if the holders of bonds make use of an existing conversion privilege prior to occurrence of the conversion commitment.
 - ▶ the reference price regardless of aforementioned provisions if the Management Board with the Supervisory Board's consent initiates a premature conversion in accordance with the bond conditions in order to protect the company from immediate substantial damage or to avoid a substantial debasement of a public credit rating of the company by an accepted rating agency.

In case of bonds with conversion privileges or option rights or rather conversion commitments, the conversion or option price may be adjusted in protection of its value in the case of the economic dilution of the value of conversion privileges or option rights or rather conversion commitments regardless of Section 9 (1) AktG according to the bond particulars insofar as said adjustment is not already provided for by law. Furthermore, the conditions of the bonds may also provide for an adjustment of conversion privileges or option rights or rather conversion commitments in the case of a capital decrease or other extraordinary measures or events (such as unusually high dividends, attainment of control by third parties). In the case of attainment of control by third parties, a customary adjustment of the conversion or option price may be provided for.

Other provisions

Bond conditions may provide for the company's right not to grant new shares in case of conversion or option exercise but to pay an amount of money that corresponds with the volume-weighted average price, for the number of shares otherwise to be supplied, of shares of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange over the ten trading days after the declaration of conversion or option exercise. In the case that the company announces the exercise of the right to pay an amount of money after conversion or option exercise, the ten trading days begin only three trading days after the company's announcement to pay an amount of money.

Bond provisions may also provide that the convertible bond or option bond can, at the company's option, be converted into existing shares of the company instead of new non-par bearer shares from conditional capital, or that the option right can be fulfilled by the supply of such existing shares.

The Management Board is authorized, subject to the Supervisory Board's consent, to determine the further particulars of issuance and terms of the bonds or to determine them in consultation with the boards of the group companies of ELMOS Semiconductor Aktiengesellschaft as issuers of the convertible bonds or option bonds. This especially concerns the issue price, interest rate, the form of interest payment, the term and denomination, the conversion or option period, the determination of a cash adjustment, the compensation or merging of fractional amounts, cash payment instead of supply of bearer shares, and the supply of existing instead of the issuance of new non-par bearer shares.

bb) Creation of new conditional capital (conditional capital 2009/I)

The share capital is conditionally increased by up to 5,000,000.00 Euro. The conditional capital increase serves the granting of non-par bearer shares to the holders of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) linked to conversion privileges or option rights or rather conversion commitments and issued by ELMOS

Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG until May 5, 2014 on the basis of authorization I decided by shareholders' resolution at the Annual General Meeting of May 6, 2009 under agenda item 7 b). The issue of new shares is carried out at the respective conversion or option price to be determined according to aforementioned authorization resolution.

The conditional capital increase may only be carried out to the extent that the holders of convertible bonds or option bonds, profit participation rights or profit participating bonds make use of their conversion privileges or option rights or, if they are committed to conversion, fulfill their commitment to conversion, provided that no cash adjustment is granted or own shares are used for servicing.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being due to the exercise of conversion privileges or option rights or rather the fulfillment of conversion commitments.

The Management Board is authorized, subject to the Supervisory Board's consent, to determine the further particulars of the implementation of the conditional capital increase.

c) Amendment to the articles of incorporation

Previous Section 3 (6) of the articles of incorporation is suspended and replaced by the following provision:

„The share capital is conditionally increased by up to 5,000,000.00 Euro (conditional capital 2009/I). The conditional capital increase may only be carried out to the extent that the holders of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG until May 5, 2014 on the basis of authorization I decided by shareholders' resolution at the Annual General Meeting of May 6, 2009 under agenda item 7 b) make use of their conversion privileges or option rights or, if they are committed to conversion, fulfill their commitment to

conversion, provided that no cash adjustment is granted or own shares are used for servicing. The issue of new shares is carried out at the respective conversion or option price to be determined according to aforementioned authorization resolution.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being due to the exercise of conversion privileges or option rights or rather the fulfillment of conversion commitments.

The Management Board is authorized, subject to the Supervisory Board's consent, to determine the further particulars of the implementation of the conditional capital increase."

dd) Authorization for the amendment to the articles of incorporation

The Supervisory Board is authorized to amend the wording of the articles of incorporation according to the respective issuance of new shares as well as to make all other amendments to the articles of incorporation in this context, as far as only the wording is concerned. The same applies if no use is made of the authorization for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds after the expiration of the authorization period as well as if no use is made of the conditional capital after the expiration of terms for the exercise of conversion privileges or option rights or rather for the fulfillment of conversion commitments.

c) Authorization II for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds, and for the preclusion of subscription rights, the creation of conditional capital 2009/II, and for amendments to the articles of incorporation

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

aa) Authorization II for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments)

Term of authorization, nominal value

The Management Board is authorized, subject to the Supervisory Board's consent, to issue convertible bonds or option bonds, profit participation rights or profit participating bonds, or a combination of these instruments (collectively called "bonds"), made out to the holder, in one or several issuances until May 5, 2014 to the total nominal value of up to 25,000,000 Euro and to grant the holders of such bonds conversion privileges or option rights for bearer shares of the company with a proportionate amount of the share capital of altogether up to 5,000,000 Euro according to the particulars of the convertible bond or option bond provisions. To be included in the calculation of the aforementioned total nominal value of up to 25,000,000 Euro are bonds carrying conversion privileges or option rights or rather conversion commitments issued on the basis of the authorization given at the Annual General Meeting of May 6, 2009 on agenda item 7 b) („authorization I"), so that the total nominal value of up to 25,000,000 Euro may be used only once altogether by using authorization I and authorization II.

Other than in euro, the bonds may also be issued in the legal currency of an OECD member state in observance of the limit of the corresponding equivalent amount in euro.

The bonds may also be issued by a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG. For this case the Management Board is authorized, subject to the Supervisory Board's consent, to assume the guaranty for the bonds on behalf of that company and to grant the holders of the loans conversion privileges or option rights for shares of ELMOS Semiconductor Aktiengesellschaft or rather to impose conversion commitments on them.

Subscription right and preclusion of subscription rights

The statutory subscription right is granted to the shareholders in such a way that the bonds are taken over by a credit institution or a consortium of credit institutions with the obligation to offer them to the shareholders for subscription. If bonds are issued by a group company of

ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG, the company must safeguard the granting of the statutory subscription right to the shareholders of ELMOS Semiconductor Aktiengesellschaft accordingly.

The Management Board is authorized, however, subject to the Supervisory Board's consent, to exclude fractional amounts from the shareholders' subscription right and also to preclude the subscription right insofar as is necessary to grant the holders of previously issued bonds carrying conversion privileges or option rights or rather conversion commitments a subscription right to the extent they would be eligible for subsequent to the exercise of their conversion privileges or option rights or in fulfillment of the conversion commitment as a shareholder.

The Management Board is also authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription right to bonds issued with conversion privileges or option rights or rather conversion commitments altogether if the Management Board arrives at the opinion after due examination that the issue price of the bonds does not materially undercut their hypothetical market value determined according to accepted methods of financial mathematics in particular.

If bonds with conversion privileges or option rights or rather conversion commitments issued in corresponding application of Section 186 (3) sentence 4 AktG under preclusion of the subscription right, the proportionate amount of the share capital attributable to the shares issued in redemption of conversion privileges and option rights or in fulfillment of conversion commitments must not exceed 10% of the share capital in total, neither at the time the authorization comes into effect nor at the time it is exercised.

To be included in this 10% limit are shares, bonds with conversion privileges or option rights or rather conversion commitments as well as comparable instruments issued or sold during the term of this authorization under preclusion of the shareholders' subscription right in direct or indirect application of Section 186 (3) sentence 4 AktG.

Insofar as profit participation rights or profit participating bonds without conversion privileges or option rights or rather conversion commitments are issued, the Management Board is authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription right altogether if these profit participation rights or profit participating bonds are shaped similar to obligations, i.e. if they do not establish membership rights in the company, grant no participation in liquidation proceeds, and the interest amount is not determined on the basis of the amount of net income, retained earnings, or the dividend. Furthermore, interest payment and face value of profit participation rights or profit participating bonds must correspond with the market conditions at the time of issuance in this case.

Conversion privileges and option rights, conversion commitments

In case of the issue of convertible bonds, the holders are granted the irrevocable right to convert their convertible bonds to bearer shares of ELMOS Semiconductor Aktiengesellschaft according to the provisions for convertible bonds determined by the Management Board. The conversion rate results from the division of the nominal value, or the issue amount below nominal value of a partial bond, by the determined conversion price for one share of the company and may be rounded up or down to a whole number; furthermore, a cash adjustment and merging or a compensation for non-convertible fractional amounts may be provided for. The same applies if the conversion privilege refers to a profit participation right or a profit participating bond.

In case of the issue of option bonds, one or more subscription warrants are enclosed with each partial bond that entitle the holder to the purchase of bearer shares of ELMOS Semiconductor Aktiengesellschaft according to the particulars of the provisions for options determined by the Management Board. For option bonds made out in euro and issued by ELMOS Semiconductor Aktiengesellschaft or a group company, the provisions for options may provide that the option price can also be paid by the assignment of partial bonds plus cash adjustment if necessary. Insofar as fractions of shares are resulting, it may be provided that

these fractions can be added up to the purchase of whole shares against cash adjustment if necessary in accordance with bond provisions. The same applies if subscription warrants are enclosed with a profit participation right or a profit participating bond.

The conditions of bonds may also provide for a conversion commitment at the end of the term (or at another point in time) or the company's right to grant the holders of bonds shares of the company, entirely or partially instead of the payment of the due amount at the final due date of the bonds linked to a conversion privilege or option right (this includes due dates because of cancellation).

The proportionate amount of the share capital of shares to be issued upon the execution of conversions or options must not exceed the nominal value of the bonds. Section 9 (1) AktG read in conjunction with Section 199 (2) AktG must be observed.

Conversion or option price

In case of the issue of bonds with conversion privileges or option rights or rather conversion commitments, the conversion or option price is determined according to the following basic principles:

- ▶ In case of the issue of bonds granting a conversion privilege or option right yet not carrying a conversion commitment, the conversion or option price corresponds with 150% of the volume-weighted average price (VWAP) of the company's share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange in the period between the Management Board's passing of the resolution on the exercise of authorization II and the price determination of the bonds, or – in case of granting a subscription right – 150% of the volume-weighted average price of the company's share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange in the period during which the subscription rights to the bonds are traded at the Frankfurt Stock Exchange, with the exception of the last two trading days of the subscription right trade (the average price referred to will also be called "reference price" in the following).

- ▶ In case of the issue of bonds carrying a conversion commitment, the conversion price at the bond's due date or in the case of a takeover bid corresponds with the following amount:

- ▶ If the volume-weighted average price of the company's share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange on the twenty trading days ending either with the third trading day prior to the due date of the bonds or, in case of a takeover bid, with the third trading day prior to the day of conversion ("average price")
 - ▶ is lower than or equals the reference price, the reference price,
 - ▶ is higher than the reference price and lower than 121% of the reference price, the average price,
 - ▶ is higher than or equals 121% of the reference price, 121% of the reference price.
- ▶ 121% of the reference price regardless of aforementioned provisions if the holders of bonds make use of an existing conversion privilege prior to occurrence of the conversion commitment.
- ▶ the reference price regardless of aforementioned provisions if the Management Board with the Supervisory Board's consent initiates a premature conversion in accordance with the bond conditions in order to protect the company from immediate substantial damage or to avoid a substantial debasement of a public credit rating of the company by an accepted rating agency.

In case of bonds with conversion privileges or option rights or rather conversion commitments, the conversion or option price may be adjusted in protection of its value in the case of the economic dilution of the value of conversion privileges or option rights or rather conversion commitments regardless of Section 9 (1) AktG according to the bond particulars insofar as said adjustment is not already provided for by law. Furthermore, the conditions of the

bonds may also provide for an adjustment of conversion privileges or option rights or rather conversion commitments in the case of a capital decrease or other extraordinary measures or events (such as unusually high dividends, attainment of control by third parties). In the case of attainment of control by third parties, a customary adjustment of the conversion or option price may be provided for.

Other provisions

Bond conditions may provide for the company's right not to grant new shares in case of conversion or option exercise but to pay an amount of money that corresponds with the volume-weighted average price, for the number of shares otherwise to be supplied, of shares of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange over the ten trading days after the declaration of conversion or option exercise. In the case that the company announces the exercise of the right to pay an amount of money after conversion or option exercise, the ten trading days begin only three trading days after the company's announcement to pay an amount of money.

Bond provisions may also provide that the convertible bond or option bond can, at the company's option, be converted into existing shares of the company instead of new non-par bearer shares from conditional capital, or that the option right can be fulfilled by the supply of such existing shares.

The Management Board is authorized, subject to the Supervisory Board's consent, to determine the further particulars of issuance and terms of the bonds or to determine them in consultation with the boards of the group companies of ELMOS Semiconductor Aktiengesellschaft as issuers of the convertible bonds or option bonds. This especially concerns the issue price, interest rate, the form of interest payment, the term and denomination, the conversion or option period, the determination of a cash adjustment, the compensation or merging of fractional amounts, cash payment instead of supply of bearer shares, and the supply of existing instead of the issuance of new non-par bearer shares.

bb) Creation of new conditional capital (conditional capital 2009/II)

The share capital is conditionally increased by up to 5,000,000.00 Euro. The conditional capital increase serves the granting of non-par bearer shares to the holders of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) linked to conversion privileges or option rights or rather conversion commitments and issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG until May 5, 2014 on the basis of authorization II decided by shareholders' resolution at the Annual General Meeting of May 6, 2009 under agenda item 7 c). The issue of new shares is carried out at the respective conversion or option price to be determined according to aforementioned authorization resolution.

The conditional capital increase may only be carried out to the extent that the holders of convertible bonds or option bonds, profit participation rights or profit participating bonds make use of their conversion privileges or option rights or, if they are committed to conversion, fulfill their commitment to conversion, provided that no cash adjustment is granted or own shares are used for servicing.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being due to the exercise of conversion privileges or option rights or rather the fulfillment of conversion commitments.

The Management Board is authorized, subject to the Supervisory Board's consent, to determine the further particulars of the implementation of the conditional capital increase.

cc) Amendment to the articles of incorporation

Section 3 of the articles of incorporation is amended by the following new paragraph 8:

„The share capital is conditionally increased by up to 5,000,000.00 Euro (conditional capital 2009/II). The conditional capital increase may only be carried out to the extent that the holders of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) issued by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG until May 5, 2014 on the basis of authorization II decided by shareholders' resolution at the Annual General Meeting of May 6, 2009 under agenda item 7 c) make use of their conversion privileges or option rights or, if they are committed to conversion, fulfill their commitment to conversion, provided that no cash adjustment is granted or own shares are used for servicing. The issue of new shares is carried out at the respective conversion or option price to be determined according to aforementioned authorization resolution.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being due to the exercise of conversion privileges or option rights or rather the fulfillment of conversion commitments.

The Management Board is authorized, subject to the Supervisory Board's consent, to determine the further particulars of the implementation of the conditional capital increase.”

dd) Authorization for the amendment to the articles of incorporation

The Supervisory Board is authorized to amend the wording of the articles of incorporation according to the respective issuance of new shares as well as to make all other amendments to the articles of incorporation in this context, as far as only the wording is concerned. The same applies if no use is made of the authorization for the issuance of convertible bonds or option bonds, profit participation rights or profit participating bonds after the expiration of the authorization period as well as if no use is made of the conditional capital after the expiration of terms for the exercise of conversion privileges or option rights or rather for the fulfillment of conversion commitments.

8 Resolution on the creation of conditional capital for granting subscription rights to Management Board members, executives and employees of ELMOS Semiconductor Aktiengesellschaft and to members of the management and employees of affiliated companies based on a stock option plan 2009 and amendments to the articles of incorporation

In the years 1999 and 2004, based on corresponding shareholders' resolutions, the company created stock option plans for Management Board members, executives and employees of ELMOS Semiconductor Aktiengesellschaft as well as for members of the management and employees of affiliated companies. The stock option plan from the year 2004 expires on April 26, 2009. A new stock option plan is intended to take its place, according to the proposal of Management Board and Supervisory Board, as stock options continue to be an important and customary component of a modern remuneration system and as they represent a suitable means for incentive and the long-term commitment of employees.

The stock price is a central criterion for our shareholders to evaluate the return on an investment in the company. The link to the stock price is therefore intended to remain the incentive for the beneficiaries in the context of the new stock option plan. The previous exercise hurdle and the absolute stock price target of at least 5%, however, are intended to be raised to 50% so that subscription rights can only be exercised if the shareholder value has been increased most significantly. In addition, the pecuniary advantage the beneficiaries are able to achieve by the exercise of subscription rights shall be limited to the fourfold of the exercise price determined at the issuance of subscription rights.

For servicing the subscription rights from the stock option plans, corresponding conditional capital was created by shareholders' resolution (cp. Section 3 (5) and (7) of the articles of incorporation). Based on stock option plan 1999, there are currently subscription rights for up to 264,672 of the company's shares. Based on stock option plan 2004, there are currently subscription rights for up to 145,244 of the company's shares. No more subscription rights are issued from stock option plan 2004. Against this backdrop, the amounts of the share capital with regard to conditional capital shall be reduced.

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

- a) Partial suspension of conditional capital 1999 and 2004
- aa) The conditional capital according to Section 3 (5) of the articles of incorporation is reduced – with no changes to the use of the new shares – from 885,795.00 Euro to 264,672.00 Euro.

Section 3 (5) of the articles of incorporation is amended as follows:

„The share capital is conditionally increased by up to 264,672.00 Euro (conditional capital 1999). The conditional capital increase exclusively serves the granting of subscription rights to Management Board members, executives and employees of the company as well as to members of the executive boards and employees of affiliated companies (stock option plan 1999). It is carried out only to the extent that option rights are issued within the framework of stock option plan 1999 according to shareholders' resolution passed at the Annual General Meeting of September 22, 1999 and these option rights are exercised by their holders. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of option rights.“

- bb) The conditional capital according to Section 3 (7) of the articles of incorporation is reduced – with no changes to the use of the new shares – from 930,000.00 Euro to 145,244.00 Euro.

Section 3 (7) of the articles of incorporation is amended as follows:

„The share capital is conditionally increased by up to 145,244.00 Euro (conditional capital 2004). The conditional capital increase exclusively serves the granting of subscription rights to Management Board members, executives and employees of the company as well as to members of the executive boards and employees of affiliated companies (stock option plan 2004). It is carried out only to the extent that option rights are issued within the framework of stock option plan 2004 according to shareholders' resolution passed

at the Annual General Meeting of April 27, 2004 and these option rights are effectively exercised by their holders. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of option rights.“

- b) Creation of conditional capital for granting subscription rights to Management Board members, executives and employees of ELMOS Semiconductor Aktiengesellschaft as well as to members of the management and employees of affiliated companies on the basis of a stock option plan 2009 (conditional capital 2009/III)

The share capital is conditionally increased by up to 1,000,000.00 Euro (conditional capital 2009/III). The conditional capital increase serves the granting of subscription rights granted on the basis of this authorization until May 5, 2014 (“stock option plan 2009“). The Management Board or – insofar as members of the Management Board are concerned – the Supervisory Board is authorized to issue up to 1,000,000 subscription rights, each to one share of the company, within the framework of this stock option plan 2009 in annual tranches to the beneficiaries as defined below. The conditional capital increase may be carried out only to the extent that subscription rights are issued from the conditional capital within the framework of stock option plan 2009 and the holders of these subscription rights make use of them within the exercise period, provided that no cash adjustment is granted or own shares are used for servicing. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of subscription rights.

Stock option plan 2009 has the following substantial properties:

- aa) Beneficiaries
Within the framework of stock option plan 2009, subscription rights are granted in writing to members of the Management Board of ELMOS Semiconductor Aktiengesellschaft, management members of affiliated companies of ELMOS Semiconductor Aktiengesellschaft, and other executives and employees below Management Board level of ELMOS Semiconductor Aktiengesellschaft or below management level of affiliated companies.

Beneficiaries are all staff members steadily employed during the respective issue period who are in an employment relationship or under service contract not under notice of resignation, either with ELMOS Semiconductor Aktiengesellschaft or with an affiliated company. Altogether up to 1,000,000 stock options (“total volume”) will be issued to all beneficiary groups combined over the term of stock option plan 2009 until May 5, 2014. Stock options are divided between the separate groups of beneficiaries as follows:

- ▶ up to 20% of the total volume of stock options to members of the Management Board of ELMOS Semiconductor Aktiengesellschaft;
- ▶ up to 20% of the total volume of stock options to members of the management of affiliated companies, executives and employees in key positions below Management Board level of ELMOS Semiconductor Aktiengesellschaft, and employees in key positions below management level of affiliated companies;
- ▶ up to 60% of the total volume of stock options to all other employees, not included in aforementioned groups of beneficiaries, of ELMOS Semiconductor Aktiengesellschaft and its affiliated companies.

Beneficiaries always receive stock options only as members of one of aforementioned groups of beneficiaries. Particulars are determined by the Management Board with the Supervisory Board’s consent or – insofar stock options are issued to members of the Management Board – by the Supervisory Board.

bb) Organization of stock option plan 2009

Personal investment

As entry condition to the stock option plan 2009 for individual groups of beneficiaries, the Management Board may determine with the Supervisory Board’s consent a personal investment of one share for a certain number of stock options to be defined by the Management Board or, inso-

far as stock options are issued to members of the Management Board, the Supervisory Board, including a minimum holding period of holding. Particulars of the personal investment are defined by the Management Board with the Supervisory Board’s consent or, insofar as stock options are issued to members of the Management Board, by the Supervisory Board.

Issuance of stock options

Over the term of stock option plan 2009, stock options may be issued in one or more annual tranches (“tranches”) to all beneficiaries together from the total volume of stock options. No single tranche must amount to more than 50% of the total volume. Tranches are divided between the separate groups of beneficiaries according to percentages given under lit. aa).

The issuance of stock options of one tranche may occur within the following time periods (“vesting period“):

- ▶ within 45 days after the day of the announcement of (final) results of the past fiscal year or
- ▶ within 45 days respectively after the day of the announcement of (final) results of the first, second, or third quarter of the present fiscal year,

yet at the latest two weeks prior to the end of the respective quarter in which the time of issuance belongs. The day of issuance of stock options (“issue date“) shall be the same day for the annual tranches within the group and it is determined by the Management Board or – insofar as it concerns the members of the Management Board – by the Supervisory Board.

Qualifying period and exercise period

The stock options may only be exercised after a waiting period of three years from the respective issue date (“qualifying period“). The Management Board (with the Supervisory Board’s consent) or – insofar as it concerns the members of the Management Board – the Supervisory Board may determine a longer qualifying period for all or only a part of the stock options issued in the context of one tranche.

Stock options may be exercised by beneficiaries not under notice of resignation in the three years following the expiration of the qualifying period outside the exercise blocking periods. Blocking periods are the following periods:

- ▶ the period from the 21st calendar day prior to a General Meeting of the company until the end of the day of the General Meeting;
- ▶ the period from the day the company announces a tender offer to their shareholders for the purchase of new shares in an authorized journal for obligatory stock market announcements or in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) until the day the new shares of the company are listed at the Frankfurt Stock Exchange as “ex stock options” for the first time;
- ▶ the period from the 15th calendar day prior to the announcement of the (preliminary) quarterly results to the announcement of (final) quarterly results; and
- ▶ the period from December 15 to the announcement of the (final) annual result for the past fiscal year.

Aforementioned respective blocking periods include specified first and final days.

Furthermore, beneficiaries must observe the limitations resulting from general provisions of law, e.g. the law of insider dealings included in the German Securities Trading Act (Wertpapierhandelsgesetz).

Exercise price

The exercise price for the separate tranches corresponds – subject to a possible adjustment on the basis of the provided upper limit for the achievable pecuniary advantage or rather of dilution protection provisions – with 150% of the average of the closing prices of the share of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange on the ten trading days prior to the Management Board resolution or – insofar as it concerns the members of the Management Board – the Supervisory Board resolution on the issue and the determination of

particulars of the respective tranche. The minimum exercise price is the proportionate amount of the share capital attributable to one share.

The beneficiary’s pecuniary advantage achievable by the exercise of the stock option (difference between the closing price of the share of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange at the day of the stock option’s exercise and the exercise price) may not exceed the fourfold of the exercise price determined at the issue (“upper limit”). If the upper limit is exceeded, the exercise price is adjusted to correspond with the difference between the closing price of the share of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange on the day of exercise of the option and the fourfold of the exercise price. The Management Board or – insofar as it concerns the members of the Management Board – the Supervisory Board may decide in the individual case that the upper limit be reduced appropriately.

Stock price target

Options may only be exercised if the closing price of the company’s share on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange equals or exceeds the exercise price on the last trading day prior to the exercise day.

Dilution protection

If the company, granting a direct or indirect subscription right to its shareholders, increases its share capital by the issue of new shares during the term of the options or if it issues bonds with conversion privileges or option rights and the determined conversion or option price per share is below the exercise price of options, the company’s Management Board or – insofar as it concerns the members of the company’s Management Board – the Supervisory Board is authorized to treat the beneficiaries the same economically. This equal treatment may be realized by the reduction of the exercise price or by the adjustment

of the number of subscription rights, or by a combination of both. However, beneficiaries are not entitled to equal economic treatment in this respect.

In case of a capital increase from the company's own resources by the issue of new shares, the conditional capital is raised in proportion to the share capital according to Section 218 AktG. The beneficiaries' right to take up new shares by the exercise of options increases in the same proportion; in the same proportion the exercise price per share is reduced. If the capital increase is made from the company's own resources without the issuance of new shares (Section 207 (2) sentence 2 AktG), subscription right and exercise price remain unchanged.

In case of a capital decrease no adjustment of the exercise price or the option rate is made if the total number of shares is not changed by the capital decrease or if the decrease is linked to a return of capital or an acquisition of own shares against payment. In case of a capital decrease by the merging of shares without return of capital and in case of an increase of the number of shares without capital adjustment (stock split), the number of shares to be taken up for one option each at the exercise price is decreased or increased in proportion to the capital decrease or the stock split; in the same proportion, the exercise price for one share is adjusted.

Insofar as an adjustment is made according to aforementioned paragraphs, fractions of shares are not granted upon the exercise of the subscription right. No cash adjustment is made in this respect; this also applies if a cash payment is made altogether instead of the issue of shares.

Non-transferability

The options are not transferable. Admissible is an issue or transfer to third parties who hold the options in trust and/or keep them safe for the beneficiary. After a period of three years from the respective issue date, the beneficiaries may pledge the options as far as these options can be exercised at that point in time. In case of death, the options can also be bequeathed to the beneficiary's spouse, parents, or

children. The exercise conditions may provide for an obligation or right of the beneficiary's heir or heirs to exercise the options within three months after the occurrence of succession or the later expiration of the qualifying period.

Fulfillment of options

The company may also use the company's own shares for servicing the beneficiaries' options.

The company may also offer the beneficiaries a cash adjustment instead of the company's shares. The cash adjustment results from the difference between the closing price of the share of ELMOS Semiconductor Aktiengesellschaft on the Xetra trade (or a functionally comparable successor system) at the Frankfurt Stock Exchange on the day of the option's exercise and the exercise price.

The decision whether a cash adjustment is offered to the beneficiaries in the individual case is made by the Management Board with the Supervisory Board's consent or – insofar as it concerns the members of the Management Board – by the Supervisory Board. In this decision, Management Board and Supervisory Board are committed exclusively to the interest of the shareholders and the company. The purchase conditions shall be arranged in such a way that this option is provided to ELMOS Semiconductor Aktiengesellschaft.

cc) Further provisions

Further particulars of stock option plan 2009 are determined by the Supervisory Board, insofar as the members of the Management Board are concerned, and by the Management Board with the Supervisory Board's consent, insofar as other beneficiaries are concerned.

Insofar as stock options are offered to members of the management of group companies, further particulars within the framework of basic principles valid throughout the group for stock option plan 2009 are determined by the companies' respective boards responsible for the determination of remuneration. Insofar as employees of group companies are concerned, further particulars within the

framework of basic principles valid throughout the group for stock option plan 2009 are determined by the respective management.

Further provisions include in particular:

- ▶ the determination of the number of stock options for individual beneficiaries or groups of beneficiaries,
- ▶ the determination of provisions for the execution of stock option plan 2009,
- ▶ the procedure for granting and executing subscription rights, and
- ▶ provisions for the treatment of subscription rights in special cases such as the beneficiary's resignation from employment with the group or the beneficiary's death.

dd) Taxation

All taxes imposed in connection to the exercise of subscription rights by the beneficiaries or the sale of shares by the beneficiaries are borne by the beneficiaries.

ee) Reporting commitment

The Management Board will report on the use of stock option plan 2009 and the arrangement of subscription rights granted to the beneficiaries for each fiscal year in the respective annual report.

c) Amendment to the articles of incorporation and instruction to the Management Board

Section 3 of the articles of incorporation is amended by the following new paragraph 9:

“The share capital is conditionally increased by up to 1,000,000.00 Euro (conditional capital 2009/III). The conditional capital increase serves the redemption of subscription rights granted on the basis of the authorization given by shareholders' resolution at the Annual General Meeting of May 6, 2009 to the company's Management Board members, executives and employees as well as to members of the management and employees of affiliated companies

until May 5, 2014 (stock option plan 2009). The conditional capital increase may be carried out only to the extent that subscription rights are issued from the conditional capital within the framework of stock option plan 2009 according to the shareholders' resolution passed at the Annual General Meeting of May 6, 2009 and these subscription rights are exercised by their holders within the exercise period, provided that no cash adjustment is granted or own shares are used for servicing. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of subscription rights.”

The Management Board is instructed to have this amendment to the articles of incorporation registered in the Commercial Register, with the proviso that the registration is made only after the reduction of conditional capital according to lit. a) has been registered in the Commercial Register.

Reports of the Management Board

Report of the Management Board to the General Meeting on agenda item 6 (authorization to acquire and to use own shares (treasury stocks) according to Section 71 (1) no. 8 read in conjunction with Section 186 (3), (4) sentence 2 AktG

At previous Annual General Meetings, the company has passed resolutions authorizing the repurchase of shares and the subsequent use of repurchased own shares, the most recent of which is limited until November 7, 2009. Due to the expiration of the authorization in the current fiscal year, the currently existing authorization, given at the Annual General Meeting of May 8, 2008, is intended to be replaced by the resolution proposal at hand.

In addition to an acquisition on the stock market, the company is meant to be given the option to repurchase 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 what 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 the shares offered. The resolution is intended to provide for a privileged acceptance of small offers or small contingents of offers of up to 100 shares. This option helps avoid fractions, occurring in determining the quota to be acquired, and small remaining parcels, thereby simplifying the technical execution.

The ELMOS stock option plans 1999, 2004, and 2009 for members of the Management Board, executives and employees of ELMOS Semiconductor Aktiengesellschaft as well as for members of the management 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 these stock option plans by the prior acquisition of own shares as well. By this proceeding, a dilution of existing shareholdings by an otherwise necessary capital increase is avoided in particular. The decision on how the options are redeemed in the individual case is made by the respective company boards; they will let themselves be governed only by the interests of shareholders and company and will report on their decisions at each following Annual General Meeting.

In addition, the company is meant to be enabled to sell repurchased shares under preclusion of the shareholders' subscription right with the Supervisory Board's consent to third parties against payment in cash if the selling price does not materially undercut the stock market price. The administration will keep a possible discount off the stock market price as low as possible in compliance with the provisions of law. With the sale for a selling price that does not materially undercut the stock market price, a dilution of the shareholders' investment value is avoided. The number of shares sold this way must not exceed 10% of the share capital at the time of the use of shares. To be included in this 10% limit are shares, bonds with conversion privileges or option rights or rather conversion commitments as well as comparable instruments that are issued or sold during the term of this authorization under preclusion of the shareholders' subscription right in direct or indirect application of Section 186 (3) sentence 4 AktG. This opens up opportunities for the company to offer the shares to domestic and international investors and to expand the shareholder base, and thus to stabilize the value of the share. The company can adjust its equity in a flexible manner to business requirements and respond to favorable stock market scenarios.

Furthermore, the authorization granted is intended to provide the company with the opportunity 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 and the globalization of the 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 the subscription right. 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 generally orient itself towards the stock market price of the share of ELMOS Semiconductor Aktiengesellschaft. 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 assign shares to executives and employees of the company, members of the management 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 be created in order to commit employees to the company and to attract qualified new employees to the company. The objectives incentive and employee commitment to the company are in the company's interest. The preclusion of the shareholders' subscription right with regard to the use of repurchased own shares is a prerequisite to this. Members of the company's Management Board shall also be given the opportunity to be promised and assigned shares as share-based remuneration by the Supervisory Board. The option to promise or assign 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 interest to work towards the company's increase in shareholder value as expressed by its stock 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 that also decides on the particulars of the share-based remuneration of Management Board members in compliance with the statutory provisions for appropriateness (Section 87 (1) AktG). It is thus assured that the shareholders' subscription right is precluded not excessively and only in the company's interest.

Own shares repurchased on the grounds of the proposed resolution for the company's authorization are meant to be subject to retirement based on the company's decision 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 making a decrease of the share capital necessary. The proposed authorization provides for this option besides retirement with a capital decrease. By a retirement of own shares without a capital decrease, the remaining non-par shares' arithmetical portion of the share capital rises automatically. Therefore the Management Board is intended to be authorized to adjust the number of non-par shares, as reduced by the retirement, in the articles of incorporation.

Report of the Management Board to the General Meeting on agenda item 7 (authorization to issue convertible or option bonds, profit participation rights or profit participating bonds, and creation of conditional capital) according to Section 221 (4) sentence 2 read in conjunction with Section 186 (4) sentence 2 AktG

The proposed authorizations for the issue of convertible bonds or option bonds, profit participation rights or profit participating bonds, or a combination of these instruments („bonds“), to the total nominal value of up to 25,000,000 Euro and for the creation of corresponding conditional capital of up to 5,000,000 Euro each are meant to enhance the options of ELMOS Semiconductor Aktiengesellschaft, explained in detail below, for financing its activities and to open up the path for the Management Board towards flexible and timely financing in the interest of the company particularly upon the occurrence of favorable capital market conditions, subject to the Supervisory Board's consent.

The reason for the provision of two authorizations for the issue of bonds is that several court rulings have been made in recent times according to which – contrary to previous general practice – the determination of a minimum price for a convertible bond based on conditional capital is deemed inadmissible. Instead it is supposed to be necessary to provide for a specific conversion or option price or a formula for its calculation. This involves a considerable loss of flexibility as the opportunity, upon the issue of the bond, to respond to market developments that have occurred since the granting of the authorization up to five years earlier is limited. By the provision of two authorizations, the company is given the option to decide at the time of the bond's issue on the authorization that carries conditions better adjusted to the prevailing market conditions and thus to achieve better financing conditions.

The two authorizations for the issue of bonds are independent of each other and they are put to the vote separately. The volume of both authorizations, however, is limited in such a way that according to both authorizations together bonds of a total nominal value of up to 25,000,000 Euro can be issued.

Authorization I and conditional capital 2009/I (agenda item 7 b))

Shareholders are generally entitled to the statutory subscription right to bonds linked to conversion privileges or option rights, or rather conversion commitments (Section 221 (4) AktG read in conjunction with Section 186 (1) AktG). In order to simplify the execution, it is intended to make use of the opportunity to issue the bonds to a credit institution or a consortium of credit institutions under the obligation to offer the bonds to the shareholders according to their subscription right (indirect subscription right for the purpose of Section 186 (5) AktG).

The preclusion of the subscription right to fractions facilitates the use of the proposed authorization by whole amounts. This simplifies the execution of the shareholders' subscription right. The preclusion of the subscription right in favor of the holders of already issued bonds with conversion privileges or option rights or rather conversion commitments carries the advantage that the conversion or option price does not have to be reduced with regard to already issued bonds and that a

higher cash inflow is thus made possible altogether. Both cases of subscription right preclusion are therefore in the interest of the company and its shareholders.

The Management Board is also authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription right altogether if the issue of bonds with conversion privileges or option rights or rather conversion commitments is realized at a price that does not materially undercut the market price of these bonds. Thus the company is given the option to seize market opportunities swiftly and flexibly and to achieve better conditions for the determination of interest rate and issue price of the bond due to a definition of conditions close to the market. A definition of conditions close to the market and an unobstructed placement would not be possible if the subscription right was observed. Section 186 (2) AktG indeed allows for an announcement of the issue price (and thus the conditions of these bonds) until the third last day of the issue period. However, in view of the often observed volatility at the stock markets a market risk remains for several days, leading to the provision of haircuts in determining the bond conditions and therefore to conditions not close to the market. If the subscription right remains in effect, the successful placement with third parties is also jeopardized or connected to additional risks because of the uncertainty of the right's execution (subscription behavior). Finally, if the subscription right remains in effect, the company cannot respond to favorable or unfavorable market conditions at short notice because of the length of the subscription period but is exposed to decreasing stock prices during the subscription period that may lead to an unfavorable equity financing for the company.

For this case of total preclusion of the subscription right, according to Section 221 (4) sentence 2 AktG the provision of Section 186 (3) sentence 4 AktG applies correspondingly. The limit for subscription right preclusion of 10% of the share capital stipulated therein must be observed according to the resolution proposal. By a corresponding provision in the authorization proposal it is also assured that even in the case of a capital decrease the 10% limit will not be exceeded as the authorization for the preclusion of the subscription right must expressly not exceed 10% of the share capital, neither at the time of coming into effect nor at the time of exercise of the authorization at hand. Included in the aforementioned 10% limit are new shares issued from authorized capital under preclusion of the subscription right according to Section 186 (3) sentence 4

AktG during the term of this authorization until the subscription right precluded issue of bonds with conversion privileges or option rights or rather conversion commitments in corresponding application of Section 186 (3) sentence 4 AktG. Furthermore, to be included are such shares that may have been taken up on the basis of an authorization by shareholders' resolution according to Section 71 (1) no. 8 AktG and are sold in corresponding application of Section 186 (3) sentence 4 AktG under preclusion of the subscription right until the subscription right precluded issue of bonds with conversion privileges or option rights or rather conversion commitments. Finally those shares must be included that are to be issued upon the exercise of conversion privileges or option rights or in fulfillment of conversion commitments from bonds with conversion privileges or option rights or rather conversion commitments issued subscription right precluded on the basis of the authorization by shareholders' resolution on agenda item 7 c) at the Annual General Meeting of May 6, 2009 according to Section 186 (3) sentence 4 AktG.

The provision of Section 186 (3) sentence 4 AktG has the further consequence that the issue price may not materially undercut the stock market price. This stipulation is meant to assure that a significant economic dilution of the shares' value will not take place. If such a dilutive effect occurs in case of a subscription right precluded issue of bonds with conversion privileges or option rights or rather conversion commitments can be determined by calculating the hypothetical stock market price of the bonds according to accepted methods of financial mathematics in particular and then compared with the issue price. If, according to due examination, this issue price is only insignificantly below the hypothetical stock market price at the time of the issue of the bond, a preclusion of the subscription right is admissible for the purpose of the provision of Section 186 (3) sentence 4 AktG due to the immaterial discount, because the arithmetical market value of a subscription right tends toward close to nil so that the shareholders cannot suffer a noteworthy economic disadvantage by the preclusion of the subscription right. The proposal therefore provides that the Management Board must arrive at the opinion after due examination, prior to the issue of bonds with conversion privileges or option rights or rather conversion commitments, that the intended issue price will not lead to a noteworthy dilution of the value of the shares. Independent of this examination to be carried out by the Management Board, a determination of conditions in line with the market and thus the

prevention of a noteworthy dilution of value in case of the execution of a book building procedure is assured. In this procedure, bonds are offered for a fixed issue price; however, individual conditions of the bonds (e.g. interest rate and term if necessary) are determined on the basis of purchase bids submitted by investors and thus the total value of the bond is defined close to the market. All this makes sure that a material dilution of the value of the shares by the subscription right preclusion will not occur.

Furthermore, the shareholders have the opportunity to maintain their portion of the company's share capital anytime by acquisitions of shares at the stock exchange even after the exercise of conversion privileges or option rights or the occurrence of the conversion commitment. For the company, on the other hand, the authorization for the preclusion of the subscription right means the definition of conditions close to the market, the greatest possible security with regard to placing the shares with third parties, and the exploitation of favorable market scenarios at short notice.

Insofar as profit participation rights or profit participating bonds without conversion privileges or option rights or rather conversion commitments are intended to be issued, the Management Board is authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription right altogether if these profit participation rights or profit participating bonds are shaped similar to obligations, i.e. if they do not establish membership rights in the company, grant no participation in liquidation proceeds, and the interest amount is not determined on the basis of the amount of net income, retained earnings, or the dividend. Furthermore, interest payment and face value of profit participation rights or profit participating bonds must correspond with the market conditions at the time of issuance in this case. If these conditions are fulfilled, the subscription right preclusion does not result in disadvantages for the shareholders as the profit participation rights or profit participating bonds neither establish membership rights nor grant a share of liquidation proceeds or the company's profit.

Authorization II and conditional capital 2009/II (agenda item 7 c)

The authorization linked to conditional capital as proposed under agenda item 7 c) is identical with the authorization linked to conditional capital as proposed under agenda item 7 b) with the exception of provisions for the determination of the conversion or option price.

To avoid repetition, we would like to refer you to the remarks on agenda item 7 b) in this report. They apply correspondingly as explanatory statement that the opportunities for the preclusion of the subscription right upon the issue of bonds are as justified under agenda item 7 c) as under agenda item 7 b).

Total number of shares and voting rights

The company's share capital comes to 19,414,205.00 Euro as of the notification of the convening of the Annual General Meeting in the Electronic Federal Gazette and consists of 19,414,205 common bearer shares. Each non-par share represents one vote in the Annual General Meeting. The total number of shares as well as the total number of voting rights is 19,414,205 as of the notification of the convening of the Annual General Meeting in the Electronic Federal Gazette.

Participation in the Annual General Meeting

According to Section 11 of our company's articles of incorporation, shareholders are entitled to participation in the Annual General Meeting and to the exercise of voting rights if they register their participation with the company at the following address and submit special proof of their shareholdings, issued by their depository bank, to the company at the following address:

ELMOS Semiconductor Aktiengesellschaft
c/o Deutsche Bank Aktiengesellschaft
— General Meetings —
Postfach 20 01 07
60605 Frankfurt am Main, Germany

The proof of shareholdings must refer to the beginning of April 15, 2009 and must be received by the company together with the registration before midnight of April 29, 2009 at the above address. Registration and proof of shareholdings must be in writing (Section 126b BGB) and composed in German or English.

Upon the company's receipt of registration and proof of shareholdings, 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 kindly ask our shareholders

to request a ticket of admission to the Annual General Meeting from their depository bank in good time. In this case, the required registration and the proof of relevant shareholdings are provided by the depository bank.

PROXY VOTING

Voting rights can be exercised by proxies. If neither a credit institution nor a shareholders' association or another entity comparable to a credit institution is authorized, the authorization must be declared in writing. Shareholders who have registered in compliance with Section 11 of the articles of incorporation will receive a proper form for granting power of proxy.

As usual, shareholders may also have themselves represented in the elections by proxies nominated by the company. These representatives must be provided with power of proxy and voting instructions. The power of proxy can be granted to the representative in writing or per fax message (+49 (0)231 7549-548). The company-nominated proxies are obligated to vote according to the shareholders' instructions.

Detailed information on the participation in the Annual General Meeting, proxy voting and voting instructions are sent to the shareholders together with the ticket of admission. Corresponding information is also available on the Internet at www.elmos.de.

INTERNET BROADCAST OF THE ANNUAL GENERAL MEETING

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 6, 2009 starting at 10:00 a.m. Unrestricted online access to the live broadcast will be made available under Investor Relations/Annual General Meeting.

SHAREHOLDERS' MOTIONS AND ELECTION PROPOSALS

Counter motions and election proposals with regard to a specific item on the agenda are to be submitted exclusively to the address given below:

Hauptversammlungsstelle
ELMOS Semiconductor Aktiengesellschaft
Heinrich-Hertz-Straße 1
44227 Dortmund, Germany
Fax: +49 (0)2 31 75 49 -5 48

Otherwise addressed counter motions and election proposals will not be considered. Shareholders' counter motions and election proposals received at the above-mentioned address before midnight of April 21, 2009 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 counter motion or proposal is to be submitted in German. If the counter motion or proposal is meant to be published in English as well, an English version is to be enclosed. Possible statements of the administration will also be published at the same Internet address subsequent to April 21, 2009.

Dortmund, March 2009

The Management Board

General information

ADMISSION

The doors to the Annual General Meeting will open on May 6, 2009 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 TRANSFER FROM/TO DORTMUND

There will be a free shuttle bus to the General Meeting at the Casino Hohensyburg provided by the company Horn-Reisen, departing at 9:00 a.m. from the Dortmund bus terminal opposite the main station. The bus departs from the Casino Hohensyburg at 1:00 p.m. to return to the bus terminal Dortmund.

PUBLIC TRANSPORT

The casino bus connects the Casino Hohensyburg with the Dortmund bus terminal at hourly intervals beginning at 2:03 p.m.

Directions



Casino Hohensyburg
Hohensyburgstraße 200
44265 Dortmund



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

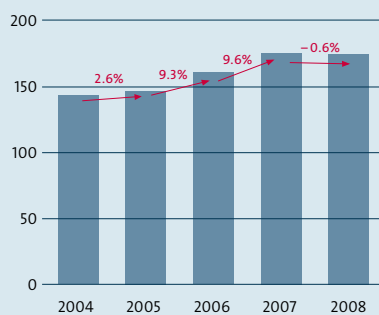
On A44 or A2, head towards Dortmund-Zentrum (city center) first. From the city, you will get to the Casino Hohensyburg via B54 South.

On A45, take the exit Dortmund-Süd in the direction of Hohensyburg. From there follow the signs to the Casino Hohensyburg.

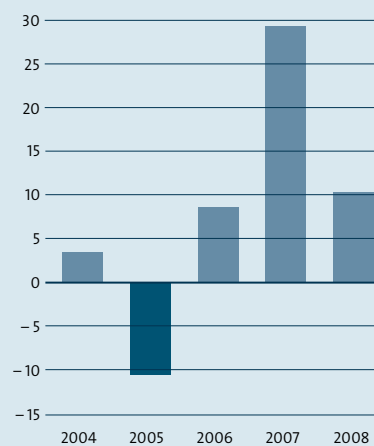
Five-year overview ELMOS Group (IFRS)

in million Euro unless otherwise indicated	2004	2005	2006	2007	2008
Sales	143.3	147.0	160.7	176.1	175.1
Sales growth	18.1%	2.6%	9.3%	9.6%	-0.6%
Gross profit	73.2	70.6	73.0	73.1	75.6
Gross margin	51.1%	48.1%	45.5%	41.5%	43.2%
Research and development expenses	24.7	28.1	29.6	30.9	31.6
Research and development expenses in % of sales	17.2%	19.1%	18.4%	17.5%	18.1%
EBIT	26.4	20.0	19.8	15.2	16.5
EBIT in % of sales	18.4%	13.6%	12.3%	8.6%	9.4%
Income before income taxes	22.9	16.4	17.3	12.2	14.7
Income before income taxes in % of sales	16.0%	11.2%	10.8%	6.9%	8.4%
Net income	14.2	10.0	10.7	8.8	10.6
Net income margin	9.9%	6.8%	6.7%	5.0%	6.1%
Earnings per share in Euro	0.74	0.52	0.55	0.45	0.55
Total assets	217.3	237.0	245.3	249.3	250.1
Shareholders' equity	133.8	144.3	152.3	160.0	171.2
Equity ratio	61.6%	60.9%	62.1%	64.2%	68.5%
Financial liabilities	57.6	67.9	65.0	54.0	40.6
Cash, cash equivalents and marketable securities	18.9	16.8	16.6	42.9	42.5
Net debt / (Net cash)	38.7	51.2	48.4	11.1	-1.8
Cash flow from operating activities	34.7	19.7	28.5	30.8	22.5
Capital expenditures	-33.5	-29.6	-26.4	-24.5	-20.8
Capital expenditures in % of sales	23.4%	20.1%	16.4%	13.9%	11.9%
Cash flow from investing activities	-31.2	-30.4	-19.9	-1.4	-12.2
Free cash flow*	3.5	-10.7	8.6	29.4	10.3
"Clean" free cash flow**	1.1	-9.9	2.2	6.3	1.7
Dividend per share in Euro	0.21	0.00	0.00	0.00	0.00***
Employees on annual average	928	1,028	1,131	1,177	1,117

Sales in million Euro
and growth rate



Free cash flow*
in million Euro



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

** Cash flow from operating activities less capital expenditures

*** Subject to shareholders' resolution at the Annual General Meeting in May 2009

Management Board

CEO letter

Dear Shareholders

I look back on the past year with mixed feelings.

On the one hand we reached our financial targets and especially our growth targets in the first half-year 2008 and achieved better results than many of our direct competitors. On the other hand the past year's review is characterized by the worldwide turbulences triggered by the financial crisis, determining the second half-year as well as the situation at present. Particularly the downturn in the automobile industry – of a scale never before experienced – took all parties involved by surprise and presented us with new challenges.

Compared to the previous year, ELMOS was able to stabilize sales in 2008 (175.1 million Euro). Despite the unexpected setback, we made progress with regard to the quality of earnings in improving both EBIT margin and net income margin. The EBIT reached an amount of 16.5 million Euro or 9.4% of sales in 2008. The net income was increased to 10.6 million Euro or 6.1% of sales. At 10.3 million Euro, the free cash flow was clearly positive. The margin improvements can be traced back to numerous operating measures, e.g. an increased capacity utilization of our 8-inch manufacture in Duisburg as compared to the year before. Altogether we have reached the figures of our forecast communicated in October 2008, closing the year ahead of the industry and many of our competitors.

Yet we cannot dissociate ourselves from the overall market situation. In lockstep with the crisis of the financial markets, the car manufacturers' negative announcements appeared, and continue to appear, on the ticker almost by the minute, and the suppliers – our direct customers – have felt the full force of it immediately. This scenario has resulted in postponements and cancelations of orders. We have actively met this challenge and fought against it with a whole bundle of measures: Investments have been cut down to a minimum, the number of wafers-in has been modified according to the new conditions, and on the whole we have carried out considerable cost reductions affecting all cost items. Furthermore, we introduced short-time work in the beginning of 2009 for most employees at our main production site in Dortmund and for other locations as well. The ELMOS staff demonstrates its team spirit particularly in these difficult times: Even those employees who are not affected by short-time work show their solidarity with voluntary salary cuts.

The complete ELMOS team has proven its flexibility with this bundle of measures. And we agree on this: If the climate gets even rougher, we will hold our position even more forcefully.

The share price is also affected by the turbulences on the financial markets. The share lost about two thirds of its value in the course of the year.

Especially in times as hard as these one can easily lose sight of what is essential. But we focus on our strengths instead: our products. This is what helps our customers and what we earn money with. This is what we are good at. With five products we are giving you examples of our strength and with each of them we are also presenting our strategic cornerstones: the expansion of our standard product portfolio – particularly in our core business, automotive electronics –, more products for industrial and consumer goods markets, the development of the Asian markets, profitable cooperations with partners, and growth with microsystems. These focal points and their realization run like a thread through the past year and this annual report.

Apart from the crisis we have made good progress with the implementation of our strategy. The cooperations forged over the past year are one example. We have found a partner for microcontrollers in NEC Electronics. Together with our mixed-signal chips we can provide our customers with both competencies combined in one package. The first product to emerge from our agreement with NEC is an IO-Link component for use within a new industrial communication network. On the basis of another cooperation, with South Korean semiconductor manufacture MagnaChip, we will be able to put to use new technologies and more flexible capacities in a profitable way in the medium term.

One further example for the realization of our strategy: As one of the first manufacturers worldwide we offer a microsystem that is available as a standard product – according to the JEDEC package standard that is easy to handle for customers. The so-called Pressure Sensor System 1, in short PSS1, combines pressure sensor and read-out electronics in one special package.

One of our goals in 2008 was to break into new markets and attract new customers as well as to develop the market for consumer goods and industrial electronics as strategic pillars for the future. In this regard we have also seized our opportunities: We have defined new products, enhanced our know-how and won first projects. Standard products have been brought into focus increasingly as well. We have achieved first successes with solutions specially tailored to market demands; over the next years these so-called ASSPs will gain in importance for our sales. And not least, we have made progress in the Asian marketplace. We will soon deliver a series-produced important comfort application to a well-known car manufacturer in South Korea.

Today we find ourselves able to focus on our products and the implementation of our strategy – that is: the essence of things – because we prepared ourselves well in the past. One example: Even before the financial crisis appeared we provided a secure long-term basis for our financing; we have a sound balance sheet structure and good liquidity. Therefore we are looking strictly forward. We will continue to convince our customers even in difficult times with know-how, unique products and fresh ideas. Mr. Jürgen Höllisch has been giving us his support as new Management Board member for Sales and Development since October 2008. His knowledge and experience with semiconductors of many years have already resulted in positive stimuli and have shown effect.

What do I expect from fiscal year 2009? It will certainly be a challenging year for the auto industry and the economy as a whole. However, I am sure we will gain market share based on the combination of a strong financial foundation, extensive cost reductions, stringent cost control, elaborate know-how, and the highest quality level and we will emerge from this crisis even stronger.

I would be glad if you as shareholder accompanied us on our way into the future and continued to place your confidence in us.

Sincerely



Dr. Anton Mindl

CEO of ELMOS Semiconductor AG

Business and economic framework



Business activity

Roughly 90% of sales are achieved with electronics for the automobile

ELMOS develops, manufactures and markets highly integrated microelectronic circuits. The company was founded in 1984 in Dortmund where it maintains its headquarters and largest manufacturing site. The products – so-called semiconductors – find use primarily in two industries: roughly 90% of sales are generated with electronics for the automobile industry, the remaining ten percent are accounted for by products for industrial and consumer goods electronics.

ELMOS: the specialist for automotive electronics

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

ELMOS chips are used by virtually all auto brands

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

One characteristic of semiconductors for the automotive market is the long production period. New automotive projects usually require development periods of two to three years before being series-produced for about five to eight years. Sometimes the duration of the production period changes considerably if car manufacturers put to use a similar technical platform in a family of new car models. Unlike many other semiconductor manufacturers, ELMOS is able to supply its customers with the same chip over the entire period because of special manufacturing

options. Other features of our business are the very high quality requirements and the robust semiconductor technology.

Market share
increased

Since its foundation ELMOS has achieved a leading market position as semiconductor manufacturer in the market for automotive electronics. According to the survey conducted by the market research institute Gartner Dataquest in March 2008, ELMOS is the worldwide number two in the segment for ASICs (application specific integrated circuits) for the automotive market, on the same level with Denso. The ranking is headed by STMicroelectronics; the immediate competitors AMI Semiconductor (taken over since by ON Semiconductor) and Melexis follow on ranks five and seven, respectively. ELMOS increased its market share from ten to eleven percent. When it comes to projects involving very high volumes, ELMOS also competes with major semiconductor manufacturers such as Infineon, STMicroelectronics, and Freescale.

Potential in the market for industrial and consumer goods

Apart from the automotive market ELMOS has been busy in the industrial and consumer goods markets, supplying semiconductors e.g. for applications in household appliances, photcameras, installation and facility technology, and machine control. This non-automotive sector amounted to roughly 10% of sales in the past year, on the level of the previous years. The share of sales is supposed to rise to 20 to 30% in the medium term.

Customer and application specific components

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

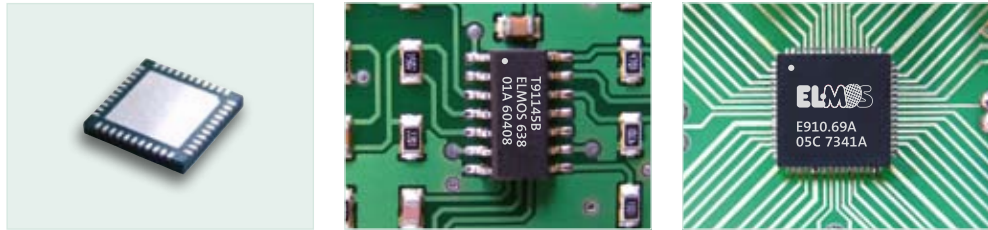
Production so far
almost exclusively at own
production sites

Extensive product portfolio

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

SMI and ELAP round off
the product portfolio

Strategy



Solid liquidity position and
balance sheet strength

In the year 2008 we continued to work on the realization of the strategy we have embarked on. We are adhering to this approach even against the backdrop of the currently difficult economic situation. We are convinced that the investments in the implementation of our strategy will pay off even from an economic viewpoint. We are able to operate on the basis of a solid liquidity position and balance sheet strength. The strategic cornerstones and the progress made already are outlined in the following paragraphs.

From development supplier to product business

ASSPs in
focus

While ASICs were the norm a few years ago and customers made significant contributions to the products' development costs, today's focus is on ASSPs. In order to respond to this development and to act successfully in the market, we have developed ASSPs at an increasing rate over the past years. Their share of sales is still at a low level at present but it is rising constantly. The development and marketing of ASSPs demand a radical modification of the organizational structure and a modification of the approach adopted by the employees as well. The customers no longer specify what has to be developed; market trends must be recognized instead and turned into products. The organization is being adjusted to these changes. Product families, specialized according to the different applications "Sense", "Drive", "Connect" and "Supply" – yet standardized to serve different customers, have been defined and developments have been initiated. At present more than 50 ASSPs are available and more than 20 others are in development. Fields of use for these products are for instance efficiency improvement (e.g. multi-phase boosters for LED control), building technology (e.g. CO₂ sensors for climate management), or safety applications (e.g. crash airbag sensors). The entry in the ASSP markets provides a leverage effect with regard to both volumes and margins that cannot be achieved in the ASIC market.

Stronger entry into industrial and consumer goods markets

Efforts strengthened
significantly

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



Development of the Asian markets

So far we have assumed a strong position on the German market and the other European markets. We have gained a foothold in the U.S. market and established valuable contacts there. Over the past years we have forced the pace of developing the Asian markets, particularly in Japan and South Korea. In support of this effort we have strengthened our marketing activities with our own staff as well as with representatives and entered into a strategic partnership with Autonet, a major supplier to car manufacturers Hyundai and Kia. These activities resulted in a large number of design wins for us, leading to a bigger share of sales in the Asian markets in the future.

Own employees
and representatives locally
on the spot

Establishing strategic partnerships

Supported by strategic cooperations with partners, we can provide useful additions to our own capabilities in order to offer a broader product portfolio in the long term and thus increase our competitiveness. In the past year we concluded agreements for two partnerships. At the beginning of the year we signed a cooperation agreement with Korean foundry MagnaChip. Together we are developing a new technology generation; this partnership enables us on the other hand to purchase processed wafers so that we can cut down on our capital expenditure requirements and react more flexibly to heavily fluctuating unit numbers. These additional external production capacities in combination with its own manufacture make it possible for ELMOS to realize a so-called “fab light” concept. The agreement concluded with NEC Electronics in the fall includes joint development, mutual access to development and manufacturing services, and joint marketing of products for the automotive and industrial markets. Customers of both companies will benefit especially from the possible combination of the strengths of NEC Electronics in the realm of 8 to 32 bit microcontrollers with the robust and reliable, application specific analog/mixed-signal semiconductor chips made by ELMOS.

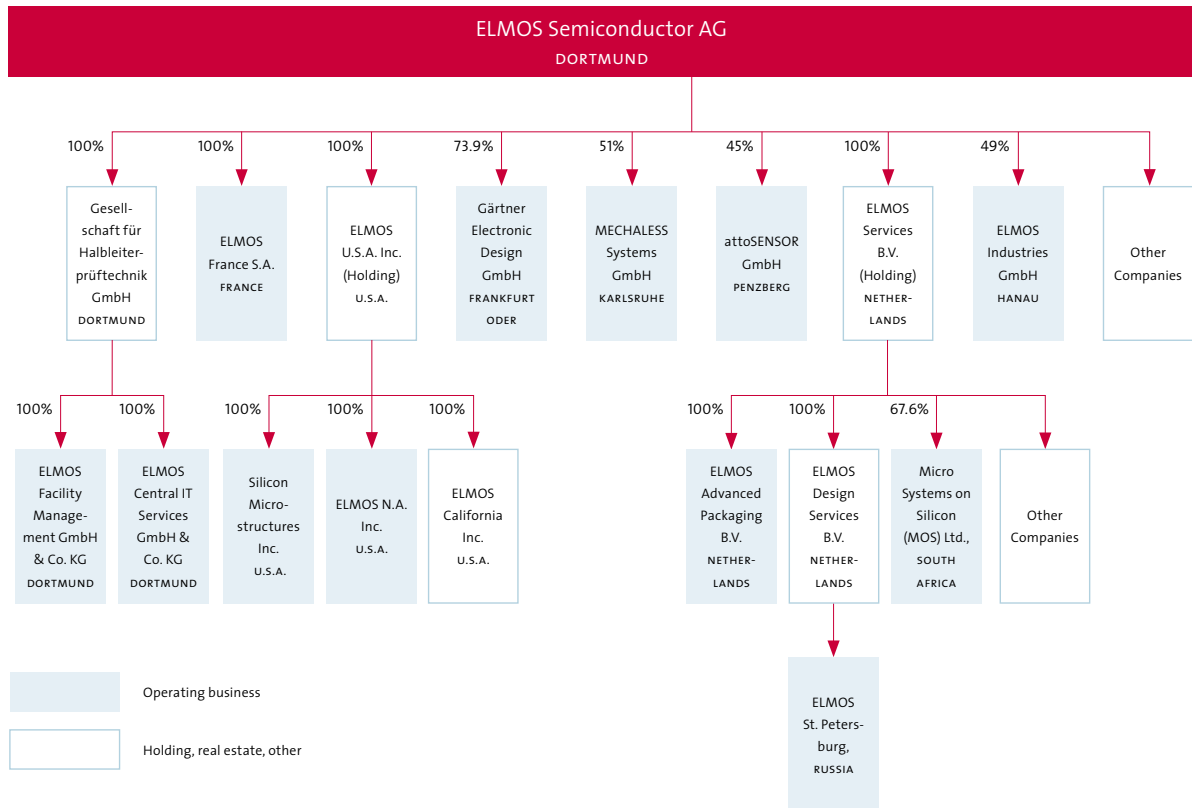
Cooperations with MagnaChip
and NEC Electronics

Bigger share of microsystems

Microsystems, consisting of ASICs and MEMS in a customer specific package, will see rising demand in the next years. As one of only a few companies, ELMOS is able to develop and manufacture complete microsystems within its group of companies. The development of microsystem projects has been pushed over the past fiscal years to the effect that in 2009 a microsystem for a safety application will enter volume production. In addition, a first standard microsystem, namely a pressure sensor system suited for use in industrial, medical and automotive markets, was introduced to the market in 2008.

Rising demand for
microsystems

Organizational structure



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

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

In the course of the increased sale of ASSPs and non-automotive products, ELMOS also markets its products through various distributors. The ELMOS Group collaborates with a large number of partners in Europe and Asia. The collaboration facilitates design wins and the logistic realization of new contracts for electronics used in automotive applications, industrial and consumer goods applications, and medical technology. The distributors are distinguished by a broad customer portfolio, great understanding of applications and high reliability.

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

Relationships with affiliated companies

With indirect and direct shareholdings of unchanged 52.9%, ELMOS Finanzholding GmbH (EFH) is the major single shareholder of ELMOS Semiconductor AG.

General economic framework

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

ELMOS is a specialized niche market player

The development of the automobile market was still satisfactory in the first half of the year 2008; however, first significant indications of the real economy catching the weakness from the financial market crisis showed in the fall. The car industry was among the very first industries to be affected; the downturn was surprisingly severe. Registration numbers were on the decline worldwide in 2008 particularly by the end of the year. The slump of the highly developed markets Western Europe and U.S.A. was disproportionately high.

In Europe registration numbers fell by 7.8% in 2008; this means the biggest loss in 15 years. In Western Europe the downturn came to 8.4% over the whole year; in the fourth quarter 2008 registration numbers took a dive by 19.3%. Among the biggest European markets to record drastic losses in 2008 were Spain (–28.1%), Italy (–13.4%), and Great Britain (–11.3%). Germany (–1.8%) and France (–0.7%) announced somewhat more moderate declines. 2008 sales figures of all major car manufacturers were down in Europe.

Drastic decline of registration numbers

The U.S. market gave in 18% in the year 2008. Even though the German brands recorded losses in the U.S. as well (–6%), they continued to gain market shares as in the years before. The sales figures of the American car manufacturers fell by 20% to 30% in 2008.

Current forecasts of the development of car registration numbers in the year 2009 range between –8% and –25%. The wide spread of expectations signifies the large extent of uncertainty with regard to the present situation. It is currently unclear when the economic weakness at hand will be overcome. The market research institute Gartner anticipates the market for automotive semiconductors to decrease by 16% in 2009 (forecast dating from January 2009).

Usually the automotive semiconductor market grows even if car production stagnates. This is due to the constantly rising share of electronic systems in automobiles. However, the present market situation is characterized by the fact that the sales drop experienced by the suppliers is even much more significant than the car manufacturers' sales decline. The probable reason for this scenario is the emptying of warehouses within the supply chain. It can be assumed that the development of car manufacturers' production numbers and the suppliers' sales figures will at least come close in the near future.

Production



Number of chips produced has increased

While sales of the ELMOS Group were stabilized close to the prior-year level in 2008, the number of chips produced was further increased compared to the previous year. Over the past years we have established a second semiconductor manufacturing site in Duisburg, important for assuring supply as well as for making use of cost-cutting potential due to a bigger wafer diameter. Utilization of the production in Duisburg, started in the year 2007, was increased successively in the course of the first half-year 2008. Manufacturing efficiency was further increased over the quarters. The share of products manufactured on the 200mm production line (8-inch) in Duisburg more than doubled in the year under report, amounting to roughly a fifth of the entire ELMOS chip production.

Number of wafers-in has been reduced

At both chip production locations Dortmund and Duisburg, the number of wafers-in was reduced for economic reasons in the last quarter of 2008; as a consequence the utilization rate in the year under report fell considerably behind original planning. As a result, initially scheduled investments in capacity expansion were postponed or canceled altogether. The intended conversion of part of the manufacture in Dortmund from 150mm (6-inch) to 200mm (8-inch) wafers was put off for future years as the increase in capacity is not necessary at present.

At the production location Nijmegen in the Netherlands, subsidiary ELMOS Advanced Packaging focuses primarily on the business areas package development and manufacture of special packages for micromechanical systems (MEMS), wafer processing, and packaging (tape & reel). At the location of subsidiary SMI in Milpitas, California, MEMS pressure sensors are manufactured on 150mm wafers.

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

Cooperations
with foundries

Research and development

The ever increasing application of electronic components in the automobile leads to the automotive industry's constantly rising demands on quality and reliability of semiconductors used for automotive electronics. In order to guarantee the automotive industry's high quality level, ELMOS makes use of innovations technically matured e.g. in the consumer goods market for introduction in the automobile, additionally quality-assured by own qualification procedures.

The 0.35 μ m process was further developed in the year under report. Another focal point was the joint development of automotive semiconductor technologies within the framework of the cooperation with South Korean MagnaChip. Furthermore, a central R&D issue has been the further development of technology modules for the 0.35 μ m process.

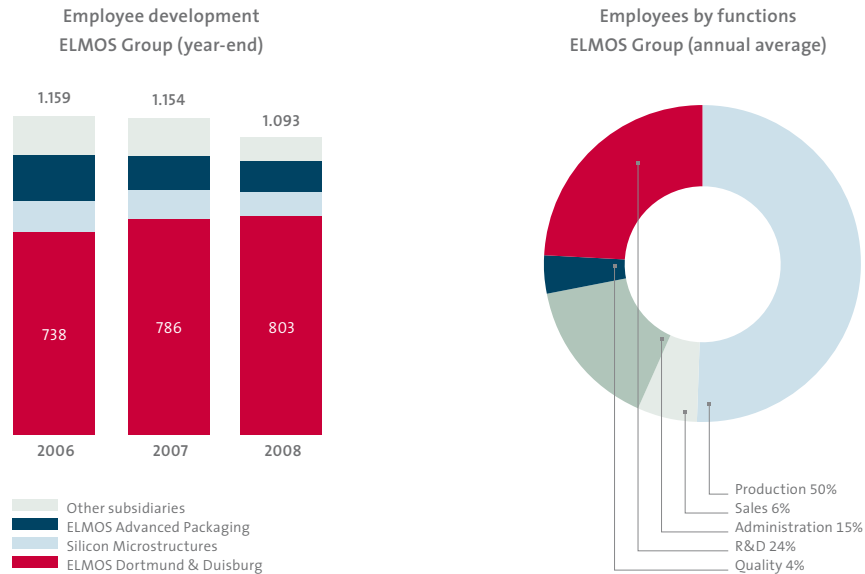
Next technology generations
developed further

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. The majority of the product development costs must be pre-financed by ELMOS, to be amortized only through later volume production. Of course this especially goes for the development of application specific standard products, destined to amount to a bigger share of ELMOS sales. Research and development expenses rose slightly from 30.9 million Euro in 2007 to 31.6 million Euro in the year under report. These figures correspond with a ratio of 17.5% and 18.1% of sales, respectively.

Employees

As a technology company, ELMOS benefits 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 locations in Dortmund and Duisburg, in Germany's most-populated federal state North Rhine-Westphalia, ELMOS is able to recruit from a great number of well-trained young engineers as there are more than 50 universities and colleges in the vicinity. ELMOS has maintained a close cooperation with these institutions ever since its foundation and holds a singular position as the sole semiconductor manufacturer in the region. ELMOS offers professional training for a variety of commercial and technical professions, with an emphasis on the training of microtechnologists. By the end of 2008, 46 employees in Dortmund were in training (2007: 56).

ELMOS offers training for various professions



Staff reductions at U.S. locations and in the Netherlands

While the total number of staff employed at the North Rhine-Westphalian locations Dortmund and Duisburg rose to 803 as of December 31, 2008 (December 31, 2007: 786), the number of employees within the ELMOS Group fell to 1,093 as of balance sheet date (December 31, 2007: 1,154). This 5% decline is accounted for to a large extent by the staff reductions carried out at the two U.S. locations and in the Netherlands. The number of ELMOS Group employees on annual average went down as well, to 1,117 (2007: 1,177). The average age of the employees was 37 years in 2008 (2007: 37 years), employee turnover came to roughly 5%.

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

Staff participation

Introduced in 2007, stock awards were granted again in 2008 to employees of outstanding merits, executives and Management Board members in recognition of their performances delivered in the past year. Granting these awards is intended to represent the close relationship between ELMOS and its top achievers and to be regarded as an incentive to inspire commitment and motivation. The stock award plan 2008 comprised 50,000 shares which had been previously repurchased at the stock market within the authorization to repurchase own stock.

Quality, safety and environmental protection

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

First-time-right
and zero defect strategy

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

The ELMOS quality management system is audited annually in accordance with the requirements of DIN ISO 9001 and the standards QS 9000 and VDA 6.1. These standards have been subsumed under ISO/TS 16949:2002 with worldwide validity. The essential locations of the ELMOS Group were audited and certified according to this standard in 2008.

Quality and environmental
management system audited annually

The environmental protection management was originally 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 qualification. The divisions workplace safety and environmental protection are set up directly below Management Board level. ISO 14001 systematically and permanently anchors environmental protection in the company's management. In managing environmental protection, ELMOS particularly emphasizes effective prevention and the efficient utilization of natural resources.

Profit, financial and economic situation

Sales development

Sales of 175.1 million Euro achieved

Our anticipation of a difficult market environment in 2008 has unfortunately proven correct. The worldwide economic crisis, particularly in the automobile sector, caught up with ELMOS at the end of the third quarter 2008. The volume of orders received dropped significantly at that time. The reason for this decline were postponements or cancelations of orders on the part of the automotive suppliers due to the considerably decreased sale of new vehicles. The reduced sales volumes affected all product groups in the automotive segment. Despite the significant deterioration of the general economic framework, ELMOS developed ahead of many competitors and, owing to a sound first half-year, achieved sales of 175.1 million Euro in the year under report, about the level of the previous year (176.1 million Euro). Thus the forecast announced in October 2008, namely that sales would be expected to amount to the level of 2007, was achieved.

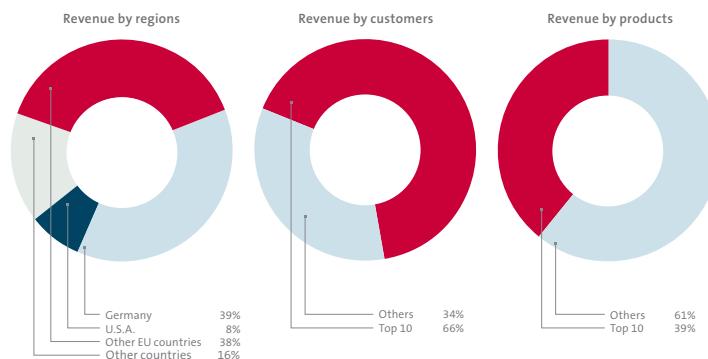
Sales by regions

Top ten customers account for 66% of sales

Considering the regional sales breakdown, a decline of U.S. sales to 8.2% of group sales becomes apparent (2007: 10.9%) This is because the global economic crisis started earlier in the U.S. than in other parts of the world. The German sales portion climbed from 36.1% to 38.5%. The sales share of "other EU countries" (37.6% in 2008 versus 36.7% in 2007) and "other countries" (15.6% in 2008 versus 16.3% in 2007) did not change materially. Changes are for the most part due to changes of individual customers' shipping addresses or exchange rate effects and not tantamount to a changed customer structure.

Sales by customers and products

ELMOS supplies more than 100 customers. These are predominantly suppliers to the automobile industry and to a lesser extent industrial customers and manufacturers of consumer products. As in previous years, three of our customers contributed a volume of more than 10% of group sales each in 2008. Sales generated with our top customers are usually accounted for by a great many different products at different stages of their respective life cycles. Unchanged from the previous year (2007: 66%), our top ten customers amounted to roughly 66% or two thirds of our sales in 2008. Our ten best selling products together came to roughly 39% of sales in 2008 (2007: 42%).



Profit situation

Gross profit

The gross profit was increased in 2008 by 3.4% from 73.1 million Euro in 2007 to 75.6 million Euro in 2008 despite lower 2008 sales figures. The gross margin was raised from 41.5% to 43.2% in the year under report. This improvement of the quality of earnings can be traced back to the progress made at the production location Duisburg and the structural changes at our subsidiaries in the U.S.

Improvements in the
Duisburg manufacture

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

Research and development expenses climbed 2.4% to 31.6 million Euro in the year under report (2007: 30.9 million Euro). Their share of sales made up 18.1% compared to 17.5% the year before. In addition to the great importance of product development and product innovation for ELMOS as a technology company, the rather high R&D expenses reflect our intensive activities towards the development of standard products (ASSPs) and the next technology generation.

Marketing and distribution costs rose slightly to 12.1 million Euro in the year under report (2007: 11.6 million Euro). They came to 6.9% of sales (2007: 6.6%). A substantial share of expenses is attributable to the intensified ASSP marketing effort, the increased project acquisition in the industrial and consumer goods sector, and the successful market penetration in Asia. General administrative expenses were also slightly increased by 2.2% to 16.5 million Euro (2007: 16.1 million Euro) or 9.4% of sales (2007: 9.2%). The gross margin increase by 1.7 percentage points overcompensated the light increase in functional expenses so that the operating income margin before other operating expenses/(income) was improved from 8.2% in 2007 to 8.8% in the year under report. In absolute terms, the operating income rose 6.3% to 15.4 million Euro.

Operating income
increased by 6.3%

The EBIT (earnings before interest and taxes) climbed 1.3 million Euro to 16.5 million Euro in 2008, so that the EBIT margin was increased from 8.6% to 9.4%. This greater rise compared to the operating income margin increase is accounted for essentially by exchange rate gains in 2008 (versus exchange rate losses in the previous year). Material factors of impact on other operating income and expenses were expenses for cushioning risks potentially emerging in 2009 and income from the restructuring of a lease agreement. This contract, previously recorded as a finance lease agreement, was converted to an operating lease structure ahead of schedule in order to benefit from favorable interest rate conditions. The universal increase in gross margin, operating income margin and EBIT margin proves the forecast made in October 2008 correct, anticipating an increase in the quality of earnings from the previous year.

EBIT margin
increased

Group net income climbed by
20.5% to 10.6 million Euro

Earnings before taxes, group net income and earnings per share

Finance income/expenses came to –1.8 million Euro in 2008 after –3.0 million Euro in 2007. The background is provided by grown interest income due to a higher average amount of cash on hand and a reduced average level of debt as in the year before. The income before taxes was improved considerably by 19.9% from 12.2 million Euro to 14.7 million Euro, resulting in a margin increase from 6.9% to 8.4%. The higher pre-tax income led to a higher tax load of 4.3 million Euro (2007: 3.6 million Euro). The tax rate of 29.1% was virtually identical to the prior-year rate (2007: 29.4%). After consideration of minority interest, the group net income of 10.6 million Euro is 20.5% higher than the previous year (2007: 8.8 million Euro). This corresponds with a net income margin of 6.1% in the year under report in comparison to 5.0% the year before. Earnings per share went up from 0.45 Euro to 0.55 Euro.

Proposal for the appropriation of retained earnings

The net loss of ELMOS Semiconductor AG* according to HGB came to 2.9 million Euro in 2008. The retained earnings carried forward from the year 2007 amount to 39.6 million Euro. Management Board and Supervisory Board propose to the Annual General Meeting to decide on May 6, 2009 per shareholders' resolution that the retained earnings of 36.7 million Euro be carried forward to new accounts entirely.

In the past years the company has defined as prerequisite to the payment of a dividend that the developments of earnings and cash flow must be positive and sustainable. Even though the year 2008 provides a positive position with regard to both quantities, sustainability cannot be assumed in view of the economic situation. Management Board and Supervisory Board therefore consider it the right course of action to leave the liquid funds within the company.

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

Financial position

Cash flow from operating activities

The cash flow from operating activities of 22.5 million Euro in 2008 was 8.2 million Euro below the prior-year amount (2007: 30.8 million Euro). This decline is essentially due to the increase of the item other assets and income tax assets. The increase of the net working capital in the narrow sense (trade receivables plus inventories less trade payables) roughly corresponded with the prior-year level (2008: –1.2 million Euro vs. 2007: –1.3 million Euro).

Free cash flow
of 10.3 million Euro

Cash flow from investing activities

A positive free cash flow and thereby the reduction of capital expenditures is management's paramount goal. Among the measures for coping with the cyclically determined difficult economic situation is e.g. the further reduction of capital expenditures beyond the originally projected scale. However, these measures launched in the fall 2008 will for the most part only take effect from 2009 on because of the typical lead time of capital expenditures in semiconductor manufacturing.

Capital expenditures were cut down to 20.8 million Euro in 2008 (2007: 24.5 million Euro). This means a share of sales of 11.9% in comparison with 13.9% in the previous year. Capital expenditures were made primarily for the equipment of the clean room at the Duisburg location and for machines and equipment for frontend and backend in Dortmund. At 20.6 million Euro, the semiconductor segment accounted for the largest share of the investment; 0.3 million Euro were spent in the micromechanics segment.

Capital expenditures
reduced

The conversion of a lease agreement which had previously been stated as a finance lease agreement to an operating lease structure resulted in a positive effect of 10.2 million Euro for the cash flow from investing activities. The resulting cash requirement from investing activities amounts to altogether 12.2 million Euro for the year 2008 (2007: 1.4 million Euro). The targeted positive free cash flow, as such formulated in October 2008 once more, was clearly reached at an amount of 10.3 million Euro. Even without consideration of the cash flow from the sale of assets and other factors of influence on the cash flow from investing activities, 1.7 million Euro could still be generated (2007: 6.3 million Euro).

Cash flow from financing activities

By the lease agreement's conversion from finance lease agreement to an operating lease structure, the corresponding predominantly non-current financial liabilities (10.9 million Euro) were adjusted. The cash flow from financing activities came to –11.0 million Euro.

Cash and cash equivalents before exchange rate effects were altogether reduced by 0.6 million Euro. Thus cash and cash equivalents of 42.5 million Euro as of December 31, 2008 were roughly on the prior-year level (December 31, 2007: 42.9 million Euro). The 17.0% share of cash and cash equivalents in total assets remained at the prior-year level (December 31, 2007: 17.2%).

Cash and cash equivalents
of 42.5 million Euro

Economic situation

At 250.1 million Euro as of December 31, 2008, total assets were kept essentially constant (December 31, 2007: 249.3 million Euro).

With regard to assets there were slight movements from property, plant and equipment (–6.3 million Euro) to the item of current assets (+10.0 million Euro). The disposal stated in property, plant and equipment (buildings and building improvements) results from the conversion of a lease agreement described above. The addition to current assets is essentially accounted for by an increase of other assets and income tax assets as well as slight gains in inventories and trade receivables.

With regard to equity and liabilities, the addition to equity (+11.2 million Euro) by group net income is balanced by a reduction of non-current liabilities (–12.3 million Euro), particularly due to the decrease in non-current finance debt by 11.2 million Euro which in turn is accounted for by the conversion of a contract from finance lease to an operating lease structure for the most part.

Net working capital

Total assets
unchanged

The net working capital increased from 47.4 million Euro as of December 31, 2007 to 48.7 million Euro as of the fiscal year's balance sheet date. Inventories gained 11.2% to reach 37.4 million Euro as of December 31, 2008; the inventory turnover rate came to 2.7x (2007: 3.1x). Trade receivables climbed 4.7% to 29.7 million Euro; the receivables turnover was 5.9x (2007: 6.2x). Trade payables increased by 26.1% to 18.4 million Euro; the payables turnover was improved to 5.4x (2007: 7.1x).

The increase in inventories and trade receivables could not completely be compensated for by growing trade payables. The essential reason is that the weakness of demand did only materialize at the end of the third quarter 2008. Initiated countermeasures such as the reduction of the number of wafers-in could not take full effect by the end of the year. The focus of management remains on the improvement of working capital, especially in the year 2009.

Other balance sheet structure key figures

Net debt turned into a net cash position in 2008. As of December 31, 2008 ELMOS had net cash of 1.8 million Euro as compared to a net debt of 11.1 million Euro as of the prior-year balance sheet date. The decrease in financial liabilities at roughly constant cash and cash equivalents resulted in this development. However, it must be taken into consideration that other financial obligations were increased among other reasons because of the conversion of a lease agreement from finance lease to an operating lease structure. Other financial obligations and contingent liabilities went up to 139.2 million Euro as of December 31, 2008 (December 31, 2007: 126.6 Mio. Euro).

Rising equity at constant total assets led to a significant improvement of the equity ratio from 64.2% as of December 31, 2007 to 68.5% as of the fiscal year's balance sheet date.

The refinancing from current to non-current financial liabilities in the year 2007 with terms up until the year 2013 has proven all the more valuable against the backdrop of the currently weak general economy. It underlines the company's independence not only with regard to fluctuating interest rates but it also provides a solid foundation for coping with the presently difficult market situation and emerging stronger from it.

Equity ratio
increase to 68.5%

Outlook

Economic framework

The general economic framework is characterized by great uncertainty and consumer restraint, especially with regard to purchasing new cars. The expectations of market participants and market research institutes for the development of the automobile market in 2009 show an extremely wide margin. This indicates the extent of uncertainty in the market. Forecasts range from an 8% decline to a 25% decline in worldwide registration numbers. Even more severe sales losses are anticipated in part for the suppliers to the auto industry in the first months of 2009. This outlook is based on a reduction of inventories in the supply chain.

Current scenario represents
an exceptional situation

The current scenario represents an exceptional situation without precedent in the history of the automobile industry. However, a constant increase of the share of electronics in vehicles remains the expectation for the long term. At that, the lasting growth trend of automotive electronics continues to play a bigger part than the normal change of production numbers in the automobile industry.

Outlook of the ELMOS Group

Over the past years ELMOS has invested in the development of new products and markets. We are convinced that this investment will pay off in the long term. In 2009 ELMOS will press ahead with the realization of its strategic cornerstones:

- ▶ Increased definition, development and marketing of ASSPs
- ▶ Increase in activities in the industrial and consumer goods markets
- ▶ Expansion of the commitment in the Asian markets
- ▶ Intensified collaboration with cooperation partners for the optimization of the product portfolio and the reduction of capital expenditures
- ▶ Increase of the sales share of microsystems

Because of the currently difficult market situation and the insufficient visibility ELMOS is not yet able to deliver a quantified forecast. The first half-year 2009 will show a significant slump in sales due to the heavy decline in orders received especially in the last quarter of 2008. No statement can be made about the further course of the year 2009 on account of the low visibility at present.

Low visibility
for 2009

Managing the balancing act between the development of new products and technology generations and gaining new market shares on the one hand and the preservation of a strong financial basis on the other hand will be the challenge in 2009. The principal task for 2009 is to maintain the company's solid position in order to cope with the current difficult market situation. Financial burdens not covered by corresponding positive amounts against the backdrop of the presently weak market situation are reduced as far as possible.

Beginning in the fall 2008 ELMOS has initiated numerous cost cutting measures in order to compensate for the loss of sales compared to initial scheduling and thus the missing coverage of fixed costs. Among these measures are:

Cost cutting
measures initiated

- ▶ Reduction of wafer implementation into the production process in adjustment to lower demand
- ▶ Reduction and postponement of capital expenditures
- ▶ Review of all cost items with regard to absolute necessity
- ▶ Introduction of short-time work in Dortmund and at other locations (since January 2009)
- ▶ Postponement of conversion of manufacture at Dortmund location from 6-inch to 8-inch wafers
- ▶ Review of all business units for operating improvement potential

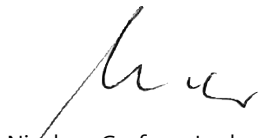
In these times of crisis the ELMOS management busies itself constantly with alternative scenarios so that immediate action is possible if additional measures are called for. The same applies for the case of indications for an economic recovery. We are convinced that we are well prepared with the initiated measures, cost cuttings and the arrangement of suitable options for action. The combination of cost control and targeted implementation of strategic steps will enable us to emerge from the crisis stronger than before.

Dortmund, March 2009

The Management Board



Dr. Anton Mindl



Nicolaus Graf von Luckner



Reinhard Benf



Jürgen Höllisch

Consolidated financial statements

Consolidated balance sheet according to IFRS

Assets	Notes	12/31/2008 Euro	12/31/2007 Euro
Non-current assets			
Intangible assets	13	40,200,036	42,108,968
Property, plant and equipment	14	80,698,137	86,984,152
Investments accounted for at equity	15	1	1
Securities and investments	15	517,693	73,932
Deferred tax assets	16	6,619,684	8,105,939
Total non-current assets		128,035,551	137,272,992
Current assets			
Inventories	17	37,379,627	33,613,927
Trade receivables	18	29,735,847	28,406,265
Cash and cash equivalents	19	42,463,401	42,855,617
Other assets and income tax assets	20	10,347,411	6,550,185
		119,926,286	111,425,994
Non-current assets classified as held for sale	21	2,104,679	625,877
Total current assets		122,030,965	112,051,871
Total assets		250,066,516	249,324,863

Equity and liabilities	Notes	12/31/2008 Euro	12/31/2007 Euro
Equity			
Equity attributable to equity holders of the parent			
Share capital	22	19,414,205	19,414,205
Additional paid-in capital	22	88,736,563	88,736,563
Surplus reserve		102,224	102,224
Accumulated other comprehensive income	22	- 5,445,033	- 6,407,297
Retained earnings		68,410,785	57,809,788
		171,218,744	159,655,483
Minority interest		- 13,825	309,704
Total equity		171,204,919	159,965,187
Liabilities			
Non-current liabilities			
Provisions	24	911,450	1,111,214
Financial liabilities	25	40,433,714	51,622,281
Other liabilities	26	2,244,242	2,533,246
Deferred tax liabilities	16	3,935,323	4,575,409
Total non-current liabilities		47,524,729	59,842,150
Current liabilities			
Provisions	24	6,744,564	6,110,536
Income tax liabilities	26	3,862,368	1,879,590
Financial liabilities	25	186,032	2,343,009
Trade payables	27	18,403,799	14,589,724
Other liabilities	26	2,140,105	4,594,667
Total current liabilities		31,336,868	29,517,526
Total liabilities		78,861,597	89,359,676
Total equity and liabilities		250,066,516	249,324,863

Consolidated income statement according to IFRS

	Notes	2008 Euro	2007 Euro
Sales	5	175,138,962	176,133,528
Cost of sales	6	99,555,659	103,024,409
Gross profit		75,583,303	73,109,119
Research and development expenses	6	31,631,625	30,892,815
Distribution expenses	6	12,081,991	11,610,720
Administrative expenses	6	16,484,504	16,136,701
Operating income before other operating expenses/(income)		15,385,183	14,468,883
Finance income	8	-1,583,504	-822,450
Finance expenses	8	3,392,522	3,793,824
Foreign exchange income	9	-242,648	0
Foreign exchange losses	9	0	381,093
Equity in losses/(income) of unconsolidated subsidiaries		0	-48,999
Other operating income	10	-5,050,994	-9,312,235
Other operating expenses	10	4,197,824	8,240,100
Income before taxes		14,671,983	12,237,550
Income tax expenses			
Current taxes	11	3,359,523	2,994,630
Deferred taxes	11	911,127	609,012
		4,270,650	3,603,642
Net income		10,401,333	8,633,908
Thereof:			
Minority interest		-199,665	-163,809
Attributable to equity holders of the parent		10.600.998	8,797,717
Earnings per share			
Basic earnings per share	12	0.55	0.45
Fully diluted earnings per share	12	0.55	0.45

Consolidated cash flow statement

	Notes	2008 Euro	2007 Euro
Cash flow from operating activities			
Net income after minority interest		10,600,998	8,797,717
Depreciation		19,281,299	19,599,904
Finance income		1,809,019	2,971,374
Non-cash-effective income		-1,748,841	-4,147,108
Current tax expense		3,359,523	2,994,630
Minority interest		-199,665	-163,809
Equity in losses of unconsolidated subsidiaries		0	-48,999
Changes in pension liabilities		-199,764	-31,423
Changes in net working capital			
Trade receivables		-1,501,075	-631,863
Inventories		-3,765,700	-2,471,692
Prepaid expenses and other assets		-4,701,138	5,700,957
Trade payables		4,056,685	1,817,694
Other provisions and other liabilities		-1,396,120	840,051
Income tax payments		-1,245,423	-1,472,368
Interest paid		-3,392,522	-3,793,824
Interest received		1,583,504	822,450
Cash flow from operating activities		22,540,780	30,783,691
Cash flow from investing activities			
Capital expenditures for intangible assets		-5,319,314	-7,272,751
Capital expenditures for property, plant and equipment		-15,507,052	-17,214,995
Disposal/Capital expenditures for non-current assets classified as held for sale		-1,540,760	12,717,781
Disposal of fixed assets		10,168,947	10,309,057
Disposal of investments		5,500	68,523
Cash flow from investing activities		-12,192,679	-1,392,384
Cash flow from financing activities			
Payment from capital increase		0	3,148
Proceeds from non-current liabilities		0	42,853,306
Repayment of non-current liabilities		-9,859,178	-14,794,111
Repayment of current liabilities to banks		-1,114,833	-31,954,157
Cash flow from financing activities		-10,974,011	-3,891,814
Decrease/Increase in cash and cash equivalents		-625,910	25,499,493
Changes in cash and cash equivalents due to exchange rates and basis of consolidation		233,694	722,038
Cash and cash equivalents at beginning of fiscal year		42,855,617	16,634,086
Cash and cash equivalents at end of fiscal year	19	42,463,401	42,855,617

Consolidated statement of changes in equity according to IFRS

	Shares Number	Share capital Euro	Paid-in capital Euro
As of January 1, 2007	19,413,805	19,413,805	88,733,815
Exercise of stock options	400	400	2,748
Foreign currency adjustments			
Changes of the basis of consolidation			
Net income 2007			
As of December 31, 2007	19,414,205	19,414,205	88,736,563
Foreign currency adjustments			
Changes of the basis of consolidation			
Net income 2008			
As of December 31, 2008	19,414,205	19,414,205	88,736,563

Surplus reserve Euro	Accumulated other comprehensive income Euro	Retained earnings Euro	Total Euro	Minority interest total Euro	Group total Euro
102,224	- 5,587,888	49,091,408	151,753,364	505,088	152,258,452
			3,148		3,148
	- 819,409		- 819,409		- 819,409
		- 79,337	- 79,337	- 31,575	- 110,912
		8,797,717	8,797,717	- 163,809	8,633,908
102,224	- 6,407,297	57,809,788	159,655,483	309,704	159,965,187
	962,263		962,263		962,263
				- 123,864	- 123,864
		10,600,998	10,600,998	- 199,665	10,401,333
102,224	- 5,445,033	68,410,785	171,218,744	- 13,825	171,204,919

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FINANCIAL CALENDAR 2009

Financial results 2008	March 18, 2009
Annual press conference	March 18, 2009
Analysts' conference	March 18, 2009
Quarterly results Q1/2009	April 29, 2009
AGM in Dortmund	May 6, 2009
Quarterly results Q2/2009	August 12, 2009
Quarterly results Q3/2009	November 4, 2009