

Half-year Report 2004

Strong business performance in the first six months

Report to shareholders on the first half of 2004

Ladies and Gentlemen

Our positive second quarter and half-year results reflect the successful implementation of austriamicrosystems' goals and strategies. We continue to pursue our focus on profitable growth via a healthy mix of new product platforms and existing ICs and derivatives. We see an increasing demand for our products in all regions. Compared to the previous year, the second quarter as well as the first half of 2004 show a significant increase in revenues and operating profit.

Financial results

Consolidated group revenues in the second quarter reached EUR 36.6 million, an increase of 17% compared to the same quarter in 2003. Group revenues for the first six months of 2004 increased by 22% to EUR 68.9 million compared to the first half of 2003. This strong sales growth was driven by higher demand in all market segments and regions.

In the second quarter we recorded a gross margin of 43% compared to 37% in the same quarter of last year. For the first half of the current year gross margin was 43%, an increase of ten percentage points compared to the first six months of 2003. This increase was primarily due to a favourable product mix and the expansion of Fab B production capacity from 2,600 WSPM (wafer starts per month) to 3,900 WSPM. The expansion was implemented in the second half of 2003 and led to a significant decrease of production cost per wafer. Our result from operations (EBIT) for the second quarter grew significantly to EUR 3.8 million, an increase of 196% from EUR 1.3 million in the same quarter last year. The result from operations for the first half-year of 2004 rose to EUR 6.1 million from EUR -0.7 million in the relevant period last year.

New legislation passed during the second quarter lowered the Austrian corporate tax rate from 34% to 25% from January 1st, 2005. This favourable legislation creates an attractive tax environment for austriamicrosystems going forward. As detailed in the offering memorandum for our IPO and required by IFRS rules, we made a direct adjustment to our deferred tax asset of around EUR 12 million to reflect this change.

Key figures	EUR thousands (except earnings per share)	Q2 2004	Q2 2003	Q1 2004	1st half 2004	1st half 2003
Revenues		36,633	31,403	32,276	68,908	56,618
Gross margin in %		43%	37%	43%	43%	33%
Result from operations		3,755	1,269	2,296	6,051	-675
Net income/loss		-9,614	92	1,648	-7,966	-1,902
Basic = diluted earnings per share in CHF ¹⁾		-1.48	0.02	0.29	-1.30	-0.32
Basic = diluted earnings per share in EUR ¹⁾		-0.96	0.01	0.18	-0.84	-0.21
Total backlog		49,931	37,379	46,988	49,931	37,379

¹⁾ Earnings per share for Q2 2003, Q1 2004 and 1st half 2003 were adjusted to reflect share split effective April 15th 2004. Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

This one-time extraordinary non-cash adjustment impacted the net result for the second quarter 2004. Net result for the second quarter amounted to EUR -9.6 million versus EUR 0.1 million in the comparable period last year while earnings per share for the second quarter were CHF -1.48 / EUR -0.96. Net income for the first half of 2004 was EUR -8.0 million or CHF -1.30 / EUR -0.84 per share compared to EUR -1.9 million for the same period last year. Not taking into account the non-cash adjustment, net income would have reached EUR 2.5 million in the second quarter and EUR 4.1 million in the first half with earnings per share of CHF 0.38 / EUR 0.25 for the second quarter and CHF 0.67 / EUR 0.43 for the first six months of 2004. Our total backlog increased to EUR 49.9 million on June 30, 2004 from EUR 37.4 million on June 30, 2003.

Business overview

Our business continued to perform strongly in the second quarter as the global sales force expansion with emphasis on Asia we embarked on two years ago created growing momentum for our products worldwide. We continue to work closely with leading players in our target markets on a significant number of design projects and see numerous examples of customers planning new designs which will support our growth going forward.

Our highly innovative solutions for the fast growing Mobile Entertainment market demonstrate our market-leading design expertise for complex analog-intensive mixed signal circuits. These designs are gaining traction especially with Asian customers and we are seeing increased interest for the integration of music player functionality in mobile handsets. We believe that this area could play an important role for our Communications business unit going forward. In addition, our solution for a MEMS-based microphone is meeting strong and growing demand in mobile handset applications with our customer's products capturing almost 100% of this emerging growth market. We currently expect to ship in excess of 50 million of these devices this year with further substantial growth potential in 2005. In the area of electronic electricity metering, momentum is building for our highly integrated AS8168 family of electronic metering solutions. Customers in China, India, Thailand, Vietnam and Spain are benefiting from our expertise in high accuracy while they take advantage of the AS8168 family's fast calibration, multi-tariffing and anti-tampering features.

As an example of our technological leadership in sensor interfaces, we introduced the AS5040, the world's smallest magnetic rotary encoder, which offers unrivalled resolution in a small package and significant advantages over optical encoders. We are already seeing very strong customer interest and first design-ins for this product as the AS5040 is able to offer innovative solutions to critical problems in automotive and industrial applications. We also released several new best-in-class Standard Linear products including devices with extremely low power consumption. These products were received well by the market with initial sales recorded in the second quarter. Building on our platform and derivative strategy, we will continue to leverage our broad IP base with the introduction of additional families of attractive Standard Linear products during the second half of this year.

On May 17, 2004, austriamicrosystems shares started trading on the SWX Swiss Exchange in Zurich following the successful IPO of the company. Our stock market listing allows new shareholders to participate in the growth of our company and provides more transparency for our customers and business partners. In the IPO we increased our share capital by 2 million new shares with net proceeds to the company of more than EUR 41 million. Of these, EUR 40 million were used for the accelerated repayment of long-term debt which resulted in a significant strengthening of our balance sheet. In the second quarter we also completed certification according to TS 16949:2002, the newest international quality management standard, with excellent results. The successful certification demonstrates our focus on offering world-class design and process quality to our customers. In operations, the second quarter showed high utilization in all areas of production. The expansion of production capacity in Fab B from 3,900 WSPM to 5,200 WSPM is progressing as planned. We see several of our customers from all regions ramping volume products in the coming months and expect that the additional fab capacity will be fully utilized in the third quarter.

Outlook

Looking forward we continue to see strength in the analog semiconductor market. We expect our business in the product as well as foundry segments to continue to develop positively with revenues showing a further increase and earnings improving strongly in the second half of the year. Based on currently available information, we anticipate full year revenues for 2004 to reach between EUR 155 and 165 million.

Unterpremstaetten, July 27, 2004

John Heugle, CEO

Michael Wachslers-Markowitsch CFO

Consolidated Profit and Loss Statement (unaudited)

EUR thousands (except earnings per share)	Q2 2004	1st half 2004	Q2 2003	1st half 2003
Revenue Products	28,846	56,477	26,514	48,510
Revenue Foundry & Other	7,787	12,431	4,889	8,108
Total revenues	36,633	68,908	31,403	56,618
Cost of sales	- 20,848	- 39,248	- 19,852	- 37,805
Gross profit	15,785	29,661	11,551	18,812
Gross margin in %	43%	43%	37%	33%
Research and development	- 7,043	- 13,479	- 7,117	- 12,887
Selling, general and administrative	- 5,560	- 11,480	- 4,768	- 9,086
Other operating income	789	1,712	1,736	2,665
Other operating expenses	- 216	- 363	- 133	- 180
Result from operations	3,755	6,051	1,269	- 675
Net financing costs	- 1,236	- 2,089	- 1,372	- 2,698
Income/loss before tax	2,518	3,962	- 103	- 3,373
Income tax expense	- 12,133	- 11,928	195	1,471
Net income/loss	- 9,614	- 7,966	92	- 1,902
Basic = diluted earnings per share in CHF ¹⁾	- 1.48	-1.30	0.02	- 0.32
Basic = diluted earnings per share in EUR ¹⁾	- 0.96	-0.84	0.01	- 0.21

¹⁾ Earnings per share for Q2 2003, Q1 2004 and 1st half 2003 were adjusted to reflect share split effective April 15th 2004. Earnings per share in CHF were converted using the average currency exchange rate for the respective periods.

Consolidated Balance Sheet (unaudited)

EUR thousands	as of	June 30, 2004	December 31, 2003
Assets			
Cash and cash equivalents		9,353	7,674
Short-term Investments		7,365	7,258
Trade receivables		24,643	37,408
Inventories		33,822	24,447
Other receivables and assets		5,641	4,491
Total current assets		80,823	81,278
Property, plant and equipment		112,675	111,339
Intangible assets		11,404	11,451
Investments and securities		1,506	1,472
Deferred tax assets		34,454	45,415
Other long-term assets		54	54
Total non-current assets		160,094	169,732
Total assets		240,917	251,010
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings		35,710	39,189
Trade liabilities		17,588	9,840
Provisions		13,379	14,859
Other liabilities		11,068	12,202
Total current liabilities		77,745	76,090
Interest-bearing loans and borrowings		42,701	89,086
Employee benefits		7,746	7,202
Deferred government grants		8,974	9,574
Other long term liabilities		2,434	2,492
Total non-current liabilities		61,856	108,355
Shareholders' equity			
Issued capital		26,647	21,802
Share premium		91,885	54,017
Translation adjustment		- 84	- 88
Retained earnings		- 17,132	- 9,166
Total shareholders' equity and reserves		101,316	66,565
Total liabilities and shareholders' equity		240,917	251,010

Consolidated Cashflow Statement / Changes in Equity (unaudited)

Consolidated Cashflow Statement

EUR thousands	Q2 2004	1st half 2004	Q2 2003	1st half 2003
Operating activities				
Income/loss before tax	2,518	3,962	- 103	- 3,373
Depreciation (net of government grants)	5,511	10,911	4,476	9,213
Changes in employee benefits	255	543	232	353
Changes in other long-term liabilities	- 1,479	- 58	2,492	2,492
Gain/Loss from sale of plant and equipment	0	0	- 15	- 128
Net financing cost	1,236	2,089	1,372	2,698
Changes in current assets	2,326	4,225	- 1,865	- 4,695
Changes in short-term operating liabilities and provisions	- 641	- 329	- 4,430	- 2,485
Tax payments	- 32	- 40	- 7	- 10
Cash flows from operating activities	9,695	21,303	2,152	4,066
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 5,938	- 9,068	- 10,023	- 15,994
Government grants received	0	0	4,097	5,108
Proceeds from sale of plant and equipment	0	0	158	272
Interest received	192	349	41	58
Cash flows from investing activities	- 5,746	- 8,719	- 5,727	- 10,557
Financing activities				
Proceeds from borrowings	0	0	9,448	12,688
Repayment of borrowings	- 45,050	- 49,812	- 4,910	- 8,467
Repayment of finance lease liabilities	- 205	- 271	- 142	- 285
Interest paid	- 1,429	- 2,607	- 1,413	- 2,756
Changes resulting from IPO	41,785	41,785	0	0
Cash flows from financing activities	- 4,899	- 10,905	2,983	1,181
Net increase/decrease in cash and cash equivalents	- 949	1,678	- 592	- 5,310
Cash and cash equivalents at begin of period	10,302	7,674	3,464	8,183
Cash and cash equivalents at end of period	9,353	9,353	2,872	2,872

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Changes in Equity

EUR thousands	1st half 2004	1st half 2003
Beginning of period	66,565	65,888
Capital increase, merger	42,713	0
Net profit/loss for the period	- 7,966	- 1,902
Translation adjustment	4	- 21
End of period	101,316	63,965

Notes on the Interim Financial Statements June 30, 2004

1. Accounting principles

The consolidated financial statements of austriamicrosystems AG and subsidiaries (the "Group") are based on the accounts of the individual subsidiaries at June 30. All figures have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting principles applied in the halfyear report correspond with the reporting policies specified in the Offering Memorandum dated May 14th, 2004. The halfyear report is consistent with IAS 34.

2. Segment reporting

Business segments	EUR thousands	Products	Foundry & Other	Group
1st half 2004				
Revenues		56,477	12,431	68,908
Result from operations		13,308	- 7,257	6,051
1st half 2003				
Revenues		48,495	8,123	56,618
Result from operations (cost based)		9,268	- 9,943	- 675
Result from operations (transfer price based)		- 1,959	1,284	- 675

Regions	EUR thousands	EMEA ¹⁾	Americas	Asia/Pacific	Group
1st half 2004					
Revenues		55,489	8,180	5,239	68,908
1st half 2003					
Revenues		47,924	7,383	1,311	56,618

¹⁾ Europe, Middle East, Africa

Segment information is presented in respect to the Group's business and geographical segments. The primary reporting format, business segments, comprises Analog/Mixed-Signal Products ("Products") and Full Service Foundry & Other ("Foundry & Other"). Under the "Foundry & Other" segment we show revenues from third party foundry customers and record all unallocated corporate costs, inter-segment revenues have been eliminated. Inter-segment pricing is determined on a cost basis, for reference historical information is also presented on an arm's length (transfer price) basis. The secondary reporting format is structured by the three regions in which sales occur: "EMEA" which includes Europe, Middle East, Africa, "Americas" and "Asia/Pacific". Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

3. Number of employees

The average number of employees was 815 during the first half of 2004, compared to 801 during the first half of 2003.

Notes on the Interim Financial Statements June 30, 2004

4. Seasonality, economic cycles

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

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

austriamicrosystems

A-8141 Schloss Premstaetten | Austria

Phone +43/3136/500-0 | Fax +43/3136/500-5420

investor@austriamicrosystems.com

www.austriamicrosystems.com