

2001

INFINEON TECHNOLOGIES AG
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE YEARS ENDED SEPTEMBER 30, 1999, 2000 AND 2001

	NOTES	1999	2000	2001
Net sales:				
Third parties		3,163,259	6,071,983	4,622,408
Related parties		1,074,034	1,210,615	1,048,315
Total net sales		4,237,293	7,282,598	5,670,723
Cost of goods sold		3,010,643	4,110,402	4,903,508
Gross profit		1,226,650	3,172,196	767,215
Research and development expenses		738,590	1,025,378	1,188,977
Selling, general and administrative expenses		550,547	669,828	786,053
Restructuring charge	(23)	—	—	116,505
Other operating expense (income), net		1,893	(1,538)	(199,315)
Operating (loss) income		(64,380)	1,478,528	(1,125,005)
Interest income (expense), net, inclusive of subsidies		43,383	74,689	(585)
Equity in earnings of associated companies		33,763	101,303	24,828
Gain on associated company share issuance	(11)	—	53,425	11,165
Other income, net		17,576	36,252	64,798
Minority interests		185	(6,143)	5,489
Income (loss) before income taxes		30,527	1,738,054	(1,019,310)
Income tax benefit (expense)	(19)	30,109	(612,469)	428,729
Net income (loss)		60,636	1,125,585	(590,581)
Earnings (loss) per share, basic and diluted	(6)	0.10	1.83	(0.92)

Euro thousands, except for per share data.

For the year ended September 30, 1999, Euro balances have been restated from the Deutsche Mark into Euro using the official exchange rate fixed as of January 1, 1999 (Note 2).

See accompanying notes to consolidated financial statements (see page 62 ff.).

INFINEON TECHNOLOGIES AG
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2000 AND 2001

	NOTES	2000	2001
ASSETS			
Current assets:			
Cash and cash equivalents		510,814	757,403
Marketable securities	(7)	497,712	92,563
Accounts receivable, net	(8)	1,385,818	718,712
Related party receivables	(18)	439,125	208,273
Inventories	(9)	840,814	881,910
Deferred income taxes	(19)	100,407	38,955
Other current assets		60,468	178,495
Total current assets		3,835,158	2,876,311
Property, plant and equipment, net	(10)	4,034,357	5,232,677
Long-term investments, net	(11)	432,291	654,721
Restricted cash		132,063	86,069
Deferred income taxes	(19)	165,601	412,203
Other assets	(12)	253,405	481,369
Total assets		8,852,875	9,743,350
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Short-term debt and current maturities	(17)	138,350	119,229
Accounts payable	(13)	849,239	1,050,377
Related party payables	(18)	373,385	238,737
Accrued liabilities	(14)	718,781	426,287
Deferred income taxes	(19)	74,634	19,487
Other current liabilities	(15)	299,948	349,628
Total current liabilities		2,454,337	2,203,745
Long-term debt	(17)	127,972	248,976
Deferred income taxes	(19)	177,445	52,747
Other liabilities	(16)	286,722	337,804
Total liabilities		3,046,476	2,843,272
Shareholders' equity:			
Ordinary share capital	(5)	1,251,003	1,384,765
Additional paid-in capital		3,250,715	5,246,734
Retained earnings		1,192,192	194,999
Accumulated other comprehensive income	(26)	112,489	73,580
Total shareholders' equity		5,806,399	6,900,078
Total liabilities and shareholders' equity		8,852,875	9,743,350

Euro thousands.

See accompanying notes to consolidated financial statements (see page 62 ff.).

2001

INFINEON TECHNOLOGIES AG CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 1999, 2000 AND 2001	ISSUED ORDINARY SHARES		ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	
Balance as of October 1, 1998	—	—	—
Net loss prior to April 1, 1999	—	—	—
Net income after April 1, 1999	—	—	—
Other comprehensive income (loss)	—	—	—
Total comprehensive income			
Retention of North Tynside by Siemens AG (Note 1)	—	—	—
Net investments by and advances from Siemens AG prior to April 1, 1999	—	—	—
Contribution to capital and issuance of shares on initial formation as of April 1, 1999	600,000,000	1,200,000	2,363,968
Additional capital contributions	—	—	26,193
Balance as of September 30, 1999	600,000,000	1,200,000	2,390,161
Net income	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income			
Issuance of ordinary shares			
Proceeds from initial public offering, net of offering expenses	16,700,000	33,400	528,635
Proceeds from private placement	7,592,430	15,185	243,641
Acquisition of Savan	1,209,077	2,418	46,426
Deferred compensation, net	—	—	(23,294)
Increase of basis in long-term investment attributable to the issuance of shares by associated company	—	—	51,212
Equity transactions with Siemens Group	—	—	13,934
Balance as of September 30, 2000	625,501,507	1,251,003	3,250,715
Net loss	—	—	—
Other comprehensive loss	—	—	—
Total comprehensive loss			
Dividend payment	—	—	—
Issuance of ordinary shares			
Proceeds from public offering, net of offering expenses	60,000,000	120,000	1,355,137
Acquisition of Ardent	706,714	1,413	37,709
Acquisition of Catamaran	5,730,866	11,462	240,457
Investment in associated company	443,488	887	19,960
Ordinary shares held by associated company	—	—	(4,215)
Deferred compensation, net	—	—	(18,929)
Sale of joint venture interest to Siemens Group	—	—	392,310
Equity transactions with Siemens Group	—	—	(26,410)
Balance as of September 30, 2001	692,382,575	1,384,765	5,246,734

RETAINED EARNINGS	INVESTMENTS BY AND ADVANCES FROM SIEMENS AG	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	ADDITIONAL MINIMUM PENSION LIABILITY	UNREALIZED GAINS/LOSSES ON SECURITIES	TOTAL
—	2,144,134	(48,602)	—	103	2,095,635
—	(5,971)	—	—	—	(5,971)
66,607	—	—	—	—	66,607
—	—	49,106	—	(1,915)	47,191
—	—	—	—	—	107,827
—	293,713	—	—	—	293,713
—	1,132,092	—	—	—	1,132,092
—	(3,563,968)	—	—	—	—
—	—	—	—	—	26,193
66,607	—	504	—	(1,812)	3,655,460
1,125,585	—	—	—	—	1,125,585
—	—	105,085	—	8,712	113,797
—	—	—	—	—	1,239,382
—	—	—	—	—	562,035
—	—	—	—	—	258,826
—	—	—	—	—	48,844
—	—	—	—	—	(23,294)
—	—	—	—	—	51,212
—	—	—	—	—	13,934
1,192,192	—	105,589	—	6,900	5,806,399
(590,581)	—	—	—	—	(590,581)
—	—	(19,032)	(11,529)	(8,348)	(38,909)
—	—	—	—	—	(629,490)
(406,612)	—	—	—	—	(406,612)
—	—	—	—	—	1,475,137
—	—	—	—	—	39,122
—	—	—	—	—	251,919
—	—	—	—	—	20,847
—	—	—	—	—	(4,215)
—	—	—	—	—	(18,929)
—	—	—	—	—	392,310
—	—	—	—	—	(26,410)
194,999	—	86,557	(11,529)	(1,448)	6,900,078

Euro thousands, except for per share data.

For the year ended September 30, 1999, Euro balances have been restated from the Deutsche Mark into Euro using the official exchange rate fixed as of January 1, 1999 (Note 2).

See accompanying notes to consolidated financial statements (see page 62 ff.).

[Consolidated Statements of Cash Flows]

INFINEON TECHNOLOGIES AG
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 1999, 2000 AND 2001

	1999	2000	2001
Net (loss) income	60,636	1,125,585	(590,581)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization	573,069	833,656	1,121,730
Acquired in-process research and development	—	26,012	69,272
Deferred compensation	—	25,550	25,305
Provision for doubtful accounts	1,723	17,410	18,802
Write-down of inventory	—	40,013	357,731
Gain on sale or transfer of marketable securities	(521)	(20,238)	(1,485)
Gain on sale of businesses	(15,319)	(306)	(235,021)
Gain on associated company share issuance	—	(53,425)	(11,165)
Loss (gain) on disposal of property, plant and equipment	18,041	(1,648)	206
Equity in earnings of associated companies	(33,763)	(101,303)	(24,828)
Minority interests	(185)	6,143	(5,489)
Deferred income taxes	(73,454)	90,812	(494,380)
Other non-cash items	—	—	25,591
Changes in operating assets and liabilities:			
Related party receivables - trade	(8,401)	(148,024)	65,597
Accounts receivable	(284,944)	(535,314)	671,136
Inventories	(40,529)	(147,900)	(394,098)
Other current assets	(25,607)	(29,800)	(138,793)
Related party payables - trade	73,294	93,995	(125,792)
Accounts payable	61,984	375,393	183,851
Accrued liabilities	77,847	467,505	(322,272)
Other current liabilities	75,668	103,339	27,078
Other assets and liabilities	9,080	(87,768)	(11,000)
Net cash provided by operating activities	468,619	2,079,687	211,395

INFINEON TECHNOLOGIES AG
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 1999, 2000 AND 2001

	1999	2000	2001
Cash flows from investing activities:			
Purchases of marketable securities available for sale	(175,250)	(451,990)	(81,856)
Proceeds from sale of marketable securities available for sale	11,296	—	473,995
Proceeds from sale of businesses	18,033	308	345,978
Investment in associated and related companies	(133,078)	(302,512)	(213,713)
Purchases of intangible assets	(43,203)	(42,909)	(82,362)
Purchases of property, plant and equipment	(652,528)	(1,570,832)	(2,281,962)
Proceeds from sales of property, plant and equipment	56,462	39,839	27,262
Dividends received from equity investments	—	1,461	—
Net cash used in investing activities	(918,268)	(2,326,635)	(1,812,658)
Cash flows from financing activities:			
Net change in short-term debt	(48,151)	59,735	(13,908)
Net change in related party financial receivables and payables	(763,654)	222,167	69,921
Proceeds from issuance of long-term debt	71,613	13,264	128,015
Principal repayments of long-term debt	(79,534)	(500,100)	(20,526)
Proceeds from issuance of redeemable interest in associated company	—	168,726	—
Net change in restricted cash	(63,529)	(67,173)	44,941
Increase in investments by and advances from Siemens AG	1,322,055	—	—
Proceeds from issuance of shares to minority interest	—	—	19,737
Proceeds from issuance of ordinary shares	—	820,861	1,475,137
Dividend payment	—	—	(406,612)
Sale of joint venture interest to Siemens Group	—	—	564,674
Capital contributions from Siemens Group	26,193	1,667	(15,360)
Net cash provided by financing activities	464,993	719,147	1,846,019
Effect of foreign exchange rate changes on cash and cash equivalents	2,276	9,109	1,833
Net increase in cash and cash equivalents	17,620	481,308	246,589
Cash and cash equivalents at beginning of year	11,886	29,506	510,814
Cash and cash equivalents at end of year	29,506	510,814	757,403

Euro thousands.

For the year ended September 30, 1999 Euro balances have been restated from the Deutsche Mark into Euro using the official exchange rate fixed as of January 1, 1999 (Note 2).

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