

Half-year Report 2006

Strong growth in revenues and earnings

Report to shareholders on the first half of 2006

Ladies and Gentlemen

Our strong second quarter and half-year results demonstrate austriamicrosystems' continuing success in the global analog semiconductor market. Profitable growth is driving our business through a combination of newly introduced and existing ICs and derivatives as we continue to see good demand in our markets worldwide. Consequently, the second quarter and first half of 2006 show substantial increases in revenues, operating profit and net income, compared to last year.

Financial results

Consolidated group revenues in the second quarter reached EUR 45.9 million, growing by 14% compared to the same quarter in 2005, in-line with expectations. Group revenues for the first six months of 2006 increased by 12% to EUR 84.6 million compared to the first half of 2005. This sales growth was driven by increasing demand across our business areas. We saw strong growth in the US and Asia-Pacific markets from our industrial end markets as well as portable audio and power management solutions for portable devices.

In the second quarter we recorded a gross margin of 47% compared to 44% in the same quarter of last year, as a result of improvements in our product mix and manufacturing costs. For the first half of the current year, gross margin reached 46%, an increase of two percentage points compared to the first six months of 2005. Our result from operations (EBIT) for the second quarter rose to EUR 6.1 million, an increase of 39% from EUR 4.4 million in the second quarter of 2005, taking into account expected R&D costs for major platform developments and SG&A expenses to support our growing business. The result from operations (EBIT) for the first half-year 2006 reached EUR 10.4 million compared to EUR 8.5 million in the same period last year, an increase of 22%.

Net income for the second quarter 2006 grew by 61% to EUR 5.7 million from EUR 3.5 million in the comparable period last year. Earnings per share for the second quarter were CHF 0.81 / EUR 0.51 (basic and diluted). Net income for the first half of 2006 reached EUR 9.6 million, equivalent to CHF 1.37 / EUR 0.87 per share, growing by 51% compared to EUR 6.4 million for the same period last year, equivalent to CHF 0.90 / EUR 0.58 per share.

Key figures	EUR thousands (except earnings per share)	Q2 2006	Q2 2005	Q1 2006	1st half 2006	1st half 2005
Revenues		45,874	40,334	38,758	84,633	75,566
Gross margin in %		47%	44%	45%	46%	44%
Result from operations		6,148	4,431	4,258	10,406	8,513
Net income/loss		5,662	3,524	3,945	9,607	6,380
Basic = diluted earnings per share in CHF ¹⁾		0.81	0.49	0.56	1.37	0.90
Basic = diluted earnings per share in EUR ¹⁾		0.51	0.32	0.36	0.87	0.58
Total backlog		64,634	54,058	58,348	64,634	54,058

¹⁾ Weighted average number of ordinary shares: 11,000,000. Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Our total backlog increased further to EUR 64.6 million on June 30, 2006, compared to EUR 58.3 million at the end of the first quarter 2006 and EUR 54.1 million on June 30, 2005.

Business overview

austriamicrosystems continued its strong business performance in the second quarter and first half year as the success of our newly introduced and existing products at major customers worldwide confirms our attractive market position in high performance analog semiconductors.

Demonstrating our leadership in advanced integrated power management and lighting solutions for handsets, we concluded a significant long-term agreement with a worldwide leader in mobile communications aligning our product roadmaps across platforms and generations. In addition, we were chosen by another major handset manufacturer to supply an advanced lighting management solution for their next product generation. In portable audio, XM Satellite, the leading satellite radio provider in North America with more than 6.5 million subscribers, successfully launched several portable receivers with full MP3 functionality through its partners Samsung and Pioneer. All these models are built around our MP3 and/or power management solutions and are seeing strong response from the market. At the same time, SanDisk, a leading player in the worldwide MP3 market, very successfully introduced the new e-Series of MP3 players with video capability which offers capacity of up to 6 GB and relies on an integrated audio front-end from austriamicrosystems. Our other portable audio development projects are progressing well and further MP3 devices are being launched, including a highly acclaimed device in the Korean market offering DMB mobile TV reception. These successes confirm our excellent position in integrated solutions for the worldwide MP3 player market. We also see continuing strong growth in MEMS microphone IC volumes, a market where we hold a clear leadership position and which we expect to show further substantial growth for handset and other applications going forward.

Our industrial and medical business continued to deliver strong results with ongoing good demand for our metering solutions from the US, Europe and Asia, further business expansion with key clients in industrial automation and continuing growth in healthcare IC solutions for applications such as computer tomography systems and digital X-ray equipment. Our extensive product portfolio for industrial and medical applications comprises an increasing number of standard products, including a highly innovative IC for a variety of ultra precision measurement applications which we launched in the second quarter.

In the automotive market, we hold a leading position in ESP sensor interfaces and related systems, already delivering a complex IC solution to a leading international automotive electronics supplier and developing an innovative system solution for a major global supplier of steering systems. This demonstrates the strength of our technology in the area of vehicle safety systems. In next-generation data bus systems we were invited to join the standard-setting consortium for the JasPar standard in Japan, an achievement which creates significant longer-term sales opportunities. We also launched a fully automotive-qualified rotary encoder standard product, making our highly successful rotary encoder technology available for the automotive market. The foundry segment continued to perform well serving a variety of high quality customers who rely on us for our analog process expertise, particularly in specialty process technologies such as High Voltage and Silicon Germanium which we see increasing in the foundry business mix.

Our new design center in Hyderabad, India, has commenced operations in the second quarter, focusing on embedded software and analog-related digital design, with additional engineering staff to be added in the coming quarters. At the same time, we have successfully started production in our new Asian test center in the Philippines which was set up to support our growing business in Asia-Pacific and shorten supply chains in this region.

We have also begun preparations for the next capacity build-out step in our state-of-the-art 200 mm wafer fab to support the growth and the manufacturing requirements of our business. This modular expansion is envisaged to increase manufacturing capacity from 6,500 WSPM to approx. 8,000 WSPM (wafer starts per month) and to be fully operational by the end of the first quarter 2007.

Outlook

Looking forward, we see austriamicrosystems excellently positioned for further growth. We therefore continue to expect our business to grow in revenues and earnings in the current year. Based on currently available information, we confirm our expectation for full year revenues for 2006 to increase by between 10 and 15% compared to last year. This revenue growth is anticipated to be accompanied by a significantly higher growth in earnings.

Unterprenstaelten, July 24, 2006

John Heugle, CEO

Michael Wachsler-Markowitsch, CFO

Consolidated Profit and Loss Statement (unaudited)

EUR thousands (except number of ordinary shares and earnings per share)	Q2 2006	1st half 2006	Q2 2005	1st half 2005
Revenue Products	37,188	70,127	32,131	61,816
Revenue Foundry & Other	8,687	14,506	8,204	13,750
Total revenues	45,874	84,633	40,334	75,566
Cost of sales	- 24,351	- 45,622	- 22,408	- 42,655
Gross profit	21,523	39,010	17,926	32,910
Gross margin in %	47%	46%	44%	44%
Research and development	- 8,978	- 16,860	- 8,337	- 15,053
Selling, general and administrative	- 7,097	- 13,520	- 5,762	- 11,694
Other operating income	982	2,086	631	2,421
Other operating expenses	- 282	- 310	- 27	- 71
Result from operations	6,148	10,406	4,431	8,513
Net financing costs	- 368	- 681	- 190	- 491
Income/loss before tax	5,780	9,752	4,241	8,022
Income tax expense	- 117	- 118	- 717	- 1,642
Net income/loss	5,662	9,607	3,524	6,380
Weighted average number of ordinary shares	11,000,000	11,000,000	11,000,000	11,000,000
Basic = diluted earnings per share in CHF ¹⁾	0.81	1.37	0.49	0.90
Basic = diluted earnings per share in EUR ¹⁾	0.51	0.87	0.32	0.58

¹⁾ Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Consolidated Balance Sheet (unaudited)

EUR thousands	as of	June 30, 2006	December 31, 2005
Assets			
Cash and cash equivalents		22,466	21,271
Short-term Investments		1,035	1,024
Trade receivables		36,755	42,994
Inventories		31,924	26,765
Other receivables and assets		5,637	5,107
Total current assets		97,817	97,161
Property, plant and equipment		113,988	116,316
Intangible assets		10,093	8,519
Investments and securities		1	1
Deferred tax assets		30,953	30,953
Total non-current assets		155,035	155,789
Total assets		252,852	252,950
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings		32,544	36,100
Trade liabilities		18,841	16,865
Provisions		10,379	14,102
Other liabilities		12,843	11,401
Total current liabilities		74,606	78,469
Interest-bearing loans and borrowings		19,329	24,283
Employee benefits		8,865	8,478
Deferred government grants		4,578	5,028
Other long term liabilities		472	640
Total non-current liabilities		33,243	38,429
Shareholders' equity			
Issued capital		26,647	26,647
Share premium		92,156	91,774
Treasury shares		-995	0
Translation adjustment		-117	-75
Retained earnings		27,312	17,706
Total shareholders' equity and reserves		145,003	136,052
Total liabilities and shareholders' equity		252,852	252,950

Consolidated Cashflow Statement (unaudited)

EUR thousands	Q2 2006	1st half 2006	Q2 2005	1st half 2005
Operating activities				
Income before tax	5,780	9,725	4,241	8,022
Depreciation (net of government grants)	5,657	10,998	5,615	11,153
Changes in employee benefits	199	386	269	497
Expenses from stock option program (acc. IFRS 2)	191	381	0	0
Changes in other long-term liabilities	- 321	- 624	- 216	- 271
Gain/loss from sale of plant and equipment	0	- 109	0	0
Net financing cost	368	681	190	491
Changes in current assets	- 2,328	- 731	- 303	3,015
Changes in short-term operating liabilities and provisions	617	- 2,035	768	- 7,224
Tax payments	- 9	- 16	- 99	- 104
Cash flows from operating activities	10,154	18,657	10,463	15,579
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 6,095	- 9,314	- 5,061	- 9,449
Government grants received	1,047	1,047	1,854	1,854
Acquisition of short-term investments	- 1,046	- 1,046	0	0
Proceeds from sale of plant and equipment	0	834	0	0
Proceeds from the sale of investments	51	51	0	0
Interest received	236	326	269	478
Cash flows from investing activities	- 5,807	- 8,102	- 2,937	- 7,116
Financing activities				
Proceeds from borrowings	328	328	2,935	4,685
Repayment of borrowings	- 4,356	- 8,380	- 4,663	- 8,917
Repayment of finance lease liabilities	- 218	- 437	- 211	- 427
Interest paid	- 475	- 871	- 581	- 1,112
Cash flows from financing activities	- 4,721	- 9,361	- 2,521	- 5,771
Net increase/decrease in cash and cash equivalents	- 374	1,195	5,005	2,692
Cash and cash equivalents at begin of period	22,840	21,271	15,010	17,323
Cash and cash equivalents at end of period	22,466	22,466	20,015	20,015

Changes in Equity (unaudited)

EUR thousands	1st half 2006	1st half 2005
Beginning of period	136,052	112,527
Capital increase	381	0
Change in Treasury Shares	-995	0
Net profit for the period	9,607	6,380
Translation adjustment	-42	20
End of period	145,003	118,927

Notes on the Interim Financial Statements June 30, 2006

1. Accounting principles

The consolidated financial statements of austriamicrosystems AG and subsidiaries (the "Group") are based on the accounts of the individual subsidiaries at June 30. All figures have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting principles applied in this half-year report correspond with the reporting policies specified in the Full Year Consolidated Financial Statements dated December 31st, 2005. This half-year report is consistent with IAS 34.

2. Segment reporting

Business segments	EUR thousands	Products	Foundry & Other	Group
1st half 2006				
Revenues		70,127	14,506	84,633
Result from operations		14,551	- 4,145	10,406
1st half 2005				
Revenues		61,816	13,750	75,566
Result from operations		14,031	- 5,518	8,513

Regions	EUR thousands	EMEA ¹⁾	Americas	Asia/Pacific	Group
1st half 2006					
Revenues		48,543	13,197	22,893	84,633
1st half 2005					
Revenues		56,779	12,288	6,499	75,566

¹⁾ Europe, Middle East, Africa

Segment information is presented in respect to the Group's business and geographical segments. The primary reporting format, business segments, comprises Analog/Mixed-Signal Products ("Products") and Full Service Foundry & Other ("Foundry & Other"). Under the "Foundry & Other" segment we show revenues from third party foundry customers and record all unallocated corporate costs. Inter-segment revenues have been eliminated, inter-segment pricing is determined on a cost basis. The secondary reporting format is structured by the three regions in which sales occur: "EMEA" which includes Europe, Middle East, Africa, "Americas" and "Asia/Pacific". Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

3. Number of employees

The average number of employees was 937 during the first half of 2006, compared to 832 during the first half of 2005.

Notes on the Interim Financial Statements June 30, 2006

4. Seasonality, economic cycles

In the past, the results varied from quarter to quarter. It is expected that these variations will continue in the future.

This report is also available in German. All figures are unaudited.

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