Half-year Report 2008

Revenue and profit growth in the first half, expectations for full year growth confirmed

Report to shareholders on the first half of 2008

Ladies and Gentlemen

Our second quarter and half-year results show growth in revenues and profit despite an adverse exchange rate environment which highlights the attractiveness of our product portfolio. We continue to be successful in the marketplace with our standard and customized analog IC solutions at existing and newly added customers worldwide. With our product offering, we feel well positioned to benefit from the growing demand for high performance analog ICs in our target markets power management, sensors & sensor interfaces and mobile entertainment in the mid and longer term.

Financial results

Consolidated second quarter group revenues reached EUR 46.3 million, up 6% from EUR 43.9 million in the same quarter 2007. Group revenues for the first six months of 2008 rose 5% to EUR 87.5 million, compared to EUR 83.3 million recorded in the first half of 2007. We achieved this positive revenue development despite a significant deterioration in the USD against the EUR compared to last year's second quarter and first half. On a constant currency basis, second quarter revenues grew by 12% compared to the second quarter last year while first half revenues grew by 11% compared to the first half 2007. This underscores the positive development of our business in the second quarter and first half of 2008.

In the second quarter, our gross margin increased to 51% from 50% in the same quarter last year, driven by positive product mix effects and manufacturing cost improvements. For the first half of 2008, gross margin reached 51%, up two percentage points from 49% in the first six months of 2007. Our result from operations (EBIT) for the second quarter increased by 49% to EUR 6.4 million, from EUR 4.3 million in the second quarter of 2007. This strong result was achieved while we continued our high R&D investments at 23% of the quarter's revenues and despite a negative impact from exchange rate movements. For the first half-year 2008, the result from operations (EBIT) was up 26% at EUR 10.1 million, compared to EUR 8.0 million in the same period last year.

Net income for the second quarter 2008 rose by 44% to EUR 5.9 million, from EUR 4.1 million in the same period last year. Basic and diluted earnings per share for the second quarter were CHF 0.87 or EUR 0.54. Net income for the first half of 2008 was up 20% at EUR 9.1 million, equivalent to CHF 1.34 or EUR 0.84 per share (basic and diluted), compared to EUR 7.6 million for the same period last year.

Key figures EUR thousands (except earnings per share)	Q2 2008	Q2 2007	Q1 2008	1st half 2008	1st half 2007
Revenues	46,315	43,893	41,141	87,456	83,342
Gross margin in %	51%	50%	51%	51%	49%
Result from operations	6,441	4,306	3,672	10,113	7,998
Net income/loss	5,868	4,095	3,248	9,116	7,621
Basic = diluted earnings per share in CHF [1]	0.87	0.62	0.47	1.34	1.15
Basic = diluted earnings per share in EUR	0.54	0.38	0.30	0.84	0.70
Total backlog (excluding consignment stock)	54,497	54,466	48,163	54,497	54,466

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

Our total backlog on June 30, 2008 stood at EUR 54.5 million, up from EUR 48.2 million at the end of the first quarter and unchanged from EUR 54.5 million on June 30, 2007. This total backlog figure does not include substantial consignment stock agreements with major customers to support their supply chains and is therefore not directly comparable to the previous year.

Business overview

austriamicrosystems' business performed well in the second quarter and first half year 2008 given broad-based demand for our high performance analog semiconductors across target markets and geographies.

In our communications business, we strengthened our position in advanced power management products for a variety of mobile devices, offering a broad range of high performance solutions for handsets, personal navigation and other consumer and communications devices. Two Top 5 handset vendors, Nokia and SonyEricsson, are using our flash LED driver ICs, lighting management solutions and power management ICs in increasing volumes across a range of models and platforms for production, newly released and upcoming models.

Expanding our reach in the global handset market, we added another Top 5 handset manufacturer to our customer base in the second quarter. The Asia-based OEM has designed an austriamicrosystems lighting management solution into several upcoming models. In addition, our MEMS microphone business returned to growth in the first half of this year driven by the increasing penetration of this technology at top tier handset vendors. Given the market success of our existing and new solutions, we hold a leading position in this competitive market and expect our MEMS microphone business to develop positively going forward.

In mobile entertainment, our line of market-proven audio ICs with advanced power management and high performance system solutions continues to be successful in high quality personal media players, information and entertainment devices. Our latest product generation features significantly reduced power consumption while offering even higher audio quality and high-quality video capabilities. In the second quarter, a global consumer electronics OEM decided to develop an upcoming generation of audio/video mobile entertainment devices around products from this new family.

Our industrial and medical business again delivered strong results given attractive demand for our industrial automation, sensor interface, encoder and healthcare IC solutions. Automation, metering and seismic sensors continued to be important sub-segments of our industrial business in the first half of 2008. In consumer healthcare, a leading global sportswear brand successfully introduced an innovative wearable electronic training assistance device which includes an austriamicrosystems sensor interface product. Our magnetic encoder business continues to grow at a very attractive pace, driven by the industry's broadest portfolio of integrated magnetic encoder solutions. We expanded this product range with new high resolution products allowing us to address even more applications across a multitude of markets. Our new offering of RFID reader ICs has seen outstanding market acceptance and first design-ins.

In the automotive market we saw ongoing good demand in the areas of sensor interfaces, related systems, car access and position measurement. Leading global automotive suppliers rely on our complex automotive sensor interfaces for applications such as ESP where penetration across car classes and geographies continues to increase. In the second quarter, we were able to penetrate another European-based Tier 1 automotive systems supplier which underscores our system and design expertise in the competitive automotive semiconductor market and our positive long term outlook for this business.

Our foundry business again provided an attractive contribution in the second quarter and first half based on high quality customers focused on specialty process technologies such as High Voltage and Silicon Germanium. In operations, our state-of-the-art 200 mm wafer fab and in-house test centers continued their excellent performance. We benefit from a high level natural hedge in our production costs which we actively set up over the last years as part of our global manufacturing concept.

Outlook

Looking forward, we continue to expect our business to show growth in revenues, gross margins and earnings on a USD and EUR basis in 2008, based on currently available information. We believe our business to be well positioned with a strong line-up of successful and upcoming products and a growing list of high quality customers. However, we recognize that the uncertain future development of the EUR/USD exchange rate and potential macroeconomic induced end market volatility are risk factors influencing our revenue and earnings development for the full year of 2008.

Unterpremstaetten, July 28, 2008

John Heugle, CEO Michael Wachsler-Markowitsch, CFO

Consolidated Profit and Loss Statement (unaudited)

EUR thousands (except number of ordinary shares and earnings per share)	Q2 2008	1st half 2008	Q2 2007	1st half 2007
Revenue Products	39,661	75,713	36,492	70,016
Revenue Foundry & Other	6,654	11,743	7,401	13,326
Total revenues	46,315	87,456	43,893	83,342
Cost of sales	- 22,492	- 42,839	- 22,142	- 42,335
Gross profit	23,823	44,617	21,751	41,006
Gross margin in %	51%	51%	50%	49%
Research and development expenses	- 10,561	- 20,375	- 11,088	- 20,557
Selling, general and administrative expenses	- 8,504	- 17,480	- 7,749	- 15,007
Other operating income	2,056	3,775	1,577	2,829
Other operating expenses	- 290	- 341	- 185	- 273
Result from equity investments	-83	-83	0	0
Result from operations	6,441	10,113	4,306	7,998
Net financing costs	- 317	- 601	- 66	- 103
Income before tax	6,124	9,511	4,240	7,895
Income tax expense	- 256	- 395	- 145	- 274
Net income	5,868	9,116	4,095	7,621
Basic = diluted earnings per share in CHF 1)	0.87	1.34	0.62	1.15
Basic = diluted earnings per share in EUR	0.54	0.84	0.38	0.70

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

Consolidated Balance Sheet (unaudited)

EUR thousands as of	June 30, 2008	December 31, 2007
Assets		
Cash and cash equivalents	6,378	19,138
Short-term Investments	3,968	3,968
Trade receivables	44,717	55,974
Inventories	61,157	49,087
Other receivables and assets	7,424	6,226
Total current assets	123,643	134,393
Property, plant and equipment	133,127	136,211
Intangible assets	7,543	8,640
Investments at equity	3,695	0
Deferred tax assets	30,953	30,953
Other long-term assets	2,339	1,171
Total non-current assets	177,647	176,975
Total assets	301,290	311,368
Liabilities and shareholders' equity		
Liabilities		
Interest-bearing loans and borrowings	35,471	34,231
Trade liabilities	18,306	21,411
Provisions	10,919	13,900
Other liabilities	18,646	15,595
Total current liabilities	83,342	85,137
Interest-bearing loans and borrowings	13,927	15,940
Employee benefits	9,532	9,119
Deferred government grants	2,778	3,228
Other long-term liabilities	769	820
Total non-current liabilities	27,007	29,107
Shareholders' equity		
Issued capital	26,697	26,697
Share premium	96,948	95,570
Treasury shares	- 670	- 703
Translation adjustment	- 453	- 104
Retained earnings	68,418	75,664
Total shareholders' equity and reserves	190,941	197,124
Total liabilities and shareholders' equity	301,290	311,368

Consolidated Cashflow Statement (unaudited)

EUR thousands	Q2 2008	1st half 2008	Q2 2007	1st half 2007
Operating activities				
Income before tax	6,124	9,511	4,240	7,895
Depreciation (net of government grants)	5,625	11,144	5,398	10,644
Changes in employee benefits	212	413	196	380
Expenses from stock option program (acc. IFRS 2)	686	1,373	412	825
Changes in other long-term liabilities	-224	- 501	404	466
Gain/loss from sale of plant and equipment	0	0	82	68
Gain/loss from sale of investments and securities	0	0	0	-94
Result from equity investments	83	83	0	0
Net financing cost	317	601	66	197
Changes in current assets	- 10,351	- 3,315	- 3,940	- 9,302
Changes in short-term operating liabilities and provisions	1,735	- 1,153	- 3,232	- 2,269
Tax payments	- 21	- 29	- 11	- 20
Cash flows from operating activities	4,187	18,128	3,614	8,789
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 2,462	- 9,206	- 15,298	- 27,028
Acquisition of investments	- 46	- 4,063	0	0
Proceeds from sale of plant and equipment	0	0	0	14
Proceeds from the sale of investments and securities	6	33	365	1,235
Interest received	435	600	78	744
Cash flows from investing activities	- 2,068	- 12,636	- 14,855	-25,035
Financing activities				
Proceeds from borrowings	12,548	12,548	7,174	7,694
Repayment of borrowings	- 4,971	- 12,983	- 1,008	- 3,252
Repayment of finance lease liabilities	- 170	- 338	- 225	- 448
Interest paid	- 579	- 1,124	- 380	- 746
Dividends paid	- 16,362	- 16,362	0	0
Changes resulting from capital increase	7	7	78	103
Cash flows from financing activities	- 9,528	- 18,252	5,639	3,351
Net increase/decrease in cash and cash equivalents	- 7,409	- 12,760	- 5,602	-12,895
Cash and cash equivalents at begin of period	13,786	19,138	10,449	17,742
Cash and cash equivalents at end of period	6,378	6,378	4,847	4,847

Changes in Equity (unaudited)

EUR thousands	1st half 2008	1st half 2007
Beginning of period	197,124	168,191
Capital increase	1,379	928
Dividends paid	- 16,362	0
Change in treasury shares	33	123
Net profit for the period	9,116	7,621
Translation adjustment	- 349	-16
End of period	190,941	176,846

Notes on the Interim Financial Statements June 30, 2008

1. Accounting principles

The consolidated financial statements of austriamicrosystems AG and subsidiaries (the "Group") are based on the accounts of the individual subsidiaries at June 30. All figures have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting principles applied in this half-year report correspond with the reporting policies specified in the Full Year Consolidated Financial Statements dated December 31st, 2007. This half-year report is consistent with IAS 34.

2. Segment reporting

Business segments	EUR thousands	Products	Foundry & Other	Group
1st half 2008				
Revenues		75,713	11,743	87,456
Result from operations		17,766	- 7,653	10,113
1st half 2007				
Revenues		70,016	13,326	83,342
Result from operations		11,371	- 3,373	7,998

Regions	EUR thousands	EMEA [1]	Americas	Asia/Pacific	Group
1st half 2008					
Revenues		60,324	9,754	17,379	87,456
1st half 2007					
Revenues		49,971	11,755	21,616	83,342

[1] Europe, Middle East, Africa

Segment information is presented in respect to the Group's business and geographical segments. The primary reporting format, business segments, comprises Analog/Mixed-Signal Products ("Products") and Full Service Foundry & Other ("Foundry & Other").

Under the "Foundry & Other" segment we show revenues from third party foundry customers and record all unallocated corporate costs.

Inter-segment revenues have been eliminated, inter-segment pricing is determined on a cost basis. The secondary reporting format is structured by the three regions in which sales occur: "EMEA" which includes Europe, Middle East, Africa, "Americas" and "Asia/Pacific". Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

3. Number of employees

The average number of employees was 1,109 during the first half of 2008, compared to 1,063 during the first half of 2007.

Notes on the Interim Financial Statements June 30, 2008

4. Seasonality, economic cycles

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

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

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