

Third Quarter Report 2004

Continuing growth in the third quarter

Ladies and Gentlemen

Our positive third quarter results reflect our continuing focus on profitable growth from new products, existing ICs and derivatives as well as good demand for our products in all regions.

The third quarter 2004 shows a significant increase in revenues and earnings compared to the previous year, with consolidated group revenues of EUR 41.1 million, an increase of 26% compared to the same quarter in 2003. This sales growth resulted from higher demand in all segments. Our gross margin stood at 42% compared to 44% in the same period last year. The result from operations (EBIT) for the third quarter grew strongly to EUR 5.1 million, an increase of 36% compared to the same quarter last year. The net result for the third quarter increased by 122% to EUR 4.2 million from EUR 1.9 million in the same period of 2003. Earnings per share for the third quarter were CHF 0.60 / EUR 0.39. Our total backlog reached EUR 56.4 million on September 30, 2004 versus EUR 44.9 million on September 30, 2003.

Our business units Industry & Medical, Communications and Automotive are seeing ongoing success in the marketplace as our high performance analog solutions fully address customer demands and requirements. We see, for example, accelerating interest in our AS5040, the world's smallest magnetic rotary encoder, with additional design-ins for industrial and automotive applications. Our solutions for flash and hard disk drive-based portable audio players are also receiving very positive feedback from important market participants. In addition, we have begun volume shipments of a complex sensor interface solution for an automotive stability system (ESP) to a major international automotive supplier. In operations, the expansion of production capacity in Fab B from 3,900 WSPM to 5,200 WSPM has been completed and is fully operational. We also achieved certification according to ISO 13485:2003, the new international quality management standard for medical devices, with excellent results.

We expect our business to continue to develop positively with revenues and earnings showing further increases in the fourth quarter. Based on current information, we anticipate full year revenues in 2004 around the mid-point of our previously announced range of EUR 155-165 million. Looking to the coming year 2005, we feel confident of further growth in revenues and earnings for austriamicrosystems.

Key figures	EUR thousands (except earnings per share)	Q3 2004	Q3 2003	Q2 2004	9 months 2004	9 months 2003
Revenues		41,070	32,692	36,633	109,978	89,310
Gross margin in %		42%	44%	43%	43%	37%
Result from operations		5,120	3,760	3,755	11,170	3,085
Net income/loss		4,236	1,909	-9,614	-3,730	7
Basic = diluted earnings per share in CHF ¹⁾		0.60	0.33	-1.48	-0.58	0.00
Basic = diluted earnings per share in EUR ¹⁾		0.39	0.21	-0.96	-0.37	0.00
Total backlog		56,369	44,848	49,931	56,369	44,848

¹⁾ Earnings per share for Q3 2003 and 9 months 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 Profit and Loss Statement (unaudited)

EUR thousands (except earnings per share)	Q3 2004	9 months 2004	Q3 2003	9 months 2003
Revenue Products	34,211	90,688	27,043	75,554
Revenue Foundry & Other	6,859	19,290	5,649	13,756
Total revenues	41,070	109,978	32,692	89,310
Cost of sales	- 24,035	- 63,282	- 18,337	- 56,143
Gross profit	17,035	46,696	14,355	33,167
Gross margin in %	42%	43%	44%	37%
Research and development	- 8,201	- 21,680	- 6,628	- 19,515
Selling, general and administrative	- 4,977	- 16,457	- 5,168	- 14,254
Other operating income	1,270	2,982	1,360	4,025
Other operating expenses	- 7	- 371	- 159	- 338
Result from operations	5,120	11,170	3,760	3,085
Net financing costs	- 183	- 2,272	- 1,247	- 3,945
Income/loss before tax	4,937	8,898	2,513	- 860
Income tax expense	- 701	- 12,628	- 604	867
Net income/loss	4,236	- 3,730	1,909	7
Basic = diluted earnings per share in CHF ¹⁾	0.60	-0.58	0.33	0.00
Basic = diluted earnings per share in EUR ¹⁾	0.39	-0.37	0.21	0.00

¹⁾ Earnings per share for Q3 2003 and 9 months 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	September 30, 2004	December 31, 2003
Assets			
Cash and cash equivalents		5,388	7,674
Short-term Investments		8,635	7,258
Trade receivables		30,198	37,408
Inventories		31,628	24,447
Other receivables and assets		4,647	4,491
Total current assets		80,497	81,278
Property, plant and equipment		113,296	111,339
Intangible assets		11,953	11,451
Investments and securities		251	1,472
Deferred tax assets		33,757	45,415
Other long-term assets		54	54
Total non-current assets		159,312	169,732
Total assets		239,809	251,010
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings		35,238	39,189
Trade liabilities		16,935	9,840
Provisions		15,376	14,859
Other liabilities		8,421	12,202
Total current liabilities		75,970	76,090
Interest-bearing loans and borrowings		39,342	89,086
Employee benefits		8,000	7,202
Deferred government grants		8,674	9,574
Other long term liabilities		2,278	2,492
Total non-current liabilities		58,295	108,355
Shareholders' equity			
Issued capital		26,647	21,802
Share premium		91,885	54,017
Translation adjustment		- 93	- 88
Retained earnings		- 12,896	- 9,166
Total shareholders' equity and reserves		105,544	66,565
Total liabilities and shareholders' equity		239,809	251,010

Consolidated Cashflow Statement (unaudited)

EUR thousands	Q3 2004	9 months 2004	Q3 2003	9 months 2003
Operating activities				
Income/loss before tax	4,937	8,898	2,513	- 860
Depreciation (net of government grants)	5,465	16,375	5,121	14,335
Changes in employee benefits	254	797	110	463
Changes in other long-term liabilities	- 156	- 214	0	2,492
Gain/Loss from sale of plant and equipment	0	0	0	- 128
Net financing cost	183	2,272	1,247	3,945
Changes in current assets	- 4,125	100	- 7,977	- 12,671
Changes in short-term operating liabilities and provisions	- 1,421	- 1,750	- 1,384	- 3,869
Tax payments	- 5	- 45	- 2	- 12
Cash flows from operating activities	5,131	26,434	- 371	3,694
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 6,113	- 15,181	- 1,888	- 17,882
Government grants received	1,860	1,860	10,074	15,183
Proceeds from sale of plant and equipment	0	0	0	272
Interest received	263	612	52	109
Cash flows from investing activities	- 3,990	- 12,709	8,238	- 2,318
Financing activities				
Proceeds from borrowings	0	0	10,619	23,307
Repayment of borrowings	- 4,387	- 54,198	- 3,537	- 12,004
Repayment of finance lease liabilities	- 207	- 478	- 179	- 464
Interest paid	- 513	- 3,120	- 1,298	- 4,054
Changes resulting from IPO	0	41,785	0	0
Cash flows from financing activities	- 5,106	- 16,012	5,604	6,785
Net increase/decrease in cash and cash equivalents	- 3,965	- 2,287	13,471	8,161
Cash and cash equivalents at begin of period	9,353	7,674	2,872	8,183
Cash and cash equivalents at end of period	5,388	5,388	16,343	16,343

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

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