Half-year Report 2009

After a difficult first half with negative developments in revenue and earnings anticipating strong improvement in operating results in the second half with improving market environment

Report to shareholders on the first half of 2009

Ladies and Gentlemen

Our second quarter and half-year results show a negative development in revenues and earnings and an operating and net loss for the first half of 2009. The results highlight the difficult market environment we continue to experience and which we navigate with tight cost control and a focus on key opportunities. At the same time, the success of our products and solutions at existing and new customers confirms our strong positioning for the mid and longer term.

Financial results

Second quarter group revenues were EUR 28.3 million, down 39% from EUR 46.3 million in the same quarter 2008. Group revenues for the first six months of 2009 were EUR 53.8 million, down 39% from EUR 87.5 million recorded in the first half of 2008. On a constant currency basis, second quarter revenues were down 43% compared to the second quarter last year and first half revenues were down 43% compared to the first half 2008. Compared to the first quarter 2009, second quarter revenues increased by 11% sequentially.

In the second quarter, gross margin reached 22% compared to 51% in the same quarter last year, due to the negative impact from continued low levels of capacity utilization in our production with its high proportion of fixed costs. For the first half of 2009, gross margin therefore reached 26%, compared to 51% in the first half of 2008. Our result from operations (EBIT) for the second quarter was a loss of EUR 11.7 million, compared to a profit of EUR 6.4 million in the second quarter of 2008. This negative result was driven by the reduced gross margin due to the low capacity utilization and our continuing investment in customer-centered product R&D. For the first half of 2009, our EBIT was a loss of EUR 20.2 million, compared to a profit of EUR 10.1 million in the same period last year.

The net loss for the second quarter 2009 was EUR 10.7 million compared to a profit of EUR 5.9 million in the same period last year. Basic and diluted earnings per share for the second quarter were CHF -1.52 / EUR -1.00 (CHF 0.87 / EUR 0.54 for the second quarter 2008). The net loss for the first half-year 2009 was EUR 18.7 million, equivalent to CHF -2.64 / EUR -1.76 per share (basic and diluted) compared to a profit of EUR 9.1 million or CHF 1.34 / EUR 0.84 per share (basic and diluted) for the same period last year.

Key figures EUR thousands (except earnings per share)	Q2 2009	Q2 2008	Q1 2009	1st half 2009	1st half 2008
Revenues	28,313	46,315	25,449	53,762	87,456
Gross margin in %	22%	51%	31%	26%	51%
Result from operations	-11,682	6,441	- 8,532	-20,214	10,113
Net income/loss	-10,685	5,868	- 8,049	-18,733	9,116
Basic / diluted earnings per share in CHF [1]	-1.52 / -1.52	0.87 / 0.87	- 1.13 / -1.13	-2.64 / -2.64	1.34 / 1.34
Basic / diluted earnings per share in EUR	-1.00 / -1.00	0.54 / 0.54	- 0.75 / -0.75	-1.76/ -1.76	0.84 / 0.84
Total backlog (excluding consignment stock)	35,101	54,497	30,615	35,101	54,497

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

Total backlog on June 30, 2009 (excluding consignment stock agreements) was EUR 35.1 million, up noticeably from EUR 30.6 million at the end of the first quarter (EUR 54.5 million on June 30, 2008). Our cash and short-term investments totaled EUR 37.5 million on June 30, 2009. In addition, we have further untapped credit lines available.

Business overview

austriamicrosystems' business showed an unsatisfying performance in the second quarter and first half year 2009 reflecting the continuing impact of the global economic weakness across end markets and geographies.

In our communications business, demand patterns for our flash LED driver ICs, lighting management solutions and power management ICs remained subdued at two Top 5 handset manufacturers in the second quarter and first half. The corresponding run rates did not yet show meaningful signs of recovering to previous levels even though we experienced certain stabilization effects towards the end of the first half. At a third Top 5 handset manufacturer, we ramped up shipments of a lighting management solution for several models in the second quarter, albeit from a low base. MEMS microphone deliveries showed a recovery in shipments and together with our key partner we retain our leading edge position in this attractive market. Despite the limited shipment demand from handset customers overall, development activities at these customers involving our solutions continue at a strong pace.

In addition, we introduced EasyPoint™, an innovative contactless joystick solution for mobile devices with significant cost and design advantages. EasyPoint™ is based on our magnetic encoder technology and is already receiving strong attention from leading OEMs. Demonstrating our leading position in LED lighting management, we started volume shipments of a LCD TV backlighting solution to a leading global OEM in the second quarter. We also started shipping a multimedia solution to a new customer in the consumer electronics segment.

Our industrial and medical business delivered mixed results in the second quarter and first half. The market environment for industrial automation and related applications continued to be weak with customer demand and order behavior strongly impacted by the worldwide economic downturn. As a consequence, we expect this market segment to remain difficult for the remainder of the current year. We nevertheless see continuing design traction for our broad portfolio of magnetic encoders in a variety of innovative applications. Our medical business, on the other hand, showed a satisfactory performance in the second quarter and first half. We were able to win global OEMs as important new customers for attractive mid-term projects which validates our world class expertise in high precision medical sensor interfaces.

The automotive market showed continued weakness with lower customer demand and irregular order patterns across the sector. We expect this subdued situation to continue over the coming quarters as automotive OEMs and suppliers realign their businesses. We nevertheless introduced a new fully automotive-specified encoder product to the market in the last quarter. Our foundry business contributed positively to our business again in the second quarter and first half despite lower revenues, given increased demand for higher value specialty processes compared to the previous year.

In operations, we continued to run our wafer fab and in-house test facilities at low utilization levels in the second quarter to reflect the reduced market demand. In combination with the high fixed cost nature of our business this was the key factor driving the low gross margin recorded in the second quarter and the resulting operating and net loss. Lower production levels, at the same time, allowed inventories to be reduced in the second quarter. We expect inventories to continue to decline in the coming quarters as a result of product demand increasing in comparison to production levels.

As part of our commitment to sustainable business practices we joined the UN Global Compact, a worldwide initiative which calls for companies to promote, amongst others, the efficient use of energy and natural resources, fair labor practices, environmental excellence and good business conduct.

Outlook

We continue to operate in a difficult market environment with impaired visibility in several key markets. Despite this, we see a healthy improvement in our order intake which started towards the end of the second quarter and which we expect to continue. Based on available information, we expect our business to show a significantly better performance in the third quarter and second half of 2009 compared to the first half. Consequently, we expect operating results to show a strong improvement over the remaining quarters. At the same time, our attractive product line-up and a growing list of design-wins at high quality customers position our business well for the future.

Unterpremstaetten, July 27, 2009

John Heugle, CEO Michael Wachsler-Markowitsch, CFO

Consolidated Income Statement (unaudited)

EUR thousands (except earnings per share)	Q2 2009	1st half 2009	Q2 2008	1st half 2008
Revenue Products	22,841	43,610	39,661	75,713
Revenue Foundry & Other	5,472	10,152	6,654	11,743
Total revenues	28,313	53,762	46,315	87,456
Cost of sales	- 22,192	- 39,826	- 22,492	- 42,839
Gross profit	6,121	13,936	23,823	44,617
Gross margin in %	22%	26%	51%	51%
Research and development	-9,909	-19,445	- 10,561	- 20,375
Selling, general and administrative	-9,248	-16,348	- 8,504	- 17,480
Other operating income	1,800	2,939	2,056	3,775
Other operating expenses	-286	-577	- 290	- 341
Result from investments in associates	-160	-719	-83	-83
Result from operations	-11,682	-20,214	6,441	10,113
Net financing costs	524	434	- 317	- 601
Income before tax	-11,159	-19,780	6,124	9,511
Income tax expense	474	1,047	- 256	- 395
Net income	-10,685	-18,733	5,868	9,116
Basic / diluted earnings per share in CHF [1)]	-1.52 / -1.52	-2.64 / -2.64	0.87 / 0.87	1.34 / 1.34
Basic / diluted earnings per share in EUR	-1.00 / -1.00	-1.76/ -1.76	0.54 / 0.54	0.84 / 0.84

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

Statement of comprehensive income (unaudited)

EUR thousands	Q2 2009	1st half 2009	Q2 2008	1st half 2008
Net income	-10,685	-18,733	5,868	9,116
Translation adjustment	-298	-67	-71	-349
Other comprehensive income	-298	-67	-71	-349
Total comprehensive income	-10,983	-18,800	5,797	8,767

Consolidated Balance Sheet (unaudited)

EUR thousands as of	June 30, 2009	December 31, 2008
Assets		
Cash and cash equivalents	21,960	26,851
Short-term Investments	15,507	3,810
Trade receivables	25,776	37,049
Inventories	61,470	63,043
Other receivables and assets	4,429	3,427
Total current assets	129,141	134,179
Property, plant and equipment	123,716	128,570
Intangible assets	6,420	6,983
Investments in associates and financial investments	3,103	3,866
Deferred tax assets	30,863	30,863
Other long-term assets	4,232	2,931
Total non-current assets	168,333	173,213
Total assets	297,475	307,392
Liabilities and shareholders' equity		
Liabilities		
Interest-bearing loans and borrowings	23,407	25,823
Trade liabilities	11,287	18,097
Provisions	7,912	11,133
Other liabilities	14,997	12,872
Total current liabilities	57,602	67,925
Interest-bearing loans and borrowings	53,925	36,042
Employee benefits	9,638	9,208
Deferred government grants	1,878	2,328
Other long-term liabilities	817	812
Total non-current liabilities	66,258	48,391
Shareholders' equity		
Issued capital	26,698	26,698
Share premium	99,632	98,292
Treasury shares	-5,635	- 5,635
Translation adjustment	74	141
Retained earnings	52,846	71,580
Total shareholders' equity and reserves	173,615	191,076
Total liabilities and shareholders' equity	297,475	307,392

Consolidated Cashflow Statement (unaudited)

EUR thousands	Q2 2009	1st half 2009	Q2 2008	1st half 2008
Operating activities				
Income before tax	-11,159	-19,780	6,124	9,511
Depreciation (net of government grants)	5,594	11,095	5,625	11,144
Changes in employee benefits	217	429	212	413
Expenses from stock option plan (acc. IFRS 2)	666	1,339	686	1,373
Changes in other long-term liabilities	-266	-445	-224	- 501
Result from investments in associates	160	719	83	83
Net financing cost	-524	-434	317	601
Changes in assets	4,054	10,852	- 10,351	- 3,315
Changes in short-term operating liabilities and provisions	-136	-5,025	1,735	- 1,153
Tax payments	-31	-41	- 21	- 29
Cash flows from operating activities	-1,425	-1,291	4,187	18,128
Investing activities				
Acquisition of intangibles, property, plant and equipment	-5,131	-7,649	- 2,462	- 9,206
Acquisition of financial investments	0	-15,436	- 46	- 4,063
Proceeds from sale of plant and equipment	159	159	0	0
Proceeds from the sale of investments	4,000	4,000	6	33
Interest received	286	592	435	600
Cash flows from investing activities	-686	-18,334	- 2,068	- 12,636
Financing activities				
Proceeds from borrowings	0	20,251	12,548	12,548
Repayment of debt	-1,505	-4,560	- 4,971	- 12,983
Repayment of finance lease liabilities	0	0	- 170	- 338
Interest paid	-324	-790	- 579	- 1,124
Expenses from financial instruments	-105	-165	0	0
Dividends paid	0	0	- 16,362	- 16,362
Changes resulting from capital increase	0	0	7	7
Cash flows from financing activities	-1,934	14,735	- 9,528	- 18,252
Net increase/decrease in cash and cash equivalents	-4,044	-4,891	- 7,409	- 12,760
Cash and cash equivalents at begin of period	26,004	26,851	13,786	19,138
Cash and cash equivalents at end of period	21,960	21,960	6,378	6,378

Consolidated Changes in Shareholders' Equity (unaudited)

EUR thousands	Issued capital	Additional paid-in capital	Treasury shares	Translation adjustment	Retained earnings	Total share-holders' equity
Total equity as of January 1, 2008	26,697	95,570	-703	-104	75,664	197,124
Net income	0	0	0	0	9,116	9,116
Other comprehensive income	0	0	0	-349	0	-349
Share based payments	0	1,373	0	0	0	1,373
Dividends paid	0	0	0	0	-16,362	-16,362
Capital increase	1	5	0	0	0	6
Purchase and sale of treasury shares	0	0	33	0	0	33
Total equity as of June 30, 2008	26,698	96,948	-670	-453	68,418	190,941
Total equity as of January 1, 2009	26,698	98,292	-5,635	141	71,580	191,076
Net income	0	0	0	0	-18,733	-18,733
Other comprehensive income	0	0	0	-67	0	-67
Share based payments	0	1,339	0	0	0	1,339
Dividends paid	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0
Purchase and sale of treasury shares	0	0	0	0	0	0
Total equity as of June 30, 2009	26,698	99,632	-5,635	74	52,846	173,615

Notes on the Interim Financial Statements June 30, 2009 (unaudited)

1. Accounting principles

The consolidated financial statements of austriamicrosystems Group is based on the accounts of the individual group companies at June 30th. This half-year report is consistent with IAS 34. The accounting principles applied in this half-year report basically correspond with the reporting policies specified in the Full Year Consolidated Financial Statements dated December 31, 2008. Changes were necessary due to the first time application of the amended regulations of IAS 1 (“Presentation of Financial Statements”) and IFRS 8 (“Operating Segments”).

2. Segment reporting and revenues

EUR thousands	1st half 2009			1st half 2008		
Business Segments	Products	Foundry	Total	Products	Foundry	Total
Revenues from external customers	43,610	10,152	53,762	75,713	11,743	87,456
Result from operations	-9,204	1,897	-7,307	13,614	1,831	15,445
Segment assets	26,460	4,425	30,885	44,751	5,083	49,833

Reconciliation of segment results to income statement

EUR thousands	1st half 2009	1st half 2008
Result from operations per segment reporting	-7,307	15,445
Research and development subsidies	1,548	1,859
Currency gains / losses in operating result	376	-1,180
Result from investments in associates	-719	-83
Unallocated corporate costs	-14,112	-5,928
Result from operations	-20,214	10,113
Financial result	434	- 601
Income before tax	-19,780	9,511

Reconciliation of segment assets to total assets

EUR thousands	1st half 2009	1st half 2008
Assets per segment reporting	30,885	49,833
Cash, cash equivalents and short-term investments	37,467	10,346
Inventories	61,470	61,157
Property, plant and equipment	120,658	129,881
Intangible assets	4,369	5,663
Investments in associates and financial investments	3,103	3,695
Deferred tax asset	30,863	30,953
Other assets	8,660	9,762
Total assets	297,475	301,290

Revenues per geographical segments

EUR thousands	1st half 2009	1st half 2008
EMEA [1]	31,316	60,324
Americas	6,681	9,754
Asia/Pacific	15,765	17,379
Total	53,762	87,456

1) Europe, Middle East, Africa

Segment information is presented on the basis of the internal reporting structure for the segments “Products” and “Foundry”. The Segment “Products” comprises the development and distribution of analog Integrated Circuits (“ICs”). The segment’s customers are mainly in the Communications, Industrial, Medical and Automotive markets. In the “Foundry” segment we report the contract manufacturing of analog/mixed signal ICs based on our customers’ designs.

The geographic segments are structured by the three regions in which sales occur: “EMEA” (Europe, Middle East and Africa), “Americas“, and “Asia/Pacific”.

All segment information is based on IFRS valuation and accounting principles.

In a change from previous years, the segment “Foundry” (in previous periods “Foundry & Other”) contains no unallocated cost and income items, reflecting the internal reporting structure. Unallocated income and expense items are shown in the respective reconciliations of segment measures to the interim financial statements from fiscal year 2009 onwards. In addition, process development costs are allocated to the operating segments based on usage (in previous periods these were allocated to “Foundry & Other”). According to the internal reporting structure, the production areas do not represent a separate segment.

The services rendered by these areas to the segments are therefore not shown as intersegment revenues which is different from previous years. The comparable amounts for previous periods have been adjusted accordingly.

The segment measure “Result from operations” consists of gross profit, expenses for research and development, expenses for selling, general & administrative as well as other operating income and expenses. The segment assets in principle comprise the allocable assets, i.e. customer receivables as well as segment specific tangible and intangible assets. The reconciliations comprise items which by definition are not part of the segments.

3. Number of employees

The average number of employees was 1,098 during the first half of 2009, compared to 1,109 during the first half of 2008.

4. Seasonality, economic cycles

In the past, the revenues and results varied from quarter to quarter. It is expected that these variations will continue in the future due to the ordering patterns of customers and the seasonality of end markets.

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

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