

# Half-year Report 2005

## Continued growth in the first six months

Report to shareholders on the first half of 2005

Ladies and Gentlemen

Our positive second quarter and half-year results clearly demonstrate austriamicrosystems' success in the global marketplace. Our business showed profitable growth through a combination of recently introduced products and existing ICs and derivatives, while we continue to see good demand for our products on a worldwide scale. Compared to last year, the second quarter and first half of 2005 show substantial increases in revenues and operating profit.

### Financial results

Consolidated group revenues in the second quarter reached EUR 40.3 million, growing by 10% compared to the same quarter in 2004, in-line with expectations. Group revenues for the first six months of 2005 increased by 10% to EUR 75.6 million compared to the first half of 2004. This sales growth resulted from higher demand across our target market segments. We were able to achieve excellent growth in the US and Asia-Pacific markets as a result of the build-out of our distribution and sales presence over the last years.

In the second quarter we recorded a gross margin of 44% compared to 43% in the same quarter of last year. For the first half of the current year, gross margin stood at 44%, an increase of one percentage point compared to the first six months of 2004. Taking into account a ramp-up-related increase in R&D costs and relatively stable SG&A costs compared to the relevant period last year, our result from operations (EBIT) for the second quarter grew to EUR 4.4 million, an increase of 16% from EUR 3.8 million in the second quarter of 2004. The result from operations (EBIT) for the first half-year of 2005 rose to EUR 8.5 million from EUR 6.1 million in the same period last year, an increase of 41%.

The net result for the second quarter grew strongly to EUR 3.5 million from EUR -9.6 million in the comparable period last year with last year's result impacted by a one-time extraordinary non-cash adjustment due to legislation on a change in the Austrian corporate tax rate. Earnings per share for the second quarter were CHF 0.49 / EUR 0.32. The net result for the first half of 2005 amounted to EUR 6.4 million (CHF 0.90 / EUR 0.58 per share) compared to EUR -8.0 million (CHF -1.30 / EUR -0.84 per share) for the same period last year.

Key figures	EUR thousands (except earnings per share)	Q2 2005	Q2 2004	Q1 2005	1st half 2005	1st half 2004
Revenues		40,334	36,633	35,231	75,566	68,908
Gross margin in %		44%	43%	43%	44%	43%
Result from operations		4,431	3,755	4,082	8,513	6,051
Net income/loss		3,524	- 9,614	2,856	6,380	- 7,966
Basic = diluted earnings per share in CHF <sup>1)</sup>		0.49	- 1.48	0.40	0.90	- 1.30
Basic = diluted earnings per share in EUR <sup>1)</sup>		0.32	- 0.96	0.26	0.58	- 0.84
Total backlog		54,058	49,931	46,125	54,058	49,931

<sup>1)</sup> Earnings per share for 1st half 2004 were adjusted to reflect share split effective April 15th, 2004.  
Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Our total backlog increased to EUR 54.1 million on June 30, 2005, compared to EUR 46.1 million at the end of the first quarter 2005 and EUR 49.9 million on June 30, 2004.

#### **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 leading position in high performance analog semiconductors.

Our advanced power management and lighting solutions for mobile devices are seeing very good market feedback and increasing penetration due to the excellent performance and high level of integration they offer. Gaining importance for austriamicrosystems in this area are customers like SonyEricsson for Japanese handset models, Motorola for the CDMA version of their highly successful Razr mobile phone and Pantech/Curitel, an internationally active leader in the Korean handset market, as well as applications like GPS receivers. Our innovative portable audio products demonstrate austriamicrosystems' world-class design expertise in complex highly-integrated analog ICs. With complete system solutions and analog front-end ICs for flash, hard disk and other MP3 players, we offer a full range of dedicated products for various MP3-based applications. XM Satellite, the leading U.S. satellite radio provider with more than 4 million subscribers, has chosen austriamicrosystems for several satellite radio receivers including the next generation of the XM2go portable device. In addition, a Chinese handset manufacturer has launched a handset for the Chinese market incorporating an austriamicrosystems MP3 player solution. Our strategic partnership with PortalPlayer, the leading MP3 system supplier, for a combined flash MP3 player solution, which we announced in January, underlines our strong technological position and is an endorsement of the industry-leading features of our products. With a number of other design efforts for MP3 devices underway at important customers, we are well positioned to participate in the continuing growth in the worldwide MP3 player market.

The healthcare market is another significant growth area for our high performance IC solutions. Ypsomed, the worldwide leader in drug injection pens, recently launched a new generation of semi-disposable pens built around an austriamicrosystems chip. Moreover, we gained additional design projects with worldwide market leaders in the fields of digital X-ray and Computer Tomography (CT) equipment, both areas where double-digit market growth is expected over the next years. After the highly successful launch of our magnetic rotary encoder product which is ideally suited for a broad range of industrial and automotive applications, we expanded this product range by three additional products offering higher or lower resolutions and different outputs in order to target additional application areas. Overall, the industrial market showed good performance with increasing demand for our metering solutions and continuing growth with key clients in industrial automation.

In our automotive business, we saw the ongoing ramp-up of a complex ESP sensor interface for a leading international automotive electronics supplier as well as an additional important project win for our highly accurate solution for steering wheel position measurement. This demonstrates our strong position in the areas of vehicle safety and control systems, which also include the next generation Flexray high speed bus. The foundry segment continued to perform well serving a variety of high quality customers who rely on us for our extensive analog process expertise. Adding a new sales channel, we concluded distribution agreements with industry leaders Future Electronics and NuHorizons which allow us to fully address a wide range of customer segments worldwide with our expanding range of high performance standard products.

To support the future manufacturing requirements of our business, we have triggered the next capacity build-out step in our state-of-the-art wafer fab B. This modular expansion is envisaged to increase manufacturing capacity from 5,200 WSPM to 6,500 WSPM (wafer starts per month). At the same time, we have decided to initiate a ramp-down procedure for our legacy wafer fab A after 22 years of successful operation. The ramp-down procedure is expected to be completed by year-end.

#### **Outlook**

Looking forward, we see austriamicrosystems well positioned for further growth. We continue to expect our business to grow in revenues and earnings in the current year. Based on currently available information, we anticipate full year revenues for 2005 to increase by between 10 and 15% compared to last year, accompanied by substantial growth in earnings.

Unterprenstaelten, July 26, 2005

John Heugle, CEO

Michael Wachsler-Markowitsch, CFO

## Consolidated Profit and Loss Statement (unaudited)

EUR thousands (except earnings per share)	Q2 2005	1st half 2005	Q2 2004	1st half 2004
Revenue Products	32,131	61,816	28,846	56,477
Revenue Foundry & Other	8,204	13,750	7,787	12,431
<b>Total revenues</b>	<b>40,334</b>	<b>75,566</b>	<b>36,633</b>	<b>68,908</b>
Cost of sales	- 22,408	- 42,655	- 20,848	- 39,248
<b>Gross profit</b>	<b>17,926</b>	<b>32,910</b>	<b>15,785</b>	<b>29,661</b>
Gross margin in %	44%	44%	43%	43%
Research and development	- 8,337	- 15,053	- 7,043	- 13,479
Selling, general and administrative	- 5,762	- 11,694	- 5,560	- 11,480
Other operating income	631	2,421	789	1,712
Other operating expenses	- 27	- 71	- 216	- 363
<b>Result from operations</b>	<b>4,431</b>	<b>8,513</b>	<b>3,755</b>	<b>6,051</b>
Net financing costs	- 190	- 491	- 1,236	- 2,089
<b>Income/loss before tax</b>	<b>4,241</b>	<b>8,022</b>	<b>2,518</b>	<b>3,962</b>
Income tax expense	- 717	- 1,642	- 12,133	- 11,928
<b>Net income/loss</b>	<b>3,524</b>	<b>6,380</b>	<b>- 9,614</b>	<b>- 7,966</b>
<b>Basic = diluted earnings per share in CHF <sup>1)</sup></b>	<b>0.49</b>	<b>0.90</b>	<b>- 1.48</b>	<b>- 1.30</b>
<b>Basic = diluted earnings per share in EUR <sup>1)</sup></b>	<b>0.32</b>	<b>0.58</b>	<b>- 0.96</b>	<b>- 0.84</b>

<sup>1)</sup> Earnings per share for 1st half 2004 were adjusted to reflect share split effective April 15th 2004.  
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, 2005	December 31, 2004
<b>Assets</b>			
Cash and cash equivalents		20,015	17,323
Short-term Investments		0	0
Trade receivables		30,757	38,777
Inventories		32,907	28,460
Other receivables and assets		3,806	5,095
<b>Total current assets</b>		<b>87,485</b>	<b>89,655</b>
Property, plant and equipment		109,742	115,883
Intangible assets		9,947	11,200
Investments and securities		200	195
Deferred tax assets		30,953	32,580
Other long-term assets		0	60
<b>Total non-current assets</b>		<b>150,842</b>	<b>159,919</b>
<b>Total assets</b>		<b>238,327</b>	<b>249,574</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Interest-bearing loans and borrowings		36,154	34,408
Trade liabilities		14,013	21,571
Provisions		14,310	15,335
Other liabilities		10,337	14,064
<b>Total current liabilities</b>		<b>74,814</b>	<b>85,377</b>
Interest-bearing loans and borrowings		29,966	36,337
Employee benefits		8,334	7,837
Deferred government grants		5,478	5,928
Other long term liabilities		808	1,568
<b>Total non-current liabilities</b>		<b>44,586</b>	<b>51,670</b>
<b>Shareholders' equity</b>			
Issued capital		26,647	26,647
Share premium		91,417	91,417
Translation adjustment		-85	- 104
Retained earnings		949	- 5,433
<b>Total shareholders' equity and reserves</b>		<b>118,927</b>	<b>112,527</b>
<b>Total liabilities and shareholders' equity</b>		<b>238,327</b>	<b>249,574</b>

## Consolidated Cashflow Statement / Changes in Equity (unaudited)

### Consolidated Cashflow Statement

EUR thousands	Q2 2005	1st half 2005	Q2 2004	1st half 2004
<b>Operating activities</b>				
Income/loss before tax	4,241	8,022	2,518	3,962
Depreciation (net of government grants)	5,615	11,153	5,511	10,911
Changes in employee benefits	269	497	255	543
Changes in other long-term liabilities	- 216	- 271	- 1,479	- 58
Gain/Loss from sale of plant and equipment	0	0	0	0
Net financing cost	190	491	1,236	2,089
Changes in current assets	- 303	3,015	2,326	4,225
Changes in short-term operating liabilities and provisions	768	- 7,224	- 641	- 329
Tax payments	- 99	- 104	- 32	- 40
<b>Cash flows from operating activities</b>	<b>10,463</b>	<b>15,579</b>	<b>9,695</b>	<b>21,303</b>
<b>Investing activities</b>				
Acquisition of intangibles, property, plant and equipment	- 5,061	- 9,449	- 5,938	- 9,068
Government grants received	1,854	1,854	0	0
Proceeds from sale of plant and equipment	0	0	0	0
Interest received	269	478	192	349
<b>Cash flows from investing activities</b>	<b>- 2,937</b>	<b>- 7,116</b>	<b>- 5,746</b>	<b>- 8,719</b>
<b>Financing activities</b>				
Proceeds from borrowings	2,935	4,685	0	0
Repayment of borrowings	- 4,663	- 8,917	- 45,050	- 49,812
Repayment of finance lease liabilities	- 211	- 427	- 205	- 271
Interest paid	- 581	- 1,112	- 1,429	- 2,607
Changes resulting from IPO	0	0	41,785	41,785
<b>Cash flows from financing activities</b>	<b>- 2,521</b>	<b>- 5,771</b>	<b>- 4,899</b>	<b>- 10,905</b>
Net increase/decrease in cash and cash equivalents	5,005	2,692	- 949	1,678
Cash and cash equivalents at begin of period	15,010	17,323	10,302	7,674
<b>Cash and cash equivalents at end of period</b>	<b>20,015</b>	<b>20,015</b>	<b>9,353</b>	<b>9,353</b>

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### Changes in Equity

EUR thousands	1st half 2005	1st half 2004
Beginning of period	112,527	66,565
Capital increase, merger	0	42,713
Net profit/loss for the period	6,380	- 7,966
Translation adjustment	20	4
<b>End of period</b>	<b>118,927</b>	<b>101,316</b>

## Notes on the Interim Financial Statements June 30, 2005

### 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, 2004. This half-year report is consistent with IAS 34.

### 2. Segment reporting

Business segments	EUR thousands	Products	Foundry & Other	Group
<b>1st half 2005</b>				
Revenues		61,816	13,750	75,566
Result from operations		14,031	- 5,518	8,513
<b>1st half 2004</b>				
Revenues		56,477	12,431	68,908
Result from operations		13,308	- 7,257	6,051

Regions	EUR thousands	EMEA <sup>1)</sup>	Americas	Asia/Pacific	Group
<b>1st half 2005</b>					
Revenues		56,779	12,288	6,499	75,566
<b>1st half 2004</b>					
Revenues		55,489	8,180	5,239	68,908

<sup>1)</sup> 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 832 during the first half of 2005, compared to 815 during the first half of 2004.

## Notes on the Interim Financial Statements June 30, 2005

### 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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