



**O<sub>2</sub>MICRO INTERNATIONAL LIMITED**

**凹凸科技有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 457)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is a reproduction of the announcement in relation to the Company's sales and earnings for the second quarter. The enclosed overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*As at the date of this announcement, Mr. Sterling Du, Mr. Chuan Chiung "Perry" Kuo and Mr. James Elvin Keim are executive directors of O<sub>2</sub>Micro whereas Mr. Michael Austin, Mr. Teik Seng Tan, Mr. Lawrence Lai-Fu Lin, Mr. Keisuke Yawata, Mr. Xiaolang Yan and Mr. Ji Liu are independent non-executive directors.*

\* *For identification purposes only.*

## **O<sub>2</sub>Micro<sup>®</sup> Reports Second Quarter Financial Results**

**July 29, 2009.** O<sub>2</sub>Micro<sup>®</sup> International Limited (NASDAQ<sup>®</sup>: OIIM; SEHK: 0457), a leading supplier of innovative power management and security components, reported its financial results today for the second quarter ended June 30, 2009.

### **Financial Results for the Second Quarter ending 6/30/2009:**

O<sub>2</sub>Micro International Limited reported second quarter results that were consistent with the positive outlook that the company provided on June 15, 2009.

Q2 2009 revenue was \$34.6 million. Revenue in the second quarter was up 49.7% from Q1 2009 levels and declined 15.2% from the year-ago period. As the company previously indicated, the strong sequential revenue performance was due to a resilient market for LCD TV units, strength in the domestic Chinese market, and solid growth in new products, among other factors.

The gross margin was 58.8% in the second quarter. This compares favorably with 55.5% in the first quarter and 58.2% in the second quarter of 2008. The gross margin remains in our target range and varies primarily with revenue level and product mix.

GAAP operating expenses were also approximately in-line with the company's expectations in the second quarter. SG&A expenses were \$12.5 million and R&D expenses were \$8.0 million, representing 36.0% and 23.1% of sales, respectively. Total operating expenses were 59.1% of revenue, compared with 72.6% in Q1 2009 and 47.1% in Q2 2008.

GAAP net loss was \$505,000, compared to GAAP net loss of \$3.5 million in the prior quarter and GAAP net income of \$4.4 million in the year-ago period. GAAP net loss per ADS was \$0.01, compared to GAAP net loss per ADS of \$0.10 in Q1 2009 and GAAP net income per ADS of \$0.12 in Q2 2008.

### **Financial Results for the Six Months ending 6/30/2009:**

For the six months ending June 30, 2009, revenue was \$57.7 million. This compares with \$78.3 million in the first six months of 2008. The corresponding gross margins were 57.5% and 58.3% for the first half of 2009 and 2008, respectively. During the first half of 2009, the company recorded a GAAP loss from operations of \$4.1 million. This compares to GAAP income from operations of \$6.7 million in 1H 2008. GAAP net loss was \$4.0 million in 1H 2009, compared to GAAP net income of \$6.6 million in the corresponding first half of the year ago. GAAP net loss per ADS was \$0.11 in 1H 2009, compared to GAAP net income per fully diluted ADS of \$0.17 in 1H 2008. The year-to-year declines in revenue, GAAP income/loss from operations, and GAAP net income/loss reflect adverse global economic conditions when compared with the year-ago.

### **Supplementary Data:**

The company finished the second quarter of 2009 with \$115.1 million in unrestricted cash and investments, or \$3.11 per ADS. The accounts receivable balance at the end of Q2 2009 was \$14.3

million with 34 corresponding days sales outstanding. Inventory was \$13.3 million at the end of Q2 2009 and turned over 4.3 times in the quarter.

As of June 30th 2009, O<sub>2</sub>Micro counted 838 employees, which includes 557 engineers. The Q2 2009 headcount was slightly less than 845 employees in the first quarter of 2009.

**Management Commentary:**

Sterling Du, Chairman and CEO, commented, “We are seeing a notable improvement in our business and we are strategically positioned to fully participate as global economies recover. New products are gaining traction and our investment in the domestic Chinese market is continuing to pay off.”

**Conference Call:** O<sub>2</sub>Micro will hold its second quarter conference call at 5:00 a.m. PDT, 8:00 a.m. EDT, and 8:00 p.m. Hong Kong time. You may participate using the following dial-in information.

In the US and CANADA:	888-219-1412, passcode #9224276
In HONG KONG:	800-965-503, passcode #9224276
Other INTERNATIONAL participants:	913-312-1412, passcode #9224276

A replay of the call will be available by phone until August 5th using the following dial-in information.

In the US and CANADA:	888-203-1112, passcode #9224276
In HONG KONG:	800-901-108, passcode #9224276
Other INTERNATIONAL participants:	719-457-0820, passcode #9224276

A live simulcast will also be available on the company website at [www.o2micro.com](http://www.o2micro.com), and an online replay will be available on the website for one week.

**O<sub>2</sub>Micro International Limited and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income (Unaudited)**

*(In Thousand U.S. Dollars, Except Per Share Amounts)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
NET SALES	\$ 34,605	\$ 40,790	\$ 57,715	\$ 78,346
COST OF SALES	14,247	17,061	24,533	32,657
GROSS PROFIT	20,358	23,729	33,182	45,689
OPERATING EXPENSES (INCOME)				
Research and development (1)	7,998	9,457	15,982	19,213
Selling, general and administrative (1)	12,469	9,740	21,252	21,761
Litigation income	—	—	—	(2,000)
Total Operating Expenses	20,467	19,197	37,234	38,974
INCOME (LOSS) FROM OPERATIONS	(109)	4,532	(4,052)	6,715
NON-OPERATING INCOME (LOSS)				
Interest income	384	493	828	1,163
Foreign exchange gain (loss)	(405)	(315)	82	(429)
Other — net	(28)	(4)	(39)	9
Total Non-operating Income (Loss)	(49)	174	871	743
INCOME (LOSS) BEFORE INCOME TAX	(158)	4,706	(3,181)	7,458
INCOME TAX EXPENSE	347	344	865	836
NET INCOME (LOSS)	(505)	4,362	(4,046)	6,622

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Foreign currency translation adjustments	555	607	(89)	2,617
Unrealized gain (loss) on available-for-sale securities	(751)	(228)	752	(3,092)
Unrealized pension gain	2	—	3	—
<b>Total Other Comprehensive Income (Loss)</b>	<b>(194)</b>	<b>379</b>	<b>666</b>	<b>(475)</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>				
	<b>\$ (699)</b>	<b>\$ 4,741</b>	<b>\$ (3,380)</b>	<b>\$ 6,147</b>
<b>EARNINGS (LOSS) PER SHARE:</b>				
Basic	<u>\$ (0.0003)</u>	<u>\$ 0.0023</u>	<u>\$ (0.0022)</u>	<u>\$ 0.0035</u>
Diluted	NA	<u>\$ 0.0023</u>	NA	<u>\$ 0.0035</u>
<b>EARNINGS (LOSS) PER ADS</b>				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.12</u>	<u>\$ (0.11)</u>	<u>\$ 0.18</u>
Diluted	NA	<u>\$ 0.12</u>	NA	<u>\$ 0.17</u>
<b>SHARES USED IN EARNINGS (LOSS) PER SHARE CALCULATION:</b>				
Basic (in thousands)	<u>1,846,359</u>	<u>1,879,216</u>	<u>1,842,521</u>	<u>1,886,775</u>
Diluted (in thousands)	NA	<u>1,889,751</u>	NA	<u>1,896,828</u>
<b>ADS UNITS USED IN EARNINGS (LOSS) PER ADS CALCULATION:</b>				
Basic (in thousands)	<u>36,927</u>	<u>37,584</u>	<u>36,850</u>	<u>37,735</u>
Diluted (in thousands)	NA	<u>37,795</u>	NA	<u>37,937</u>
<b>(1) INCLUDES STOCK-BASED COMPENSATION CHARGE AS FOLLOWS:</b>				
Research and development	\$ 334	\$ 288	\$ 616	\$ 546
Selling, general and administrative	\$ 620	\$ 433	\$ 1,109	\$ 848

# O<sub>2</sub>Micro International Limited and Subsidiaries

## Consolidated Balance Sheets

(In Thousand U.S. Dollars, Except Share Amounts)

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 28,342	\$ 31,844
Restricted cash	1,156	1,153
Short-term investments	86,791	72,344
Accounts receivable — net	14,324	10,578
Inventories	13,316	16,388
Prepaid expenses and other current assets	2,287	2,314
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Total Current Assets	146,216	134,621
	13,940	13,199
<b>LONG-TERM INVESTMENTS</b>		
	32,290	34,353
<b>PROPERTY AND EQUIPMENT — NET</b>		
<b>OTHER ASSETS</b>		
Restricted assets — net	1,406	1,411
Intangible assets	4,597	4,929
Other Assets	4,344	4,760
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<b>TOTAL ASSETS</b>	<b>\$ 202,793</b>	<b>\$ 193,273</b>
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes and accounts payable	\$ 11,083	\$ 4,120
Income tax payable	175	226
Accrued expenses and other current liabilities	12,216	8,269
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Total Current Liabilities	23,474	12,615
<b>OTHER LONG-TERM LIABILITIES</b>		
Accrued pension liabilities	515	553
FIN 48 tax liabilities	311	302
Other liabilities	23	23
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	849	878
Total Liabilities	24,323	13,493
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	<u>June 30, 2009</u>	<u>December 31, 2008</u>
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(Unaudited)

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Preference shares at \$0.00002 par value per share		
Authorized — 250,000,000 shares	—	—
Ordinary shares at \$0.00002 par value per share		
Authorized — 4,750,000,000 shares		
Issued — 1,848,387,400 and 1,832,788,400 shares as of		
June 30, 2009 and December 31, 2008, respectively	37	37
Additional paid-in capital	143,854	141,784
Retained earnings	32,700	36,746
Accumulated other comprehensive income	<u>1,879</u>	<u>1,213</u>
 Total Shareholders' Equity	 <u>178,470</u>	 <u>179,780</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 <u>\$ 202,793</u>	 <u>\$ 193,273</u>

By order of the Board  
**Sterling Du**  
*Executive Director*

29th July, 2009