# Half-year Report 2007

## Solid first half, slower growth and profitability profile for full year 2007

Report to shareholders on the first half of 2007

Ladies and Gentlemen

Our second quarter and half-year results demonstrate austriamicrosystems' attractive positioning in the global analog semiconductor market. While we continue to be successful in the marketplace with a combination of newly introduced and existing analog ICs and derivatives, the first half of 2007 reflects expected effects from product transitions as well as customer ramp-up and order patterns. Consequently, the second quarter and first half of 2007 show a restrained development of revenues, operating profit and net income, compared to last year.

### Financial results

Consolidated group revenues in the second quarter reached EUR 43.9 million, compared to EUR 45.9 million for the same quarter 2006. Group revenues for the first six months of 2007 reached EUR 83.3 million, slightly lower than the EUR 84.6 million recorded in the first half of 2006. The restrained revenue development in the second quarter and first half year resulted from certain slower than expected ramp-up activities and delays in continuing order patterns, mainly in our communications business. These were not fully compensated by positive developments across a range of product areas in our industrial, communications and automotive markets which included all geographic regions.

In the second quarter we recorded a gross margin of almost 50% compared to 47% in the same quarter of last year, driven by positive product mix effects and improvements in our manufacturing costs. For the first half of the current year, gross margin reached 49%, an increase of three percentage points compared to the first six months of 2006. Taking into account expected R&D costs for important platform developments, our result from operations (EBIT) for the second quarter was EUR 4.3 million, decreasing by EUR 1.8 million from EUR 6.1 million in the second quarter of 2006. The result from operations (EBIT) for the first half-year 2007 reached EUR 8.0 million compared to EUR 10.4 million in the same period last year.

Net income for the second quarter 2007 was EUR 4.1 million, a decrease of EUR 1.6 million from EUR 5.7 million in the comparable period last year. Earnings per share for the second quarter were CHF 0.62 / EUR 0.38 (basic and diluted). Net income for the first half of 2007 was EUR 7.6 million, equivalent to CHF 1.15 / EUR 0.70 per share, compared to EUR 9.6 million for the same period last year, equivalent to CHF 1.37 / EUR 0.87 per share.

| Key figures EUR thousands (except earnings per share) | Q2 2007 | Q2 2006 | Q1 2007 | 1st half 2007 | 1st half 2006 |
|---|---|---|---|---|---|
| Revenues | 43,893 | 45,874 | 39,449 | 83,342 | 84,633 |
| Gross margin in % | 50% | 47% | 49% | 49% | 46% |
| Result from operations | 4,306 | 6,148 | 3,692 | 7,998 | 10,406 |
| Net income/loss | 4,095 | 5,662 | 3,526 | 7,621 | 9,607 |
| Basic = diluted earnings per share in CHF [1)] | 0.62 | 0.81 | 0.53 | 1.15 | 1.37 |
| Basic = diluted earnings per share in EUR [1)] | 0.38 | 0.51 | 0.32 | 0.70 | 0.87 |
| Total backlog | 54,466 | 64,634 | 54,195 | 54,466 | 64,634 |

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 stood at EUR 54.5 million on June 30, 2007, compared to EUR 54.2 million at the end of the first quarter 2007 and EUR 64.6 million on June 30, 2006.

## Business overview

austriamicrosystems showed a solid business performance in the second quarter and first half year as the success of our newly introduced and existing products confirms our attractive market position in high performance analog semiconductors.

In our communications business, we remain strongly positioned in advanced integrated power management for a variety of mobile devices. We offer a broad range of feature-rich products for handsets as well as other devices such as GPS receivers. Our lighting management business is growing strongly as SonyEricsson continues to announce and introduce handset models incorporating advanced solutions from our lighting management portfolio. In addition, global handset leader Nokia just released the first two handset models - the 6120 and 6121 - using our high performance LED camera flash solutions to the market. Both OEMs are expected to announce additional high volume handset models with our lighting management and other products over the course of 2007 and well into 2008.

In mobile entertainment, we continue to be successful with our market-proven integrated audio and power management solutions (analog front-ends) as well as our complete system solutions for high quality personal media players and related devices. New product generations in this product segment will offer significantly lower power consumption, even higher audio quality and improved processing capabilities. Last quarter, the first notebooks incorporating the Sideshow feature via a second external screen and our analog front-end solution were released by ASUS and LG.

Our industrial and medical business continued to deliver very positive results given attractive demand for our industrial automation, sensor interface, encoder and healthcare IC solutions from important OEMs worldwide. Highly successful in a wide range of applications including industrial metrology, precision position measurement, metering, and digital X-ray equipment, we continue to expand our product portfolio leveraging our extensive sensor interface expertise. We see continuing strong growth in our rotary encoder business where we are expanding our industry-leading range of innovative devices tailored to different application and accuracy requirements.

In the automotive market, we experience good demand for our sensor interfaces and related systems as well as car access and position measurement devices. Leading global automotive suppliers rely on our complex automotive sensor interfaces for applications such as ESP or gas pedal position which demonstrates the strength of our technology in the area of vehicle safety and sensor systems. Our foundry segment showed continued attractive performance serving a range of high quality customers with clear focus on specialty process technologies such as High Voltage and Silicon Germanium. The segment's business mix improved further with emphasis on RF, sensor and high voltage applications.

As a clear validation of our analog process expertise, we announced a significant partnership with IBM for development of an advanced 0.18µm analog high voltage technology. The partnership combines our leading-edge high voltage process capabilities which IBM will license from austriamicrosystems with IBM's extensive 0.18µm analog know-how to create a state-of-the-art process technology expected to go into production in 2009. This high performance technology is ideally suited for a range of analog applications including intelligent power management for mobile devices and integrated controllers for the automotive, industrial and medical markets.

In operations, we derive ongoing benefits from the fully completed capacity expansion of our state-of-the-art 200 mm wafer fab to approx. 8,000 WSPM (wafer starts per month) which offers a range of cost and efficiency advantages improving our overall cost position.

## Outlook

Looking forward, austriamicrosystems continues to be very well positioned in its target markets. We therefore continue to expect our business to show growth in revenues and gross margin in the current year. However, due to lower order and revenue expectations for select customers and the continuing strength of the Euro, we now expect full year revenue growth for 2007 to be around 5% compared to last year, based on currently available information. Our full year gross margin for 2007 is anticipated to improve meaningfully over last year. At the same time, we intend to maintain our strong investment in R&D as a foundation for future growth. We therefore expect full year earnings for 2007 to show a flat to slightly negative development compared to last year.

Unterpremstaetten, July 23, 2007

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 2007 | 1st half 2007 | Q2 2006 | 1st half 2006 |
|---|---|---|---|---|
| Revenue Products | 36,492 | 70,016 | 37,188 | 70,127 |
| Revenue Foundry & Other | 7,401 | 13,326 | 8,687 | 14,506 |
| Total revenues | 43,893 | 83,342 | 45,874 | 84,633 |
| Cost of sales | - 22,142 | - 42,335 | - 24,351 | - 45,622 |
| Gross profit | 21,751 | 41,006 | 21,523 | 39,010 |
| Gross margin in % | 50% | 49% | 47% | 46% |
| Research and development expenses | - 11,088 | - 20,557 | - 8,978 | - 16,860 |
| Selling, general and administrative expenses | - 7,749 | - 15,007 | - 7,097 | - 13,520 |
| Other operating income | 1,577 | 2,829 | 982 | 2,086 |
| Other operating expenses | - 185 | - 273 | - 282 | - 310 |
| Result from operations | 4,306 | 7,998 | 6,148 | 10,406 |
| Net financing costs | - 66 | - 103 | - 368 | - 681 |
| Income/loss before tax | 4,240 | 7,895 | 5,780 | 9,725 |
| Income tax expense | - 145 | - 274 | - 117 | - 118 |
| Net income/loss | 4,095 | 7,621 | 5,662 | 9,607 |
| Basic = diluted earnings per share in CHF [1)] | 0.62 | 1.15 | 0.81 | 1.37 |
| Basic = diluted earnings per share in EUR [1)] | 0.38 | 0.70 | 0.51 | 0.87 |

[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, 2007 | December 31, 2006 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 4,847 | 17,742 |
| Short-term Investments | 3,968 | 5,022 |
| Trade receivables | 47,581 | 52,886 |
| Inventories | 45,641 | 32,179 |
| Other receivables and assets | 6,274 | 5,199 |
| Total current assets | 108,311 | 113,028 |
| Property, plant and equipment | 138,080 | 135,825 |
| Intangible assets | 9,614 | 9,575 |
| Investments and securities | 1 | 1 |
| Deferred tax assets | 30,953 | 30,953 |
| Total non-current assets | 178,647 | 176,353 |
| Total assets | 286,958 | 289,381 |
| **Liabilities and shareholders' equity** | | |
| **Liabilities** | | |
| Interest-bearing loans and borrowings | 29,617 | 25,826 |
| Trade liabilities | 23,632 | 42,137 |
| Provisions | 11,226 | 11,074 |
| Other liabilities | 16,376 | 14,020 |
| Total current liabilities | 80,851 | 93,056 |
| Interest-bearing loans and borrowings | 15,322 | 15,042 |
| Employee benefits | 9,086 | 8,707 |
| Deferred government grants | 3,678 | 4,128 |
| Other long term liabilities | 1,174 | 258 |
| Total non-current liabilities | 29,261 | 28,134 |
| **Shareholders' equity** | | |
| Issued capital | 26,674 | 26,662 |
| Share premium | 93,995 | 93,080 |
| Treasury shares | - 709 | - 832 |
| Translation adjustment | - 65 | - 141 |
| Retained earnings | 56,950 | 49,421 |
| Total shareholders' equity and reserves | 176,846 | 168,191 |
| Total liabilities and shareholders' equity | 286,958 | 289,381 |

# Consolidated Cashflow Statement (unaudited)



| EUR thousands | Q2 2007 | 1st half 2007 | Q2 2006 | 1st half 2006 |
|---|---|---|---|---|
| Operating activities | | | | |
| Income before tax | 4,240 | 7,895 | 5,780 | 9,725 |
| Depreciation (net of government grants) | 5,398 | 10,644 | 5,657 | 10,998 |
| Changes in employee benefits | 196 | 380 | 199 | 386 |
| Expenses from stock option program (acc. IFRS 2) | 412 | 825 | 191 | 381 |
| Changes in other long-term liabilities | 404 | 466 | - 321 | - 624 |
| Gain/loss from sale of plant and equipment | 82 | 68 | 0 | - 109 |
| Gain/loss from sale of investments and securities | 0 | -94 | 0 | 0 |
| Net financing cost | 66 | 197 | 368 | 681 |
| Changes in current assets | - 3,940 | - 9,302 | - 2,328 | -731 |
| Changes in short-term operating liabilities and provisions | - 3,232 | - 2,269 | 617 | - 2,035 |
| Tax payments | - 11 | - 20 | - 9 | - 16 |
| Cash flows from operating activities | 3,614 | 8,789 | 10,154 | 18,657 |
| Investing activities | | | | |
| Acquisition of intangibles, property, plant and equipment | - 15,298 | - 27,028 | - 6,095 | - 9,314 |
| Government grants received | 0 | 0 | 1,047 | 1,047 |
| Acquisition of short-term investments | 0 | 0 | - 1,046 | - 1,046 |
| Proceeds from sale of plant and equipment | 0 | 14 | 0 | 834 |
| Proceeds from the sale of investments and securities | 365 | 1,235 | 51 | 51 |
| Interest received | 78 | 744 | 236 | 326 |
| Cash flows from investing activities | - 14,855 | -25,035 | - 5,807 | - 8,102 |
| Financing activities | | | | |
| Proceeds from borrowings | 7,174 | 7,694 | 328 | 328 |
| Repayment of borrowings | - 1,008 | - 3,252 | - 4,356 | - 8,380 |
| Repayment of finance lease liabilities | - 225 | - 448 | - 218 | - 437 |
| Interest paid | - 380 | - 746 | - 475 | - 871 |
| Changes resulting from capital increase | 78 | 103 | 0 | 0 |
| Cash flows from financing activities | 5,639 | 3,351 | - 4,721 | - 9,361 |
| Net increase/decrease in cash and cash equivalents | - 5,602 | -12,895 | - 374 | 1,195 |
| Cash and cash equivalents at begin of period | 10,449 | 17,742 | 22,840 | 21,271 |
| Cash and cash equivalents at end of period | 4,847 | 4,847 | 22,466 | 22,466 |

# Changes in Equity (unaudited)



| EUR thousands | 1st half 2007 | 1st half 2006 |
|---|---|---|
| Beginning of period | 168,191 | 136,052 |
| Capital increase | 928 | 381 |
| Change in Treasury Shares | 123 | -995 |
| Net profit for the period | 7,621 | 9,607 |
| Translation adjustment | - 16 | - 42 |
| End of period | 176,846 | 145,003 |

# Notes on the Interim Financial Statements June 30, 2007



## 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, 2006. This half-year report is consistent with IAS 34.

## 2. Segment reporting

| Business segments | EUR thousands | Products | Foundry & Other | Group |
|---|---|---|---|---|
| 1st half 2007 | | | | |
| Revenues | | 70,016 | 13,326 | 83,342 |
| Result from operations | | 11,371 | - 3,373 | 7,998 |
| 1st half 2006 | | | | |
| Revenues | | 70,127 | 14,506 | 84,633 |
| Result from operations | | 14,551 | - 4,145 | 10,406 |

| Regions | EUR thousands | EMEA [1] | Americas | Asia/Pacific | Group |
|---|---|---|---|---|---|
| 1st half 2007 | | | | | |
| Revenues | | 49,971 | 11,755 | 21,616 | 83,342 |
| 1st half 2006 | | | | | |
| Revenues | | 48,543 | 13,197 | 22,893 | 84,633 |

[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 1,063 during the first half of 2007, compared to 937 during the first half of 2006.

# Notes on the Interim Financial Statements June 30, 2007

## 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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