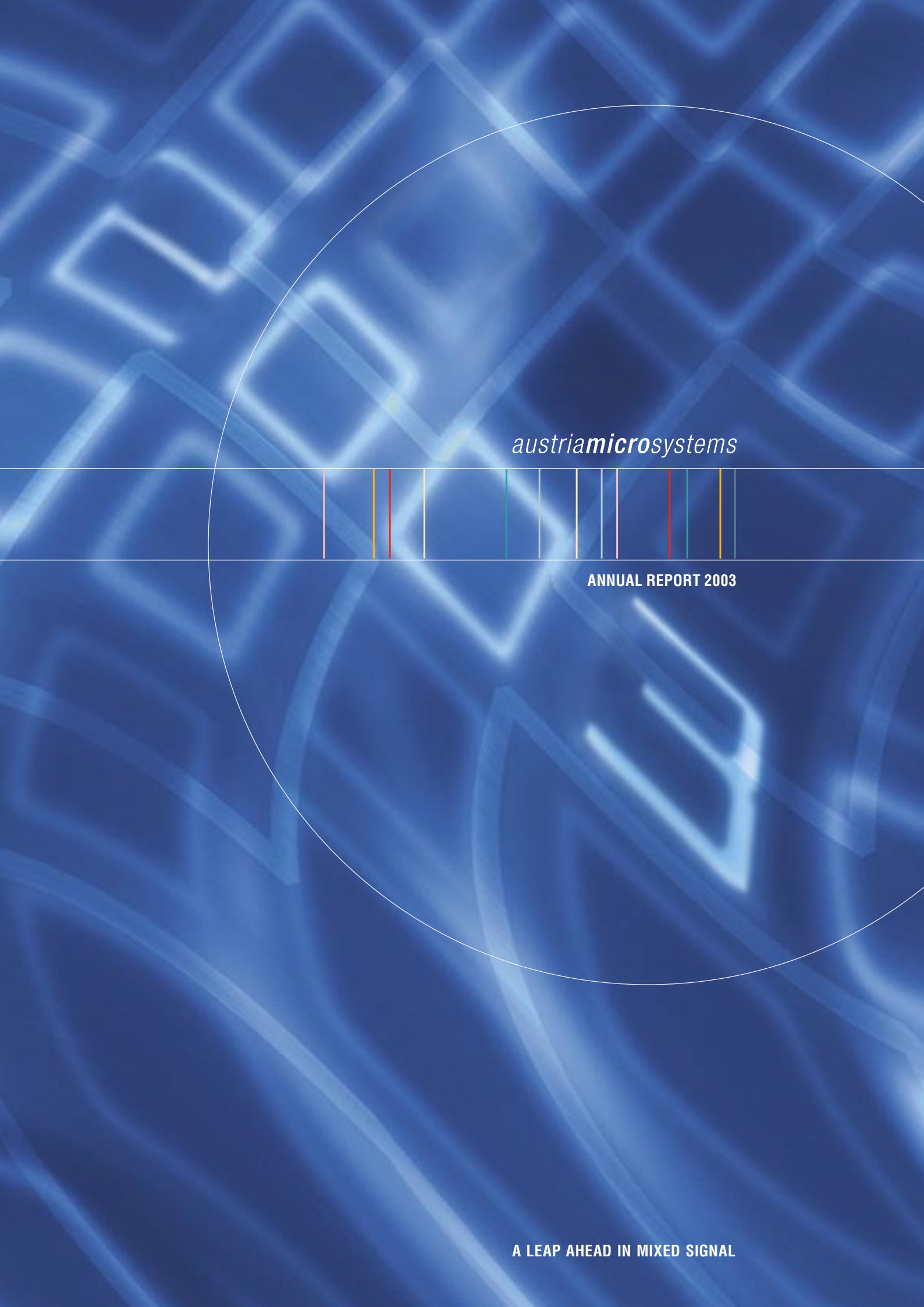
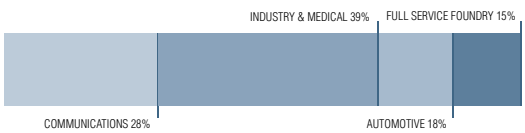
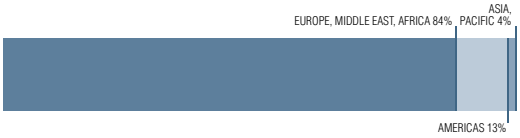

austriamicrosystems
ANNUAL REPORT 2003
A LEAP AHEAD IN MIXED SIGNAL

In Euro m	2003	Year-on-year change	2002	2001
Revenues	134.4	4.0%	129.2	148.2
Products	114.3	4.8%	109.1	115.8
Foundry & Other	20.1	0.0%	20.1	32.4
Order backlog	42.8	5.2%	40.7	38.2
Gross margin	39.9%	18.8%	33.6%	38.9%
R&D expenses	30.9	-1.3%	31.3	25.5
Result from operations	4.9		-92.8	10.2
as % of revenues	3.6%		-71.8%	6.9%
Net result	0.6		-61.0	5.6
Earnings per share (in Euro)	0.19		-20.34	1.88
Cash flow from operations	12.9	50.0%	8.6	28.5
Capital expenditure	23.3	-29.0%	32.8	112.3
Total assets	251.0	10.5%	227.1	272.8
Equity ratio	26.5%	-8.6%	29.0%	46.5%
Employees (average)	808	-6.2%	861	933

REVENUES BY BUSINESS UNITS



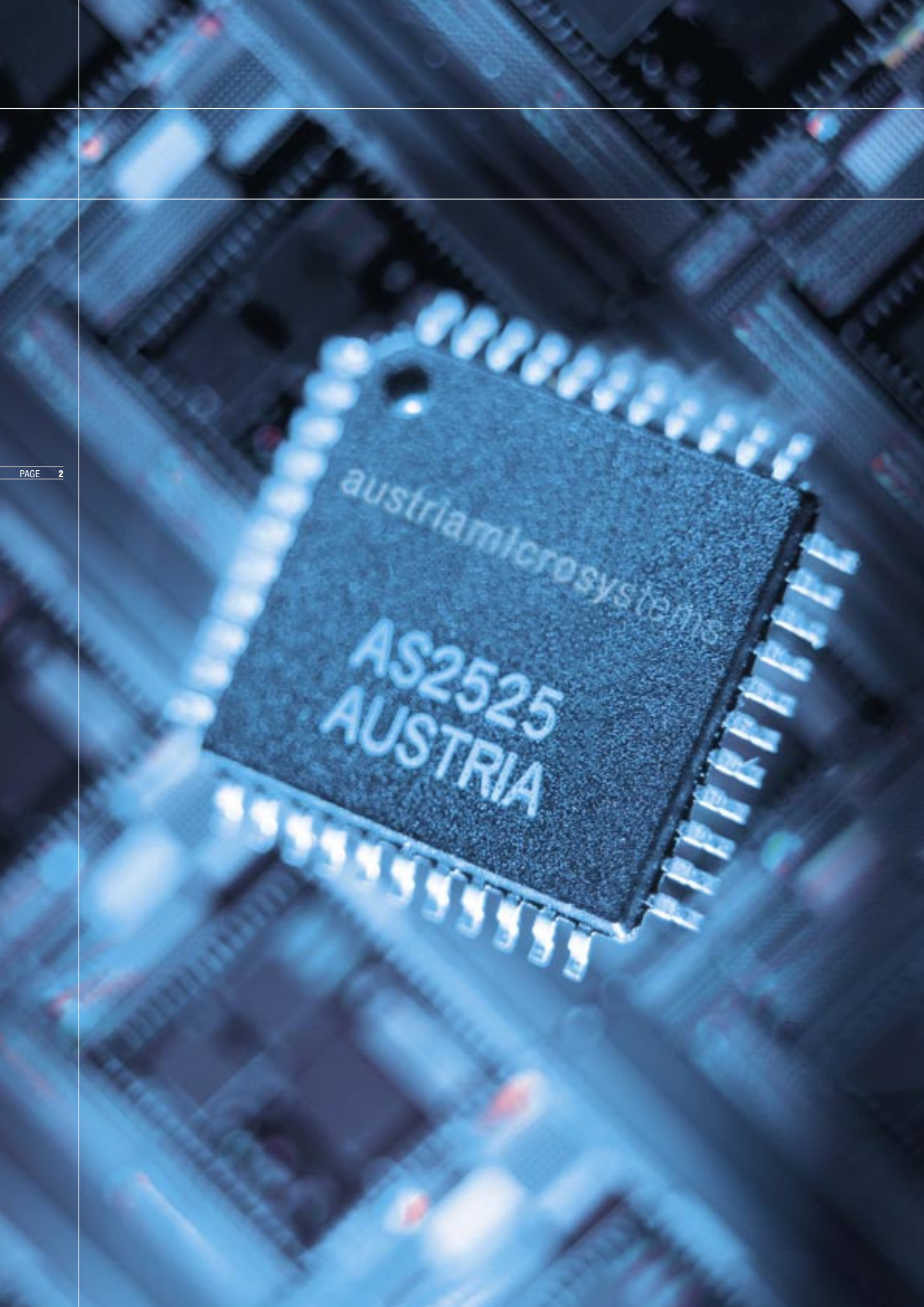
REVENUES BY REGIONS



CORPORATE MISSION

TO PROVIDE THE MOST COMPETITIVE
INTEGRATED MIXED SIGNAL SOLUTIONS
FOCUSED ON SPEED, VALUE AND QUALITY.

AUSTRIAMICROSYSTEMS´ EXPERIENCED TEAM
EMPOWERS CUSTOMERS TO PURSUE THE IDEAL PATH
IN COMBINING ANALOG AND DIGITAL PROCESSING
THROUGH PROVEN AND PERFECTED
PRODUCT AND PROCESS IP.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CONTENT

THE COMPANY

1 **PREFACE BY THE MANAGEMENT BOARD** 4
2 **COMPANY PROFILE** 8
3 **TECHNOLOGICAL COMPETENCE** 13
4 **COMMUNICATIONS BUSINESS UNIT** 17
5 **INDUSTRY & MEDICAL BUSINESS UNIT** 21
6 **AUTOMOTIVE BUSINESS UNIT** 25
7 **FULL SERVICE FOUNDRY BUSINESS UNIT** 29
8 **MANAGEMENT REPORT 2003** 33

FINANCIAL INFORMATION

I **CONSOLIDATED INCOME STATEMENT**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 42
II **CONSOLIDATED BALANCE SHEET**
AS OF DECEMBER 31, 2003, 2002 AND 2001 43
III **CONSOLIDATED CASH FLOW STATEMENT**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 44
IV **CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 45
V **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 46

GLOSSARY 76

John A. Heugle **Michael Wachsler-Markowitsch**

Dear shareholders, customers and employees

For austriamicrosystems, 2003 was the year where we could see the hard work of the last two years starting to pay dividends as the company returned to growth and profitability. Our clear focus on distinct platforms within our business units Communications, Industry & Medical, Automotive and Full Service Foundry brought an increasing number of design wins at industry leading customers. Our decision to focus on these target markets was primarily motivated by our belief that the demand for analog and analog-intensive mixed signal integrated circuits (ICs) in these areas will continue to grow significantly as electronic systems and sensors penetrate an increasing number of applications. For example, the continuing growth in the mobile handset market creates rising demand for sophisticated analog and mixed signal solutions used to drive increasingly complex power management, lighting and entertainment functions.

Our expertise and high profile in developing and manufacturing world-class analog and mixed signal integrated circuits offering low power consumption, high accuracy and tight integration allowed us to deliver more than 90 million ICs to over 370 customers worldwide last year.

austriamicrosystems' R&D pipeline continued to increase over the course of 2003 and with more than 150 projects in the pipeline at the end of the year we feel we have an excellent base supporting the further growth of the company. We continued to invest in the R&D capabilities of the company with the addition of a new development center in Bangalore, India, which is located on the campus of Wipro, a leading Indian IT firm active in software and semiconductor development. The Bangalore design center focuses on software and digital development for our Communications business unit. Overall, we spent more than 22% of our 2003 revenues on R&D laying the foundation for ongoing success in our target markets.

In 2003, we continued the strategy we had started the previous year of expanding our sales and technical support in key markets around the world. To this end, we further broadened our presence in Asia, Europe, and the USA with the opening of several new locations. This strategy is clearly showing excellent results as austriamicrosystems achieved key design wins in China, Korea, Singapore, Hong Kong, Japan and Finland.

With the increased focus on key competencies in power management, mobile entertainment, keyless go/entry, sensor interfaces, metering and healthcare applications, austriamicrosystems is using its analog and mixed signal expertise to gain market share in some of the most exciting, strongly growing and most profitable areas the semiconductor market has to offer. We made substantial headway in broadening our product offering from ASICs (Application Specific ICs) to ASSPs (Application Specific Standard Products) and now Standard Linear products. This roadmap allows us to work closer with our key customers offering them a wider range of solutions and getting involved earlier in their product design cycles. Standard Linear products allow us to leverage our extensive library of intellectual property (IP) developed over the last 20 years into stand-alone high performance, high quality and high margin products. These products perform specific analog functions such as amplification, signal conversion and management and are often used for additional support functions in the same electronic devices which employ ASICs or ASSPs.

As our business continued to grow in 2003, we invested in the further build-out of our new 200 mm (8") Fab B, increasing the production capacity of this state-of-the-art facility to 3,900 WSPM (wafer starts per month) by the end of last year. These investments improved our cost base significantly due to a much lower manufacturing cost per wafer processed. In addition, our process and technology transfer agreement with Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest foundry, allowed us to offer our customers a second source capability. Based on our successful process development efforts, we also launched several new high quality processes for our customers in geometries down to 0.35 µm in 2003.

PREFACE

Our continuous improvement program, known internally as S2G, started to bear fruit as the nine initiatives focused on cost, productivity and strategic improvements across the company showed excellent progress in virtually all areas. This program was started in 2002 involving a large number of our employees, provides extensive benchmarking and sets tasks and goals for improving R&D and manufacturing throughput, customer support, and financial and planning system efficiencies to name but a few.

Above all, we rely on the qualifications and innovative strengths of our employees to remain a leading force in bringing new, technologically advanced solutions to the market and a leader in building and maintaining close long-term customer relationships. We therefore would like to thank all of our employees for their strong ongoing commitment to the success of austriamicrosystems.

The company has used the recent cyclical weakness in the industry to invest in new manufacturing and development capabilities. This focus on the exciting opportunities in our target markets in addition to our ability to offer employees an exciting and dynamic workplace will allow us to continue to grow our market presence and profitability. We are committed to building austriamicrosystems into a worldwide leading analog and mixed signal semiconductor player offering financial returns in line with best-in-class peers in the analog semiconductor industry.

Unterpremstaetten, August 5, 2004

John A. Heugle
Michael Wachsler-Markowitsch

Management board

John A. Heugle, MSc (chief executive officer)

Mag. Michael Wachsler-Markowitsch (chief financial officer, from March 1, 2004)

Supervisory board

Dipl.Ing. Guido Klestil (chairman)

Prof. Dr. Siegfried Selberherr (deputy chairman)

Prof. Dr. h.c. Helmut List (until February 18, 2004)

Arturo Krueger

Dipl.Ing. Roland Koo (until April 15, 2004)

Dr. Felix R. Ehrat (from April 15, 2004)

Johann Eitner (employee representative)

Ing. Günter Kneffel (employee representative)

Ing. Reinhard Spinotti (employee representative, until March 11, 2003)

Dipl.Ing. Kurt Layer (employee representative, from March 11, 2003, until April 15, 2004)

COMPANY PROFILE

PAGE 8

austriamicrosystems AG is a global leader in the design and manufacture of high performance analog and analog-intensive mixed signal integrated circuits (ICs) tailored to meet specific customer needs. We develop and produce Application Specific Integrated Circuits (ASICs) and Application Specific Standard Products (ASSPs) as well as Standard Linear products with a focus on communications, industrial, medical technology and automotive applications. austriamicrosystems provides the benefits of a vertically integrated full-service supplier, from research & development to full wafer manufacturing and testing. Active in the four strategic markets Communications, Industry & Medical, Automotive and Full Service Foundry, we are using our world-class capabilities to offer exciting products in the areas of power management, MP3 players, touch screens, MEMS microphones, diabetic blood glucose measurement, automotive safety systems such as ESP, solid state electricity meters, sensor interfaces as well as many more applications. All of these applications utilize austriamicrosystems' significant expertise to minimize power consumption and deliver high accuracy, high integration and small size for best-in-class products. Many of our customers are well-known brands and rely on austriamicrosystems as their sole source supplier of choice.

State-of-the-art technologies

austriamicrosystems offers highly integrated analog/mixed signal process technologies such as CMOS, HV-CMOS, BiCMOS, and SiGe (silicon germanium). Always a leap ahead, austriamicrosystems is the only European company voted into the Top Ten worldwide in Silicon Strategies' "Silicon Foundry of the Year 2003" report. The strategic co-operation formed in 2001 with Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest foundry, assures access to state-of-the-art processes for both partners.

Leading edge products

austriamicrosystems' ICs are used worldwide in almost every aspect of life: mobile and fixed line telephones, MP3 players, a variety of other handheld devices, insulin pens, cardiac pacemakers, blood glucose meters, diagnostic imaging equipment, car key immobilizers, keyless go systems, airbags, automotive rain sensors, airport X-ray devices, and electronic electricity meters to name but a few ways our products help you everyday.

Research & Development focus

austriamicrosystems has more than 20 years of experience in developing IC solutions and continues to invest significantly in research & development to ensure exciting new products and cutting-edge manufacturing technology for customers. Our global marketing efforts and international presence provide easy local access for our customers into the austriamicrosystems' network of expertise.

Global presence

austriamicrosystems employs over 800 people in Europe, America, and Asia. Our large pool of PhDs and design engineers are focused on keeping us at the forefront of analog and mixed signal process development and product design. At the same time, our specialists in engineering, manufacturing, quality, marketing, sales, customer service, finance, human resources, and IT concentrate on providing the highest possible level of overall service and support.

austriamicrosystems operates manufacturing, product design and sales facilities in Austria, Italy, Germany, France, Finland, Sweden, Great Britain, Switzerland, the U.S., Japan, Singapore, Hong Kong, China, Taiwan and South Korea.

Quality and environmental management

austriamicrosystems has been dedicated to meeting the highest quality standards since its founding in 1981. During the past ten years, we have demonstrated this commitment by receiving the quality certifications ISO 9001:2000, QS 9000, VDA 6.1 and Q1 certification from Ford Motor Company as well as ISO/TS 16949:2002, the newest international quality management standard. These certifications make us one of the few semiconductor manufacturers worldwide to be fully automotive qualified. austriamicrosystems strives to be a leader in responsible environmental practices and is one of the first semiconductor manufacturers to be awarded certification under both ISO 14001:1996 and EMAS (the Eco Management Audit Scheme, EC No. 761/2001).

WORLDWIDE PRESENCE

HEADQUARTERS

Austria
Schloss Premstaetten

EUROPE

Germany
Muenchen

United Kingdom
Wokingham

France
Vincennes

Italy
Corsico (MI)

Switzerland
Rapperswil

Finland
Helsinki

Sweden
Sollentuna

NORTH AMERICA

USA
Raleigh, NC
San Jose, CA

ASIA

Hong Kong

P.R. China
Suzhou

Taiwan
Taipei

Singapore

Japan
Tokyo

Korea
Seoul

1981

Austria Mikro Systeme (AMS) founded in August 1981 through a joint venture between American Microsystems Inc. (AMI) and VOEST Alpine AG, with headquarters near Graz, Austria.

1989

First overseas sales office opened in San Jose, the heart of the Silicon Valley, California/USA.

1992

Specialist publication Semiconductor International USA cited the company as Top Fab of 1992 in Europe.

1993

Became the first semiconductor manufacturer in Europe to go public, listed on Vienna Stock Exchange.

1996

First Asian sales office opened in Japan.

1998

Played a role in NASA's Deep Space 2 mission to Mars. Two chips developed in conjunction with aerospace manufacturer Boeing controlled all power supply to the space probe.

1999

Business unit structure implemented focusing on Communications, Industry & Medical, Automotive and Full Service Foundry.

AMS cited as preferred global foundry partner for CMOS and BiCMOS by Europe's leading design houses.

MILESTONES

2000

Foundation for new 200 mm wafer fab laid in July.

Design centers opened in Rapperswil, Switzerland, and Pisa, Italy.

Returned to private status with Permira Private Equity Funds as majority owner and became austriamicrosystems AG.

2001

First Austrian company to fulfill 100 percent of the regular audit requirements for quality standards QS 9000 and VDA 6.1.

Technology and know-how transfer agreement with Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest semiconductor foundry, allowed accelerated introduction of leading 0.35 µm CMOS process and addition of special process modules.

2002

New 200 mm wafer fab, one of Europe's most advanced semiconductor facilities, went into service after just 18 months of construction.

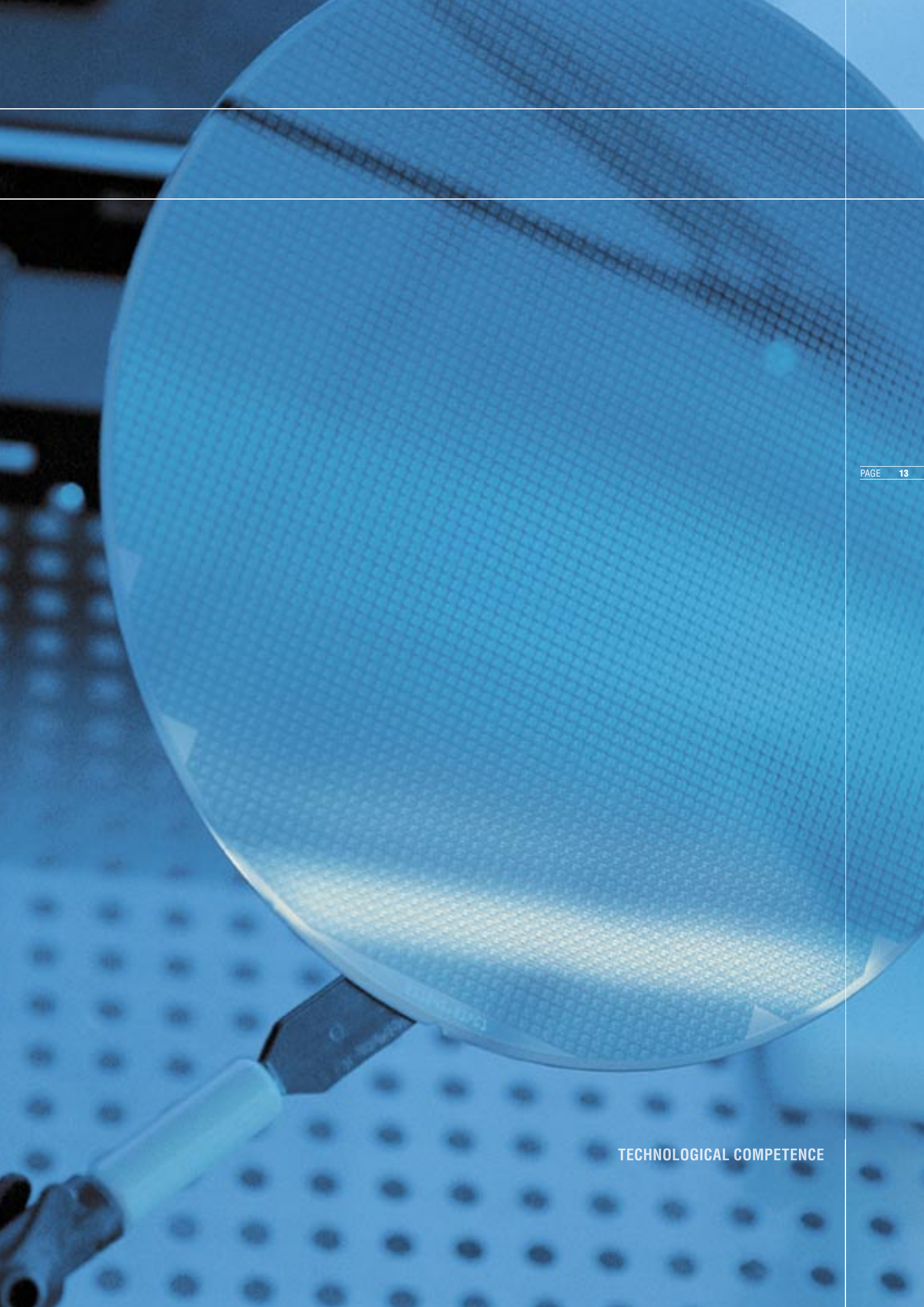
New sales offices opened in Hong Kong and Singapore, expansion of locations in Japan and the USA.

2003

Further expansion of worldwide presence with new sales offices in South Korea, China (Suzhou), Finland and Sweden.

Only European foundry ranked among Top Ten foundries worldwide in Silicon Strategies' "Silicon Foundry of the Year 2003" report.

Design center for multimedia applications set up in Bangalore, India.



TECHNOLOGICAL COMPETENCE

TECHNOLOGICAL COMPETENCE

Technological competence and, consequently, research and development activities have always played a key role at austriamicrosystems. A strong technological position is a crucial success factor for austriamicrosystems when competing in an increasingly competitive marketplace.

After completion of the new 200 mm wafer production facility Fab B and the establishment of the 0.35 µm CMOS base process in 2002, our focus in 2003 were the specialty process variants which are extensions of the base process. In co-operation with key clients, we advanced development of our third generation of the silicon germanium (SiGe) process module being used in radio frequency applications. austriamicrosystems' SiGe process boasts impressive technical specifications and offers significantly reduced process complexity when compared to the competition. Important innovations in this area were able to receive patent protection.

Additionally, intensive development efforts regarding the 0.35 µm CMOS high-voltage process continued, and important competitive advantages were realized in co-operation with a key client. Based on our progress, this highly relevant process is expected to reach full production availability in 2004. The process currently offers transistors with up to 20V and 50V operating voltages, and can be extended to cover voltages of up to 120V by implementing certain patent-protected innovations. These technologically advanced components were developed on the basis of a powerful process simulation software (TCAD).

A further extension of the 0.35 µm CMOS process family, the opto module, was qualified in 2003 and is now available for production of optoelectronic sensor systems (single diodes, arrays and image sensors). In addition, high priority was given to the continuing development of technology variants for non-volatile memory (EEPROM and poly fuses) which represent an important additional building block for analog and mixed signal ICs.

In 2003, intensive efforts were made to simplify and facilitate the re-use of existing cells for new projects (IP re-use). A high level of re-use of existing cells increases design safety and allows considerably shorter development times. To ensure the successful re-use of cells, an innovative database of all available cells including key design and simulation parameters was created. This database can be accessed by all austriamicrosystems design teams and is continually updated with expert knowledge. The comprehensive documentation of in-house expertise at austriamicrosystems provides considerable support for our development projects, particularly in the new product segment Standard Linear for high-performance analog circuits (HPA).

Our available process portfolio, the libraries of digital and analog cells and functional modules as well as comprehensive characterisation data enable austriamicrosystems to offer own-manufacture system-on-chip (SoC) and system-in-package (SiP) solutions. These manufacturing technologies are also available to our foundry customers.

Traditionally, austriamicrosystems is active in the area of research and development co-operations. In 2003, we worked on more than 10 projects within the framework of the national research support fund (Forschungsförderungsfonds) and the European Union IST program. These projects target important topics in technology and design development, as well as electromagnetic compatibility (EMC), and have the potential to strengthen austriamicrosystems' competitive position in the future. We also expanded the design co-operation with our Indian partner Wipro in Bangalore, one of the leading IT companies in India, which we had started in 2002. This co-operation focuses on complex digital circuit parts as well as integration of the ARM processor for "mobile music" applications. austriamicrosystems then carries out the integration with analog components to provide a total chip solution, using modern system integration methods such as multi-chip module (MCM).

TECHNOLOGICAL COMPETENCE

austriamicrosystems attaches great importance to co-operations on the regional level. In 2003, we supported a total of 12 master theses, at the same time several employees hold lecturing positions at Styrian universities. austriamicrosystems additionally participates in local and international research programs and professional associations, as well as a number of technical program committees (Austrochip, ESSCIRC, ISSCC). Through these efforts we are actively involved in world-wide scientific networks.

An EU directive (RoHS) bans the use of lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr 6), polybromide biphenyl (PBB) and polybromide diphenyl ether (PBDE) in the electronics industry from 2006. All austriamicrosystems products are already free from Hg, Cd, Cr 6, PBB and PBDE. In 2003 we implemented a lead-free/RoHS program to remove the small quantities of lead still contained in chip packages. As a consequence, all package variants will be 100% lead-free by the beginning of 2005, which demonstrates the importance of environmental issues for austriamicrosystems.

A variety of technical papers presented at trade conferences and published in technical journals demonstrated again the technical expertise of our engineers. More than 40 publications last year focused on the subjects of process and device characterisation and electromagnetic compatibility. Based on a large number of inventions reported by our employees, in 2003 more than 20 patent applications were drafted and submitted. Simultaneously, austriamicrosystems' patent portfolio increased by seven new patents.

COMMUNICATIONS

PAGE 18

The business unit Communications is set to tackle the fast growing communications market with a focus on portable devices. We develop ASSPs, ASICs and Standard Linear products with high analog content based on our vision to further accelerate mobility and convenience for portable device users. Our aim is to provide longest possible battery life time through smart power management solutions and smallest possible form factors for mobile phones, mobile music players and PDAs based on sophisticated chip design and advanced packaging technologies.

With more than 20 years of experience in mixed signal design we have built up dedicated product platforms and a comprehensive IP library for these focus segments which enables us to react quickly and flexibly to customer demands and market trends and to develop derivative ICs in accelerated timeframes. With our power management and mobile music products we support the trend of convergence of mobile phones, digital cameras, PDAs and portable music players.

Power management and lighting ICs for portable devices

New applications such as video communications over next generation broadband networks mean that the power consumption of mobile handsets and PDAs is set to rise. Simultaneously, OEMs have to squeeze more and new functionalities into ever smaller devices. Smart power management ICs are playing a key role in enabling increasing functionality of handheld devices while at the same time improving their battery life. Our smart power management units (PMUs) allow to extend the operating time of these devices by running the individual components at their “dynamic voltage sweet spot” where the voltage supply of all ICs in the device is dynamically adjusted to their actual need. Application processors, for example, have different power requirements depending on their current processing task. Our smart PMUs ensure that every IC component is optimally supplied and thus maximize the battery life of the portable device.

REVENUES BY BUSINESS UNIT

MOBILE HANDSETS MOBILE MUSIC WIRELINE

austriamicrosystems' smart PMUs offer attractive solutions integrating a range of functions such as audio amplifiers, battery chargers and security functions which were traditionally implemented by discrete components. Our smart PMUs also address the customer requirement for more space-efficient and cost-effective ICs to support the trend towards smaller and cheaper portable devices. The high level of performance and flexibility of our smart PMUs allow our ICs to be easily embedded into a wide range of devices while outstanding integration density and aggressive time-to-market has helped us build significant competitive advantages in this area.

austriamicrosystems' lighting management ICs address the full range of lighting applications in portable devices like backlight for displays, keypad lighting, camera flash and fun light. Our lighting product portfolio includes highly flexible and comprehensive platform ICs, leading flash power devices and a wide range of optimized white LED drivers. These platforms allow customers to embed our ICs into a range of models serving different applications. The increasing number of camera handsets led to the launch of cost-effective flash LED driver ICs anticipating the need for smart high power drivers for flash applications. These products support the emerging trend of mobile handsets developing into high quality still cameras. Our lighting solutions also enable the "fancy and cool" appearance of portable devices targeted at younger consumers while our sophisticated backlight drivers offer better readability of displays.

Mobile entertainment

Our mobile entertainment products include ICs for the audio subsystems of mobile handsets as well as for stand-alone portable music players such as MP3 players. The rapid growth of this market is fueled by the increasing storage capacities and decreasing cost of both flash memory and micro hard disc drives (HDD) available in small form factors. A portable micro HDD is currently able to store up to 8,000 songs on a device the size of a Compact Flash card. This capacity enables typical users to carry their complete private CD library as well as the latest hits from a music download service with them at any time.

COMMUNICATIONS

Our market-leading music player solution integrates all necessary functions like decoder, audio amplifier, power management, USB interface and all major storage card interfaces in one package combining separate analog and digital parts as a system-in-package (SiP). Easy handling and operation is provided by our intuitive user interface which can be configured for different languages, regions and customer needs. austriamicrosystems' mobile music products also allow field upgrades which enable the end user to download new decoders or changes in user interfaces as needed. The constant evolution of coding and decoding technologies such as MP3, WMA, AAC and Ogg Vorbis provides increasing compression ratios and enables the end user to store an ever larger amount of music at identical perceived quality levels without changing the player device. Integrating music player functionality in mobile handsets is set to become the next big step in the evolution of mobile devices. austriamicrosystems' mobile music solutions are leading the industry in this emerging market as they offer significant competitive advantages due to the strong feature set and high level of integration.

We also develop innovative ASICs that recognize and interpret the pen positioning for highly sophisticated inductive touch pad screens. These products target coming generations of mobile phones and PDAs and require a complex analog IC which is assembled together with a digital IC into one single package (SiP).

Wireline communications

The first company to develop a single CMOS chip integrating all functions of an analog wireline phone ten years ago, we have sold more than 100 million of these devices worldwide since the introduction of this product line. Numerous attempts of competitors to design a comparable product were unsuccessful. The key component for well-known brands all over the world, this product family was over time extended by sophisticated multi-line feature phone ICs with hands-free and conference functions. We continue to sell these ASSPs in high volumes into key markets such as China, India and Brazil.

INDUSTRY & MEDICAL BUSINESS UNIT

INDUSTRY & MEDICAL

PAGE 22

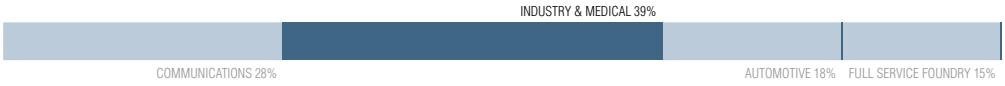
With over 20 years of experience in providing mixed signal IC solutions for the industrial and medical markets, the business unit Industry & Medical continues to demonstrate its leadership position in the target markets of industrial control, energy measurement, automation and healthcare. Through its innovative products, high quality standards and its commitment to ensuring long-term supply to customers, austriamicrosystems has established itself as a loyal and dependable partner for many leading industrial original equipment manufacturers (OEMs) across the globe. The expansion of our sales operations worldwide especially in North America and Asia Pacific and the addition of new ASSPs to our product offering lays the foundation for further market penetration in our target segments of industrial and medical electronics.

Electronic power meters for energy consumption, monitoring, and billing

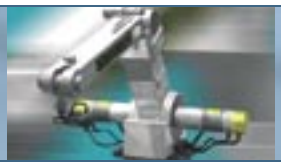
Electricity metering ICs continue to represent a key part of the Industry & Medical product portfolio. austriamicrosystems' dedicated energy metering ICs used in our customers electronic energy meters as the central component of the metering system can demonstrate almost two decades of proven operation in the field. Typical applications range from high volume domestic to complex industrial energy meters, with product performance comfortably exceeding the stringent requirements set by the utilities.

austriamicrosystems has recently launched a single-phase energy metering standard product which provides customers with increased flexibility by allowing on-chip programming and calibration. The capabilities of this product enable meter manufacturers to cost-efficiently manufacture a range of mechanical display meter models, particularly through the fully automatic calibration feature which significantly improves production flow. The product particularly targets the Chinese

REVENUES BY BUSINESS UNIT





HEALTHCARE SENSORS METERING BUS SYSTEMS

market as China is one of the largest manufacturers of energy meters worldwide. With this new product and further planned additions to our portfolio, austriamicrosystems' business unit Industry & Medical expects to further grow its significant market share in the electronic metering markets worldwide.

Magnetic rotary encoders and optical sensors for industrial automation

austriamicrosystems has been active for many years in the design and manufacture of ICs for industrial control, sensing, and networking applications. Its innovative highly integrated IC products together with a strong commitment to excellent quality and long-term product supply have made us a leading partner for major players in these market segments. Typical solutions offered by austriamicrosystems are ASICs which integrate magnetic or optical sensors and control circuitry on the same chip. These ASICs as well as the range of standard products (ASSPs) being offered meet highest quality standards and can operate over an extended temperature range and in harsh industrial environments. Applications include contactless motion or position control, presence control via optical systems and bus interfaces for manufacturing equipment.

The business unit Industry & Medical continues to increase its market presence by leveraging its long-standing supplier relationships with large industry customers into new application areas as well as by adding a number of new customers. Going forward, the business unit is expanding its application specific standard product (ASSP) portfolio and increasingly addresses markets traditionally served by standard ICs only. In particular, we are strengthening our angle encoder ASSP family by introducing new small-size, high-resolution magnetic angle encoder ASSPs. These products target motion, position and velocity sensing applications across various segments of the industrial electronics market with typical applications in heat, ventilation and air conditioning control.

Integrated solutions for personal healthcare

For a wide range of healthcare applications, austriamicrosystems offers highly reliable integrated IC solutions to its

INDUSTRY & MEDICAL

customers. The business unit Industry & Medical is particularly focused on applications in the areas of personal and fitness care, imaging systems, disease monitoring, drug delivery and cardiac rhythm management.

The number of diabetes patients worldwide is expected to rise significantly over the coming years. austriamicrosystems is working together with leading medical device manufacturers to develop highly integrated solutions which assist patients in managing their blood sugar levels autonomously. With the help of insulin pens delivering tightly controlled doses of insulin and hand-held blood glucose monitors allowing easy self-measurement of blood sugar levels, diabetes patients can simplify their treatment regimen allowing them to lead everyday lives with a minimum of disruptions or limitations. Other major applications comprise watch-type heart rate monitors for joggers, innovative electronic tooth-brushes based on ultrasound technology, pacemakers and electronic inhalers. In addition, austriamicrosystems offers specialized imaging products for advanced X-ray, ultrasound and computer tomography equipment.

The business unit Industry & Medical leverages its extensive experience and expertise in designing and manufacturing ASICs for the healthcare market which combine high precision and high performance with low power consumption. Over the past years, teams of engineers and marketers dedicated to healthcare applications have developed a significant portfolio of proprietary function blocks for the design of innovative turnkey mixed signal ICs. For austriamicrosystems, the healthcare segment represents one of the most attractive market opportunities, particularly in the fields of personal care, fitness and disease monitoring. Through our established relationships with a number of major players in the healthcare industry, we are well positioned for growth in this market.

By complementing its existing strong ASIC product offering with standard products such as ASSPs and Standard Linear products, austriamicrosystems' business unit Industry & Medical plans to further expand its market coverage of the industrial and medical semiconductor segments.

AUTOMOTIVE BUSINESS UNIT

AUTOMOTIVE

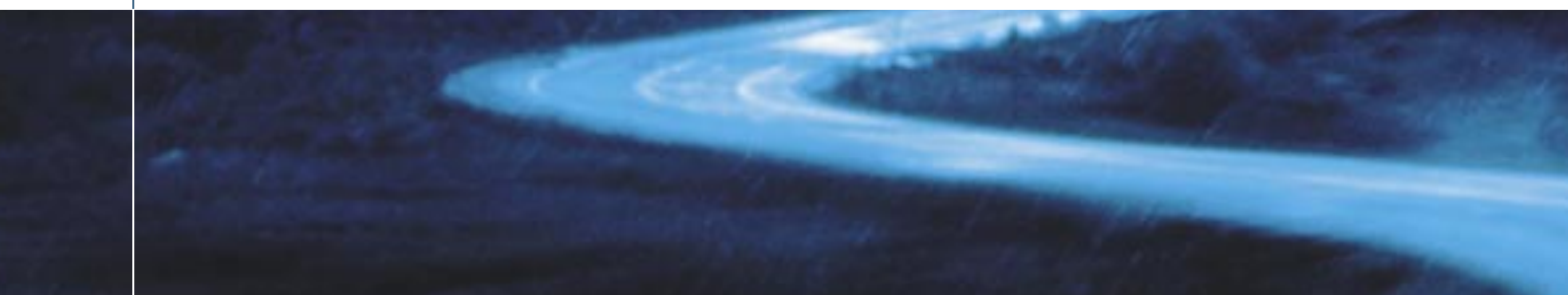
PAGE 26

As electronic systems play an ever increasing role in the automotive world, the automotive semiconductor market continues to grow steadily. austriamicrosystems' business unit Automotive develops and designs high performance analog and mixed signal ICs for automotive applications such as remote key-controlled car access, sensor interfaces for driving security and safety systems, and smart electrical motor controllers with low electromagnetic interference (EMI) in order to support these innovative growth segments. We have been able to secure a competitive advantage in the automotive semiconductor industry both through our leading-edge radio frequency and high-voltage capabilities and our reputation as a high-quality automotive product supplier built over a period of more than 20 years.

Access control

Mechanical locks and keys are progressively giving way to remote control solutions like keyless entry and keyless go systems. Although currently most remote control solutions simply provide access, more advanced models will increasingly be equipped with intelligent entry and starting systems, enabling the automobile to "know" whether the person trying to open or start it is authorized to do so. The vehicle will then allow its owner to start the motor with a simple push of a button. In addition, we offer related products such as vehicle immobilizers (anti-theft devices) that have been designed into more than 50 automotive platforms worldwide. Our products in this segment are based on our library of low-power intellectual property cells and development is focused on narrow-band technology like the ARIB standard for radio transmission. Due to the excellent low power capabilities achieved by our silicon germanium (SiGe) process we are in the position to offer devices with outstanding performance and high transmission reliability to our customers.

REVENUES BY BUSINESS UNIT



SENSOR INTERFACES

KEYLESS GO

SMART MOTOR CONTROL

Sensor and sensor interface products

The automotive market is a leader in the application of sensors. austriamicrosystems' sensor interface group develops sensor interface ICs for a wide range of innovative automotive applications in close co-operation with major OEMs and system suppliers. Current car sensor and data processing systems assist, for example, during extreme driving situations by means of an electronic stability program (ESP). ESP systems equipped with our newest generation of sensor interface ICs represent the next step in the evolution of driving assistance. Other applications addressed by austriamicrosystems are seat occupancy detection systems which help reduce the risk of accidental passenger injuries from airbags and adaptive headlights which play an important role in improving driving security during the night. In addition, pre-crash detection systems based on radar sensors will be able to detect a crash before it happens in order to activate safety features. Further sensor interface applications include distance measurement within gearboxes and angular sensors which detect the position of brake pedal and accelerator. Given the electrical power requirements of these systems, energy supply within the car is also becoming more and more important. Specialized sensors are able to continuously monitor the state of health and state of charge of the vehicle battery to prevent empty batteries and subsequent breakdowns.

Smart motor control

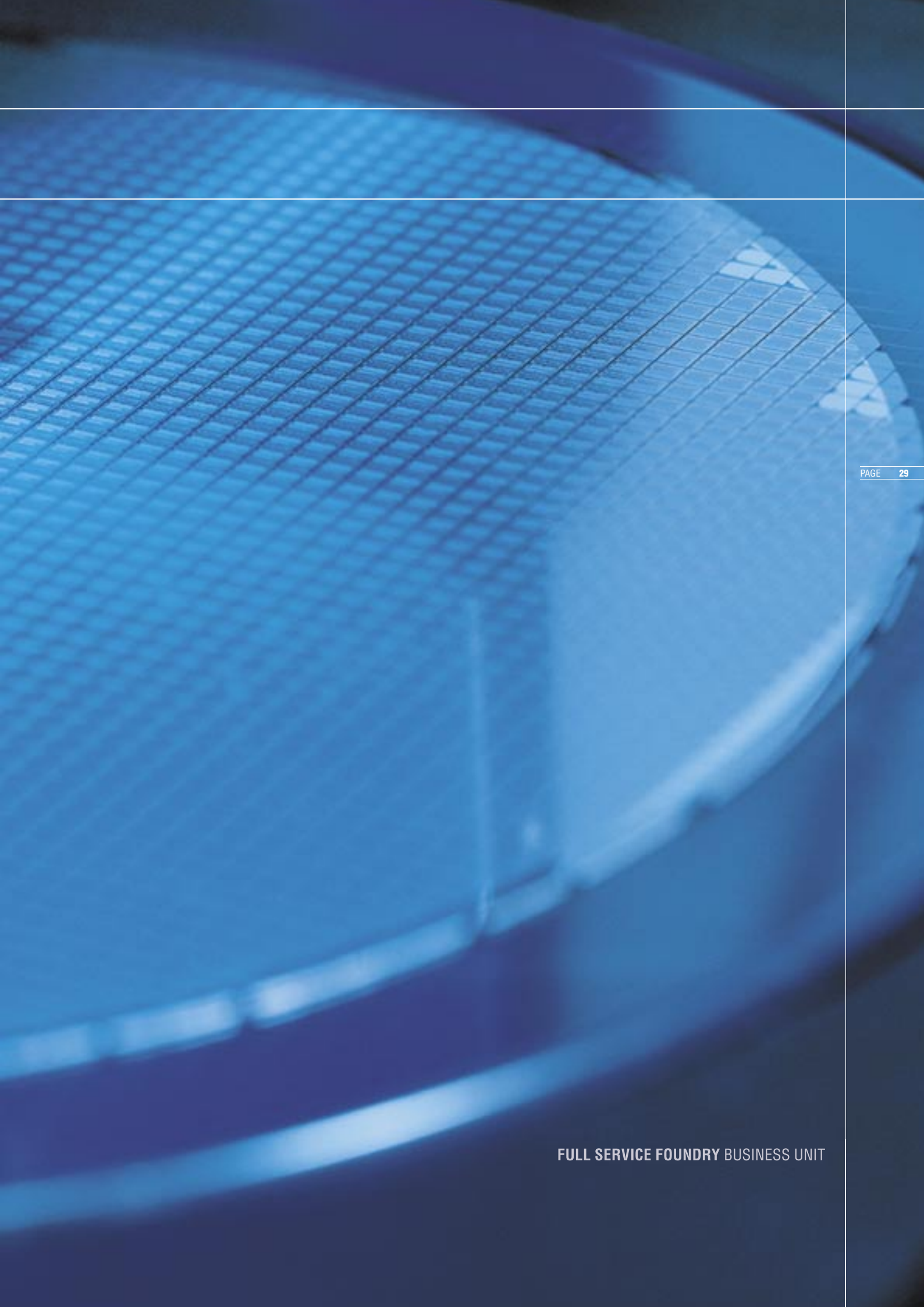
Today, so-called smart motors are present in all major automotive application areas including safety and convenience, body control and power train. In these fields, motors are used for engine cooling fans, fuel pumps, HVAC fans, sun roofs, window lifters, seat positioning, mirror control, headlight control and door lock systems. Moreover, electrical oil and coolant pumps are becoming more and more important as these devices offer significant advantages compared to mechanical devices and also help to reduce overall fuel consumption of the car. All of these applications share the need for intelligent motor control. Additionally, the continuing increase of electronic components in cars makes it essential to design products which are able to withstand the harsh automotive environment and minimize electromagnetic interference.

AUTOMOTIVE

Our range of motor controllers was designed to fulfill all of these important automotive requirements. A special technology allows our motor controllers to reach high power efficiency and minimizes the amount of additional EMI components needed. To provide flexibility, our controllers are programmable and consequently can be used in a variety of applications. In addition, the integrated error detection and protection provides a high degree of security to the overall system. Our portfolio of high-voltage process technologies and the many years of specialized design experience therefore allow us to develop and manufacture advanced smart motor controllers for all major electrical motor types.

Given the long product lead times and design-in cycles which are typical for the automotive industry, product lifecycles in our target automotive markets can range from seven to more than 10 years. We therefore offer state-of-the-art automotive qualified processes with a long term supply commitment in our new 200 mm fabrication facility to address the specific requirements of our customers. Our analog and mixed signal manufacturing technology roadmap is synchronized with the extended product cycles of the automotive industry to offer continuing support to our customers. In addition, the market for automotive analog and mixed signal ICs is characterized by the need for extensive certification and product qualification which in our view forms a significant barrier to entry for potential new competitors.

We expect our target automotive markets to grow significantly in the coming years, as a result of increasing customer and regulatory demand for additional safety features, such as ESP systems, passenger occupancy detection systems for airbag deployment and more sophisticated access control systems. We closely co-operate with major industry players during the specification and development stages of new products and focus significant engineering resources on the development of ASSPs to exploit the numerous exciting opportunities in the automotive semiconductor market.



FULL SERVICE FOUNDRY BUSINESS UNIT

FULL SERVICE FOUNDRY

PAGE 30

Since more than 20 years fabless companies and IDMs trust in austriamicrosystems' foundry services for the production of their ICs. The extensive knowledge built up over this period, especially in analog mixed signal products, is one major cornerstone to the company's success. With its 200 mm fabrication facility, austriamicrosystems is one of today's world leaders in analog intensive high-voltage CMOS and high-frequency processes including the respective backend capabilities such as test and packaging. Complementary experience and services in process development, process characterization, design-kit development and test know-how are a highly sought-after value-add for customers who want to develop their own ICs, but do not have their own production capabilities in the appropriate technology.

Pure-play foundries primarily offer standard CMOS process technologies and concentrate on digital applications while providing very limited specialized design platforms for analog and analog-intensive mixed signal ICs. Furthermore, they commonly focus on pure wafer production so that their customers need additional suppliers for test and assembly of devices. austriamicrosystems differentiates itself with a focus on advanced process technologies for analog mixed signal circuits, such as high-voltage CMOS or RF technologies like SiGe BiCMOS. By adding the complete respective backend offering austriamicrosystems becomes a highly appreciated "one-stop-shop" for its foundry customers. This spectrum of expertise and service was honored by Silicon Strategies, an independent industry publication, ranking austriamicrosystems as the only European foundry among the Top Ten worldwide in its "Silicon Foundry of the Year 2003" report.

REVENUES BY BUSINESS UNIT

austriamicrosystems' 200 mm wafer fab has been planned with the future in mind, equipped with technologically advanced production equipment, and will allow austriamicrosystems to introduce new technologies along its focus areas. The overall capacity of the wafer fab can be increased in modular steps to address the expected growth in demand. A long-term partnership strategy, including in particular a technology transfer agreement with Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest foundry, and the close co-operation between process and product design enables austriamicrosystems' customers to benefit from innovation and solutions that are optimized and proven.

The mission of the Full Service Foundry business unit is to offer advanced wafer processes, test and assembly technologies for analog mixed signal products in combination with premium service to customers along the full value chain from the start of a chip design until the tested product, thereby reducing time to market. Customers benefit from leveraging our application knowledge and experience to guide the process selection and design implementation. To this end, austriamicrosystems offers the following complementary services in addition to our production capabilities to enable fast development cycles with first-time-right designs:

Design kits

A key element for analog and analog-intensive chip design are accurate models. Therefore, austriamicrosystems puts a lot of effort into process characterization and modeling which form an important part of our process design kit called HIT-Kit. Foundry customers wanting to develop their own chips are supported with a plug-and-play HIT-Kit providing all building blocks required to design complex mixed signal circuits. These include library elements, device models, process-specific parameters as well as software drivers for CAD and simulation requirements.

Consulting service and product evaluation

Since electromagnetic compatibility (EMC) is becoming an important factor not only on system level but also on chip

level, austriamicrosystems is offering EMC consulting to its foundry customers beside other consulting services like ESD review. “Place and route” service and layout verification checks complete the offering to customers to elevate the probability of a first-time-right analog mixed signal design. On top of that there is the possibility of conducting product evaluations in an excellently equipped laboratory.

High throughput test service

An experienced team with outstanding expertise in the testing of mixed analog/digital, high-voltage and high-frequency devices is available to our customers, to come up with innovative testing solutions for complex products and flexible ways to ramp to volume production. Our state-of-the-art tester platform handles system-on-chip (SoC) devices, assembled parts and complete wafer testing with high levels of throughput.

Assembly service

To support our customers’ time-to-market strategies, packaged product samples can be made available in a few days thanks to austriamicrosystems’ in-house ceramic packaging line. Moreover, our long-time co-operation with world-class assembly houses combined with a wealth of internal know-how means access to all necessary resources for assembly. This enables customers not only to access competitive high-volume production but also the latest packaging technologies.

The business unit Full Service Foundry operates independently from the activities of austriamicrosystems’ product businesses and maintains a strict firewall to the other business units to protect corporate and customers’ intellectual property. The integrity and professionalism of austriamicrosystems is demonstrated by our successful track record of both business models as a product and as a foundry supplier over many years.

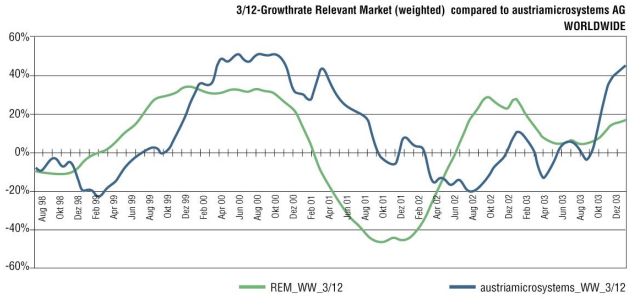
MANAGEMENT REPORT 2003

MANAGEMENT REPORT

1 Economic environment

For the semiconductor industry, 2003 was a year of recovery. After a never witnessed before, first-time ever downturn in demand in 2001, connected with a dramatic slump in the telecommunications market, the market continued to decline in 2002 and only recovered towards the end of 2002. Due to the worldwide economic and political crises, which had preceded, the market began to grow sustainably only in the 2nd quarter of 2003. The semiconductor industry grew at a rate of 18% in 2003 on a worldwide basis, in stark contrast to a growth rate of 1% in 2002 and a decline of -32% in 2001.

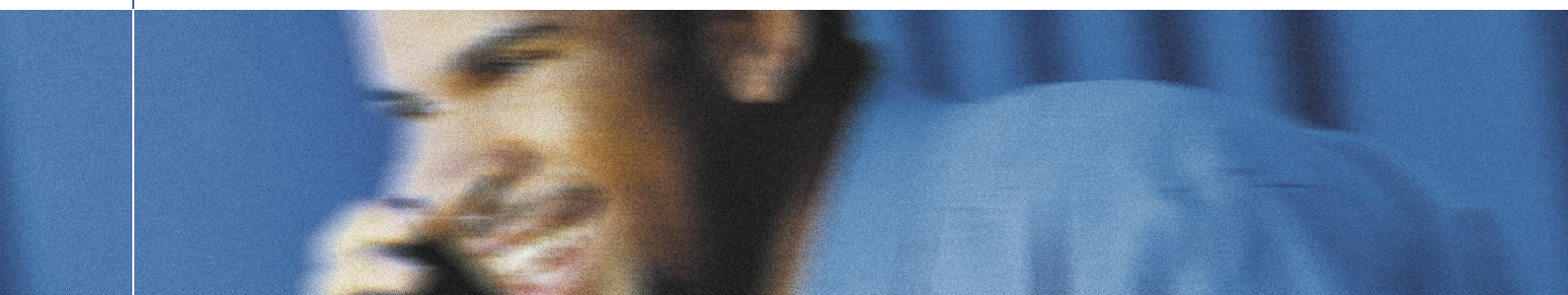
The following graph shows the relevant market sector for austriamicrosystems (3 months weighted average growth rates):



Source: WSTS (World Semiconductor Trade Statistics), austriamicrosystems

2 Overview of the past financial year

Through expansion of its customer base and due to a slight increase in demand in the final markets towards the end of the year, in particular in the communications market, the austriamicrosystems Group ("the Group") managed to achieve a slight growth as compared to the previous year. Still, the company was directly affected by the difficult economic and political environment in Europe and the USA.



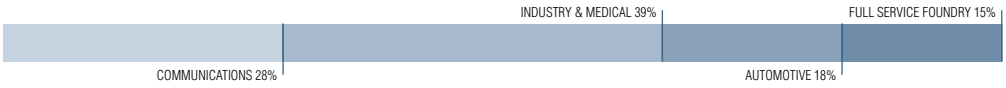
Even if the Group could not evade macroeconomic developments the Group's technological competence and close co-operation with customers and suppliers did contribute to a further strengthening of its position. Mixed signal ASICs and ASSPs continue to gain importance. In the area of communications, propensity to innovate in final products has further increased, and more and more digital components require even more analog chips. The automotive and medical technology areas also require more and more comprehensive and high-value chip solutions due to increased demands. After expanding capacities in the new highly modern 200 mm factory (from 2,600 to 3,900 WSPM), austriamicrosystems has increasingly expanded its customer base also in the foundry area and managed to acquire many well-known customers.

Through continued strict cost management, connected with strengthening of its own technological competence, austriamicrosystems advanced implementation of its strategy and thus formed the basis for the coming upswing.

2.1 Development of revenues

Due to only slightly improved market conditions and the collapse of the US dollar, revenues achieved only a slight increase to Euro 134.4m (2002: Euro 129.2m). This is an increase of 4.0% as compared to the previous year.

Viewed according to business segments, revenues are composed as follows:



Development of revenues	(in million Euro)	2003	2002	Change in %
Communications		37.5	30.4	23.2%
Industry & Medical		52.2	50.9	2.5%
Automotive		24.6	27.8	-11.6%
Full Service Foundry		20.1	20.1	0.1%

2.2 Orders received and order volume

Thanks to the trend gaining momentum in the semiconductor industry and the ordering behaviour of market participants connected with it as well as the expansion of the product range and customer base achieved by the company total order volume increased from Euro 40.7m to Euro 42.8m. Orders received rose by 28.1% from Euro 109.6m to Euro 140.4m.

Development of revenues and orders	(in million Euro)	2003	2002	Change in %
Revenues		134.4	129.2	4.0%
Orders received		140.4	109.6	28.1%
Order volume		42.8	40.7	5.0%

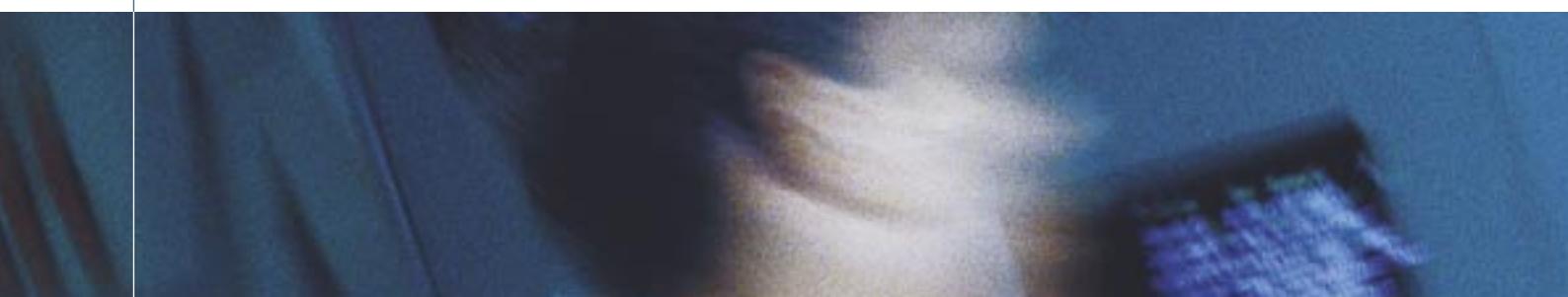
2.3 Earnings position

The operating result (EBIT) rose from Euro -6.4m (adjusted by one-time expenses in the amount of Euro 86.4m) in 2002 to Euro 4.9m in 2003.

Earnings	(in million Euro)	2003	2002
EBIT		4.9	-6.4
EBIT margin		3.6%	-4.9%
EBITDA		25.0	18.0
EBITDA margin		18.4%	13.7%

2.4 Assets and financial position

The result of the financial year led to a reduction of the equity capital ratio. Still, an increase in the liquidity of the company (taking into account securities held for the short-term) was able to be achieved through a complete, long-term financing of the further expansion of capacity in the new fabrication facility and cash management in the company. The operating cash flow increased compared to the previous year and allows the company to carry out the planned further expansion of fabrication, presumably without entailing any additional borrowing.



2.5 Investments

Investments were Euro 20.5m (2002: Euro 22.0m) and basically served to finance the expansion of the new production facility. With this, the capacity of the new 200 mm fabrication facility could be increased by approximately 50%. Investments in the amount of Euro 20.5m were counterbalanced by depreciation and amortization in the amount of Euro 20.6m.

2.6 Research and development

The technologically leading position of the austriamicrosystems Group in the production of integrated analog/mixed signal solutions is based on many years of intensive research and development. Expenses for research and development were further increased in the past financial year to further expand and sustainably secure the leading position of the company.

The company cooperates with customers, suppliers and university institutes in various research and development projects all over the world in the interest of fostering a sustainable success for the company.

With the introduction and release of the 0.35 µm CMOS process at the Unterpremstaetten production site, a further milestone was achieved in the company's history.

To secure and expand the technological edge of the company in the field of process technology, research and development activities mainly focus on the special variants of CMOS and SiGe processes for high-voltage and high-frequency applications. The most attention is given, particularly, to the 0.35 µm high-voltage and 0.35 µm SiGe areas.

On the basis of the research results obtained, several patents were filed and articles published in international specialist journals and presented at conferences.

2.7 Employees

The austriamicrosystems Group has 808 employees on a yearly average, 764 of which work at the Unterpremstaetten site. As a high-tech company, austriamicrosystems depends to a particular extent on the knowledge of its employees. Their motivation and flexibility are the prerequisites for the long-term success of the company.
The company, which is one of the most important employers in the region, has succeeded in meeting its obligations towards employees, and offered attractive internal and external training and education measures for all employees. The employees attended numerous seminars. Talks with employees held in all areas of the company help to systematically determine the need for training of the employees and promote an active communication culture in the company.

We would like to thank all employees of austriamicrosystems for their great personal effort and the performance achieved in this year that was difficult for all of us.

3 Events after the balance sheet date

In the extraordinary meeting of shareholders of austriamicrosystems AG on January 12, 2004, the merger with Aspern Industrie Beteiligung und Beratung AG as the transferor company that had already been basically agreed to and approved by the supervisory board in 2003, was documented.
By agreement of March 16, 2004, individual provisions of the existing consortium financing agreement for the new 200 mm line were amended.
By application of March 12, 2004, austriamicrosystems AG requested amendment of the existing subsidy agreements (concerning, among others, the minimum number of employees at the Unterpremstaetten site). A final decision on this is expected to be reached within the next few months.

4 Outlook

The year 2004 will lead the austriamicrosystems Group further on along the growth path. Although leading economic researchers forecast only very restrained growth in the world economy, connected with significant risks, the forecasts for the semiconductor industry after the difficult market conditions of the past years are positive throughout. This is also indicated by statements of market participants and various market indicators. Capacities threaten to become tighter worldwide and, consequently, this will lead to the forecasted increase in worldwide semiconductor sales of more than 20% apart from growth of the final markets.

This prospect for the industry in connection with the implemented expansion of distribution activities in Asia and the USA should lead to a better business development in these regions. Growth of sales noticeably beyond the levels achieved in 2001 (Euro 148.2m) is expected.

If, contrary to expectations and forecasts, the worldwide economic growth, however, was to stagnate or even decline this would probably also affect business development of the austriamicrosystems Group.

Due to the planned expansion of capacities from 3,900 to 5,200 WSPM in the new 200 mm line until the end of the second quarter 2004 and the entering into some significant agreements with international partners, the Group has the potential to participate in the expected development of the total market. The output, which was substantially increased due to further expansion of the new production line, is to improve the earnings potential of the austriamicrosystems Group in spite of the higher depreciation and operating and maintenance costs and further increases in energy, insurance and personnel costs.

5 Branch facilities

Currently, austriamicrosystems has branch facilities in Hong Kong, Singapore, Japan and Korea. Branches in China and Taiwan are planned.

Unterpremstaetten, March 19, 2004

Management Board


0%

CONTENT

FINANCIAL INFORMATION

I **CONSOLIDATED INCOME STATEMENT**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 42

II **CONSOLIDATED BALANCE SHEET**
AS OF DECEMBER 31, 2003, 2002 AND 2001 43

III **CONSOLIDATED CASH FLOW STATEMENT**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 44

IV **CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 45

V **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 46

GLOSSARY 76

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

In thousands of Euro (except earnings per share, which are in Euro)

	Note	2003	2002	2001
Revenues	1	134,352	129,180	148,217
Cost of sales		-80,734	-85,800	-90,564
Gross profit		**53,617**	**43,379**	**57,653**
Research and development	2	-30,900	-31,255	-25,512
Selling, general and administrative		-21,378	-21,177	-20,926
Other operating income	3	4,754	5,344	2,296
Other operating expense	4	-1,196	-2,728	-559
Impairment and restructuring	5	0	-86,359	-2,778
Result from operations		**4,898**	**-92,796**	**10,174**
Net financing cost	7	-5,276	-4,818	-2,669
Income/loss before tax		**-378**	**-97,613**	**7,505**
Income tax expense/benefit	8	934	36,607	-1,858
Net income/loss		**556**	**-61,006**	**5,647**
Basic = diluted earnings per share	24	0.19	-20.34	1.88

In thousands of Euro

	Note	2003	2002	2001
ASSETS				
Cash and cash equivalents	9	7,674	8,183	1,760
Short-term investments	10	7,258	0	0
Trade receivables	11	37,408	24,067	22,599
Inventories	12	24,447	16,773	17,811
Other receivables and assets	13	4,491	6,964	4,450
Total current assets		**81,278**	**55,987**	**46,621**
Property, plant and equipment	14	111,339	116,952	211,037
Intangible assets	15	11,451	8,430	5,354
Investments and securities	16	1,472	1,270	1,976
Deferred tax assets	17	45,415	44,448	7,710
Other long-term assets		54	48	75
Total non-current assets		**169,732**	**171,148**	**226,152**
Total assets		**251,010**	**227,135**	**272,773**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Interest-bearing loans and borrowings	18	39,189	34,188	37,182
Trade liabilities		9,840	15,312	32,730
Provisions	19	14,859	9,652	12,819
Other liabilities	21	12,202	8,709	7,043
Total current liabilities		**76,090**	**67,861**	**89,774**
Interest-bearing loans and borrowings	18	89,086	86,688	50,107
Employee benefits	22	7,202	6,697	5,958
Deferred government grants	20	9,574	0	0
Other long term liabilities	21	2,492	0	0
Total non-current liabilities		**108,355**	**93,386**	**56,065**
Shareholders' equity				
Issued capital	23	21,802	21,802	21,802
Share premium		54,017	53,836	53,836
Translation adjustment		-88	-28	12
Retained earnings		-9,166	-9,722	51,284
Total shareholders' equity and reserves		**66,565**	**65,888**	**126,934**
Total liabilities and shareholders' equity		**251,010**	**227,135**	**272,773**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

In thousands of Euro

	Note	2003	2002	2001
Operating activities		-378	-97,613	7,505
Income/loss before tax	14, 15	20,587	24,464	17,441
Depreciation (net of government grants)	5	0	78,270	2,778
Impairment loss		505	740	822
Changes in employee benefits	21	2,492	0	0
Changes in other long-term liabilities	3	-197	65	213
Gain/loss from sale of plant and equipment		0	0	-82
Gain/loss from sale of investments and securities		5,276	4,818	2,669
Net financing cost		-16,077	2,125	-3,766
Changes in current assets				
Changes in short-term operating liabilities and provisions		756	-4,150	1,730
Tax Payments		-32	-131	-830
Cash flows from operating activities		**12,932**	**8,588**	**28,480**
Investing activities				
Acquisition of intangibles, property, plant and equipment		-23,250	-32,849	-112,268
Government grants received		15,183	4,947	12,113
Acquisition of short-term investments		-7,543	0	0
Proceeds from sale of plant and equipment		820	220	365
Proceeds from the sale of investments		0	733	4,264
Interest received		438	601	951
Cash flows from investing activities		**-14,352**	**-26,348**	**-94,575**
Financing activities				
Proceeds from borrowings		23,794	55,641	64,595
Repayment of borrowings		-16,915	-25,477	-8,242
Repayment of finance lease liabilities		-643	-563	0
Interest paid		-5,429	-5,418	-3,312
Changes resulting from merger		104	0	0
Cash flows from financing activities		**911**	**24,183**	**53,041**
Net increase in cash and cash equivalents		-509	6,423	-13,054
Cash and cash equivalents at January 1		8,183	1,760	14,814
Cash and cash equivalents at December 31		**7,674**	**8,183**	**1,760**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

In thousands of Euro

	Issued capital	Additional paid-in capital	Translation adjustment	Retained earnings	Total shareholders' equity
Total equity as of January 1, 2001	**21,802**	**53,836**	**0**	**45,637**	**121,275**
Net income	0	0	0	5,647	5,647
Translation adjustment	0	0	12	0	12
Total equity as of December 31, 2001	**21,802**	**53,836**	**12**	**51,284**	**126,934**
Net income	0	0	0	-61,006	-61,006
Translation adjustment	0	0	-40	0	-40
Total equity as of December 31, 2002	**21,802**	**53,836**	**-28**	**-9,722**	**65,888**
Net income	0	0	0	556	556
Translation adjustment	0	0	-60	0	-60
Merger	0	182	0	0	182
Total equity as of December 31, 2003	**21,802**	**54,017**	**-88**	**-9,166**	**66,565**

Significant accounting policies

austriamicrosystems AG ("the Company") is a company located in Unterpremstaetten, 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, 2003, 2002 and 2001 represent the parent company austriamicrosystems AG and its subsidiaries (together referred to as "the Group").

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Committee.

(b) Basis of preparation

The financial statements are presented in Euro 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 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.

(II) Transactions eliminated on consolidation

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

(d) Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated into Euro 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 Euro at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the income statement. Amounts recognized in the income statement were a net loss of Euro 251 thousands, a net loss of Euro 907 thousands and a net gain of Euro 2,124 thousands in 2003, 2002 and 2001, respectively.

(II) Financial statements of foreign entities

The Group's foreign entities are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign entities are translated into Euro at foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated into Euro at rates approximating the foreign exchange rates prevailing on the dates of the transactions.

(e) Derivative financial instruments and hedging

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

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

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap 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 39.142 are met, all changes in the fair value of derivative financial instruments are recognized in the income statement.

(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 capitalised. Other subsequent expenditures are capitalised 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

(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.

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 capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. No such expenditures have been capitalized so far.

(II) Intangible assets acquired by the Group

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

(III) Subsequent expenditures

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

(IV) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the assets. The estimated useful life is from 3 – 10 years.

(i) Investments in securities

Investments in securities held by the Group are classified as available-for-sale and are stated at fair value, with any resultant gain or loss recognized in the income statement. The fair value of investments held for trading and investments available-for-sale is their quoted bid price at the balance sheet date.

(j) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses (refer to accounting policy m).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable 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 first-in first-out 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.

(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. Impairment losses are recognized in the income statement.

(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, discounted at the original effective interest rate inherent in the asset. Short-term receivables are not discounted.

The recoverable amount of other assets is the higher of their net selling price 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 assessments of the time value of money and the 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 amortisation, if no impairment loss had been recognized.

(n) Dividends

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

(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 amortised 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 labour 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.

(III) Other long-term employee benefits

All employees are eligible for long-term service benefits. Under this plan, eligible employees receive a cash bonus after a specified service period. The bonus 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

The board approved a Stock Option Plan for the purposes of providing stock options to key employees of the Company and its subsidiaries on October 31, 2002. At a strike price of Euro 18 per share, 45,910 and 11,330 options were granted in 2002 and 2003, respectively. One option entitles the holder to receive one share of the Company. On the first day of issue, 33% of the options may be exercised, 33% one year later and 33% after two years. However, the earliest possible date of exercise is the first day that the Company's shares are traded on a recognized Stock Exchange or following a trade sale. The latest possible exercise date is January 1, 2012. The Company has concluded an agreement with its parent company, AMS Holding s.à.r.l, Luxembourg, under which the issued options can be purchased from the parent at an agreed upon price of Euro 18 per share. Due to this agreement, no amounts were recognized in the balance sheet and income statement.

(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) Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Costs relating to the ongoing activities of the Group are not provided for.

(III) 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 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 when 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 based on the increase of capital expenditures made during a business year. This grant is paid through a credit to the Company's income tax account and is presented on the balance sheet as deferred income. Recognition of this income matches 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 on a straight-line basis over the lease term. Lease incentives received are recognized in the income statement as an integral part of the total lease payments made.

(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.

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 or loss 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 which case it is recognized in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 we show manufacturing for the "Products" segment as well as for third party foundry customers. The secondary reporting format is structured by the three regions in which 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 an arm's length 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 location of customers. Segment assets are based on the geographical location of the assets.

Segment reporting and revenues (continued)

Business segments

In thousands of Euro

	Products			Foundry & Other		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Revenue from external customers	114,239	109,115	115,806	20,113	20,065	32,411
Inter-segment revenue				63,386	59,464	65,674
Total revenue	**114,239**	**109,115**	**115,806**	**83,498**	**79,529**	**98,085**
EBIT (profit/loss from operations)	**5,835**	**11,400**	**4,403**	**-937**	**-104,195**	**5,771**
Net financing cost						
Income tax expense						
Net profit/loss for the year						
Segment assets						
Capital expenditure	32,723	20,594	23,118	218,287	206,540	249,655
(net of government grants)	71	995	1,494	18,604	11,016	123,054
Depreciation (net of government grants)	702	878	811	19,885	101,856	19,408
Thereof impairment charge					78,270	2,778

	Eliminations			Consolidated		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Revenue from external customers				134,352	129,180	148,217
Inter-segment revenue	-63,386	-59,464	-65,674	0	0	0
Total revenue	**-63,386**	**-59,464**	**-65,674**	**134,352**	**129,180**	**148,217**
EBIT (profit/loss from operations)				**4,898**	**-92,796**	**10,174**
Net financing cost						
Income tax expense				-5,276	-4,818	-2,669
Net profit/loss for the year				934	36,607	-1,858
Segment assets				**556**	**-61,006**	**5,647**
Capital expenditure				**251,010**	**227,135**	**272,773**
(net of government grants)				**18,675**	**12,011**	**124,548**
Depreciation (net of government grants)				**20,587**	**102,734**	**20,219**
Thereof impairment charge					78,270	2,778

Geographical segments

In thousands of Euro

	EMEA			AMERICAS		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Revenue from external customers	112,214	97,757	115,606	16,808	22,969	22,021
Segment assets	250,656	226,774	272,299	338	352	474
Capital expenditure (net of government grants)	18,666	11,991	124,524	1	9	24

	ASIA/PACIFIC			Consolidated		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Revenue from external customers	5,330	8,454	10,590	**134,352**	**129,180**	**148,217**
Segment assets	16	9	0	**251,010**	**227,135**	**272,773**
Capital expenditure (net of government grants)	9	10	0	**18,675**	**12,011**	**124,548**

Segment reporting and revenues (continued)

In thousands of Euro

	2003	2002	2001
Revenues from production	120,646	112,904	128,218
Revenues from research and development projects	13,706	16,276	19,999
	134,352	**129,180**	**148,217**
Thereof revenues from Bill & Hold transactions	4,739	0	0

Revenues from research and development projects relate to research and development expenses as outlined under Note 2.

2. Research and development

In thousands of Euro

	2003	2002	2001
Personnel expense	10,020	11,303	10,251
Material	7,920	9,398	6,386
Provisions for loss contracts	5,498	2,565	1,817
Software licenses	3,417	3,187	2,688
Purchased Services	2,156	2,328	1,487
Depreciation and amortization	1,464	1,946	1,958
Other	425	527	926
	30,900	**31,255**	**25,512**

3. Other operating income

In thousands of Euro

	2003	2002	2001
Government grants related to R&D expenses	1,960	2,417	1,541
Other government grants related to expenses	395	0	0
Amortization of government grants related to assets	500	0	0
Reversal of provisions	838	1,418	0
Insurance refunds	274	789	425
Gain from disposal of assets	197	286	213
Other	589	434	117
	4,754	**5,344**	**2,296**

4. Other operating expense

In thousands of Euro

	2003	2002	2001
Accruals for product related claims	1,050	469	0
Allowance for bad debts	101	906	471
Damages	0	1,272	0
Other	45	81	88
	1,196	**2,728**	**559**

Expenses from damages related to the new production line in 2002 have been recovered from insurance contracts in an amount of Euro 709 thousands.

5. Impairment and restructuring

In thousands of Euro

	2003	2002	2001
Impairment	0	78,270	2,778
Restructuring	0	8,089	0
	0	**86,359**	**2,778**

In 2001, due to cost improvement considerations, management decided to close the plastic assembly line used for microchip packaging. An amount of Euro 2,778 thousands was recognized as an impairment expense in the 2001 income statement.

In 2002, austriamicrosystems was hit by the global downturn in the semiconductor industry and had to accept a decrease in sales of 13%. The Company decided to undergo a restructuring program and to reassess the recoverable amount of certain production assets. The restructuring program comprised a reduction in headcount, cost reductions, changes in management and operational and organisational improvements in the company.

The employment contract of the former CEO was terminated. As a result, a lawsuit was filed against the Company for severance payments as well as for salary and bonuses up until the end of his contracted term. As of December 31, 2003 and 2002, the Company has recognized a provision for the estimated expenditures required to settle these claims.

The new management engaged an external consultant to verify the future usability of FAB B, the wafer manufacturing facility completed in 2002. As a result, the carrying amount of FAB B was reduced to its recoverable amount, which was determined by its value in use. Value in use was measured based on discounted future cash flows expected to be derived from the continuing use of FAB B and its ultimate disposal, applying a discount rate of 8.5%. The resulting impairment loss amounted to Euro 78,270 thousands.

6. Personnel expense

In thousands of Euro

	2003	2002	2001
Wages and salaries	36,858	38,923	41,135
Compulsory social security contributions	9,277	9,724	10,247
Contributions to defined contribution plans	10	0	0
Increase in provision for severance payments	416	1,940	1,242
Increase in provision for long-service benefits	185	164	68
Other employee benefits	230	280	215
	46,976	**51,031**	**52,907**
Average number of employees	808	861	933

7. Net financing cost

In thousands of Euro

	2003	2002	2001
Interest expense	5,480	5,410	3,719
Interest income	-439	-603	-954
Available-for-sale investments			
Gain on disposal	0	0	-132
Revaluation to fair value	267	22	23
Derivative financial instruments			
Revaluation to fair value	-32	-11	11
	5,276	**4,818**	**2,669**

8. Income tax expense/benefit

Recognized in the income statement

In thousands of Euro

	2003	2002	2001
Current tax expense			
Current year	75	131	166
Under/(over) provided in prior years	-43	0	664
	32	**131**	**830**
Deferred tax expense/benefit			
Origination and reversal of temporary differences	25,605	-25,635	1,046
Benefit of tax losses recognized	-26,571	-11,103	-17
	-966	**-36,738**	**1,028**
Total income tax expense/benefit in income statement	**-934**	**-36,607**	**1,858**

Reconciliation of effective tax expense

In thousands of Euro

	2003	2002	2001
Income/loss before tax	**-378**	**-97,613**	**7,505**
Income tax using the domestic income tax rate (34%)	-128	-33,189	2,552
Reconciliation to effective tax expense			
Non taxable income	-170	-41	0
Tax incentives (mainly related to R&D)	-685	-2,177	-1,368
Effect of tax rates in foreign jurisdictions	-38	-14	-3
Change in tax status for severance payments	0	-1,204	0
Under/(over) provided in prior years	-43	0	664
Non-deductible expense	58	15	10
Other	72	3	4
	-934	**-36,607**	**1,858**

9. Cash and cash equivalents

In thousands of Euro

	2003	2002	2001
Bank deposits	7,668	8,168	1,750
Cash on hand	6	15	10
	7,674	**8,183**	**1,760**

10. Short-term investments

Short-term investments comprise of available-for-sale investments in market money funds. Their acquisition cost amounted to Euro 7,543 thousands and the change in their market value of Euro 285 thousands is recognized in net financing cost. Interest income amounted to Euro 212 thousands.

11. Trade receivables, net

In thousands of Euro

	2003	2002	2001
Gross	37,956	25,210	23,186
Allowance for bad debt	-548	-1,143	-587
	37,408	**24,067**	**22,599**

Allowance for bad debt developed as follows:

In thousands of Euro

	2003	2002	2001
Balance at the beginning of the period	1,143	587	685
Consumption	-689	-198	-539
Reversal	-77	-153	-144
Additions	171	907	585
Balance at the end of the period	548	1,143	587

12. Inventories

In thousands of Euro

	2003	2002	2001
Unfinished goods	16,680	9,499	9,649
Finished goods	4,080	5,074	4,030
Raw materials and supplies	2,457	1,200	2,042
Work in progress	1,230	999	2,091
	24,447	**16,773**	**17,811**

Inventories stated at net realizable value were Euro 2,045 thousands, 2,037 thousands and 1,883 thousands in 2003, 2002 and 2001, respectively.

13. Other receivables and assets

In thousands of Euro

	2003	2002	2001
Government grants related to assets	1,861	5,108	0
Government grants related to R&D expenses	1,183	271	532
Amounts due from tax authorities	853	350	2,573
Prepaid expenses	169	1,125	409
Derivative financial instruments at fair value	32	0	451
Other	393	110	485
	4,491	**6,964**	**4,450**

14. Property, plant and equipment

In thousands of Euro

	Land and buildings	Plant and equipment	Fixtures and equipment	Under construction	Government grants	Total
Cost						
Balance at January 1, 2003	**63,429**	**256,851**	**24,620**	**22,028**	**-22,901**	**344,027**
Effect of movements in foreign exchange rates	0	0	-57	0	0	-57
Additions	79	10,875	851	2,067	-1,861	12,012
Transfers	-160	21,883	2	-21,885	160	0
Disposals	-8	-8,140	-683	-143	0	-8,974
Balance at December 31, 2003	**63,341**	**281,470**	**24,733**	**2,067**	**-24,602**	**347,009**
Depreciation and impairment losses						
Balance at January 1, 2003	**32,337**	**177,283**	**18,864**	**11,344**	**-12,753**	**227,076**
Effect of movements in foreign exchange rates	0	0	-33	0	0	-33
Depreciation charge for the year	1,797	13,621	2,784	0	-1,194	17,008
Transfers	0	11,344	0	-11,344	0	0
Impairment losses	0	0	0	0	0	0
Disposals during the year	-8	-7,732	-641	0	0	-8,381
Balance at December 31, 2003	**34,127**	**194,516**	**20,974**	**0**	**-13,947**	**235,669**
Carrying amount						
at January 1, 2003	**31,092**	**79,569**	**5,756**	**10,684**	**-10,149**	**116,952**
at December 31, 2003	**29,214**	**86,954**	**3,760**	**2,067**	**-10,655**	**111,339**
Cost						
Balance at January 1, 2002	**26,983**	**144,068**	**21,273**	**168,195**	**-12,846**	**347,673**
Effect of movements in foreign exchange rates	0	0	-11	0	0	-11
Additions	869	8,589	796	4,948	-10,056	5,146
Transfers	35,577	107,114	4,604	-151,115	0	-3,820
Disposals	0	-2,919	-2,041	0	0	-4,960
Balance at December 31, 2002	**63,429**	**256,851**	**24,620**	**22,028**	**-22,901**	**344,027**
Depreciation and impairment losses						
Balance at January 1, 2002	**12,500**	**108,749**	**15,578**	**0**	**-192**	**136,636**
Effect of movements in foreign exchange rates	0	0	-7	0	0	-7
Depreciation charge for the year	1,610	19,282	3,063	0	-2,132	21,824
Transfers	0	0	0	0	0	0
Impairment losses	18,227	52,170	1,986	11,344	-10,429	73,298
Disposals during the year	0	-2,919	-1,756	0	0	-4,675
Balance at December 31, 2002	**32,337**	**177,283**	**18,864**	**11,344**	**-12,753**	**227,076**
Carrying amount						
at January 1, 2002	**14,483**	**35,318**	**5,695**	**168,195**	**-12,654**	**211,037**
at December 31, 2002	**31,092**	**79,569**	**5,756**	**10,684**	**-10,149**	**116,952**

	Land and buildings	Plant and equipment	Fixtures and equipment	Under construction	Government grants	Total
Cost						
Balance at January 1, 2001	**26,209**	**142,341**	**19,106**	**52,471**	**-7,193**	**232,934**
Effect of movements in foreign exchange rates	0	0	16	0	0	16
Additions	813	7,457	3,933	115,724	-5,653	122,275
Transfers	0	0	0	0	0	0
Disposals	-39	-5,731	-1,782	0	0	-7,552
Balance at December 31, 2001	**26,983**	**144,068**	**21,273**	**168,195**	**-12,846**	**347,673**
Depreciation and impairment losses						
Balance at January 1, 2001	**11,689**	**98,618**	**15,122**	**0**	**0**	**125,429**
Effect of movements in foreign exchange rates	0	0	11	0	0	11
Depreciation charge for the year	840	12,534	2,210	0	-192	15,391
Transfers	0	0	0	0	0	0
Impairment losses	0	2,778	0	0	0	2,778
Disposals during the year	-28	-5,181	-1,765	0	0	-6,974
Balance at December 31, 2001	**12,500**	**108,749**	**15,578**	**0**	**-192**	**136,636**
Carrying amount						
at January 1, 2001	**14,521**	**43,723**	**3,984**	**52,471**	**-7,193**	**107,505**
at December 31, 2001	**14,483**	**35,318**	**5,695**	**168,195**	**-12,654**	**211,037**

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each lease the Group has the option to purchase the equipment at a beneficial price. At December 31, 2003 the net carrying amount of leased plant and machinery was Euro 3,891 thousands (2002: Euro 3,422 thousands, 2001: Euro 0). The leased equipment secures the lease obligations.

At the end of 2003, the Company entered into a sale and leaseback agreement regarding computer hardware and related services effective January 1, 2004. This lease contract contains a minimum lease term of 10 years. Due to the fact that this lease is classified as a finance lease, the related assets were not removed from the balance sheet. At December 31, 2003, payments in connection with the purchase of the assets amounting to Euro 3,072 thousands have already been received and are included in other liabilities. No gain or loss resulted from this transaction.

As of December 31, 2003, commitments for the acquisition of property, plant and equipment and intangible assets amounted to Euro 4,924 thousands.

For the government grants recognized in 2003, 2002 and 2001, certain conditions such as evidence of the actual costs incurred and a future minimum number of employees apply.

15. Intangible assets

In thousands of Euro

	Patents & licences	Under construction	Total
Cost			
Balance at January 1, 2003	**20,611**	**4,611**	**25,222**
Effect of movements in foreign exchange rates	0	0	0
Additions	6,649	14	6,663
Transfers	3,494	-3,494	0
Disposals	-164	0	-164
Balance at December 31, 2003	**30,590**	**1,131**	**31,721**
Amortisation and impairment losses			
Balance at January 1, 2003	**14,417**	**2,375**	**16,792**
Effect of movements in foreign exchange rates	0	0	0
Depreciation charge for the year	3,579	0	3,579
Transfers	1,799	-1,799	0
Disposals during the year	-101	0	-101
Balance at December 31, 2003	**19,694**	**576**	**20,270**
Carrying amount			
at January 1, 2003	**6,195**	**2,235**	**8,430**
at December 31, 2003	**10,896**	**555**	**11,451**
Cost			
Balance at January 1, 2002	**14,537**	**0**	**14,537**
Effect of movements in foreign exchange rates	0	0	0
Additions	3,130	3,735	6,865
Transfers	2,945	876	3,820
Disposals	0	0	0
Balance at December 31, 2002	**20,611**	**4,610**	**25,221**
Amortisation and impairment losses			
Balance at January 1, 2002	**9,183**	**0**	**9,183**
Effect of movements in foreign exchange rates	0	0	0
Depreciation charge for the year	2,637	0	2,637
Transfers	2,597	2,375	4,972
Disposals during the year	0	0	0
Balance at December 31, 2002	**14,416**	**2,375**	**16,792**
Carrying amount			
at January 1, 2002	**5,354**	**0**	**5,354**
at December 31, 2002	**6,195**	**2,235**	**8,430**

	Patent & Licence	Under Construction	Total
Cost			
Balance at January 1, 2001	**12,276**	**0**	**12,276**
Effect of movements in foreign exchange rates	0	0	0
Additions	2,273	0	2,273
Disposals	-12	0	-12
Balance at December 31, 2001	**14,537**	**0**	**14,537**
Amortisation and impairment losses			
Balance at January 1, 2001	**7,141**	**0**	**7,141**
Depreciation charge for the year	2,054	0	2,054
Disposals during the year	-12	0	-12
Balance at December 31, 2001	**9,183**	**0**	**9,183**
Carrying amount			
at January 1, 2001	**5,135**	**0**	**5,135**
at December 31, 2001	**5,354**	**0**	**5,354**

The amortisation charge is included in other operating expense.

16. Investments

In thousands of Euro

	2003	2002	2001
Non-current investments			
Marketable securities available-for-sale, at cost	1,359	1,359	2,118
Change in fair value (realized)	-128	-145	-198
Marketable securities available-for-sale, at fair value	1,231	1,214	1,920
Shares in affiliated companies	241	56	56
	1,472	**1,270**	**1,976**

17. Deferred tax assets

Deferred tax assets are attributable to the following items:

In thousands of Euro

	2003	2002	2001
Property, plant and equipment	-80	24,045	89
Intangible assets	0	1,691	0
Investments	1,005	1,920	2,918
Receivables	233	279	-401
Employee benefits	2,239	2,180	436
Liabilities	-291	-309	-161
Provisions	-41	-1,138	153
Tax value of loss carry-forwards	42,350	15,779	4,676
Tax assets	**45,415**	**44,448**	**7,710**

The tax losses in Austria and the deductible temporary differences do not expire under current tax legislation.

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

The Austrian Government has announced to reduce the corporate income tax rate from 34% currently to 25%, effective from January 1, 2005. According to IAS 12, deferred tax amounts have been measured using the 34% tax rate. Deferred tax assets/liabilities will decrease by Euro 12,021 thousands if measured at the tax rate of 25%.

18. Interest-bearing loans and borrowings

In thousands of Euro

	2003	2002	2001
Non-current liabilities			
Secured bank loans	86,086	83,829	50,107
Finance lease liabilities	3,000	2,859	0
	89,086	**86,688**	**50,107**
Current liabilities			
Current portion of secured bank loans	38,289	33,574	21,667
Current portion of finance lease liabilities	891	563	0
Unsecured bank facility	9	51	15,515
	39,189	**34,188**	**37,182**

Terms and debt repayment schedule
2003

In thousands of Euro

	Total	1 year or less	2-5 years	More than 5 years
Capital investment loans				
Euro – fixed rate loan	30,300	5,592	23,255	1,453
Euro – floating rate loan	66,047	12,592	53,455	0
R & D loans				
Euro – fixed rate loan	3,753	1,466	2,287	0
Euro – floating rate loan	7,560	1,924	5,636	0
Export loan				
Euro – floating rate loan	16,715	16,715	0	0
Finance lease liabilities				
Euro – floating rate loan	3,891	891	3,000	0
Bank overdrafts				
Euro – floating rate loan	9	9	0	0
	128,275	**39,189**	**87,633**	**1,453**

2002

In thousands of Euro

	Total	1 year or less	2-5 years	More than 5 years
Capital investment loans				
Euro – fixed rate loan	32,239	1,938	23,034	7,267
Euro – floating rate loan	58,734	12,540	41,906	4,288
R & D loans				
Euro – fixed rate loan	3,160	196	2,964	0
Euro – floating rate loan	6,555	2,185	4,370	0
Export loan				
Euro – floating rate loan	16,715	16,715	0	0
Finance lease liabilities				
Euro – floating rate loan	3,422	563	2,331	528
Bank overdrafts				
Euro – floating rate loan	51	51	0	0
	120,876	**34,188**	**74,605**	**12,083**

2001

In thousands of Euro

	Total	1 year or less	2-5 years	More than 5 years
Capital investment loans				
Euro – fixed rate loan	34,764	2,932	18,751	13,081
Euro – floating rate loan	12,052	0	8,035	4,017
R & D loans				
Euro – fixed rate loan	2,279	121	2,158	0
Euro – floating rate loan	5,964	1,899	4,065	0
Export loan				
Euro – floating rate loan	16,715	16,715	0	0
Finance lease liabilities				
Euro – floating rate loan	0	0	0	0
Bank overdrafts				
Euro – floating rate loan	15,515	15,515	0	0
	87,289	**37,182**	**33,009**	**17,098**

The bank loans are secured as follows:

In thousands of Euro

	2003	2002	2001
Registered mortgages on land	20,000	0	0
Registrable mortgages	96,422	116,422	116,422
Securities pledged	810	1,064	1,809
Assignment of debt	20,058	20,058	20,058

In addition, the machinery of FAB B serves as collateral for bank loans.

Finance lease liabilities

In thousands of Euro

	2003			2002			2001		
	Payments	Interest	Principal	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	1,070	179	891	692	129	563	0	0	0
Between one and five years	3,239	239	3,000	2,593	262	2,331	0	0	0
More than five years	0		0	543	15	528	0	0	0
	4,309	**418**	**3,891**	**3,828**	**406**	**3,422**	**0**	**0**	**0**

Under the terms of the lease agreements, no contingent rental fees are payable.

19. Provisions

In thousands of Euro

	Warranties	Onerous contracts	Other personnel provisions	other	Total
Balance at January 1, 2003	216	4,783	4,653	0	**9,652**
Provisions made during the year	2,196	6,045	965	0	**9,206**
Provisions used during the year	0	-1,463	-1,295	0	**-2,758**
Provisions reversed during the year	0	-1,241	0	0	**-1,241**
Balance at December 31, 2003	**2,412**	**8,124**	**4,323**	**0**	**14,859**

In thousands of Euro

	Warranties	Onerous contracts	Other personnel provisions	other	Total
Balance at January 1, 2002	492	4,277	4,002	4,048	**12,819**
Provisions made during the year	0	3,634	4,187	0	**7,821**
Provisions used during the year	-276	-1,685	-3,536	-4,048	**-9,545**
Provisions reversed during the year	0	-1,443	0	0	**-1,443**
Balance at December 31, 2002	**216**	**4,783**	**4,653**	**0**	**9,652**

In thousands of Euro

	Warranties	Onerous contracts	Other personnel provisions	other	Total
Balance at January 1, 2001	450	5,430	2,577	525	**8,982**
Provisions made during the year	426	3,071	3,637	4,048	**11,182**
Provisions used during the year	-384	-811	-2,212	-525	**-3,932**
Provisions reversed during the year	0	-3,413	0	0	**-3,413**
Balance at December 31, 2001	**492**	**4,277**	**4,002**	**4,048**	**12,819**

As of December 31, 2001, an amount of Euro 4,000 thousands shown as other provisions related to derivatives which were settled during 2002.

20. Deferred government grants

In 2003, in connection with the construction of FAB B, the Company applied for a government grant. This grant awards the Company for the increase in capital expenditure over those of the previous year. In 2003 the Company received Euro 10,074 thousands. According to accounting policy s the grant is accounted for as deferred income and recognized as a reduction of depreciation in line with the average depreciation charge for the underlying assets. The reduction in depreciation recognized in 2003 amounted to Euro 500 thousands.

21. Other liabilities

In thousands of Euro

	Current			Non current		
	2003	2002	2001	2003	2002	2001
Prepayment from sale and lease back transaction	3,072	0	0	0	0	0
Accrued vacation days	2,907	2,719	2,663	0	0	0
Liabilities from licence agreements	1,401	0	888	2,492	0	0
Deferred income	1,464	359	650	0	0	0
Employee related liabilities	1,172	1,402	922	0	0	0
Accrued expenses	1,877	3,563	1,815	0	0	0
Other	309	666	105	0	0	0
	12,202	**8,709**	**7,043**	**2,492**	**0**	**0**

22. Employee benefits

Movements in the net liability recognized in the balance sheet:

In thousands of Euro

	2003		2002		2001	
	Severance payments	Long-service benefits	Severance payments	Long-service benefits	Severance payments	Long-service benefits
Present value of obligation (DBO) 1/1	6,044	653	5,469	489	4,714	421
Expense recognized in the income statement	416	185	1,940	164	1,242	68
Payments during the year	-96	0	-1,365	0	-487	0
Present value of obligation (DBO) 12/31	**6,364**	**838**	**6,044**	**653**	**5,469**	**489**

Expense recognized in the income statement

In thousands of Euro

	2003		2002		2001	
Current service cost	643	65	595	59	500	52
Interest on obligation	294	33	244	24	213	21
Actuarial gain/loss	-521	87	1,102	81	529	-5
	416	**185**	**1,940**	**164**	**1,242**	**68**

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

In thousands of Euro

	2003		2002		2001	
Cost of sales	204	91	951	80	609	33
Selling, general and administrative expenses	108	48	504	43	323	18
Research and development	104	46	485	41	311	17
	416	**185**	**1,940**	**164**	**1,242**	**68**

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

	2003	2002	2001
Discount rate at December 31	5%	5%	5%
Future salary increases	3%	3%	3%
Fluctuation < 40 years of age	8%	8%	8%
Fluctuation > 40 years of age	2%	2%	2%
Retirement age - women	56.5-60	57	57
Retirement age - men	61.5-65	62	62

23. Shareholders' equity

Share capital and share premium

In thousands of Euro

	2003	2002	2001
Share capital	21,802	21,802	21,802
Additional paid-in capital	54,017	53,836	53,836
	75,819	**75,638**	**75,638**

The authorized share capital comprises 3,000,000 ordinary shares (2002: 3,000,000, 2001: 3,000,000). All shares have no notional par value and are fully paid-in.

In 2000, the executive board has been authorized to issue an additional 1,500,000 non-par value shares. These new shares may only be issued for cash. The authorization will expire in 2005.

The executive board has been authorized to issue convertible bonds and/or warrants by May 3, 2005. To cover obligations in connection with the conversion of the bonds, the executive board has been authorized to issue up to 750,000 additional ordinary shares.

Effective September 30, 2003, Aspern Industrie Beteiligung und Beratung AG, the parent company of austriamicrosystems AG was downstream merged into the Company. This transaction resulted in a contribution of net assets amounting to Euro 182 thousands and was presented as additional paid-in capital. The merger was registered on January 16, 2004.

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 (HGB) 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 that are not integral to the operation of the Company.

24. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of 3,000,000 (2002: 3,000,000, 2001: 3,000,000) ordinary shares.

Net profit/loss attributable to ordinary shareholders

In Euro

	2003	2002	2001
Net profit/loss for the year	556,410.57	-61,006,024.29	5,646,506.27
Number of shares outstanding	3,000,000	3,000,000	3,000,000
Earnings per share	0.19	-20.34	1.88

Since there are no potential ordinary shares, dilutive earnings per share equal basic earnings per share.

25. 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 as well as interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Derivative instruments are used to hedge risks associated with exchange rate and interest rate fluctuations.

All hedging activities are carried out centrally by the Group treasury department. In connection with these financial instruments, renowned national and international financial institutions provide the Group with advisory services. The creditworthiness of these institutions is continually assessed by ratings agencies.

Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect to financial assets.

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 fluctuation in value of financial instruments due to changes in market interest rates - arises in relation to medium- and long-term receivables and payables. The Group adopts a policy of ensuring that a significant portion of its exposure due to changes in interest rates is on a fixed rate basis. austriamicrosystems entered into an interest-rate swap agreement on October 17, 2003, effective from January 1, 2004 until December 31, 2004. Through this transaction, the variable 3-month EURIBOR is offset against the variable CHF-LIBOR.

Foreign currency risk
Foreign currency risks result from the Group´s extensive buying and selling of products outside of Austria. As a result, significant cash flows from operating activities (e.g. trade receivables and payables) denominated in foreign currencies are hedged. These hedges concern primarily transactions in US dollar and Japanese yen.

In order to avoid currency risk, the Company 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.

As per December 31, 2001 and December 31, 2003 respectively, austriamicrosystems holds various foreign currency swaps and options to minimize its foreign currency exposure in respect of trade receivables, trade payables and forecasted purchase commitments.

As of December 31, 2003 and 2001, the nominal amounts and fair values of derivative financial instruments are as follows:

	Currency	12 | 31 | 2003 Nominal amount (in millions)	12 | 31 | 2001 Nominal amount (in millions)	12 | 31 | 2003 Fair value (in thousands of Euro)	12 | 31 | 2001 Fair value (in thousands of Euro)
Interest-rate swap					
Liability	EUR	16.5	0	-60	0
Currency forward transaction					
Asset	USD	0	40	0	451
Asset	JPY	472.8	0	6	0
Liability	USD	0	20	0	-462
Liability	JPY	777.8	0	-130	0
Cross-currency swap					
Asset	USD	2.7	0	26	0
Liability	USD	0	35	0	-4,000

There were no outstanding derivative financial instruments as of December 31, 2002. The remaining term of all derivative financial instruments is less than 1 year.

25. Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

In thousands of Euro

	2003				2002			
	Effective interest	0-1 years	2-5 years	More than 5 years	Effective interest	0-1 years	2-5 years	More than 5 years
Capital investment loans								
Euro – fixed rate loan	5.56%	5,592	23,255	1,453	5.31%	1,938	23,034	7,267
Euro – floating rate loan	4.22%	12,592	53,455	0	5.38%	12,540	41,906	4,288
R & D loans								
Euro – fixed rate loan	2.57%	1,466	2,287	0	2.73%	196	2,964	0
Euro – floating rate loan	2.54%	1,924	5,636	0	3.76%	2,185	4,370	0
Export loan								
Euro – floating rate loan	2.15%	16,715	0	0	3.35%	16,715	0	0
Finance lease liabilities								
Euro – floating rate loan	5.79%	891	3,000	0	4.32%	563	2,331	528
Bank overdrafts								
Euro – floating rate loan	5.03%	9	0	0	7.03%	51	0	0
		39,189	**87,633**	**1,453**		**34,188**	**74,605**	**12,083**

	2001			
	Effective interest	0-1 years	2-5 years	More than 5 years
Capital investment loans				
Euro – fixed rate loan	5.08%	2,932	18,751	13,081
Euro – floating rate loan	5.49%	0	8,035	4,017
R & D loans				
Euro – fixed rate loan	2.82%	121	2,158	0
Euro – floating rate loan	4.25%	1,899	4,065	0
Export loan				
Euro – floating rate loan	3.63%	16,715	0	0
Finance lease liabilities				
Euro – floating rate loan	-	0	0	0
Bank overdrafts				
Euro – floating rate loan	3.73%	15,515	0	0
		37,182	**33,009**	**17,098**

25. Financial instruments (continued)

Fair values

The fair values of the following financial instruments differ from their carrying amounts shown in the balance sheet:

In thousands of Euro

	2003		2002		2001	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Capital investment loans						
Euro – fixed rate loan	30,300	30,278	32,239	31,937	34,764	33,455
Euro – floating rate loan	66,047	65,764	58,734	59,051	12,052	12,227
R & D loans						
Euro – fixed rate loan	3,753	3,606	3,160	2,986	2,279	2,108
Euro – floating rate loan	7,560	7,267	6,555	6,401	5,964	5,888
Export loan						
Euro – floating rate loan	16,715	16,715	16,715	16,715	16,715	16,715
Finance lease liabilities						
Euro – floating rate loan	3,891	4,252	3,422	3,785	0	0
Bank overdrafts						
Euro – floating rate loan	9	9	51	51	15,515	15,515
	128,275	**127,891**	**120,876**	**120,926**	**87,289**	**85,908**
Unrecognized (loss)/gain		(384)		(50)		(1,381)

Fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of Euro

	2003	2002	2001
Less than one year	1,493	1,303	1,052
Between one and five years	6,664	5,885	5,794
More than five years	3,600	4,272	5,100
	11,757	**11,460**	**11,946**

Certain of the Group's subsidiaries lease office space. In addition, the Group leases the gas farm as well es automobiles under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals. None of the leases includes contingent rentals.

27. Contingencies

Based on management estimate, deliveries to a customer amounting to Euro 1,037 thousands, Euro 987 thousands and Euro 725 thousands in 2003, 2002 and 2001, respectively, representing around 50% of the entire unpaid amount, were not recognized as revenue due to uncertainties regarding collectibility.

28. Related parties

Identity of related parties

The Company has a related party relationship with:
- the Company's Executive Officers (CEO, CFO, COO [up to December 31, 2002])
- the members of the Company's Supervisory Board (Aufsichtsrat)
- the Company's controlling shareholder (AMS Holding s.à.r.l.)

Remuneration of the Company's Executive Officers amounted to Euro 428 thousands (2002: Euro 994 thousands, 2001: Euro 856 thousands.). The remuneration of the company's Supervisory board amounted to Euro 17 thousands (2002: Euro 25 thousands, 2001: Euro 26 thousands.) The Company has entered into consulting agreements with several members of the Supervisory Board and the Company's controlling shareholder. Based on these agreements, the company paid to the advisors Euro 104 thousands, Euro 245 thousands and Euro 68 thousands in 2003, 2002 and 2001, respectively. These consulting agreements have been terminated in February 2004.
The Company's Executive Officers hold 65,000 shares as of December 31, 2003 (50,000 shares as of December 31, 2002).

29. Subsequent events

At the meeting of the supervisory board on February 20, 2004, the Company's Executive Officers were authorized to increase the Company's share capital by Euro 50 to 100 million and to prepare the necessary steps for the issuance of the respective shares.

30. Group enterprises

	Accounting method	Country of incorporation	Ownership interest		
			2003	2002	2001
austriamicrosystems UK, Ltd.	at cost	U. K.	100%	100%	100%
austriamicrosystems Germany GmbH	consolidated	Germany	100%	100%	100%
austriamicrosystems France s.à.r.l.	consolidated	France	100%	100%	100%
austriamicrosystems Italy S.r.l.	consolidated	Italy	100%	100%	100%
austriamicrosystems USA, Inc.	consolidated	USA	100%	100%	100%
Austria Mikro Systeme International Fejleszto es Forgalmazo KFT	at cost	Hungary	100%	100%	100%
Austria Mikro Systeme International Ltd.	at cost	China	100%	100%	100%
Austria Mikro Systeme International S. L.	at cost	Spain	100%	100%	100%
austriamicrosystems Switzerland AG	consolidated	Switzerland	100%	100%	100%
Ciss - Consulting Integrierte Schaltungen und Software GmbH (liquidated in 2002)	at cost	Austria	–	–	100%

Group enterprises accounted for at cost are either in liquidation or have ceased operations and are not material individually and on an aggregated basis.

31. Additional disclosures in accordance with § 245a Austrian Commercial Code (HGB)

Significant differences between International Financial Reporting Standards and the Austrian Commercial Code (HGB)

Leases
According to IAS 17, recognition of a leased asset in the balance sheet by either the lessor or the lessee is made in accordance with the assignment of all essential risks and rewards. In this respect, IFRS rules are to a greater extent based on economic facts than HGB. Consequently, certain leased assets are recognized in the balance sheet of the lessee under IFRS while they remain recognized in the balance of the lessor according to HGB.

Inventory
In accordance with IAS 2, inventories are stated at the lower of cost or net realisable value. Manufacturing costs comprise all production-related variable and fixed costs. According to Austrian GAAP, inventories are generally recognized at the lower of cost, replacement cost and net realisable value. Manufacturing costs may not include overhead costs.

Deferred taxes
In accordance with IAS 12, deferred tax assets and liabilities should be recognized for all temporary differences arising between the tax basis and the financial reporting basis of assets and liabilities. Furthermore, IAS 12 requires the recognition of deferred tax assets for tax loss carry-forwards, if it is probable that they can be used against future taxable income. According to Austrian GAAP, deferred tax liabilities must be recognized for expected future tax liabilities. Deferred tax assets may be recognized for expected future tax benefits resulting from timing differences. Deferred tax assets on tax loss carry-forwards are not allowed under Austrian GAAP.

Foreign currency translation
Under IAS 21, gains and losses arising from foreign currency transactions are recognized in the income statement. Austrian GAAP does not allow recognition of unrealized gains from currency translations.

Impairment
The impairment loss of FAB B was recognized in the IFRS financial statements in 2002 and in the statutory financial statements according to Austrian GAAP in 2003. During 2003, after authorization of the statutory financial statements (March 27, 2003), it became evident that the potential impairment loss of FAB B was other than temporary. Therefore, the related impairment charge was recognized in the 2003 statutory financial statements. For IFRS purposes, the impairment loss was recognized in 2002 to reflect the adjusting event after the balance sheet date.

Financial instruments
Financial investments in securities are classified as „available-for-sale financial assets“ under IAS 39. They are recognized at fair value and changes in fair value are recorded in the income statement. Under Austrian GAAP, securities are valued at the lower of cost or fair value.

Derivative financial instruments are recognized in the balance sheet at fair value. Changes in the fair value are recorded in the income statement. Under Austrian GAAP, derivative financial instruments are only recognized if the fair value is negative. Unrealized gains resulting from positive fair values must not be recognized.

Under IAS 39, financial liabilities are measured at amortised cost. Under Austrian GAAP they are recorded at their repayment amount.

We have audited the accompanying consolidated financial statements of austriamicrosystems AG and subsidiaries as of December 31, 2001, 2002 and 2003 prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2001, 2002 and 2003, and of the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

We certify that the status report is in compliance with the consolidated financial statements and that the legal requirements for the exemption from the obligation to prepare consolidated financial statements in accordance with the Austrian Commercial Code are met.

Vienna, March 19, 2004

AUDITOR TREUHAND GMBH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Michael SCHOBER **Walter MÜLLER**
(Austrian) Certified Public Accountants

Auditor Treuhand GmbH is a member of

Deloitte.

GLOSSARY

Analog

A continuously changing signal, e.g. a sound wave. All signals humans can perceive such as sound, light or pressure are analog signals. Today most analog signals are converted by an analog/digital converter into digital signals for further processing in electronic devices, finally the signals may be converted back to analog by a digital/analog converter.

Analog ASICs

Chips which work with continuously changing signals and measure, control or amplify them, also called Linear ICs.

ASIC

Application Specific Integrated Circuit, a semiconductor product specifically developed for a particular task and customer.

ASSP

Application Specific Standard Product, a semiconductor product developed for a specific application which is marketed to a range of customers.

BiCMOS

A technology using both bipolar and MOSFET technology in the same integrated circuit. This combination leads to higher switching frequencies and increased accuracy of complex mixed signal circuits. Used for radio frequency system circuits in mobile phones, automotive applications and in industrial measurement and control systems.

CAD

Computer Aided Design, today's integrated circuits are designed, simulated, tested and prepared for manufacturing with intensive support from highly specialized software.

CMOS

Complementary Metal Oxide Semiconductor, the most broadly used manufacturing technology for ICs. Base technology for a wide range of ICs in telephones, communica-tions systems, PCs, cars and industrial applications. Ideal for analog and mixed signal applications due to high noise immunity and low power consumption.

Design Kit

Tool set provided for chip designers to develop their own integrated circuits. It consists of library elements for circuit design, component models, process-specific parameters and interfaces for the CAD software.

Digital

Representation of a signal in the form of a sequence of numeric values (bits, bytes) which enables simple transmission and processing of the signals in digital devices. Digital ICs store and process information in this form and carry out arithmetic or logical operations.

Integrated Circuit (IC)

An IC or chip consists of a large number of transistors, capacitors and resistors which are realised during the same production process on the surface of a silicon wafer. All these components together form an electronic circuit.

Micrometre (µm)

One millionth of a metre or one thousandth of a millimetre.

Mixed Signal IC

Circuit which processes analog and digital signals together in one IC and may also convert analog into digital signals if necessary.

Semiconductor

In terms of electrical characteristics, semiconductors are a class of materials between conductors (metals) and non-conductors (isolators). The actual characteristics of a semiconductor greatly depend on the content of impurities (doping) in the material. Through a suitable combination of various semiconductive layers, complex electronic components which control or amplify currents and voltages and perfom other functions can be manufactured. The most important starting material is silicon in form of a wafer.

Silicon

Raw material for semiconductors (the second most common element occurring on the earth's surface).

Wafer

Thin, round silicon disc with a diameter from 100 up to 300 mm which serves as the base material for the semiconductor manufacturing process.

NOTES

Responsible for contents

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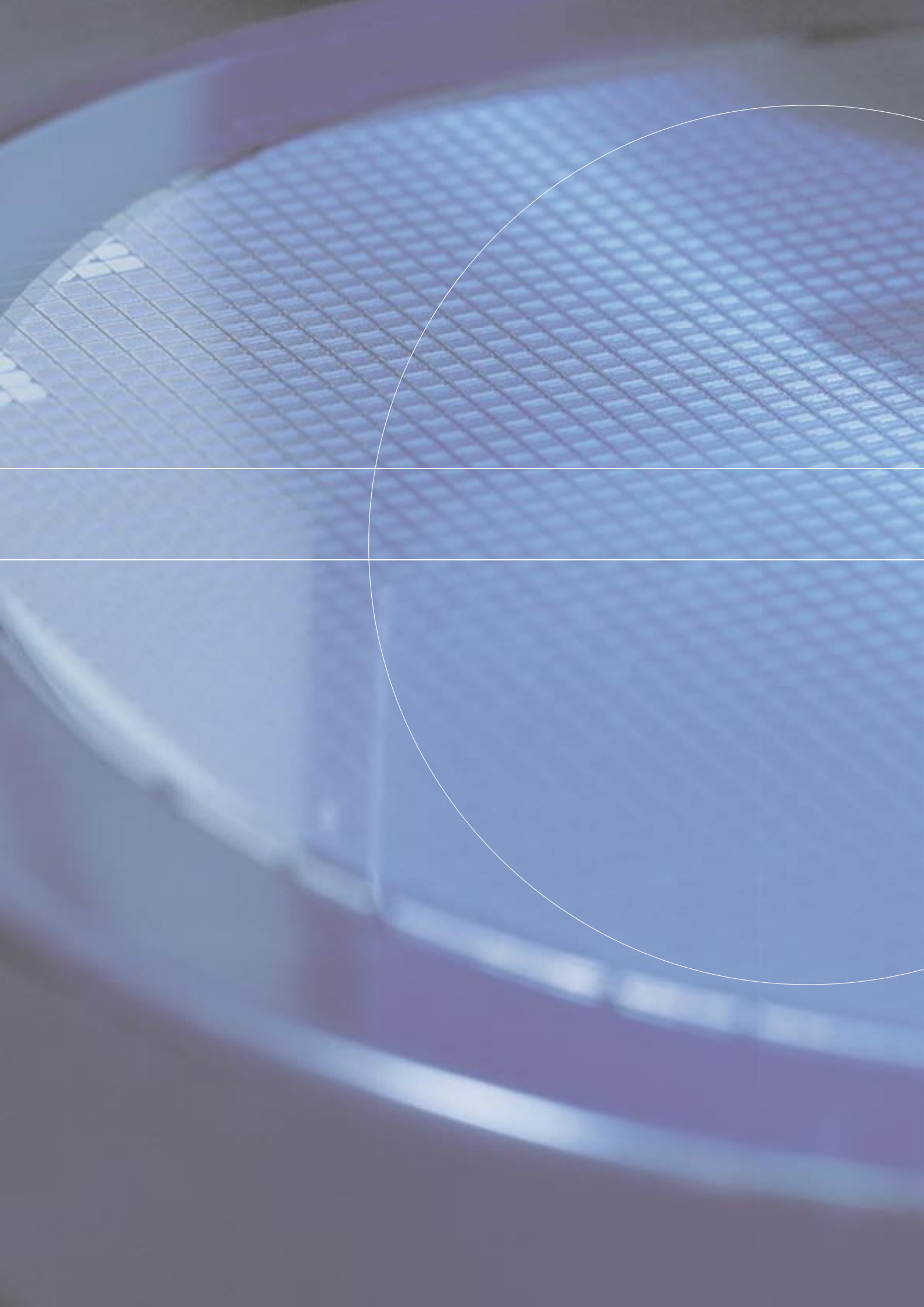

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