

Half-year Report 2010

**Strong revenue and earnings growth in the first half shows high levels of demand across markets;
2010 revenue guidance raised: full year growth expected to exceed 45% with significant earnings improvement**

Report to shareholders on the first half of 2010

Ladies and Gentlemen

Our second quarter and half-year results demonstrate the healthy demand environment which we continue to enjoy across major market areas and geographies, resulting in strong revenue and earnings growth. Our success in the marketplace is built on the advantages of our leading high performance analog solutions and our high value design-ins at major global OEMs.

Financial results

Second quarter group revenues were EUR 51.7 million, up 83% from EUR 28.3 million in the same quarter 2009. Second quarter revenues increased 18% sequentially compared to the first quarter. Group revenues for the first half of 2010 were EUR 95.7 million, up 78% from EUR 53.8 million recorded in the first half of 2009. On a constant currency basis, second quarter revenues were up 75% compared to the second quarter last year and first half revenues were up 77% compared to the first half 2009.

In the second quarter, gross margin rose to 47%, an increase of 25 percentage points from 22% in the same quarter last year, showing the positive effect of our return to high levels of capacity utilization in our production. For the first half of 2010, gross margin increased to 46%, compared to 26% in the first half of 2009. Our result from operations (EBIT) for the second quarter was a profit of EUR 5.3 million, compared to a loss of EUR 10.8 million in the second quarter of 2009. This positive result was mainly driven by a significantly higher gross margin which was due to high capacity utilization and better product margins. For the first half of 2010, our EBIT was a profit of EUR 8.4 million, compared to a loss of EUR 20.6 million in the same period last year.

The net result for the second quarter 2010 was a profit of EUR 3.6 million compared to a loss of EUR 10.7 million in the same period last year. Basic and diluted earnings per share for the second quarter were CHF 0.50 / EUR 0.36 (CHF -1.52 / EUR -1.00 for the second quarter 2009). The net profit for the first half-year 2010 was EUR 5.7 million, equivalent to CHF 0.79 / EUR 0.55 per share (basic and diluted), compared to a loss of EUR 18.7 million or CHF -2.64 / EUR -1.76 per share (basic and diluted) for the same period last year.

Key figures	EUR thousands (except earnings per share)	Q2 2010	Q2 2009	Q1 2010	1st half 2010	1st half 2009
Revenues		51,718	28,313	44,026	95,744	53,762
Gross margin in %		47%	22%	44%	46%	26 %
Result from operations		5,330	- 10,834 ¹⁾	3,078	8,408	- 20,590 ¹⁾
Net result		3,647	- 10,685	2,040	5,687	- 18,733
Basic / diluted earnings per share in CHF ²⁾		0.50 / 0.50	- 1.52 / - 1.52	0.29 / 0.29	0.79 / 0.79	- 2.64 / - 2.64
Basic / diluted earnings per share in EUR		0.36 / 0.36	- 1.00 / - 1.00	0.20 / 0.20	0.55 / 0.55	- 1.76 / - 1.76
Total backlog (excluding consignment stock)		80,852	35,101	65,466	80,852	35,101

¹⁾ The accounting principles for presenting foreign currency hedging instruments have been changed – please refer to the Notes on the Interim Financial Statements, Note 1. Accounting Principles
²⁾ Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Operating cash flow for the second quarter was EUR 7.6 million, up EUR 9.0 million from the same quarter last year, while operating cash flow for the first half was EUR 15.6 million, up EUR 16.9 million from the first half year 2009. Total backlog on June 30, 2010 (excluding consignment stock agreements) was EUR 80.9 million, up from EUR 65.5 million at the end of the first quarter (EUR 35.1 million on June 30, 2009).

Business overview

austriamicrosystems' business performed strongly in the second quarter and first half driven by high levels of volume demand which continued to improve through the second quarter. Order intake remained high throughout the quarter confirming the quality and depth of demand for our products which is driven by end customer demand.

In our consumer and communications business, strong order patterns continued through the second quarter across product areas. We recorded high shipment levels for our lighting and power management ICs to leading handset and mobile device OEMs who achieve power savings, product differentiation, and a richer user experience through our products. Our best-in-class LED drivers for LCD TV backlighting are shipping at very high run rates as conversion to LED backlighting is accelerating. In 2011, we expect more than 50% of LCD TV units to use LED illumination. We command a significant share of this market as key supplier to leading OEMs and are reinforcing our position with new, upcoming products. Similarly, MEMS microphone driver shipments continued to show a strong upward trend supporting our expectation of significant growth in this market in which we are the clear market leader. In new applications, the first devices using EasyPoint™, our joystick solution for mobile devices, are on the market, while camera modules with our ultra-thin autofocus solution for handset cameras are being evaluated by first OEM customers with initial volume shipments expected for the middle of next year. Among our design-ins in the quarter, we gained a leading player in the smartphone market as new customer for an innovative application.

Our industrial and medical business delivered good results in the second quarter, which on the industrial side were largely driven by strengthening volumes in our sensor and encoder business. Here run rates have moved towards previous levels as our customers report more confident order patterns in their end markets. Generally, we see a positive development of demand in an increasing number of industrial applications. Our medical business continued to see healthy demand in our focus areas digital imaging and portable medical devices. Development of next generation sensor solutions remains on track, with our unique sensor expertise and low-noise and low-power design capabilities offering real innovation and strong competitive advantages to our customers.

In Automotive, our business developed positively as shipment volumes and customer orders continue to move quickly back towards previous levels. Demand for sensor solutions for critical in-car systems and increasing vehicle production volumes worldwide are driving this positive development. New magnetic encoder design-ins at Tier 1 suppliers complemented this recovery, strengthening our position in the automotive analog market. Our foundry business contributed positively to our business again in the second quarter and first half, leveraging its focus on specialty processes in a tight supply environment.

Demonstrating our technology leadership we became one of the first semiconductor vendors to industrialize the highly innovative Through-Silicon-Via (TSV) architecture for a demanding medical image sensor solution. We also won a first-instance court decision in a patent infringement case against Melexis confirming that certain of Melexis' products infringe a magnetic encoder technology patent held by us. In operations, the capacity utilization of our wafer fab and test facilities increased further in the second quarter, moving quickly towards pre-crisis levels. We have successfully completed a number of planned investments in our wafer fab to support current and expected wafer demand, resulting in improved manufacturing efficiency. We also benefit from our distributed manufacturing model allowing a combination of in-house and outsourced production in order to optimize capacity utilization and manufacturing costs.

Outlook

Based on available information, we expect our business to continue to show attractive growth in the second half of 2010 driven by continuing high levels of demand in our target markets. We see ongoing good order intake building on a strong and diversified backlog for the second half of 2010. Consequently, we raise our guidance and now anticipate full year revenue growth for 2010 to exceed 45% compared to 2009. Gross margin and operating results are expected to improve further over the remaining quarters. With our combination of in-house manufacturing capacity and committed capacity at our production partners we are able to supply our customers reliably as our business continues to grow.

Unterpremstaetten, July 26, 2010

John Heugle, CEO

Michael Wachsler-Markowitsch, CFO

Consolidated Income Statement (unaudited)

EUR thousands (except earnings per share)	Q2 2010	1st half 2010	Q2 2009 ¹⁾ Re-presented	1st half 2009 ¹⁾ Re-presented
Revenue Products	43,842	83,039	22,841	43,610
Revenue Foundry & Other	7,875	12,705	5,472	10,152
Total revenues	51,718	95,744	28,313	53,762
Cost of sales	- 27,335	- 52,142	- 22,192	- 39,826
Gross profit	24,383	43,602	6,121	13,936
Gross margin in %	47%	46%	22%	26%
Research and development	- 10,785	- 19,917	- 9,909	- 19,445
Selling, general and administrative	- 9,811	- 18,054	- 8,399	- 16,724
Other operating income	1,659	3,138	1,800	2,939
Other operating expenses	- 68	- 215	- 286	- 577
Result from investments in associates	- 47	- 146	- 160	- 719
Result from operations	5,330	8,408	- 10,834	- 20,590
Net financing costs	- 1,441	- 2,422	- 324	810
Result before tax	3,889	5,986	- 11,159	- 19,780
Income tax expense	- 242	- 299	474	1,047
Net result	3,647	5,687	- 10,685	- 18,733
Basic / diluted earnings per share in CHF ²⁾	0.50 / 0.50	0.79 / 0.79	- 1.52 / - 1.52	- 2.64 / - 2.64
Basic / diluted earnings per share in EUR	0.36 / 0.36	0.55 / 0.55	- 1.00 / - 1.00	- 1.76 / - 1.76

¹⁾ The accounting principles for presenting foreign currency hedging instruments have been changed – please refer to the Notes on the Interim Financial Statements, Note 1. Accounting Principles

²⁾ Earnings per share in CHF were converted using the average currency exchange rate for the respective periods

Statement of comprehensive income (unaudited)

EUR thousands	Q2 2010	1st half 2010	Q2 2009	1st half 2009
Net result	3,647	5,687	- 10,685	- 18,733
Translation adjustment	831	1,231	- 298	- 67
Other comprehensive income	831	1,231	- 298	- 67
Total comprehensive income	4,478	6,918	- 10,983	- 18,800

Consolidated Balance Sheet (unaudited)

EUR thousands	as of	June 30, 2010	December 31, 2009
Assets			
Cash and cash equivalents		29,583	26,726
Short-term Investments		10,290	15,486
Trade receivables		32,607	27,246
Inventories		48,910	48,417
Other receivables and assets		8,810	5,183
Total current assets		130,200	123,057
Property, plant and equipment		118,710	118,694
Intangible assets		5,108	5,550
Investments in associates		7,077	5,481
Deferred tax assets		31,191	31,191
Other long-term assets		7,150	4,264
Total non-current assets		169,236	165,180
Total assets		299,436	288,237
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings		18,540	14,946
Trade liabilities		20,471	14,270
Provisions		8,665	9,086
Other liabilities		14,068	10,405
Total current liabilities		61,745	48,707
Interest-bearing loans and borrowings		48,817	53,001
Employee benefits		11,287	10,854
Deferred government grants		978	1,428
Other long-term liabilities		508	631
Total non-current liabilities		61,590	65,915
Shareholders' equity			
Issued capital		26,703	26,698
Additional paid-in capital		101,676	100,638
Treasury shares		- 12,814	- 7,339
Translation adjustment		1,272	41
Retained earnings		59,264	53,577
Total shareholders' equity and reserves		176,101	173,615
Total liabilities and shareholders' equity		299,436	288,237

Consolidated Cashflow Statement (unaudited)

EUR thousands	Q2 2010	1st half 2010	Q2 2009	1st half 2009
Operating activities				
Result before tax	3,889	5,986	- 11,159	- 19,780
Depreciation (net of government grants)	5,682	11,294	5,594	11,095
Changes in employee benefits	245	433	217	429
Expenses from stock option plan (acc. IFRS 2)	498	997	666	1,339
Changes in other long-term liabilities	- 396	- 573	- 266	- 445
Result from sale of plant and equipment	9	9	0	0
Result from investments in associates	47	146	160	719
Net financing cost	1,441	2,422	- 524	- 434
Changes in assets	- 6,752	- 11,121	4,054	10,852
Changes in short-term operating liabilities and provisions	2,965	6,113	- 136	- 5,025
Tax payments	- 36	- 76	- 31	- 41
Cash flows from operating activities	7,593	15,630	- 1,425	- 1,291
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 5,841	- 8,222	- 5,131	- 7,649
Acquisition of financial investments	0	- 573	0	- 15,436
Proceeds from sale of plant and equipment	15	15	159	159
Proceeds from the sale of investments	0	5,229	4,000	4,000
Interest received	47	355	286	592
Cash flows from investing activities	- 5,779	- 3,196	- 686	- 18,334
Financing activities				
Proceeds from borrowings	0	187	0	20,251
Repayment of debt	- 1,612	- 2,868	- 1,505	- 4,560
Purchase of treasury shares	- 204	- 5,492	0	0
Sale of treasury shares	0	18	0	0
Interest paid	- 451	- 664	- 324	- 790
Expenses from financial instruments	- 464	- 803	- 105	- 165
Changes resulting from capital increase	46	46	0	0
Cash flows from financing activities	- 2,686	- 9,576	- 1,934	14,735
Change in cash and cash equivalents	- 872	2,857	- 4,044	- 4,891
Cash and cash equivalents at begin of period	30,455	26,726	26,004	26,851
Cash and cash equivalents at end of period	29,583	29,583	21,960	21,960

Changes in Equity (unaudited)

EUR thousands	Issued capital	Additional paid-in capital	Treasury shares	Translation adjustment	Retained earnings	Total share-holders' equity
Total equity as of January 1, 2009	26,698	98,292	- 5,635	141	71,580	191,076
Net result	0	0	0	0	- 18,733	- 18,733
Other comprehensive income	0	0	0	- 67	0	- 67
Share based payments	0	1,339	0	0	0	1,339
Capital increase	0	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0	0
Sale of treasury shares	0	0	0	0	0	0
Total equity as of June 30, 2009	26,698	99,632	- 5,635	74	52,846	173,615
Total equity as of January 1, 2010	26,698	100,638	- 7,339	41	53,577	173,615
Net result	0	0	0	0	5,687	5,687
Other comprehensive income	0	0	0	1,231	0	1,231
Share based payments	0	1,038	0	0	0	1,038
Capital increase	5	0	0	0	0	5
Purchase of treasury shares	0	0	- 5,492	0	0	- 5,492
Sale of treasury shares	0	0	18	0	0	18
Total equity as of June 30, 2010	26,703	101,676	- 12,814	1,272	59,264	176,101

Notes on the Interim Financial Statements June 30, 2010 (unaudited)

1. Accounting principles

The consolidated financial statements of austriamicrosystems Group are based on the accounts of the individual group companies at June 30, 2010. This half year report is consistent with IAS 34. The accounting principles applied in this half-year report basically correspond with the reporting policies in the Full Year Consolidated Financial Statements dated December 31, 2009 except for one accounting policy:

austriamicrosystems uses derivative financial instruments to hedge negative effects from currency fluctuations. The criteria for the application of IAS 39 are not fulfilled. The presentation of results from currency fluctuations of the fair value of such derivative financial instruments is not stipulated under IFRS. Until the business year 2009 such results were presented as part of the result from operations.

The management of austriamicrosystems has decided to present the results from changes of the fair value of foreign currency hedging instruments as part of the net financing cost. Management is convinced that this presentation shows the effect of currency fluctuations more clearly, because the hedging instruments cannot be designated to a specific transaction. Moreover, currency fluctuations are also hedged by means of foreign currency debt and the results from currency fluctuations of foreign currency debt have already been presented as part of the financing cost. As required by IAS 8 the prior year comparative information has been adjusted accordingly. The described change in accounting policy results in the following changes in the profit and loss statement:

EUR thousands	Q2 2010	1st half 2010	Q2 2009	1st half 2009
Selling, general and administrative	- 1,315	- 2,156	848	- 376
Result from operations	- 1,315	- 2,156	848	- 376
Net financing costs	1,315	2,156	- 848	376
Total	0	0	0	0

Other primary statements of the financial statements are not affected.

2. Segment reporting and revenues

EUR thousands	1st half 2010			1st half 2009		
	Products	Foundry	Total	Products	Foundry	Total
Revenues from external customers	83,039	12,705	95,744	43,610	10,152	53,762
Result from operations	8,946	1,764	10,710	- 9,204	1,897	- 7,307
Segment assets	32,145	5,137	37,282	26,460	4,425	30,885

Reconciliation of segment results to income statement

EUR thousands	1st half 2010	1st half 2009
Result from operations per segment reporting	10,710	- 7,307
Research and development subsidies	450	1,548
Result from investments in associates	- 146	- 719
Unallocated corporate costs	- 2,605	- 14,112
Result from operations	8,408	- 20,590
Financial result	- 2,422	810
Income before tax	5,986	- 19,780

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Reconciliation of segment assets to total assets

EUR thousands	1st half 2010	1st half 2009
Assets per segment reporting	37,282	30,885
Cash, cash equivalents and short-term investments	39,873	37,467
Inventories	48,910	61,470
Property, plant and equipment	120,915	120,658
Intangible assets	3,541	4,369
Investments in associates	7,077	3,103
Deferred tax asset	31,191	30,863
Other assets	10,647	8,660
Total assets	299,436	297,475

Revenues per geographical segments

EUR thousands	1st half 2010	1st half 2009
EMEA ¹⁾	45,033	31,316
Americas	12,599	6,681
Asia/Pacific	38,110	15,765
Total	95,744	53,762

¹⁾ Europe, Middle East, Africa

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

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

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

The segment "Foundry" contains no unallocated cost and income items, reflecting the internal reporting structure. Unallocated income and expense items are shown in the respective reconciliations of segment measures to the interim financial statements from fiscal year 2009 onwards. In addition, process development costs are allocated to the operating segments based on usage (in previous periods these were allocated to "Foundry & Other"). According to the internal reporting structure, the production areas do not represent a separate segment. The services rendered by these areas to the segments are therefore not shown as intersegment revenues which is different from previous years. The comparable amounts for previous periods have been adjusted accordingly.

The segment measure "Result from operations" consists of gross profit, expenses for research and development, expenses for selling, general & administrative as well as other operating income and expenses.

The segment assets in principle comprise the allocatable assets, i.e. customer receivables as well as segment specific tangible and intangible assets.

The reconciliations comprise items which by definition are not part of the segments.

3. Number of employees

The average number of employees was 1,104 during the first half of 2010, compared to 1,098 during the first half of 2009.

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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