

A person wearing a blue protective suit and a white surgical mask is looking towards the right. In the background, there are blurred lights in yellow, green, and red. To the right of the person, a glowing, circular, textured object is visible.

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Invitation to the Annual General Meeting 2015

May 8, 2015, 10:00 a.m.  
Spielbank Hohensyburg, Dortmund, Germany

# 16<sup>th</sup> Annual General Meeting on May 8, 2015 – Agenda at a glance

1. Presentation of the adopted separate financial statements and the approved consolidated financial statements as of December 31, 2014, the Management Board's combined management report for Elmos Semiconductor Aktiengesellschaft and the Group (including the explanatory report of the Management Board in accordance with Section 176 (1) sentence 1 AktG (German Stock Corporation Act) on the disclosures required under takeover law pursuant to Sections 289 (4), 315 (4) HGB (German Commercial Code) and the explanatory report on the principal features of the internal control and risk management system with respect to the accounting process in accordance with Sections 289 (5), 315 (2) no. 5 HGB), and the report of the Supervisory Board for fiscal year 2014
2. Resolution on the appropriation of retained earnings
3. Resolution on the formal approval of the actions of the Management Board for fiscal year 2014
4. Resolution on the formal approval of the actions of the Supervisory Board for fiscal year 2014
5. Election of the auditor and group auditor for fiscal year 2015 and of the auditor for the review of the interim financial report for the first six months of fiscal year 2015
6. Resolution on the reduction of conditional capital 2009 and conditional capital 2010/I and on the creation of conditional capital (conditional capital 2015/I) for granting stock options to employees, executives and Management Board members of Elmos Semiconductor Aktiengesellschaft and to employees and members of the management of affiliated companies based on a stock option plan 2015 and corresponding amendments to the Articles of Incorporation
7. Resolution on the authorization of the Management Board to issue convertible bonds, option bonds and profit participating bonds and to exclude the right to subscription and on the creation of conditional capital (conditional capital 2015/II) and corresponding amendments to the Articles of Incorporation
8. Resolution on the authorization to purchase and utilize treasury shares

Elmos Semiconductor Aktiengesellschaft  
44227 Dortmund, Germany  
ISIN DE0005677108  
WKN: 567 710

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This English translation is a convenience translation only.

Invitation to the 16<sup>th</sup> Annual General Meeting of Elmos Semiconductor Aktiengesellschaft, 44227 Dortmund, Germany, (ISIN DE0005677108/WKN: 567 710)

Dear shareholders,  
our 16<sup>th</sup> Annual General Meeting will be held on Friday, May 8, 2015, at 10:00 a.m. at Spielbank Hohensyburg, Hohensyburgstraße 200, 44265 Dortmund, Germany.

## AGENDA

- 1. Presentation of the adopted separate financial statements and the approved consolidated financial statements as of December 31, 2014, the Management Board's combined management report for Elmos Semiconductor Aktiengesellschaft and the Group (including the explanatory report of the Management Board in accordance with Section 176 (1) sentence 1 AktG (German Stock Corporation Act) on the disclosures required under takeover law pursuant to Sections 289 (4), 315 (4) HGB (German Commercial Code) and the explanatory report on the principal features of the internal control and risk management system with respect to the accounting process in accordance with Sections 289 (5), 315 (2) no. 5 HGB), and the report of the Supervisory Board for fiscal year 2014**

The aforementioned documents are available on the Company's website at [www.elmos.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting) on the Internet upon the convening of the Annual General Meeting. The

documents will also 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 separate financial statements and the consolidated financial statements.

## 2. Resolution on the appropriation of retained earnings

Management Board and Supervisory Board propose that the retained earnings of Elmos Semiconductor Aktiengesellschaft of 75,709,270.35 Euro reported for fiscal year 2014 be used in the amount of 6,461,044.92 Euro for the payment of a dividend of 0.33 Euro per share and that the remaining amount of 69,248,225.43 Euro be carried forward to new accounts.

The proposal for the appropriation of retained earnings takes into account treasury shares held by the Company (280,825 shares at present) that are not entitled to dividend. If the number of shares entitled to dividend for fiscal year 2014 changes up to the date of the Annual General Meeting, an accordingly adjusted proposal for the appropriation of retained earnings will be made to the Annual General Meeting that will also provide for a dividend of 0.33 Euro per no-par share entitled to dividend.

**3. Resolution on the formal approval of the actions of the Management Board for fiscal year 2014**

Supervisory Board and Management Board propose that the actions of the acting members of the Management Board in fiscal year 2014 be formally approved for this period.

**4. Resolution on the formal approval of the actions of the Supervisory Board for fiscal year 2014**

Management Board and Supervisory Board propose that the actions of the acting members of the Supervisory Board in fiscal year 2014 be formally approved for this period.

It is intended to have the Annual General Meeting vote separately on the approval of the actions of the individual members of the Supervisory Board.

**5. Election of the auditor and group auditor for fiscal year 2015 and of the auditor for the review of the interim financial report for the first six months of fiscal year 2015**

The Supervisory Board proposes that Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, be appointed auditor and group auditor for fiscal year 2015 as well as auditor for the review of the interim financial report for the first six months of fiscal year 2015.

**6. Resolution on the reduction of conditional capital 2009 and conditional capital 2010/I and on the creation of conditional capital (conditional capital 2015/I) for granting stock options to employees, executives and Management Board members of Elmos Semiconductor Aktiengesellschaft and to employees and members of the management of affiliated companies based on a stock option plan 2015 and corresponding amendments to the Articles of Incorporation**

In the year 2009 and most recently in the year 2010, the Company created stock option plans for employees, executives and Management Board members of Elmos Semiconductor Aktiengesellschaft and for employees and members of the management of affiliated companies based on corresponding authorizations given by the respective Annual General Meeting (shareholders' resolutions of May 6, 2009 and May 4, 2010, respectively, released at [www.elmos.com/english/investor-press/annual-general-meeting/archive.html](http://www.elmos.com/english/investor-press/annual-general-meeting/archive.html)). From the stock option plan of the year 2009, 38,940 stock options for one of the Company's shares each are still outstanding. The conditional capital 2009 created for servicing the subscription rights from the stock option plan of the year 2009 still exists in the amount of 154,500.00 Euro, however, i.e. for the subscription for 154,500 of the Company's shares. From the stock option plan of the year 2010, 742,093 stock options for one of the Company's shares each are still outstanding. The conditional capital 2010/I created for servicing the stock options from the stock option plan of the year 2010 still exists

in the amount of 1,144,956.00 Euro, however, i.e. for the subscription for 1,144,956 of the Company's shares.

The conditional capital 2009 and the conditional capital 2010/I are therefore no longer needed in part. They are therefore intended to be reduced accordingly.

As in addition to that the authorization on stock option plan 2009 has also expired and the authorization on stock option plan 2010 is about to expire, Management Board and Supervisory Board propose that stock option plan 2015 be resolved. Stock option plan 2015 also aims at aligning the remuneration structure of the beneficiaries with a sustainable business performance. For this purpose, the link to the stock market price is intended to remain the incentive of the beneficiaries within the framework of stock option plan 2015. The exercise threshold and the absolute performance target remain at 20%. Thus it remains assured that stock options can only be exercised once the shareholder value has been increased significantly. The pecuniary benefit the beneficiaries can achieve by exercising their stock options remains limited to four times the exercise price determined upon the issue of stock options. Ultimately ambitious yet achievable targets are thus defined for increasing the motivation of the employees.

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

- a) Reduction of conditional capital 2009
  - aa) The conditional capital 2009 according to Section 3.5 of the Articles of Incorporation is reduced to an amount of up to 38,940.00 Euro, i.e. to an issue of up to 38,940 shares. All other provisions governing the conditional capital 2009 remain unchanged. The conditional capital 2009 is particularly intended – as before – to service stock options from stock option plan 2009 resolved at the Annual General Meeting on May 6, 2009 under the conditions defined therein.
  - bb) Section 3.5 sentence 1 of the Articles of Incorporation is rephrased as follows:  
“The share capital is conditionally increased by up to 38,940.00 Euro (conditional capital 2009).”  
  
The other sentences under Section 3.5 of the Articles of Incorporation remain unchanged.
- b) Reduction of conditional capital 2010/I
  - aa) The conditional capital 2010/I according to Section 3.6 of the Articles of Incorporation is reduced to an amount of up to

742,093.00 Euro, i.e. to an issue of up to 742,093 shares. All other provisions governing the conditional capital 2010/I remain unchanged. The conditional capital 2010/I is particularly intended – as before – to service stock options from stock option plan 2010 resolved at the Annual General Meeting on May 4, 2010 under the conditions defined therein.

bb) Section 3.6 sentence 1 of the Articles of Incorporation is rephrased as follows:

“The share capital is conditionally increased by up to 742,093.00 Euro (conditional capital 2010/I).”

The other sentences under Section 3.6 of the Articles of Incorporation remain unchanged.

c) Creation of conditional capital for granting stock options to employees, executives and Management Board members of Elmos Semiconductor Aktiengesellschaft and to employees and members of the management of affiliated companies based on a stock option plan 2015 (conditional capital 2015/I)

The share capital is conditionally increased by up to 1,200,000.00 Euro (conditional capital 2015/I). The conditional capital increase is intended for servicing stock options granted on the basis of this

authorization until May 7, 2020 (stock option plan 2015). The Management Board or – insofar as members of the Management Board are concerned – the Supervisory Board is authorized to issue up to 1,200,000 stock options on one share of the Company each within the framework of this stock option plan 2015 in tranches to be determined to the beneficiaries defined below. The conditional capital increase may be carried out only to the extent that stock options are issued from the conditional capital within the framework of stock option plan 2015 and the holders of these stock options make use of them within the exercise period, unless cash compensation is granted or treasury shares are used for servicing. The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of stock options. Deviating from this provision, the Management Board or – insofar as members of the Management Board are concerned – the Supervisory Board may also determine that the new shares are entitled to dividend as of the beginning of the fiscal year for which no shareholders' resolution on the appropriation of retained earnings has been adopted yet at the time of exercising stock options.

Stock option plan 2015 has the following key parameters:

aa) Beneficiaries

Within the framework of stock option plan 2015, stock options may be issued to employees, executives and members of the

Management Board of Elmos Semiconductor Aktiengesellschaft and to employees and members of the management of affiliated companies of Elmos Semiconductor Aktiengesellschaft. Potential beneficiaries are all staff members who are steadily employed during the respective issue period in an employment relationship not under notice of resignation, either with Elmos Semiconductor Aktiengesellschaft or an affiliated company. Altogether up to 1,200,000 stock options (total volume) may be issued to all beneficiary groups combined over the term of stock option plan 2015 until May 7, 2020, in one or more tranches. Stock options are divided between the groups of beneficiaries as follows:

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

employees in key positions below management level of affiliated companies;

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

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

#### bb) Structure of stock option plan 2015

##### ***Personal investment***

As condition to participation in the stock option plan 2015 for individual groups of beneficiaries, the Management Board may determine, subject to the Supervisory Board's approval, a personal investment of one share for a certain number of stock options to be determined by the Management Board or – insofar as stock options are issued to members of the Management Board – by the Supervisory Board, including a minimum holding

period. Particulars of the personal investment are defined by the Management Board, subject to the Supervisory Board's approval, or – insofar as stock options are issued to members of the Management Board – by the Supervisory Board.

***Holding period and exercise period***

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

Stock options may be exercised by beneficiaries who are not under notice of resignation within three years after the holding period has expired and outside the exercise blocking periods. Blocking periods are – statutory provisions notwithstanding – the following periods:

-> the period from the beginning of the fiscal year until the end of the day of the Annual General Meeting;

-> the period from the 21<sup>st</sup> calendar day prior to an extraordinary General Meeting of the Company until the end of the extraordinary General Meeting of the Company;

-> the period from the day the Company releases an offer to its shareholders for the purchase of new shares in an official stock exchange gazette or the Federal Gazette until the day the Company's shares subject to subscription rights are listed at the Frankfurt Stock Exchange as "ex subscription rights" for the first time;

-> the period from the beginning of a new quarter until the release of the (final) quarterly results for the past quarter, and

-> the period from December 15 until the end of the fiscal year.

Aforementioned blocking periods include specified first and final days respectively. Furthermore, beneficiaries must observe the limitations resulting from general provisions of law, e.g. the law of insider dealings as part of the German Securities Trading Act



(WpHG) and the Market Abuse Regulation (Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse).

***Exercise price***

The exercise price for the separate tranches – subject to a possible adjustment based on the cap defined for the achievable pecuniary advantage or rather due to dilution protection provisions – equals 120% of the unweighted average of the closing prices of the share of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor trading system) on the ten trading days in Frankfurt/Main prior to the issue date. The minimum exercise price is the theoretical share in the share capital attributable to one share.

The beneficiary's pecuniary advantage achievable by the exercise of stock options (the difference between the closing price of the share of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor trading system) on the day of the stock option's exercise and the exercise price) shall not exceed four times the amount of the exercise price determined upon issue (cap). If the cap is exceeded, the exercise price is adjusted to equal

the difference between the closing price of the share of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor trading system) on the day of the stock option's exercise and four times the amount of the exercise price. The Management Board or – insofar as members of the Management Board are concerned – the Supervisory Board may decide in the individual case that the cap be reduced appropriately.

***Performance target***

Stock options may only be exercised if the closing price of the Company's share on XETRA (or a comparable successor trading system) on the last trading day in Frankfurt/Main equals or exceeds the exercise price.

***Dilution protection***

If the Company in granting a direct or indirect subscription right to its shareholders increases its share capital by the issue of new shares or issues bonds with conversion privileges or option rights during the term of the stock options and the determined conversion or option price per share is below the exercise price of stock options, the Company's Management Board or – insofar as members of the Company's Management Board are

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

In case of a capital increase from the Company's funds by the issue of new shares, the conditional capital is raised in proportion to the share capital compliant with Section 218 AktG (German Stock Corporation Act). The beneficiaries' right to subscribe for new shares by the exercise of stock options increases in the same proportion; in the same proportion the exercise price per share is reduced. If the capital increase is made from the Company's funds without the issue of new shares (Section 207 (2) sentence 2 AktG), subscription rights and exercise price remain unchanged.

In case of a capital decrease, no adjustment of the exercise price or the subscription ratio is made unless the total number of shares is changed by the capital decrease or the capital decrease is linked to a return of capital or an purchase of treasury shares against payment. In case of a capital decrease by the merging of shares

without return of capital and in case of an increase of the number of shares without capital adjustment (stock split), the number of shares to be purchased for one stock option each at exercise price is decreased or increased in proportion to the capital decrease or the stock split; in the same proportion the exercise price for one share is adjusted.

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

#### ***Non-transferability***

The stock options are not transferable. Admissible is an issue or transfer to third parties who hold the options in trust and/or safekeeping for the beneficiary. After a period of four years from the respective issue date, beneficiaries may pledge their options as far as the respective options can be exercised at that point in time. In case of death, the options can also be bequeathed to the beneficiary's spouse, parents, or children. The exercise conditions may provide for an obligation or right of the beneficiary's heir

or heirs to exercise the options within three months after the occurrence of succession or the later expiration of the holding period.

#### ***Servicing stock options***

The Company may also utilize treasury shares for servicing the beneficiaries' stock options.

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

The decision whether cash compensation is offered to the beneficiaries is made by the Management Board, subject to the Supervisory Board's approval, or – insofar as members of the Management Board are concerned – by the Supervisory Board. In this decision, Management Board and Supervisory Board shall be

guided solely by the interest of the shareholders and the Company. The subscription conditions shall be arranged in such a way that Elmos Semiconductor Aktiengesellschaft may choose between the Company's shares and cash compensation with respect to this benefit to be granted to the beneficiaries.

#### cc) Further provisions

Further particulars of stock option plan 2015 are determined by the Supervisory Board, insofar as members of the Management Board are concerned, and by the Management Board, subject to the Supervisory Board's approval, insofar as other beneficiaries are concerned.

Insofar as stock options are offered to members of the management of group companies, further particulars within the framework of basic principles valid throughout the Group will be determined for stock option plan 2015 by the companies' respective corporate bodies responsible for the determination of remuneration. Insofar as employees of group companies are concerned, further particulars within the framework of basic principles valid throughout the Group will be determined for stock option plan 2015 by the respective management.

Such further provisions particularly include:

- > the determination of the number of stock options for individual beneficiaries or groups of beneficiaries as well as participation of individual groups of beneficiaries,
  
- > the determination of provisions for the implementation of stock option plan 2015,
  
- > the procedures for granting and exercising stock options, and
  
- > provisions for the treatment of stock options in special cases such as the beneficiary's resignation from employment with the Group or the beneficiary's death.

#### dd) Taxation

All taxes that fall due in connection with the exercise of stock options by the beneficiaries or the sale of shares by the beneficiaries are borne by the beneficiaries.

#### ee) Reporting

The Management Board shall report on the utilization of stock option plan 2015 and the arrangement of stock options granted to the beneficiaries for each fiscal year in the respective annual report.

#### d) Amendment to the Articles of Incorporation and instruction to the Management Board

Section 3 of the Company's Articles of Incorporation is amended by adding the following new paragraph 8:

"The share capital is conditionally increased by up to 1,200,000.00 Euro (conditional capital 2015/1). The conditional capital increase is intended for servicing stock options granted on the basis of the authorization given by shareholders' resolution at the Annual General Meeting of May 8, 2015 to the Company's employees, executives and Management Board members as well as to employees and members of the management of affiliated companies until May 7, 2020 (stock option plan 2015). The conditional capital increase shall be carried out only to the extent that stock options are issued from the conditional capital within the framework of stock option plan 2015 according to the shareholders' resolution passed at the Annual General Meeting of May 8, 2015 and these stock options are exercised by their holders within the exercise period, unless cash compensation is granted or treasury shares are utilized for servicing. The new shares are

entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of stock options. Deviating from this provision, the Management Board or – insofar as members of the Management Board are concerned – the Supervisory Board may also determine that the new shares are entitled to dividend as of the beginning of the fiscal year for which no shareholders' resolution on the appropriation of retained earnings has been adopted yet at the time of exercising stock options.”

e) Authorization to amend the Articles of Incorporation

The Supervisory Board is authorized to adjust Section 3 (8) of the Articles of Incorporation in accordance with the respective utilization of conditional capital 2015/I and make all other necessary adjustments to the Articles of Incorporation in connection with this insofar as only the wording of the Articles of Incorporation is concerned. The same applies in case of non-utilization of the issue of stock options based on stock option plan 2015 and after the authorization term has expired as well as in the case of non-utilization or not entire utilization of conditional capital 2015/I.

**7. Resolution on the authorization of the Management Board to issue convertible bonds, option bonds and profit participating bonds and to exclude the right to subscription and on the creation of conditional capital (conditional capital 2015/II) and corresponding amendments to the Articles of Incorporation**

The Annual General Meeting of May 4, 2010 adopted an authorization to issue convertible bonds or option bonds, profit participation rights or profit participating bonds as well as the creation of conditional capital. This authorization is limited until May 3, 2015. Therefore the Management Board shall be authorized once again to issue convertible bonds, option bonds and profit participating bonds, also against contributions or benefits in kind, for a period of five years, thus until May 7, 2020, and a conditional capital (conditional capital 2015/II) shall be resolved.

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

- a) Authorization for the issue of bonds with conversion privileges or option rights, profit participating bonds (or a combination of such instruments) and suspension of preceding authorizations

***Term of the authorization, face value***

The Management Board is authorized, subject to the Supervisory Board's approval, to issue option bonds or convertible bonds or profit participating bonds, or a combination of these instruments (collectively called “bonds”), made out to the bearer or in the name of the holder, in one or several issues until May 7, 2020 in the total face value of up to 200,000,000.00 Euro and to grant conversion privileges

or option rights with subscription warrants made out to the bearer or in the name of the holder for up to 7,800,000 no-par bearer shares of Elmos Semiconductor Aktiengesellschaft with a theoretical share in the share capital of altogether up to 7,800,000.00 Euro.

Other than in euro, the bonds may also be issued in the legal currency of an OECD member state in observance of the limit of the corresponding equivalent amount in euro. The bonds may also be issued by a group company of Elmos Semiconductor Aktiengesellschaft within the meaning of Section 18 AktG (German Stock Corporation Act). In this case the Management Board is authorized, subject to the Supervisory Board's approval, to assume the guaranty for the bonds on behalf of the Company and to grant the holders of the option and/or convertible bonds option rights or conversion privileges or rather impose conversion obligations on them with respect to bearer shares of Elmos Semiconductor Aktiengesellschaft.

Bonds as well as option rights and conversion privileges may be issued with or without limited terms. Bonds may provide for fixed or variable interest. Moreover, interest may, just as in the case of profit

participating bonds, be made dependent entirely or in part on the amount of the Company's dividend.

Bonds may be issued against contributions in cash or contributions or benefits in kind, particularly the investment in other entities. This may also include the indirect issue of bonds by employing the services of a bank.

#### ***Option rights and/or conversion privileges***

In case of the issue of option bonds, one or more subscription warrants are attached to each bond, entitling the bearer or creditor to the purchase of shares of Elmos Semiconductor Aktiengesellschaft according to the particulars of the provisions for bonds or options determined by the Management Board. The subscription warrants may be separable from the corresponding bonds. The provisions for bonds or options may provide that the option price may also be fulfilled by contribution in kind, particularly the transfer of bonds (trade-in) and additional cash payment if necessary.

Insofar as such transaction results in fractions of shares, it may be provided for that these fractions may be added up to the purchase of whole shares against cash adjustment if necessary, in accordance with option or bond provisions.

In case of the issue of convertible bonds, the bearers or creditors of convertible bonds are granted the right to convert their convertible bonds to shares of Elmos Semiconductor Aktiengesellschaft according to the provisions for convertible bonds. The conversion ratio derives from the division of the face value, or the issue price below face value of a convertible bond, by the conversion price respectively determined for one share of Elmos Semiconductor Aktiengesellschaft.

The theoretical share in the share capital of the shares to be subscribed for per convertible bond or by trade-in of one option bond may not exceed the face value or the issue price of the bonds below face value. Sections 9 (1) and 199 (2) AktG shall remain unaffected.

Respective bond or option conditions may also provide for a conversion or option obligation or the issuer's tender right to supply shares of Elmos Semiconductor Aktiengesellschaft (in any combination) at any given time, particularly at the end of the term.

#### ***Right to subscription***

Bonds shall generally be offered to the shareholders for subscription; they may also be issued to banks or entities within the meaning of Section 186 (5) sentence 1 AktG with the obligation to offer them to the shareholders for subscription. If bonds are issued by a group company of Elmos Semiconductor Aktiengesellschaft within the meaning of Section 18 AktG, the Company shall safeguard the granting of the statutory subscription rights to the shareholders of Elmos Semiconductor Aktiengesellschaft accordingly.

However, the Management Board is authorized, subject to the Supervisory Board's approval, to exclude fractional amounts from the shareholders' subscription right and also to exclude the subscription right to the extent necessary to grant the holders of previously issued bonds subscription rights to the extent they would be eligible for subsequent to the exercise of their option rights or

conversion privileges or in fulfillment of conversion obligations as shareholders.

The Management Board is also authorized, subject to the Supervisory Board's approval, to exclude the shareholders' subscription right for bonds issued altogether if the bonds are issued against contribution in cash and the Management Board arrives at the opinion after due examination that the issue price of the bonds does not materially fall below their hypothetical market value determined according to accepted methods, particularly applying financial mathematics. This authorization for the exclusion of the right to subscription applies for bonds to shares with a theoretical share in the share capital that altogether may not exceed 10% of the share capital, neither at the time this authorization becomes effective nor – if this amount is lower – at the time this authorization is exercised. To be included in the aforementioned 10% limit are

- shares issued from authorized capital under exclusion of the right to subscription pursuant to Section 186 (3) sentence 4 AktG during the term of this authorization until the issue of the bonds without subscription rights according to Section 186 (3) sentence 4 AktG, and

- shares acquired on the basis of an authorization granted by the Annual General Meeting and sold under exclusion of the right to subscription in accordance with Section 71 (1) no.8 sentence 5 in conjunction with Section 186 (3) sentence 4 AktG until the issue of the bonds without subscription rights according to Section 186 (3) sentence 4 AktG.

The Management Board is also authorized, subject to the Supervisory Board's approval, to exclude the shareholders' subscription right if the bonds are issued against contributions or benefits in kind.

In addition to that, the total of the shares issued under exclusion of the right to subscription against contributions in cash or in kind may not exceed 20% of the share capital at the time the authorization becomes effective or – if this amount is lower – at the time it is exercised. To be included in this 20% limit are shares to be issued under this authorization linked to bonds issued under exclusion of the right to subscription and shares issued from authorized capital under exclusion of the right to subscription against contributions in kind and in accordance with Section 186 (3) sentence 4 AktG.



### ***Option or conversion price***

The conversion or option price may not fall below 60% of the price of the Company's stock on XETRA (or a comparable successor trading system). Applicable is the unweighted average closing price of the shares of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor system) on the ten trading days in Frankfurt/Main prior to the final decision of the Management Board to issue an offer to subscribe for bonds or rather the declaration of the Company's acceptance following public invitation to submit subscription offers. In case of a subscription rights trade, the relevant period includes the days of subscription rights trading except for the last two trading days of subscription rights.

In the case of bonds or subscription warrants with conversion or option obligations (or the issuer's tender right to supply shares), the conversion or option price may either amount at least to the above-mentioned minimum price or equal the unweighted average closing price of the share of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor system) on the ten trading days in Frankfurt/Main prior to or after the day of

final maturity or rather the day of the conversion or option obligation even if this average price falls below the above-mentioned minimum price (60%).

The option or conversion price may be adjusted, without prejudice to Section 9 (1) AktG, in case of the economic dilution of the value of option rights or conversion privileges or conversion obligations in protection of its value according to the bond or option conditions insofar as said adjustment is not already provided for by law. Dilution protection or adjustments may particularly be provided for by granting subscription rights, adjusting the conversion or option price, or by adjusting or granting cash payment components.

Sections 9 (1) and 199 (2) AktG shall remain unaffected in any case.

### ***Other provisions***

The Management Board is authorized, subject to the Supervisory Board's approval, to determine the further conditions of the bonds or subscription warrants or rather define them in agreement with the respective issuing group company. The conditions may govern in particular

- whether instead of servicing from conditional capital servicing from authorized capital, the supply of treasury shares, the payment of the consideration partly in cash or the supply of partly other securities listed on the stock exchange (or a combination of these measures) may be provided for,
- whether the conversion or option price or the conversion ratio upon the issue of bonds is to be determined or to be established on the basis of future stock market prices within bandwidths to be defined,
- whether and how rounding to a full conversion or option ratio is applied,
- whether an additional cash payment or cash compensation is defined in case of fractional amounts, and
- how in the case of obligatory conversion or rather the fulfillment of option obligations or tender rights particulars for the exercise, the fulfillment of obligations or rights, time limits, and the calculation of conversion or option prices are to be determined.

b) Creation of new conditional capital and cancelation of the previously existing conditional capital

The share capital is conditionally increased by up to 7,800,000.00 Euro by the issue of up to 7,800,000 new no-par bearer shares with a theoretical share in the share capital of 1.00 Euro each (conditional capital 2015/II). The conditional capital increase is intended for granting no-par bearer shares to the holders of convertible bonds or option bonds (or a combination of these instruments) with conversion privileges or option rights or conversion obligations and issued by the Company or one of the Company's group companies within the meaning of Section 18 AktG until May 7, 2020 on the basis of the authorization given by shareholders' resolution at the Annual General Meeting of May 8, 2015 under agenda item 7 a). The issue of new shares is carried out at the respective conversion or option price to be determined according to aforementioned authorization resolution.

The conditional capital increase may only be carried out by the issue of up to 7,800,000 no-par bearer shares to the extent that the holders or creditors of convertible bonds or subscription warrants from option bonds, issued on the basis of the authorization of the Management Board of Elmos Semiconductor Aktiengesellschaft or one of the Company's group companies within the meaning of Section 18 AktG

until May 7, 2020, make use of their conversion privileges or option rights or fulfill their conversion obligations, or shares are supplied under tender rights unless other forms of performance are utilized for servicing.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of conversion privileges or option rights or by the fulfillment of conversion obligations; deviating from this provision, the Management Board, subject to the Supervisory Board's approval, may also determine that the new shares are entitled to dividend as of the beginning of the fiscal year for which no shareholders' resolution on the appropriation of retained earnings has been adopted yet at the time of the exercise of conversion privileges or option rights or the fulfillment of conversion obligations.

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

c) Amendments to the Articles of Incorporation

Section 3.7 of the Articles of Incorporation is rephrased as follows:

"The share capital is conditionally increased by up to 7,800,000.00 Euro,

divided into up to 7,800,000 new no-par bearer shares (conditional capital 2015/II). The conditional capital increase is carried out by the issue of up to 7,800,000 no-par bearer shares only to the extent that the holders or creditors of convertible bonds or subscription warrants from option bonds, issued on the basis of the authorization of the Management Board granted by shareholders' resolution at the Annual General Meeting of May 8, 2015 by Elmos Semiconductor Aktiengesellschaft or one of the Company's group companies within the meaning of Section 18 AktG until May 7, 2020, make use of their conversion privileges or option rights or fulfill their conversion obligations, or shares are supplied under tender rights unless other forms of performance are utilized for servicing. The issue of the new shares is carried out at the respective conversion or option price to be determined by the bond or option conditions according to aforementioned authorization resolution.

The new shares are entitled to dividend as of the beginning of the fiscal year in which they come into being by the exercise of conversion privileges or option rights or by the fulfillment of conversion obligations; deviating from this provision, the Management Board, subject to the Supervisory Board's approval, may also determine that the new shares are entitled to dividend as of the beginning of the fiscal year for which no shareholders' resolution

on the appropriation of retained earnings has been adopted yet at the time of the exercise of conversion privileges or option rights or the fulfillment of conversion obligations.

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

d) Authorization to amend the Articles of Incorporation

The Supervisory Board is authorized to adjust Section 3 (7) of the Articles of Incorporation in accordance with the respective utilization of conditional capital 2015/II and make all other necessary adjustments to the Articles of Incorporation in connection with this insofar as only the wording of the Articles of Incorporation is concerned. The same applies in case of non-utilization of the authorization for the issue of convertible bonds or option bonds, after the authorization term has expired as well as in the case of non-utilization or not entire utilization of conditional capital 2015/II after the time periods for the exercise of option rights or conversion privileges or the fulfillment of conversion obligations have expired.

**8. Resolution on the authorization to purchase and utilize treasury shares**

The Company decided on the most recent authorization to purchase and utilize treasury shares, limited until May 16, 2016, at the Annual General Meeting on May 17, 2011. The existing authorization shall be suspended and a new authorization to purchase and utilize treasury shares shall be granted for a period of five years, i.e. until May 7, 2020.

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

- a) The Management Board is authorized, subject to the approval of the Supervisory Board, to purchase the Company's shares of altogether up to 10% of the share capital until May 7, 2020. Together with any treasury shares purchased 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 (German Stock Corporation Act), the volume of treasury shares purchased 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 purchase shall be made on the stock exchange or by means of a public purchase offer addressed to all of the Company's shareholders, or by purchasing from individual shareholders based on individual agreements; however, shares shall not be purchased from Weyer Beteiligungsgesellschaft mbH, ZOE-VVG GmbH, Jumakos Beteiligungsgesellschaft mbH, or other entities subject to reporting in accordance with Section 15a WpHG (German Securities Trading Act) or any successive legislation, with no consideration of the exemption pursuant to Section 15a (1) sentence 5 WpHG or any successive legislation.

- > If the shares are purchased on the stock exchange, consideration paid by the Company per share (net of additional purchase costs) shall neither exceed the opening price on Xetra (or a comparable successor system) in Frankfurt/Main as of the purchase date by more than 10% nor fall below that price by more than 20%.
- > If the shares are purchased by means of a public purchase 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 fall below the unweighted average closing price of

the stock of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor system) of the last three trading days in Frankfurt/Main prior to the day of the public announcement of the purchase 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 unweighted average closing price of the stock of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor system) of the last three trading days in Frankfurt/Main prior to the day of the public announcement of a possible adjustment. The purchase offer may provide for further conditions. The volume of the offer may be limited. If total subscription to the offer 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 for purchase per shareholder of the Company may be provided for.

- > If the shares are acquired by purchasing from individual shareholders based on individual agreements, the purchase price per share may neither exceed nor fall below the unweighted average closing price of the stock of Elmos Semiconductor Aktiengesellschaft on XETRA (or a comparable successor system) of the last three trading days in Frankfurt/Main prior to the transaction of the respective purchase by

more than 5%. The other shareholders' right to tender is excluded in analogous application of Section 186 (3) sentence 4 AktG.

d) The Management Board is authorized to utilize the Company's shares purchased on the basis of aforementioned authorization or a preceding authorization for the following purposes:

aa) Shares may be assigned, subject to the Supervisory Board's approval, 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, 2010 and 2015 in servicing stock options. Insofar as the Company's 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, 2010 and 2015. The key provisions 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. Please refer to agenda item 6 for stock option plan 2015. Stock option plans may also be inspected in the offices of Elmos Semiconductor Aktiengesellschaft at the registered address, Heinrich-Hertz-

Straße 1, 44227 Dortmund, Germany, or on the Internet at [www.elmos.com/english/investor-relations/corp-gov/option-program](http://www.elmos.com/english/investor-relations/corp-gov/option-program). Furthermore, they are sent to shareholders by mail upon request and will be on display at the General Meeting.

bb) Shares may be sold, subject to the Supervisory Board's approval, to third parties against payment in cash if the sale is transacted at a price that does not materially fall below 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 utilized. To be taken into account of this 10% limit are shares, bonds with conversion privileges or option rights or conversion obligations as well as comparable financial instruments issued or sold during the term of this authorization with exclusion of the shareholders' subscription right in direct or indirect application of Section 186 (3) sentence 4 AktG.

cc) Shares may be sold, subject to the Supervisory Board's approval, against contributions 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 utilized, subject to the Supervisory Board's approval, for servicing convertible bonds or option bonds or profit participating bonds (or a combination of these instruments), linked to conversion privileges or option rights or conversion obligations, issued by Elmos Semiconductor Aktiengesellschaft or a group company of Elmos Semiconductor Aktiengesellschaft within the meaning of Section 18 AktG in the future.
- ee) Shares may be utilized, subject to the Supervisory Board's approval and, insofar as the Management Board is concerned, by the Supervisory Board, in connection with share-based remuneration plans or employee share programs of the Company or one of its affiliates or even not in connection with share-based remuneration plans or employee share programs and issued to persons who are or were in an employment relationship with the Company or one of its affiliates as well as to members of a corporate body of the Company or one of its affiliates. To above-mentioned persons or corporate body members, shares may in particular be offered for purchase, promised and assigned, either against payment or without consideration.
- ff) Shares may be promised and assigned by the Supervisory Board to the members of the Management Board of Elmos Semiconductor Aktiengesellschaft as share-based remuneration components in observance of the requirement for the appropriateness of remuneration (Section 87 (1) AktG). 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 approval, without further shareholders' resolution on the retirement or its execution. They may also be retired, subject to the Supervisory Board's approval, in a simplified procedure without capital decrease by adjusting the theoretical share in the Company's share capital of each of the remaining no-par shares. The retirement may be limited to a part of the purchased shares. If the retirement is carried out by way of the simplified procedure, the Management Board is authorized to adjust the number of no-par shares in the Articles of Incorporation.
- e) The shareholders' subscription right to these shares of the Company 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 and utilize treasury shares based on the shareholders' resolution passed at the Annual General Meeting of May 17, 2011 and limited until May 16, 2016, is suspended as of the moment the new authorization comes into effect.

## REPORTS OF THE MANAGEMENT BOARD

### 1. Report of the Management Board on agenda item 7 (authorization to issue convertible bonds, option bonds and profit participating bonds)

The proposed authorization of the Management Board, subject to the Supervisory Board's approval, to issue option bonds or convertible bonds, profit participating bonds or a combination of these instruments (collectively called "bonds") made out to the bearer or in the name of the holder in the total face value of up to 200,000,000 Euro in one or more issues until May 7, 2020 with conversion privileges or conversion obligations or with option rights or option obligations certified by subscription warrants made out to the bearer or in the name of the holder to altogether up to 7,800,000 no-par bearer shares of Elmos Semiconductor Aktiengesellschaft with a theoretical share in the share capital of altogether up to 7,800,000.00 Euro is intended to enhance the options of Elmos Semiconductor Aktiengesellschaft for financing its activities, to be explained in detail below, and open up the path for the Management Board, subject to the Supervisory Board's approval, toward flexible and timely financing in the interest of the Company particularly upon the occurrence of favorable capital market conditions.

Shareholders are generally entitled to the statutory subscription right to bonds linked to conversion privileges or option rights or conversion obligations (Section 221 (4) AktG in conjunction with Section 186 (1) AktG). In order to simplify proceedings, the option to issue the bonds to a bank or a consortium of credit institutions under the obligation to offer the bonds to the shareholders according to their right to subscription is intended to be made use of (indirect subscription right within the meaning of Section 186 (5) AktG).

The exclusion of the subscription right to fractions facilitates the utilization of the proposed authorization by way of round figures. This simplifies the execution of the shareholders' subscription right. The exclusion of the subscription right in favor of the holders of already issued bonds with conversion privileges or option rights or conversion obligations has the advantage that the conversion or option price does not have to be reduced with regard to already issued bonds and that a higher cash inflow is thus made possible altogether. Both cases of subscription right exclusion are therefore in the interest of the Company and its shareholders.

The Management Board is also authorized, subject to the Supervisory Board's approval, to exclude the shareholders' subscription right



altogether if the issue of bonds with conversion privileges or option rights or conversion obligations is realized at a price that does not materially fall below the market price of these bonds. The Company is thus given the option to seize market opportunities swiftly and flexibly and to achieve better conditions for the determination of interest rates and issue prices of bonds due to a definition of conditions close to the market. Such a definition of conditions close to the market and an unobstructed placement would not be possible if the subscription right was observed. Section 186 (2) AktG does allow for an announcement of the issue price (and thus the conditions of these bonds) until the third-to-last day of the subscription period. However, in view of the often observed volatility at the stock markets, even then a market risk would remain for several days, leading to the provision of haircuts in determining bond conditions and therefore to conditions not close to the market. If the subscription right remains in effect, the successful placement with third parties is also jeopardized or subject to additional expense because of the uncertainty of the right's execution (subscription behavior). Finally, if the subscription right is granted, the Company cannot respond to favorable or unfavorable market conditions at short notice because of the length of the subscription period but is instead exposed to declining stock prices during the subscription period, potentially resulting in unfavorable equity financing for the Company.

For this case of a total exclusion of the shareholders' subscription right, the meaning of the provision of Section 186 (3) sentence 4 AktG applies analogously, according to Section 221 (4) sentence 2 AktG. The limit for subscription right exclusion of 10% of the share capital stipulated therein shall be observed, according to the resolution proposal. By a corresponding provision in the authorization proposal, it is also assured that even in case of a capital decrease the 10% limit will not be exceeded as the authorization for the exclusion of the subscription right shall expressly not exceed 10% of the share capital, neither at the time of coming into effect nor at the time of exercising the authorization. Included in the aforementioned 10% limit are new shares issued from authorized capital under exclusion of the subscription right according to Section 186 (3) sentence 4 AktG during the term of this authorization until the bonds with conversion privileges or option rights or conversion obligations are issued without subscription rights in analogous application of Section 186 (3) sentence 4 AktG. Also to be included are such shares that may have been acquired on the basis of an authorization given by shareholders' resolution in accordance with Section 71 (1) no.8 AktG and are sold in analogous application of Section 186 (3) sentence 4 AktG under exclusion of the subscription right until the subscription-right excluded issue of bonds with conversion privileges or option rights or conversion obligations.

Section 186 (3) sentence 4 AktG has the further consequence that the issue price may not materially fall below the stock market price. This provision is meant to assure that a material economic dilution of the shares' value will not occur. If such a dilutive effect occurs in case of a subscription-right excluded issue of bonds with conversion privileges or option rights or conversion obligations can be determined by calculating the hypothetical stock market price of the bonds according to accepted methods, particularly applying financial mathematics, and then comparing it with the issue price. If this issue price is found, after due examination, to be only immaterially below the hypothetical stock market price at the time of the issue of the bond, exclusion of the subscription right is admissible within the meaning of the provision of Section 186 (3) sentence 4 AktG due to the immaterial discount because the arithmetical market value of a subscription right drops close to nil so that the shareholders cannot suffer a material economic disadvantage by the exclusion of their subscription right. The proposal therefore provides that the Management Board shall arrive at the opinion, after due examination and prior to the issue of bonds with conversion privileges or option rights or conversion obligations, that the intended issue price will not lead to a material dilution of the shares' value. Independent of this examination to be carried out by the Management Board, a determination of conditions based on the market and thus the prevention of a material dilution of value in case of carrying out a book

building procedure is assured. By this procedure, bonds are offered for a fixed issue price; however, individual conditions of the bonds (e.g. interest rate and term, if applicable) are determined on the basis of purchase bids submitted by investors, and thus the total value of the bond is defined close to the market. All this makes sure that a material dilution of the shares' value by the exclusion of the shareholders' subscription right will not take place.

Furthermore, the shareholders have the opportunity to maintain their share in the Company's share capital anytime by the purchase of shares on the stock exchange even after the exercise of conversion privileges or option rights or the fulfillment of conversion obligations. For the Company, on the other hand, the authorization for the exclusion of the right to subscription allows the definition of conditions close to the market, the greatest possible security with regard to the shares' placement with third parties, and the exploitation of favorable market scenarios at short notice.

The Management Board is also authorized, subject to the Supervisory Board's approval, to exclude the right to subscription if bonds are issued against contributions or benefits in kind. By granting this authorization, the Management Board, subject to the Supervisory Board's approval, is intended to be given the option to have shares available for disposal

against contributions in kind, particularly as consideration for business mergers or upon the acquisition of companies, operations, and investments. The domestic and international competition as well as the globalization of the economy increasingly demand this kind of acquisition financing. The proposed authorization is intended to give the Company 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 right. There are no specific plans for making use of this authorization. In determining the valuation proportions, the Management Board will make sure that the shareholders' interests are duly considered. In calculating the value of shares disposed of as consideration, the Management Board will generally orient itself toward the stock market price of the share of Elmos Semiconductor Aktiengesellschaft. The Management Board will report to the Annual General Meeting on each use of this authorization.

It is also provided that the total amount of shares issued under exclusion of the right to subscription against contributions in cash or in kind must not exceed 20% of the share capital at the time the authorization becomes effective or – if this amount is lower – at the time

the authorization is exercised. To be included in this 20% limit are shares to be issued under this authorization linked to bonds issued without subscription rights and shares issued from authorized capital under exclusion of the right to subscription against contributions in kind as well as in accordance with Section 186 (3) sentence 4 AktG.

The conditional capital 2015/II is required for servicing conversion or option rights or conversion or option obligations or tender rights linked to corresponding bonds to or with respect to shares of Elmos Semiconductor Aktiengesellschaft unless other forms of performance are utilized for servicing.

There are no specific plans at present for a utilization of the authorization for the issue of bonds. The Management Board will diligently analyze in each case if the utilization of the authorization is in the interest of the Company and its shareholders.

The Management Board shall report to the Annual General Meeting on any utilization of the authorization.

## **2. Report of the Management Board on agenda item 8 (authorization to purchase and utilize treasury shares)**

At the Annual General Meeting of May 17, 2011 the Company decided on an authorization to purchase and utilize treasury shares that is limited until May 16, 2016. This existing authorization shall be suspended and a new authorization to purchase and utilize treasury shares shall be granted for a period of five years, i.e. until May 7, 2020.

Apart from an purchase of shares on the stock market, the Management Board shall also be given the option, subject to the Supervisory Board's respective approval, to purchase the treasury shares by means of a public purchase offer. 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 would otherwise occur in determining the quota to be purchased and small remaining parcels, thereby simplifying the technical implementation.

The authorization also provides for the option that Elmos Semiconductor Aktiengesellschaft may purchase shares from individual shareholders based on individual purchase agreements without having to offer the other shareholders the purchase of their shares, too. Purchase of shares from the so-called anchor shareholders of Elmos Semiconductor Aktiengesellschaft, i.e. Weyer Beteiligungsgesellschaft mbH, ZOE-VVG GmbH, and Jumakos Beteiligungsgesellschaft mbH, as well as other entities subject to reporting pursuant to Section 15a WpHG (German Securities Trading Act) or any successor legislation, without consideration of the exemption in accordance with Section 15a (1) sentence 5 WpHG or any successor legislation, is not permitted. The purchase of shares within the framework of individual purchase agreements is advantageous because the purchase of shares on the stock market, in view of the limited trading volume, or by way of a public purchase offer can take relatively long. It would take a long time until the Company was able to actually buy back a larger portion of the Company's shares. The purchase from individual shareholders is also subject to a market-based stock price so that shareholders are ultimately not penalized. Shareholders not involved in such transactions therefore do not lose value. This corresponds to the position of shareholders upon share buyback on the stock exchange where not all of the shareholders can actually sell the Company's shares they hold. Insofar the conditions under Section 186 (3) sentence 4 AktG are met, according to which the

exclusion of the subscription right is justified if the shareholders' asset interests are safeguarded due to market-based price calculation.

The Elmos stock option plans 2009, 2010 and 2015 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 8 shall enable the Management Board, subject to the Supervisory Board's approval, to service stock option plans 2009, 2010 and 2015 also by the prior purchase of the Company's 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 corporate bodies of the Company; they will let themselves be guided 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 shares bought back with exclusion of the shareholders' subscription right, subject to the Supervisory Board's approval, to third parties against payment in cash, provided the selling price does not materially fall below the stock market price. The administration will keep a possible discount off the

stock market price as low as possible in compliance with the provisions of law. The sale for a selling price that does not materially fall below 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 conversion obligations as well as comparable financial instruments issued or sold during the term of this authorization with exclusion of the shareholders' subscription right 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 its shares to domestic and international investors and to expand the shareholder base, and thus to stabilize the value of the stock. The Company is thus enabled to adjust its equity to business requirements in a flexible manner and to respond to favorable stock market scenarios.

Furthermore, the authorization granted shall provide the Management Board with the opportunity, subject to the Supervisory Board's approval, to have the Company's shares available 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 right. There are no specific plans for making use of this authorization. In determining the valuation proportions, the Management Board will make sure that the shareholders' interests are duly considered. In calculating the value of shares disposed of as consideration, the Management Board will generally orient itself toward the stock market price of the share of Elmos Semiconductor Aktiengesellschaft. The Management Board will report to the Annual General Meeting on each use of this authorization.

In addition to that, the Management Board shall be able, subject to the Supervisory Board's approval, 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 without consideration). Elmos Semiconductor Aktiengesellschaft promotes a culture of ownership in the Company and enables employees and executives to participate in the Company and its performance by share programs and share-based payment as well as individual stock awards. Such a participation

is also desired by the legislator and therefore made easier in many respects. The issue of shares to employees of the Company or one of its affiliates and to members of corporate bodies of the Company or one of its affiliates is intended to strengthen the connection aforementioned persons have with Elmos Semiconductor Aktiengesellschaft. They are meant to be committed to the Company and to participate in its long-term development as shareholders as well. Thus understanding and the willingness to assume a larger share of responsibility, particularly economic responsibility, shall be strengthened in the interest of the Company and its shareholders. The issue of shares also makes arrangements with a long-term incentive effect possible, taking into consideration not only positive developments but negative ones as well. Granting shares e.g. subject to a lockup period or blocking period of several years, or linked to incentives that promote holding shares, also provides for a penalty effect in the case of negative developments in addition to the bonus effect. Granting shares is thus intended to give an incentive for seeing to a sustainable increase in the Company's shareholder value.

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 right 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 or assigned shares as share-based remuneration by the Supervisory Board. The option to promise and assign the treasury 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 market price. On the other hand, they bear the price risk, too. The decision on this is the sole responsibility of the Supervisory Board as the proper decision-making body that 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 right is 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 the shareholders' subscription right shall also be made possible. According to Section 9 of the Company's Articles of Incorporation (remuneration of the Supervisory Board), 25% of the fixed remuneration and 50% of the variable remuneration shall be paid to the members of the Supervisory Board in treasury shares insofar as the Company is authorized to utilize treasury shares for this purpose and to the extent the Company holds treasury 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) of the twenty trading days in Frankfurt/Main 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 shall 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. The interest of the members of the Supervisory Board in the Company's long-term and sustainable governance and performance shall thus be strengthened. In order to facilitate the practical implementation of the remuneration structure, the Management Board shall be enabled to assign treasury shares 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 right.

Finally, the Management Board shall be authorized, subject to the Supervisory Board's approval, to retire the Company's shares purchased on the grounds of the proposed authorization resolution even without another 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' theoretical share in 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.

#### TOTAL NUMBER OF SHARES AND VOTING RIGHTS

The Company's share capital comes to 19,859,749.00 Euro as of the convening of the Annual General Meeting and is divided into 19,859,749 no-par ordinary bearer shares. Each no-par share grants one vote in the General Meeting.

Please take note that the Company currently holds 280,825 treasury shares. In accordance with Section 71b AktG (German Stock Corporation Act), the Company cannot derive any rights from these shares, particularly no voting rights.

#### PARTICIPATION IN THE ANNUAL 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 depositary bank to 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 (0)69 12012 86045  
E-mail: wp-hv@db-is.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 17, 2015**, and must be received by the Company together with the registration before **midnight of May 1, 2015** 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 correspond with 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 participate or exercise any voting rights unless they are insofar empowered or authorized to exercise such 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 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) or (10) AktG (German Stock Corporation Act) is authorized as a proxy, the power of proxy, its revocation, and proof of the power of proxy to the Company must be furnished at least 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 respective shareholder's instructions.

In the case of proxy voting, the submission of registration and proof of share ownership must also 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) or (10) AktG as well as to revoking and giving proof of the power of proxy. Credit institutions, shareholders' associations and other entities comparable to a credit institution in accordance with Section 135 (8) or (10) AktG may have special requirements for the procedure of their own authorization. Shareholders are therefore kindly asked to contact the entity they wish to authorize 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 the following address:

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

On the day of the Annual General Meeting, the only place available for furnishing proof of the power of proxy is the registration desk at Spielbank Hohensyburg, Hohensyburgstraße 200, 44265 Dortmund, Germany, 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 6, 2015 (Company's receipt)** by mail, fax or e-mail to the following address:

Elmos Semiconductor Aktiengesellschaft  
c/o ITTEB GmbH & Co. KG  
Vogelanger 25  
86937 Scheuring, Germany  
Fax: +49 (0)8195 9989 664  
E-mail: [elmos2015@itteb.de](mailto:elmos2015@itteb.de)

#### *Proxy forms*

Shareholders who have registered for participation according to Section 11 of the Company's 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 for download on the Company's website at [www.elmos.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting).

## SHAREHOLDER'S 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 proportionate amount of 500,000 Euro (corresponding with 500,000 shares) are entitled to request in accordance with Section 122 (2) AktG (German Stock Corporation Act) that topics of their choice be put on the agenda and announced. Each new topic must be accompanied by an explanatory statement or a resolution proposal. The request must be addressed 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 admissible date of receipt is thus Tuesday, **April 7, 2015 before midnight**.

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

Elmos Semiconductor Aktiengesellschaft  
The Management Board  
Heinrich-Hertz-Straße 1  
44227 Dortmund, Germany

Supplements to the agenda subject to announcement – unless announced already upon the convening of the AGM – are announced in the Federal

Gazette promptly upon the request's receipt and transmitted for publication to media outlets of which it can be expected that they distribute the information throughout the entire European Union. They are also announced on the Internet at [www.elmos.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting).

### 2. Countermotions and election proposals

In accordance with Section 126 (1) AktG (German Stock Corporation Act), each shareholder is entitled to submit countermotions with regard to the resolution proposals on the agenda items. If countermotions are meant to be made accessible by the Company, the Company must receive them 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 April 23, 2015**, at the following address:

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

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.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting) together with the shareholder's name and the explanatory statement as well as any corresponding statements by the administration.

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

Even if countermotions or 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' rights to propose countermotions or submit election proposals at the General Meeting even without prior submission to the Company remain 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 such 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 Semiconductor Group and the subsidiaries included in the consolidated financial statements of Elmos Semiconductor Aktiengesellschaft.

### 4. Further explanations

More detailed explanations of the shareholders' rights in accordance with Sections 122 (2), 126 (1), 127, and 131 (1) AktG (German Stock Corporation Act) are available on the Internet at [www.elmos.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting).

#### **RELEASE 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 pursuant to Section 124a AktG (German Stock Corporation Act), particularly the AGM convening notice, 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.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting).

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

The convening of the Annual General Meeting is announced in the Federal Gazette of March 24, 2015 and transmitted for publication to media outlets of which it can be expected that they distribute the information throughout the entire European Union.

#### **INTERNET BROADCAST OF THE ANNUAL 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.com](http://www.elmos.com)) on May 8, 2015 starting at 10:00 a.m., by order of the chairman of the Annual General Meeting. Unrestricted online access to the live webcast will be made available at [www.elmos.com/english/investor-press/annual-general-meeting](http://www.elmos.com/english/investor-press/annual-general-meeting).

Dortmund, March 2015

Elmos Semiconductor Aktiengesellschaft  
The Management Board

## INFORMATION

### Admission

The doors to the Annual General Meeting will open on May 8, 2015 at 9:00 a.m.

### Parking

Parking spaces are available for our guests at Spielbank Hohensyburg during the General Meeting. We kindly ask you to show your parking ticket upon registration so that we can exchange it for a parking voucher that provides for free parking.

### Bus transfer from/to Dortmund bus terminal

At the Dortmund bus terminal, free bus transfer to our Annual General Meeting at Spielbank Hohensyburg is available at 9:00 a.m., provided by the company TRD-Reisen. The bus departs from Spielbank Hohensyburg about one hour after the end of the General Meeting and goes back to the Dortmund bus terminal.

## DIRECTIONS

On highway A1 from Cologne, take the exit “Hagen-Nord”. Follow the signposts showing the way to Spielbank Hohensyburg from there.

Coming from either A44 or A2, follow the signs to the city, “Dortmund-Zentrum”. Take southbound B54 from the city to Spielbank Hohensyburg.

On the A45, take the exit “Dortmund-Süd” in the direction of Hohensyburg. Follow the signposts showing the way to Spielbank Hohensyburg after the exit.



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