

Mastering challenges^[1]

Seizing opportunities^[2]

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

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Eleventh Annual General Meeting on May 4, 2010

Agenda at a glance

1. *Presentation of the adopted financial statements and approved consolidated financial statements as of December 31, 2009, the management report for ELMOS Semiconductor Aktiengesellschaft and the group management report (respectively including explanatory reports of the Management Board according to Section 176 (1) sentence 1 AktG on the statements required by takeover law pursuant to Sections 289 (4), 315 (4) HGB and the explanatory reports on the essential characteristics of the internal monitoring and risk management system with respect to financial accounting in accordance with Sections 289 (5), 315 (2) no. 5 HGB), and the Supervisory Board's report for fiscal year 2009*
2. *Resolution on the appropriation of retained earnings*
3. *Resolution on the formal approval of the actions of the Management Board for fiscal year 2009*
4. *Resolution on the formal approval of the actions of the Supervisory Board for fiscal year 2009*
5. *Resolution on the amendment to Sections 6.1, 8.2 of the articles of incorporation
(Supervisory Board – composition – resolutions)*
6. *Elections to the Supervisory Board*
7. *Appointment of the auditor and group auditor for fiscal year 2010 and appointment of the auditor for the review of the interim report on the first six months of fiscal year 2010*
8. *Amendment to the articles of incorporation with regard to the Act on the Implementation of the Shareholders' Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie – ARUG)*
9. *Resolution on the authorization to acquire and use own shares (treasury stocks)*
10. *Resolution on the authorization to issue convertible bonds 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 2009*
11. *Resolution on the creation of conditional capital for granting stock options to employees, executives, and Management Board members of ELMOS Semiconductor Aktiengesellschaft and to employees and executives of affiliated companies based on a stock option plan 2010, and amendments to the articles of incorporation*
12. *Resolution on the non-disclosure of information according to Section 285 no. 9 letter a sentences 5 through 8 HGB and Sections 315a (1), 314 (1) no. 6 letter a sentences 5 through 8 HGB in financial statements and consolidated financial statements (exemption from obligation for individualized disclosure of Management Board remuneration)*

ELMOS Semiconductor Aktiengesellschaft

44227 Dortmund, Germany

ISIN DE0005677108

German Securities Identification Number (WKN): 567 710

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

Dear Shareholders,

our eleventh Annual General Meeting will be held on Tuesday, May 4, 2010, at 10:00 a.m. at the Casino Hohensyburg, Hohensyburgstraße 200, 44265 Dortmund, Germany.

AGENDA

1 Presentation of the adopted financial statements and approved consolidated financial statements as of December 31, 2009, the management report for ELMOS Semiconductor Aktiengesellschaft and the group management report (respectively including explanatory reports of the Management Board according to Section 176 (1) sentence 1 AktG on the statements required by takeover law pursuant to Sections 289 (4), 315 (4) HGB and the explanatory reports on the essential characteristics of the internal monitoring and risk management system with respect to financial accounting in accordance with Sections 289 (5), 315 (2) no. 5 HGB), and the Supervisory Board's report for fiscal year 2009

Above-mentioned 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.

According to legal regulations, no resolution is scheduled for agenda item 1 as the Supervisory Board has already approved the financial statements and consolidated financial statements.

2 Resolution on the appropriation of retained earnings
Management Board and Supervisory Board propose that the retained earnings of 42,715,514.53 Euro stated by ELMOS Semiconductor Aktiengesellschaft for fiscal year 2009 be carried forward entirely to new accounts.

3 Resolution on the formal approval of the actions of the Management Board for fiscal year 2009
Supervisory Board and Management Board propose that the actions of the members of the Management Board acting in fiscal year 2009 be formally approved for this period.

4 Resolution on the formal approval of the actions of the Supervisory Board for fiscal year 2009
Management Board and Supervisory Board propose that the actions of the members of the Supervisory Board acting in fiscal year 2009 (including Supervisory Board member Dr. Peter Thoma, who left the Board on May 6, 2009) be formally approved for his period.

5 Resolution on the amendment to Sections 6.1, 8.2 of the articles of incorporation
(Supervisory Board – composition – resolutions)
At present the Supervisory Board consists of six members. The terms of all members of the Supervisory Board end upon the conclusion of the Annual General Meeting of May 4, 2010. To increase the efficiency of Supervisory Board work, the number of Supervisory Board members should be reduced to three. Management Board and Supervisory Board therefore propose that Section 6.1 of the company's articles of incorporation be suspended and rephrased as follows:

“6.1 The Supervisory Board consists of three members.”

In addition, Section 8.2 shall be adapted to the new size of the Supervisory Board. Section 8.2 sentence 2 of the articles of incorporation is suspended and rephrased as follows:

“It has a quorum if all of its members participate in the decision making.”

6 Elections to the Supervisory Board

The current members of the Supervisory Board were elected at the Annual General Meeting of ELMOS Semiconductor Aktiengesellschaft held on April 26, 2005, or elected at following AGMs or appointed by court order as successors of retired Supervisory Board members in accordance with Section 6.3 of the articles of incorporation. The terms of the current members of the Supervisory Board therefore end upon the conclusion of this Annual General Meeting in accordance with 6.2 of the articles of incorporation.

The Supervisory Board proposes that the following candidates be elected as members of the Supervisory Board acting until the conclusion of the Annual General Meeting to decide on the formal approval of the Supervisory Board's actions for fiscal year 2014.

- > **Dr. Burkhard Dreher**, graduate economist, self-employed economist, residing in Dortmund
- > **Dr. Klaus Weyer**, graduate physicist, management consultant, residing in Schwerte
- > **Prof. Dr. Günter Zimmer**, graduate physicist, university professor (ret.), residing in Duisburg

Dr. Burkhard Dreher will assume the function of independent financial expert for the purpose of Section 100 (5) AktG again.

The Supervisory Board's composition is governed by Sections 96 (1), 101 (1) AktG. According to Section 6.1 of the articles of incorporation, the Supervisory Board currently consists of six members. Upon registration of the amendment to the articles of incorporation proposed under agenda item 5, the Supervisory Board will consist of three members according to revised Section 6.1 of the articles of incorporation.

Elections to the Supervisory Board are intended to be carried out by way of individual elections.

The General Meeting is not bound by election proposals. Disclosures pursuant to Section 125 (1) sentence 5 AktG The candidates proposed for election to the Supervisory Board are members of the supervisory boards of the companies listed under a) or members of comparable domestic or international supervisory bodies of the companies listed under b), respectively:

- > **Dr. Burkhard Dreher**, a) Arcelor Mittal Eisenhüttenstadt GmbH and Vattenfall Europe Mining AG
- > **Dr. Klaus Weyer**, a) Paragon AG
- > **Prof. Dr. Günter Zimmer**, b) Dolphin Intégration S.A., France, (member of the board of directors)

7 Appointment of the auditor and group auditor for fiscal year 2010 and appointment of the auditor for the review of the interim report on the first six months of fiscal year 2010

The Supervisory Board proposes upon the recommendation of its Audit Committee that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, be appointed auditor and group auditor for fiscal year 2010 as well as auditor for the review of the interim report on the first six months of fiscal year 2010.

8 Amendment to the articles of incorporation with regard to the Act on the Implementation of the Shareholders' Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie – ARUG)

The Act on the Implementation of the Shareholders' Rights Directive (ARUG), which came into effect as of September 1, 2009, introduces a new system of time limits and makes granting, revoking, and providing proof of the power of proxy easier for shareholders.

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

a) Adjustment of the notice period

Sentences 2 and 3 of Section 10.2 of the articles of incorporation are suspended and rephrased as follows:

“The General Meeting shall be convened at least thirty days prior to the day of the General Meeting – unless a shorter period is admissible by law. The notice period for convening the General Meeting is extended by the days of the registration period. The day of convening and the day of the General Meeting shall not be included in the calculation of the notice period.”

b) Adjustment of the period of registration for the General Meeting

The second sentence of Section 11.1 of the articles of incorporation is suspended and rephrased as follows:

„Registration and proof of entitlement shall be received by the company at the address communicated for this purpose in the convening notice in text form (Section 126b BGB) in German or in English at least six days prior to the General Meeting. The day of the General Meeting and the day of receipt shall not be included in the calculation.”

c) Adjustment of the formal requirements for granting the power of proxy

Section 11.3 of the articles of incorporation is suspended and rephrased as follows:

“The right to vote may be exercised by a proxy. If the shareholder grants the power of proxy to more than one person, the company may refuse one or several of them. The power of proxy, its revocation, and proof of the power of proxy to the company require text form. The particular requirements for granting the power of proxy, its revocation, and furnishing proof of the power

of proxy to the company are announced upon the convening of the General Meeting, including detailed information on the provision of electronic communication. Section 135 AktG shall remain unaffected.”

Section 11.4 of the articles of incorporation is suspended without replacement.

Section 11.5 of the articles of incorporation becomes Section 11.4 of the articles of incorporation.

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

By shareholders' resolution passed at the Annual General Meeting of May 6, 2009, the Management Board was authorized to purchase the company's own shares. This authorization is limited until November 5, 2010. The proposal provides for the suspension of this resolution and the Management Board's new authorization to acquire company shares. According to Section 71 (1) no. 8 AktG, amended by the Act on the Implementation of the Shareholders' Rights Directive (ARUG), such authorization may now be given for a period of up to five years.

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

- a) The Management Board is authorized, subject to the Supervisory Board's consent, to acquire the company's own shares of altogether up to 10% of the current share capital until May 3, 2015. Together with any 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 seq. AktG, the volume of own shares acquired on the basis of this authorization shall 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 within the scope of aforementioned limitation.
- c) The acquisition shall be made on the stock exchange or by means of a public submission of a tender addressed to all of the company's shareholders.

-> If the shares are acquired on the stock exchange, the consideration paid by the company per share (net of additional purchase costs) shall neither exceed the opening price as of purchase date through Xetra trading (or a comparable successor trading system) by more than 10% nor undercut it by more than 20%.

-> If the shares are acquired by means of the public submission of a tender addressed to all of the company's shareholders, the purchase price tendered or the limits of the purchase price margin per share (net of additional purchase costs) – adjustments during the tender period notwithstanding – may neither exceed nor undercut the average of the closing prices through Xetra trading (or a comparable successor trading system) of 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 through Xetra trading (or a comparable successor trading system) of the Frankfurt Stock Exchange during the last three trading days prior to the day of the public announcement of a possible adjustment. The tender may provide for further conditions. The volume of the tender may be limited. If total subscription to the tender exceeds

its volume, acceptance must occur in proportion to the respective number of shares offered. The privileged acceptance of low volumes of up to 100 of the company's shares offered per shareholder for acquisition may be provided for.

- d) The Management Board is authorized to use the company's own shares acquired on the basis of aforementioned authorization or previous authorization (treasury stocks) for the following purposes:

aa) Shares may be assigned, subject to the Supervisory Board's consent, to employees and executives of ELMOS Semiconductor Aktiengesellschaft as well as to employees and members of the management of affiliated companies within the framework of stock option plans 2004, 2009 and 2010 in redemption of stock options. Insofar as the company's 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 2004 and 2009 and the provisions of new stock option plan 2010. The cornerstones of stock option plans 2004 and 2009 decided by shareholders' resolution are available for inspection as parts of the notarial records of the respective Annual General Meetings at the Commercial Register in Dortmund. They may also be examined in the offices of the 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 11 for the provisions of stock option plan 2010.

bb) Shares may be sold, subject to the Supervisory Board's consent, to third parties against payment in cash if the sale is transacted 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 taken into account of 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, subject to the Supervisory Board's consent, against payment in kind, particularly in order to offer them to third parties within the scope of business combinations or acquisitions of companies, operations, investments, or other assets.

dd) Shares may be used, subject to the Supervisory Board's consent, 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 by ELMOS Semiconductor Aktiengesellschaft or a group company of ELMOS Semiconductor Aktiengesellschaft for the purpose of Section 18 AktG in the future.

ee) Shares may be offered for purchase, subject to the Supervisory Board's consent, to employees and executives of ELMOS Semiconductor Aktiengesellschaft, employees and members of the management of affiliated companies, and to freelancers, or provided and assigned as compensation component (even gratuitously), or, if acquired for one of these purposes by way of security loan, used in fulfillment of the obligations from the security loans.

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, subject to the Supervisory Board's consent, without further shareholder's resolution on the retirement or its execution. They may also be retired, subject to the Supervisory Board's consent, 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 acquired shares. If the retirement is carried out by way of the simplified procedure, the Management Board is authorized to adjust the number of no par shares in the articles of incorporation

e) The shareholders' subscription rights to those company's own 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 the company's own shares based on the shareholders' resolution passed at the Annual General Meeting May 6, 2009, limited until November 5, 2010, is suspended as of the moment the new authorization comes into effect.

10 Resolution on the authorization to issue convertible bonds 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 2009

The Annual General Meeting of May 6, 2009 resolved an authorization to issue convertible bonds or option bonds,

profit participation rights or profit participating bonds, and the creation of conditional capital. Due to contradictory rulings found by higher regional courts (Oberlandesgerichte), extremely restrictive provisions were established – especially with respect to option/conversion prices –, with the consequence that conditional capital provides a financing option for the company only in certain market situations. Following clarifications pronounced by the Federal Court of Justice (Bundesgerichtshof) and an amendment to Section 193 (2) no. 3 AktG, the previous and much larger scope for the arrangement of option conditions may now again be utilized. The proposal accordingly provides for a new resolution on the authorization to issue convertible bonds or option bonds, profit participation rights or profit participating bonds, and the creation of conditional capital at the cancellation of the previously provided corresponding conditional capital.

- a) Suspension of the authorization of May 6, 2009 to issue convertible bonds and option bonds

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

The authorizations for the issue of convertible bonds or option bonds, profit participation rights or profit participating bonds (or a combination of these instruments) decided by shareholders' resolution at the Annual General Meeting of May 6, 2009 (agenda items 7b) and 7c)) are suspended effective as of the time of registration of the amendments to the articles of incorporation to be resolved under agenda item 10 b) lit. cc).

- b) Authorization for the issue of convertible bonds or option bonds, profit participation rights or profit participating bonds, the preclusion of subscription rights, the creation of conditional capital 2010/I, and amendments to the articles of incorporation

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

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

Term of the 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 3, 2015 to the total nominal value of up to 100,000,000 Euro and to grant the holders of those bonds conversion privileges or option rights for bearer shares of the company with a proportionate amount of the share capital of altogether up to 7,80,000 Euro according to the particulars of the convertible bond or option bond provisions.

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. In this case the Management Board is authorized, subject to the Supervisory Board's consent, to assume the guaranty for the bonds on behalf of the respective 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 rights and preclusion of subscription rights

The statutory subscription rights are 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 shall safeguard the granting of the statutory subscription rights to the shareholders of ELMOS Semiconductor Aktiengesellschaft accordingly.

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

The Management Board is also authorized, subject to the Supervisory Board's consent, to preclude the shareholders' subscription rights 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, particularly applying financial mathematics.

If bonds with conversion privileges or option rights or rather conversion commitments are issued in corresponding application of Section 186 (3) sentence 4 AktG under preclusion of subscription rights, 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 shall not exceed 10% of the share capital in total, neither at the time this 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 rights 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 rights 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 rate is not determined on the basis of the amount of net income, retained earnings, or the dividend. Furthermore, in this case interest rates and face values of profit participation rights or profit participating bonds shall correspond with the market conditions at the time of issuance.

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 no par bearer shares of ELMOS Semiconductor Aktiengesellschaft according to the provisions for convertible bonds determined by the

Management Board. The conversion rate derives from the division of the nominal value, or the issue amount below nominal value of a partial convertible 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 attached to each partial bond, entitling the holder to the purchase of no par 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 stipulate that the option price may 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 for that these fractions may 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 attached to a profit participation right or a profit participating bond.

Bond conditions 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 payment of the due amount at the final due date of the bonds with a conversion privilege or option right (this includes due dates caused by cancellation).

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

Conversion or option price

The conversion of option price may not undercut 80% of the volume-weighted average price of the shares of ELMOS Semiconductor Aktiengesellschaft through Xetra trading (or a comparable successor trading system) of the ten trading days at the Frankfurt Stock Exchange prior to the day of the Management Board's final resolution on the submission of a tender for the subscription to bonds or on the declaration of the company's acceptance following public invitation to submit tender offers. In case of a trade in subscription rights, the relevant period is determined by the days of subscription rights trading except for the last two trading days of subscription rights trading. Section 9 (1) AktG shall remain unaffected.

The conversion or option price may be adjusted, without prejudice to Section 9 (1) AktG, in case of the economic dilution of the value of conversion privileges or option rights or rather conversion commitments in protection of its value according to the bond conditions insofar as said adjustment is not already provided for by law. Furthermore, the bond conditions may provide for an adjustment of conversion privileges or option rights or rather conversion commitments in case of a capital decrease or other extraordinary measures or events (such as unusually high dividends, attainment of control by third parties). In case of an attainment of control by third parties, a customary adjustment of the conversion or option price as well as a reduction of the term 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 through Xetra trading (or a comparable successor trading system) at the Frankfurt Stock Exchange over the ten trading days after the declaration of conversion or option exercise. In case that the company announces the exercise of the right to pay an amount of money after conversion or option exercise, the relevant period of ten trading days begins only three trading days at the Frankfurt Stock Exchange after the company's announcement to pay an amount of money.

Bond provisions may further provide that the convertible bond or option bond may at the company's option be converted into existing shares of the company instead of new shares from conditional capital, or that the option right may 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 respective boards of the group companies of ELMOS Semiconductor Aktiengesellschaft acting as issuers of 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 the supply of no par bearer shares, and the supply of existing instead of the issuance of new no par bearer shares.

bb) Creation of new conditional capital (conditional capital 2010/II) and cancelation of conditional capital 2009/I and 2009/II

The share capital is conditionally increased by up to 7,800,000.00 Euro (conditional capital 2010/II). The conditional capital increase is intended for granting no 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) with 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 3, 2015 on the basis of the authorization given by shareholders' resolution at the Annual General Meeting of May 4, 2010 under agenda item 10 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, unless cash compensation 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.

Conditional capital 2009/I and conditional capital 2009/II are canceled as of the time conditional capital 2010/II comes into effect.

cc) Amendments to the articles of incorporation

Present Section 3.6 and present Section 3.8 of the articles of incorporation are suspended.

Instead of present Section 3.8 of the articles of incorporation, the following provision is inserted as new Section 3.8 of the articles of incorporation: "The share capital is conditionally increased by up to 7,800,000.00 Euro (conditional capital 2010/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 3, 2015 on the basis of the authorization given by shareholders' resolution at the Annual General Meeting of May 4, 2010 under agenda item 10 b) make use of their conversion privileges or option rights or, if they are committed to conversion, fulfill their commitment to conversion, unless cash compensation 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 and if no use is made of the conditional capital after the expiration of the terms for the exercise of conversion privileges or option rights or rather for the fulfillment of conversion commitments.

11 Resolution on the creation of conditional capital for granting stock options to employees, executives, and Management Board members of ELMOS Semiconductor Aktiengesellschaft and to employees and executives of affiliated companies based on a stock option plan 2010, and amendments to the articles of incorporation

In the years 1999 and 2004, and most recently in the year 2009, the company prepared stock option plans for employees, executives, and Management Board members of ELMOS Semiconductor Aktiengesellschaft as well as for members of the management and employees of affiliated companies, based on corresponding shareholders' resolutions. Of the 1,000,000 subscription rights available under

stock option plan 2009, 495,000 options on one of the company's shares each have already been issued. For stock options issued already, the conditions of stock option plan 2009 continue to apply.

According to the proposal of Management Board and Supervisory Board, stock option plan 2009 shall be superseded by a new stock option plan, which considers the amendments to the Corporations Act brought about by the Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) on the one hand and allows for an adjustment of the previously provided exercise hurdle and the absolute stock price target as well as further technical modifications.

In adjustment to the VorstAG, the blocking period for the first-time execution shall be determined at a minimum of four years. At the same time, the stock option plan 2010 continues to aim for an orientation of the Management Board members' remuneration structure toward the company's sustainable performance. For this purpose, the link to the stock price shall remain the beneficiaries' incentive within the framework of the new stock option plan. However, the previous exercise hurdle and the absolute stock price target of at least 50% shall be reduced to 20% in view of the positive stock price performance of the past year. Thus it remains assured that stock options can be exercised only if the shareholder value has been considerably increased. The pecuniary advantage the beneficiaries can achieve by the exercise of stock options continues to be limited to the fourfold of the exercise price determined upon the issue of stock options. By reducing the price target to 20%, the maximum pecuniary advantage achievable by the beneficiaries is reduced, though. As a result, the employees' motivation will be raised by the provision of ambitious yet achievable targets.

For servicing the subscription rights from the stock option plans, corresponding conditional capital was created by

respective shareholders' resolution (cp. Section 3.5, Section 3.7, and Section 3.9 of the articles of incorporation). Based on stock option plan 1999, no more options can be exercised. Conditional capital 1999 shall therefore be canceled in accordance with Section 3.5 of the articles of incorporation. Based on stock option plan 2004, conditional capital is currently available for up to 145,244 of the company's shares, and on the basis of stock option plan 2009, 495,000 stock options have so far been issued. As stock option plan 2009 is intended to be superseded by a stock option plan 2010, no more options are issued on the basis of stock option plan 2009. Against this backdrop, the amount of the share capital with regard to conditional capital shall be reduced accordingly in Section 3.9 of the articles of incorporation.

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

a) Cancellation of conditional capital 1999

The conditional capital 1999 according to Section 3.5 of the articles of incorporation is cancelled as no more stock options can be exercised under stock option plan 1999.

b) Partial cancellation and renaming of conditional capital 2009/III

The conditional capital according to Section 3.9 of the articles of incorporation becomes Section 3.6 of the articles of incorporation and is reduced from 1,000,000.00 Euro to 495,000.00 Euro at unchanged conditions for the use of new shares.

Section 3.9 becomes Section 3.6 of the articles of incorporation and is rephrased as follows:

“The share capital is conditionally increased by up to 495,000.00 Euro (conditional capital 2009). The condi-

tional capital increase serves the redemption of stock options 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 stock options 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 stock options are exercised by their holders within the exercise period, unless cash compensation 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 stock options."

- c) Creation of conditional capital for granting stock options to employees, executives, and Management Board members of ELMOS Semiconductor Aktiengesellschaft as well as to employees and members of the management of affiliated companies based on a stock option plan 2010 (conditional capital 2010/I)

The share capital is conditionally increased by up to 1,250,000.00 Euro (conditional capital 2010/I). The conditional capital increase serves the redemption of stock options granted on the basis of this authorization until May 3, 2015 (stock option plan 2010). The Management Board or – insofar as members of the Management Board are concerned – the Supervisory Board is authorized to issue up to 1,250,000 stock options on one share of the company each within the framework of this stock option plan 2010 in annual tranches to the beneficiaries defined below. The conditional capital increase may be carried out only to the extent that stock options are issued from the conditional capital within the framework of stock option plan 2010 and the

holders of these stock options make use of them within the exercise period, unless cash compensation 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 stock options.

Stock option plan 2010 has the following main properties:

aa) Beneficiaries

Within the framework of stock option plan 2010, stock options are issued to employees, executives, and members of the Management Board of ELMOS Semiconductor Aktiengesellschaft, and to employees and members of the management of affiliated companies of ELMOS Semiconductor Aktiengesellschaft. Beneficiaries are all staff members who are steadily employed during the respective issue period, either in an employment relationship or under service contract which is not under notice of resignation, either with ELMOS Semiconductor Aktiengesellschaft or an affiliated company. Altogether up to 1,250,000 stock options ("total volume") may be issued to all beneficiary groups combined over the term of stock option plan 2010 until May 3, 2015. Stock options are divided between the separate groups of beneficiaries as follows:

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

of ELMOS Semiconductor Aktiengesellschaft, and employees in key positions below management level of affiliated companies;

-> up to 20% of the total volume of stock options to members of the Management Board of ELMOS Semiconductor Aktiengesellschaft.

Beneficiaries always receive stock options only in their capacity as members of one of the aforementioned groups of beneficiaries. Particulars are determined by the Management Board, subject to the Supervisory Board's consent, or – insofar as stock options are issued to members of the Management Board – by the Supervisory Board.

bb) Organization of stock option plan 2010

Personal investment

As entry condition to the stock option plan 2010 for individual groups of beneficiaries, the Management Board may determine, subject to the Supervisory Board's consent, a personal investment of one share for a certain number of stock options to be determined by the Management Board or – insofar as stock options are issued to members of the Management Board – the Supervisory Board, including a minimum holding period. Particulars of the personal investment are defined by the Management Board, subject to the Supervisory Board's consent, or – insofar as stock options are issued to members of the Management Board – by the Supervisory Board.

Issue of stock options

Over the term of stock option plan 2010, 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 shall amount to more than 50% of the total volume. Tranches are divided between the separate groups

of beneficiaries according to the percentages given under lit. aa).

The resolution of the Management Board or – insofar as stock options are issued to members of the Management Board – the Supervisory Board on the issue of stock options and the determination of the particulars of the respective tranche ("issue date") as well as the beginning and the end of the period in which the stock options issues may be subscribed to shall be within the following time periods ("vesting periods"):

-> 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 current fiscal year,

yet at the latest two weeks prior to the end of the respective quarter in which the time of issuance belongs.

Holding period and exercise period

Stock options may only be exercised after a waiting period of four years from the respective issue date ("holding period"). The Management Board (subject to the Supervisory Board's consent) or – insofar as the members of the Management Board are concerned – the Supervisory Board may determine a longer holding period for all or part of the stock options issued within the scope of one tranche.

Stock options may be exercised by beneficiaries who are not under notice of resignation within three years following the expiration of the holding 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 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 the (final) quarterly results; and
- > the period from December 15 until the announcement of the (final) annual result for the past fiscal year.

A forementioned blocking periods include specified first and final days respectively.

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

Exercise price

The exercise price for the separate tranches – subject to a possible adjustment based on provided upper limit for the achievable pecuniary advantage or rather due to dilution protection provisions – corresponds with 120% of the average of the closing prices of the share of ELMOS Semiconductor Aktiengesellschaft through Xetra trading (or a comparable successor trading system) at the Frankfurt

Stock Exchange on the ten trading days prior to the issue date. 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 stock options (the difference between the closing price of the share of ELMOS Semiconductor Aktiengesellschaft through Xetra trading (or a comparable successor trading system) at the Frankfurt Stock Exchange at the day of the stock option's exercise and the exercise price) shall not exceed the fourfold of the exercise price determined upon issuance ("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 through Xetra trading (or a comparable successor trading system) on the day of exercise of the option and the fourfold of the exercise price. The Management Board or – insofar as the members of the Management Board are concerned – the Supervisory Board may decide in the individual case that the upper limit be reduced appropriately.

Stock price target

Stock options may only be exercised if the closing price of the company's share through Xetra trading (or a comparable successor trading 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 in granting a direct or indirect subscription right to its shareholders increases its share capital by the issue of new shares or issues bonds with conversion privileges or option rights during the term of the stock options, and the determined conversion or option price per share is below the

exercise price of stock options, the company's Management Board or – insofar as the members of the company's Management Board are concerned – the Supervisory Board is authorized to provide equal economic treatment to the beneficiaries. This equal treatment may be realized by the reduction of the exercise price or by the adjustment of the number of stock options, or by a combination of both measures. However, beneficiaries are not entitled to equal economic treatment in this respect.

In case of a capital increase from the company's retained earnings by the issue of new shares, the conditional capital is raised in proportion to the share capital compliant with 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 retained earnings without the issue of new shares (Section 207 (2) sentence 2 AktG), subscription rights and exercise price remain unchanged.

In case of a capital decrease, no adjustment of the exercise price or the option rate is made unless the total number of shares is changed by the capital decrease or the capital 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 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 stock options. No cash adjustment is made in this respect; this also applies if a cash payment is made altogether instead of the supply of shares.

Non-transferability

The stock options are not transferable. Admissible is an issue or transfer to third parties who hold the options in trust and/or safekeeping for the beneficiary. After a period of four years from the respective issue date, the beneficiaries may pledge the options as far as the respective 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 holding period.

Redemption of stock options

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

The company may also offer cash compensation instead of the company's shares to the beneficiaries. The compensation in cash derives from the difference between the closing price of the share of ELMOS Semiconductor Aktiengesellschaft through Xetra trading (or a comparable successor trading system) on the day of the stock option's exercise and the exercise price.

The decision whether cash compensation is offered to the beneficiaries in the individual case is made by the Management Board, subject to the Supervisory Board's consent, or – insofar as the members of the Management Board are concerned – by the Supervisory Board. In this decision, Management Board and Supervisory Board are committed solely to the inter-

est of the shareholders and the company. The purchase conditions shall be arranged in such a way that this option is available to ELMOS Semiconductor Aktiengesellschaft.

cc) Further provisions

Further particulars of stock option plan 2010 are determined by the Supervisory Board, insofar as the members of the Management Board are concerned, and by the Management Board, subject to 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 are determined for stock option plan 2010 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 are determined for stock option plan 2010 by the respective management.

Further provision include in particular:

- > the determination of the number of stock options for individual beneficiaries or groups of beneficiaries,
- > the determination of provisions for the implementation of stock option plan 2010,
- > the procedure for granting and executing stock options, and

- > provisions for the treatment of stock options 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 with the exercise of stock options by the beneficiaries or the sale of shares by the beneficiaries are borne by the beneficiaries.

ee) Reporting

The Management Board shall report on the utilization of stock option plan 2010 and the arrangement of stock options granted to the beneficiaries for each fiscal year in the respective annual report.

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

Section 3.7 becomes Section 3.5 of the articles of incorporation.

Instead of present Section 3.7 of the articles of incorporation, the following provision is inserted as new 3.7 of the articles of incorporation:

"The share capital is conditionally increased by up to 1,250,000.00 Euro (conditional capital 2010/I). The conditional capital increase serves the redemption of stock options granted on the basis of the authorization given by shareholders' resolution at the Annual General Meeting of May 4, 2010 to the company's employees, executives, and Management Board members as well as to employees and members of the management of affiliated companies until May 3, 2015 (stock option plan 2010). The conditional capital increase shall be carried out only to the extent that stock options are issued

from the conditional capital within the framework of stock option plan 2010 according to the shareholders' resolution passed at the Annual General Meeting of May 4, 2010 and these stock options are exercised by their holders within the exercise period, unless cash compensation 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 stock options."

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

12 Resolution on the non-disclosure of information according to Section 285 no. 9 letter a sentences 5 through 8 HGB and Sections 315a (1), 314 (1) no. 6 letter a sentences 5 through 8 HGB in financial statements and consolidated financial statements (exemption from obligation for individualized disclosure of Management Board remuneration)

Pursuant to Section 285 no. 9 letter a sentences 5 through 8 HGB, the notes to financial statements of a listed stock corporation require, apart from the disclosure of the total remuneration granted to the Management Board members in the fiscal year, additional information with regard to the remuneration granted to each individual Management Board member. Pursuant to Sections 315a (1), 314 (1) no. 6 letter a sentences 5 through 8 HGB, the same applies for the notes to consolidated financial statements. This legal obligation, first introduced for listed stock corporations in the year 2005 by the Act on the Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz – VorstOG), was modified in the year 2009 by the Act on the Appropriateness of Management Board Remuneration (VorstAG; BGBl. I, p. 2509).

The company's Annual General Meeting of May 19, 2006 resolved on the basis of Section 286 (5) sentence 1 HGB or rather Section 314 (2) sentence 2 HGB that the individualized remuneration of Management Board members shall not be disclosed in the notes to the company's financial statements or consolidated financial statements for a period of five years, i.e. until (and including) 2010. Due to the modification of the regulations stipulating the individualized disclosure of Management Board remuneration by the VorstAG, an extension of the non-disclosure of legally required information shall be resolved this year by way of precaution.

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

The information required according to Section 285 no. 9 letter a sentences 5 through 8 HGB and Sections 315a (1), 314 (1) no. 6 letter a sentences 5 through 8 HGB (in the respective applicable version) shall not be disclosed in the notes to the financial statements and consolidated financial statements of ELMOS Semiconductor Aktiengesellschaft to be prepared for fiscal years 2010 through (and including) 2014.

REPORTS OF THE MANAGEMENT BOARD

1. REPORT OF THE MANAGEMENT BOARD TO THE GENERAL MEETING ON AGENDA ITEM 9 (AUTHORIZATION TO ACQUIRE AND USE OWN SHARES) ACCORDING TO SECTION 71 (1) NO. 8 IN CONJUNCTION WITH SECTION 186 (3) SENTENCE 4, (4) SENTENCE 2 AKTG

At previous Annual General Meetings, the company resolved authorizations for the purchase of the company's own shares and their subsequent use, the most recent of which is limited until November 5, 2010. Due to the expiration of the authorization in the current fiscal year, the currently existing authorization resolved at the Annual General Meeting of May 6, 2009, shall be replaced by means of the resolution proposal at hand. According to Section 71 (1) no. 8 AktG as amended by the Act on the Implementation of the Shareholders' Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie – ARUG), the authorization may now be given for a period of up to five years.

Apart from an acquisition of shares on the stock market, the Management Board shall be given the option, subject to the Supervisory Board's respective consent, to purchase the company's 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 may 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 shall provide for a privileged acceptance of small offers or small contingents of offers of up to 100 shares. This option helps avoid fractions that

otherwise occur in determining the quota to be acquired and small remaining packages, thereby simplifying the technical execution.

The ELMOS stock option plans 2004, 2009 and 2010 for employees, executives, and members of the Management Board of ELMOS Semiconductor Aktiengesellschaft as well as for employees and members of the management of affiliated companies are each secured by conditional capital. The resolution as proposed under agenda item 9 shall make it possible for the Management Board, subject to the Supervisory Board's consent, to service stock option plans 2004, 2009 and 2010 even by the prior acquisition of the company's own shares. The dilution of existing shareholdings by an otherwise necessary capital increase is thus avoided in particular. The decisions on how the options are redeemed in the individual case are made by the respective company boards; they will let themselves be governed solely by the interests of shareholders and company and will report on their decisions at each following Annual General Meeting.

In addition, the Management Board shall be enabled to sell repurchased shares under preclusion of the shareholders' subscription rights, subject to the Supervisory Board's consent, to third parties against payment in cash, provided 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. The sale for a selling price that does not materially undercut the stock market price avoids a dilution of the shareholders' investment value. The number of shares sold this way shall not exceed 10% of the share capital at the time of the utilization 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 issued or sold during the term of this authorization under the preclusion of the shareholders' subscription rights 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 is thus enabled to adjust its equity in a flexible manner to business requirements and respond to favorable stock market scenarios.

Furthermore, the authorization granted shall provide the Management Board with the opportunity, subject to the Supervisory Board's consent, to have the company's 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 shall 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 shareholders' subscription rights. There are no specific plans for making use of this authorization. In determining the valuation proportions, the Management Board will make sure that the shareholders' interests are duly considered. In calculating the value of shares disposed of as consideration, the Management Board will 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 Management Board shall be able, subject to the Supervisory Board's consent, to offer shares to employees and executives of the company, employees and members of the management of affiliated companies, freelancers, and members of the company's Management Board, or to provide and assign them as compensation component (even gratuitously). Insofar as the company's own shares have been acquired for one of the above-mentioned purposes by way of security loan, the additional option shall be provided to use the acquired shares in fulfillment of the obligations from the security loan. 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 rights with regard to the utilization of purchased 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 and 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 rights are precluded not excessively and only in the company's interest.

The Management Board shall be authorized, subject to the Supervisory Board's consent, to retire the company's own shares acquired on the grounds of the proposed authorization resolution even without a new shareholders' resolution. According to Section 237 (3) no. 3 AktG, the Annual General Meeting may decide the retirement of no par shares without making a decrease of the share capital necessary. The proposed authorization provides for this option besides the shares' retirement with a capital decrease. By a retirement of shares without a capital decrease, the remaining no par shares' arithmetical portion of the share capital rises automatically. Therefore the Management Board shall be authorized to adjust the number of no par shares as they are reduced by retirement in the articles of incorporation.

2. REPORT OF THE MANAGEMENT BOARD TO THE GENERAL MEETING ON AGENDA ITEM 10 (AUTHORIZATION TO ISSUE CONVERTIBLE BONDS OR OPTION BONDS, PROFIT PARTICIPATION RIGHTS OR PROFIT PARTICIPATING BONDS, AND THE CREATION OF CONDITIONAL CAPITAL) ACCORDING TO SECTION 221 (4) SENTENCE 2 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") in the total nominal value of up to 100,000,000 Euro, and for the creation of corresponding conditional capital of up to 7,800,000 Euro have the purpose to enhance the options of ELMOS Semiconductor Aktiengesellschaft for financing its activities as explained in detail below and to open up the path for the Management Board, subject to the Supervisory Board's consent, towards flexible and timely financing in the interest of the company particularly upon the occurrence of favorable capital market conditions.

Shareholders are generally entitled to statutory subscription rights to bonds with conversion privileges or option rights, or rather conversion commitments (Section 221 (4) AktG in conjunction with Section 186 (1) AktG). In order to simplify proceedings, the option 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 rights shall be made use of (indirect subscription right for the purpose of Section 186 (5) AktG).

The preclusion of subscription rights to fractions facilitates the utilization of the proposed authorization by way of round figures. This simplifies the execution of the shareholders' subscription rights. The preclusion of the subscription rights in favor of the holders of already issued bonds with conversion privileges or option rights or rather conversion commitments has 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 rights 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. The company is thus given the option to seize market opportunities swiftly and flexibly and to achieve better conditions for the determination of interest rates and issue prices of bonds due to a definition of conditions close to the market. Such a definition of conditions close to the market and an unobstructed placement would not be possible if the subscription rights were 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, even then a market risk remains for several days, leading to the provision of haircuts in determining bond conditions, and therefore to conditions not close to the market. If the subscription rights remain in effect, the successful placement with third parties is also jeopardized or subject to additional expense because of the uncertainty of the rights' execution (subscription behavior). Finally, if the subscription rights remain 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 instead to decreasing stock prices during the subscription period, potentially resulting in unfavorable equity financing for the company.

For this case of total preclusion of the shareholders' subscription rights, the meaning of the provision of Section 186 (3) sentence 4 AktG applies, according to Section 221 (4) sentence 2 AktG. The limit for subscription right preclusion of 10% of the share capital stipulated therein shall be observed, according to the resolution proposal. By a corresponding provision in the authorization proposal, it is also assured that even in case of a capital decrease, the 10% limit will not be exceeded, as the authorization for the preclusion of subscription rights shall expressly not exceed 10% of the share capital, neither at the time of coming into effect nor at the time of exercising the authorization. Included in the aforementioned 10% limit are new shares issued from authorized capital under preclusion of subscription rights 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 analogous application of Section 186 (3) sentence 4 AktG. Also to be included are such shares that may have been taken up on the basis of an authorization given by shareholders' resolution in accordance with Section 71 (1) no. 8 AktG and that are sold in analogous application of Section 186 (3) sentence 4 AktG under pre-

clusion of subscription rights until the subscription-right precluded issue of bonds with conversion privileges or option rights or rather conversion commitments.

Section 186 (3) sentence 4 AktG has the further consequence that the issue price may not materially undercut the stock market price. This provision is meant to assure that a material 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, particularly applying financial mathematics, and then compared with the issue price. If this issue price is determined, after due examination, to be only insignificantly below the hypothetical stock market price at the time of the issue of the bond, preclusion of the subscription rights 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 drops close to nil so that the shareholders cannot suffer a material economic disadvantage by the preclusion of their subscription rights. The proposal therefore provides that the Management Board shall arrive at the opinion, after due examination and 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 material dilution of the shares' value. 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 material dilution of value in case of carrying out 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 bonds is defined close to the market. All this

makes sure that a material dilution of the shares' value by the preclusion of the shareholders' subscription rights will not occur.

Furthermore, the shareholders have the opportunity to maintain their portion of the company's share capital anytime by the acquisition of shares on the stock exchange even after the exercise of conversion privileges or option rights or the occurrence of conversion commitments. For the company, on the other hand, the authorization for the preclusion of subscription rights allows the definition of conditions close to the market, the greatest possible security with regard to the shares' placement 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 rights 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 if the interest rate is not determined on the basis of the amount of net income, retained earnings, or the dividend. Furthermore, in this case interest rates and the face value of profit participation rights or profit participating bonds shall correspond with the market conditions at the time of issuance. If these conditions are fulfilled, the preclusion of subscription rights 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.

TOTAL NUMBERS OF SHARES AND VOTING RIGHTS

The company's share capital comes to 19,414,205.00 Euro as of the convening of the Annual General Meeting and consists of 19,414,205 no par common bearer shares. Each no 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 thus 19,414,205 as of the convening of the Annual General Meeting.

PARTICIPATION IN THE GENERAL MEETING

According to Section 11 of the 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 depositary 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

Fax: +49 69 910 86045

E-mail: WP.HV@Xchanging.com

The proof of shareholdings must refer to the point in time as defined by the German Corporations Act, i.e. the beginning the 21st day prior to the General Meeting (record date), thus to the **beginning of April 13, 2010**, and must be received by the company together with the registration before **midnight of April 27, 2010** at said address. Registration and proof of shareholdings must be in writing (Section 126b BGB) composed in either German or English.

Entitlement to participation and the scope of voting rights exclusively follow the shareholder's share ownership as of the record date. The record date does not have a blocking effect on the marketability of shareholdings. Even in the case

of the entire or partial sale of shareholdings subsequent to the record date, the shareholder's share ownership as of the record date remains the exclusively deciding quantity for participation and scope of voting rights; i.e. the sale of shares subsequent to the record date has no effect on the entitlement to participation and the scope of voting rights. The same applies for the purchase of shares after the record date. Those who do not own any shares as of the record date and become shareholders later are not entitled to participation or the exercise of voting rights.

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 by the registration office. 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 depositary bank in good time. In this case, the required registration and the submission of proof of shareholdings are provided by the depositary bank.

PROXY VOTING PROCEDURE

Granting power of proxy

Voting rights may be exercised by proxies. If neither a credit institution nor a shareholders' association or another entity comparable to a credit institution in accordance with Section 135 (8) and (10) AktG is authorized, the power of proxy, its revocation, and the proof of proxy to the company must at least be furnished in text form (Section 134 (3) sentence 3 AktG in conjunction with Section 126b BGB). The provision of Section 11.3 of the articles of incorporation, according to which the power of proxy requires written form ("Schriftform") instead of merely text form ("Textform"), does not apply as text form is sufficient according to Section 134 (3) AktG, in its version amended by the Act on the Implementation of the Shareholders' Rights Directive (ARUG).

For our shareholders' convenience, we enable them to authorize proxies nominated by the company. The power of proxy and its revocation require at least text form in this case as well (Section 134 (3) sentence 3 AktG in conjunction with Section 126b BGB). If a proxy nominated by the company is authorized, the power of proxy must be accompanied by voting instructions. The company-nominated proxies are obligated to vote according to the shareholders' instructions.

Even in the case of proxy voting, the submission of registration and proof of shareholdings must be made in due time according to above-mentioned regulations.

For granting the power of proxy to credit institutions, shareholders' associations, or other entities comparable to a credit institution in accordance with Section 135 (8) and (10) AktG, its revocation, and proof of the power of proxy, legal provisions apply, in particular Section 135 AktG. Credit institutions, shareholders' associations, and other entities comparable to a credit institution in accordance with Section 135 (8) and (10) AktG may provide special regulations for the procedure of their own authorization. Shareholders are therefore asked to contact the entity to be authorized in good time in consideration of potential special requirements for the form of granting power of proxy.

Submission of the power of proxy to the company

Proof of the power of proxy must be either furnished by the proxy at the day of the Annual General Meeting or submitted by way of declaration to the company prior to the Annual General Meeting to:

Hauptversammlungsstelle der
ELMOS Semiconductor AG
Heinrich-Hertz-Straße 1
44227 Dortmund, Germany
Fax: +49 231 7549-548
E-mail: HV-2010@elmos.de

At the day of the Annual General Meeting, the only place available for furnishing proof of the power of proxy is at the registration desk at Casino Hohensyburg, Hohensyburgstraße 200, 44265 Dortmund, from 9:00 a.m. to just before the beginning of voting procedures.

*Shareholders who intend to grant the power of proxy to proxies nominated by the company prior to the Annual General Meeting are asked for organizational considerations to please submit the power of proxy and the voting instructions before **midnight of April 30, 2010 (company's receipt)** by mail, fax, or e-mail to the following address.*

ELMOS Semiconductor AG
c/o ITTEB GmbH & Co. KG
Vogelanger 25
86937 Scheuring, Germany
Fax: +49 (0) 8195 – 99 89 664
E-mail: hv@itteb.de

Provision of proxy forms

Shareholders who have registered according to Section 11 of the articles of incorporation receive a proper form for granting the power of proxy as part of the ticket of admission. In addition, a proxy form is available on the company's website for download at www.elmos.de/englisch/investor-relations/annual-general-meeting.

SHAREHOLDERS' RIGHTS (MOTIONS, ELECTION PROPOSALS, REQUESTS FOR INFORMATION)

1. Supplements to the agenda

Shareholders whose combined share ownership come to a twentieth of the share capital or the proportionate amount of EUR 500,000 (corresponds with 500,000 shares) are entitled to request, in accordance with Section 122 (2) AktG, that topics of their choice are announced and put on the agenda. Each new topic must be accompanied by an explanatory statement or a resolution proposal. The request must be directed to the company's Management Board in writing.

It must be received by the company at least 30 days prior to the day of the AGM, namely before midnight of April 3, 2010.

We ask to submit any requests for supplements to the agenda to the following address:

*Vorstand der ELMOS Semiconductor Aktiengesellschaft
Heinrich-Hertz-Straße 1
44227 Dortmund, Germany*

Any supplements to the agenda subject to announcement are – unless they have already been announced upon the convening of the AGM – announced in the electronic Federal Gazette promptly upon the request's receipt and transmitted for publication to media outlets of which it can be expected to spread the information throughout the entire European Union. They are also announced on the Internet at www.elmos.de/englisch/investor-relations/annual-general-meeting.

2. Countermotions and election proposals

*Each shareholder is entitled in accordance with Section 126 (1) AktG to submit countermotions with regard to the resolution proposals on the agenda items. If countermotions are meant to be made accessible by the company, they must be received by the company with an explanatory statement and proof of shareholder capacity at least 14 days prior to the Annual General Meeting, i.e. before **midnight of April 19, 2010**, at the following address:*

*Hauptversammlungsstelle
ELMOS Semiconductor Aktiengesellschaft
Heinrich-Hertz-Straße 1
44227 Dortmund, Germany
Fax: +49 (0)231/7549-548
E-mail: HV-2010@elmos.de*

Otherwise addressed countermotions will not be made accessible. Subject to Section 126 (2) and (3) AktG, shareholders' countermotions to be made accessible will be made available on the Internet at www.elmos.de/englisch/investor-relations/annual-general-meeting, including the shareholder's name and the explanatory statement as well as any corresponding statements of the administration.

According to Section 127 AktG, these provisions apply analogously to a shareholder's proposal for the election of Supervisory Board members or auditors. Those proposals do not require explanatory statements, though. In addition to the reasons named by Section 126 (2) AktG, the Management Board does not have to make an election proposal accessible if the proposal does not contain the candidate's name, actual occupation, and place of residence. Proposals for the election of Supervisory Board members do also not have to be made accessible if they do not contain information on the Supervisory Board candidates' membership in other statutory supervisory boards pursuant to Section 125 (1) sentence 5 AktG.

3. Requests for information

In accordance with Section 131 (1) AktG, the Management Board must give information on the company's matters upon any shareholder's request at the General Meeting, insofar as the information is necessary for the proper assessment of an item on the agenda and no right to withhold information applies. The Management Board's duty to provide information also includes the legal and business relationships ELMOS Semiconductor Aktiengesellschaft maintains with its affiliated companies. The duty to provide information furthermore includes the situation of the ELMOS Semiconductor Group and the subsidiaries included in the consolidated financial statements of ELMOS Semiconductor Aktiengesellschaft.

4. Further explanations

More detailed explanations of the shareholders' rights in accordance with Sections 122 (2), 126 (1), 127, and 131 (1) AktG are available on the Internet at www.elmos.de/englisch/investor-relations/annual-general-meeting.

PUBLICATION OF THE INVITATION TO THE GENERAL MEETING AND OF OTHER DOCUMENTS RELATING TO THE GENERAL MEETING

The information to be made accessible on the company's website in accordance with Section 124a AktG, particularly the convening of the General Meeting, the documents to be made available at the General Meeting, shareholders' motions, and further information, is available on the Internet at www.elmos.de/englisch/investor-relations/annual-general-meeting.

Voting results are announced subsequent to the General Meeting at the same Internet address.

The convening of the Annual General Meeting is announced in the electronic Federal Gazette of March 22, 2010 and transmitted for publication to media outlets of which it can be expected to spread the information throughout the entire European Union.

INTERNET BROADCAST OF THE GENERAL MEETING

All shareholders of ELMOS Semiconductor Aktiengesellschaft and the interested public may follow, by order of the AGM's chairman, the entire length of the General Meeting live on the Internet (www.elmos.de) on May 4, 2010 starting at 10:00 a.m. Unrestricted online access to the live webcast will be made available under www.elmos.de/englisch/investor-relations/annual-general-meeting.

Dortmund, March 2010

ELMOS Semiconductor Aktiengesellschaft
The Management Board

GENERAL INFORMATION

ADMISSION

The doors to the Annual General Meeting will open on May 4, 2010 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

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.



OVERVIEW

FIVE-YEAR OVERVIEW ELMOS GROUP (IFRS)

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

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

** Cash flow from operating activities less capital expenditures

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

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

MANAGEMENT BOARD

CEO letter

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely



Dr. Anton Mindl
CEO of ELMOS Semiconductor AG

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



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

Dr. Anton Mindl

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

Nicolaus Graf von Luckner

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

Jürgen Höllisch

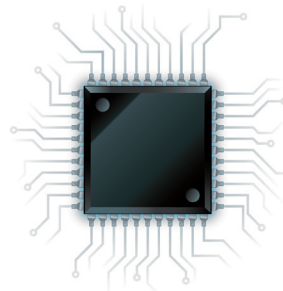
- > Engineer (born 1971)
- > Management Board member since 2008 | ... appointed until 2013
- > **Key areas of responsibility:** sales, design, product lines, projects, optoelectronics

Reinhard Senf

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

GROUP MANAGEMENT REPORT | EXTRACT

BUSINESS AND ECONOMIC FRAMEWORK



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

Business activity

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

ELMOS: THE SPECIALIST FOR AUTOMOTIVE ELECTRONICS

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

ELMOS develops and manufactures semiconductor chips and sensors, in other words the brain-power behind automotive electronics. Our chips control and measure these systems. Example powertrain application: Our solutions are distinguished by highly precise analog input amplifiers, power amplifiers, and integrated microprocessors – everything up-to-date electronics

require to make driving a car as eco-friendly and efficient as possible. Therefore ELMOS chips are used by virtually all auto brands worldwide.

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

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

CUSTOMER AND APPLICATION SPECIFIC COMPONENTS

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

POTENTIAL IN THE MARKETS FOR INDUSTRIAL AND CONSUMER GOODS

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

EXTENSIVE PRODUCT PORTFOLIO

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

Strategy

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

FROM CUSTOM TAILOR TO TRENDSETTER

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

STRONGER ENTRY INTO MARKETS FOR INDUSTRIAL AND CONSUMER GOODS

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

DEVELOPMENT OF THE ASIAN MARKETS

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

ESTABLISHING STRATEGIC PARTNERSHIPS

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

BIGGER SHARE OF MICROSYSTEMS

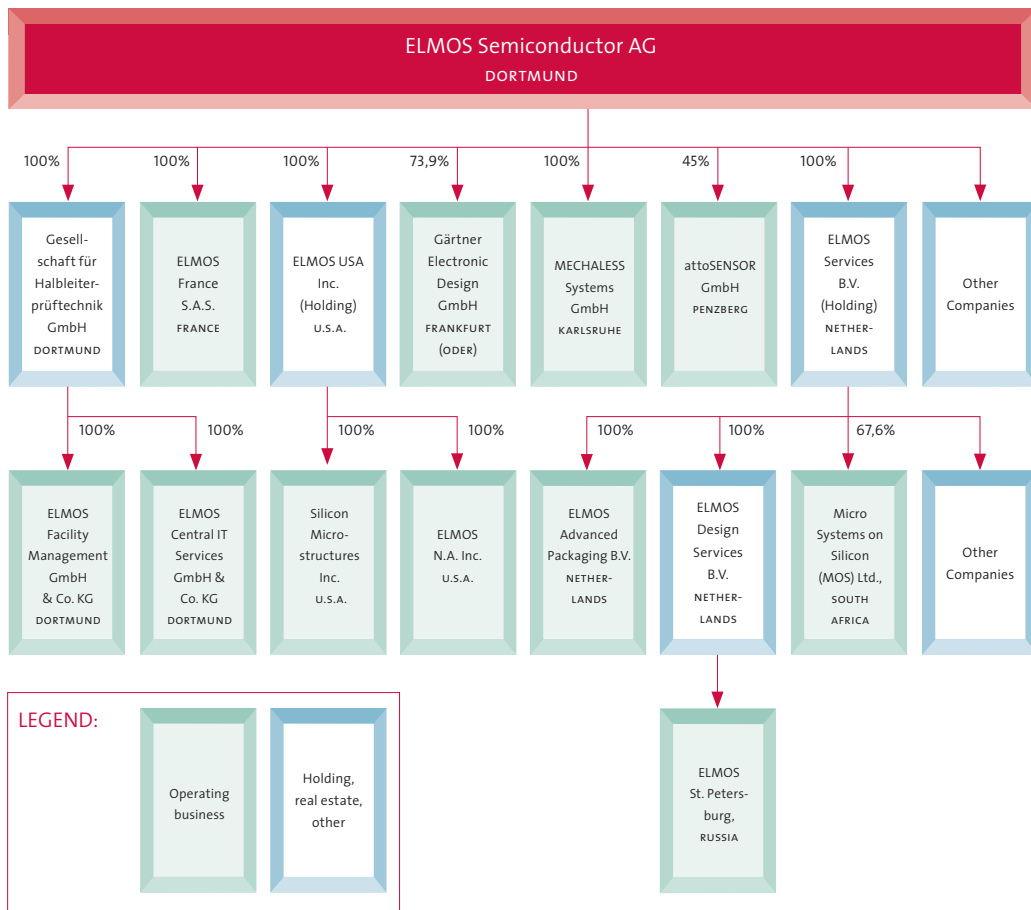
Microsystems, consisting of ASICs/ASSPs and MEMS in a customer specific package, will see rising demand in the next years. As one of only a few companies, ELMOS is able to develop and manufacture complete microsystems within its group of companies, the ELMOS Group. The development of microsystem projects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

Organizational structure

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

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

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



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

RELATIONSHIPS WITH AFFILIATED COMPANIES

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

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

General economic framework

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

AUTOMOTIVE INDUSTRY

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

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

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

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

AUTOMOTIVE SEMICONDUCTOR MARKET

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

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

ELECTRONICS INDUSTRY

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

GENERAL SEMICONDUCTOR MARKET

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

Production



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

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

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

a few back-up solutions for Duisburg at the Dortmund location. With the partial changeover we safeguard the competitiveness of the Dortmund manufacturing site even on an international scale.

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

Research and development

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

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

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

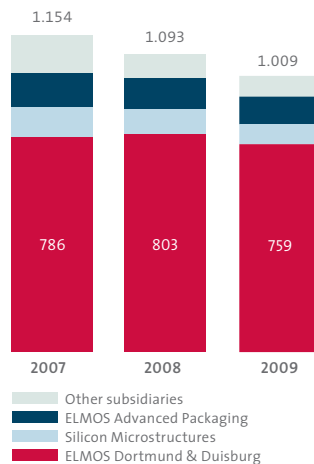
Research and development expenses were reduced by 20.0% to 25.3 million Euro in the year under report (2008: 31.6 million Euro). This corresponds with a ratio of 20.4% of sales, slightly higher than the prior-year ratio (2008: 18.1%) because of the heavy sales decline.

Employees

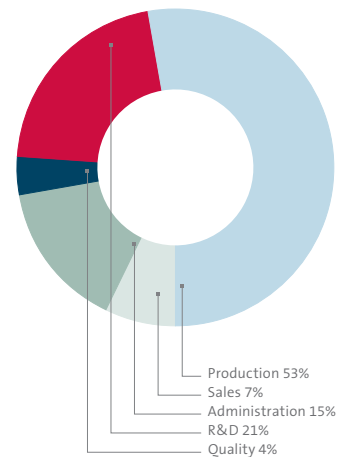
ELMOS offers professional training for a variety of commercial and technical professions, with an emphasis on the training of microtechnologists.

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

Employee development
ELMOS Group (year-end)



Employees by functions
ELMOS Group (annual average)



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

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

STAFF PARTICIPATION

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

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

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

Quality

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

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

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

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

PROFIT, FINANCIAL AND ECONOMIC SITUATION

Financial statements according to IFRS

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

ELMOS GROUP KEY FIGURES ACCORDING TO IFRS

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

* Proposal to the AGM in May 2010

Sales development

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

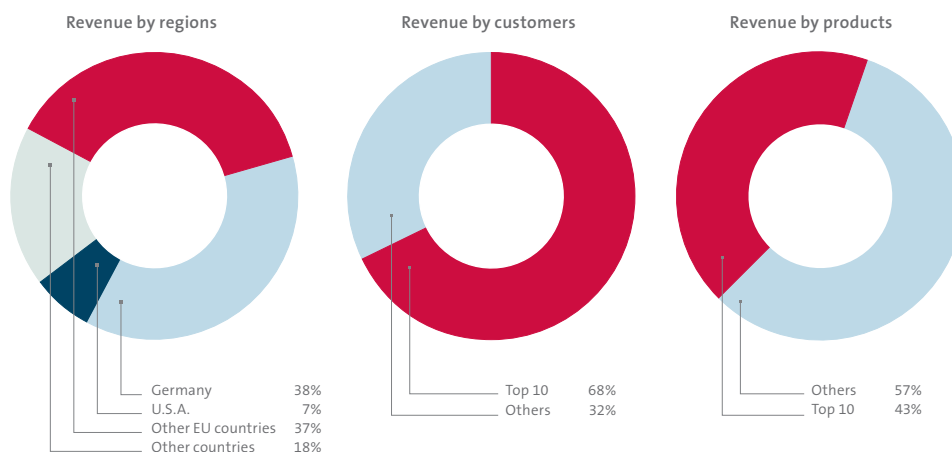
The two-facedness of the year clearly shows in figures: While sales of the first half-year came to 47.8 million Euro (HY 1/2008: 90.8 million Euro), they amounted to 76.0 million Euro in the second half-year (HY 2/2008: 84.3 million Euro). The following aspects are especially worth mentioning with respect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

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

SALES BY REGION

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

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



SALES BY CUSTOMERS AND PRODUCTS

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

ORDER BACKLOG

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

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

NEW PROJECTS (DESIGN WINS)

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

Profit situation

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

GROSS PROFIT

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

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

Research and development expenses dropped 20.0% to 25.3 million Euro in the year under report (2008: 31.6 million Euro). Their share of sales made up 20.4%, slightly above the prior-year level due to the large sales decline (2008: 18.1%). These high expenses – even in times of a weak economy – keep reflecting the great importance of research and development

activities for ELMOS as a technology company. In 2009 the R&D effort focused on the development of standard products (ASSPs) and the advancement of production technologies.

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

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

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

INCOME BEFORE TAXES, GROUP NET INCOME AND EARNINGS PER SHARE

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

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

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

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

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

SALES AND PROFITS BY SEGMENTS

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

SEMICONDUCTOR

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

MICROMECHANICS

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

Financial position

ELMOS GROUP KEY FIGURES ACCORDING TO IFRS

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

* Net working capital in the narrow sense (trade receivables plus inventories less trade payables)

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

*** Cash flow from operating activities less capital expenditures

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

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

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

CASH FLOW FROM FINANCING ACTIVITIES

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

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

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

Economic situation

ELMOS GROUP KEY FIGURES ACCORDING TO IFRS

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

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

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

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

NET WORKING CAPITAL

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

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

ELMOS GROUP KEY FIGURES

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

OTHER KEY FIGURES OF THE BALANCE SHEET STRUCTURE

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

OVERALL STATEMENT ON THE ECONOMIC SITUATION

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

OUTLOOK

ECONOMIC FRAMEWORK

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

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

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

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

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

PROSPECTS FOR THE ELMOS GROUP

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

The strategic cornerstones are in detail:

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

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

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

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

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

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

Dortmund, March 2010

The Management Board



Dr. Anton Mindl



Nicolaus Graf von Luckner



Reinhard Senf



Jürgen Höllisch

CONSOLIDATED FINANCIAL STATEMENTS | EXTRACT

Consolidated balance sheet

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

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

Consolidated statement of comprehensive income

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

Consolidated cash flow statement

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

Consolidated statement of changes in equity

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

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

CONTACT | IMPRINT

Publisher

ELMOS Semiconductor AG

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

Contact

Janina Rosenbaum | Investor Relations

Phone +49 (0) 231-75 49-287
Fax +49 (0) 231-75 49-548
invest@elmos.de

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FINANCIAL CALENDAR 2010

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

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

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