

# Mobility 2020 and beyond

Invitation to the Annual General Meeting 2011  
Annual Report Abstract 2010



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## Annual Report Abstract 2010

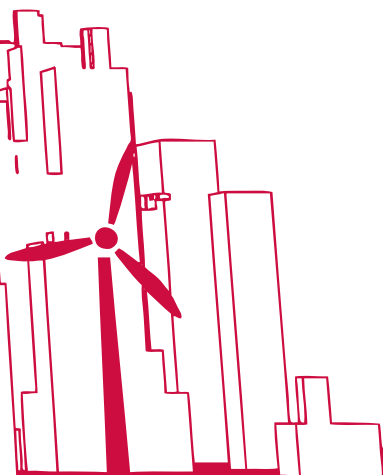
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## Note on the annual report 2010 of ELMOS Semiconductor AG

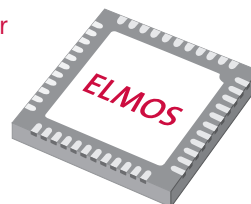
The consequences of the recent disastrous developments in Japan are currently not foreseeable and not reflected in the forecast of the annual report 2010. However, for ELMOS there are only marginal direct dependencies in terms of supply and customer relationships with Japan; indirect effects are currently not assessable.

Dortmund, March 16, 2011

The Management Board



ELMOS Semiconductor AG is a developer and manufacturer of system solutions on semiconductor basis. For more than 25 years, our chips have made automobiles as well as industrial and consumer goods more performance and power efficient.

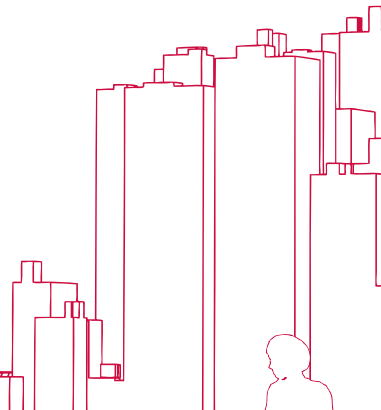


# Twelfth Annual General Meeting on May 17, 2011

## Agenda at a glance

1. Presentation of the adopted financial statements and approved consolidated financial statements as of December 31, 2010, the management report for ELMOS Semiconductor Aktiengesellschaft and the group management report (respectively including the explanatory report of the Management Board according to Section 176 (1) sentence 1 AktG on the disclosures required under takeover law pursuant to Sections 289 (4), 315 (4) HGB and the explanatory report on the principal features of the internal control and risk management system with respect to financial accounting in accordance with Sections 289 (5), 315 (2) no. 5 HGB), and the Supervisory Board report for fiscal year 2010
2. Resolution on the appropriation of retained earnings
3. Resolution on the formal approval of the actions of the Management Board for fiscal year 2010
4. Resolution on the formal approval of the actions of the Supervisory Board for fiscal year 2010
5. Resolution on the amendment to Sections 6.1, 8.2 of the articles of incorporation (Supervisory Board – composition – resolutions)
6. Resolution on the amendment to Section 9 of the articles of incorporation (Supervisory Board remuneration)
7. Elections to the Supervisory Board
8. Election of the auditor and group auditor for fiscal year 2011 and of the auditor for the review of the interim report on the first six months of fiscal year 2011
9. Resolution on the authorization to acquire and use own shares
10. Resolution on the creation of Authorized Capital 2011/I, cancelation of Authorized Capital I and corresponding amendment to the articles of incorporation
11. Cancellation of Conditional Capital 2004 and amendment to the articles of incorporation
12. Resolution on the approval of a profit transfer agreement between ELMOS Semiconductor Aktiengesellschaft and ELMOS Semiconductor Süd GmbH (in the future: ELMOS Central IT Services GmbH)
13. Resolution on the approval of a profit transfer agreement between ELMOS Semiconductor Aktiengesellschaft and GfH Gesellschaft für Halbleiterprüftechnik mbH (in the future: ELMOS Facility Management GmbH)

ELMOS Semiconductor Aktiengesellschaft  
44227 Dortmund  
ISIN DE0005677108  
WKN (German SIN): 567 710



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

Dear Shareholders,

our twelfth Annual General Meeting will be held on Tuesday, May 17, 2011, at 10:00 a.m. at Casino Hohensyburg, Hohensyburgstraße 200, 44265 Dortmund, Germany.

## Agenda

**1 Presentation of the adopted financial statements and approved consolidated financial statements as of December 31, 2010, the management report for ELMOS Semiconductor Aktiengesellschaft and the group management report (respectively including the explanatory report of the Management Board according to Section 176 (1) sentence 1 AktG on the disclosures required under takeover law pursuant to Sections 289 (4), 315 (4) HGB and the explanatory report on the principal features of the internal control and risk management system with respect to financial accounting in accordance with Sections 289 (5), 315 (2) no. 5 HGB), and the Supervisory Board report for fiscal year 2010**

Above-mentioned documents are available at the offices of ELMOS Semiconductor Aktiengesellschaft (Heinrich-Hertz-Straße 1, 44227 Dortmund, Germany) during business hours for inspection by the shareholders and they are available on the Internet at [www.elmos.de](http://www.elmos.de) as well. The documents will also be sent to the shareholders by mail free of charge upon request. Furthermore, they will be on display at the Annual General Meeting for inspection by the shareholders.

According to legal regulations, no resolution is scheduled with respect to 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 a dividend be paid of EUR 0.20 per share out of the retained earnings of ELMOS Semiconductor Aktiengesellschaft of EUR 59,399,517.76 reported for fiscal year 2010 and that the remaining amount of EUR 55,540,598.16 be carried forward to new accounts.

The proposal for the appropriation of retained earnings takes into account own shares held by the company (119,607 shares at present) that are not entitled to dividend. Up to the date of the General Meeting, the number of shares entitled to dividend may increase by the issue of own shares. In this case, an accordingly adjusted proposal for the appropriation of retained earnings will be made to the General Meeting at an unchanged distribution of EUR 0.20 per no-par share entitled to dividend.

**3 Resolution on the formal approval of the actions of the Management Board for fiscal year 2010**

Supervisory Board and Management Board propose that the actions of the acting members of the Management Board in fiscal year 2010 be formally approved for this period.

**4 Resolution on the formal approval of the actions of the Supervisory Board for fiscal year 2010**

Management Board and Supervisory Board propose that the actions of the acting members of the Supervisory Board in fiscal year 2010 be formally approved for this 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 of ELMOS Semiconductor Aktiengesellschaft consists solely of shareholder representatives in accordance with Sections 96 (1), 101 (1) AktG (German Stock Corporation Act). Compliant with Section 6.1 of the articles of incorporation, the Supervisory Board currently has three members. As ELMOS Semiconductor Aktiengesellschaft sustainably exceeds the number of 500 employees,

relevant to the application of the German One-Third Participation Act (Drittelbeteiligungsgesetz – DrittelbG), the Management Board initiated a so-called status procedure in accordance with Sections 97 et seq. in November 2010 which has meanwhile been completed. It has thus been ascertained that according to the DrittelbG the Supervisory Board must be composed of shareholder representatives by two thirds and of employee representatives by one third in the future (Sections 1 (1) no.1, 4 (1) DrittelbG, Sections 95, 96 (1) AktG). Another consequence of the status procedure is that the provisions of the articles of incorporation on the composition of the Supervisory Board will become ineffective upon the end of the Annual General Meeting held on May 17, 2011 pursuant to Section 97 (2) sentence 2 AktG insofar as they contradict the statutory provisions now to be applied. As the Supervisory Board consists solely of shareholder representatives at present, in accordance with the articles of incorporation, they must be accordingly adjusted. In this context, the number of Supervisory Board members determined in the articles of incorporation shall be increased from three to six members, four of whom shall be elected by the shareholders and two of whom shall be elected by the employees. Finally, the articles of incorporation shall grant the chairman of the Supervisory Board the right to a casting vote.

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

**a) Section 6.1 of the company's articles of incorporation is suspended and rephrased as follows:**

"6.1 The Supervisory Board consists of six members, four of whom are elected by the shareholders and two of whom are elected by the employees."

**b) Section 8.2 of the articles of incorporation is suspended and rephrased as follows:**

"Participation of at least three members in the resolution constitutes a quorum of the Supervisory Board."

**c) After Section 8.2 of the articles of incorporation, a new Section 8.3 is included with the following wording:**

"The resolutions of the Supervisory Board are passed by a simple majority of the votes cast; in the event of a tie, the chairman of the Supervisory Board shall have the casting vote. The vice chairman does not have the right to a casting vote."

Previous Sections 8.3 through 8.8 shall become Sections 8.4 through 8.9 of the articles of incorporation. The reference of previous Section 8.6 to 8.5 shall be adjusted accordingly.

**6 Resolution on the amendment to Section 9 of the articles of incorporation (Supervisory Board remuneration)**

The members of the Supervisory Board of ELMOS Semiconductor Aktiengesellschaft currently receive fixed and variable remuneration in accordance with Section 9 of the company's articles of incorporation, in addition to the reimbursement of their expenses. By the proposed amendment to the articles of incorporation, a remuneration component shall be introduced that is oriented towards the long-term business success. The following proposal for an amendment to Section 9 of the company's articles of incorporation therefore provides that 25 percent of the fixed remuneration and 100 percent of the variable remuneration shall be paid in the company's shares insofar as the company is authorized to utilize own shares for this purpose (cf. agenda item 9) and to the extent the company holds own shares as of the due date of the remuneration claim. Sustainability and thus long-term incentive effects shall be achieved particularly by the definition of a holding period of three calendar years for the shares granted by way of remuneration from the shares' respective grant date. Granting shares instead of a cash payment is not dependent on a certain stock price. The amount of the Supervisory Board remuneration shall remain unaffected by this revision.

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

**Section 9 of the company's articles of incorporation is suspended and rephrased as follows:**

"Section 9 Supervisory Board remuneration

9.1 The members of the Supervisory Board receive fixed remuneration of EUR 10,000.00 for each completed fiscal year, apart from the reimbursement of their expenses. In addition, the members of the Supervisory Board receive variable remuneration which is dependent on the amount of the dividend. If a dividend of more than 4 cents per share is paid, the members of the Supervisory Board shall be paid an amount of EUR 1,000.00 for each cent of additional dividend distributed. The amount of this variable remuneration is limited by a maximum of the triple amount of fixed remuneration. Fixed and variable remuneration fall due ten trading days after the General Meeting at which the shareholders resolve the appropriation of retained earnings for the fiscal year for which remuneration is granted.

9.2 25 percent of the fixed remuneration and 100 percent of the variable remuneration shall be paid in the company's shares insofar as the company is authorized to utilize own shares for this purpose and to the extent the company holds own shares as of the due date of the remuneration claim. Otherwise the remuneration shall be paid in cash. The value of the shares is determined by the average closing price of the company's stock on Xetra (or a comparable successor system) in Frankfurt/Main of the twenty trading days before the due date of remuneration. If the calculation does not result in a whole number of shares, the number of shares shall be rounded down and the difference be paid in cash. For the shares received by way of remuneration, a holding period of three calendar years applies as of the shares' respective grant date.

9.3 The chairman of the Supervisory Board shall receive two times the remuneration and the vice chairman shall receive one and a half times the remuneration according to Section 9.1.

9.4 The remuneration corresponds to one full fiscal year. For parts of a fiscal year, remuneration is paid in proportion.

9.5 The company reimburses each member of the Supervisory Board for the sales tax levied on his or her remuneration.

9.6 The members of the Supervisory Board shall be included in and covered by an existing D&O insurance policy taken out with adequate coverage in the company's interest. Premiums shall be paid by the company."

## **7 Elections to the Supervisory Board**

The current members of the Supervisory Board were elected by the Annual General Meeting of ELMOS Semiconductor Aktiengesellschaft held on May 4, 2010. According to Section 97 (2) sentence 3 AktG (German Stock Corporation Act), the terms of these Supervisory Board members expire as of the end of the Annual General Meeting held on May 17, 2011 as a consequence of the status procedure conducted (cf. agenda item 5). Due to the implementation of the status procedure pursuant to Sections 97 et seq. AktG, the Supervisory Board to be newly elected is composed by two thirds of shareholder representatives and by one third of employee representatives, according to Sections 1 (1) no. 1, 4 (1) DrittelbG (German One-Third Participation Act), Sections 95, 96 (1) AktG. Up to the entry of the amendment to Section 6.1 of the articles of incorporation as proposed under agenda item 5 lit. a) in the company's commercial register, the Supervisory Board will consist – as before – of three members, namely of two shareholder representatives and one employee representative. Only upon entry of the amendment to Section 6.1 of the articles of incorporation as proposed under agenda item 5 lit. a) in the company's commercial register, the number of Supervisory Board members will increase from three

to six, of whom four will be shareholder representatives and two will be employee representatives. On March 23 and 24, 2011, Sven-Olaf Schellenberg and Thomas Lehner were elected employee representatives on the Supervisory Board by the staff. As Sven-Olaf Schellenberg received most of the votes, he will assume his position as of the end of the Annual General Meeting held on May 17, 2011 while Thomas Lehner will join the Supervisory Board upon entry of the amendment to Section 6.1 of the articles of incorporation as proposed under agenda item 5 lit. a) in the company's commercial register. The four shareholder representatives shall be elected by the Annual General Meeting held on May 17, 2011.

The Supervisory Board proposes that

- > the following persons named under lit. a) and b), effective as of the end of the Annual General Meeting held on May 17, 2011, and
- > the following persons named under lit. c) and lit. d), effective upon entry of the amendment to Section 6.1 of the articles of incorporation as proposed under agenda item 5 lit. a) in the company's commercial register,

be elected shareholder representatives on the Supervisory Board up to the end of the Annual General Meeting that decides on the formal approval of the actions of the Supervisory Board for fiscal year 2015, respectively:

- a) **Prof. Dr. Günter Zimmer**, graduate physicist, university professor (ret.), resident of Duisburg
- b) **Dr. Burkhard Dreher**, graduate economist, self-employed economist, resident of Dortmund
- c) **Dr. Klaus Weyer**, graduate physicist, management consultant, resident of Penzberg
- d) **Dr. Klaus Egger**, graduate engineer, self-employed corporate consultant, resident of Steyr-Gleink, Austria

Dr. Burkhard Dreher will assume the function of independent financial expert for the purpose of Section 100 (5) AktG. Following the vote of the Supervisory Board, Prof. Dr. Günter Zimmer intends to seek election as chairman of the Supervisory Board.

Elections to the Supervisory Board are intended to be carried out through separate 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:

- > Prof. Dr. Günter Zimmer
- b) Dolphin Intégration S.A., France, (member of the Board of Directors)
- > Dr. Burkhard Dreher
- a) Arcelor Mittal Eisenhüttenstadt GmbH  
Vattenfall Europe Mining AG

Dr. Klaus Weyer and Dr. Klaus Egger are neither members of other supervisory boards nor of any comparable domestic or international supervisory bodies.

#### **8 Election of the auditor and group auditor for fiscal year 2011 and of the auditor for the review of the interim report on the first six months of fiscal year 2011**

The Supervisory Board proposes that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, be appointed auditor for the audit of the financial statements and the consolidated financial statements for fiscal year 2011 as well as for the review of the interim report on the first six months of fiscal year 2011.

## 9 Resolution on the authorization to acquire and use own shares

At the last Annual General Meeting, the company resolved an authorization for the acquisition and utilization of own shares, limited until May 3, 2015. By the structural modification of the Supervisory Board remuneration proposed under agenda item 6, the remuneration arrangement for the members of the Supervisory Board shall be adjusted. The practical implementation of the revised remuneration structure makes it necessary that the company's own shares may be granted to members of the Supervisory Board by way of remuneration. Therefore the authorization resolved by the Annual General Meeting of May 4, 2010 for the acquisition of own shares shall be enhanced by this purpose. In order to create a uniform and clear provision, the existing authorization shall be suspended and a new authorization for the acquisition of own shares shall be given for a period of five years, i.e. until May 16, 2016.

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 16, 2016. 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 tender offer addressed to all of the company's shareholders.
- d) The Management Board is authorized to use the company's own shares acquired on the basis of aforementioned authorization or previous authorization for the following purposes:
  - > 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 on Xetra (or a comparable successor system) in Frankfurt/Main by more than 10% nor undercut it by more than 20%.
  - > If the shares are acquired by means of a public tender offer 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 closing price on Xetra (or a comparable successor system) in Frankfurt/Main of the last three trading days prior to the day of the public announcement of the tender offer 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 closing price on Xetra (or a comparable successor system) in Frankfurt/Main of 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.



- 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 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 2009 and 2010. The cornerstones of stock option plans 2009 and 2010 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 inspected in the offices 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>. Furthermore, they are sent to shareholders by mail upon request and will be on display at the Annual General Meeting.
- 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 obligations as well as comparable financial instruments issued or sold during the term of this authorization with exclusion 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 servicing 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 obligations, 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 granted and assigned as compensation component (even gratuitously), or, if acquired for one of these purposes by way of a 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 members are determined by the Supervisory Board.
- gg) Shares may be assigned to members of the Supervisory Board as part of their remuneration as determined by the articles of incorporation.

hh) 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 adjusting the proportion of the company's share capital represented by each of the remaining no-par shares. 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 the company's own shares are excluded to the extent that these shares are used according to authorizations described in lit. d) aa) through gg).
- f) The authorization to purchase the company's own shares based on the shareholders' resolution passed at the Annual General Meeting of May 4, 2010, limited until May 3, 2015, is suspended as of the moment the new authorization comes into effect.

## **10 Resolution on the creation of Authorized Capital 2011/I, cancellation of Authorized Capital I and corresponding amendment to the articles of incorporation**

Authorized Capital I of ELMOS Semiconductor Aktiengesellschaft (Section 3.4 of the articles of incorporation) has so far not been used and still amounts to EUR 9,650,000.00. The authorization will expire on May 18, 2011. For this reason new authorized capital shall be created in the amount of EUR 9,707,100 (Authorized Capital 2011/I).

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

- a) The Management Board is authorized, subject to the Supervisory Board's consent, to increase the company's share capital until May 16, 2016 by up to EUR 9,707,100.00 by the issue of new no-par bearer shares against contri-

butions in cash or contributions in kind in one or several transactions (Authorized Capital 2011/I).

If the share capital is increased against contributions in cash, the shareholders shall be granted a subscription right. The shares may be underwritten by credit institutions subject to the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the Supervisory Board's consent, to exclude the shareholders' subscription rights

- > if the new shares are issued at a price that does not materially undercut the stock exchange price and if shares issued with exclusion of subscription rights according to Section 186 (3) sentence 4 AktG do not exceed 10% of the share capital altogether, neither at the time this authorization becomes effective nor at the time it is used. To be taken into account of this 10% limit is the sale of own shares insofar as the transaction takes place during the term of this authorization with the exclusion of subscription rights according to Section 186 (3) sentence 4 AktG. Furthermore, those shares are to be taken into account of this limit that were issued or are to be issued for servicing bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations insofar as the bonds or profit participation rights have been issued during the term of this authorization with the exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG;
- > insofar as it is necessary in order to grant the creditors of bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations issued by ELMOS Semiconductor Aktiengesellschaft or its group companies subscription rights to new shares to the extent they would be entitled to after execution of their conversion privileges or option rights or rather after fulfillment of their conversion obligations;

- > in case of implementing a capital increase against contributions in cash for the issue to employees and executives of ELMOS Semiconductor Aktiengesellschaft, employees of affiliated companies, and freelancers;
- > for fractions.

Moreover, the Management Board is authorized, subject to the Supervisory Board's consent, to exclude the shareholders' subscription rights for capital increases against contributions in kind.

The total amount of shares issued according to this authorization with exclusion of subscription rights against contributions in cash or in kind may not exceed a proportionate amount of the share capital of EUR 4,853,551 (corresponding to 25% of the current share capital); to be taken into account of this 25% limit is the sale of own shares insofar as the transaction takes place during the term of this authorization with the exclusion of subscription rights. Furthermore, those shares are to be taken into account of this limit that were issued or are to be issued for servicing bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations insofar as the bonds or profit participation rights have been issued during the term of this authorization with the exclusion of subscription rights.

Moreover, the Management Board is authorized, subject to the Supervisory Board's consent, to determine all other rights of the shares and the terms and conditions of the issue.

- b) Section 3.4 of the articles of incorporation (Authorized Capital I) is suspended and rephrased as follows:

"3.4 The Management Board is authorized, subject to the Supervisory Board's consent, to increase the company's share capital until May 16, 2016 by up to EUR 9,707,100 by the issue of new no-par bearer shares against contributions in cash or contributions in kind in one or several transactions (Authorized Capital 2011/I).

If the share capital is increased against contributions in cash, the shareholders shall be granted a subscription right. The shares may be underwritten by credit institutions subject to the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the Supervisory Board's consent, to exclude the shareholders' subscription rights

- > if the new shares are issued at a price that does not materially undercut the stock exchange price and if shares issued with exclusion of subscription rights according to Section 186 (3) sentence 4 AktG do not exceed 10% of the share capital altogether, neither at the time this authorization becomes effective nor at the time it is used. To be taken into account of this 10% limit is the sale of own shares insofar as the transaction takes place during the term of this authorization with the exclusion of subscription rights according to Section 186 (3) sentence 4 AktG. Furthermore, those shares are to be taken into account of this limit that were issued or are to be issued for servicing bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations insofar as the bonds or profit participation rights have been issued during the term of this authorization with the exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG;
- > insofar as it is necessary in order to grant the creditors of bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations issued by ELMOS Semiconductor Aktiengesellschaft or its group companies subscription rights to new shares to the extent they would be entitled to after execution of their conversion privileges or option rights or rather after fulfillment of their conversion obligations;
- > in case of implementing a capital increase against contributions in cash for the issue to employees and executives of ELMOS Semiconductor Aktiengesellschaft, employees of affiliated companies, and freelancers;

-> for fractions.

Moreover, the Management Board is authorized, subject to the Supervisory Board's consent, to exclude the shareholders' subscription rights for capital increases against contributions in kind.

The total amount of shares issued according to this authorization with exclusion of subscription rights against contributions in cash or in kind may not exceed a proportionate amount of the share capital of EUR 4,853,551; to be taken into account of this 25% limit is the sale of own shares insofar as the transaction takes place during the term of this authorization with the exclusion of subscription rights. Furthermore, those shares are to be taken into account of this limit that were issued or are to be issued for servicing bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations insofar as the bonds or profit participation rights have been issued during the term of this authorization with the exclusion of subscription rights.

Moreover, the Management Board is authorized, subject to the Supervisory Board's consent, to determine all other rights of the shares and the terms and conditions of the issue."

## **11 Cancellation of Conditional Capital 2004 and amendment to the articles of incorporation**

The share capital is conditionally increased by up to EUR 145,244.00 (Conditional Capital 2004). The conditional capital increase exclusively serves the granting of subscription rights to Management Board members, executives, and employees of the company as well as members of the management and employees of affiliated companies (stock option plan 2004). Based on stock option plan 2004 there are no more subscription rights to shares of the company. The conditional capital according to Section 3.5 of the articles of incorporation shall therefore be cancelled.

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

Section 3.5 of the articles of incorporation is suspended. Previous Sections 3.6 through 3.8 become Sections 3.5 through 3.7 of the articles of incorporation.

## **12 Resolution on the approval of a profit transfer agreement between ELMOS Semiconductor Aktiengesellschaft and ELMOS Semiconductor Süd GmbH (in the future: ELMOS Central IT Services GmbH)**

ELMOS Semiconductor Aktiengesellschaft (hereinafter also referred to as "ELMOS AG") and ELMOS Semiconductor Süd GmbH, to be renamed ELMOS Central IT Services GmbH (hereinafter also referred to as "ELMOS IT"), a wholly owned subsidiary of ELMOS AG, concluded a profit transfer agreement on March 21, 2011.

Supervisory Board and Management Board propose the approval of the conclusion of the profit transfer agreement.

The profit transfer agreement between ELMOS AG and ELMOS IT has the following subject:

### Section 1

#### Profit transfer/Loss transfer

- (1) ELMOS IT undertakes to transfer its entire profit, in accordance with the provisions of Section 301 AktG (German Stock Corporation Act) in its currently valid version, i.e. under the conditions for profit transfer agreements with stock corporations and in the scope governed therein, to ELMOS AG, beginning in the fiscal year during which the existence of this agreement is entered in the commercial register responsible for the business location of ELMOS IT, subject to the creation or the release of reserves according to para. 2.
- (2) ELMOS IT may, subject to the consent of ELMOS AG, allocate amounts out of the net income to other retained earnings (Section 272 (3) HGB (German Commercial

Code)) insofar as this is permitted under commercial law and economically justified based on reasonable economic assessment. Other retained earnings (Section 272 (3) HGB) accrued during the term of this agreement must be released on the request of ELMOS AG and used for compensation of net loss or transferred as profit. The transfer of amounts from the release of other reserves according to sentence 2 accrued before the effective date of this agreement is excluded.

Amounts from the release of additional paid-in capital according to Section 272 (2) no. 4 HGB may neither be transferred nor used for compensation of net loss.

- (3) ELMOS AG is obligated to compensate any net loss of ELMOS IT according to the provisions of Section 302 AktG in its currently valid version, i.e. under the conditions for profit transfer agreements with stock corporations and in the scope governed therein.
- (4) The net result is determined with a value date in correspondence with the reporting date of the financial statements of ELMOS IT. The obligation for profit transfer or loss compensation arises as of the reporting date of ELMOS IT and falls due as of that date.
- (5) The payment obligation must be fulfilled no later than 3 months after the financial statements of ELMOS IT have been adopted. It earns interest according to Sections 352, 353 HGB from maturity until settlement by payment or entry in the clearing accounts maintained by ELMOS AG and ELMOS IT.

## Section 2

### Effective date and term of contract

- (1) The agreement is concluded subject to the consent of the shareholders' meeting of ELMOS IT and the consent of the Annual General Meeting of ELMOS AG. It becomes effective upon entry of its existence in the commercial register responsible for the business location of ELMOS IT with

retroactive force as of the beginning of the fiscal year of ELMOS FM during which this agreement becomes effective.

- (2) This agreement has a fixed term of five full years as of the beginning of the fiscal year of ELMOS IT during which the agreement is entered in the commercial register responsible for the business location of ELMOS IT. The agreement is extended by another year, respectively, subject to the same right of cancellation, unless it is cancelled by one of the parties no later than six months before its expiration. Insofar as the end of the term according to sentence 1 or an extension according to sentence 2 does not coincide with the end of a fiscal year of ELMOS IT, the term is extended until the end of the respective current fiscal year. Cancellation of the agreement must be in writing.
- (3) The right to cancel the agreement for good cause without observance of a cancellation period remains unaffected.

ELMOS AG is particularly entitled to cancellation for good cause if it does not have the majority of voting rights granted by shares in ELMOS IT anymore or if the conditions of a corporate tax entity according to the currently valid provisions of the German Corporate Income Tax Act are not met anymore.

ELMOS AG is also entitled to cancellation for good cause if one of the parties is reorganized in accordance with the provisions of the German Transformation Act insofar as the agreement is not terminated already as a legal consequence of the transformation.

In the event of a cancellation for good cause, ELMOS AG is obligated only to compensate the proportionate losses incurred by ELMOS IT until the termination of the contract due to the cancellation for good cause. Likewise, ELMOS IT is obligated only to transfer proportionate profits until the termination of the contract due to the cancellation for good cause.

(4) Upon termination of the contract, ELMOS AG is obligated to offer security to the creditors of ELMOS IT in accordance with Section 303 AktG.

### Section 3 Final provisions

(1) The parties agree on the application of German law.

If one of the provisions of this agreement either is or becomes null and void, or cannot be enforced, or if there is a gap in the agreement, the validity or enforceability of all remaining provisions of this agreement shall remain unaffected. Instead of the provision that is null and void or unenforceable, or to fill in the gap, the parties undertake to agree on an appropriate provision that comes as close as possible to the original intention of the parties or to the intention the parties would have had if they had considered the issue.

The Management Board of ELMOS AG has prepared a joint report together with the management of ELMOS IT on the profit transfer agreement in accordance with Section 293a AktG in which the contract and its subject are explained in detail with respect to the legal and economic aspects.

As ELMOS IT is a wholly owned subsidiary of ELMOS AG, an examination of the profit transfer agreement pursuant to Section 293b (1) AktG was not necessary.

As of the convening of the Annual General Meeting, the following documents are available for inspection of the shareholders in the offices of ELMOS Semiconductor Aktiengesellschaft in 44227 Dortmund, Heinrich-Hertz-Str. 1, and of ELMOS Semiconductor Süd GmbH in 44227 Dortmund, Heinrich-Hertz-Str. 1, during business hours:

-> the profit transfer agreement between ELMOS AG and ELMOS IT;

-> the joint report of the Management Board of ELMOS AG and the management of ELMOS IT prepared in accordance with Section 293a AktG;

-> the financial statements and management reports of ELMOS AG for fiscal years 2008, 2009, and 2010;

-> the financial statements of ELMOS IT for fiscal years 2008, 2009, and 2010.

The above-mentioned documents will also be on display at the Annual General Meeting on May 17, 2011 for inspection of the shareholders and they are available on the Internet at [www.elmos.de/englisch/investor-relations/annual-general-meeting](http://www.elmos.de/englisch/investor-relations/annual-general-meeting) for download. On request they will also be sent to shareholders by mail free of charge.

## **13** Resolution on the approval of a profit transfer agreement between ELMOS Semiconductor Aktiengesellschaft and GfH Gesellschaft für Halbleiterprüftechnik mbH (in the future: ELMOS Facility Management GmbH)

ELMOS Semiconductor Aktiengesellschaft (hereinafter also referred to as "ELMOS AG") and GfH Gesellschaft für Halbleiterprüftechnik mbH, to be renamed ELMOS Facility Management GmbH (hereinafter also referred to as "ELMOS FM"), a wholly owned subsidiary of ELMOS AG, concluded a profit transfer agreement on March 21, 2011.

Supervisory Board and Management Board propose the approval of the conclusion of the profit transfer agreement.

The profit transfer agreement between ELMOS AG and ELMOS FM has the following subject:

## Section 1

### Profit transfer/Loss transfer

1) ELMOS FM undertakes to transfer its entire profit, in accordance with the provisions of Section 301 AktG (German Stock Corporation Act) in its currently valid version, i.e. under the conditions for profit transfer agreements with stock corporations and in the scope governed therein, to ELMOS AG, beginning in the fiscal year during which the existence of this agreement is entered in the commercial register responsible for the business location of ELMOS FM, subject to the creation or the release of reserves according to para. 2.

(2) ELMOS FM may, subject to the consent of ELMOS AG, allocate amounts out of the net income to other retained earnings (Section 272 (3) HGB (German Commercial Code)) insofar as this is permitted under commercial law and economically justified based on reasonable economic assessment. Other retained earnings (Section 272 (3) HGB) accrued during the term of this agreement must be released on the request of ELMOS AG and used for compensation of net loss or transferred as profit. The transfer of amounts from the release of other reserves according to sentence 2 accrued before the effective date of this agreement is excluded.

Amounts from the release of additional paid-in capital according to Section 272 (2) no. 4 HGB may neither be transferred nor used for compensation of net loss.

(3) ELMOS AG is obligated to compensate any net loss of ELMOS FM according to the provisions of Section 302 AktG in its currently valid version, i.e. under the conditions for profit transfer agreements with stock corporations and in the scope governed therein.

(4) The net result is determined with a value date in correspondence with the reporting date of the financial statements of ELMOS FM. The obligation for profit transfer or loss compensation arises as of the reporting date of ELMOS FM and falls due as of that date.

(5) The payment obligation must be fulfilled no later than 3 months after the financial statements of ELMOS FM have been adopted. It earns interest according to Sections 352, 353 HGB from maturity until settlement by payment or entry in the clearing accounts maintained by ELMOS AG and ELMOS FM.

## Section 2

### Effective date and term of contract

(1) The agreement is concluded subject to the consent of the shareholders' meeting of ELMOS FM and the consent of the Annual General Meeting of ELMOS AG. It becomes effective upon entry of its existence in the commercial register responsible for the business location of ELMOS FM with retroactive force as of the beginning of the fiscal year of ELMOS FM during which this agreement becomes effective.

(2) This agreement has a fixed term of five full years as of the beginning of the fiscal year of ELMOS FM during which the agreement is entered in the commercial register responsible for the business location of ELMOS FM. The agreement is extended by another year, respectively, subject to the same right of cancellation, unless it is cancelled by one of the parties no later than six months before its expiration. Insofar as the end of the term according to sentence 1 or an extension according to sentence 2 does not coincide with the end of a fiscal year of ELMOS FM, the term is extended until the end of the respective current fiscal year. Cancellation of the agreement must be in writing.

(3) The right to cancel the agreement for good cause without observance of a cancellation period remains unaffected.

ELMOS AG is particularly entitled to cancellation for good cause if it does not have the majority of voting rights granted by shares in ELMOS FM anymore or if the conditions of a corporate tax entity according to the currently valid provisions of the German Corporate Income Tax Act are not met anymore.

ELMOS AG is also entitled to cancellation for good cause if one of the parties is reorganized in accordance with the provisions of the German Transformation Act insofar as the agreement is not terminated already as a legal consequence of the transformation.

In the event of a cancellation for good cause, ELMOS AG is obligated only to compensate the proportionate losses incurred by ELMOS FM until the termination of the contract due to the cancellation for good cause. Likewise, ELMOS FM is obligated only to transfer proportionate profits until the termination of the contract due to the cancellation for good cause.

- (4) Upon termination of the contract, ELMOS AG is obligated to offer security to the creditors of ELMOS FM in accordance with Section 303 AktG.

### Section 3 Final provisions

- (1) The parties agree on the application of German law.

If one of the provisions of this agreement either is or becomes null and void, or cannot be enforced, or if there is a gap in the agreement, the validity or enforceability of all remaining provisions of this agreement shall remain unaffected. Instead of the provision that is null and void or unenforceable, or to fill in the gap, the parties undertake to agree on an appropriate provision that comes as close as possible to the original intention of the parties or to the intention the parties would have had if they had considered the issue.

The Management Board of ELMOS AG has prepared a joint report together with the management of ELMOS FM on the profit transfer agreement in accordance with Section 293a AktG in which the contract and its subject are explained in detail with respect to the legal and economic aspects.

As ELMOS FM is a wholly owned subsidiary of ELMOS AG, an examination of the profit transfer agreement pursuant to Section 293b (1) AktG was not necessary.

As of the convening of the Annual General Meeting, the following documents are available for inspection of the shareholders in the offices of ELMOS Semiconductor Aktiengesellschaft in 44227 Dortmund, Heinrich-Hertz-Str. 1, and of GfH Gesellschaft für Halbleiterprüftechnik mbH in 44227 Dortmund, Heinrich-Hertz-Str. 1, during business hours:

- > the profit transfer agreement between ELMOS AG and ELMOS FM;
- > the joint report of the Management Board of ELMOS AG and the management of ELMOS FM prepared in accordance with Section 293a AktG;
- > the financial statements and management reports of ELMOS AG for fiscal years 2008, 2009, and 2010;
- > the financial statements of ELMOS FM for fiscal years 2008, 2009, and 2010.

The above-mentioned documents will also be on display at the Annual General Meeting on May 17, 2011 for inspection of the shareholders and they are available on the Internet at [www.elmos.de/investor-relations/hauptversammlung](http://www.elmos.de/investor-relations/hauptversammlung) for download. On request they will also be sent to shareholders by mail free of charge.



## Reports of the Management Board

### **Report on agenda item 9 (authorization for the acquisition and utilization of own shares) according to Section 71 (1) no. 8 in conjunction with Section 186 (3) sentence 4, (4) sentence 2 AktG**

At the last Annual General Meeting, the company resolved an authorization for the acquisition and utilization of own shares, limited until May 3, 2015. By the structural modification of the Supervisory Board remuneration proposed under agenda item 6, the remuneration arrangement for the members of the Supervisory Board shall be adjusted. The practical implementation of the revised remuneration structure makes it necessary that the company's own shares may be granted to members of the Supervisory Board by way of remuneration. Therefore the authorization resolved by the Annual General Meeting of May 4, 2010 for the acquisition of own shares shall be enhanced by this purpose. In order to create a uniform and clear provision, the existing authorization shall be suspended and a new authorization for the acquisition of own shares shall be given for a period of five years, i.e. until May 16, 2016.

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 means of a public 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 allocation of shares 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 parcels, thereby simplifying the technical implementation.

The ELMOS stock option plans 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 enable the Management Board, subject to the Supervisory Board's consent, to service stock option plans 2009 and 2010 also by the prior acquisition of the company's own shares. The dilution of existing shareholders' equity by an otherwise necessary capital increase is thus avoided in particular. The decision on how the options are serviced in the individual case is made by the respective company boards; they will let themselves be governed solely by the interests of the shareholders and the company and will report on their decision at each following Annual General Meeting.

Moreover, the Management Board shall be enabled to sell repurchased shares with exclusion 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 of 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 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 with exclusion of the shareholders' subscription rights in direct or indirect application of Section 186 (3) sentence 4 AktG (German Stock Corporation Act). 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 exclusion 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 toward the stock exchange price of the share of ELMOS Semiconductor Aktiengesellschaft. The Management Board will report to the Annual General Meeting on each use of this authorization.

In addition, 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 components (even gratuitously). Insofar as the company's own shares have been acquired for one of the above-mentioned purposes by way of a 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 of incentive and employee commitment to the company are in the company's interest. The exclusion 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 by way of remuneration on these grounds have an additional interest to work towards the company's increase in shareholder value as expressed by its stock exchange 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 which also decides on the terms and conditions 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 excluded not excessively and only in the company's interest.

The option to assign shares of the company to members of the Supervisory Board as part of their remuneration as determined by the articles of incorporation with the exclusion of shareholders' subscription rights shall also be made possible. According to the proposal under agenda item 6 for an amendment to Section 9 of the company's articles of incorporation (remuneration of the Supervisory Board) provides that 25 percent of the fixed remuneration and 100 percent of the variable remuneration shall be paid to the members of the Supervisory Board in the company's shares insofar as the company is authorized to utilize own shares for this purpose and to the extent the company holds own shares as of the due date of the remuneration claim. The value of the shares is determined by the average closing price of the company's stock on Xetra (or a comparable successor system) in Frankfurt/Main of the twenty trading days before the due date of remuneration. Granting shares instead of a cash payment is not dependent on a certain stock price. If the calculation results in a fractional amount of shares, the number of shares shall be rounded down to the next whole number and the difference be paid in cash. For the shares received by way of remuner-

ation, a holding period of three calendar years applies as of the shares' respective grant date. The interest of the members of the Supervisory Board in a long-term and sustainable governance and development of the company shall thus be strengthened. In order to facilitate the practical implementation of the new remuneration structure, the Management Board shall be enabled to assign shares of the company to members of the Supervisory Board as part of their remuneration as determined by the articles of incorporation with the exclusion of the shareholders' subscription rights.

Finally, 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 retirement of shares 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.

#### **Report on agenda item 10 (creation of Authorized Capital 2011/I)**

Section 3.4 of the articles of incorporation of ELMOS Semiconductor Aktiengesellschaft provides for authorized capital (Authorized Capital I). Authorized Capital I has so far not been used and still amounts to EUR 9,650,000.00. The authorization will expire on May 18, 2011. For this reason new authorized capital shall be created in the amount of EUR 9,707,100 (Authorized Capital 2011/I).

Management Board and Supervisory Board therefore propose that the previous Authorized Capital I be suspended and that a new Authorized Capital 2011/I in the amount of EUR 9,707,100 be created.

The proposed scope of EUR 9,707,100 equals 50.0% in relation to the company's current share capital.

The Authorized Capital 2011/I is proposed as ELMOS Semiconductor Aktiengesellschaft must be in the position to act swiftly and flexibly in the changing markets at any time in the interest of the shareholders. The Management Board therefore regards it as its duty to assure that the company – regardless of specific plans for utilization – will always have the necessary instruments for raising capital at its disposal. As decisions on the fulfillment of capital requirements usually must be made on short notice, it is important that the company will not be dependent on the rhythm of Annual General Meetings in this regard. With the instrument of Authorized Capital, the legislator has made allowance for this prerequisite. Strengthening the equity base and financing investments are the predominant causes for the utilization of authorized capital.

If the Authorized Capital 2011/I is used by capital increases against contributions in cash, the shareholders generally have a subscription right.

Subject to the Supervisory Board's consent, however, the proposal provides for the optional exclusion of this subscription if the new shares, in the event of a capital increase against contributions in cash according to Section 186 (3) sentence 4 AktG (German Stock Corporation Act), are issued at a price that does not materially undercut the stock exchange price. This authorization makes it possible for the company to cease market opportunities in its various fields of business swiftly and flexibly and to meet any arising capital requirements on very short notice if necessary. The exclusion of the subscription right thus not only facilitates swifter action but also the placement of shares at a price that approximates the stock exchange price, i.e. without the significant discount usually required for the issue of subscription rights. This leads to higher issue proceeds in the interest of the company. Moreover, with such a placement new shareholder groups can be targeted. In making use of the authorization, the Management Board will determine the discount as low as possible accord-

ing to the prevailing market conditions at the time of placement. The shares issued with exclusion of subscription rights according to Section 186 (3) sentence 4 AktG may not exceed 10% of the share capital altogether, neither at the time this authorization becomes effective nor at the time it is used.

To be taken into account of this 10% limit is the sale of own shares insofar as the transaction takes place during the term of this authorization with the exclusion of subscription rights according to Section 186 (3) sentence 4 AktG. Furthermore, those shares are to be taken into account of this limit that were issued or are to be issued for servicing bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations as well as comparable financial instruments (hereinafter collectively referred to as "bonds") insofar as the bonds or profit participation rights have been issued during the term of this authorization with the exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG. These conditions make allowance for the interest of the shareholders with respect to the protection against the dilution of their shares in compliance with the statutory provisions. Each shareholder generally has the option to purchase the shares necessary to maintain the respective shareholding at comparable conditions on the stock exchange as the issue price of the new shares will approximate the stock exchange price and due to the limitation of the volume of the capital increase with exclusion of subscription rights. It is thus assured that the utilization of the Authorized Capital 2011/I with exclusion of subscription rights will adequately protect financial interests and voting rights interests while additional maneuvering room will be opened to the company in the interest of all shareholders.

Moreover, the exclusion of the subscription right shall be an option insofar as it is necessary in order to grant the creditors of bonds issued or to be issued subscription rights to new shares if the terms and conditions of the respective bond provide for it. Terms and conditions of such bonds usually provide for protection against dilution. If shares with subscription rights are issued below the current stock exchange price after the issue of the bond, the value – at otherwise

unchanged conditions – of the conversion privileges or option rights of the creditors of bonds is decreased. For the protection of creditors of bonds, the creditors are usually granted a discount on the option or conversion price for later issues of stock with shareholders' subscription rights; another option is to grant the creditors a subscription right to new shares, such as granted to the shareholders, according to the conditions of the bonds. The creditors of bonds are thus treated as if they had already exercised their option right or conversion privilege or if the conversion obligation were fulfilled. The exclusion of the shareholders' subscription right is necessary to enable the company to grant such a subscription right to the creditors of bonds. The option to grant stock to the creditors instead of reducing the option or conversion price can be economically more favorable for the company. By granting stock instead of a discount on the option or conversion price, the company can achieve a higher issue price for the shares to be issued in the event of conversion or the exercise of options.

The exclusion of the subscription right shall also be an option in order to issue shares to employees and executives of the company, employees of affiliates and freelancers by way of a capital increase against contributions in cash. This authorization for the exclusion of the subscription right shall enable the company to grant another form of share-based payment by the issue of shares to the staff and thus to commit them even more to the company or rather to win new qualified employees for the company. The new Authorized Capital 2011/I thus enhances the existing option for the issue of new shares resolved at the Annual General Meeting of May 4, 2010 and May 17, 2011 under agenda item 9. The Management Board will be governed in the arrangement and the kind of the terms and conditions of employee shares solely by the interest of the shareholders and the company and it will particularly take into account the interest of the existing shareholders in avoiding a dilutive effect by the issue of new shares as far as possible. The Management Board will report on its decisions and the number of shares issued in this context.

Furthermore, the Management Board shall be enabled, subject to the Supervisory Board's consent, to exclude fractions

from the shareholders' subscription right. This makes the utilization of the authorization possible through round amounts. The implementation of an issue is thus made easier. These new shares excluded from the subscription right are used in the best possible way in the company's interest.

Finally, the exclusion of the subscription right shall be possible in the event of capital increases against contributions in kind. The Management Board will thus be enabled to have the company's shares at its disposal in order to use them in suitable individual cases in connection with the acquisition of companies, investments or other assets. Negotiations may by all means bring up the necessity not to provide money as consideration but shares. The option to offer the company's shares as consideration therefore creates an advantage in the competition for interesting acquisition targets as well as the necessary maneuvering room for seizing opportunities that open up for the acquisition of companies, investments, or other assets while preserving the company's liquidity. Even under the aspect of an optimized financing structure, payment in shares can make sense. The company will not incur any disadvantages as the issue of shares against contributions in kind requires that the relation of the value of the contribution in kind to the value of the shares is appropriate.

It shall also be an option to use the Authorized Capital 2011/I with exclusion of shareholders' subscription rights for servicing conversion privileges and option rights originating from such bonds for which the subscriber has not made a contribution in cash but a contribution in kind. This makes it possible to use convertible bonds or bonds with warrants (or convertible profit-participation rights) as "acquisition currency" in connection with the acquisition of companies, investments, or other assets, and thus also improves the company's opportunities in the competition for interesting acquisition targets.

The total amount of shares issued according to this authorization with exclusion of subscription rights against contributions in cash or in kind may not exceed a proportionate amount of the share capital of EUR 4,853,551 (corresponding to 25% of the current share capital); to be taken into account of this 25% limit is the sale of own shares insofar as the transaction takes place during the term of this authorization with the exclusion of subscription rights. Furthermore, those shares are to be taken into account of this limit that were issued or are to be issued for servicing bonds (including profit participation rights) linked to conversion privileges or option rights or rather conversion obligations insofar as the bonds or profit participation rights have been issued during the term of this authorization with the exclusion of subscription rights. This means that the Management Board may exclude subscription rights only to the extent that exclusions of subscription rights according to the Authorized Capital 2011/I to be resolved under agenda item 10 and with respect to bonds issued during the term of the authorization involve a maximum number of shares up to a total proportionate amount of the share capital of EUR 4,853,551. This limit guarantees a corresponding cap on the exclusions of subscription rights and confines the potential dilution of shareholders excluded from subscription.

The Management Board will duly examine in each individual case whether it will make use of the authorization for a capital increase with the exclusion of shareholders' subscription rights. It will make use of the authorization only if Management Board and Supervisory Board share the opinion that it is in the interest of the company and thus in the interest of the company's shareholders.

The Management Board will report to the Annual General Meeting on each use of this authorization.

## Total numbers of shares and voting rights

The company's share capital comes to EUR 19,414,205.00 as of the convening of the Annual General Meeting and is divided into 19,414,205 no-par ordinary bearer shares. Each no-par share grants one vote in the General Meeting.

Please note that the company holds 119,607 own shares as of the convening of the Annual General Meeting. According to Section 71b AktG (German Stock Corporation Act), the company cannot derive any rights from these shares, particularly no voting rights.

## 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 share ownership, issued by their depository bank, to the company at the following address:

ELMOS Semiconductor Aktiengesellschaft  
c/o Deutsche Bank Aktiengesellschaft  
Securities Production  
– General Meetings –  
Postfach 20 01 07  
60605 Frankfurt am Main, Germany  
Fax: +49 69 12012 86045  
E-mail: WP.HV@Xchanging.com

The proof of share ownership must refer to the point in time as defined by the German Stock Corporation Act, i.e. the beginning of the 21<sup>st</sup> day prior to the General Meeting (record date), thus to the **beginning of April 26, 2011**, and must be received by the company together with the registration before **midnight of May 10, 2011** at said address. Registration and proof of share ownership must be in text form (Section 126b BGB (German Civil Code)) composed either in 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 sole 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 at a later time are not entitled to participation or the exercise of voting rights, unless they are insofar empowered or authorized to exercise those rights. The record date has no relevance to the entitlement to dividend.

Upon the company's receipt of registration and proof of share ownership, 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 depository bank in good time. In this case, the required registration and the submission of proof of share ownership are provided by the depository bank.

## Proxy voting procedure

### Granting power of proxy

Voting rights may be exercised by proxies. If neither a credit institution nor a shareholders' association nor another entity comparable to a credit institution in accordance with Section 135 (8) and (10) AktG (German Stock Corporation Act) 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 (German Civil Code)).

For our shareholders' convenience, we provide the option for 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 share ownership must be made in due time according to the above-mentioned regulations.

Statutory provisions apply, Section 135 AktG in particular, to 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. 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 kindly 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 (0)231/7549-548  
E-mail: [hauptversammlung@elmos.eu](mailto:hauptversammlung@elmos.eu)

On 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 authorize 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 May 13, 2011 (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: [elmos2011@itteb.de](mailto:elmos2011@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](http://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 comes to a twentieth of the share capital or the pro-rata amount of EUR 500,000 (corresponding with 500,000 shares) are entitled to request, in accordance with Section 122 (2) AktG (German Stock Corporation Act), that topics 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 General Meeting, not including the day of receipt and the day the General Meeting is held. The last possible date of receipt is thus Saturday, **April 16, 2011 before midnight**.

We kindly 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 – unless announced already upon the convening of the AGM – are 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](http://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 (German Stock Corporation Act) 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 together with an explanatory statement and proof of shareholder capacity at least 14 days prior to the Annual General Meeting, i.e. before **midnight of May 2, 2011**, at the following address:

Hauptversammlungsstelle  
ELMOS Semiconductor Aktiengesellschaft  
Heinrich-Hertz-Straße 1  
44227 Dortmund, Germany  
Fax: +49 (0)231/7549-548  
E-mail: [hauptversammlung@elmos.eu](mailto:hauptversammlung@elmos.eu)

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



Even if countermotions and election proposals are submitted to the company in advance, they will be regarded in the Annual General Meeting only if they are proposed or submitted orally in the General Meeting again. The shareholders' right to propose countermotions or submit election proposals at the General Meeting even without prior submission to the company remains unaffected.

### 3. Requests for information

In accordance with Section 131 (1) AktG (German Stock Corporation Act), 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 affiliates. The duty to provide information furthermore includes the situation of the ELMOS 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 (German Stock Corporation Act) are available on the Internet at [www.elmos.de/englisch/investor-relations/annual-general-meeting](http://www.elmos.de/englisch/investor-relations/annual-general-meeting).

## Publication of the invitation to the Annual General Meeting and of other documents relating to the Annual General Meeting

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

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

The convening of the Annual General Meeting is announced in the electronic Federal Gazette of March 31, 2011 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 the entire length of the Annual General Meeting live on the Internet ([www.elmos.de](http://www.elmos.de)) on May 17, 2011 starting at 10:00 a.m., by order of the AGM's chairman. Unrestricted online access to the live webcast will be made available at [www.elmos.de/englisch/investor-relations/annual-general-meeting](http://www.elmos.de/englisch/investor-relations/annual-general-meeting).

Dortmund, March 2011

ELMOS Semiconductor Aktiengesellschaft  
The Management Board

## General Information

### Admission

The doors to the Annual General Meeting will open on May 17, 2011 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 bus terminal

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	2006	2007	2008	2009	2010
Sales	160.7	176.1	175.1	123.8	184.7
Sales growth	9.3%	9.6%	-0.6%	-29.3%	49.2%
Gross profit	73.0	73.1	75.6	35.9	83.8
Gross margin	45.5%	41.5%	43.2%	29.0%	45.3%
Research and development expenses	29.6	30.9	31.6	25.3	29.6
Research and development expenses in % of sales	18.4%	17.5%	18.1%	20.4%	16.0%
EBIT	19.8	15.2	16.5	-15.8	23.1
EBIT in % of sales	12.3%	8.6%	9.4%	-12.8%	12.5%
Income before income taxes	17.3	12.2	14.7	-17.3	21.7
Income before income taxes in % of sales	10.8%	6.9%	8.4%	-14.0%	11.7%
Net income/ (Net loss)	10.7	8.8	10.6	-12.2	17.8
Net income margin	6.7%	5.0%	6.1%	-9.9%	9.6%
Earnings per share in Euro	0.55	0.45	0.55	-0.63	0.92
Total assets <sup>1</sup>	240.3	244.8	245.3	221.7	249.2
Shareholders' equity <sup>1</sup>	147.2	155.4	166.4	154.4	172.3
Equity ratio <sup>1</sup>	61.3%	63.5%	67.9%	69.6%	69.1%
Financial liabilities	65.0	54.0	40.6	40.8	40.5
Cash, cash equivalents and marketable securities	16.6	42.9	42.5	46.8	67.3
Net cash/ (Net debt)	-48.4	-11.1	1.8	6.0	26.8
Cash flow from operating activities	28.5	30.8	22.5	9.4	30.0
Capital expenditures	26.4	24.5	20.8	7.4	12.4
Capital expenditures in % of sales	16.4%	13.9%	11.9%	6.0%	6.7%
Cash flow from investing activities	-19.9	-1.4	-12.2	-5.5	-17.5
Free cash flow <sup>2</sup>	8.6	29.4	10.3	3.9	12.5
Adjusted free cash flow <sup>3</sup>	2.2	6.3	1.7	2.1	20.6
Dividend per share in Euro	0.00	0.00	0.00	0.00	0.20 <sup>4</sup>
Employees on annual average	1,131	1,177	1,117	1,038	990

<sup>1</sup> For adjustments of prior-year values please refer to "General notes" in the notes to the consolidated financial statements of the full annual report 2010

<sup>2</sup> Cash flow from operating activities less cash flow from investing activities

<sup>3</sup> Cash flow from operating activities plus investments in marketable securities less capital expenditures

<sup>4</sup> Subject to shareholders' resolution at the Annual General Meeting in May 2011

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

# Management Board



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

## Dr. Anton Mindl

- > CEO | Graduate physicist (born 1957)
- > Management Board member since 2005 | ... appointed until 2015
- > **Key areas of responsibility:** strategy, quality, human resources development, and micromechanics
- > Member of the General Assembly of Dortmund Chamber of Industry and Commerce

## Reinhard Senf

- > Graduate engineer (born 1951)
- > Management Board member since 2001 | ... appointed until 2016
- > **Key areas of responsibility:** manufacturing, assembly, technology development

## Nicolaus Graf von Luckner

- > Graduate economist (born 1949)
- > Management Board member since 2006 | ... appointed until 2013
- > **Key areas of responsibility:** finance, controlling, investor relations, corporate governance, administration, purchasing, information technology

## Jürgen Höllisch

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

## CEO letter

Dear Shareholders,

future mobility in all its variety and diversity will not only change the global society considerably but it will also become an essential driving force behind the future of the company ELMOS. This is why we dedicated our recent customer workshop to this subject, held in the year under report 2010 within the framework of our “25+1”-year anniversary. Together with about 250 customer representatives and partners as well as top-notch speakers, among them Hannelore Kraft, Minister-President of North Rhine-Westphalia, we therefore threw light on “Mobility 2020 and beyond” from many angles. As the feedback was very positive throughout and as we received many further suggestions, we chose to adopt this slogan for our annual report, too. With a few selected topics of focus we want to give you an impression of what will engage us in the future. More people want and have to be more mobile in megacities, leading to totally new demands on infrastructure, logistics, communication, energy supply, and not least the concept of individual mobility itself. All developments required in this context are substantially influenced by electronic innovations.

We learned in our workshop that...

- > it is still a long way to go to “driving without a driver”, but the infrastructure provides us with an increasing amount of data for regional and supra-regional traffic control,
- > our traditional combustion engines still have enormous potential for development with regard to the reduction of fuel consumption but they are also supplemented by electric motors increasingly, so that we will run on electric power in a second step,
- > driver assistance systems will equip the automobile with sensory perception.

Apart from the focus on changes affecting the private vehicle of the years 2020 and beyond, we therefore used our workshop to deliberately go beyond the range of subjects defined by our industry and to hear speeches about further important aspects of mobility of the future, enter into discussions and collect ideas. Subjects included the facts that ...

- > intelligent power generation and supply is a central issue for the future development of cities and societies,
- > electric power will come from the desert, too,
- > megacities pose new challenges to any kind of infrastructure,
- > increases in efficiency are required in all areas and harbor enormous potential,
- > communication will be faster and location independent and communication devices are getting more intuitive,
- > demographic change must always be taken into consideration.

It is remarkable, if not that surprising, that no solution to the challenges of the future will go without the help of electronics. Sensors and special mixed-signal semiconductors are of particular relevance as they are the factors that make the interface between the real world and electronics possible in the first place.

With this annual report, we want to introduce you to just a few selected aspects of mobility 2020 and beyond and the part ELMOS will be able to play in this by way of highlighting a handful of topics, among them population growth, the urbanization in megacities, and networked mobility.

Anyone who wants to play an important role in the international markets of the years 2020 and beyond must set the right course today already. We have done that with a number of decisions: For instance we have enhanced our development potential with a focus on various aspects of mixed-signal technology by expanding our design team at several locations. On the Asian market – the heart of the future’s megacities – we increased our visibility and impact by opening our own sales offices. We sold the special packaging business of our subsidiary ELMOS Advanced Packaging and thus concentrate even more on our core business.

With respect to the general economic conditions 2010 was a good year, bringing an upswing that in its scope had not even been expected by economic experts. We benefited from this positive trend and were one of the very few semiconductor enterprises capable of servicing all customer orders. With us as supplier, allocation was not an issue for our customers. Sales gained almost 50% compared to the previous year and reached 184.7 million Euro, the highest sales figure ELMOS has so far recorded. The gross profit of 83.8 million Euro resulted in a gross margin of 45.3%. The EBIT (earnings before interest and taxes) climbed to 23.1 million Euro, equivalent to an EBIT margin of 12.5% of sales. The net income reached 17.8 million Euro or a margin of 9.6% of sales and thus equals basic earnings per share of 0.92 Euro – another record figure in our corporate history. The adjusted free cash flow of 20.6 million Euro was also strong and the pleasing result of a significantly improved operating performance combined with adequate investments. Thus we over-achieved the original as well as the updated higher targets for growth and earnings. This also has the effect that for the first time since 2004 Supervisory Board and Management Board will propose to the shareholders at the Annual General Meeting the payment of a dividend in the amount of 0.20 Euro per share in order to have our shareholders participate in the company’s success this way, too.

For 2011 ELMOS expects sales between 190 and 200 million Euro or a growth rate between 6% and 12%, based on a 2010 sales figure of 178.6 million Euro adjusted by the sale of the special packaging business. The 2011 EBIT margin will reach or slightly exceed the level of 2010. This forecast allows for cost increases due to higher prices for materials on the global market, rising development expenses and distribution expenses within the framework of the enhancement of product lines and a broader market penetration in Asia. Capital expenditures are scheduled to come to less than 15% of sales. The free cash flow will be positive. The prognosis is based on an exchange rate of 1.30 U.S. dollars per Euro.

Our solid financial base enables us to continue pursuing our strategic goals in 2011:

- > Strengthening our resources in the development of products once more in order to offer our customers an ever growing number of innovative products in the future.
- > Increasing our presence in Asia. New locations make it possible to address customers over "short distance" and give them direct support for their applications.
- > Incorporating our partner MagnaChip into the supply chain for the first time and push the 8-inch expansion of our own manufacture as scheduled.
- > Expanding our sensor portfolio (MEMS) constantly and convincing new customers from different industries of our sensors.

These measures will assure that ELMOS will not only show a positive business performance 2011 again but that the company will also be well prepared for 2020 and beyond.

On behalf of the entire Management Board I would like to give my heartfelt thanks to our customers and partners, to our co-workers, to our Supervisory Board, and to anyone who made a contribution to the success of ELMOS.

If nothing else, we proved in 2010 that we are able to prepare well for the future. But we know this as well: We must give new proof of this ability each and every day.

Sincerely



**Dr. Anton Mindl**

CEO of ELMOS Semiconductor AG

# Group management report | Extract

## Business and economic framework

### Business activity

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

### Extensive product portfolio

The core competence of ELMOS is the development, manufacture and distribution of mixed-signal semiconductors. The mixed-signal technology ELMOS provides is distinguished by the manufacturing of high-voltage components, sophisticated analog functions, and complex digital circuits in one compact process. This combination of rather entirely different requirements in one process is the core of the mixed-signal technology of ELMOS. Semiconductor chips in mixed-signal technologies are particularly suited for applications where the chip must have high packing density and is at the same time required to work under extreme ambient conditions. With respect to the automobile, this means that a mixed-signal chip makes sense wherever processes are analyzed and circuits are connected. An integrated sensor is capable of detecting and analyzing e.g. the rotary angle, acceleration, slope angle, pressure, and even light.

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

The product range is completed by the combination of read-out chips and sensors in one package as so-called microsystems.

Furthermore, the manufacturing subsidiary ELMOS Advanced Packaging B.V. (ELMOS AP) based in Nijmegen, The Netherlands, supported the technology and product portfolio until the end of the year 2010 with the development and manufacture of special packages for electronic semiconductor com-

ponents and sensors. ELMOS sold the special packaging business at the end of the year in order to focus more on the core business.

### ELMOS: the specialist for automotive electronics

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

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

Since its formation, ELMOS has achieved a leading market position as semiconductor manufacturer in the market for automotive electronics. ELMOS chips are used by virtually all automakers worldwide. Immediate competitors in certain sub-segments are austriamicrosystems, Micronas, Melexis, and ON Semiconductor. When it comes to projects involving very high volumes, ELMOS also competes with major semiconductor manufacturers such as Freescale, Infineon, NXP, and STMicroelectronics.



### Potential in the markets for industrial and consumer goods

Apart from the automotive market, ELMOS is also busy in the industrial and consumer goods markets, supplying semiconductors for applications e.g. in household appliances, photo cameras, medical, installation and facility technology, and machine control systems. The contribution to group sales currently amounts to roughly 15%. This sales share is scheduled to rise to 20 to 30% in the medium term.

### 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 some 85% of sales (2009: more than 90%), ELMOS also develops and offers an ever-growing portfolio of application specific standard products (ASSPs).

## Strategy

In the year 2010 ELMOS continued to make progress on schedule in the implementation of its strategy. This investment in the future will pay off from an economic viewpoint, too. The strategic cornerstones and the progress made in their realization are outlined in the following.

### From custom tailor to trendsetter

ELMOS has made a name for itself as a 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 are identified and suitable approaches to solutions are developed – therefore these types of semiconductors are also called “customer specific”. Over the past years there has been a continuing trend towards 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. Just like ASICs they are tailored to an application, yet not developed exclusively for one customer.

ELMOS has been identifying and developing such products for a few years now. The success in the market is encouraging. This was noticeable in 2010 for instance in the direct contact with customers at the globally leading trade shows for electronics, e.g. the “electronica” in Munich. Internal structures are being adjusted constantly to new market conditions in order to strengthen the market position with purpose and competence and to be the first supplier to introduce trend-setting products to the market due to the proximity to many customers.

### Stronger entry into industrial and consumer goods markets

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 these 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. The fields of network systems, lighting concepts, sensorics, and power supply meet with great customer attention.

### Development of the Asian markets

Until a few years ago, ELMOS was positioned almost exclusively on the German and other European markets. The company has gained a foothold in the U.S. market and established valuable contacts there. Over the past years the company successfully took on the development of the Asian market, particularly in South Korea and Japan. In 2010 this effort focused increasingly on China as well. In support of this strategy we have strengthened our sales activities with our own staff and with representatives.

## Strategic partnerships

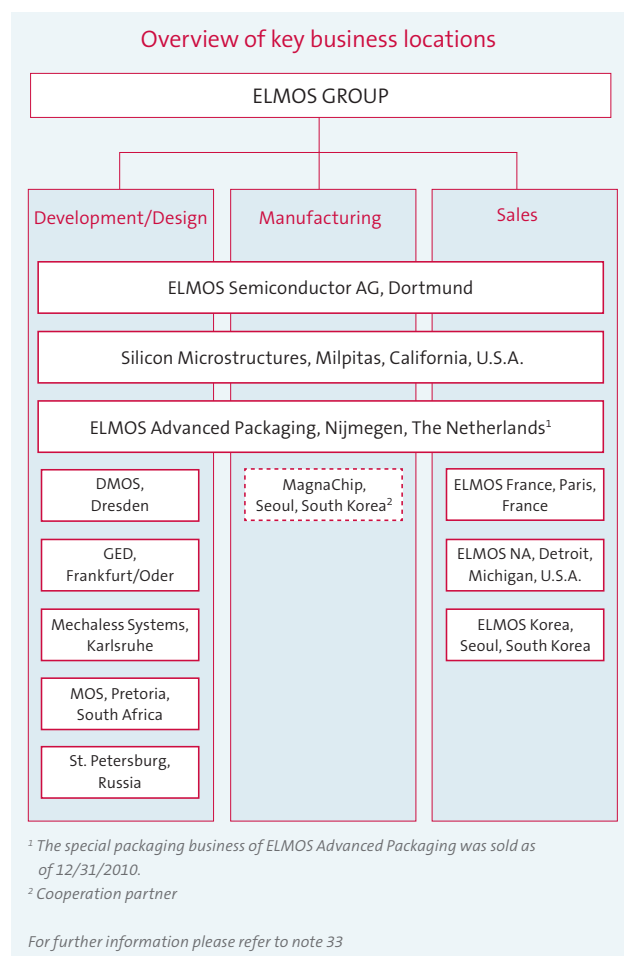
Through strategic cooperations with partners, ELMOS can make useful additions to its own capabilities in order to offer a broader product portfolio in the long term and to thus increase competitiveness. We have forged the most important partnerships for the company's future development with MagnaChip and Renesas (formerly NEC Electronics). With the Korean foundry MagnaChip we are developing a new technology generation. Moreover, this partnership also enables us to purchase processed wafers from MagnaChip. Thus ELMOS is able to cut down on capital expenditure requirements in the medium term and react more flexibly to heavily fluctuating volumes.

The agreement concluded with Renesas includes joint development, mutual access to development and manufacturing services, and joint marketing of products for the automotive and industrial markets. One first product line targets a new communication system used in industrial automation called IO-Link. For this product line jointly developed products are already on the market or close to market introduction.

## Bigger share of microsystems and MEMS

Microsystems, consisting of ASICs or ASSPs and MEMS, will see rising demand over the next years. As one of only a few companies, ELMOS is capable of developing and manufacturing complete microsystems within the ELMOS Group. The development of microsystem projects has been pushed over the past fiscal years to the effect that a microsystem for a safety application entered series production. In addition, a standard microsystem – namely a pressure sensor system suited for applications in the industrial, medical and automotive markets –, is in series production for customer projects. Furthermore, pressure sensors increasingly find successful use in various market segments.

## Organizational structure



The corporate structure of ELMOS is oriented towards demands defined by the customers and the target markets as well as the customers' requirements for innovation, quality, flexibility, and delivery reliability. The resulting tight customer-supplier relationship is reflected by the ELMOS Group's structural layout.

Several branches, subsidiaries and partner companies at various locations in Germany, Europe and all over the world provide sales and application support to the customer on the spot. The main production site for semiconductors is located in Dortmund, the one for MEMS is located in Milpitas/California/U.S.A. The special packaging business located in Nijmegen/The Netherlands was sold at the end of 2010.

The Munich branch and the companies ELMOS France, ELMOS North America, DMOS, Mechaless, and GED provide sales support or development services on location. ELMOS North America services the North American market from its office in Farmington Hills near Detroit/U.S.A. ELMOS is represented in Asia with representatives and an office in South Korea as well as recently with an office and development capacity in Singapore.

In the course of the increased sale of ASSPs and non-automotive products, ELMOS sells its products additionally through various distributors. The ELMOS Group collaborates with a large number of partners in Europe, U.S.A., and Asia. The collaboration facilitates design wins and the logistic realization of new contracts for electronics used in automotive, industrial and consumer goods applications and in medical technology. The distributors are distinguished by a broad customer portfolio, great comprehension of applications, and a high commitment to generate additional business.

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

#### Relationships with affiliated companies

Until it ceased to exist on January 26, 2010, EFH ELMOS Finanzholding GmbH (EFH) directly and indirectly held an interest of approx. 52.9% (roughly 10.3 million shares) in the company's share capital and was thus the largest single shareholder of ELMOS Semiconductor AG. Therefore the Management Board prepared a report on relationships with affiliated companies according to Sections 312/313 AktG (German Corporations Act), concluding with the following declaration pursuant to Section 312 (3) AktG: "We declare in accordance with Section 312 (3) AktG that no reportable events took place in fiscal year 2010." In the course of reorganizing EFH, the shares formerly held by EFH became the property of the following companies: Weyer Beteiligungsgesellschaft mbH (20.5%), Jumakos Beteiligungsgesellschaft mbH (16.7%), and ZOE-VVG GmbH (15.7%).

## General economic framework

### Automotive industry

In **Western Europe**, at some 13 million vehicles new registrations 2010 did not repeat the high mark of 2009 as expected because of the expiry of many national state subsidy plans. With a minus of 5%, however, the decrease in demand was less pronounced than was still predicted at the beginning of the year. Sales in Germany were far below the level of 2009 (-23%), but since September 2010 incoming orders have been picking up again; in December alone they gained roughly 19% on the prior-year month of comparison. In the other European countries, the decline was less significant. France (-2%) and Italy (-9%) also recorded a sales loss for the full year while Spain (+3%) and Great Britain (+2%) slightly exceeded the prior-year values. The somewhat smaller sales markets of Western Europe entered a strong increase in new registrations for 2010. According to the German Association of the Automotive Industry (VDA), car sales were declining only in Greece, by more than a third.

Auto sales in the **U.S.** gained 11%. Overall close to 11.6 million passenger cars were sold on the U.S. market in the past year. The growth of 15% recorded by the German automakers was considerably above average.

**China** was the growth driver of the automotive industry. The passenger car business recorded an increase in demand of more than one third (+34%) in the past year, according to the VDA. With 11.3 million units sold, sales in the People's Republic close to doubled merely over the last two years. Almost each fifth new car in China belongs to a German group brand. New registrations in **Japan** gained 7% in 2010 to 4.2 million automobiles. Up to and including September 2010, the Japanese market was supported by a state economic stimulus program. The car business also performed well in **India** in 2010 as expected. This growth market recorded an increase in the sale of new cars of 31% to 2.4 million units.

**Worldwide**, more than 59 million passenger cars were sold in 2010 according to the University of Duisburg-Essen – a 10.5% plus.

### Electronics industry

The increase in production output of the German electronics industry comes to 12% altogether, according to estimates released by the German Electrical and Electronic Manufacturers' Association (ZVEI). The industry's output is thus only 10% below its pre-crisis 2008 level. The global trends that define 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

In the opinion of the market research institute Gartner Dataquest, 2010 was one of the best years ever for the general semiconductor market. The growth rate compared to 2009 was 31.5%. The market thus easily took the 300-billion-dollar mark. The strongest growth was accounted for by memory components with 49.8% plus. However, these products have shown a slight adjustment since the third quarter of 2010 which is supposed to continue for the next quarters.

### Automotive semiconductor market

Usually the automotive semiconductor market grows even if car production remains constant. This is due to the constantly rising share of electronic systems in the automobile. Fast-growing segments of the past year were safety systems and driver assistance applications. Moreover, improved fuel efficiency is possible only with the help of electronic systems.

According to market researcher Data Beans, the semiconductor market for automotive applications gained 36% in 2010 on the previous year. Following the drastic slump in 2009, the pre-crisis level was thus exceeded already in 2010 (2008: 17.4 million U.S. dollar / 2009: 14.2 million U.S. dollar / 2010: 19.2 million U.S. dollar).



### Production

ELMOS operates semiconductor manufacturing sites in Germany with 6-inch and 8-inch diameter wafers using various CMOS technologies. With investments in new equipment and the conversion from 6-inch machinery to 8-inch wafer diameter, the share of 8-inch wafers in the total manufacturing capacity is gradually increased. This expansion of 8-inch capacity progresses on schedule and safeguards the competitiveness of ELMOS' wafer manufacture. Presently roughly 60% of the total capacity is intended to be converted to 8-inch by the end of 2011. Apart from wafer production, the Dortmund location also includes a test area where wafers and packaged components are subjected to electric tests.

In addition to the German semiconductor production locations, ELMOS has other manufacturing sites: At the location of subsidiary SMI in Milpitas/California/U.S.A., MEMS pressure sensors are manufactured on 6-inch wafers in in-house production.

The subsidiary ELMOS Advanced Packaging based in Nijmegen, The Netherlands, develops and manufactures special packages for silicon chips. The special packaging business of ELMOS Advanced Packaging was sold at the end of 2010 so that ELMOS is able to focus more on the core business involving integrated circuits and MEMS. At the same time, ELMOS secured the know-how for the continued development of special packages, especially for microsystems, by concluding a cooperation agreement with the new owner.

The company's own manufacturing sites are completed by cooperations with contract manufacturers (foundries). In the future these foundries will make additional capacity available if necessary, thus enabling ELMOS to respond flexibly even to heavily fluctuating demand. The opportunity of producing at a foundry partner is also intended to be seized for ASSPs as well as for products intended for the industrial and consumer goods markets. In 2011 ELMOS will receive the first production wafers from the partner foundry MagnaChip and deliver these to the customers in the form of products.

## Research and development

The development activity of ELMOS centers on the market-oriented expansion of the product portfolio. The majority of the company's product development cost is pre-financed by ELMOS and must be amortized through current series production. Obviously this applies in particular for the development of application specific standard products (ASSPs) which are going to represent a larger share of the total sales of ELMOS in the future.

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

The result of such product developments is a number of new semiconductors and sensors; among the products presented in 2010 are the following:

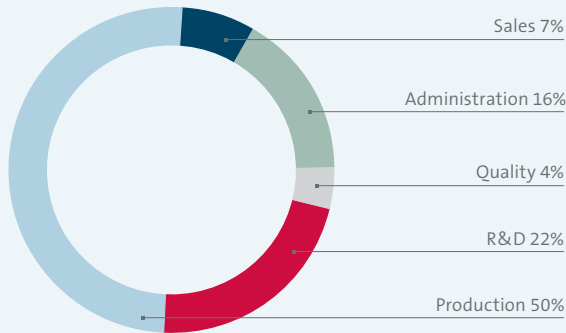
- > The first semiconductor worldwide for safe partial network operation in the automobile (partial CAN). This technology makes a car communicate and run more power-efficiently.
- > A DC/DC converter, distinguished by outstanding efficiency rates and suited e.g. for use in high-performance LED lights, such as LED car headlights, the voltage supply of car audio power amplifiers, or for the design of power converters in the realm of industrial applications.
- > A motor drive IC for use in BLDC motors. Supported by a special procedure (VirtuHall®), a BLDC/PMSM motor can be controlled without any additional external sensors.

The new developments focus on energy-efficient and eco-friendly products. A majority of products has the goal of making the operation of the customer's application more efficient and thus reaching a competitive edge.

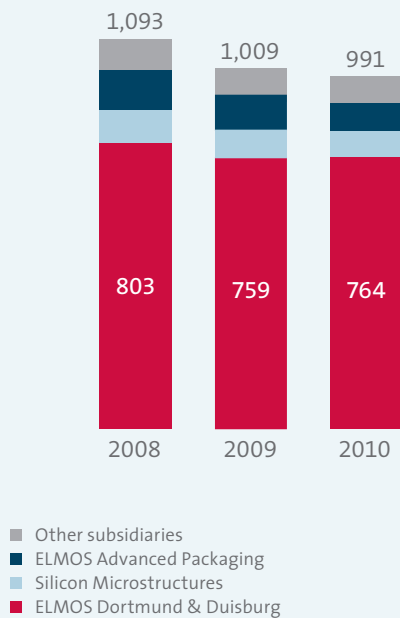
Other focal points were the development of the 0.35µm technology and the capacity expansion for current manufacturing processes. Furthermore, the development of a 0,18µm technology as a joint development with MagnaChip is setting the course so that competitive technologies for product development will also be provided in the future.

Research and development expenses came to 29.6 million Euro or 16.0% of sales in 2010. In view of the company's growth, research and development activities are forced in 2011.

Employees by function  
ELMOS Group (annual average)



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

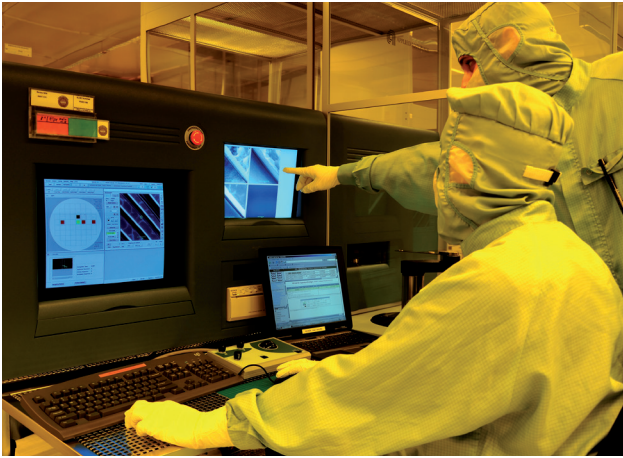


## Employees

For ELMOS as a technology company, the employees' know-how is a particularly crucial factor. Their motivation, expert knowledge and flexibility are the prerequisite to the company's long-term success. Especially with regard to the development of new products and processes, the employees represent the deciding criterion for growth and innovation. At the locations in Dortmund and Duisburg, in Germany's most-populated federal state North Rhine-Westphalia, 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 2010 the Dortmund location had 29 trainees (2009: 36).

The total headcount at the North Rhine-Westphalian locations Dortmund and Duisburg of 764 employees as of December 31, 2010 was essentially stable (December 31, 2009: 759), the number of employees in the ELMOS Group dropped 1.8% by annual comparison to 991 as of the balance sheet date (December 31, 2009: 1,009). The number of ELMOS Group employees on annual average went down as well, to 990 (2009: 1,038). The average age of the staff was 40 years in 2010 (2009: 39 years). These figures include the 69 employees of the special packaging business sold as of December 31, 2010.

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 settled in subcommittees. There are subcommittees for social issues, human relations, personnel development, and economic issues.



Professional training at ELMOS puts an emphasis on future microtechnologists.

In accordance with the German One-Third Participation Act (Drittelbeteiligungsgesetz), the Supervisory Board will be composed to one third of employee representatives. Their terms will begin as of the end of the Annual General Meeting 2011 or upon entry of the amendment to the articles of incorporation in the commercial register, respectively.

## Quality

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



The quality management is certified in accordance with the high requirements of DIN ISO 9001 and ISO/TS 16949.

Regular examinations of the tools and processes put to use, closest attention to the series products from acquisition and development 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 efficient customer support. In-house laboratories scrutinize 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 for compliance with the requirements of DIN ISO 9001 and ISO/TS 16949 in monitoring audits or repeat audits by our certifier.

# Profit, financial and economic situation

## Financial statements according to IFRS

The consolidated financial statements of ELMOS Semiconductor AG for fiscal year 2010 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	2009	2010	Change
Sales	123.8	184.7	49.2%
Gross profit	35.9	83.8	>100%
in %	29.0%	45.3%	
Research and development expenses	25.3	29.6	17.2%
in %	20.4%	16.0%	
Distribution costs	10.6	12.6	18.4%
in %	8.6%	6.8%	
Administrative expenses	14.7	17.8	20.4%
in %	11.9%	9.6%	
Operating income before other operating expenses/ (income)	-14.8	23.8	n/a
in %	-11.9%	12.9%	
EBIT	-15.8	23.1	n/a
in %	-12.8%	12.5%	
Income before taxes	-17.3	21.7	n/a
in %	-14.0%	11.7%	
Net income/(loss)	-12.2	17.8	n/a
in %	-9.9%	9.6%	
Earnings per share (basic) in Euro	-0.63	0.92	n/a
Dividend per share in Euro	0.00	0.20 <sup>1</sup>	

<sup>1</sup> Proposal to the AGM in May 2011

## Sales development

The upswing in 2010 was highly satisfactory and turned out much stronger than predicted even at the beginning of the year under report. ELMOS benefited from this positive development and was one of the very few semiconductor companies capable of satisfying all customer orders. Accordingly, 2010 sales rose by nearly half compared to 2009, from 123.8 million Euro by 49.2% to 184.7 million Euro. This mark indicates the highest sales ELMOS has ever achieved in the company's corporate history. This is proof of the continuing strong demand of the customers for our innovative solutions and the delivery capability of ELMOS.

With respect to the development of the profit, financial and economic situation it must be taken into account that the consolidated financial statements includes the special packaging business of subsidiary ELMOS Advanced Packaging, The Netherlands – sold effective December 31, 2010 –, for the last time. With this sale ELMOS strengthens its core business, namely the development, production and sale of system solutions on the basis of semiconductors and sensors. Sales of the sold business unit amounted to 6.1 million Euro in 2010; the operating income was slightly positive.

## Sales by region

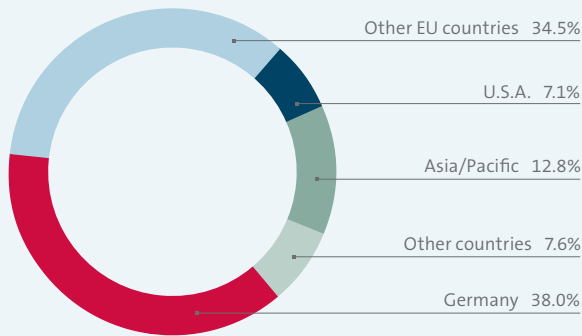
Significant increases in sales could be recorded in all regions. The region Asia/ Pacific is worth highlighting, more than doubling sales and thus increasing its contribution to group sales in 2010 to 12.8% (2009: 8.5%). This is primarily accounted for by the strong growth in China and South Korea. Sales contributions of the other regions did not show material changes from the previous year.

## Sales by customer and product

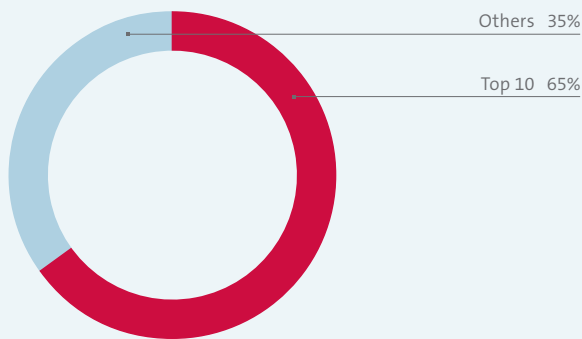
ELMOS supplies more than 100 customers. Among them are predominantly suppliers to the auto industry and to a lesser extent industrial customers and manufacturers of consumer goods. In 2010 four of our customers once again accounted for more than 10% of group sales each. Sales generated with our top customers are usually attributable to a great many



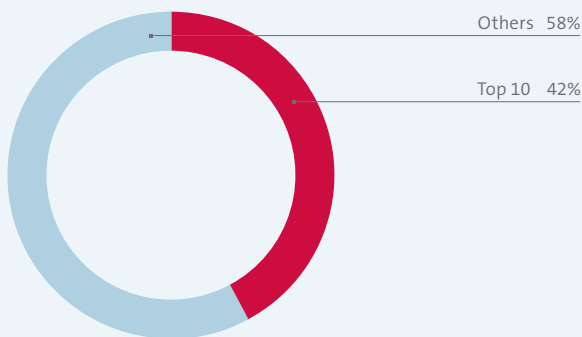
### Sales by region



### Sales by customer



### Sales by product



different products at different stages of their respective life cycles. Our top ten customers amounted to roughly 65% of sales 2010 (2009: 68%). The ten best selling products together came to roughly 42% of sales in 2010 (2009: 43%).

### Order backlog

At the end of December 2010, the book-to-bill ratio for the semiconductor segment was slightly 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 entered upon receiving the customer's order. It is influenced by different factors such as demand, order behavior, production lead time, etc. Order backlog may vary between the time of placing the order and delivery due to changes in customer demand or market conditions. As soon as production is started, an order usually cannot be canceled anymore. However, there is no guaranty for order backlog to turn automatically into future sales.

### New projects (design wins)

The competition for projects was intense again in the past year. However, the number of contracts to be awarded was considerably higher again in comparison with the year of crisis 2009. ELMOS benefited from this situation and achieved a number of successes with design wins in 2010 once more. These include both ASIC and ASSP projects. Worth mentioning are new acquisitions in the Asian region, some which will result in sales sooner than usual. Considering design wins according to field of use it can be pointed out that the automotive market shows great dynamics after the crisis and opens further opportunities for growth with ASIC and ASSP projects. The success with industrial and consumer goods customers is gratifying. Volumes here are generally smaller than in the auto market. However, the readiness to use innovative applications is higher in this field. Among the design wins are projects for comfort and network applications as well as current transformers.

## Profit situation

Due to the significant growth in sales and accompanying measures for limiting the resulting cost increase, the quality of earnings in 2010 was raised considerably over the previous year.

### Gross profit

The much increased capacity utilization rate over 2009 shows primarily in the higher gross profit and the improved gross margin. The gross profit was more than doubled from 35.9 million Euro in 2009 to 83.8 million Euro in the year under report. The gross margin came to 45.3% compared to 29.0% in the previous year. The clearly disproportionate increase in gross profit is accounted for by the lower growth of both fixed cost and variable cost in relative terms. The positive inventory development and thus the higher performance in production also had a positive effect on the quality of earnings.

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

Research and development expenses grew strongly in absolute terms from 25.3 million Euro in 2009 to 29.6 million Euro in 2010; in relation to sales, though, they were declining from 20.4% to 16.0% of sales. Distribution and administrative expenses were also on the rise, coming to 12.6 million Euro (2009: 10.6 million Euro) and 17.8 million Euro (2009: 14.7 million Euro), respectively. These growth rates were also below the growth rate for sales.

Over the next quarters both R&D expenses and distribution expenses will keep increasing. This trend is due to the enhancement of the product portfolio with more ASSPs on the one hand and the expansion of distribution activities, e.g. with the establishment of ELMOS locations in Asia, on the other hand.

The operating income before other operating expenses/ (income) came to 23.8 million Euro in 2010 (2009: –14.8 million Euro) and was thus equivalent to a margin of 12.9% of sales (2009: –11.9%). The EBIT (earnings before interest and taxes) showed a similar performance, climbing to 23.1 million Euro or 12.5% of sales in the year under report (2009: –15.8 million Euro or –12.8%).

### Income before taxes, net income, earnings per share

Even though cash and cash equivalents exceeded the financial liabilities, net finance expenses came to 1.4 million Euro due to currently low credit interest rates (2009: 1.5 million Euro). After deduction of taxes in the amount of 3.9 million Euro (2009: –5.1 million Euro), the group's net income reached 17.8 million Euro in 2010, compared to a net loss of 12.2 million Euro in the previous year. This result equals basic earnings per share of 0.92 Euro (fully diluted: 0.91 Euro), compared to a loss per share of 0.63 Euro the year before (basic and fully diluted).

### Proposal for the appropriation of retained earnings

The net income of ELMOS Semiconductor AG\* according to HGB amounted to 16.7 million Euro in 2010. The profit carried forward from the year 2009 comes to 42.7 million Euro. As the condition for the payment of a dividend, the company determined in the past years that the development of earnings and the development of cash flows must both be sustainably positive. In view of the satisfactory development in 2010, Management Board and Supervisory Board propose to the Annual General Meeting on May 17, 2011 the payment of a dividend of 0.20 Euro per share out of the retained earnings of 59.4 million Euro.

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

## Sales and profit by segment

in million Euro or %	Segment	2009	2010	Change
<b>Sales</b>				
	Semiconductor	113.0	170.1	50.6%
	Micromechanics	10.8	14.6	35.0%
<b>Segment earnings</b>				
	Semiconductor	-14.4	22.1	n/a
	Micromechanics	-1.4	1.0	n/a
<b>Segment earnings margin</b>				
	Semiconductor	-12.7%	13.0%	
	Micromechanics	-13.2%	6.9%	

### Semiconductor

The semiconductor core business of the ELMOS Group is operated through the various group companies in Germany, France, the Netherlands (up to the end of 2010), and the U.S. Sales of the semiconductor segment climbed 50.6% to 170.1 million Euro (2009: 113.0 million Euro). Semiconductor sales are highly dependent on automotive customers and thus benefited from the revitalization of this industry in 2010. With earnings of 22.1 million Euro, the margin came to 13.0% compared to losses in the previous year (2009: -14.4 million Euro or -12.7%).

### Micromechanics

The micromechanics segment comprises the activities of subsidiary company SMI. Customers in the micromechanics segment belong for the most part to the industrial, consumer goods and medical sectors. These customers were not as strongly affected by the 2009 economic crisis as the automotive customers. The potential carried by the upswing was therefore not as huge as in the semiconductor segment. Sales still gained 35.0% to 14.6 million Euro in the year under report (2009: 10.8 million Euro); third-party sales are generated almost exclusively in U.S. dollars. Segment earnings were also improved considerably to 1.0 million Euro or 6.9% of sales (2009: -1.4 million Euro or -13.2%).

## Financial position

### Key figures of the ELMOS Group according to IFRS

in million Euro	2009	2010	Change
Net income/loss	-12.2	17.8	n/a
Depreciation/appreciation	16.9	16.3	-3.2%
Changes in net working capital <sup>1</sup>	10.1	-3.7	n/a
Investments in securities	0.0	-3.0	n/a
Other items	-5.3	2.6	n/a
<b>Cash flow from operating activities</b>	<b>9.4</b>	<b>30.0</b>	<b>&gt;100%</b>
Capital expenditures for fixed assets	-7.4	-12.4	67.8%
in % of sales	6.0%	6.7%	
Investments in securities	0.0	-6.3	n/a
Other items	1.9	1.1	-39.9%
<b>Cash flow from investing activities</b>	<b>-5.5</b>	<b>-17.5</b>	<b>&gt;100%</b>
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>-1.4</b>	<b>n/a</b>
Changes in cash and cash equivalents	3.9	11.0	>100%
<b>Free cash flow<sup>2</sup></b>	<b>3.9</b>	<b>12.5</b>	<b>&gt;100%</b>
<b>Adjusted free cash flow<sup>3</sup></b>	<b>2.1</b>	<b>20.6</b>	<b>n/a</b>

<sup>1</sup> Net working capital in the narrow sense (trade receivables, inventories, trade payables)

<sup>2</sup> Cash flow from operating activities less cash flow from investing activities

<sup>3</sup> Cash flow from operating activities plus investments in marketable securities less capital expenditures for fixed assets

### Cash flow from operating activities

Compared to the year before, the cash flow from operating activities was more than tripled, coming to 30.0 million Euro in 2010 after 9.4 million Euro in the previous year. This was achieved despite a considerable increase in net working capital on account of the strong growth in business volume, reflected in the operating cash flow with an additional capital lockup of altogether 3.7 million Euro. The increase in cash flow from operating activities is due essentially to the improved situation of earnings.

### Cash flow from investing activities

The relation of capital expenditures for fixed assets to sales continued to be significantly below historic values in 2010. 12.4 million Euro or 6.7% of sales were invested in 2010 (2009: 7.4 million Euro or 6.0% of sales). A majority of these investments was allocated to the conversion of parts of the production line in Dortmund from 6-inch to 8-inch. Cash requirements out of investing activities amounted to 17.5 million Euro in 2010 after 5.5 million Euro in 2009. It must be taken into consideration that in 2010 6.3 million Euro of this amount were invested in securities.

In 2010 a clearly positive free cash flow (cash flow from operating activities less cash flow from investing activities) was generated altogether in the amount of 12.5 million Euro (2009: 3.9 million Euro). The adjusted free cash flow (cash flow from operating activities plus investments in marketable securities less capital expenditures for fixed assets) was even raised to 20.6 million Euro (2009: 2.1 million Euro).

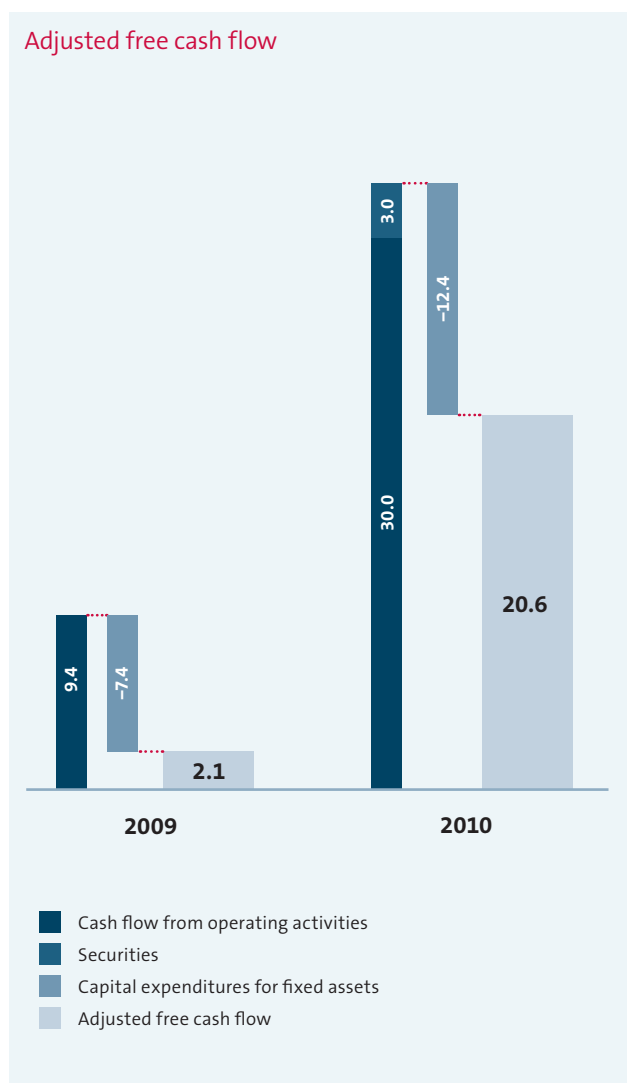
### Cash flow from financing activities

The cash flow from financing activities came to -1.4 million Euro in the year under report (2009: 0.0 million Euro). These funds were used for the share buyback of own shares (-0.8 million Euro) and the repayment of non-current and current financial liabilities -0.6 million Euro).

Thus cash and cash equivalents went up by 11.2 million Euro to 58.0 million Euro as of December 31, 2010 compared to the prior-year balance sheet date (December 31, 2009: 46.8 million Euro). The share of cash and cash equivalents in total assets climbed to 23.3% as of December 31, 2010 (December 31, 2009: 21.1%).

### 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 one production line through lease contracts and service agreements. The respective relation of advantages to risks is balanced, and the arrangements are customary in the market. The resulting repayment obligations are entered in "other financial obligations". They came to 106.0 million Euro as of December 31, 2010 (December 31, 2009: 119.6 million Euro).



## Economic situation

Comparative figures of the balance sheet of the previous year 2009 have been adjusted due to a statement made by the Financial Reporting Enforcement Panel (FREP) with respect to the consolidated financial statements as of December 31, 2008. For further details please refer to the notes in the full annual report 2010 under “general information”.

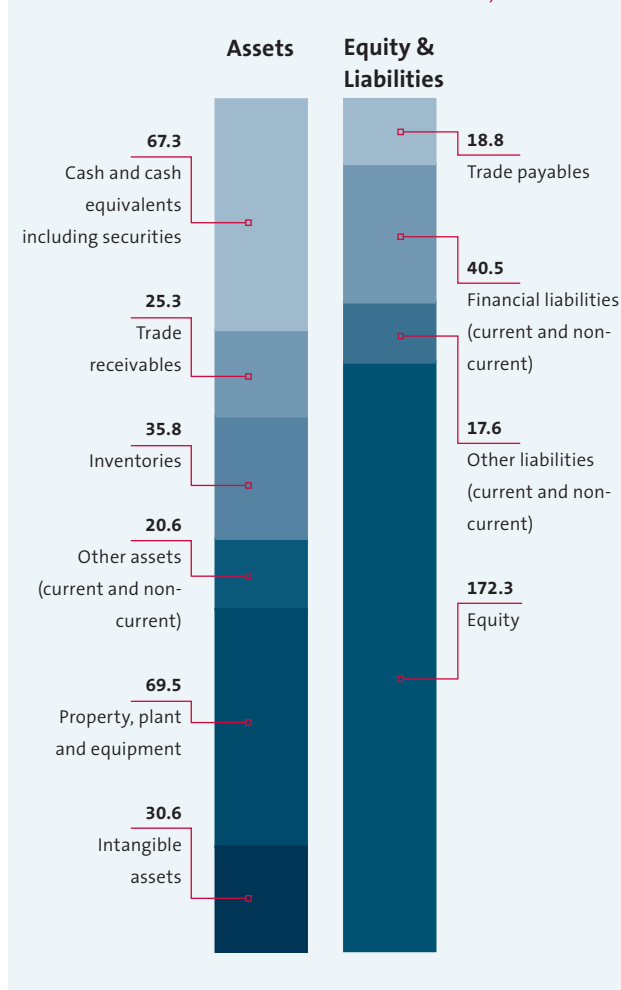
### Key figures of the ELMOS Group according to IFRS

in million Euro	12/31/2009	12/31/2010	Change
Intangible assets	33.7	30.6	-9.1%
Property, plant and equipment	72.8	69.5	-4.5%
Other non-current assets	8.3	8.0	-3.8%
Securities (current and non-current)	0.0	9.3	n/a
Inventories	31.5	35.8	13.6%
Trade receivables	20.0	25.3	26.6%
Cash and cash equivalents	46.8	58.0	23.8%
Other current assets	8.6	12.6	47.5%
<b>Total assets</b>	<b>221.7</b>	<b>249.2</b>	<b>12.4%</b>
Equity	154.4	172.3	11.6%
Financial liabilities (current and non-current)	40.8	40.5	-0.8%
Other non-current liabilities	2.8	3.5	23.9%
Trade payables	12.9	18.8	45.5%
Other current liabilities	10.8	14.2	31.3%
<b>Total equity and liabilities</b>	<b>221.7</b>	<b>249.2</b>	<b>12.4%</b>

Total assets went up 12.4% to 249.2 million Euro as of December 31, 2010 (December 31, 2009: 221.7 million Euro).

With regard to assets, this development is accounted for essentially by the increase in trade receivables (+5.3 million Euro) and inventories (+4.3 million Euro) based on the increase in business operations as well as the purchased

### Balance sheet structure as of December 31, 2010



securities (+9.3 million Euro) and the increase in cash and cash equivalents (+11.2 million Euro).

The deciding factors for the increase in total equity and liabilities are increased trade payables (+5.9 million Euro) and the increase in equity (+17.9 million Euro) as a result of the generated net income.

## Net working capital

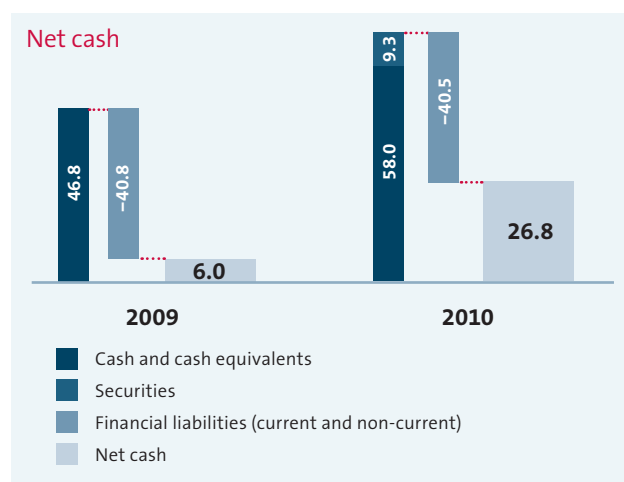
The net working capital climbed from 38.6 million Euro as of December 31, 2009 by 9.7% to 42.4 million Euro as of the balance sheet date in the year under report. Inventories gained 13.6% to 35.8 million Euro as of December 31, 2010; inventory turnover remained stable at 2.8x. Trade receivables were up 5.3 million Euro or 26.6% to 25.3 million Euro; the receivables turnover came to 7.3x, thus much higher once again than in the previous year (2009: 6.2x). Trade payables grew considerably faster than inventories and trade receivables and came to 18.8 million Euro as of December 31, 2010 (December 31, 2009: 12.9 million Euro); the payables turnover could thus be lowered again to 5.4x (2009: 6.8x). The cash conversion cycle thus improved from 136 days on average in 2009 to 112 days in the year under report. These key figures show the company places great emphasis on working capital management also during the upswing.

## Key figures of the ELMOS Group

	Calculation	Unit	2009	2010
Net working capital	Trade receivables + inventories – trade payables	million Euro	38.6	42.4
	of sales	%	31.2%	22.9%
Inventory turnover	Cost of sales/ inventories	x	2.8x	2.8x
Receivables turnover	Sales/ trade receivables	x	6.2x	7.3x
Payables turnover	Cost of sales/trade payables	x	6.8x	5.4x
Capital lockup period/cash conversion cycle	Inventory days + debtor days – creditor days	days	136	112
Net cash/(Net debt)	Cash and cash equivalents + securities – financial liabilities	million Euro	6.0	26.8
Gearing	Net cash/ equity	%	3.9%	15.6%
Equity ratio	Equity/total assets	%	69.6%	69.1%

## Other key financials

Net cash was increased considerably once more in 2010, rising to 26.8 million Euro as of December 31, 2010 (6.0 million Euro as of December 31, 2009). The equity ratio of 69.1% remained essentially stable (December 31, 2009: 69.6%).



## Overall statement on the economic situation

ELMOS has come through the economic and financial crisis stronger than before and managed to use the economic dynamics that followed in 2010 entirely for the improvement of the company's economic situation. Sales and quality of earnings give proof of this positive development. Apart from the economic recovery, ELMOS also benefited from numerous internal measures. ELMOS has improved structures, increased efficiency, and optimized product lines and the portfolio. All this plus the solid financial base with a focus on the generation of free cash flow is now strengthening the competitive position and forms a good foundation for the company's future development.



# Outlook

## Economic framework

The general economic conditions are quite in favor of a good auto year 2011. However, according to the German Association of the Automotive Industry (VDA), the risks linked to the raw materials and financial markets are by now means dispelled. In the year 2011 more cars will be sold worldwide than ever before, according to a survey of University Duisburg-Essen. The experts anticipate global sales to gain 6.3% over 2010. With a 10.2% plus, Germany is expected to record the highest 2011 increase in percent right after Russia, the U.S., India, and China. The researchers assume that already in 2011 roughly 36% of all passenger cars sold worldwide will be sold in Asia and that the performance of Asia, China in particular, as global growth driver will thus continue.

The German Electrical and Electronic Manufacturers' Association (ZVEI) anticipates a 7% increase for production output in the electronics industry in 2011. The industry defining global trends are increasing requirements for energy efficiency and a rising demand for infrastructure equipment and modern medical technology.

The general semiconductor market will rise in 2011 by 4.6% to 314 billion U.S. dollars, according to the forecast provided by market research institute Gartner Dataquest.

Prospects for the niche market of automotive semiconductors appear even more promising. Safety systems will record this year's strongest growth. For the medium term, market researcher Data Beans expects an annual growth rate of 9% for automotive semiconductors in the period between 2010 and 2015.

## Prospects for the ELMOS Group

Over the last years, ELMOS has provided a secure financial base and built high customer confidence. The background for this is consistent management of the available means and the permanent delivery capability even in difficult times, the steady enhancement of our product lines with innovative semiconductors and sensors, and the high degree of quality awareness.

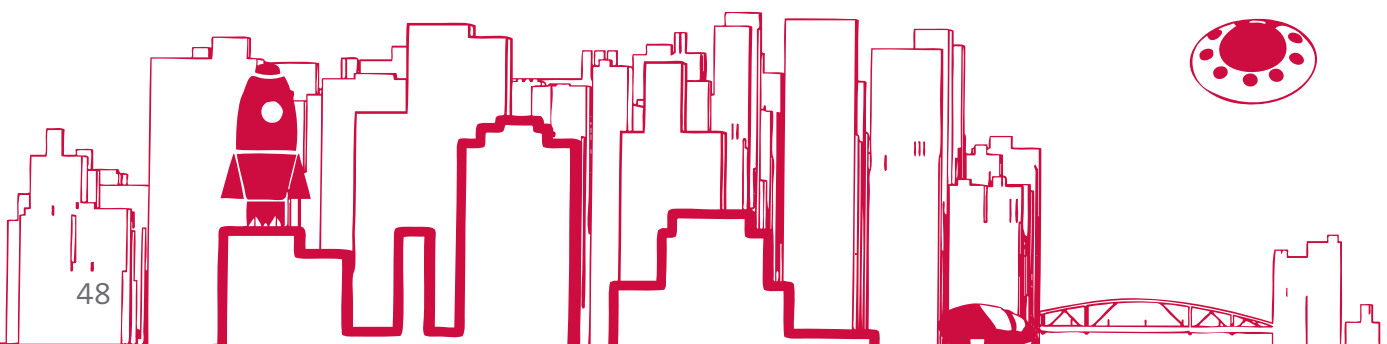


Our stable financial base enables us in 2011 to...

- > strengthen our resources in the development of products once more so that we can offer our customers even more different semiconductors and sensors in our ASSP product lines in the future.
- > increase our effective power in Asia. New locations make it possible to address customers on “short distance” and to give them direct support with their application.
- > consider the production of our supplier and partner MagnaChip for our deliveries and to force the 8-inch expansion at the Dortmund manufacture as scheduled.
- > expand our sensor portfolio (MEMS) considerably and to convince new customers from different industries of our sensors.
- > support our “second” pillar – products for industrial and consumer goods – by the above-mentioned measures.

The economic upswing in 2010 was strong and the forecasts of the automotive and semiconductor experts for the next years are positive as well. How sustainable this development is cannot be predicted at the moment, though. The macro-economic situation continues to be determined by local and global crises, examples are the Korea conflict, the economic crisis in several states of the euro alliance, and the political unrest and impending changes of government in nations of Northern Africa and the Near East. These and further crises could burden the global economy in 2011 which in turn could result in declining sales figures for cars and industrial and consumer goods. The Asian nations, especially China, will keep playing the key role for the global economy.

The start into the year 2011 was satisfactory. Under the assumption of a stable economy, ELMOS anticipates sales between 190 and 200 million Euro or a growth rate between 6% and 12% for 2011, based on 2010 sales of 178.6 million Euro, adjusted by the sale of the special packaging business. The EBIT margin will reach or slightly exceed the 2010 level





in 2011. This forecast allows for cost increases due to higher world market prices for materials and rising development expenses and distribution expenses in the context of the expansion of product lines and wider market coverage in Asia. Investments are scheduled to amount to less than 15% of sales. The free cash flow will be positive. The forecast is based on an exchange rate of 1.30 U.S. dollars/Euro.

ELMOS will benefit from global megatrends in the medium and long term. Mobility 2020 and beyond will be more diverse and individual on the one hand, more standardized in some areas than in the concepts of today on the other hand. At the same time, society will have to face new challenges due to the demographic change and the population growth in some nations. The expansion of infrastructure, logistics, and power generation and supply will only be possible by the use of semiconductors and sensors in electronic systems. ELMOS will therefore benefit from the ongoing electrification of vehicles and of daily life in general.

Dortmund, March 2011

#### The Management Board



Dr. Anton Mindl



Nicolaus Graf von Luckner



Reinhard Senf



Jürgen Höllisch



# Consolidated financial statements | Extract

## Consolidated balance sheet

Assets	Notes	12/31/2010 thousand Euro	12/31/2009 thousand Euro	1/1/2009 thousand Euro
<b>Non-current assets</b>				
Intangible assets	13	30,589	33,668	35,438
Property, plant and equipment	14	69,494	72,779	80,698
Investments accounted for using the equity method	15	0	0	0
Securities	15	6,272	0	0
Investments in associates	15	911	504	518
Other financial assets	20	2,090	0	0
Deferred tax assets	16	5,015	7,832	6,619
<b>Total non-current assets</b>		<b>114,371</b>	<b>114,783</b>	<b>123,273</b>
<b>Current assets</b>				
Inventories	17	35,826	31,539	37,380
Trade receivables	18	25,328	20,008	29,736
Securities	15	3,033	0	0
Other financial assets	20	5,253	3,803	3,600
Other receivables	20	3,148	4,447	6,636
Income tax assets	20	2,926	306	111
Cash and cash equivalents	19	58,010	46,841	42,463
		<b>133,524</b>	<b>106,944</b>	<b>119,926</b>
Assets included in disposal groups classified as held for sale	21	1,291	0	2,105
<b>Total current assets</b>		<b>134,815</b>	<b>106,944</b>	<b>122,031</b>
<b>Total assets</b>		<b>249,186</b>	<b>221,727</b>	<b>245,304</b>

Equity and liabilities	Notes	12/31/2010 thousand Euro	12/31/2009 thousand Euro	1/1/2009 thousand Euro
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	22	19,414	19,414	19,414
Treasury stock	22	-119	0	0
Additional paid-in capital	22	88,486	89,001	88,737
Surplus reserve		102	102	102
Other equity components	22	-1,740	-2,489	-2,640
Retained earnings		66,380	48,626	60,844
		<b>172,523</b>	<b>154,654</b>	<b>166,457</b>
Non-controlling interests		-227	-242	-14
<b>Total equity</b>		<b>172,296</b>	<b>154,412</b>	<b>166,443</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Provisions	24	376	792	911
Financial liabilities	25	40,101	40,237	40,435
Other liabilities	26	1,781	2,011	2,244
Deferred tax liabilities	16	1,316	0	3,935
<b>Total non-current liabilities</b>		<b>43,574</b>	<b>43,040</b>	<b>47,525</b>
<b>Current liabilities</b>				
Provisions	24	9,568	8,440	6,744
Income tax liabilities	26	2,627	200	3,862
Financial liabilities	25	374	576	186
Trade payables	27	18,792	12,918	18,404
Other liabilities	26	1,955	2,141	2,140
<b>Total current liabilities</b>		<b>33,316</b>	<b>24,275</b>	<b>31,336</b>
<b>Total liabilities</b>		<b>76,890</b>	<b>67,315</b>	<b>78,861</b>
<b>Total equity and liabilities</b>		<b>249,186</b>	<b>221,727</b>	<b>245,304</b>

## Consolidated statement of comprehensive income

For the year ended December 31, 2010	Notes	2010 thousand Euro	2009 thousand Euro
<b>Sales</b>	5	184,723	123,774
Cost of sales	6	100,962	87,892
<b>Gross profit</b>		<b>83,761</b>	<b>35,882</b>
Research and development expenses	6	29,637	25,298
Distribution expenses	6	12,593	10,632
Administrative expenses	6	17,753	14,740
<b>Operating income before other operating expenses/(income)</b>		<b>23,778</b>	<b>-14,788</b>
Finance income	8	-1,031	-968
Finance costs	8	2,436	2,434
Foreign exchange gains/losses	9	291	681
Other operating income	10	-3,405	-2,702
Other operating expenses	10	3,789	3,043
<b>Income before taxes</b>		<b>21,698</b>	<b>-17,276</b>
<b>Taxes on income</b>			
Current income tax expense	11	-345	250
Deferred taxes	11	4,282	-5,329
		<b>3,937</b>	<b>-5,079</b>
<b>Net income/(loss)</b>		<b>17,761</b>	<b>-12,197</b>
<b>Other comprehensive income</b>			
Foreign currency adjustments without deferred tax effect		-150	1,161
Foreign currency adjustments with deferred tax effect		1,130	-1,327
Deferred taxes (on foreign currency adjustments with deferred tax effect)	22	-284	317
Value differences with respect to hedges	22	90	0
Deferred taxes (on value differences with respect to hedges)	22	-29	0
<b>Other comprehensive income after taxes</b>		<b>757</b>	<b>151</b>
<b>Total comprehensive income</b>		<b>18,518</b>	<b>-12,046</b>
<b>Net income/(loss) attributable to:</b>			
<b>Owners of the parent</b>		<b>17,754</b>	<b>-12,217</b>
Non-controlling interests		7	20
		<b>17,761</b>	<b>-12,197</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		18,503	-12,066
Non-controlling interests		15	20
		<b>18,518</b>	<b>-12,046</b>
<b>Earnings per share</b>			
Basic earnings per share (in Euro)	12	0.92	-0.63
Fully diluted earnings per share (in Euro)	12	0.91	-0.63

## Consolidated statement of cash flows

	Notes	2010 thousand Euro	2009 thousand Euro
<b>Cash flow from operating activities</b>			
Net income/loss		17,761	-12,197
Depreciation	7	16,327	16,873
Finance result		1,405	1,466
Other non-cash expenses/income		4,253	-5,104
Current income tax expense	11	-345	250
Expenses for stock option plan and stock awards	23	207	65
Changes in pension provisions	24	-416	-120
Changes in net working capital:			
Trade receivables	18	-5,320	9,728
Inventories	17	-4,287	5,841
Securities	15	-3,033	0
Other assets	20	-2,150	1,986
Trade payables	27	5,874	-5,486
Other provisions and other liabilities	24	942	1,697
Income tax refunds/payments		153	-4,107
Interest paid	8	-2,436	-2,434
Interest received	8	1,031	968
<b>Cash flow from operating activities</b>		<b>29,966</b>	<b>9,426</b>
<b>Cash flow from investing activities</b>			
Capital expenditure for intangible assets		-2,513	-4,150
Capital expenditure for property, plant and equipment		-9,847	-3,216
Payments for/Disposal of non-current assets held for sale		-1,291	1,689
Disposal of property, plant and equipment		2,821	214
Payments for securities	15	-6,272	0
Payments for/Disposal of investments		-407	14
Acquisition of non-controlling interests	33	0	-49
<b>Cash flow from investing activities</b>		<b>-17,509</b>	<b>-5,498</b>
<b>Cash flow from financing activities</b>			
Repayment of non-current liabilities		-427	-419
Repayment/Borrowing of current liabilities to banks		-141	380
Share buyback	22	-841	0
<b>Cash flow from financing activities</b>		<b>-1,409</b>	<b>-39</b>
<b>Increase in cash and cash equivalents</b>		<b>11,048</b>	<b>3,889</b>
Effects of exchange rate changes on cash and cash equivalents		121	489
Cash and cash equivalents at beginning of reporting period	19	46,841	42,463
<b>Cash and cash equivalents at end of reporting period</b>	19	<b>58,010</b>	<b>46,841</b>

## Consolidated statement of changes in equity

	Notes	Equity attributable to owners of the parent			
		Shares thousand shares	Share capital thousand Euro	Treasury stock thousand Euro	Additional paid- in capital thousand Euro
<b>January 1, 2009 (before corrections according to IAS 8)</b>		<b>19,414</b>	<b>19,414</b>	<b>0</b>	<b>88,737</b>
Corrections according to IAS 8	General information				
<b>January 1, 2009 (after corrections according to IAS 8)</b>		<b>19,414</b>	<b>19,414</b>	<b>0</b>	<b>88,737</b>
Corrections according to IAS 8	General information				
Net loss 2009					
Other comprehensive income for the period	22				
Total comprehensive income (after corrections according to IAS 8)					
Stock option expense	23				65
Acquisition of non-controlling interest in Mechaless					199
<b>December 31, 2009 (after corrections according to IAS 8)</b>		<b>19,414</b>	<b>19,414</b>	<b>0</b>	<b>89,001</b>
Net income 2010					
Other comprehensive income for the period	22				
Total comprehensive income					
Share buyback	22			-119	-722
Stock option expense	23				207
<b>December 31, 2010</b>		<b>19,414</b>	<b>19,414</b>	<b>-119</b>	<b>88,486</b>

Equity attributable to owners of the parent					Non-controlling interests	Group
Surplus reserve thousand Euro	Other equity components – hedges thousand Euro	Other equity components – foreign currency translations thousand Euro	Retained earnings thousand Euro	Total thousand Euro	Total thousand Euro	Total thousand Euro
102	0	-5,445	68,411	171,219	-14	171,205
		2,805	-7,567	-4,762		-4,762
102	0	-2,640	60,844	166,457	-14	166,443
		120		120		120
			-12,217	-12,217	20	-12,197
		31		31		31
		151	-12,217	-12,066	20	-12,046
				65		65
				199	-248	-48
102	0	-2,489	48,626	154,654	-242	154,412
			17,754	17,754	7	17,761
	61	688		749	8	757
	61	688	17,754	18,503	15	18,518
				-841		-841
				207		207
102	61	-1,801	66,380	172,523	-227	172,296

## Financial calendar 2011

Annual press conference/Analysts' conference (Financial results 2010)	March 17, 2011
Quarterly results Q1/2011	May 10, 2011
Annual General Meeting in Dortmund	May 17, 2011
Quarterly results Q2/2011	August 9, 2011
Quarterly results Q3/2011	November 3, 2011
Analysts' conference at German Equity Forum in Frankfurt	November 2011

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### English translation

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