

Third Quarter Report 2005

Profitable 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 analog semiconductor solutions from Europe, North America and Asia.

The third quarter 2005 shows a significant increase in revenues and earnings compared to the previous year, with consolidated group revenues of EUR 46.4 million, an increase of 13% compared to the same quarter in 2004. Gross margin reached 45% compared to 42% in the same period last year. The result from operations (EBIT) for the third quarter grew to EUR 6.3 million, an increase of 23% compared to the same quarter last year. For costs related to the ramp-down of our legacy 100mm fab which will be completed before year-end we recorded a one-time charge of EUR 2.2 million. The third quarter net result nevertheless increased by 41% to EUR 6.0 million from EUR 4.2 million in the same period of 2004. Basic (diluted) earnings per share for the third quarter were CHF 0.85 / EUR 0.54 (CHF 0.83 / EUR 0.53). Total backlog stood at EUR 60.7 million on September 30, 2005 versus EUR 56.4 million on September 30, 2004.

Our business units Industry & Medical, Communications and Automotive continue their market success with high-performance customized and standard products. We see increasing demand for our advanced power management and lighting solutions for portable devices including the next generation portable satellite receiver from XM Radio, and are successful with our portable audio system solutions which are at the heart of high capacity flash-based MP3 players to be launched by a major manufacturer. In other focus areas such as medical devices, metering and automation we experience continuing growth and strong customer interest. Our global network of sales and design locations allows us to take advantage of expanding market opportunities in North America, Europe and Asia. In operations, we are implementing the increase of production capacity in our 200mm wafer fab from 5,200 to 6,500 WSPM¹⁾ and anticipate that the additional capacity will be operational by year-end.

We expect our business to continue its positive development and revenues and earnings to show further meaningful increases in the fourth quarter. Given the dependence of production ramp-ups for designed-in products on customers' launch and order schedules, we anticipate full year revenue growth for 2005 to reach between 10 and 12.5%, based on current information. For the coming year 2006, we see continuing growth in revenues, margins and earnings for austriamicrosystems.

Key figures	EUR thousands (except earnings per share)	Q3 2005	Q3 2004	Q2 2005	9 months 2005	9 months 2004
Revenues		46,399	41,070	40,344	121,964	109,978
Gross margin in %		45%	42%	44%	44%	43%
Result from operations		6,301	5,120	4,431	14,814	11,170
Net income/loss		5,979	4,236	3,524	12,359	- 3,730
Basic / diluted earnings per share in CHF ²⁾		0.85 / 0.83	0.60 / 0.60	0.49 / 0.49	1.74 / 1.73	- 0.58 / - 0.58
Basic / diluted earnings per share in EUR		0.54 / 0.53	0.39 / 0.39	0.32 / 0.32	1.12 / 1.12	- 0.37 / - 0.37
Total backlog		60,671	56,369	54,058	60,671	56,369

¹⁾ Wafer starts per month. ²⁾ 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 2005	9 months 2005	Q3 2004	9 months 2004
Revenue Products	38,040	99,856	34,211	90,722
Revenue Foundry & Other	8,358	22,108	6,859	19,256
Total revenues	46,399	121,964	41,070	109,978
Cost of sales	- 25,334	- 67,989	- 24,035	- 63,282
Gross profit	21,065	53,975	17,035	46,696
Gross margin in %	45%	44%	42%	43%
Research and development	- 7,676	- 22,730	- 8,201	- 21,680
Selling, general and administrative	- 5,750	- 17,444	- 4,977	- 16,457
Other operating income	1,296	3,717	1,270	2,982
Other operating expenses	- 447	- 518	- 8	- 371
Restructuring	- 2,185	- 2,185	0	0
Result from operations	6,301	14,814	5,120	11,170
Net financing costs	- 316	- 807	- 183	- 2,272
Income/loss before tax	5,985	14,007	4,937	8,898
Income tax expense	- 7	- 1,649	- 700	- 12,629
Net income/loss	5,979	12,359	4,236	- 3,730
Basic / diluted earnings per share in CHF ¹⁾	0.85 / 0.83	1.74 / 1.73	0.60 / 0.60	- 0.58 / - 0.58
Basic / diluted earnings per share in EUR	0.54 / 0.53	1.12 / 1.12	0.39 / 0.39	- 0.37 / - 0.37

¹⁾ 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, 2005	December 31, 2004
Assets			
Cash and cash equivalents		23,528	17,323
Short-term Investments		700	0
Trade receivables		35,894	38,777
Inventories		32,137	28,460
Other receivables and assets		4,869	5,095
Total current assets		97,129	89,655
Property, plant and equipment		116,148	115,883
Intangible assets		9,156	11,200
Investments and securities		1	195
Deferred tax assets		30,953	32,580
Other long-term assets		0	60
Total non-current assets		156,257	159,919
Total assets		253,386	249,574
Liabilities and shareholders' equity			
Liabilities			
Interest-bearing loans and borrowings		36,297	34,408
Trade liabilities		23,068	21,571
Provisions		15,688	15,335
Other liabilities		12,053	14,064
Total current liabilities		87,106	85,377
Interest-bearing loans and borrowings		26,617	36,337
Employee benefits		8,597	7,837
Deferred government grants		5,253	5,928
Other long term liabilities		730	1,568
Total non-current liabilities		41,197	51,670
Shareholders' equity			
Issued capital		26,647	26,647
Share premium		91,593	91,417
Translation adjustment		- 85	- 104
Retained earnings		6,928	- 5,432
Total shareholders' equity and reserves		125,083	112,527
Total liabilities and shareholders' equity		253,386	249,574

Consolidated Cashflow Statement (unaudited)

EUR thousands	Q3 2005	9 months 2005	Q3 2004	9 months 2004
Operating activities				
Income/loss before tax	5,985	14,007	4,937	8,898
Depreciation (net of government grants)	5,352	16,505	5,465	16,375
Changes in employee benefits	262	759	254	797
Expense from stock option program (acc. IFRS 2)	177	177		
Changes in other long-term liabilities	- 303	- 574	- 156	- 214
Gain/Loss from sale of plant and equipment	0	0	0	0
Gain/Loss from sale of investments and securities	- 21	- 21	0	0
Net financing cost	337	828	183	2,272
Changes in current assets	- 5,431	- 2,415	- 4,125	100
Changes in short-term operating liabilities and provisions	5,455	- 1,769	- 1,421	- 1,750
Tax payments	- 1	- 105	- 5	- 45
Cash flows from operating activities	11,812	27,392	5,131	26,434
Investing activities				
Acquisition of intangibles, property, plant and equipment	- 4,377	- 13,826	- 6,113	- 15,181
Government grants received	0	1,854	1,860	1,860
Acquisition of short term investments	- 700	- 700	0	0
Proceeds from sale of plant and equipment	0	0	0	0
Proceeds from sale of investments	220	220	0	
Interest received	258	736	263	612
Cash flows from investing activities	- 4,599	- 11,715	- 3,990	- 12,709
Financing activities				
Proceeds from borrowings	445	5,130	0	0
Repayment of borrowings	- 3,441	- 12,358	- 4,387	- 54,198
Repayment of finance lease liabilities	- 213	- 640	- 207	- 478
Interest paid	- 491	- 1,603	- 513	- 3,120
Changes resulting from IPO	0	0	0	41,785
Cash flows from financing activities	- 3,700	- 9,471	- 5,106	- 16,012
Net increase/decrease in cash and cash equivalents	3,513	6,205	- 3,965	- 2,287
Cash and cash equivalents at begin of period	20,015	17,323	9,353	7,674
Cash and cash equivalents at end of period	23,528	23,528	5,388	5,388

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