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1 Overview of the economic environment and the past financial year

The worldwide semiconductor industry faced a severe crisis in the fourth quarter of 2008. After showing only slight growth of the global semiconductor market in 2007 of 3.2% from 248bn USD to 256bn USD semiconductors showed solid growth during the first three quarters of 2008. Further deterioration of the financial crisis also affected the real economy and negatively influenced the global semiconductor market which faced a drastic deterioration and contracted by 2.8% to 249bn USD. The relevant market segment for austriamicrosystems, analog semiconductors, encountered dramatic demand problems especially during the fourth quarter and decreased by nearly 2.2% to 35.6bn USD (previous year: 36.5bn USD)¹. So for the second year in sequence the market showed a decline (2007: -1.3%). On a EUR basis the market contracted even more by over 9%.

austriamicrosystems was also affected by this worldwide development and experienced - against its expectations - a moderate decline in revenues of 4.8% compared to the previous year. Whereas the company revenues showed growth of more than 5% during the first three quarters of the year (if adjusted for currency effects by even more than 10%), the severe decline in business due to deterioration of markets during the fourth quarter this growth was severely hampered. This negative development was driven by the significant weakening of the USD versus the EUR over the course of the first nine months. As about half of the company's revenues are invoiced in USD, the unfavorable development of the currency exchange rate had a negative impact on full year revenues. The unprecedented rapid strengthening of the USD versus EUR during September and October followed by a repeated decline during December did not substantially change the situation. On a USD basis, however, the company realized even a growth of 2% for the full year and was able to gain further market share.

With a combination of newly introduced products and existing semiconductors austriamicrosystems was able to achieve further success in the market. At the same time the year 2008 showed a historic slump in customer demand during the fourth quarter due to the financial crisis and the resulting worldwide economic crisis. In the past financial year these factors were responsible for the negative development in revenues, operating result and net result compared to the previous year. Its clear positioning in the analog semiconductor sector, however, enabled austriamicrosystems to consolidate its position as a market-leading supplier of both high-performance standard and customized products

¹ Source: WSTS, Dec. 2008

in 2008. Focused on broadening its standard product portfolio and expanding its worldwide customer base the company was successful in its focus markets in the past year.

More than 25 years of experience in the analog segment together with a global presence give austriamicrosystems an edge over the competition. The company's customers appreciate its in-depth expertise in the development of analog semiconductors with low power consumption and very high accuracy. The company's worldwide sales and development network continues to open up the necessary opportunities to participate in the growth markets in Europe, Asia and North America and to return to growth in upcoming years.

austriamicrosystems started a cost cutting program as a consequence of the present global economic crisis which resulted in cutbacks in demand during the fourth quarter. After full consideration of other possibilities, the program includes also personnel reductions of nearly 70 employees on a worldwide basis.

A value driver in austriamicrosystems' corporate strategy is the focus on the development of platforms with derivative products in targeted focus segments. The development of standard product families on a common basis gives the company the opportunity to distribute the high development costs across a range of products and customers for related applications, thus achieving attractive contribution margins from higher volumes while at the same time reducing risks.

The Products business segment includes the Communications, Industry & Medical and Automotive markets. austriamicrosystems is excellently positioned with high performance products for power and lighting management in handheld devices and LCD displays as well as solutions for mobile entertainment. austriamicrosystems holds a worldwide leading position in lighting management for mobile handsets. With the broad product portfolio, which has been expanded in 2008, the company also supplies key customers like Nokia, the clear worldwide leader in the mobile handset market, and SonyEricsson. The company is also a leader in the market for LED-backlighting for larger LCD-screens with advantageous technical solutions. 'Mobile Entertainment' saw the launch of a new powerful product generation, but showed only moderate success. All in all in 2008 austriamicrosystems confirmed its strong position in differentiated solutions for the global communications market.

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The Industry market area showed – despite the downswing at yearend – an appealing development for sensor interfaces and industrial automation in 2008. Especially magnetic rotary encoders continued to show strong market acceptance. The product portfolio was also significantly broadened with the introduction of a new family of linear encoders. austriamicrosystems has expanded its leading position with this product segment addressing a steadily expanding spectrum of applications.

Similarly, the Medical market area recorded another successful year. In the market of 'Digital Imaging' which comprises imaging applications such as computer tomography, digital X-ray and ultrasonic, austriamicrosystems delivered complex sensor interfaces to leading suppliers with long-term strategic partnerships. Major research projects were successfully continued. Portable medical devices for personal use were also important for the business in this market area.

The Automotive market area also showed a positive development in the first three quarters of the past year before the effects of the worldwide automobile crisis had a negative impact. Sales were focused on complex sensor interfaces for security systems, entry systems and a solution for pedal position measurement in vehicles. In the new FlexRay market which is the upcoming standard for data bus systems in vehicles, austriamicrosystems increased its presence. Market interest for FlexRay solutions increased significantly in the past year and austriamicrosystems was able to strengthen its position in this area.

The Foundry business segment which provides manufacturing services for semiconductors designed by its customers is a one-stop shop, providing a full range of services from development support to final testing besides state-of-the-art manufacturing. Based on this concept, austriamicrosystems was able to expand its position as a leading analog foundry with focus on specialty processes.

In operations further production efficiency improvements were achieved in wafer manufacturing and test which were beneficial for the company's margin structure for the first three quarters. Until the fourth quarter the production capacity was fully utilized at a very high level. This is a result of austriamicrosystems' flexible production concept which allows, through a combination of own

production capacity and manufacturing partnerships flexible control of utilization.

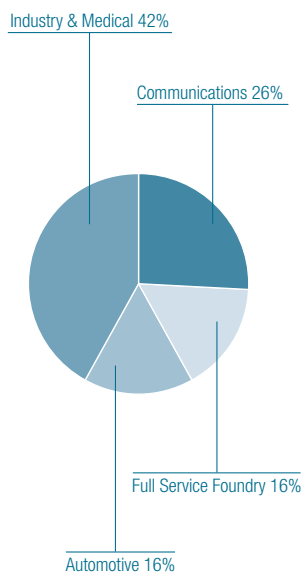
The development and production partnership with IBM for a next generation innovative high voltage CMOS process technology progressed as expected. For the upcoming year the new process technology will be available for high performance power management applications.

2 Business results

2.1 Development of revenues

Revenues for the financial year 2008 showed a slight decline of 4.8% compared to 2007. Primarily responsible for this result was the development of the EUR/USD exchange rate especially in the first nine months of the year, since around half of the group's revenues are earned in USD and the slump in customer demand due to the worldwide economic crisis in the fourth quarter. Consolidated group revenues thus decreased to EUR 184.7m in 2008 (2007: EUR 193.9m).

The revenue breakdown by markets is as follows:



in millions of EUR	2008	2007	Change in %
Communications	47.9	48.4	-1%
Industry & Medical	78.4	81.7	-4%
Automotive	29.4	31.1	-5%
Full Service Foundry	29.0	32.7	-11%

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The currency exchange rate development and the weakness in the Communications business also affected the distribution of revenues by regions. Whereas austriamicrosystems experienced stable revenues with new and existing customers in Europe, the Asia/Pacific region stayed slightly below and the USA dramatically below the previous year's revenues and behind expectations. The expansion of the sales and distribution network in this region enabled the acquisition of new customers and a stronger market penetration to allow this region to become a growth driver for austriamicrosystems again in the future.

The revenue breakdown by regions is as follows:

in millions of EUR	2008	2007	Change in %
EMEA	121.1	119.4	1%
Americas	22.0	29.3	-25%
Asia/Pacific	41.6	45.3	-8%

2.2 Orders received and order backlog

As of year-end, the total order backlog dropped by 28% from EUR 41.2m in 2007 to EUR 29.8m in 2008. As a result of the worldwide economic crisis orders booked also decreased by 5% from EUR 180.0m to EUR 171.6m due to the slump in the fourth quarter and to cautious ordering patterns on the part of nearly all market participants.

Development of revenues and orders:

in millions of EUR	2008	2007	Change in %
Revenues	184.7	193.9	-5%
Orders received	171.6	180.0	-5%
Total order backlog	29.8	41.2	-28%

2.3 Earnings

The gross profit on revenues decreased slightly to EUR 93.5m in 2008 compared with EUR 97.7m in the previous year. This decline is particularly due to the deterioration of revenues in the fourth quarter. The gross margin however climbed to 51% in 2008 over 50% the previous year due to full utilization of the capacity and a more favorable product mix especially during the first nine months of the year. The slight increase in Research and Development costs was driven mainly by new R&D projects and increasing personnel costs whereby the rising personnel costs accounted for the majority of the increase. Sales- and Administrative costs decreased by 5% due to foreign currency effects.

Due to the decrease in revenues and further increased costs in operating expenses the operating result (EBIT) decreased by EUR 3.0m to EUR 25.0m. Simultaneously with the decrease in EBIT, EBITDA (Earnings before interest and taxes plus depreciation) also decreased by EUR 1.7m to EUR 46.9m.

The significantly negative financial result for the year 2008 resulted from the appreciation of the USD versus the EUR during September/October 2008. All EUR/USD-hedging transactions were closed between EUR/USD 1.27 and 1.33.

Booking this negative result into the 2008 accounts enables austriamicrosystems to recognize future USD revenues on the basis of EUR/USD rates prevalent at the time of revenue realization. This represents a major advantage for the company, if the USD continues to appreciate compared to the EUR during the year of 2009. At the same time hedging for a weakening USD remains for exchange rates between EUR/USD 1.38 and 1.60 for the same transactions.

The utilization of certain historic write downs since 2005 substantially reduced the tax base in 2008 and resulted in a tax expense of EUR 0.3m. Furthermore, under IFRS, the utilization of additional tax loss carry forwards from the past will enable the deferred tax asset in the consolidated balance sheet to remain materially unchanged for the future. The net income showed a decrease to EUR 12.3m in 2008 from EUR 26.3m in 2007. The return on equity decreased accordingly from 13% to 6% and the return on revenues also sank from 14% to 7%.

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in millions of EUR	2008	2007	Change in %
Gross profit on revenues	93.5	97.7	-4%
Gross margin	51%	50%	
EBITDA	46.9	48.6	-3%
Operating result (EBIT)	25.0	28.0	-11%
EBIT margin	14%	14%	
Financial result	-12.5	-0.9	-1,289%
Income before tax	12.6	27.1	-54%
Net income	12.3	26.3	-53%
Return on equity	6%	13%	
Return on revenues	7%	14%	

2.4 Assets and Financial Position

The balance sheet structure shows a high ratio of fixed to total assets, common to the semiconductor industry. The share of intangibles and property, plant and equipment in the total assets was 44% only a slight change from 47% in 2007. The investments in fixed assets affecting cash (capital expenditures) of EUR 14.4m were significantly below the current depreciation of EUR 22.8m. Investments affecting the cash to revenue ratio decreased from 19% in 2007 to 8% in 2008. The equity to fixed assets ratio reached 134% in the last year compared to 135% in the previous year.

The fixed assets include a deferred tax asset of EUR 30.9m (previous year: EUR 31.0m). Under the current tax legislation, these can be carried forward indefinitely but are expected to be used to offset income tax within the next five years.

Inventories amounted to EUR 63.0m at the end of 2008 (2007: EUR 49.1m). This strong increase resulted from higher capacity and the subsequent increase in unfinished goods in the production process as well as a build-up of minimum stock levels of finished goods for standard products reflecting the shorter order cycles of our customers. The high inventory position also reflects the dramatic decrease in revenues during the fourth quarter which was not already affected by a cut-back in production.

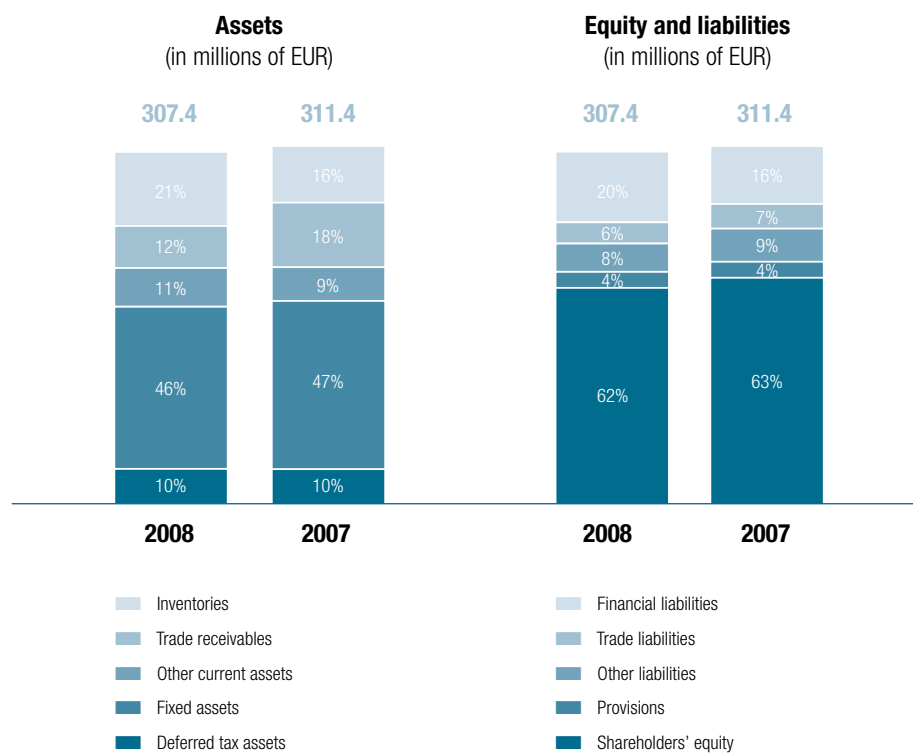
Trade receivables declined also due to the very weak fourth quarter. At the 2008 year end trade receivables amounted to EUR 37.0m (2007: EUR 56.0m).

The pay out of a high dividend in 2008 for 2007 recommended by our shareholders during the annual general meeting amounted to EUR 16.4m which could not be compensated by the net result. Therefore in 2008 the group's equity decreased by 3.0% to EUR 191.1m. As a result the equity ratio is 62%.

Over the same period, financial liabilities increased by EUR 11.7m from EUR 50.2m to EUR 61.9m. As of the balance sheet date net debt amounted to EUR 31.2m, which was 15% above the previous year's level of EUR 27.1m. Consequently, the debt to equity ratio increased to 32% from 25% in the previous year.

Assets (in millions of EUR)	2008	2007	Equity and liabilities (in millions of EUR)	2008	2007
Inventories	63.0	49.1	Financial liabilities	61.9	50.2
Trade receivables	37.0	56.0	Trade liabilities	18.1	21.4
Other current assets	34.1	29.3	Other liabilities	25.2	28.8
Fixed assets	142.4	146.0	Provisions	11.1	13.9
Deferred tax asset	30.9	31.0	Shareholders' equity	191.1	197.1
Total assets	307.4	311.4	Total liabilities	307.4	311.4

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	2008	2007
Equity ratio	62%	63%
Debt to equity ratio	32%	25%
Equity to fixed assets ratio	134%	135%

2.5 Cashflow

The operating cash flow developed positively and reached EUR 47.5m in 2008 compared to EUR 27.0m for the previous year. The increase resulted primarily from changes in working capital. The cash flow from investing activities was EUR -17.2m with expenses of EUR 14.4m for additions to intangible assets, property, plant and equipment (2007: EUR 36.0m). Of the cash flow from financing activities, EUR 21.6m was used to repay the long-term debt. The free cash flow amounted to EUR 30.3m.

The company's liquidity increased in 2008. Cash including short-term investments increased from EUR 23.1m at the end of 2007 to EUR 30.7m at the end of 2008.

in millions of EUR	2008	2007	Change in %
Operating cash flow	47.5	27.0	76%
Cash flow from investing activities	-17.2	-33.3	48%
Free cash flow	30.3	-6.3	580%
Cash flow from financing activities	-22.6	7.6	-397%
Cash and cash equivalents	26.9	19.1	41%

3 Research and development

austriamicrosystems' technological leadership in the design and manufacturing of analog ICs is based on intensive research and development work spanning over 25 years. In order to maintain this leading position, the company still invests in research and development significantly even in difficult years such as 2008 and despite the weakness in revenues (investments amounting to EUR 2.9m in 2008 and EUR 4m in 2007). Last year spending for research and development reached EUR 43.6m compared with EUR 43.2m in 2007. At the same time, the systematic implementation of the platform and derivative development methodology has allowed an unprecedented number of new standard products to be introduced.

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austriamicrosystems succeeded in recruiting additional highly qualified and experienced employees in 2008 who are particularly important for research and development in the analog segment. On average the number of employees in research and development was 320 in 2008 (2007: 293). In the field of process technologies, research and ongoing development focus on specialty variants of CMOS and SiGe processes for high-voltage and high-frequency applications. The release of several advanced manufacturing processes supported the ongoing development of innovative products.

The research findings again allowed filing of a number of international patents and publication of numerous papers in international specialist journals and at trade conferences over the past financial year.

4 Purchasing and manufacturing

In purchasing, the rising price of electricity and an increase in costs for assembly services resulted in additional expenses which could nevertheless be offset to a large extent. On the whole, cost pressure in manufacturing remained high.

During the last year, production capacity was increased through additional semiconductor test equipment to safeguard the positive business development and position the company with a view to further growth. An average capacity utilization of nearly 100% was achieved across all manufacturing areas in 2008 (2007: nearly 100%). Due to the slump in demand for semiconductors resulting from the dramatic decline of the world economy it is assumed that production will be underutilized in 2009.

5 Employees

On average, the austriamicrosystems group had 1,129 employees in 2008 (2007: 1,071) of which 895 worked at the Unterpemstätten location (2007: 881). In the course of the worldwide crisis for the semiconductor industry, employees had to be laid-off to prepare the company's cost structure for future challenges.

austriamicrosystems recognizes its responsibility as one of the most important employers in the region. In 2008, the company again offered a broad range of internal and external training and development programs for all employee groups as well as providing additional apprenticeship training positions.

austriamicrosystems attempts to retain its employees over the long term with remuneration systems such as the stock option plan introduced in 2005. Despite the tense economic situation active internal corporate and employee communication as well as employee surveys are used to motivate and keep employees fully informed.

6 Environment

A responsible attitude towards the environment is a basic principle at austriamicrosystems. The company is dedicated to meeting the highest quality and ecological standards as well as making conservative use of resources and the environment. austriamicrosystems has been certified to ISO 14001:2004 and EMAS (Eco-Management and Audit Scheme), the European system for environmental management, for several years.

7 Subsidiaries and branch facilities

austriamicrosystems currently has subsidiaries in Switzerland, Italy, Germany, France, the United Kingdom, Spain, the USA, the Philippines, Japan and India. The subsidiaries in Switzerland, Italy, Spain, and the United Kingdom carry out development and sales activities, while the subsidiaries in Germany, France, the USA and Japan are only responsible for sales and technical support. The subsidiary in the Philippines was established in 2005 to increase capacity in testing. In 2008 a new design centre in Valencia Spain was established to work mainly on analog products for photovoltaic applications. Branch facilities exist in Hong Kong, Singapore, Korea, China, Taiwan and Malaysia focused on sales, application support and business development.

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During the financial year a 25% share of New Scale Technologies, Inc., New York has been acquired. Based on its patented micro-motor technology, New Scale Technologies, Inc., New York invents, manufactures and sells miniature ultrasonic motors and integrated positioning systems.

8 Risk management

Operating on a global basis, the austriamicrosystems Group is exposed to a variety of risks that are inextricably linked to business activities. In order to identify, evaluate and counteract these risks in a timely manner, austriamicrosystems has developed and implemented tight internal risk management systems. This risk management system was implemented and benchmarked against best practices in conjunction with the company's auditors. The risk management process in place requires the business units to constantly monitor and evaluate risks. Regular risk reports are prepared for the management and Supervisory Boards. This ensures that major risks are identified and counteraction can be taken at an early stage.

Business interruption risk

The company's state-of-the-art 200mm manufacturing facility only went into operation in 2002, therefore the risk of breakdowns or prolonged downtime is relatively low. In addition, this risk is being further minimized by adopting a proactive approach to preventive maintenance. The business interruption risk is also insured for the replacement price and against loss of earnings for 18 months. austriamicrosystems' insurer, FM Global, has awarded the company – as one of a select few semiconductor manufacturers – the HPR (highly protected risk) status.

Financial risks

Risk management is handled centrally by the treasury department in accordance with guidelines issued by the management board. These detailed internal guidelines regulate responsibility and action parameters for the areas affected. The treasury department evaluates and hedges financial risks in close cooperation with the business units.

Receivables and credit risk

austriamicrosystems operates a strict credit policy. The creditworthiness of existing customers is constantly checked and new customers undergo a credit evaluation. Under austriamicrosystems' treasury and risk management policy, investments in liquid securities and transactions involving

derivative financial instruments are only carried out with financial institutions that have high credit ratings. As of the balance sheet date there were no significant concentrations of credit risk.

Interest rate risk

Interest rate risk – the possible fluctuation in value of financial instruments due to changes in market interest rates – arises in relation to medium and long-term receivables and payables (especially borrowings). austriamicrosystems' treasury policy ensures that part of the interest rate risk is reduced by fixed-interest borrowings. On the liability side, 14% of all amounts owed to financial institutions are at fixed rates. Of the remaining borrowings on a floating rate basis (86%), 31% will be repaid over the next two years. The remaining floating rate borrowings undergo continual checks with regard to the interest rate risk. On the asset side, the interest rate risks are primarily with time deposits and securities in current assets that are tied to the market interest rate.

Foreign exchange risk

Financial transactions in the semiconductor industry are predominantly carried out in US dollars. To hedge the currency risk, all transaction and conversion risks are constantly monitored. Within the group, cash flow streams in the same currency are offset (netting). Currency fluctuations during foreign currency transactions mainly concern the US dollar. In order to hedge the remaining receivables positions, the company employs derivative financial instruments to a certain extent. These instruments mainly involve forward exchange transactions, interest and currency options as well as interest and currency swaps. The use of derivative financial instruments and contracts to fix future exchange rates for foreign currency assets and liabilities substantially reduces the risk of changes in currency exchange rates for austriamicrosystems. At the same time, due to the extreme volatility in the currency markets, it is not possible to engage in economically feasible efficient and low risk currency hedges.

Product liability and quality risk

The products manufactured by austriamicrosystems are integrated in complex electronic systems. Faults or functional defects in the products produced by austriamicrosystems may have a direct or indirect effect on the property, health or life of third parties. The company is not in a position to reduce or exclude its liability towards consumers or third parties in sales agreements. Every product that leaves the company undergoes several qualified checks regarding quality and function. In spite of

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quality control systems certified to ISO/TS 16949, ISO/TS 13485, ISO 9001 und ISO 14001, product defects may occur and possibly only show up after installation and use of the finished products. Although this risk has been appropriately insured, quality problems could negatively impact austriamicrosystems' assets, financial and earnings position.

Patent infringement risk

austriamicrosystems manufactures complex microchips using various process technologies, line widths and production facilities. Like industry competitors, the company constantly has to develop these technologies further. Should austriamicrosystems infringe any additional patents while consistently monitoring processes, production methods and design blocks protected under patent law as well as related comprehensive licensing, this may negatively impact the assets, financial and earnings position of the company as well as the austriamicrosystems share price.

9 Events after the Balance Sheet Date

No transactions had a significant effect on austriamicrosystems' financial position, assets or earnings after the closing of the fiscal year.

10 Outlook

In light of the worldwide economic and financial crisis and the weak outlook for the semiconductor industry, a low business volume and an under-utilization of production capacities are expected for 2009. Therefore the company anticipates declining earnings in the coming year. Market researchers expect a single digit percentage decline of the analog-segment's market volume in the worldwide semiconductor business in 2009.

For austriamicrosystems, this situation despite increased sales activities in important geographical markets creates an unfavorable environment for further short-term growth. Main growth areas for the company are key-accounts in Asia, Europe and the USA. Should the worldwide demand for semiconductors show a significantly weaker performance in 2009 than currently anticipated and

the USD declines further, then the development of austriamicrosystems' business would be affected as well.

Several important market segments, such as medical devices, mobile communications and portable entertainment systems, the integration of high quality camera and multimedia functionalities into mobile handsets as well as control systems for renewable energy applications allow austriamicrosystems to expect ongoing meaningful mid-term growth. In these areas, austriamicrosystems is well positioned with innovative products and development projects. Further broadening of its international customer base should also play a significant role in the company's continuing success.

For 2009 austriamicrosystems does not anticipate an increase in revenues compared to the previous year. At the same time the company expects an under-utilization of production capacities, as well as an increase in personnel and energy costs, which will negatively affect gross profits and net earnings.

11 Other information

Regarding the information related to equity and investments according to § 243a Austrian Commercial Code please refer to the notes of the financial statements.

Unterpremstätten, January 30, 2009



John A. Heugle
CEO



Michael Wachslar-Markowitsch
CFO

I Consolidated Income Statement acc. to IFRS
for the year ended December 31, 2008

in thousands of EUR (except earnings per share, which are in EUR)	Note	2008	2007
Revenues	1	184,699	193,925
Cost of sales		-91,246	-96,183
Gross profit		93,453	97,742
Research and development		-43,584	-43,153
Selling, general and administrative		-30,595	-32,208
Other operating income	2	7,457	6,415
Other operating expense	3	-1,311	-772
Result from investments in associates		-402	0
Result from operations		25,018	28,025
Net financing cost	4	-12,468	-860
Income before tax		12,550	27,164
Income tax expense	5	-270	-829
Net income		12,281	26,335
Basic earnings per share	22	1.13	2.42
Diluted earnings per share	22	1.12	2.41

II Consolidated Balance Sheet acc. to IFRS as of December 31, 2008

in thousands of EUR	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Cash and cash equivalents	6	26,851	19,138
Short-term investments	12	3,810	3,968
Trade receivables	7	37,049	55,974
Inventories	8	63,043	49,087
Other receivables and assets	9	3,427	6,226
Total current assets		134,179	134,393
Property, plant and equipment	10	128,570	136,211
Intangible assets	11	6,983	8,640
Investments in associates and financial investments	13	3,866	1
Deferred tax assets	14	30,863	30,953
Other long-term assets	12, 15	2,931	1,170
Total non-current assets		173,213	176,975
Total assets		307,392	311,368
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings	16	25,823	34,231
Trade liabilities		18,097	21,411
Provisions	17	11,133	13,900
Other liabilities	19	12,872	15,595
Total current liabilities		67,925	85,137
Interest-bearing loans and borrowings	16	36,042	15,940
Employee benefits	20	9,208	9,119
Deferred government grants	18	2,328	3,228
Other long term liabilities	19	812	820
Total non-current liabilities		48,391	29,107
Shareholders' equity			
Issued capital	21	26,698	26,697
Share premium	21	98,292	95,570
Treasury shares	21	-5,635	-703
Translation adjustment	21	141	-104
Retained earnings		71,580	75,664
Total shareholders' equity and reserves		191,076	197,124
Total liabilities and shareholders' equity		307,392	311,368

III Consolidated Statement of Cash Flows acc. to IFRS for the year ended December 31, 2008

in thousands of EUR	Note	2008	2007
Operating activities			
Income before tax		12,550	27,164
Depreciation (net of government grants)	10, 11	22,785	21,465
Changes in employee benefits	20	89	412
Expense from stock option plan (acc. to IFRS 2)		2,708	2,196
Changes in other long-term liabilities		-908	-338
Gain/loss from sale of plant and equipment	2	0	62
Gain/loss from sale of investments and securities		0	-94
Result from investments in associates		402	0
Net financing cost		12,468	955
Changes in assets		6,187	-22,570
Changes in short-term operating liabilities and provisions		-8,725	-1,996
Tax payments		-27	-223
Cash flows from operating activities		47,528	27,033
Investing activities			
Acquisition of intangibles, property, plant and equipment		-14,414	-36,008
Acquisition of financial investments		-4,063	0
Proceeds from sale of plant and equipment		0	20
Proceeds from the sale of investments		75	1,241
Interest received		1,213	1,484
Cash flows from investing activities		-17,189	-33,263
Financing activities			
Proceeds from borrowings		33,362	20,252
Repayment of debt		-21,575	-10,229
Repayment of finance lease liabilities		-509	-799
Acquisition of treasury shares		-5,008	0
Interest paid		-2,287	-1,927
Loss from settlement of derivative financial instruments		-10,265	0
Dividends paid		-16,362	0
Changes resulting from capital increase		16	328
Cash flows from financing activities		-22,627	7,626
Net increase/decrease in cash and cash equivalents		7,713	1,396
Cash and cash equivalents at January 1		19,138	17,742
Cash and cash equivalents at December 31		26,851	19,138

IV Consolidated Statement of Changes in Shareholders' Equity acc. to IFRS for the year ended December 31, 2008

in thousands of EUR	Issued capital	Additional paid-in capital	Treasury shares	Translation adjustment	Retained earnings	Total shareholders' equity
Total equity as of January 1, 2007	26,662	93,080	-832	-141	49,421	168,191
Net income	0	0	0	0	26,335	26,335
Translation adjustment	0	0	0	37	-92	-55
Share based payments	0	2,196	0	0	0	2,196
<i>Subtotal</i>	<i>0</i>	<i>2,196</i>	<i>0</i>	<i>37</i>	<i>-92</i>	<i>2,141</i>
Capital Increase	35	294	0	0	0	329
Purchase and sale of treasury shares	0	0	129	0	0	129
Total equity as of December 31, 2007	26,697	95,570	-703	-104	75,664	197,124
Net income	0	0	0	0	12,281	12,281
Translation adjustment	0	0	0	245	-3	242
Share based payments	0	2,708	0	0	0	2,708
<i>Subtotal</i>	<i>0</i>	<i>2,708</i>	<i>0</i>	<i>245</i>	<i>-3</i>	<i>2,950</i>
Dividends paid	0	0	0	0	-16,362	-16,362
Capital increase	2	14	0	0	0	16
Purchase and sale of treasury shares	0	0	-4,933	0	0	-4,933
Total equity as of December 31, 2008	26,698	98,292	-5,635	141	71,580	191,076

An amount of EUR 204 thousand (2007: EUR 0 thousand) recognized within translation adjustment is related to the currency translation of investments in associates.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Significant accounting policies

austriamicrosystems AG ("the Company") is a company located in 8141 Unterpremstätten, Austria. The Company is a global leader in the design, manufacture and sale of high performance analog and analog intensive mixed signal integrated circuits tailored to meet specific customer applications. The consolidated financial statements for the year ended December 31, 2008 represent the parent company austriamicrosystems AG and its subsidiaries (together referred to as the "Group").

On January 30, 2009 the consolidated financial statements 2008 were completed and released to the Supervisory Board for approval.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all obligatory International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Interpretations Committee to be applied in 2008. Furthermore this report is in accordance with all International Financial Reporting Standards to be applied in the European Union.

No premature application takes place for:

- IAS 1 "Presentation of Financial Statements" (changes of this standard mandatory to be applied from January 1, 2009 onwards, endorsed by the European Union)
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (changes of this standard mandatory to be applied from January 1, 2009 onwards, endorsed by the European Union)
- IFRS 2 "Share-based payment" (changes of this standard mandatory to be applied from January 1, 2009 onwards, endorsed by the European Union)
- IFRS 3 "Business Combinations" (changes of this standard mandatory to be applied from July 1, 2009 onwards, not yet endorsed by the European Union)
- IFRS 8 "Operating Segments" (mandatory to be applied from January 1, 2009 onwards, endorsed by the European Union)
- IAS 23 "Borrowing Costs" (changes of this standard mandatory to be applied from January 1, 2009 onwards, endorsed by the European Union)
- IAS 27 "Consolidated and Separate Financial Statements" (changes of this standard mandatory to be applied from January 1, 2009 onwards, not yet endorsed by the European Union)
- IAS 32 "Financial Instruments: Presentation" (changes of this standard mandatory to be applied from January 1, 2009 onwards, endorsed by the European Union)

An early application would have led to changes in the presentation of financial statements and the notes of the year 2008.

(b) Basis of preparation

The financial statements are presented in EUR and rounded to the nearest thousand. The use of automated calculation systems may lead to rounding differences in totals of rounded amounts and percentages. They are prepared on a historical cost basis except for derivative financial instruments, investments and securities, which are stated at their fair value.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all operative enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in an identical manner as unrealized gains, but only to the extent that there is no evidence of impairment.

(iii) Investments in associates

Investments in associates are accounted for using the equity method if the company has a significant influence on the investee (associate) and if this is material to present a true and fair view of the financial statements.

For investments in associates the same equity consolidation principles apply as for subsidiaries. Local accounting policies remain applied if the deviations are not material.

During the business year 2008 a 25% share of New Scale Technologies, Inc., New York has been acquired (carrying amount as per December 31, 2008: EUR 3,866 thousand), and is accounted for using the equity method.

(d) Foreign currency

(i) Foreign currency transactions

The functional currency of the Company is the EUR. Transactions in foreign currencies are translated into EUR at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into EUR at the foreign exchange rate prevailing at that date and provided from the ECB. Foreign exchange differences arising on translation are recognized in the income statement. Amounts recognized in the income statement were a gain of EUR 3.313 thousand in 2008 and a gain of EUR 532 thousand in 2007.

(ii) Financial statements of economic independent foreign entities

The functional currency of the entities domiciled outside the EUR zone is their respective domestic currency. Accordingly, the assets and liabilities of these entities are translated into EUR at the medium foreign exchange rates prevailing at the balance sheet date. Revenues and expense of foreign entities are translated into EUR at the average foreign exchange rates of the year. Resulting differences are recognized directly within equity.

(e) Derivative financial instruments and hedging instruments

The Group uses interest rate swaps, cross currency swaps, options and forward exchange contracts to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities and to optimize the financial result.

Derivative financial instruments are initially recognized at cost (equals fair value). Subsequent to initial recognition, derivative financial instruments are stated at fair value.

The fair value of such derivative financial instruments is the estimated amount that the Group would receive or pay to settle such derivative financial instruments at the balance sheet date, taking into account current interest rates and the current creditworthiness of such derivative financial instruments counter parties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

(f) Hedging

As not all of the criteria for hedge accounting outlined in IAS 39 are met, all changes in the fair value of derivative financial instruments are recognized in the income statement.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (m)) and net of related government grants. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to accounting policy (m)). Lease payments are accounted for in accordance with accounting policy (t).

(iii) Subsequent expenditures

Expenditure incurred to replace a component of an item of property, plant and/or equipment that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditures are capitalized only when the future economic benefits embodied in the item of property, plant and equipment increases. All other expenditures are recognized in the income statement as an expense when incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the assets. Land is not depreciated. The estimated useful life is as follows:

Buildings	25 – 33 years
Plants, technical equipment and machines	5 – 12 years
Other equipment	4 – 10 years

Due to the application of the cost of sales method the annual depreciation is distributed over all cost positions.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred and are recognized under expenses for Research and Development.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The company has not capitalized any expenditure on research and development activities within this position.

(ii) Intangible assets acquired by the Group

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortization (see below) and impairment losses (refer to accounting policy (m)).

(iii) Subsequent expenditures

Subsequent expenditures on capitalized intangible assets are capitalized only when the future economic benefits embodied in the specific asset to which it relates increases. All other expenditures are expensed when incurred.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

(iv) Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful economic life of the assets. The estimated useful life is from 3 – 10 years. Due to the application of the cost of sales method the annual depreciation is distributed over all cost positions. All intangible assets have a limited useful economic life.

(i) Investments in securities and in associates

Investments in securities held by the Group and classified as available-for-sale are stated at fair value, with any resultant gain or loss recognized in the equity. Investments in securities held for trade whose performance is continuously monitored are stated at fair value with any resultant gain or loss recognized in the income statement. Held-to-maturity-Investments are stated at cost less accumulated depreciation with any resultant gain or loss recognized in the annual result. The fair value of investments held for trading and investments available-for-sale is their quoted bid price at the balance sheet date. Investments in securities are recorded at the transaction date.

As per December 31, 2008 the group holds only investments in securities which are recognized at fair value through profit and loss (compound contract with embedded derivative).

Investments in associates are accounted for using the equity method. The share of profits/losses of an associate and fair value adjustments for depreciable assets are recognized within the operating result.

(j) Trade and other receivables

Trade and other receivables are initially stated at cost at their transaction date and subsequently stated less impairment losses (refer to accounting policy m).

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense.

The cost of inventories is based on the moving average price principle and includes expenditures incurred in their acquisition as well as bringing them to their existing location and condition. For manufactured inventories and work in progress, cost includes an appropriate share of overhead based on normal operating capacity.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits at banks.

(m) Impairment

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (k)) and deferred tax assets (refer to accounting policy (u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows.

The recoverable amount of assets is the higher of their fair value less transaction costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates of the time value of money and the

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss on available-for-sale investments or receivables is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Dividends

Dividends are recognized as a liability in the period in which they are resolved.

(o) Interest-bearing borrowings

Interest-bearing borrowings are initially recognized at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the borrowing period on an effective interest basis.

(p) Employee benefits

(i) Defined benefit plans

According to Austrian labor regulations, employees who joined the Company prior to December 31, 2002, are entitled to receive severance payments equal to a multiple of their monthly compensation, which comprises fixed plus variable amounts such as overtime and bonus payments. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation.

The obligation for such severance payments is measured using the projected unit credit method. The discount rate is the yield at the balance sheet date on AAA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses are recognized immediately.

(ii) Defined contribution plans

For all employees who entered into an employment contract after December 31, 2002, the Company is obliged to contribute 1.53 % of their monthly remuneration to an employee benefit fund. There is no additional obligation for the Company. Therefore, this plan constitutes a defined contribution plan. Contributions are recognized as an expense in the income statement as incurred. These amounts are paid in cash to authorities; the company's obligations are therefore fully funded.

(iii) Other long-term employee benefits

All employees are eligible for long-term service benefits. Under this plan, eligible employees receive a cash payment after a specified service period. This payment equals one to three months salary, depending on the number of years of service. The amount recognized as a liability from this compensation is measured using the projected unit credit method. Actuarial assumptions are identical to those applied for defined benefit plans. All actuarial gains and losses are recognized immediately.

(iv) Stock Option Plan

In 2002 the Supervisory Board approved a Stock Option Plan ("SOP 2002") for the purposes of providing 142,500 stock options to key employees. The maximum number of Options for issuance was later reduced to 76,500. After the share split in 2004 (1:3) this number now is 229,500. One Option entitles the holder to receive one share of the Company at a strike price of EUR 6.00 (EUR 18.00 before share split) per share. On the first day of issue 33% of the Options may be exercised, 33% one year later and 34% after two years.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Due to the resolution of the SOP 2002 before coming into force of IFRS 2 the plan is not subject to this standard.

The purpose of the SOP 2002 was the increase of motivation of key people in connection with the economic situation of the Company in 2002 and the intended IPO. The Company has concluded an agreement with its major shareholder (former parent), AMS Holding S.à.r.l., under which the issued Options are provided to the Company at the strike price. In 2006 these shares were bought by the Company for a strike price of EUR 6.00 to cover the obligations from SOP 2002.

The shareholders approved a further Stock Option Plan (SOP 2005) in the annual general meeting on May 19, 2005.

Within the SOP 2005 a total of 990,000 Options of no-par-value shares may be issued over 4 years. This reflects 9% of the issued capital at the time of approval. The SOP 2005 is administered by the SOP Committee. The Committee may define terms for allocation and exercise of the Options. It is envisaged to grant the Options during a 4-year-program. One Option entitles the holder to receive one no-par-value share of the Company. The Options may be exercised during each of the next succeeding five years on the first, second, third, fourth and fifth anniversary of the grant date to the maximum extent of twenty percent (20%) of the total number of shares covered thereby (vesting period). The strike price for each tranche will be defined based on a 3 month average price of the austriamicrosystems Share prior to the grant date with a further 25% discount taken from that price. All granted options under the SOP 2005 must be exercised prior to June 30, 2015.

The main basis data of the granted options according to the Stock Option Plan 2005 structures as follows:

Valuation of Options (weighted average)		2008	2007
Market price at granting	in EUR	23.81	53.19
Term of options	in years	7	8
Risk-free interest rate	in %	3.92	4.09
Expected volatility	in %	28.15	22.54
Present value of Option	in EUR	4.31	18.89

Other disbursement criteria, e.g. inclusion of a market condition for the validation of the present value, are not applicable.

The Options developed in the fiscal years 2008 and 2007 as follows:

In 2008 273,588 Options (SOP 2005) were granted to 452 employees (2007: 250,844 Options to 408 employees).

The options granted to the employees of austriamicrosystems according to the Stock Option Plan 2005 were valued with the present value at granting. The so determined value of the Options will be spread over the period until vesting.

The Options were valued based on the Black-Scholes option-pricing model. The interpretation of market information necessary for the estimation of market values also requires a certain degree of subjective judgment. The expected volatilities were extrapolated from the historical stock-exchange price of the austriamicrosystems share (source: Bloomberg). This can result in a difference between the figures shown here and values subsequently realised on the marketplace.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

In the fiscal years 2008 and 2007 the options developed as follows:

SOP 2005				
	2008		2007	
	Options	Weighted average exercise price (in EUR)	Options	Weighted average exercise price (in EUR)
Outstanding at the beginning of the period	692,933	26.82	469,936	28.56
Granted during the period	273,588	18.45	250,844	37.87
Forfeited during the period	27,990	29.42	13,572	31.25
Exercised during the period	770	21.51	14,275	24.05
Expired during the period	0	-	0	-
Outstanding at the end of the period	937,761	28.10	692,933	31.96
Exercisable at the end of the period	269,931	29.47	123,101	26.82
Weighted average share price at the date of exercise (in EUR)	24.25		43.20	
Range of exercise prices (in EUR)	11.65 – 38.43		21.51 – 38.43	
Remaining contractual life	to June 30, 2015		to June 30, 2015	

SOP 2002				
	2008		2007	
	Options	Weighted average exercise price (in EUR)	Options	Weighted average exercise price (in EUR)
Outstanding at the beginning of the period	88,393	6.00	109,887	6.00
Granted during the period	0	-	0	-
Forfeited during the period	0	-	0	-
Exercised during the period	12,500	6.00	21,494	6.00
Expired during the period	0	-	0	-
Outstanding at the end of the period	75,893	6.00	88,393	6.00
Exercisable at the end of the period	75,893	6.00	88,393	6.00
Weighted average share price at the date of exercise (in EUR)	21.93		46.29	
Range of exercise prices (in EUR)	6.00		6.00	
Remaining contractual life	to January 1, 2012		to January 1, 2012	

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

(q) Provisions

A provision is recognized on the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranties

A provision for warranties is recognized when a warranty claim is received from a customer. The amount recognized is the best estimate of the expenditure required to settle the claim based on historical experience.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(r) Trade and other payables

Trade and other payables are stated at compounded historical cost.

(s) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

For certain sales transactions, the buyer requests the Company to delay physical delivery of the goods sold ("Bill and hold Sales"). In such cases, revenue is recognized if the following applies: the buyer takes title to the goods, it is probable that delivery will be made, the item is on hand, identified and ready for delivery, the buyer specifically acknowledges the deferred delivery instructions and the usual payment terms apply.

(ii) Government grants

A government grant is initially recognized in the balance sheet when there is reasonable assurance that it will be received and that the Group will comply with the underlying conditions. Grants that compensate the Group for expenses incurred are recognized as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the initial cost of an asset and recognized in the income statement as reduced depreciation on a systematic basis over the useful life of the asset.

In 2002, the Austrian Government introduced a specific grant (valid until 2004) based on the increase of capital expenditures made during a business year in comparison to the average investments of the three previous years. This grant was paid in 2003 through a credit to the Company's income tax account and is presented on the balance sheet as deferred income. The recognition of this income as other operating income is according to the related depreciation and impairment charges, if any, of the underlying capital expenditures.

(t) Expense

(i) Operating lease payments

Payments made under operating leases are recognized in the income statement in the period they occur.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

(ii) Net financing cost

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and dividend income, foreign exchange gains and losses, and gains and losses on derivative financial instruments related to financing activities.

Interest income is recognized in the income statement as it accrues, taking into account the asset's effective yield. Dividend income is recognized in the income statement on the date that the dividend is declared.

Cost of debt are not capitalized but expensed as they incurred.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing cost. The interest expense component of finance lease payments is recognized in the income statement using the effective interest method.

(u) Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in this case it is recognized in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for IFRS financial reporting purposes and the amounts used for tax purposes as well as for tax assets existing at the balance sheet date. Deferred tax assets and liabilities for temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not recognized. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

Under current Austrian corporate tax law tax losses can be carried forward for an unlimited period of time.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

1 Segment reporting and revenues

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"). The "Products" segment includes the design and distribution of custom Integrated Circuits (ICs), known as Applications Specific Integrated Circuits (ASICs), Application Specific Standard Products (ASSPs) and Standard Linear ICs to a variety of customers. These customers are mainly in the Communications, Industrial, Medical, and Automotive markets. Under the "Foundry & Other" segment manufacturing for the "Products" segment as well as for third party foundry customers is shown. The secondary reporting format is structured by the three regions in that sales occur: "EMEA" (including Europe, Middle East, Africa), "Asia/Pacific" and "Americas".

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise items included in net financing cost. The Group does not record liabilities by segment. Therefore, liabilities are not allocated to segments.

Inter-segment pricing is determined on cost basis.

Segment capital expenditure is the total cost incurred (net of government grants) during the period to acquire segment assets that are expected to be used for more than one period.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical billing location of customers. Segment assets are based on the geographical location of the assets.

Business segments

in thousands of EUR	Products		Foundry & Other		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	155,701	161,203	28,997	32,722			184,699	193,925
Inter-segment revenue			62,050	65,012	-62,050	-65,012	0	0
Total revenue	155,701	161,203	91,047	97,734	-62,050	-65,012	184,699	193,925
EBIT (profit/loss from operations)	31,440	36,314	-6,422	-8,289			25,018	28,025
Net financing cost							-12,468	-860
Income tax expense							-270	-829
Net profit for the year							12,281	26,335
Segment assets	37,808	53,243	269,584	258,124			307,392	311,368
Capital expenditure (net of government grants)	1,636	2,754	11,893	18,251			13,529	21,005
Depreciation (net of government grants)	1,267	1,044	21,518	20,422			22,785	21,465

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Geographical segments

in thousands of EUR	EMEA		Americas		Asia/Pacific		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	121,148	119,372	22,000	29,275	41,550	45,278	184,699	193,925
Segment assets	305,874	310,182	72	463	1,446	722	307,392	311,368
Capital expenditure (net of government grants)	12,794	20,813	0	0	735	191	13,529	21,005

Revenues by operation

in thousands of EUR	2008	2007
Revenues from production	172,821	178,840
Revenues from research and development projects	11,878	15,085
	184,699	193,925
Thereof revenues from bill & hold transactions	9,071	14,181

2 Other operating income

in thousands of EUR	2008	2007
Government grants related to R&D expenses	6,109	5,114
Amortization of government grants related to assets	900	900
Reversal of bad debt reserve	49	75
Insurance refunds	33	42
Deferred income from IT-Outsourcing	0	24
Gain from disposal of assets	0	6
Other	367	254
	7,457	6,415

V Notes to the Consolidated Financial Statements acc. to IFRS
as of and for the year ended December 31, 2008

3 Other operating expense

in thousands of EUR	2008	2007
Allowance for bad debts	1,134	569
Expenses for monetary transactions	177	121
Other	0	82
	1,311	772

4 Net financing cost

in thousands of EUR	2008	2007
Interest expense	2,286	1,872
Interest income	-1,250	-1,377
Available-for-sale investments		
Gain on disposal	0	-58
Loans		
Revaluation to fair value	589	0
Derivative financial instruments		
Revaluation to fair value	577	423
Loss from settlement of derivative financial instruments	10,265	0
	12,468	860

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

5 Income tax expense

Recognized in the income statement

in thousands of EUR	2008	2007
Current tax expense:		
Current year	-160	-802
Under/(over) provided in prior years	-20	-27
	-180	-829
Deferred tax expense/benefit:		
Origination and reversal of temporary differences	-3,728	-7,665
Effect of first time recognition of tax benefits	3,638	7,665
	-90	0
Total income tax expense in income statement	-270	-829
Reconciliation of effective tax expense		
Income before tax	12,550	27,164
Income tax using the domestic corporation tax rate (25%)	-3,138	-6,791
Effect of tax rates in foreign jurisdictions (rates decreased)	-23	7
Non-deductible expenses / tax benefits	-56	-60
Tax incentives (mainly related to R&D)	993	923
Effect of first time recognition of tax benefits	3,638	7,665
Effect of not recognized tax losses	-1,664	-2,546
Under/over provided in prior years	-20	-27
	-270	-829
Deferred tax credit recognized directly in equity		
Relating to net loss not recognized in income statement	0	0

Deferred tax assets are recognized for all temporary differences and tax losses carry forwards only to the extent a consumption is probable within a foreseeable period. Therefore approximately EUR 16,000 thousand are not recognized in the balance sheet.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

6 Cash and cash equivalents

in thousands of EUR	2008	2007
Bank deposits	26,844	19,132
Cash on hand	7	6
	26,851	19,138

7 Trade receivables

Trade receivables, net

in thousands of EUR	2008	2007
Trade receivables gross	37,359	56,233
Allowance for bad debt	-310	-259
	37,049	55,974
Allowance for bad debt developed as follows:		
Balance at the beginning of the period	259	182
Consumptions during the year	-2	-14
Reversals during the year	-47	-61
Additions during the year	100	152
Balance at the end of the period	310	259

Trade receivables by regions

in thousands of EUR	2008	2007
EMEA	22,744	33,948
Americas	3,206	7,463
Asia/Pacific	11,098	14,563
	37,049	55,974

Concentration sheet of credit risks:

On the balance date of Dec. 31, 2008 no trade receivable attributable to a single customer exceeded 5% of all trade receivables.
In 2007 no trade receivable attributable to a single customer exceeded 5% of all trade receivables.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Ageing analysis for trade receivables

in thousands of EUR	2008		2007	
	Receivables Gross	Impairment	Receivables Gross	Impairment
Receivables more than 30 days overdue and not impaired	5,345		1,097	
Receivables more than 30 day overdue and impaired	310	310	259	259
Receivables not overdue or less than 30 days overdue and not impaired	31,703		54,877	
Receivables not overdue or less than 30 days overdue and impaired	0		0	
Total trade receivables not adjusted	37,359	310	56,233	259

The impairment for "receivables more than 30 days overdue and impaired" comprises a collective impairment assessment amounting to EUR 180 thousand. For not overdue receivables not collected before the balance sheet date and which were not impaired, no evidence for a possible bad debt loss was existent at the balance sheet date.

8 Inventories

in thousands of EUR	2008	2007
Unfinished goods	40,386	31,604
Finished goods	15,117	11,230
Raw materials and supplies	5,969	5,221
Work in progress	1,570	1,032
	63,043	49,087

Inventories stated at net realisable value were EUR 3,565 thousand as per December 31, 2008 and EUR 2,062 thousand as per December 31, 2007 respectively.

The valuation allowance from inventories amounts to EUR 8,053 thousand as of December 31, 2008 and to EUR 6,869 thousand as of December 31, 2007 respectively.

The amount of inventories recognized as an expense amounts to EUR 48,583 thousand in 2008 and EUR 58,453 thousand in 2007 respectively.

Since the result of work in progress (research and development contracts) cannot be estimated reliably, all costs incurred are recognized as R&D expenses. Accruals for onerous contracts are being made if necessary.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

9 Other receivables and assets

in thousands of EUR	2008	2007
Government grants related to R&D expenses	1,452	2,051
Amounts due from tax authorities	602	1,045
Prepaid expenses	602	212
Deferred interests	212	175
Derivative financial instruments at fair value	154	29
Prepayments for acquisitions	0	2,084
Other	405	630
	3,427	6,226

All other receivables and assets are neither overdue nor impaired. For details to derivative financial instruments please refer to Pt. 23.

10 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Fixtures and equipment	Under construction	Government grants	Total
Cost						
Balance at January 1, 2008	70,220	309,434	23,883	3,676	-28,807	378,405
Effect of movements in foreign exchange	0	0	-39	0	0	-39
Additions	411	9,522	1,930	222	0	12,085
Transfers	35	2,520	0	-2,554	0	0
Disposals	0	0	-4,030	0	130	-3,899
Balance at December 31, 2008	70,665	321,476	21,744	1,343	-28,677	386,551
Depreciation and impairment losses						
Balance at January 1, 2008	38,916	202,595	20,073	0	-19,391	242,194
Effect of movements in foreign exchange	0	0	-4	0	0	-4
Depreciation charge for the year	1,561	18,144	1,406	0	-1,427	19,685
Disposals during the year	0	0	-4,024	0	130	-3,893
Balance at December 31, 2008	40,477	220,740	17,452	0	-20,688	257,981
Carrying amount						
At January 1, 2008	31,303	106,839	3,809	3,676	-9,417	136,211
At December 31, 2008	30,188	100,736	4,292	1,343	-7,990	128,570

V Notes to the Consolidated Financial Statements acc. to IFRS
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in thousands of EUR	Land and buildings	Plant and equipment	Fixtures and equipment	Under construction	Government grants	Total
Cost						
Balance at January 1, 2007	64,817	280,613	22,097	24,466	-28,808	363,186
Effect of movements in foreign exchange	0	0	10	0	0	10
Additions	3,108	10,915	1,930	2,707	0	18,660
Transfers	2,414	20,618	0	-23,497	0	-465
Disposals	-119	-2,713	-154	0	0	-2,986
Balance at December 31, 2007	70,220	309,434	23,883	3,676	-28,807	378,405
Depreciation and impairment losses						
Balance at January 1, 2007	37,506	188,924	18,879	0	-17,947	227,361
Effect of movements in foreign exchange	0	0	-4	0	0	-4
Depreciation charge for the year	1,439	16,384	1,341	0	-1,443	17,721
Disposals during the year	-29	-2,713	-143	0	0	-2,884
Balance at December 31, 2007	38,916	202,595	20,073	0	-19,391	242,194
Carrying amount						
At January 1, 2007	27,311	91,689	3,218	24,466	-10,860	135,825
At December 31, 2007	31,303	106,839	3,809	3,676	-9,417	136,211

As of December 31, 2008, commitments for the acquisition of property, plant and equipment and intangible assets amounted to EUR 7,081 thousand (2007: EUR 5,779 thousand).

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of the respective lease contract the Group has the option to purchase the equipment at a beneficial price. At December 31, 2008 the net carrying amount of leased plant and machinery was EUR 0 thousand (2007: EUR 907 thousand). In 2008 the stipulated buying option has been exercised and the leased equipment was acquired for the amount of EUR 179 thousand.

For the government grants recognized certain conditions such as evidence of the actual costs incurred and a future minimum number of employees apply.

V Notes to the Consolidated Financial Statements acc. to IFRS
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11 Intangible assets

in thousands of EUR	Patents & licenses	In development	Total
Cost			
Balance at January 1, 2008	40,557	1,285	41,842
Additions	1,259	185	1,444
Transfers	344	-344	0
Balance at December 31, 2008	42,160	1,126	43,286
Amortization and impairment losses			
Balance at January 1, 2008	33,202	0	33,202
Amortization charge for the year	3,100	0	3,100
Balance at December 31, 2008	36,303	0	36,303
Carrying amount			
At January 1, 2008	7,355	1,285	8,640
At December 31, 2008	5,858	1,126	6,983

No internally generated intangible assets exist.

Cost			
Balance at January 1, 2007	39,032	0	39,032
Additions	1,060	1,285	2,345
Transfers	465	0	465
Balance at December 31, 2007	40,557	1,285	41,842
Amortization and impairment losses			
Balance at January 1, 2007	29,458	0	29,458
Amortization charge for the year	3,745	0	3,745
Balance at December 31, 2007	33,202	0	33,202
Carrying amount			
At January 1, 2007	9,575	0	9,575
At December 31, 2007	7,355	1,285	8,640

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

12 Investments and securities

in thousands of EUR	2008	2007
Non-current investments		
Shares in affiliated companies	1	1
	1	1
Current investments		
Investment funds at fair value through profit and loss	3,810	3,968
	3,810	3,968

Current investments are recorded with their fair value (market prices). The investment bonds' maturity is more than 4 years. Since June 30, 2007, the issuing bank has the right to cancel prior to maturity once a year at least at nominal value.

13 Investments in associates

in thousands of EUR	2008	2007
	3,866	0
	3,866	0

During the financial year a 25% share of New Scale Technologies, Inc., New York has been acquired. Based on its patented micro-motor technology, New Scale Technology Inc. invents, manufactures and sells miniature ultrasonic motors and integrated positioning systems.

The purchase price of EUR 5,900 thousand also included an existing customer relationship which was measured at a value of EUR 600 thousand on the basis of the present value of the expected future economic benefits. The acquisition costs of this customer relationship are amortized over the periods of the expected benefits (2008: EUR 255 thousand). The share of the negative result of the business year 2008 (EUR 146 thousand) is recognized within the operating result reducing the carrying amount of the investment accordingly.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

14 Deferred tax assets

Deferred tax assets are attributable to the following items:

in thousands of EUR	2008	2007
Intangible assets, property, plant and equipment	-1,280	-1,392
Trade and other receivables	74	-86
Employee benefits	1,702	1,706
Liabilities	-484	-111
Provisions	137	137
Tax value of loss carried forward and write down of investments	30,715	30,699
	30,863	30,953

In Austria tax loss carried forward do not expire under tax legislation currently in force. Tax losses carried forward can be offset with a maximum of 75% of the current taxable income.

Based on the business plan and the related tax planning of the Company it is probable that deferred tax assets recognized in the balance sheet are recovered within the next years.

15 Other long term assets

Other long term assets are mainly related to licensing prepayments. Also included is an option for the purchase of another 9.4% of shares of New Scale Technology Inc., New York (EUR 68 thousand). As the value of this option cannot be measured reliably at the balance sheet date due to uncertainties during the start-up phase, no measurement at fair value has been made.

16 Interest-bearing loans and borrowings

in thousands of EUR	2008	2007
Non-current liabilities		
Secured bank loans	36,042	15,940
	36,042	15,940
Current liabilities		
Current portion of secured bank loans	25,823	33,548
Current portion of finance lease liabilities	0	683
	25,823	34,231

The current portion of the secured bank loans include a revolving export financing credit amounting to EUR 9,000 thousand in 2008 (2007: EUR 19,000 thousand) guaranteed by the Austrian government.

V Notes to the Consolidated Financial Statements acc. to IFRS
as of and for the year ended December 31, 2008

Terms and debt repayment schedule

in thousands of EUR	Total	1 year or less	2-5 years	More than 5 years
2008				
Capital investment loans				
EUR – fixed rate loans	1,453	1,453	0	0
R & D loans				
EUR – fixed rate loans	6,960	2,201	4,759	0
EUR – floating rate loans	5,863	2,580	3,283	0
CHF – floating rate loans	8,589	589	8,000	0
Export loan				
EUR – floating rate loan	9,000	9,000	0	0
Finance lease liabilities				
EUR – floating rate	0	0	0	0
Unsecured bank facilities				
EUR – floating rate	30,000	10,000	20,000	0
	61,865	25,823	36,042	0
2007				
Capital investment loans				
EUR – fixed rate loans	4,360	2,907	1,453	0
R & D loans				
EUR – fixed rate loans	4,153	0	3,868	285
EUR – floating rate loans	12,975	2,642	10,333	0
CHF – floating rate loans	0	0	0	0
Export loan				
EUR – floating rate loan	19,000	19,000	0	0
Finance lease liabilities				
EUR – floating rate	683	683	0	0
Unsecured bank facilities				
EUR – floating rate	9,000	9,000	0	0
	50,171	34,231	15,655	285

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

The bank loans are secured as follows:

in thousands of EUR	2008	2007
Registered mortgages on land	0	43,604
Assignment of debt	10,800	22,800

Finance lease liabilities

in thousands of EUR	2008			2007		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	0	0	0	695	12	683
Between one and five years	0	0	0	0	0	0
	0	0	0	695	12	683

As the stipulated buying option has been exercised the leasing goods capitalized under financial leasing have been acquired during 2008.

17 Provisions

in thousands of EUR	Warranties	Onerous contracts	Other personnel provisions	Other	Total
Balance at January 1, 2008	826	9,381	2,019	1,673	13,900
Provisions made during the year	0	7,466	1,229	486	9,181
Provisions used during the year	0	-7,114	-1,459	-542	-9,116
Provisions reversed during the year	0	-2,267	-563	-2	-2,832
Balance at December 31, 2008	826	7,467	1,226	1,615	11,133
Balance at January 1, 2007	647	8,074	2,019	334	11,074
Provisions made during the year	178	9,381	2,217	1,832	13,609
Provisions used during the year	0	-7,366	-1,611	-357	-9,335
Provisions reversed during the year	0	-707	-605	-136	-1,449
Balance at December 31, 2007	826	9,381	2,019	1,673	13,900

Warranties

A provision for warranties is recognized when a warranty claim is received from a customer. The amount recognized is the best estimate of the expenditure required to settle the claim based on historical experience.

As of December 31, 2008 and 2007 a provision for warranty claims and legal costs is recognized as well as an accrual for a patent infringement claim. All warranty claims are expected to be settled within one year.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Onerous contracts

Provisions for onerous contracts are set up when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The amount recognized as of December 31, 2008 EUR 7,467 thousand (2007: EUR 9,381 thousand) relates to several engineering contracts.

Other personnel provisions

Provisions for other personnel costs include profit sharing and bonuses payable within twelve months after the respective balance sheet date and sales incentives for current employees.

Other provisions

Other provisions represent mainly provisions for taxes amounting to EUR 1,129 thousand (2007: EUR 1,129 thousand) and provisions for outstanding invoices amounting to EUR 444 thousand (2007: EUR 523 thousand).

18 Deferred government grants

In 2004, in connection with the construction of Fab B, the Company obtained a government grant. This grant awards the Company for the increase in capital expenditure over those of the previous years. The grant is accounted for as deferred income and recognized as other operating income in line with the average depreciation charge for the underlying assets. The income recognized in 2008 amounted to EUR 900 thousand (2007: EUR 900 thousand).

19 Other liabilities

in thousands of EUR	Current		Non current	
	2008	2007	2008	2007
Accrued vacation days	4,694	4,556	0	0
Employee related liabilities	1,722	1,603	0	0
Liabilities from license agreements	1,590	1,659	0	0
Accrued expenses	1,551	744	0	0
Deferred income	1,433	2,566	0	0
Liabilities against tax authorities	858	1,100	0	0
Derivative financial instruments	568	1,258	0	0
Liabilities from operating leasing agreement	221	292	812	820
Liabilities from subsidies	0	1,634	0	0
Other	235	182	0	0
	12,872	15,595	812	820

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

20 Employee benefits

Movements in the net liability recognized in the balance sheet:

in thousands of EUR	2008		2007	
	Severance payments	Long-service benefits	Severance payments	Long-service benefits
Present value of obligation (DBO) January 1	7,829	1,290	7,637	1,069
Expense recognized in the income statement	450	77	323	252
Payments during the year	-304	-134	-131	-31
Present value of obligation (DBO) December 31	7,975	1,233	7,829	1,290

The value of obligation is not financed by a fund.

Expense recognized in the income statement

in thousands of EUR	2008		2007	
	Severance payments	Long-service benefits	Severance payments	Long-service benefits
Current service cost	489	97	525	99
Interest cost	389	68	326	48
Actuarial loss/gain	-427	-87	-529	104
	450	77	323	252

The expense is recognized in the following line items in the income statement:

in thousands of EUR	2008		2007	
	Severance payments	Long-service benefits	Severance payments	Long-service benefits
Cost of sales	166	29	129	101
Selling, general and administrative expenses	144	25	97	76
Research and development	139	24	97	76
	450	77	323	252

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2008	2007
Discount rate at December 31	5.75%	5.5%
Future salary increases	2.7%	2.7%
Fluctuation < 40 years of age	10%	9%
Fluctuation > 40 years of age	8%	4%
Retirement age – women	56.5 - 60	56.5 - 60
Retirement age – men	61.5 - 65	61.5 - 65

The total personnel expense amounted to EUR 71,707 thousand in 2008 and EUR 65,958 thousand in 2007. In 2008 the amount shown includes EUR 2,708 thousand (2007: EUR 2,196 thousand) for the SOP 2005.

The average number of employees was 1,129 in 2008 and 1,071 in 2007.

Historical Information:

in thousands of EUR	2008	2007	2006	2005	2004	2003
Present value of obligation (DBO) December 31 for severance payments	7,975	7,829	7,637	7,464	6,914	6,364
Present value of obligation (DBO) December 31 for long service benefits	1,233	1,290	1,069	1,014	923	838
	9,208	9,119	8,706	8,478	7,837	7,202

21 Shareholders' equity

Share capital and share premium

in thousands of EUR	2008	2007
Share capital	26,698	26,697
Additional paid-in capital	98,292	95,570
	124,991	122,267

V Notes to the Consolidated Financial Statements acc. to IFRS *as of and for the year ended December 31, 2008*

In April 2004, the general meeting resolved a share split of 1:3, resulting in a share capital of EUR 21,801,850.25 divided into 9,000,000 shares. In May 2004 the capital was increased by 2,000,000 shares up to 11,000,000 shares, resulting in a share capital of EUR 26,646,705.86 and an increase of additional paid-in capital (share premium) of EUR 37,399,281.40 (premium on capital stock minus transaction cost of the capital increase). All shares have no notional par value and are fully paid-in. Since May 2004, the Company's shares are listed on the SIX Swiss Exchange, Zurich.

In May 2005, the executive board has been authorised to increase the share capital from EUR 26,646,705.86 by EUR 2,398,203.53 to EUR 29,044,909.39 by issuing 990,000 shares. This represented 9% of the issued share capital at the time of approval. Purpose of this capital increase is the grant of Stock Options to employees of the Company.

In the annual general meeting on March 29, 2006 the executive board has been authorised to increase share capital up to a total of EUR 10,925,024.00 by issuing 4,510,000 shares. Price and conditions for any increase are subject to Supervisory Board approval.

In 2006 174,375 treasury shares at a price of EUR 6.00 per share were acquired by the company exercising an option privilege in order to fulfil the obligations deriving from SOP 2002. Thereof 12,500 (2007: 21,494) shares were transferred to employees and executives of the company in 2008.

During the course of the financial Year 2008 the company issued 770 (2007: 14,275) shares in order to meet its obligations with respect to the execution of stock options regarding the stock option plan 2005 (refer to accounting policy (p/iv)). This capital increase has not been recorded in the Austrian Trade register at the balance sheet date.

The holders of ordinary shares are entitled to receive dividends based on the distributable net income ("Bilanzgewinn") presented in the separate financial statements of the parent company compiled in accordance with Austrian Generally Accepted Accounting Standards (UGB) and as declared by shareholders' resolution and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.

Management of Equity

The total shareholder's equity matches equity as shown in the Company's balance sheet. The board of director's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Amongst other financial ratios the Board of Directors monitors equity ratio and return on equity. For establishing adequate capital resources, dividend payments and share buy-backs are considered appropriate. These aims have not changed during the business year of 2008. None of the group companies are subject to specific capital requirements.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

22 Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders.

Net profit attributable to ordinary shareholders

in EUR	2008	2007
Net profit for the year	12,280,949.10	26,335,245.36
Weighted average number of shares outstanding (in pcs.)	10,861,458	10,890,325
Earnings per share (basic)	1.13	2.42
Earnings per share (diluted)	1.12	2.41

The options granted according to the SOP 2005 will dilute in general. The dilution only occurs if the strike price is below the average stock-exchange price. Considering the requirements to be fulfilled by the employees during the vesting period there will be no dilution for options that are not exercisable on December 31, 2008. The dilution deriving from options that were exercisable on the balance sheet date is included in the calculation of diluted earnings per share. Due to the small number of shares exercisable during the year there is no difference between diluted and basic earnings per share.

Going forward the SOP 2002 will be covered by treasury shares therefore a marginal dilution exists.

Reconciliation of ordinary shares

in pieces	2008	2007
Outstanding shares as of January 1	10,903,482	10,867,713
Purchase and sale of treasury shares	-232,213	21,494
Capital increase regarding stock option plan 2005	770	14,275
Outstanding shares as of December 31	10,672,039	10,903,482

V Notes to the Consolidated Financial Statements acc. to IFRS *as of and for the year ended December 31, 2008*

23 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business. Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates as well as to optimize the financial result.

All transactions related to derivative financial instruments are carried out centrally by the Group's treasury department. In connection with these financial instruments, the Company utilizes advisory services from national and international financial institutions.

Credit risk

According to the Management's credit policy the exposure to credit risk is continuously monitored. Credit evaluations are performed on all customers applying for a certain term of payment.

According to the Company's treasury and risk management policy, investments are allowed in liquid securities only, and solely with counter parties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counter parties with high credit ratings and with whom the Group has a signed netting agreement.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments in the balance sheet.

Interest rate risk

Interest rate risk – the possible fluctuations in value of financial instruments and changes in future cash flows – arises in relation to medium and long-term receivables and payables (especially borrowings). austriamicrosystems' treasury policy ensures that part of the cash flow risk is reduced by fixed-interest borrowings. On the liability side, 14% of all amounts owed to financial institutions are at fixed rates. Of the remaining borrowings on a floating rate basis (86%), 31% will be repaid over the next two years. The remaining floating rate borrowings undergo continual checks with regard to the interest rate risk. On the asset side, the interest rate risks are primarily with time deposits and securities in current assets that are tied to the market interest rate.

Foreign currency risk

Foreign currency risks result from the Group's extensive buying and selling of products outside of EUR-zone. As a result, significant and frequent cash flows from operating activities (e.g. trade receivables and payables) denominated in foreign currencies are hedged. These hedges concern primarily transactions in USD.

In order to avoid currency risk, the Company regularly utilizes forward currency contracts, option contracts as well as cross currency swaps. Transaction risk is calculated for each foreign currency and takes into account significant foreign currency receivables and payables as well as highly probable purchase commitments. The loss from settlement of foreign exchange hedging instruments (amounting to EUR 10,265 thousand) has been recognized in the financial result.

As per December 31, 2008 and December 31, 2007 respectively, austriamicrosystems holds foreign currency forwards, options and swaps to minimize its foreign currency exposure with respect of trade receivables, trade payables and forecasted purchase commitments.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Summary of financial instruments recorded on the balance sheet:

in thousands of EUR	2008			2007		
	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets						
Short term financial investments						
Designated at fair value through profit & loss						
Floating rate financial instruments	EUR	4,000	3,810	4,000	3,968	3,968
At fair value through profit & loss held for trading						
Derivative financial instruments						
Interest rate swap	EUR	0	0	14,000	29	29
Foreign currency option	USD	34,000	154	0	0	0
			154		29	29
Financial liabilities						
Other liabilities						
At amortized costs						
Capital investment loans						
Fixed rate loan	EUR	1,453	1,453	4,360	4,360	4,314
R&D loans						
Fixed rate loan	EUR	6,960	6,960	4,153	4,153	3,929
Floating rate loan	EUR	5,863	5,863	12,975	12,975	12,975
Floating rate loan	CHF	12,764	8,589	0	0	0
Export loans						
EUR - Floating rate loan	EUR	9,000	9,000	19,000	19,000	19,000
Finance lease liabilities						
Floating rate	EUR	0	0	683	683	683
Unsecured bank facilities						
EUR - Floating rate	EUR	30,000	30,000	9,000	9,000	9,000
			61,865		50,171	49,900
At fair value through profit & loss held for trading						
Derivative financial instruments						
Interest rate swap	EUR	10,000	568	10,000	1,258	1,258

The fair value calculations are based on the respective cash flows discounted on the balance sheet date with interest rates applicable to similar financial instruments.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Financial instruments held for trading and available for sale are valued at their respective cash value. The valuation of derivative financial instruments is based on valuations done by the external contractors.

The book value of the financial instruments corresponds to the fair values. The interest rate swap with a fair value of EUR 586 thousand contained within the other financial liabilities has its maturity in 2015. According to the agreement the contractual partner of the Company is entitled to cancel on every July 16, Oct. 16, Jan 16 and April 16 from April 16, 2007 onwards.

The remaining term of the other derivative financial instruments is less than 1 year.

Net gains and losses from financial instruments

in thousands of EUR	Result from Valuation	Foreign currency valuation	Result from devestment
2008			
Financial assets			
At fair value through profit & loss held for trading	-29	154	192
Designated at fair value through profit & loss	-158	0	0
Loans and receivables	0	146	1,613
Financial liabilities			
At fair value through profit & loss held for trading	690	0	-10,265
At amortized costs (other financial liabilities)	0	-444	0
2007			
Financial assets			
At fair value through profit & loss held for trading	-109	1,049	181
Available for sale			
Recorded in P&L	1	0	57
Loans and receivables	0	-434	464
Financial liabilities			
At fair value through profit & loss held for trading	-12	-80	-100
At amortized costs (other financial liabilities)	0	-550	0

Interest and dividends were not included in the tables above.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Interest income and interest expenses

Interest income and expenses from financial assets which are valued at fair value and are not affecting net income are as follows:

in thousands of EUR	2008	2007
Interest income	1,250	1,377
Interest expenses	-2,286	-1,796

Effective interest rates and liquidity analysis

The following are the contractual maturities of financial liabilities including interest payments and the effective interest rates at the balance sheet date.

in thousands of EUR	Interest rate	Carrying amount	Expected cash flow	0-1 year	2-5 years	More than 5 years
2008						
Capital investment loans						
EUR – Fixed rate loans	3.40%	1,453	1,453	1,453	0	0
R & D loans						
EUR – Fixed rate loans	2.30%	6,960	7,303	2,325	4,978	0
EUR – Floating rate loans	3.31%	5,863	6,154	2,744	3,410	0
CHF – Floating rate loans	1.85%	8,589	9,026	725	8,301	0
Export loan						
EUR – Floating rate loan	3.29%	9,000	9,292	9,292	0	0
Finance lease liabilities						
EUR – Floating rate	0.00%	0	0	0	0	0
Unsecured bank facilities						
EUR – Floating rate loan	2.14%	30,000	31,409	10,632	20,777	0
		61,865	64,636	27,172	37,465	0

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

in thousands of EUR	Interest rate	Carrying amount	Expected cash flow	0-1 year	2-5 years	More than 5 years
2007						
Capital investment loans						
EUR – Fixed rate loans	3.00%	4,360	4,435	2,982	1,453	0
R & D loans						
EUR – Fixed rate loans	2.04%	4,153	4,348	84	3,978	286
EUR – Floating rate loans	5.10%	12,975	14,604	3,239	11,364	0
CHF – Floating rate loans	0.00%	0	0	0	0	0
Export loan						
EUR – Floating rate loan	5.24%	19,000	19,000	19,000	0	0
Finance lease liabilities						
EUR – Floating rate	2.70%	683	695	695	0	0
Unsecured bank facilities						
EUR – Floating rate loan	4.72%	9,000	9,000	9,000	0	0
		50,171	52,083	35,001	16,795	286

At the balance sheet date one single swap contract is effective. Payments deriving from this swap contract are only made if the interest rate level of the US Dollar exceeds a certain threshold. On the basis of the anticipated interest rate trend regarding the US Dollar a payout out of this contract seems unlikely given the current circumstances.

Risk of change of interest rates

At the balance sheet date the interest bearing financial instruments carry the following values:

in thousands of EUR	2008	2007
Financial assets		
Floating rate financial instruments	3,810	3,968
Interest rate swaps	0	29
Financial liabilities		
Fixed rate loans	8,413	8,513
Floating rate loans	53,452	41,658
Interest rate swaps	568	1,258

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the company does not apply a hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments.

A change of ± 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular currency rates, remain constant. This analysis is performed on the same basis for 2007. The effects shown within equity also comprise the effects shown in profit and loss.

in thousands of EUR	Profit & loss statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2008				
Financial assets				
Floating rate financial instruments	180	0	180	0
Financial liabilities				
Floating rate loans	-1,083	1,083	-1,083	1,083
Interest rate swaps	-1,021	563	-1,021	563
2007				
Financial assets				
Floating rate financial instruments	220	-220	220	-220
Financial liabilities				
Floating rate loans	-326	326	-326	326
Interest rate swaps	0	0	0	0

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Foreign currency risk

The company's exposure to foreign currency risk was as follows based on notional amounts:

in thousands of	USD	CHF	JPY
2008			
Trade receivables	22,664	0	0
Trade liabilities	-11,032	-309	-30,692
Interest bearing loans	0	-12,764	0
	11,631	-13,073	-30,692
Currency options	-34,000	0	0
Net foreign currency risk	-22,369	-13,073	-30,692
2007			
Trade receivables	35,687	1	0
Trade liabilities	-9,341	-10	-356,775
Interest bearing loans	0	0	0
	26,346	-9	-356,775
Currency options	0	0	0
Net foreign currency risk	26,346	-9	-356,775

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

Sensitivity analysis

A 10 percent strengthening/weakening of the EUR against the following currencies at December 31 would have increased (decreased) equity and profit loss by the amounts shown below:

in thousands of EUR	Profit & loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
2008				
USD	-879	991	-879	991
CHF	795	-971	795	-971
JPY	22	-27	22	-27
2007				
USD	-1,627	1,989	-1,627	1,989
CHF	0	-1	0	-1
JPY	197	-240	197	-240

The effects shown in equity also comprise the effects shown in profit and loss.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2007.

The following FX exchange rates were used during the business year:

	Annual average exchange rate		Period end exchange rate	
	2008	2007	2008	2007
USD	1.4726	1.3797	1.3973	1.4721
CHF	1.5786	1.6459	1.4958	1.6547
JPY	151.53	162.11	126.69	164.93

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

24 Operating leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

in thousands of EUR	2008	2007
Less than one year	5,032	4,636
Between one and five years	10,633	16,860
More than five years	0	0
	15,665	21,496

Some of the Group's subsidiaries lease office space. In addition, the Group leases the "gas farm" as well as cars under operating leases. The lease agreements typically run for an initial period of four to ten years, typically including an option for the lessee to renew the lease after that date. Since January 1, 2007 a leasing contract for semiconductor equipment is in force. Lease payments are adapted annually to reflect market rentals. None of the leases includes contingent rentals. The expenses for operating lease amounted to EUR 5,094 thousand in 2008 (2007: EUR 2,376 thousand).

25 Contingencies

The preparation of the consolidated financial statements according to IFRS requires discretionary decisions and business assumptions by management concerning future developments, thus materially determining the method and value of assets and liabilities, the disclosure of additional obligations at the cut-off date and the resulting earnings and expenditures within the year.

Within the following assumptions there exist risks which could lead to changes in the value of assets or liabilities during the following fiscal year:

- the valuation of accruals for severance payments and long service benefits is made using assumptions concerning the discount rate, retirement age, fluctuations and future salary increases.
- the application of deferred tax assets is under the assumption that taxable income will be available to take advantage of existing tax loss carry forwards in the future.
- the impairment test of the tangible fixed assets is based on forecasted future cashflows in the years to come utilizing an industry and company related discount rate.

26 Related parties

Identity of related parties

The Company has a related party relationship with:

- the Company's Executive Officers (CEO, CFO)
- the members of the Company's Supervisory Board (Aufsichtsrat)

Remuneration of the Company's Executive Officers amounted to EUR 576 thousand (2007: EUR 566 thousand). The Company recorded an amount of EUR 73 thousand (2007: EUR 97 thousand) for the accrual for severance payments. Moreover, the Board of Directors received call options for shares of austriamicrosystems AG with a calculated value at the allocation date of EUR 139 thousand (2007: EUR 585 thousand).

The remuneration of the company's Supervisory Board amounted to EUR 229 thousand (2007: EUR 228 thousand). All remunerations were or are paid directly by the Company. The Company has no consulting agreements with members of their Supervisory Board and the Company's known shareholder.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

The Company's Executive Officers hold 110,478 shares and call options for the purchase of 115,000 shares as of December 31, 2008 (163,333 shares and call options for the purchase of 85,000 shares as of December 31, 2007).

The breakdown for the individual members of the Supervisory Board is as follows as of December 31, 2008:

Name	Function	Directors' gross remuneration fixed in EUR thousand	Number of shares held	Number of options held
Dipl. Ing. Guido Klestil	Chairman	82	24,780	0
Prof. Dr. Siegfried Selberherr	Vice chairman	63	15,000	0
Dr. Felix Ehrat	Member	41	7,203	0
Dipl. Wirtsch. Ing. Klaus Iffland	Member	41	560	0
Johann Eitner	Board representative	1	0	0
Ing. Günter Kneffel	Board representative	1	0	0
		229	47,543	0

No person related to the Supervisory Board held shares or options of austriamicrosystems AG as of December 31, 2008.

The breakdown for the individual members of the Supervisory Board is as follows as of December 31, 2007

Name	Function	Directors' gross remuneration fixed in EUR thousand	Number of shares held	Number of options held
DI Guido Klestil	Chairman	82	0	0
Prof. Dr. Siegfried Selberherr	Vice chairman	62	0	0
Dr. Felix Ehrat	Member	41	1,203	0
Dipl. Wirtsch. Ing. Klaus Iffland	Member	41	560	0
Johann Eitner	Board representative	1	0	0
Ing. Günter Kneffel	Board representative	1	0	0
		228	1,763	0

No person related to the Supervisory Board held shares or options of austriamicrosystems AG as of December 31, 2007.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

As of December 31, 2008 and December 31, 2007 respectively, the remuneration for the Board of Directors was as follows:

Remuneration

in thousands of EUR	CEO		Board of Directors total	
	2008	2007	2008	2007
Salary				
Salary, not variable	357	351	576	566
Salary, variable	0	0	0	0
Options				
Options (Value at allocation)	93	390	139	585
Non cash benefit				
Car	7	7	14	14
Expense for precautionary measures				
Contribution to accident insurance	2	2	3	3

Regarding the allotment of stock options from the SOP 2005, 20,000 call options (2007: 20,000) for the CEO and 30,000 (2007: 30,000) call options for the Board of Directors as a whole were allotted during the year. The strike price amounts to EUR 19.04 (2007: EUR 38.43).

For conditions and valuations of the call options for shares of austriamicrosystems AG based on the SOP 2005 please refer to point (p) (iv).

Persons related to the Board of Directors held 4,960 shares and no options of austriamicrosystems AG as per December 31, 2008 and no shares and no options December 31, 2007, respectively.

There are no unsettled financial liabilities between members of the Supervisory Board or the Board of Directors and austriamicrosystems.

V Notes to the Consolidated Financial Statements acc. to IFRS as of and for the year ended December 31, 2008

27 Group enterprises

	Accounting method	Country of incorporations	Ownership interest	
			2008	2007
austriamicrosystems France S.à.r.l.	fully consolidated	France	100%	100%
austriamicrosystems Germany GmbH	fully consolidated	Germany	100%	100%
austriamicrosystems Italy S.r.l.	fully consolidated	Italy	100%	100%
austriamicrosystems Switzerland AG	fully consolidated	Switzerland	100%	100%
austriamicrosystems Spain SL	fully consolidated	U. K.	100%	-
austriamicrosystems (United Kingdom) Ltd.	fully consolidated	Spain	100%	100%
austriamicrosystems USA, Inc.	fully consolidated	USA	100%	100%
austriamicrosystems Japan Co., Ltd.	fully consolidated	Japan	100%	100%
austriamicrosystems India Pvt. Ltd.	fully consolidated	India	100%	100%
austriamicrosystems (Philippines), Inc.	fully consolidated	Philippines	100%	100%
Austria Mikro Systeme International Ltd.	at cost	China	100%	100%

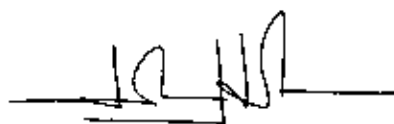
The Group enterprise accounted for at cost has ceased operations and is not material individually and on an aggregated basis.

The purchased 25% share of New Scale Technologies, Inc., New York is accounted for using the equity method.

28 Events after the balance sheet date

No transactions had significant effect on austriamicrosystems' financial position, assets or earnings after the closing of the fiscal year.

Unterpremstätten, January 30, 2009



John A. Heugle
CEO



Michael Wachsler-Markowitsch
CFO

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of austriamicrosystems AG, Unterpremstätten, Austria, for the financial year from January 1, to December 31, 2008. Those financial statements comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB) and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB) and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal Requirements

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

Vienna, January 30, 2009

KPMG

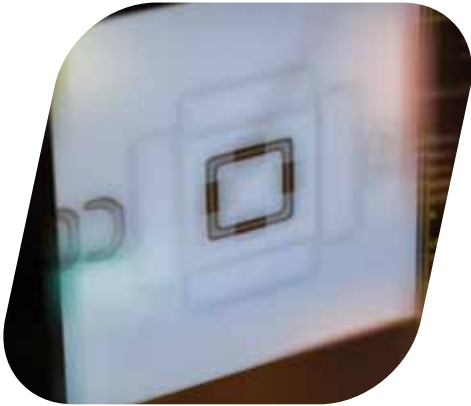
Wirtschaftsprüfungs- und Steuerberatungs GmbH

Mag. Helmut Kerschbaumer
Austrian Chartered Accountant

ppa Dr. Günther Hirschböck
Austrian Chartered Accountant



Imprint



Responsible for contents

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